

**Our Projects/ Products Reach:**

- Australia • Brunei • Cambodia • Ghana • Indonesia • Iran • Laos • Malaysia • Mali • Myanmar • North Korea •
- Papua New Guinea • Singapore • South Africa • Sri Lanka • Tanzania • Vietnam • United Arab Emirates • Yemen •



Efficient • Effective • Excellent



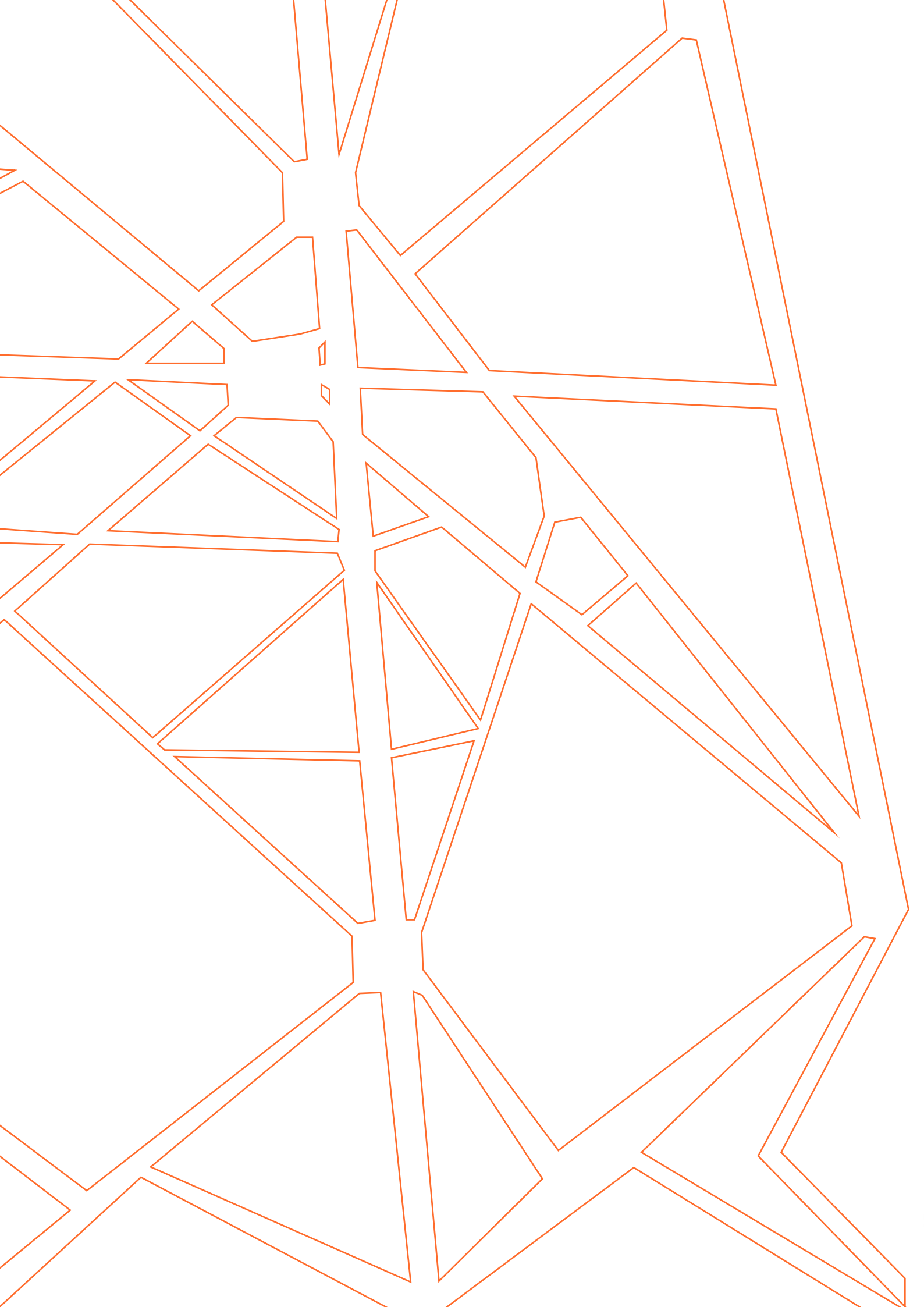
Annual Report 2013

[www.pestech-international.com](http://www.pestech-international.com)

**Headquarters:**

No.26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia.

**Customer care line:** 1700-81-9001 (within Malaysia) +6012 236 9226 (outside Malaysia)



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# Corporate Profile



**PESTECH International Berhad (PESTECH, “Company” or “Group”) is a homegrown integrated electric power technology group listed on the Main Market of Bursa Malaysia (5219 / PESTECH). Its main operating subsidiary is PESTECH Sdn. Bhd. (“PSB”)**

The Group is principally engaged in the provision of comprehensive power system engineering and technical solution for the design, procurement and installation of high voltage (HV) and extra high voltage (EHV) substations, transmission lines and underground cables for electricity transmission and distribution. With a civil construction team in place, the Group is able to undertake turnkey substation, power transmission and distribution projects. Additionally, PESTECH conducts in-house engineering and development of its own communication, protection and control products, both for sale and for use in its projects. It owns several registered brands such as PESTECH, COPS, PROCOM, WACS and RETCOMS for application in electric power substation control, monitoring and protection apparatus.

Currently, the Group is focused on emerging and developing countries where there is demand for the development of electricity transmission and distribution assets. The Group is, thus, strategically positioned in the fast growing ASEAN region to cover Cambodia, Laos and Indonesia, apart from maintaining its established presence back home in Malaysia.

To maintain quality and safety standards, PESTECH has been adopting the Quality Management System (QMS) in accordance with ISO 9001:2000 since 2001 and obtained certification in 2002. Subsequently it extended its scope to ISO 9001:2008 and adopted Occupational Health and Safety Management System (OHS MS) in accordance with OHSAS 18001:2007 in 2010 which requires the organisations' commitment to prevent occupational ill health and injury at the work place. In 2013, PESTECH obtained the certification of ISO14001:2004, the standard which sets out the criteria for an Environmental Management System (EMS) and committed towards pollution prevention, environmental protection and sustainability.

# Financial Highlights

	Audited	
	2013	2012
	RM'000	RM'000
<b>PROFITABILITY</b>		
Revenue	181,766	136,098
EBIT	32,052	24,194
Profit before taxation	28,593	23,033
Profit for the year attributable to equity holders	20,721	16,524
<b>BALANCE SHEET</b>		
Total assets	212,091	129,048
Share capital	46,218	42,940
Shareholders' equity	92,283	65,383
Total bank borrowings	67,059	25,874
<b>FINANCIAL RATIO</b>		
Return on equity	22%	25%
Return on total assets	15%	19%
Gearing ratio	0.73	0.40
Interest cover	9.70	20.84
<b>SHARE INFORMATION</b>		
Gross dividend per share (sen)	11.00	7.70
Earnings per share (sen)	24.00	21.00
Net assets per share (sen)	99.83	76.13
Weighted average number of ordinary shares in issue	86,478	80,513



# Corporate Information

## BOARD OF DIRECTORS

**Lim Ah Hock**

*(Executive Chairman)*

**Paul Lim Pay Chuan**

*(Executive Director / CEO)*

**Tan Puay Seng**

*(Independent Non-Executive Director)*

**Ibrahim Bin Talib**

*(Independent Non-Executive Director)*

**Detlef Raddatz**

*(Non Independent Non-Executive Director)  
Resigned on 23 August 2013*

**Khoo Kiak Kern**

*(Independent Non-Executive Director)  
Appointed on 25 November 2013*

## COMPANY SECRETARIES

**Teh Bee Choo**

*(MIA 7562)*

**Chua Siew Chuan**

*(MAICSA 0777689)*

**Pan Seng Wee**

*(MAICSA 7034299)*

## AUDITORS

SJ Grant Thornton (AF: 0737)  
(Member of Grant Thornton  
International Ltd)  
Chartered Accountants  
Level 11, Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Telephone No. : (03) 2692 4022

## REGISTERED OFFICE

Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Telephone No.: (03) 2084 9000

## HEAD OFFICE

No.26, Jalan Utarid U5/14  
Seksyen U5  
40150 Shah Alam  
Selangor Darul Ehsan  
Telephone No. : (03) 7845 2186  
Website: [www.pestech-international.com](http://www.pestech-international.com)

## PRINCIPLE BANKERS

Citibank Malaysia Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
Standard Chartered Bank (Malaysia) Berhad

## SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd  
Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Telephone No. : (03) 2084 9000  
Fax No. : (03) 2094 9940 / 2095 0292

## STOCK EXCHANGE LISTING

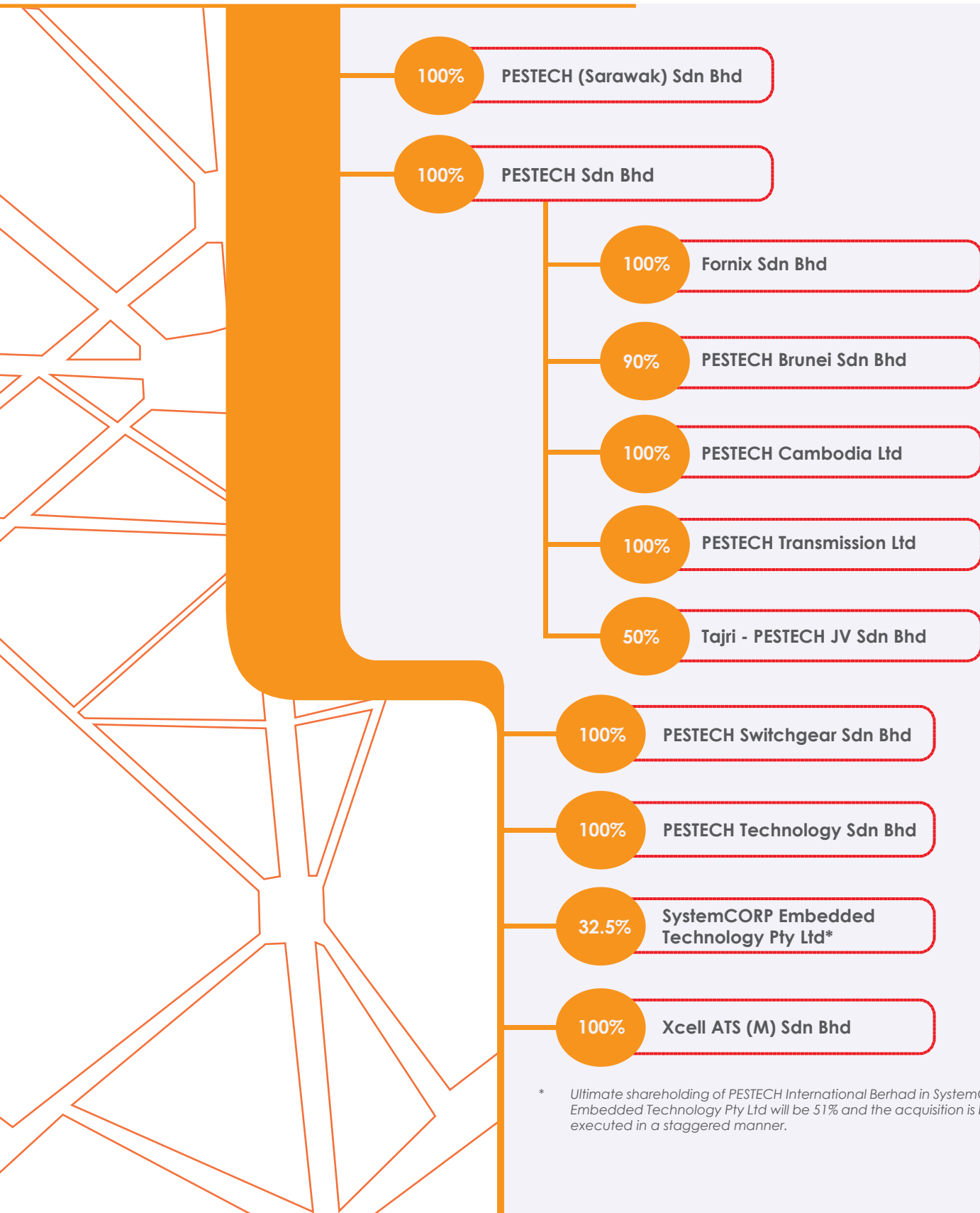
Bursa Malaysia Securities Berhad  
("Bursa Malaysia") : Main Market  
Name & Code: PESTECH & 5219

# Corporate Structure

as at 23 May 2014

## PESTECH™

### PESTECH International Berhad



\* Ultimate shareholding of PESTECH International Berhad in SystemCORP Embedded Technology Pty Ltd will be 51% and the acquisition is being executed in a staggered manner.

# Global Presence

“ we are going to do this with all means possible attitude, which is exactly what one needs to succeed ”





# Board of Directors



“ In Effectiveness, we serve;  
In Efficiency, we deliver;  
In Excellence, we achieve ”

1. **Lim Ah Hock**  
*Executive Chairman*
2. **Paul Lim Pay Chuan**  
*Executive Director / CEO*
3. **Ibrahim Bin Talib**  
*Independent  
Non-Executive Director*
4. **Khoo Kiak Kern**  
*Independent  
Non-Executive Director*
5. **Tan Puay Seng**  
*Independent  
Non-Executive Director*

# Profile of Directors

(cont'd)



## LIM AH HOCK

Lim Ah Hock, a Malaysian, aged 62, is our Executive Chairman. He was appointed to our Board on 18 August 2011.

In 1978, he graduated from the University of Strathclyde in Glasgow, United Kingdom with a Bachelor of Science degree majoring in Mechanical Engineering (First Class Honours). He is a member of the Institute of Engineers, Malaysia since 1981.

He began his career in 1979 as a Lecturer in Ngee Ann Technical College in Singapore (renamed to Ngee Ann Polytechnic in 1982) lecturing in thermodynamics and fluid mechanics. In 1980, he joined Mechmar Kejuruteraan Sdn Bhd ("Mechmar") as a Service Engineer where he managed the service division and was involved in the provision of aftersales service and major boiler repairs. Subsequently, he left Mechmar in 1984 and joined Sing Mah PressureVessels Co. as a Branch Manager during the period of 1984 to 1989 where he was in charge of the Southern branch's overall sales to the oil palm refineries, food and timber industries as well as other existing industries in Southern Peninsular, Sabah and Sarawak. In 1989, he became a Director of VESTECH Engineering Sdn Bhd, a position he holds until today.

In 1991, he set up PESTECH Sdn. Bhd. ("PSB") in Johor Bahru. To-date, his responsibilities in our Group include charting major corporate development plans, steering macro business growth direction together with the stewardship of our CEO, monitor the overall financial wellbeing and activities of our Group which includes providing management guidance and direction to our staff.

He is the uncle to Mr Paul Lim, the Executive Director and CEO and substantial shareholder of the Company. Apart from that, he has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH except as disclosed in the financial statements.

Further, he has not been convicted of any offences within the past ten (10) years other than traffic offences, if any.

He has attended all six (6) Board of Directors' meetings held in the financial year ended 31 December 2013.

# Profile of Directors

(cont'd)

## IR. PAUL LIM PAY CHUAN

Paul Lim Pay Chuan, a Malaysian, aged 44, is our Executive Director and CEO. He was appointed to our Board on 18 August 2011. He is presently a member of the Remuneration Committee.

He graduated from the University of Mississippi, USA with a Bachelor of Science in Electrical Engineering (Summa Cum Laude) in 1993. Subsequently, he obtained his Master of Engineering (Electrical) from Cornell University, USA in 1994. He is currently registered as a Corporate Member of the Institute of Engineers Malaysia and a Professional Engineer with the Board of Engineers Malaysia since 2007 in the field of electrical engineering. Since 2011, he is also a certified Project Management Professional® with the Project Management Institute, a global professional association that certifies project management expertise which is based in the US with regional offices worldwide.

In 1994, he began his career with Motorola Malaysia Sdn Bhd as a Product Engineer. He then joined Toprank Corporation Sdn Bhd (now known as Toshiba Transmission & Distribution Systems Asia Sdn Bhd) in 1995 as a Project Engineer, where he was promoted to Project Manager in 1997, and subsequently promoted to Assistant General Manager in 1998, a position held for two (2) years. In 2000, he joined our Group as a General Manager and was promoted to CEO in 2008.

He has been playing an instrumental role in the growth and development of our business from a small player primarily involved in trading, to an established home-grown integrated electric power technology company in the power transmission and distribution business with operations locally and abroad.

In 2010, he was awarded the Outstanding Entrepreneurship Award 2010 by Enterprise Asia, for his dedication and leadership in guiding our Group to being an important player in the power transmission and distribution business locally and abroad.

He is the nephew of Mr Lim Ah Hock, the Executive Chairman and substantial shareholder of the Company. Apart from that, he has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH except as disclosed in the financial statements. Further, he has not been convicted of any offences within the past ten (10) years other than traffic offences, if any.

He has attended all six (6) Board of Directors' meetings held in the financial year ended 31 December 2013.



# Profile of Directors

(cont'd)



## TAN PUAY SENG

Tan Puay Seng, a Malaysian, aged 62, is our Independent Non-Executive Director. He was appointed to our Board on 22 February 2012. He is presently the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

He graduated from Nanyang University in Singapore with a Bachelor of Commerce in 1975. He was attached with Kershen, Fairfax & Co, a five (5) partners firm of Chartered Accountants based in London in 1977 and qualified as an accountant in 1982. After returning from London in 1984, he joined Tan Toh Hua & Partners as Audit Senior for a short period before moving on to Ong Boon Bah & Co. as a Branch Manager where he was responsible for the management and control of branch day-to-day operation covering clients in Melaka and Johor. He is a fellow member of the Association of Chartered Certified Accountants' since 1988 and a member of the Malaysian Institute of Accountants since 1984. He has been involved in professional accounting practice for over 25 years and is currently practising as a Chartered Accountant based in Melaka in an audit firm set up by him since 1986.

He has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH. Further, he has not been convicted of any offences within the past ten (10) years other than traffic offences, if any.

He has attended all six (6) Board of Directors' meeting held in the financial year ended 31 December 2013.

# Profile of Directors

(cont'd)

## IBRAHIM BIN TALIB

Ibrahim Bin Talib, a Malaysian, aged 66, is our Independent Non Executive Director. He was appointed to our Board on 22 February 2012. He is presently the Chairman of the the Audit Committee and a member of the Nomination Committee.

He graduated from Brighton University (formerly known as Brighton College of Technology) in Sussex, England with a Bachelor of Science (Honours) in Electrical Engineering in 1972. He is a member of the Institution of Engineers Malaysia since 1978, Board of Engineers Malaysia since 1979 and Council of Engineering Institution of England since 1980.

He has been involved for over 30 years in the power supply industry with Lembaga Letrik Nasional ("LLN") [presently known as Tenaga Nasional Berhad ("TNB")]. He started his career in the industry as a pupil engineer with TNB from 1972 to 1974. Subsequently, he rose through the ranks throughout his career in TNB and held his last position as the Head of Transmission Project under the Project Services Division of TNB in 2003 before retiring in 2004. During his tenure with TNB, he has worked with a number of divisions within TNB amongst others, engineering and design, procurement and contracts, tender and design, distribution of projects and head of district offices in Seremban and Melaka.

He has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH. Further, he has not been convicted of any offences within the past ten (10) years other than traffic offences, if any.

He has attended all six (6) Board of Directors' meetings held in the financial year ended 31 December 2013.



# Profile of Directors

(cont'd)



## **KHOO KIAK KERN**

Khoo Kiak Kern, a Malaysian, aged 55, is our Independent Non-Executive Director. He was appointed to our Board on 25 November 2013. He is presently the Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee.

He graduated from University of Manchester in United Kingdom with a Bachelor of Sciences (Hons) Degree in Chemical Engineering and Master of Sciences in Operation Management. He is a fellow (Chartered Chemical Engineer) of the Institute of Chemical Engineers in the United Kingdom.

Mr. Khoo has more than 25 years experience in the Oil and Fats Industry, having started his career as a project engineer and then as Plant Manager in one of the leading palm oil refinery in Malaysia.

He joined a renowned international engineering company in 1992 as General Manager for the Malaysia office in promoting and execution of the projects for the Oils and Fats Industry undertaken by the company in the South East Asian region. He was later promoted as the Managing Director of the company's regional offices in Malaysia, Singapore, Indonesia and China covering the South East Asia, Far East Asia and China market.

He has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH. Further, he has not been convicted of any offences within the past ten (10) years other than traffic offences, if any.

He has not attended any Board of Directors' meetings held in the financial year ended 31 December 2013 since he was only appointed on 25 November 2013.

“ Powering up a  
new chapter ”



*Executive Chairman Lim Ah Hock  
and CEO Paul Lim Pay Chuan*

# Executive Chairman & CEO Joint Statement

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# Executive Chairman & CEO Joint Statement

(cont'd)

## CREATING VALUES

In 2013, PESTECH again delivered profitable growth focusing at building electrical infrastructures. We increased our revenue growth, achieved a double-digit earnings-per-share ("EPS") growth, generated increased cash flow and significantly amplified our dividends payout. Here are some of the highlights:

1. We delivered record order book at the end-of-year of RM342 million.
2. Net revenue was registered at RM181.76 million, an all-time high and a 33.55% increase from 2012.
3. EPS was at a record of 23.96 sen, compared with 20.52 sen in 2012. This represents a 16.76% increase.
4. Earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group was at RM34.40 million, compared with RM 25.70 million in 2012.
5. Operating margin was 17.63 % for the year, maintaining at the same level compared with year 2012.
6. We generated positive free cash flow for the year and ended the year with a cash of RM18 million.
7. We continued to return cash to shareholders through dividends payout that was around 46% of our total earnings including the proposed final dividend to be approved by the shareholders at the annual general meeting.

As part of our initiative in providing returns to shareholders, a dividend reinvestment plan ("DRP") has been implemented, where it provides the shareholders of PESTECH with the option of receiving their dividends entirely in cash or to reinvest the electable portion of their dividends into new ordinary shares in PESTECH.

With our continued solid earnings and revenue growth, combined with our focus on returning values to our shareholders, we will maintain our record of creating exceptional shareholders value. Since our initial public offering ("IPO") in May 2012, share price of PESTECH has risen 205% as at 31 December 2013, which we have delivered a total return of 223.7% (inclusive of 7.7sen and 11sen of total dividend payout for financial year 2012 and 2013 respectively since IPO). This also means that we have outperformed the FBMKLCI by 156% over the same period as the benchmark index gained 19%. To-date (as at 19 May 2014), our share price (which surged 370%) has outperformed the barometer index (which rose 21%) by a whopping 290%.

In 2013, our focus on delivering values and dependability for our customers in the work we do proved to be the important element in our industry. The reliability of our products and quality of services combine with strong relationship with our customers is evidenced from the percentage of returning customers on our order book recorded in financial year ended 2013. A total of 47.18% of total new bookings were from returning customers.

Our Cambodia transmission line project was successfully commissioned in June 2013. This was seven (7) months ahead of the contractual requirement. This track record provides a great reference to our presence in Indochina which is experiencing unprecedented social and economic growth. Continued electricity grid build up in Cambodia also provides opportunity for the Group to further secure additional electric transmission infrastructure contract. PESTECH has also established contact with utilities authority in the Republic of the Union of Myanmar ("Myanmar") for participation in their electricity grid build-up. We will see more projects being rolled out in Myanmar of which PESTECH will be participating in 2014.



# Executive Chairman & CEO Joint Statement

(cont'd)

In Sri Lanka, where PESTECH has established a reference of good quality and on-time completion of electric transmission substation project, we have participated in a few proposal submissions including being pre-qualified for a Japan International Cooperation Agency ("JICA") funded project that will be tendered in 2014. In rebuilding the country's infrastructure after the end of civil war, there will be a number of electric infrastructure project requirements which present ample opportunities for the Group to participate in.

During the early part of 2013, PESTECH broke through another new market in the African continent, after its successful foray into Ghana, by securing a 225kV high voltage substation project from Société des Mines de Syama, an Australian Securities Exchange listed gold mining company, for the Syama Gold Mine located in the south of Mali, West Africa.

Later part of the year, PESTECH saw its marketing effort in Lao People's Democratic Republic ("Lao PDR") bears fruit with the signing of a contract agreement with Electricité du Laos to build a 115kV double circuits transmission line from Pakse, Lao PDR to the Lao-Thai border on a turn-key basis.

In 2013, we have also successfully registered our eligibility to participate in the proposals to design and build electric substations and transmission lines in Philippines and Thailand.

In the home front in Malaysia, the demand of electricity continues to grow at a rate of 4.5 percent per annum equivalent to 2.3 GW annually given steady GDP growth of 5 percent. In view of this, a total of 12GW generation capacity is expected to be added from now until 2020. Of which, 7GW will be in Peninsular Malaysia and 5 GW in Sarawak and Sabah. The further extension of rail electrification and establishment of new mass rapid transit ("MRT") and Light Rapid Transit ("LRT") extensions also added to the demand of electricity infrastructure to fuel the electric trains.

Sarawak Energy Berhad ("SEB"), a returning utility segment customer, also awarded us a contract in relation to the design, engineering, procurement, construction, testing and commissioning of MAPAI 275/33 kV substation with provision for future 500kV switchyard with four (4) future 500/275kV transformer bays expansion. Our presence in Sarawak was further enhanced by the procurement of a project involving design, engineering, procurement, construction, testing and commissioning of 132/33/11 kV integrated power distribution system including substations for Sakura Ferroalloys Sdn. Bhd., an industrial segment customer.

SEB is planting up generation capacity to cater for intensive energy demand in the Sarawak Corridor of Renewable Energy ("SCORE") region. It is anticipated that by 2020, Sarawak needs to have a generation capacity of 7,000 MW to fuel the demand of industry. This, subsequently, requires massive infrastructure of electric transmission and distribution systems in Sarawak to cater for the additional capacity. Year ahead we will continue to build on our references in Sarawak and participate in the electric infrastructure plant up for SEB.

Indeed, the outlook of the market demand for electricity in the region we operate in is bright due to the growth prospect of the ASEAN region. The challenge for PESTECH in the near future is to equip ourselves with services and products which are able to meet the demand for growth and modernization of the society. We are excited in the opportunities and will be gearing the team for continuous growth.

# Executive Chairman & CEO Joint Statement

(cont'd)

## DRIVING GROWTH

PESTECH continues to invest strategically in our capability to further enhance our differentiation and competitiveness. In 2013, we successfully establish a electric system simulation test lab through the setting up of a Real Time Digital Simulation ("RTDS") lab at our facility. The RTDS will enable us to simulate an electric power system for our customers to run tests on a simulated network for fault analysis and settings for protection system. This will enable PESTECH to provide additional values to our customers in delivering reliable tested system.

Our investment in the enhancement in engineering capabilities and tools increased the efficiency of our engineers in carrying out their works. We have allocated and spent a total of RM2.11 million into engineering and development for 2013. This effort will continue in 2014 to ensure the constant development of our people and availability of state-of-the-art tools to provide services efficiently and effectively.

In 2013, the Group entered into Technical Cooperation Agreements with the ABB Group through which ABB provides technical support, technical drawings and Original Equipment Manufacturer products to PESTECH aimed at locally producing 11kV and 24kV Air Insulated Switchgear as PESTECH's own product and under PESTECH's own brand name. We expect commercial production of the switchgears to commence in 2017. Our effort which began in 2013 will help to eventually transform the Group into a balanced business entity with compatible capability in both project and product revenue generation.

PESTECH recognises the critical aspect of alleviating its product capability through procurement of new technical know and product development investment. In this regard, the Group had on 23 August 2013 entered into a subscription agreement with SystemCORP Embedded Technology Pty Ltd ("SET"), based in Australia, for the acquisition of 1,060,665 ordinary shares of SET amounting to 51% of the total enlarged issued and paid-up share capital of SET for a cash consideration of a AUD1,060,665.

SET designs, manufactures and supplies supervisory control and data acquisition systems, SMART grid products and associated software and hardware products for the electrical utility industry. It is particularly focused on developing IEC 61850 software capable of stack implementation into third party equipment and producing IEC 61850 compliant products for the SMART grid and renewable energy markets.

The software and hardware platform in Grid automation products of SET will enable PESTECH to springboard its products range into a new market of electric distribution and transmission automation for utility and industrial customer to monitor and control the power grid apparatus.

Going forward, PESTECH will intensify its effort in forging strategic collaboration with renowned technologically driven product developers to expand business opportunities in the power infrastructure intelligence, automation and control system segments to solidify the Group's capability to serve as an integrated solution provider in the power infrastructure industry.

In the context to prepare for future growth, PESTECH established a wholly owned subsidiary, PESTECH Technology Sdn Bhd, to venture into the power plant automation and system design. The unit will collaborate with international system providers to act as a local-regional system integrator in the field of distributed control system ("DCS") for power plant, operator power plant operation simulation, process optimization and asset life cycle management suites. These areas have been traditionally fully dependent on the foreign expertise in their delivery and execution, thus providing a potential opportunity for PESTECH to be a leader in the regional market.

# Executive Chairman & CEO Joint Statement

(cont'd)

In responding to the potential rail electrification project in the local market, PESTECH Technology will also be tasked to provide engineering, procurement, construction and commissioning services for the alternate current ("AC") and direct current ("DC") rail electrification system. This will propel the Group's business activity to include power plant services for the balance of plant and rail electrification. This is a niche market currently serviced by only a few foreign system providers. With the advantage of proximity to the customers and the current utility-based business, we believe the prospect in this segment can push the performance of the Company to a new height.

By exerting continuing effort to strengthen our products range offering, PESTECH would be able to gradually balance out the income contribution from both project and product segments of its core business activities and positioned itself for sustainable growth in years to come.

## NEW BOARD MEMBER

We would like to take this opportunity, on behalf of the Board, to thank Mr Detlef Raddatz, the Non-Independent Non-Executive Director, who had stepped down from the Board during the year. We wish him all the best in his future endeavor.

We bid a warm welcome to Mr Khoo Kiak Kern, our newly appointed Independent Non-Executive Director, who has joined our Board in November 2013. Mr Khoo has more than 25 years experience in the oil and fats industry, having started his career as a project engineer and then as plant manager in one of the leading palm oil refinery in Malaysia.

Mr Khoo, with his wealth of experience, would be an added strength to the Board.

## INVESTING IN OUR PEOPLE

Our people are our most important asset, and we are deeply committed to their ongoing development and growth within the Group. In 2013, we invested more than RM250,000 in training and professional advancement to help ensure our 302 employees have the skills they need to serve our customers at the highest level required.

We remain committed to our employees across the region on the need to provide them a platform for freedom to perform and we expect all PESTIONS to uphold the highest standards of integrity, compliance and ethics, and committed to deliver reliable and dependable services.

In closing, we want to thank PESTIONS all around the regions for their continued commitment and dedication in serving the client and subsequently in fueling the economic and social growth of the community we served. We are confident that we are executing the right strategy and making the right decision to differentiate ourselves in the marketplace. And, we know by practicing our culture of willing to "go the extra miles" with the "must do, can do" spirit, we will continue to deliver value for our customers and our shareholders in 2014.

**Lim Ah Hock**  
Executive Chairman

**Paul Lim Pay Chuan**  
Chief Executive Officer

# Corporate Social Responsibility (CSR)

(cont'd)

## OUR APPROACH

As we embarked on our journey as a public listed company, PESTECH formulated a systematic approach to guide us on our CSR activities. Encapsulated within the theme C-A-R-E, our corporate social responsibility program going forward will revolve around the four key elements of Community, Advancement, Recuperation and Environment.

## Community

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Simple acts of kindness can bring a smile. PESTECH knows this very well, observed through the numerous assistance programs we have extended to the less fortunate over the years. Our approach is aimed at bringing value that will benefit the community by organizing various community care programs as well as actively participating in programs organized by the local authorities, charitable organizations and private institutions.

## Advancement

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PESTECH supports and organizes activities that contribute towards nation building, particularly in the electrical engineering and power sector by providing education sponsorship, training and opportunities to new talents.

## Recuperation

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Our commitment to the community goes way beyond the industry in which we operate in. PESTECH has always provided support to healthcare related efforts as we believe everyone should be able to enjoy an excellent quality of life no matter what state they find themselves in.

## Environment

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The future of the environment depends on us and what we do now. PESTECH supports environmental protection initiatives, and encourages its employees to undertake such activities. Our environmental care policy is based on the tagline "Taking Care of Our Home".

PESTECH will remain focused on the CARE approach in our CSR activities. We believe this approach allows us to contribute effectively to society and the environment. At PESTECH, we will continue to play our part, now and far into the future.



# Corporate Social Responsibility (CSR)

(cont'd)



Cambodia Students received goodie bags filled with writing materials contributed during the classroom handover ceremony 2013



Built 5 classrooms for Student at Pursat Province, Cambodia



Hospis Treasure Hunt Gold Sponsor 2013



Contribution to Kriyalakshmi Mandir Shree Srai Gurukul (KMSSG) center new building



"Jamuan Hari Raya 2013" celebration by PESTECH employees.



Fund collected from all PESTECH employees contributed to several charity organisations including orphanage home, Malaysian Nature Society & Malaysian Association for the Blind



# Corporate Governance Statement

The Board of Directors ("the Board") and management of PESTECH International Berhad ("PIB") recognise the importance of good corporate governance and are committed towards upholding high standards of corporate governance for long-term sustainable business and corporate development, and to continuously protect and enhance shareholders' value.

The Board adopts and applies the principles necessary to ensure good corporate governance as expounded in Bursa Malaysia Main Market Listing Requirements ("MMLR"), and the Malaysian Code on Corporate Governance 2012 ("Code").

The application of such corporate governance best practices for the financial year ended 31 December 2013 is set out hereunder.

## A. THE BOARD OF DIRECTORS

### i. The Board of Directors

The Board is comprised of individuals with sturdy integrity fostered with extensive knowledge and experience in their respective professional backgrounds.

The Board, as a whole, is responsible for the strategic planning, formulation of policies and overseeing the investments and business of the Company which includes establishing long term goals that promote sustainability within the social, environmental and governance aspects of the Group. The Board is also mindful of its responsibilities to oversee the business conduct of the Company to ensure it safeguards the interests of its shareholders, customers, employees and other relevant stakeholders.

### ii. Board Charter

The Board has adopted a Board Charter which sets out its primary responsibilities as follows:-

- The Board's primary responsibilities, based on a predetermined assessment of materiality, include giving strategic direction to PIB, identifying key risk areas and key performance indicators of PIB's business, monitoring investment decisions, considering significant financial matters, and reviewing the performance of executive management against business plans, budgets and industry standards;
- The Board is explicitly responsible for the stewardship of the Company and in discharging its obligations, the Board assumes responsibility in the following areas:-
  - (a) retain full and effective control over the Company, and monitor management in implementing Board plans and strategies;
  - (b) ensure that a comprehensive system of policies and procedures is operative;
  - (c) identify and monitor non-financial aspects relevant to the business;
  - (d) ensure ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, and the Company's own governing documents and codes of conduct;
  - (e) strive to act above and beyond the minimum requirements and benchmark performance against international best practices;
  - (f) define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to Management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions;
  - (g) act responsibly towards the Company's relevant stakeholders; and
  - (h) be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principles is reviewed regularly;

# Corporate Governance Statement

(cont'd)

## A. THE BOARD OF DIRECTORS (cont'd)

### ii. Board Charter (cont'd)

The Board has adopted a Board Charter which sets out its primary responsibilities as follows:- (cont'd)

- To be concerned with key elements of the governance processes underpinning the operation of the Company with particular attention to the following:-
  - (a) review the strategic direction of the Company and adopt business plans proposed by management for the achievement thereof;
  - (b) approve specific financial and non-financial objectives and policies proposed by management;
  - (c) review processes for the identification and management of business risk and processes for compliance with key regulatory and legal areas;
  - (d) delegate authority for capital expenditure and review investment, capital and funding proposal reserved for Board approval;
  - (e) review succession planning for the management team and endorse senior executive appointments, organisational changes and high level remuneration issues;
  - (f) provide oversight of performance against targets and objectives; and
  - (g) provide oversight of reporting to shareholders on the direction, governance and performance of the Company as well as other processes that need reporting and other disclosure requirements.

As governed under the Board Charter, all Board members are expected to act in a professional manner, thereby upholding the core values of integrity and the Company with due regard to their fiduciary duties and responsibilities. All Board members are responsible for the Company achieving the highest level of business conduct. The Board will formalise such ethical standards of which it is held accountable for in due course.

The Board Charter is reviewed by the Board periodically and is available on the Company's website at [www.pestech-international.com](http://www.pestech-international.com) under a dedicated section called Corporate Governance

### iii. Board Balance

The Board consists of five (5) members comprising one (1) Executive Chairman, one (1) Executive Director/CEO and three (3) Independent Non-Executive Directors. The composition of the Board complies with the requirements of Paragraph 15.02 of the MMLR.

The position of Executive Chairman and CEO is held by different individuals, as recommended by the Code. The Board has established the roles and responsibilities of the Executive Chairman which are distinct and separate from the roles and responsibilities of the CEO. The segregation of duties and responsibilities of the Executive Chairman and Executive Director/CEO ensures an appropriate balance of roles, responsibilities and accountability at the Board level. The Board comprises a majority of Independent Directors, i.e. three (3) Independent Directors, where the Executive Chairman of the Board is not an Independent Director, as recommended by the Code.

The Executive Chairman represents the Board to the shareholders and potential investors, and provides Board leadership on policy formation, decision making and oversight of the management. The Executive Chairman, though in an executive position, is not involved in the day-to-day management of the Company. Instead, he keenly monitors the activities of the management, charting direction along with the Executive Director/CEO and provides guidance where necessary. The Board is of the view that the shareholders are best served by an Executive Chairman who has great passion in building the Company coupled with an in-depth understanding of the industry that the Company is involved in. Thus, the Executive Chairman and the Board would be able to collectively safeguard the best interest of the shareholders as a whole.

# Corporate Governance Statement

(cont'd)

## A. THE BOARD OF DIRECTORS (cont'd)

### iii. Board Balance (cont'd)

The Board as a whole shall be responsible, in fact as well as procedure, for selecting its own members and in recommending them for election or re-election by the shareholders and to select, monitor, evaluate and replace the Executive Director/CEO and other senior executives when necessary. The Board has established a committee chaired by the Executive Director/CEO to address the succession planning of senior management. The Executive Director/CEO shall report annually to the Board on senior management succession planning, also providing details of the Company's program for management development.

The Board is well represented by individuals drawn from distinctly diverse professional backgrounds who have distinguished themselves in the electrical engineering, mechanical engineering, power grid automation and auditing arenas. The Board is, thus, capable of maneuvering the strategic direction of PIB by taking into account inputs from various perspectives and gather ideas from different expertise. The profiles of the members of the Board are set out in this Annual Report on pages 8 to 12.

### iv. Board Meetings

The Board meets at least once every quarter and additional meetings are convened when necessary. There were six (6) Board meetings held during the financial year and the attendance record of the Directors is as follows:

Directors	Meetings attended
Mr. Lim Ah Hock	6/6
Mr. Paul Lim Pay Chuan	6/6
Encik Ibrahim bin Talib	6/6
Mr. Tan Puay Seng	6/6
Mr. Detlef Raddatz ( <i>resigned on 22 August 2013</i> )	4/4
Mr. Khoo Kiak Kern ( <i>appointed on 25 November 2013</i> )	Not applicable

All proceedings of the Board meetings are duly minuted and signed off by the Chairman of the meeting upon confirmation at the next meeting. All the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated by the MMLR.

### v. Supply of Information

The Directors, whether as the entire Board or under their respective individual capacity, have full and unrestricted access to all information and documentations pertaining to the Group's business and affairs to enable them to discharge their duties effectively.

Notices of meetings and meeting papers are circulated to the Board members prior to the scheduled Board meetings to ensure sufficient time for all Board members to review and deliberate on such matters accordingly and, where required, to obtain further information and clarification to facilitate well-informed decision making during the meeting.

The Board is also regularly updated and advised on new regulations, guidelines or directives issued by Bursa Malaysia, Securities Commission and other relevant regulatory authorities.

The Board encourages the attendance of senior management as well as officers of the Group at its Board and Committees meetings to discuss pertinent issues arising from the Group's operations and the Board has unrestricted access to the Management at any time.

The Board could conduct or direct any investigation to fulfill its responsibilities and could retain, at the Company's expense (where appropriate), any legal, accounting or other services that it considers necessary to perform its duties.



# Corporate Governance Statement

(cont'd)

## A. THE BOARD OF DIRECTORS (cont'd)

### v. Supply of Information (cont'd)

In addition, the Chairman of each committee would from time to time report to the Board on any deliberate matters which required the Board's attention, consideration and decisions. The Board makes decision collectively on every matter and ensure that there were no domination of power.

## B. COMPANY SECRETARIES

The Board also has direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board procedures are followed and that the applicable rules and regulations for the conduct of the affairs of the Board are complied with for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

The Board is regularly updated and advised by the Company Secretaries who are experienced, competent and knowledgeable, on new statutes and directives issued by the regulatory authorities.

## C. BOARD COMMITTEES

### i. Audit Committee

The Audit Committee's composition, duties and responsibilities, terms of reference and activities are set out in the Audit Committee Report on pages 29 to 34 of this Annual Report.

### ii. Nomination Committee

The Nomination Committee is responsible for the identification and recommendation of new appointments of Executive and Non-Executive Directors to the Board. The capabilities and qualities of the candidates to be appointed as Board members as well as Board Committee members will be assessed accordingly taking into account the individual's skills, competencies, knowledge, experience, expertise, professionalism and integrity. The Nomination Committee shall also assess the performance of the Directors of the Company by annually reviewing the profile of the required skills and attributes to ensure that the Board has an appropriate balance of expertise and ability. In addition, the Board will assess its own effectiveness as a whole and the contribution of each Director on an annual basis.

As at the date of this report, the Nomination Committee comprises wholly independent Non-Executive Directors, a majority of whom are independent:-

Chairman	:	Mr. Tan Puay Seng (Independent Non-Executive Director)
Member	:	Encik Ibrahim Bin Talib (Independent Non-Executive Director)
	:	Mr. Khoo Kiak Kern (Independent Non-Executive Director) (Appointed on 25 November 2013)
	:	Mr. Detlef Raddatz (Non-Independent Non-Executive Director) (Resigned on 22 August 2013)

The Nomination Committee shall meet as and when required, at least once a year. During the financial year ended 31 December 2013, the Nomination Committee had one (1) meeting and reviewed the nomination of Mr. Khoo Kiak Kern as an Independent Non-Executive Director of the Company.

# Corporate Governance Statement

(cont'd)

## C. BOARD COMMITTEES (cont'd)

### ii. Nomination Committee (cont'd)

The Nomination Committee conducted a review of the following in the first quarter of 2014:-

- the effectiveness of the Board as a whole and the Committees of the Board and contribution and performance of each individual Director from the date of listing up to the financial year ended 31 December 2013;
- assessment of independency of the Independent Directors in respect of the financial year ended 31 December 2013; and
- the Directors who are subject to retirement by rotation at the forthcoming Annual General Meeting ("AGM"), and are eligible for re-election.

In accordance with PIB's Board Charter and in line with the Company's Articles of Association ("Articles"), all Board members are subject to retirement by rotation and re-election by the shareholders at least once every three (3) years. In accordance with the Code, an Independent Director will hold office for a term not exceeding a total of nine (9) years unless duly approved by the shareholders at a general meeting or re-designated as a Non-Independent Director.

None of the Independent Directors of the Company has served for a period of more than nine (9) years.

Any Director appointed during the year is required under the Company's Articles, to retire and seek re-election by shareholders at the following AGM immediately after their appointment. The Articles also require that one-third of the Directors including the Managing Director, if any, to retire by rotation and seek re-election at each AGM and that each Director shall submit himself/herself for re-election at least once in every three (3) years.

At the upcoming AGM, Encik Ibrahim Bin Talib will retire by rotation pursuant to Article 95 and Mr. Khoo Kiak Kern, who was appointed on 25 November 2013, will retire pursuant to Article 101 of the Articles. Both Encik Ibrahim Bin Talib and Mr. Khoo Kiak Kern, who are being eligible for re-election, have offered themselves for re-election as Directors of PIB.

The Nomination Committee has a formal assessment mechanism in place to assess on an annual basis, the composition and the effectiveness of the Board as a whole, Board Committees and the contribution of each individual Director. All assessment and evaluation carried out were properly documented.

In line with the recommendations of the Code, the Board takes cognisance of gender diversity in the boardroom to promote the representation of women on the Board. The Nomination Committee and Board have not established a policy formalising its approach to boardroom diversity or set any target on gender diversity policy but shall endeavour to include any member who will improve the Board's overall compositional balance.

#### **Time Commitment and Protocol for accepting new directorships**

The appointment of new Directors to the Board is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination Committee. The new Director is required to commit sufficient time to attend to the Company's matters before accepting his/her appointment to the Board.

All Directors are required to notify the Chairman before accepting any new Directorship and to indicate the time expected to be spent on the new appointment. The directorships held by any Board member at any one time, shall not exceed five (5) in listed companies.

# Corporate Governance Statement

(cont'd)

## C. BOARD COMMITTEES (cont'd)

### ii. Nomination Committee (cont'd)

#### Directors' training

All Directors of the Board have attended the Mandatory Accreditation Program as prescribed by the MMLR. During the financial year under review, all Directors were also advised of developments or changes to relevant laws and regulatory requirements and suitable training and education programmes were identified for their participation from time to time. Management briefings during Board and Audit Committee meetings on various operational, technical and corporate matters were also aimed at ensuring that Directors are well informed of the Group's business and affairs in enabling them to make meaningful decisions. During the year, the Board members attended the following training programs and seminars to further broaden their perspective, skills, knowledge and to keep abreast with the relevant changes in pertinent rules, guidelines and regulations:-

Name	Training/Seminar attended	Date
Lim Ah Hock	Board Chairman Series: The Role of the Chairman	14 November 2013
Paul Lim Pay Chuan	Leadership Energy Summit Asia	3 to 4 December 2013
Encik Ibrahim Bin Talib	Risk Management & Internal Control: Workshop for Audit Committee	27 November 2013
	Ultimate Budget 2014 Tax Planning & Latest Tax Update	2 December 2013
Tan Puay Seng	National Tax Seminar 2013	12 November 2013
	Optimising Corporate Tax Planning Strategies	23 to 24 December 2013
Khoo Kiak Kern	Mandatory Accreditation Program	12 to 13 February 2014

The Directors will continue to participate in future training programs and seminars from time to time as necessary to enable them to discharge their duties and responsibilities more effectively.

### iii. Remuneration Committee

The Remuneration Committee is responsible for developing a formal and transparent policy and framework on the remuneration of Directors (including that of the Executive Directors) for recommendation to and approval by the Board. The levels and make-up of the remuneration are designed to be such that it is sufficient to attract and retain experienced and knowledgeable Board members needed to run the Group successfully in order to deliver long-term value to its shareholders.

The Remuneration Committee comprises a majority of Non-Executive Directors:-

Chairman	:	Mr. Khoo Kiak Kern (Independent Non-Executive Director) (Appointed on 25 November 2013)
	:	Mr. Detlef Raddatz (Non-Independent Non-Executive Director) (Resigned on 22 August 2013)
Member	:	Mr. Tan Puay Seng (Independent Non-Executive Director)
	:	Mr. Paul Lim Pay Chuan (Executive Director/CEO)

# Corporate Governance Statement

(cont'd)

## C. BOARD COMMITTEES (cont'd)

### iii. Remuneration Committee (cont'd)

The Remuneration Committee shall meet as and when required, at least once a year. During the financial year ended 31 December 2013, the Remuneration Committee had three (3) meetings and reviewed the following matters:-

- Directors' fees for the financial year ended 31 December 2013;
- Key Performance Indicator and Share Grant Plan allocation for the Executive Directors; and
- Remuneration package of the Executive Director/CEO.

While the Board has yet to establish formal and transparent remuneration policies, the Board Charter governs that:-

- the Board will determine the level of remuneration paid to independent directors within any limitations imposed by shareholders;
- the levels and make-up of remuneration should be sufficient to attract and retain the Board members needed to run the Company successfully, but the Company should avoid paying excessively more than is necessary for this purpose;
- the Executive Chairman of the Board will be paid a fee appropriate to his or her office; and
- the Executive Director/CEO's remuneration will depend on the achievement of the goals set at the beginning of each year.

The details of the remuneration of Directors who served during the financial year ended 31 December 2013 are as follows:-

Category	RM			Total
	Salaries & other Emoluments	Fees	Benefits	
Executive Directors	1,974,000.00	-	48,500.00	2,023,300.00
Non-Executive Directors	32,000.00	115,944.00	-	147,944.00

The number of Directors whose total remuneration falls within the following bands is as follows:-

Range (RM)	Executive	Non-Executive
Below 50,000	-	4
700,000 – 750,000	-	-
750,001 – 800,000	-	-
800,001 – 850,000	2	-

*Note: Successive bands of RM50,000 are not shown entirely as they are not represented.*

## D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

PIB believes that having effective and productive communication with its shareholders and investors is essential in ensuring good corporate governance and to improve disclosure and transparency.

The following are some of the channels used by the Company to disseminate information on a timely basis to the shareholders and the investing public:-

- Annual Report communicates comprehensive information on the financial results and activities undertaken by Group.

# Corporate Governance Statement

(cont'd)

## D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS (cont'd)

The following are some of the channels used by the Company to disseminate information on a timely basis to the shareholders and the investing public:- (cont'd)

- The AGM is the main forum of dialogue for the shareholders to raise their concerns, if any, pertaining to the Company.
- Quarterly announcements and corporate disclosures to Bursa Malaysia are available on the website [www.bursamalaysia.com](http://www.bursamalaysia.com).
- Press releases and analysts briefings provide up-to-date information on the Group's key corporate initiatives and new projects undertaken by the Group.
- The Company's website [www.pestech-international.com](http://www.pestech-international.com) provides corporate information of the Group.

Where possible and applicable, the Group provides additional disclosure of information on a voluntary basis. The Board believes that on-going communication with shareholders is vital to shareholders and investors to make informed investment decisions.

The Board observes all the requirements for the timely disclosure to the Company's shareholders and the public and would endeavour to make such disclosures whenever there is a need to ensure that the Company's shareholders and the public are kept well informed of the material developments of the Company.

The Board will be formalising a Corporate Disclosure Policy to regulate the quality of the information and the manner of disclosure of information to the Company's shareholders and the public.

Shareholders are encouraged to meet and communicate with the Board at the AGM. All Board members, senior management and the Group's External Auditors as well as the Company Secretaries are available to respond to shareholders' questions during the AGM as the case may be.

The Board supports voting by way of poll to ensure a fair voting process. During last year's AGM, the Chairman informed shareholders of their right to demand for voting by way of poll. Additionally, the Board would consider employing electronic means for poll voting for substantive resolutions in future general meetings.

Ample opportunity is given to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group and communicate relevant concerns and expectations.

## E. ACCOUNTABILITY AND AUDIT

### i. Financial Reporting

The Board, assisted by the Audit Committee is committed to ensure that the financial statements are prepared and presented in a balanced and fair manner in accordance with the Companies Act, 1965 and the applicable approved accounting standards in Malaysia in order to accurately reflect the Group's financial position and prospects.

### ii. Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls in ensuring proper risk management within the Group. This is to ensure shareholders' investments, customers' interests and the Group's assets are well safeguarded.

The Audit Committee periodically reviews the effectiveness of the Group's internal control systems and works closely with the Internal Auditors to review audit recommendations and Enterprise-wide Risk Assessment conducted on the Company.

# Corporate Governance Statement

(cont'd)

## **E. ACCOUNTABILITY AND AUDIT** (cont'd)

### **ii. Risk Management and Internal Control** (cont'd)

The Board recognises that risks cannot be eliminated completely. Nevertheless, with the implementation of an effective system of internal control, the Directors and the Senior Management of the Group aim to provide reasonable assurance against material misstatements, losses and fraud.

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is set out on pages 35 to 38 of this Annual Report.

### **iii. Relationship with Auditors**

The Board and the Audit Committee emphasise greatly the objectivity and independence of PIB's External Auditors in providing relevant, professional and transparent reports to its shareholders.

The Audit Committee has yet to formulate policies and procedures to assess the suitability and independence of External Auditors, but had obtained confirmation from the External Auditors that they are independent in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

The External Auditors are regularly invited to attend the Audit Committee meetings for discussion with the Audit Committee. The External Auditors would be able to highlight matters requiring the attention of the Board in terms of compliance with relevant accounting standards and other related regulatory requirements.

The Group's internal audit function is outsourced and reports functionally to the Audit Committee and has unrestricted access to the Audit Committee. The internal auditors have drawn up an audit plan covering enterprise-wide risk assessment, internal control review on operational and financial aspects, compliance with internal and external regulatory requirements and employing the internationally acceptable internal control – integrated framework issued by the Committee of Sponsoring Organisations ("COSO") of the Treadway Commission. The minutes of the Audit Committee meeting are also tabled to the Board for information and reference.

# Audit Committee Report

The Board of Directors ("the Board") is pleased to present the Audit Committee Report for the financial year ended 31 December 2013.

## A. COMPOSITION

The Audit Committee ("Committee") comprises exclusively of Independent Non-Executive Directors:-

Chairman	:	Encik Ibrahim Bin Talib (Independent Non-Executive Director)
Member	:	Mr. Tan Puay Seng (Independent Non-Executive Director)
	:	Mr. Khoo Kiak Kern (Independent Non-Executive Director) (Appointed on 25 November 2013)
	:	Mr. Detlef Raddatz (Non-Independent Non-Executive Director) (Resigned on 22 August 2013)

## B. ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2013, the Committee held a total of five (5) meetings. The details of the attendance of the Committee members are as follows:-

Directors	Meetings attended
Encik Ibrahim bin Talib	5/5
Mr. Tan Puay Seng	5/5
Mr. Detlef Raddatz (resigned on 22 August 2013)	4/4
Mr. Khoo Kiak Kern (appointed on 25 November 2013)	NA

## C. COMPOSITION AND TERMS OF REFERENCE

### i. Composition of Members

The Board shall appoint the Committee members from amongst themselves, comprising no fewer than three (3) members, all of whom shall be non-executive directors, where the majority shall be independent directors.

In this respect, the Board adopts the definition of "independent director" as defined under the Listing Requirements of Bursa Malaysia.

All members of the Committee should be financially literate and at least one (1) member:-

- (a) shall be a member of the Malaysian Institute of Accountants ("MIA"); or
- (b) if he is not a member of the MIA, he must have at least 3 years of working experience and:
  - i. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- (c) fulfils such other requirements as prescribed by Bursa Malaysia.

No alternate director is appointed as a member of the Committee.

# Audit Committee Report

(cont'd)

## C. COMPOSITION AND TERMS OF REFERENCE (cont'd)

### i. Composition of Members (cont'd)

#### Terms of Office

The Board shall review the term of office and performance of the Committee and each of its members at least once in every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

#### Retirement and Resignation

If a member of the Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 1 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

### ii. Chairman

The members of the Committee shall elect a Chairman from amongst their number who shall be independent non-executive director.

In the absence of the Chairman of the Committee, the other members of the Committee shall amongst themselves elect a Chairman who must be Independent Director to chair the meeting.

### iii. Secretary

The Secretary of the Committee shall be the Company Secretary.

### iv. Meetings

The Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the External Auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the External Auditors believes should be brought to the attention of the directors or shareholders.

Notice of Committee meetings shall be given to all the Committee members unless the Committee waives such requirement.

The Chairman of the Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Chief Financial Officer, the head of internal audit and the External Auditors in order to be kept informed of matters affecting the Company.

The Chief Financial Officer, the head of internal audit and a representative of the External Auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Committee. However, the Committee shall meet with the External Auditors without executive Board members present at least twice a year and whenever necessary.

Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.

### v. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the other members of the Board. The Committee Chairman shall report on each meeting to the Board.



# Audit Committee Report

(cont'd)

## C. COMPOSITION AND TERMS OF REFERENCE (cont'd)

### v. Minutes (cont'd)

The minutes of the Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

### vi. Quorum

The quorum for the Committee meeting shall be the majority of members present whom must be independent directors.

### vii. Reporting

The Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

### viii. Objectives

The principal objectives of the Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Committee shall:-

- evaluate the quality of the audits performed by the internal and External Auditors;
- provide assurance that the financial information presented by management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's control environment.

### ix. Authority

The Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the Committee.
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and External Auditors and senior management of the Company and the Group.
- (c) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- (d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any).
- (e) where the Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee shall promptly report such matter to Bursa Malaysia.

# Audit Committee Report

(cont'd)

## C. COMPOSITION AND TERMS OF REFERENCE (cont'd)

### x. Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:-

- (a) To consider the appointment of the External Auditors, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To review with the External Auditors his evaluation of the system of internal controls and his audit report;
- (d) To review the quarterly and year-end financial statements of the Board, focusing particularly on:-
  - any change in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (f) To review the External Auditors' management letter and management's response;
- (g) To establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors
- (h) To do the following, in relation to the internal audit function:-
  - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (i) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (j) To report its findings on the financial and management performance, and other material matters to the Board;
- (k) To consider the major findings of internal investigations and management's response;
- (l) To verify the allocation of the share issuance scheme in compliance with the criteria as stipulated in the by-laws of the share issuance scheme of the Company, if any;
- (m) To determine the remit of the internal audit function;

# Audit Committee Report

(cont'd)

## C. COMPOSITION AND TERMS OF REFERENCE (cont'd)

### x. Duties and Responsibilities (cont'd)

The duties and responsibilities of the Committee are as follows:- (cont'd)

- (n) To monitor the integrity of the Company's financial statements;
- (o) To monitor the independence and qualification of the Company's External Auditors;
- (p) To review the adequacy and effectiveness of risk management, internal control and governance systems relating to the accounting and reporting practices of the Company
- (q) To monitor the performance of the Company's internal audit function; and
- (r) To monitor the Company's compliance with relevant laws, regulations and code of conduct.
- (s) To consider other topics as defined by the Board; and
- (t) To consider and examine such other matters as the Committee considers appropriate.

## D. SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE YEAR

The activities carried out by the Committee during the financial year under review are summarised as follows:-

### i. Financial reports

- Reviewed and approved the quarterly and year end financial statements for recommendation to the Board, focusing particularly on:-
  - any change or implementation of accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - significant and unusual events; and
  - compliance with accounting standards and other regulatory requirements.

### ii. External Auditors

- Reviewed the Audit Completion Report for the financial year ended 31 December 2013.
- Reviewed the audit plan, audit fee and scope of work for the audit in respect of the financial year ended 31 December 2013.
- Reviewed the annual audited financial statements of the Group with the External Auditors prior to submission to the Board for approval.
- Reviewed and discussed the observations, recommendations and Management's comments in respect of the issues raised by the External Auditors on their evaluation of the internal controls within the Group.
- Assessed the performance of the External Auditors and recommended them for re-appointment.
- Met with the External Auditors without the presence of Management and Executive Directors twice during the year under review.

# Audit Committee Report

(cont'd)

## D. SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE YEAR (cont'd)

### iii. Internal Audit

- Reviewed the internal control issues identified by the Internal Auditors as well as Management's response to recommendations and the implementation of agreed action plans.
- Reviewed the audit follow-up report on all audit matters raised by the Internal Auditors.

### iv. Related Party Transactions

- Reviewed the Group's methodology in identifying, monitoring and disclosure related party transactions transacted by the Group.
- Reviewed on a quarterly basis the recurrent related party transactions transacted by the Group.

## E. INTERNAL AUDIT FUNCTION

The Committee takes cognisance that an independent and adequately resourced internal audit function is critical in ensuring the effectiveness of the Group's system of internal controls. The Internal Auditors report directly to the Committee in its effort to maintain a sound system of internal control. The Internal Auditors are guided by its Audit Charter in its independent appraisal functions.

The Committee reviewed and approved the Internal Auditors' budget and annual audit plan to ensure adequacy of resources, competencies and area of coverage.

The main objectives of the internal audit function for the Group is to assess whether the procedures, systems and controls of the key business processes are adequate and effective to meet the requirements of compliance with relevant laws, regulations, policies and procedures, reliability and integrity of information and safeguarding of assets.

During the financial year, the Internal Auditors had performed internal control reviews based on the internal audit plan approved by the Committee. The outcome of those internal control reviews that were reported to the Committee includes identification of risk and impact of any issues noted during the audit, Management's responses and agreed action plans to resolve them.

The Committee also reviewed internal audit reports issued by the Internal Auditors and the effectiveness and adequacy of the corrective actions taken by Management on all major matters raised.

The Group has outsourced its internal audit function to an independent professional firm, NGL Tricor Governance Sdn. Bhd. (formerly known as NGL Consulting Sdn. Bhd.). The total fees incurred for the internal audit function in respect of the financial year 2013 was RM45,500.00.

# Statement on Risk Management and Internal Control

The Board of Directors ("the Board") is pleased to present the statement on risk management and internal control pursuant Paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"), which is made in line with the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers* ("the Guidelines") issued by Bursa Malaysia Securities Berhad. This Statement outlines the nature and scope of the risk management and internal controls of the Group during the financial year under review until the date of this Statement.

## BOARD'S RESPONSIBILITY

The Board acknowledges their overall and ultimate responsibility for overseeing the Group's risk management and internal control systems ("RMIC Systems" or "Systems") as well as reviewing the adequacy, integrity and effectiveness of these systems to safeguard shareholders' investment and the Group's assets. The RMIC Systems cover, inter alia, financial, operational and compliance controls of the Group. The RMIC Systems provide reasonable and not absolute assurance against material misstatement, loss and fraud that may hinder the Group from achieving its business objectives.

The Audit Committee ("AC") assists the Board in reviewing the adequacy and integrity of the Group's RMIC. The AC is assisted by its outsourced Internal Auditors which carry out its functions independently with a risk based approach and provides the AC and the Board with reasonable but not absolute assurance on the adequacy and effectiveness of the system of internal control.

This Statement has not dealt with the associate and joint venture as the Company does not have full management over them. However, the Group's interest is served through representations on the Board of the respective associate and joint venture.

## RISK MANAGEMENT FRAMEWORK

Effective risk management is an essential part of good corporate governance that forms part of the Company's business management practice. It is without doubt that all areas of the Group's activities involve some degree of risk. As such, under the stewardship of the Board, the Group is highly committed in ensuring that it has an effective and efficient risk management framework to allow the Group to be able to identify, evaluate, monitor and manage those risks in an incessant manner. This would assist the Group immensely in its quest to achieve its targeted business objectives within the defined and acceptable risk parameters.

The risk management framework will be periodically reviewed by the Board such that any key risk or significant control weaknesses could be identified and duly rectified timely and effectively.

The key elements of the Group's Risk Management Framework are described below:-

- **Structure**

The Group adopts a decentralised approach to risk management which comprises strategic and operational risks (including financial and compliance risks).

Type of Risks	Accountability
➤ Strategic risk	The Board and Senior Management
➤ Operational risk (including financial and compliance risks)	Senior Management and Head of Department
➤ <b>Strategic risks</b> are risks primarily caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. Accountability for managing strategic risks therefore rests with the Board and the Senior Management. The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.	

# Statement on Risk Management and Internal Control

(cont'd)

## RISK MANAGEMENT FRAMEWORK (cont'd)

- **Structure** (cont'd)

- **Operational risks**, including financial and compliance risks, are inherent in the ongoing activities within the different subsidiaries of the Group. Typically, some of the risks cover foreign exchange, credit, competency, technology, and etc. Senior management needs to review and ensure these operational risks are being identified and managed while managing of the operational risks rests specifically with the respective Heads of Department.

- **Risk Awareness Culture**

Risk awareness culture is reflected with emphasis on strong corporate governance, organisational structure with clearly defined roles and responsibilities, effective communication and training, commitment to compliance with laws, regulations and internal controls, integrity in fiduciary responsibilities and clear policies, procedures and guidelines.

- **Risk Assessment**

Risk Management Committee identifies and assesses risks from time-to-time based on business nature and objective. Senior Management reports regularly to the Board for any significant risk identified or control failure.

- **Risk Appetite**

The Group's risk appetite defines the amount and types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also reflects the level of risk tolerance and limits set to govern, manage and control the Group's risk taking activities.

A clear Limit of Authority has been formalised to approve transactions to ensure that they are within the risk appetite of the Group.

## INTERNAL CONTROL SYSTEM

The main components of the Group's internal control system are summarised as follows:-

- **Control Environment**

The importance of a proper control environment is emphasised throughout the organisation. The focus of which is accentuated towards elevating the quality and capability of the employees of the Group by means of continuous education and training both on technical hard skillsets and soft skill sets such as risk management, professionalism and integrity.

- **Control Structure**

The Board and Management have established an organisation structure with clearly defined lines of accountability and delegated authority. This includes well-defined responsibilities of the Board committees and various management levels, including authorisation levels for all aspects of the business.

The key elements of the Group's internal control structure cover series of documented Policy and Procedures to govern the Group's key business processes. These policies and procedures deal with, amongst others, control issues for procurement, credit control, warehousing, information technology, health and safety, human capital, safeguarding of assets, related party transactions and communication with stakeholders

# Statement on Risk Management and Internal Control

(cont'd)

## INTERNAL CONTROL SYSTEM (cont'd)

### – Internal Audit

The Group has outsourced its internal audit function to an independent professional service provider (the "Internal Auditors") which carries out its functions independently with risk based approach and provides the AC and the Board with the assurance on the adequacy and effectiveness of the system of internal control.

Any significant control lapses and/or deficiencies noted from the reviews will be documented and communicated to Management for review and corrective actions. The Internal Auditors report to the Audit Committee on all significant non-compliance, internal control weaknesses and actions taken by Management to resolve the audit issues identified.

The Internal Auditors are responsible for planning, implementing and reporting on the audits of the Group. During the financial year under the review, the Internal Auditors had:

- prepared a detailed annual audit plan in consultation with the senior management for submission to the AC for approval;
- carried out relevant activities to conduct internal audits in an effective, professional and timely manner;
- discussed with the auditees in the course of conducting audit on any significant control lapses and/or deficiencies noted from the reviews for their consideration and corrective actions; and
- submitted quarterly report to the AC for any significant non-compliance, internal control weaknesses and actions taken by Management to resolve the audit issues identified.

### – Audit Committee

The AC reviews, monitors and evaluates the effectiveness and adequacy of the Group's internal controls, financial and risk management issues raised by the External and Internal Auditors, regulatory authorities and Management. The review includes reviewing written reports from the External and Internal Auditors to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial actions are taken by Management.

The AC also convenes meetings with the External Auditors, Internal Auditors or both without the presence of Management and Executive Directors. In addition, the Audit Committee also reviews and assess the adequacy of the scope, functions and competency of the External and Internal Auditors.

## REVIEW AND MONITOR OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, with the assistance of the Audit Committee confirms that there is an on-going process in reviewing and monitoring the effectiveness, adequacy and integrity of the system of risk management and internal control of the Group for the financial year under review. The process is in place for the financial year under review and up to the date of issuance of the Statement on Risk Management and Internal Control. The Board had taken note of the Management's representation that there have been no material losses incurred during the financial year under review as a result of weaknesses in the risk management and internal control system.

The Board is of the view that the risk management and internal control system is sound and sufficient to provide reasonable assurance in safeguarding the interests of shareholder's investment and the Group's assets.

# Statement on Risk Management and Internal Control

*(cont'd)*

## **WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES**

There were no major weaknesses in internal controls which resulted in material losses during the financial year under review until the date of approval of this Statement.

## **ASSURANCE STATEMENT BY THE EXECUTIVE DIRECTOR/CEO AND CHIEF FINANCIAL OFFICER**

In line with the Guidelines, the Executive Director/CEO and Chief Financial Officer have provided assurance to the Board in writing stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

## **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

As required by paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Company for the year ended 31 December 2013. Their review was performed in accordance with the Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants.

## **CONCLUSION**

The Board has taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group to be adequately safeguarded through the prevention and detection of fraud and other irregularities and material misstatements.

The Board is of the view that the RMIC Systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's RMIC Systems in meeting the Group's strategic objectives.

The statement is made in accordance with a resolution of the Board dated 22 April 2014.



# Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which provide a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flow of the Group and of the Company for the financial year.

The Board, after due consideration, is satisfied that the financial statements for the financial year ended 31 December 2013 has been prepared by adopting appropriate accounting policies, applied them consistently and made judgement and estimation that are reasonable and prudent. The Board also considers that relevant approved accounting standards have been followed and confirms that the financial statements have been prepared on a going concern basis.

The Directors also have responsibility to ensure that the Company keeps accounting records which disclose reasonable accuracy at any time of the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

# Additional Compliance Information

## i. Utilisation of Proceeds

As at the date of this report, the total proceeds raised from PESTECH's initial public offering amounting to RM12.88 million has been utilised as follows:

Purpose of Utilisation	(RM'000) Proposed Utilisation	Actual Utilisation	Deviation
Repayment of bank borrowings	6,000	6,000	-
Product development and market/business expansion*	1,800	1,195	605
Working capital	2,580	2,650	(70)
Estimated listing expenses	2,500	2,430	70
Total	12,880	12,275	605

\* The estimated time frame for utilisation of proceed in relation to product development and market/business expansion is 36 months from the date of listing; ie. 30 May 2012 ("Listing Date").

## ii. Share Buy Back

The Company did not buy back any of its shares during the financial year under review.

## iii. Options or Convertible Securities

The Company did not issue any options and convertible securities during the financial year under review.

## iv. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year under review.

## v. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

## vi. Non-Audit Fees

The total non-audit fees charged for the financial year ended 31 December 2013 by the External Auditors for services performed for the Group amounted to RM8,000.

## vii. Variation in Results

There was no material deviation between the audited results for the financial year ended 31 December 2013 and the unaudited results previously announced.

# Additional Compliance Information

(cont'd)

## **viii. Profit Forecast/ Profit Guarantee**

There were no profit estimates, forecast or projection published by the Group during the financial year under review. There was no profit guarantee given by the Group during the financial year under review.

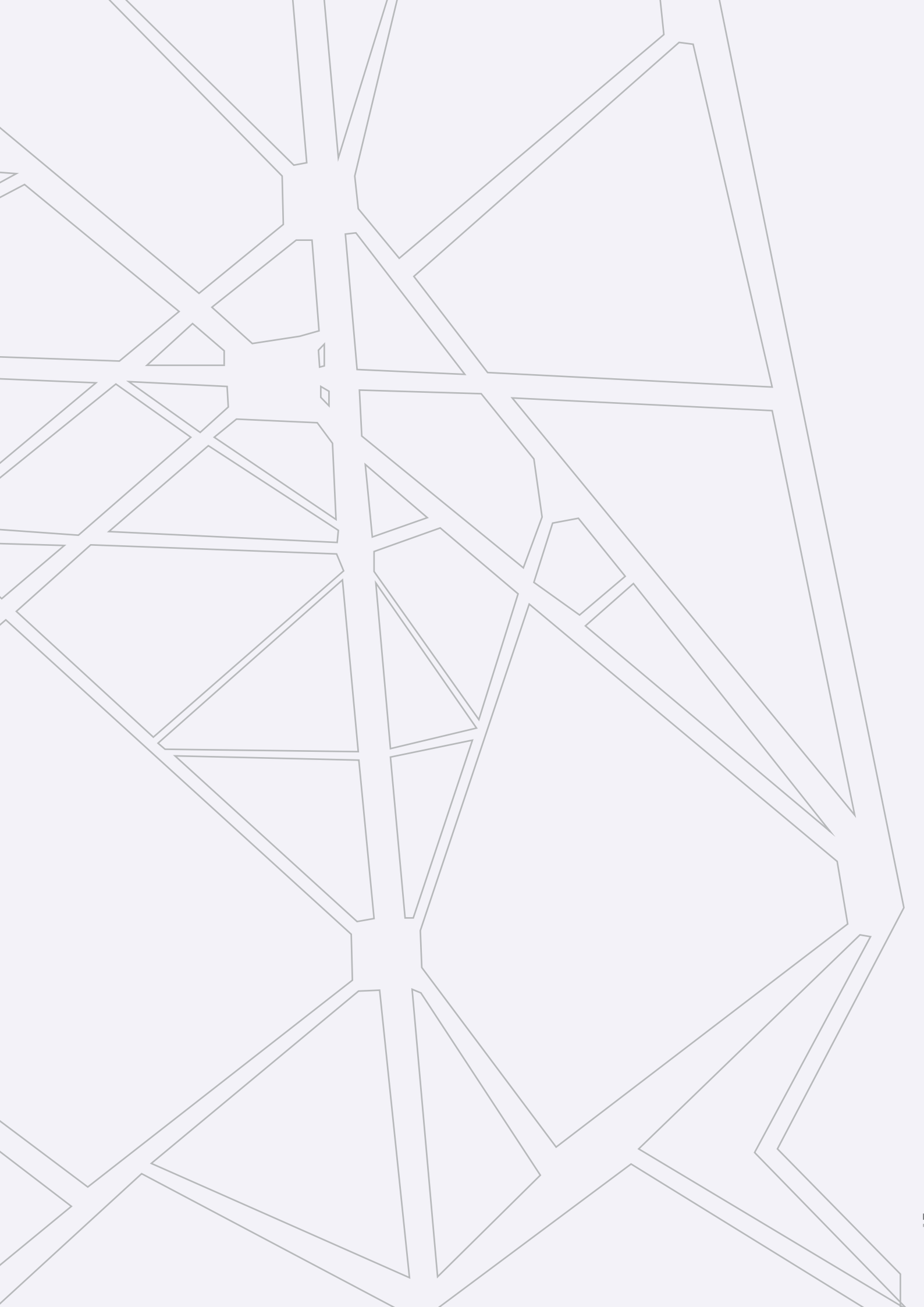
## **ix. Material Contracts**

There were no material contracts of the Company and subsidiaries involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2013 or entered into since the end of the previous financial year ended 31 December 2012.

## **x. Recurrent Related Party Transactions**

At the AGM to be held on 26 June 2014, the Company intends to seek the shareholders' mandate for recurrent related party transactions ("RRPTs") which it has entered and will enter with its related parties, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to its related parties than those generally available to the public. The shareholders' mandate for RRPTs will take effect from the date of the forthcoming AGM up to the conclusion of the next AGM.

Further details of which will be disclosed in the Circular to Shareholders dated 4 June 2014.



# Financial Statements

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# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, trading and provision of management service. The principal activities of its subsidiaries and associate are disclosed in Note 5 and Note 6 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries and associate during the financial year.

## RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Net profit for the financial year	20,727,066	9,898,339
Attributable to:-		
Owners of the parent	20,720,763	9,898,339
Non-controlling interest	6,303	-
	20,727,066	9,898,339

## DIVIDENDS

The amount of dividends paid or declared since the end of last financial year were as follows:-

	<b>Total RM</b>
In respect of financial year ended 31 December 2012:	
Third interim single tier dividend of 3.3 sen per ordinary share paid on 26 April 2013	2,834,040
Final single tier dividend of 2.0 sen per ordinary share paid on 7 August 2013	1,717,600
In respect of financial year ended 31 December 2013:	
First interim single tier dividend of 3.0 sen per ordinary share paid on 22 November 2013	2,591,493
Second interim single tier dividend of 4.0 sen per ordinary share paid on 25 February 2014	3,867,220
	11,010,353

The Directors proposed a final single tier dividend of 4.0 sen per ordinary shares, amounting to RM3,938,884 in respect of the financial year ended 31 December 2013 which is subject to approval of the shareholders at the forthcoming Annual General Meeting and will be accounted for as an appropriation of the retained earnings in the financial year ending 31 December 2014.

## RESERVES AND PROVISIONS

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

# Directors' Report

(cont'd)

## DIRECTORS

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

Lim Ah Hock (Executive Chairman)  
 Lim Pay Chuan (Chief Executive Officer/Executive Director)  
 Ibrahim bin Talib (Independent Non-Executive Director)  
 Tan Puay Seng (Independent Non-Executive Director)  
 Khoo Kiak Kern (Independent Non-Executive Director) (appointed on 25 November 2013)  
 Dettlef Raddatz (Non-Independent Non-Executive Director) (resigned on 26 August 2013)

## DIRECTORS' INTEREST

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and its related corporations during the financial year ended 31 December 2013 as recorded in the Register of Director' Shareholdings kept by the Company under Section 134 of the Companies Act 1965 were as follows:

Interest in the Company	Ordinary shares of RM0.50 each				
	At 1.1.2013	Bought	Dividend Reinvestment Plan	Sold	At 31.12.2013
<b>Direct Interest</b>					
Lim Ah Hock	36,700,800	100,000	505,400	(1,250,000)	36,056,200
Lim Pay Chuan	23,633,700	872,000	309,600	(2,712,000)	22,103,300
Ibrahim bin Talib	2,131,600	-	30,300	-	2,161,900
Tan Puay Seng	100,000	-	1,400	-	101,400
<b>Indirect Interest</b>					
Lim Ah Hock#	200,800	-	2,600	(13,000)	190,400
Lim Pay Chuan#	200,800	-	2,600	(13,000)	190,400

(#) deemed interest by virtue of his shareholdings in Vestech Projects Sdn. Bhd..

By virtue of their interest in the ordinary shares of the Company, Mr. Lim Ah Hock and Mr. Lim Pay Chuan are also deemed to be interested in the ordinary shares or debentures of the Company and its related corporations to the extent the Company has an interest under Section 6A of the Companies Act 1965.

Other than as disclosed above, none of the other Director in office at the end of the financial year held any shares or had any direct interest in the shares of the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the 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 any benefit (other than as disclosed in notes to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company or related corporation in which the Director has a substantial financial interest.

# Directors' Report

(cont'd)

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 6,556,900 new ordinary shares at par value of RM0.50 each as follows:

- (a) 503,100 new ordinary shares at an issue price of RM2.39 to the eligible executives under the Share Grant Plan;
- (b) 1,053,800 new ordinary shares at an issue price of RM2.11 to eligible investors under the Dividend Reinvestment Plan;
- (c) 5,000,000 new ordinary shares at an issue price of RM2.70 per ordinary share by private placement to identified investors for working capital purpose.

All new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

There were no debentures issued during the financial year.

## SHARE GRANT PLAN

At extraordinary general meeting held on 8 March 2012, the Company's shareholders approved the establishment of a Share Grant Plan ("SGP" or "Plan") of not more than 15% in aggregate of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any point of time during the duration of the Plan, to the eligible executives of the Group.

The salient features of the SGP are, *inter alia*, as follows:

- (a) Any eligible executive who meets the following criteria shall be eligible for consideration and/or selection as a selected executive to whom an offer will be made by the SGP committee:
  - i) If he has attained the age of eighteen years and is not an undischarged bankrupt;
  - ii) If he is of Grade 8 or above;
  - iii) If he is employed on a full time basis or if he is serving under an employment contract for a fixed duration and is on or prior to the date of offer be on the payroll of any corporation in the Group and has not served a notice to resign or received a notice of termination;
  - iv) If his employment has been confirmed in writing on or prior to the date of offer;
  - v) If he is an executive director or chief executive officer of the Company, the specific allocation of the SGP shares granted by the Company to him in his capacity as an Executive Director or Chief Executive Officer under the Plan has been approved or will be tabled to be approved by the shareholders of the Company at a general meeting; and
  - vi) If he fulfils any other criteria and/or falls within such category as may be set by the SGP committee from time to time.
- (b) The maximum allowable allocation to any one category/designation of selected executives shall be determined by the SGP committee provided that the allocation to any individual who, either singly or collectively through persons connected with such executive holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company, shall not exceed 10% (or such other percentage as the relevant authorities may permit) of the maximum SGP shares available.
- (c) The Scheme shall be in force for a period of 5 years from the effective date of the SGP, and may be extended for further period of 5 years or any other duration that is allowed by the relevant authorities subject to the discretion of the Board.



# Directors' Report

(cont'd)

## SHARE GRANT PLAN (cont'd)

The salient features of the SGP are, *inter alia*, as follows: (cont'd)

- (d) A SGP Committee comprising directors and/or executives appointed by the Board of Directors is responsible for the implementation and administration of the SGP. The Company and/or the SGP Committee will establish a Trust to be administered by the Trustee consisting of such trustee appointed by the Company from time to time for the purposes of subscribing for new ordinary shares or purchasing of existing ordinary shares from the market and transferring them to the Plan participants at such time as the committee shall direct. The Trustee shall administer the Trust in accordance to the Trust Deed. The Company shall have power from time to time to appoint or rescind the appointment of any Trustee as it deems fit in accordance with provisions of the Trust Deed.
- (e) Pursuant to the SGP, the SGP Committee may, from time to time during the plan period, make an offer to a selected executive to participate in the SGP. A plan participant is granted the right to have plan shares vest in him on the vesting date specified in the offer provided that the vesting conditions are duly and fully satisfied.
- (f) The reference price to be used to determine the number of SGP shares at the point of each offer will be based on the fair value of the shares of the Company on the date of offer but shall not in any event be lower than the nominal value of the shares of the Company.
- (g) The plan shares to be allocated and granted pursuant to the SGP and held by the Trustee shall rank pari passu in all respects with the then existing issued and paid-up shares of the Company and shall be entitled to any rights, dividends, allotments and/or distributions attached thereto and/or which may be declared, made or paid to the Company's shareholders.
- (h) In the event a selected executive is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of services) after an offer is made but before the acceptance therefore by such selected executive, the offer is deemed withdrawn and no longer capable of acceptance, unless otherwise decided by the SGP Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the selected executive.
- (i) The unaccepted offers and/or unvested SGP shares to selected executives will lapse and/or deemed to be cancelled and/or ceased to be capable of vesting when they are no longer in employment of the Group.

During the financial year, the Company has approved and allotted new ordinary shares under SGP to the eligible employees of the Group, as follows:-

Date of allotment	Approved employee benefits, gross RM	Tax RM	Approved employee benefits, net of tax RM	Exercise price	No. of new ordinary shares issued under SGP
7 October 2013	1,458,080	(255,671)	1,202,409	RM2.39 per ordinary shares	503,100

On 8 April 2014, the Company has approved the award of 438,000 new ordinary shares at par value of RM0.50 each under SGP to the eligible Executive Directors, at an exercise price of RM4.12 per share. The employee benefits expenses will be accounted for as an administrative expense in the financial year ending 31 December 2014.

# Directors' Report

(cont'd)

## DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan ("DRP") provides shareholders the option to reinvest their dividends in new ordinary shares ("DRP Shares") in lieu of receiving cash, as the Board of Directors of the Company may, at its absolute discretion, make available ("Reinvestment Option").

The Salient features of the DRP are as follows:-

- (a) Whenever a dividend is declared, the Board may, at its absolute discretion, determine whether to offer the shareholders the Reinvestment Option and where applicable, the size of the portion of such dividends to which the Reinvestment Option applies ("Electable Portion"). Shareholders should note that the Company is not obliged to undertake the DRP for every dividend to be declared.
- (b) In this respect, the Electable Portion may encompass the whole dividend to be declared or only a portion of the dividend. In the event the Electable Portion is not applicable for the whole dividend to be declared, the Non-Electable Portion will be wholly satisfied in cash.
- (c) Unless the Board of Directors has determined that the Reinvestment Option will apply to a particular dividend declared or part thereof, all dividends as may be declared by the Company will be wholly satisfied in cash in the usual manner through a Dividend Payment Account.
- (d) All shareholders are eligible to participate in the DRP provided that:-
  - (i) Such participation will not result in a breach of any restrictions on their holding of the ordinary shares of the Company which may be imposed by any of their contractual obligations, or by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, or by any relevant authorities as the case may be (unless the requisite approval under the relevant statute, law or regulation from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts); or
  - (ii) There are no restrictions for such participation as prescribed in the Company's Memorandum and Articles of Association.
- (e) The Company will issue DRP Shares to shareholders who exercise the Reinvestment Option under the DRP. The issue price will be determined by the Board of Director on the price fixing date and shall be the higher of:
  - (i) An issue price of not more than 10% discount to the five (5) market day volume-weighted average price ("VWAP") of the ordinary shares of the Company immediately preceding price fixing date. The VWAP shall be adjusted for dividends before applying the aforementioned discount in fixing the issue price; and
  - (ii) The par value of ordinary shares at the material time.

Approval of Bursa Securities Malaysia Berhad will be sought for the listing of and quotation for the DRP shares on the Main Market of Bursa Malaysia.
- (f) The DRP will allow shareholders to have the following options in respect of the Reinvestment Option announced by the Board of Directors:
  - (a) to elect to participate and thereby reinvest the entire Electable Portion (or a part thereof) at the issue price of DRP Shares and to receive wholly in cash:-
    - (i) the Non-Electable Portion (if any); and
    - (ii) the Remaining Portion (if any); or
  - (b) to elect not to participate in the Reinvestment Option and thereby receive the entire dividend entitlements wholly in cash.

# Directors' Report

(cont'd)

## DIVIDEND REINVESTMENT PLAN (cont'd)

The Salient features of the DRP are as follows:- (cont'd)

- (g) The DRP Shares to be issued pursuant to the DRP will rank *pari passu* in all respects with the then existing ordinary shares of the Company, save and except that the holders of DRP Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid to the shareholders, the entitlement date of which is prior to or on the date of allotment of the DRP Shares to be issued pursuant to the DRP.
- (h) Subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be, the DRP and the terms and conditions of the DRP may be modified, suspended (in whole or in part) or terminated at any time by the Board of Directors as it deems fit or expedient by giving notice in writing to all shareholders in such manner as the Board of Directors deems fit, notwithstanding any other terms and conditions of the DRP and irrespective of whether an election to exercise the Reinvestment Option has been made by a shareholder.
- (i) In the case of a suspension, the DRP will be suspended (in whole or in part, as the case may be) until such time as the Board of Directors resolve to recommence or terminate the DRP. If the DRP is recommenced, participating shareholders' Notice of Election confirming their participation under the previously suspended DRP will be valid and have full force and effect in accordance with the terms and conditions and any directors, terms and conditions to shareholders for such recommencement of the DRP which may be notified to all shareholders.

The dividends issued or declared under DRP during the financial year are disclosed as follows:-

	Cash RM	Non cash Dividend Reinvestment Plan		Total RM
		No. of ordinary shares	RM	
In respect of financial year ended 31 December 2013:				
First interim single tier tax exempt dividend of 3.0 sen paid on 22 November 2013	367,975	1,053,800 at RM2.11 per ordinary share	2,223,518	2,591,493
Second interim single tier tax exempt dividend of 4.0 sen, paid on 25 February 2014	198,964	1,353,600 at RM2.71 per ordinary share	3,668,256	3,867,220
				6,458,713

## OTHER STATUTORY INFORMATION

Before the Statements of Financial Position and Statements of Profit or Loss and Other Comprehensive Income and of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that 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 bad debts to be written off and no provision for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

# Directors' Report

(cont'd)

## **OTHER STATUTORY INFORMATION** (cont'd)

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

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) 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 and of the Company to meet their obligations as and when they fall due.
- (b) the results of 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; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

## **SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The significant event during the financial year is disclosed in Note 37 to the financial statements.

## **EVENTS AFTER THE REPORTING PERIOD**

The events after the reporting period are disclosed in Note 38 to the financial statements.

# Directors' Report

(cont'd)

**AUDITORS**

The Auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

.....)	)	
<b>LIM AH HOCK</b>	)	
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	)	DIRECTORS
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.....)	)	
<b>LIM PAY CHUAN</b>	)	

Kuala Lumpur  
22 April 2014

# Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 56 to 120 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 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 121 has been compiled in accordance with the Guidance On Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

.....  
**LIM AH HOCK**

Kuala Lumpur  
22 April 2014

.....  
**LIM PAY CHUAN**

# Statutory Declaration

I, Teh Bee Choo, being the Officer primarily responsible for the financial management of PESTECH International Berhad do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 56 to 120 and the supplementary information set out on page 121 are 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 at Kuala Lumpur in )  
the Federal Territory this day of )  
22 April 2014 )

.....  
**TEH BEE CHOO**

Before me:

**S. Arusamy (W.490)**  
Commissioner for Oaths  
Kuala Lumpur

# Independent Auditors' Report

To the Members of **PESTECH INTERNATIONAL BERHAD**

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of PESTECH International Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2013, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 120.

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

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial 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 auditor's reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the Financial Statements.
- c) We are satisfied that the accounts of the subsidiaries and 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.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.



# Independent Auditors' Report

To the Members of **PESTECH INTERNATIONAL BERHAD**

*(cont'd)*

## **OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out on page 121 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## **OTHER MATTERS**

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.

### **SJ GRANT THORNTON**

(NO. AF: 0737)

CHARTERED ACCOUNTANTS

Kuala Lumpur  
22 April 2014

### **HOOI KOK MUN**

(NO: 2207/01/16(JJ))

CHARTERED ACCOUNTANT

# Statements of Financial Position

As at 31 December 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	24,511,565	16,689,359	55,542	66,661
Investment in subsidiaries	5	-	-	37,516,948	36,500,003
Investment in an associate	6	1,013,042	-	1,166,067	-
Total non-current assets		25,524,607	16,689,359	38,738,557	36,566,664
<b>Current assets</b>					
Inventories	7	62,656,529	13,038,260	-	-
Trade receivables	8	73,716,472	54,080,321	-	-
Other receivables, deposits and prepayments	9	9,491,972	5,231,137	58,587	24,800
Amount due from contract customers	10	22,658,830	19,494,366	-	-
Amount due from related companies	11	17,435	13,435	34,140,376	17,639,960
Tax recoverable		-	-	131,260	-
Short-term deposits with licensed institutions	12	147,010	5,868,163	-	-
Cash and bank balances	13	17,878,363	14,633,071	557,102	1,292,381
Total current assets		186,566,611	112,358,753	34,887,325	18,957,141
<b>Total assets</b>		212,091,218	129,048,112	73,625,882	55,523,805
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	14	46,218,450	42,940,000	46,218,450	42,940,000
Share premium	14	19,344,285	5,696,808	19,344,285	5,696,808
Reserves	15	26,717,371	16,749,741	4,030,687	5,142,701
		92,280,106	65,386,549	69,593,422	53,779,509
Non-controlling interest	5	2,435	(3,805)	-	-
<b>Total equity</b>		92,282,541	65,382,744	69,593,422	53,779,509

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

# Statements of Financial Position

As at 31 December 2013

(cont'd)

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Finance lease liabilities	16	4,652,990	1,442,816	12,556	33,106
Loans and borrowings	17	4,628,007	1,837,370	-	-
Deferred tax liabilities	18	1,101,200	441,000	-	-
Total non-current liabilities		10,382,197	3,721,186	12,556	33,106
<b>Current liabilities</b>					
Trade payables	19	41,814,428	30,231,643	-	-
Other payables and accruals	20	6,064,128	3,577,488	3,999,349	1,649,931
Amount due to contract customers	10	606,326	-	-	-
Amount due to Directors	21	772,333	769,507	5	5
Finance lease liabilities	16	1,529,060	634,214	20,550	19,254
Loans and borrowings	17	56,249,110	21,959,480	-	-
Provision for taxation		2,391,095	2,771,850	-	42,000
Total current liabilities		109,426,480	59,944,182	4,019,904	1,711,190
<b>Total liabilities</b>		<b>119,808,677</b>	<b>63,665,368</b>	<b>4,032,460</b>	<b>1,744,296</b>
<b>Total equity and liabilities</b>		<b>212,091,218</b>	<b>129,048,112</b>	<b>73,625,882</b>	<b>55,523,805</b>

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

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	22	181,765,687	136,098,202	14,150,000	10,850,000
Cost of sales		(133,812,202)	(97,284,982)	-	-
Gross profit		47,953,485	38,813,220	14,150,000	10,850,000
Other income	23	2,384,523	1,294,450	6,428	7,274
Administration expenses		(18,286,085)	(15,913,404)	(4,255,335)	(3,522,456)
Finance costs	24	(3,306,025)	(1,161,427)	(2,754)	(1,530)
Operating profit		28,745,898	23,032,839	9,898,339	7,333,288
Share of loss in an associate		(153,025)	-	-	-
Profit before tax	25	28,592,873	23,032,839	9,898,339	7,333,288
Tax expense	26	(7,865,807)	(6,509,008)	-	(54,000)
Profit for the financial year		20,727,066	16,523,831	9,898,339	7,279,288
<b>Other comprehensive income</b>					
Items that will be reclassified subsequently to profit or loss					
- Exchange translation differences		257,157	(54,491)	-	-
<b>Total comprehensive income for the financial year</b>		20,984,223	16,469,340	9,898,339	7,279,288
<b>Profit for financial year attributable to:</b>					
Owners of the Company		20,720,763	16,524,258	9,898,339	7,279,288
Non-controlling interest		6,303	(427)	-	-
		20,727,066	16,523,831	9,898,339	7,279,288
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		20,977,983	16,469,767	9,898,339	7,279,288
Non-controlling interest		6,240	(427)	-	-
		20,984,223	16,469,340	9,898,339	7,279,288
<b>Earnings per share attributable to the owners of the Company:</b>					
Basic earnings per share (RM)	27	0.24	0.21		
Diluted earnings per share (RM)	27	0.24	-		

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

# Statements of Changes in Equity

For the financial year ended 31 December 2013

Group	Note	Attributable to owners of the parent				Distributable		Non-controlling interest	Total equity
		Share capital	Share premium	Translation reserve	Merger reserve	Retained earnings	Total		
		RM	RM	RM	RM	RM	RM	RM	
<b>Balance 1 January 2012</b>		36,500,000	-	(15,807)	(33,136,979)	35,493,880	38,841,094	(3,378)	38,837,716
Profit for the financial year		-	-	-	-	16,524,258	16,524,258	(427)	16,523,831
Other comprehensive loss for the financial year		-	-	(54,491)	-	-	(54,491)	-	(54,491)
Total comprehensive income for the financial year		-	-	(54,491)	-	16,524,258	16,469,767	(427)	16,469,340
<b>Transaction with owners:</b>									
Issue of share capital	14	6,440,000	6,440,000	-	-	-	12,880,000	-	12,880,000
Share issuance expenses	14	-	(743,192)	-	-	-	(743,192)	-	(743,192)
Dividends	28	-	-	-	-	(2,061,120)	(2,061,120)	-	(2,061,120)
Total transaction with owners		6,440,000	5,696,808	-	-	(2,061,120)	10,075,688	-	10,075,688
<b>Balance as at 31 December 2012/1 January 2013</b>		42,940,000	5,696,808	(70,298)	(33,136,979)	49,957,018	65,386,549	(3,805)	65,382,744
Profit for the financial year		-	-	-	-	20,720,763	20,720,763	6,303	20,727,066
Other comprehensive income for the financial year		-	-	257,220	-	-	257,220	(63)	257,157
Total comprehensive income for the financial year		-	-	257,220	-	20,720,763	20,977,983	6,240	20,984,223
<b>Transactions with owners:</b>									
Issue of share capital	14	3,278,450	13,647,477	-	-	-	16,925,927	-	16,925,927
Dividends	28	-	-	-	-	(11,010,353)	(11,010,353)	-	(11,010,353)
Total transactions with owners		3,278,450	13,647,477	-	-	(11,010,353)	5,915,574	-	5,915,574
<b>Balance as at 31 December 2013</b>		46,218,450	19,344,285	186,922	(33,136,979)	59,667,428	92,280,106	2,435	92,282,541

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

# Statements of Changes in Equity

For the financial year ended 31 December 2013

(cont'd)

Company	Note	Non-distributable Share capital RM	Share premium RM	Distributable Retained earnings RM	Total RM
<b>Balance at 1 January 2012</b>		36,500,000	-	(75,467)	36,424,533
Profit for the financial year/ Total comprehensive income for the financial year		-	-	7,279,288	7,279,288
<b>Transaction with owners:</b>					
Issue of share capital	14	6,440,000	6,440,000	-	12,880,000
Share issuance expenses		-	(743,192)	-	(743,192)
Dividends of owners of the Company		-	-	(2,061,120)	(2,061,120)
Total transactions with owners		6,440,000	5,696,808	(2,061,120)	10,075,688
<b>Balance at 31 December 2012/ 1 January 2013</b>		42,940,000	5,696,808	5,142,701	53,779,509
Profit for the financial year/ Total comprehensive income for the financial year		-	-	9,898,339	9,898,339
<b>Transactions with owners:</b>					
Issue of share capital	14	3,278,450	13,647,477	-	16,925,927
Dividends to owners of the Company	28	-	-	(11,010,353)	(11,010,353)
Total transactions with owners		3,278,450	13,647,477	(11,010,353)	5,915,574
<b>Balance at 31 December 2013</b>		46,218,450	19,344,285	4,030,687	69,593,422

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

# Statements of Cash Flows

For the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		28,592,873	23,032,839	9,898,339	7,333,288
Adjustments for:-					
Corporate expenses		-	1,705,431	-	1,705,431
Depreciation on property, plant and equipment		2,352,141	1,511,908	15,597	7,407
Gain on disposal of property, plant and equipment		(14,712)	(54,000)	-	-
Interest expense		3,306,025	1,161,427	2,754	1,530
Interest income		(157,874)	(364,922)	(6,428)	(7,274)
Share of loss in an associate		153,025	-	-	-
Unrealised (gain)/loss on foreign exchange		(499,127)	766,698	-	-
Operating profit before working capital changes		33,732,351	27,759,381	9,910,262	9,040,382
Changes in working capital:-					
Inventories		(49,618,269)	4,444,564	-	-
Receivables		(23,035,893)	(37,905,323)	(33,787)	(24,800)
Payables		11,593,449	15,345,194	(43,722)	260,851
Amount due from customers on contracts		(2,558,138)	(19,495,943)	-	-
Cash (used in)/generated from operations		(29,886,500)	(9,852,127)	9,832,753	9,276,433
Tax paid		(7,586,362)	(4,815,786)	(173,260)	(12,000)
Net cash (used in)/from operating activities		(37,472,862)	(14,667,913)	9,659,493	9,264,433
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Advances to related companies		(4,000)	(2,349)	(16,500,416)	(18,849,962)
Corporate expenses paid		-	(1,299,088)	-	(1,299,088)
Interest received		157,874	364,922	6,428	7,274
Investment in associate		(1,166,067)	-	(1,166,067)	-
Purchase of property, plant and equipment	A	(4,869,330)	(5,962,870)	(4,478)	(14,068)
Proceed from sale of property, plant and equipment		209,206	61,332	-	-
Uplift of bank balances pledged		1,019,449	7,984,987	-	-
Uplift of fixed deposits with licensed financial institutions		334,472	3,674,398	-	-
Net cash (used in)/from investing activities		(4,318,396)	4,821,332	(17,664,533)	(20,155,844)

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

# Statements of Cash Flows

For the financial year ended 31 December 2013

(cont'd)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Advances received from/(repaid to)					
Directors		2,826	(1,675,648)	-	-
Dividend paid		(6,393,695)	(687,040)	(6,393,695)	(687,040)
Proceeds from issuance of ordinary shares		14,702,409	12,880,000	13,685,464	12,880,000
Interest paid		(3,341,425)	(1,161,427)	(2,754)	(1,530)
Proceeds from loan and borrowings		111,873,725	40,755,528	-	-
Repayment of loans and borrowings		(70,654,977)	(33,966,223)	-	-
Repayment of finance lease payables		(1,289,882)	(273,929)	(19,254)	(7,640)
Net cash from financing activities		44,898,981	15,871,261	7,269,761	12,183,790
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		3,107,723	6,024,680	(735,279)	1,292,379
Brought forward		14,207,912	8,231,948	1,292,381	2
Effects of foreign exchange rate		187,948	(48,716)	-	-
Carried forward	B	17,503,583	14,207,912	557,102	1,292,381

## NOTES TO THE STATEMENTS OF CASH FLOWS

### A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

#### GROUP

The Group acquired property, plant and equipment with aggregate costs of RM10,264,232 (2012: RM8,070,870) of which RM5,394,902 (2012: RM2,108,000) was acquired by means of finance lease. Cash payment of RM4,869,330 (2012: RM5,962,870) was made to purchase the property, plant and equipment.

#### COMPANY

The Company acquired property, plant and equipment with cost of RM4,478 (2012: RM74,068) of which RMNil (2012: RM60,000) was financed by finance lease. Cash payment of RM4,478 (2012: RM14,068) was made to purchase the property, plant and equipment.

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



# Statements of Cash Flows

For the financial year ended 31 December 2013

(cont'd)

## NOTES TO THE STATEMENTS OF CASH FLOWS (cont'd)

### B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Statements of Cash Flows comprise the following:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term deposits with licensed institutions (Note 12)	147,010	5,868,163	-	-
Cash and bank balances (Note 13)	17,878,363	14,633,071	557,102	1,292,381
Bank overdrafts (Note 17)	-	(4,417,611)	-	-
	18,025,373	16,083,623	557,102	1,292,381
Less : Fixed deposits and bank balance pledged to licensed financial institutions	(521,790)	(1,875,711)	-	-
	17,503,583	14,207,912	557,102	1,292,381

Fixed deposits with licensed financial institutions and bank balance amounting to RM147,010 (2012: RM481,482) and RM374,780 (2012: RM1,394,229) respectively have been pledged to financial institutions for banking facilities granted to the Group and hence, are not available for general use.

# Notes to the Financial Statements

31 December 2013

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at No.26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan.

The Company is principally engaged in the business of investment holding, general trading and provision of management services. The principal activities of its subsidiaries and associate are disclosed in Note 5 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries and associate during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 April 2014.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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 Companies Act 1965 in Malaysia.

### 2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 2. BASIS OF PREPARATION (cont'd)

### 2.2 Basis of measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group has established control framework in respect to the measurement of fair values of financial instruments. The Executive Committee has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The Executive Committee regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

### 2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (RM) which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

### 2.4 First-time Adoption of MFRSs

#### **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, and IC Interpretations ("IC Int")**

Except for the changes below, the Group and the Company have consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted MFRSs and amendments to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2013.

Initial application of the standards and amendments to the standards did not have material impact to the financial statements. The nature and the impact of these new standards and amendments are described below:

#### MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements

As a result of MFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. MFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

Upon initial adoption, the Group reassessed the control conclusions for its investees at 1 January 2013. It is concluded that the adoption of MFRS 10 does not have material impact to the financial statements.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 2. BASIS OF PREPARATION (cont'd)

### 2.4 First-time Adoption of MFRSs (cont'd)

#### **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, and IC Interpretations ("IC Int") (cont'd)**

The nature and the impact of these new standards and amendments are described below:  
(cont'd)

#### MFRS 11 Joint Arrangements and MFRS 128 Investments in Associates and Joint Ventures

The Group has changed its accounting policy for its interests in joint arrangements in the current period as a result of the adoption of MFRS 11. Under MFRS 11, the Group is required to classify its interests in joint arrangement as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

On 1 January 2013, the Group has re-evaluated its involvement in its only joint arrangement. Upon adoption of MFRS, the Group has determined its interest in Tajri-PESTECH JV Sdn. Bhd. to be classified as a joint venture under MFRS 11 and it will continue to be accounted for using the equity method. The adoption of MFRS 11 does not have material impact to the financial statements.

#### MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of MFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

#### MFRS 13 Fair Value Measurement

The Group and the Company have applied MFRS 13 for the first time in the current period. MFRS 13 established a single source of guidance and disclosure for fair value measurements. The scope of MFRS 13 is broad. The fair value measurement requirements of MFRS 13 apply 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 for share-based payment transactions that are within the scope of MFRS 2 Share-based Payment, leasing transaction that are within the scope of MFRS 117 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

MFRS 13 requires prospective application from 1 January 2013. In addition, specific transition provisions were given to entities such that they need not apply the disclosure requirements set out in the MFRS 13 in comparative information provided for periods before the initial application of the MFRS 13. In accordance with these transitional provisions, the Group has not made any new disclosures required by MFRS 13 for the comparative period. Other than the additional disclosures, the application of MFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 2. BASIS OF PREPARATION (cont'd)

### 2.4 First-time Adoption of MFRSs (cont'd)

#### **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, and IC Interpretations ("IC Int") (cont'd)**

The nature and the impact of these new standards and amendments are described below:  
(cont'd)

#### Amendments to MFRS 101 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

The Group and the Company adopted amendments to MFRS 101 on 1 January 2013. The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified or recycled to profit or loss at a future point in time (e.g. gain or loss on available-for-sale financial assets) have to be presented separately from items that will not be reclassified or recycled to profit or loss at a future point in time (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's and the Company's financial position or performance.

#### Amendments to MFRS 101 Presentation of Financial Statements

(as part of the Annual Improvements to MFRSs 2009 – 2011 Cycle issued in July 2012)

The Annual Improvements to MFRSs 2009 – 2011 have made a number of amendments to MFRSs. The amendments that are relevant to the Group are the amendments to MFRS 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied a number of new MFRSs and amendments to MFRSs. The adoption of new MFRSs and amendments to MFRSs either has immaterial impact to the financial statements, or only affects the presentation or disclosures in the financial statements. As such, no third statements of financial position as at 1 January 2012 is presented.

### 2.5 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, certain new standards, amendments and IC Interpretations to existing standards have been published by the Malaysian Accounting Standards Board but are not yet effective, and have not been adopted by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of pronouncement. Information on MFRS 9 Financial Instruments that is expected to be relevant to the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's and Company's financial statements.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 2. BASIS OF PREPARATION (cont'd)

### 2.5 Standards Issued But Not Yet Effective (cont'd)

#### *MFRS 9 Financial Instruments*

MFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement. MFRS 9 requires financial assets to be classified into two measurement categories: fair value and amortised cost, determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

### 2.6 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

#### 2.6.1 Estimation Uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

##### *Useful lives of depreciable assets*

Management estimates the useful lives of the property, plant and equipment to be within 3 to 96 years and reviews the useful lives of depreciable assets at end of each of the reporting period. At 31 December 2013 management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the Financial Statements.

A 6% (2012: 4%) difference in the expected useful lives of the property, plant and equipment from the management' estimates would result in approximately 1% (2012 : 1%) variance in the Group's profit for the financial year.

##### *Impairment of non-financial assets*

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 2. BASIS OF PREPARATION (cont'd)

### 2.6 Significant Accounting Estimates and Judgements (cont'd)

#### 2.6.1 Estimation Uncertainty (cont'd)

##### *Impairment of non-financial assets (cont'd)*

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

The Group carries out the impairment test based on a variety of estimation including the value-in-use of the cash-generating units to which the property, plant and equipment and investment in subsidiaries are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details of the carrying values, key assumptions applied in the impairment assessment of non-financial assets and sensitivity analysis to changes in the assumptions, if any, are disclosed in the respective notes to the financial statements.

##### *Inventories*

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's profit to change.

The carrying amount of the Group's inventories at the end of the reporting year is disclosed in Note 7 to the Financial Statements.

##### *Income tax/Deferred tax liabilities*

The Group and the Company are exposed to income taxes. Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's provision for taxation and deferred tax liabilities at the end of the reporting period, are disclosed on the face of statements of financial position and in Notes 26 and 18 to the Financial Statements respectively.

##### *Impairment of loans and receivables*

The Group assesses 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 considers factors such as the probability of insolvency or significant financial difficulties of the receivables 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 amount of the Group's loans and receivables at the end of the reporting year is disclosed in Note 8, 9 and 34 to the Financial Statements.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 2. BASIS OF PREPARATION (cont'd)

### 2.6 Significant Accounting Estimates and Judgements (cont'd)

#### 2.6.1 Estimation Uncertainty (cont'd)

##### *Amount due from contract customers*

The carrying amount of amount due from contract customers and revenue recognised from contracts reflects management's best estimate about each contract's outcome and stage of completion. The Group's management assesses the profitability of on-going contracts at least monthly, using extensive project management procedures. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

The carrying amount of the Group's construction contract at the end of the reporting year is summarised in Note 10 to the Financial Statements.

#### 2.6.2 Significant Management Judgement

There is no significant management judgement in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements.

### 3.1 Consolidation

#### 3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

#### 3.1.2 Basis of Consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries and a jointly-controlled entity are all drawn up to the same reporting period.

All intra-group balances, income and expenses and unrealised gains and losses resulting for intra-group transaction are eliminated in full. Where unrealised losses on intra-group assets sales are reversed on consolidation, the underlying assets is also tested for impairment from a group perspective.



# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.1 Consolidation (cont'd)

#### 3.1.2 Basis of Consolidation (cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

#### 3.1.3 Business Combinations

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.1 Consolidation (cont'd)

#### 3.1.3 Business Combinations (cont'd)

##### Common Control Business Combination

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The acquisition resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

#### 3.1.4 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.

#### 3.1.5 Non-Controlling Interest

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.1 Consolidation (cont'd)

#### 3.1.6 Associate and Joint Arrangement

Associate is an entity in which the Group has significant influence, but no control, over their financial and operating policies.

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, investment in an associate or a joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate or a joint venture is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate or a joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the associate or joint venture.

When the Group's share of losses exceeds its interest in an associate or a joint venture, the carrying amount of that interest including any long-term investment 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 or the joint venture.

The financial statements of the associate and joint venture are prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of the associates or joint venture in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint venture. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the associates or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint venture and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.1 Consolidation (cont'd)

#### 3.1.6 Associate and Joint Arrangement (cont'd)

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 if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in an associate and a joint venture are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

#### 3.1.7 Foreign Operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their profit or loss and other comprehensive income are translated at average rate over the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 3.2 Property, Plant and Equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Long leasehold land	96 years
Buildings	50 years
Motor vehicles	5 years
Tools and equipment	5-10 years
Office equipment	3-10 years
Renovation	10 years

Capital work-in-progress consists of land and building under construction. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to the assets under construction until the assets are ready for their intended use. Assets under constructions are not depreciated until it is completed and ready for their intended use.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.2 Property, Plant and Equipment (cont'd)

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

### 3.3 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

#### 3.3.1 Finance Lease

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

Minimum lease payments made under finance leases are apportioned between 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 recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

#### 3.3.2 Operating Lease

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

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

### 3.4 Inventories

Inventories comprising work-in-progress and general stocks are stated at the lower of cost and net realisable value after adequate specific allowance has been made by Directors for deteriorated, obsolete and slow-moving inventories.

Cost of general stock is determined on a first-in-first-out method. The cost of general stock comprise the original purchase price plus the costs incurred in bringing the inventories to their present location and condition.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.4 Inventories (cont'd)

The cost of work-in-progress comprises the cost of raw materials, direct labour and a proportion of production overheads.

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

### 3.5 Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

#### 3.5.1 Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

- (a) loans and receivables;
- (b) financial assets at fair value through profit or loss;
- (c) held to maturity investments; and
- (d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which described below.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire 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, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

At the reporting date, the Group and the Company only carried loans and receivables on their Statements of Financial Position.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss comprised of financial assets which are held for trading or those designated at fair value through profit or loss upon initial recognition. All derivative financial instruments other than those designated and effective as hedging instruments fall into this categories. Financial assets which are held primarily for trading purposes are presented as current whereas financial assets which are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.5 Financial Instruments (cont'd)

#### 3.5.1 Financial Assets (cont'd)

##### *Financial assets at fair value through profit or loss (cont'd)*

Assets in this category are measured at fair value with gains or losses recognised in profit or loss and their fair values are determined by reference to active market transactions or valuation technique where no active market exists. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or losses.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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

#### 3.5.2 Financial Liabilities

After the initial recognition, financial liability is classified as:

- (a) financial liability at fair value through profit or loss;
- (b) other financial liabilities measure at amortised cost using the effective interest method; and
- (c) financial guarantee contracts.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

At the reporting date, the Group and the Company only carried other liabilities on their Statements of Financial Position.

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into the Group or the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.5 Financial Instruments (cont'd)

#### 3.5.2 Financial Liabilities (cont'd)

*Other liabilities measured at amortised cost*

The Group's other liabilities include loans and borrowings, trade and other payables.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### 3.5.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3.6 Construction Contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the percentage of completion of the contract activity at the reporting date. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a period of the contract by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probably recoverable and contract costs are recognised as expense in the financial year in which they are incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on contracts under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on contracts under current liabilities.

### 3.7 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits, bank overdrafts and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown in current liabilities in the statement of financial position.



# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.7 Cash and Cash Equivalents (cont'd)

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current asset.

### 3.8 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of three years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.9 Impairment of Financial Assets

#### 3.9.1 Impairment of Financial Assets Carried at Amortised Cost

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

#### 3.9.2 Unquoted Equity Securities Carried at Cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

### 3.10 Equity, Reserves and Dividend Payments

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

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings and recognised as a liability in the period in which they are declared.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.10 Equity, Reserves and Dividend Payments (cont'd)

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

All transactions with owners of the parent are recorded separately within equity.

### 3.11 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.12 Revenue Recognition

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

#### 3.12.1 Construction Contracts

Revenue relating to rendering of services under a contract is recognised when the outcome of a contract can be estimated reliably, by reference to the stage of completion of the services. Any anticipated loss will be recognised in full.

#### 3.12.2 Sale of Products

Revenue from sale of products is recognised upon the transfer of significant risk and rewards of ownership of the products to the customers. 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 products.

#### 3.12.3 Management Fee Income

Management fee income is recognised when services are rendered.

#### 3.12.4 Dividend Income

Dividend income is recognised when the Company's right to receive payment is established.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.13 Employee Benefits

#### 3.13.1 Short-Term Employee Benefits

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

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

#### 3.13.2 Defined Contribution Plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

#### 3.13.3 Share-based compensation

The Company's SGP (implemented on 8 March 2012), an equity-settled, share-based compensation plan, allows eligible employees of the Group to be entitled for ordinary shares of the Company. The total fair value of shares granted to employees are recognised as an employee cost with a corresponding increase in the share capital and share premium upon allotment of shares. The fair value of shares are measured at grant date.

#### 3.13.4 Employee Leave Entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

### 3.14 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the period in which 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 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.15 Tax Expense

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

#### 3.15.1 Current Tax

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

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

#### 3.15.2 Deferred tax

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive to be utilised.

### 3.16 Contingent Liabilities

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.17 Foreign Currencies

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

### 3.18 Operating Segment

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

### 3.19 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (i) A person or a close member of that person's family is related to the Group if that person:-
  - (a) Has control or joint control over the Group;
  - (b) Has significant influence over the Group; or
  - (c) Is a member of the key management personnel of the holding company of the Group, or the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:-
  - (a) The entity and the Group are members of the same group.
  - (b) One entity is an associate or joint venture of the other entity.
  - (c) Both entities are joint ventures of the same third party.
  - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (e) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  - (f) The entity is controlled or jointly-controlled by a person identified in (i) above.
  - (g) A person identified in (i)(a) above has significant influence over the entity or is a member of the key management personnel of the holding company or the entity.

## Notes to the Financial Statements

31 December 2013

(cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land		Long leasehold land		Building	Renovation	Tools and equipment		Motor vehicles	Motor vehicles under finance lease		Office equipment	Total
	RM	RM	RM	RM			RM	RM		RM	RM		
<b>Cost</b>													
At 1 January 2012	-	1,657,403	5,745,374	420,883	921,475	491,300	636,946	2,853,199	12,726,580				
Additions	-	-	-	59,441	4,782,185	63,249	2,397,669	768,326	8,070,870				
Disposal	-	-	-	-	-	-	(146,019)	(14,113)	(160,132)				
Translation differences	-	-	-	534	(3,216)	(6,259)	-	(1,038)	(9,979)				
At 31 December 2012	-	1,657,403	5,745,374	480,858	5,700,444	548,290	2,888,596	3,606,374	20,627,339				
Additions	3,999,271	-	-	-	3,698,228	22,000	1,866,866	677,867	10,264,232				
Capitalisation of borrowing cost	35,400	-	-	-	-	-	-	-	35,400				
Disposal	-	-	-	-	-	(97,971)	(312,800)	-	(410,771)				
Translation differences	-	-	-	-	65,545	22,611	-	4,055	92,211				
At 31 December 2013	4,034,671	1,657,403	5,745,374	480,858	9,464,217	494,930	4,442,662	4,288,296	30,608,411				
<b>Accumulated depreciation</b>													
At 1 January 2012	-	-	103,589	229,814	83,889	242,040	293,054	1,340,182	2,583,076				
Charge for the financial year	-	17,265	114,907	42,927	514,129	92,741	324,751	405,188	1,511,908				
Disposal	-	-	-	-	-	-	(146,019)	(6,779)	(152,798)				
Translation difference	-	-	-	(24)	(1,496)	(2,620)	-	(66)	(4,206)				
At 31 December 2012	-	120,854	344,721	126,792	803,141	332,161	471,786	1,738,525	3,937,980				
Charge for the financial year	-	17,265	114,907	46,890	878,816	72,152	702,544	519,567	2,352,141				
Disposal	-	-	-	-	-	(54,664)	(161,613)	-	(216,277)				
Translation difference	-	-	-	129	12,011	8,972	-	1,890	23,002				
At 31 December 2013	-	138,119	459,628	173,811	1,693,968	358,621	1,012,717	2,259,982	6,096,846				
<b>Net carrying amount</b>													
At 31 December 2013	4,034,671	1,519,284	5,285,746	307,047	7,770,249	136,309	3,429,945	2,028,314	24,511,565				
At 31 December 2012	-	1,536,549	5,400,653	354,066	4,897,303	216,129	2,416,810	1,867,849	16,689,359				
<b>Group</b>													

Freehold land, long leasehold land and building (2012: long leasehold land and building) are pledged as securities for the related term loans.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Motor vehicles under finance lease RM	Office equipment RM	Total RM
<b>Cost</b>			
Additions/At 31 December 2012	74,068	-	74,068
Additions	-	4,478	4,478
At 31 December 2013	74,068	4,478	78,546
<b>Accumulated depreciation</b>			
Charge for the financial year/At 31 December 2012	7,407	-	7,407
Charge for the financial year	14,813	784	15,597
At 31 December 2013	22,220	784	23,004
<b>Net carrying amount</b>			
At 31 December 2013	51,848	3,694	55,542
At 31 December 2012	66,661	-	66,661

## 5. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 RM	2012 RM
Unquoted shares, at cost		
At 1 January	36,500,003	36,500,003
Capital contributions	1,016,945	-
At 31 December	37,516,948	36,500,003

The particulars of the subsidiaries are as follows:-

Name of company	Place of incorporation	Effective interest		Principal activities
		2013 %	2012 %	
Xcell ATS (M) Sdn. Bhd.	Malaysia	100	100	Provision of design and supply of remote control systems and data communication products and its related services.
PESTECH Sdn. Bhd.	Malaysia	100	100	Provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of substations, transmission lines and underground cables for electricity transmission and distribution, and also manufacture proprietary power system components and equipment. It is also an investment holding company.



# Notes to the Financial Statements

31 December 2013

(cont'd)

## 5. INVESTMENT IN SUBSIDIARIES (cont'd)

The particulars of the subsidiaries are as follows:- (cont'd)

Name of company	Place of incorporation	Effective interest		Principal activities
		2013 %	2012 %	
Subsidiaries of PESTECH Sdn. Bhd.:				
Fornix Sdn. Bhd.	Malaysia	100	100	Investment holding company
PESTECH (Cambodia) Limited (formerly known as Tajri-PESTECH JV Ltd)*	Cambodia	100	100	Construction of electrical substation and transmission line
PESTECH (Brunei) Sdn. Bhd.#	Brunei	90	90	Electrical engineering contractor, specialising in transmission and distribution.
PESTECH (Sarawak) Sdn. Bhd. Malaysia	Malaysia	100	-	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
PESTECH Transmission Limited#	Ghana	100	-	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.

\* Subsidiary audited by a member firm of Grant Thornton International Ltd.

# Subsidiary not audited by SJ Grant Thornton.

### Capital contributions:

Capital contributions represents the fair value of shares granted under Share Grant Plan to the eligible employees of the Group, which is amounting to RM1,012,882 and RM4,063 for the employees of PESTECH Sdn.Bhd. and PESTECH (Sarawak) Sdn.Bhd. respectively.

### Non-controlling interests in a subsidiary:

The information of non-controlling interests in PESTECH (Brunei) Sdn. Bhd. is as follows:-

	2013	2012
Percentage of ownership interest and voting interest (%)	10	10
Carrying amount of non-controlling interests (RM)	2,435	(3,805)
Profit/(Loss) allocated to non-controlling interests (RM)	6,303	(427)
Total comprehensive loss allocated to non-controlling interest (RM)	(63)	-

The other financial information of the subsidiary with non-controlling interests is not disclosed as they are immaterial to the Group's financial position, financial performance and cash flows.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 5. INVESTMENT IN SUBSIDIARIES (cont'd)

### Acquisition of subsidiaries:

#### Group

#### 2013

On 30 August 2013, PESTECH Sdn. Bhd. subscribed additional 900,000 ordinary shares of RM1.00 each of Fornix Sdn. Bhd. by way of capitalisation of RM900,000 from the amount due from the wholly-owned subsidiary.

#### 2012

On 9 March 2012, PESTECH Sdn. Bhd. subscribed for 96,000 shares representing 100% of the total issued and paid up share capital of PESTECH Transmission Limited for a cash consideration of Ghanacedi GHS96,000 (approximately RM16).

On 2 April 2012, PESTECH Sdn. Bhd. acquired the entire issued and paid up share capital of PESTECH (Sarawak) Sdn. Bhd., for a cash consideration of RM2.

## 6. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unquoted equity shares, of cost	1,166,067	-	1,166,067	-
Share of associate's total comprehensive loss	(153,025)	-	-	-
	1,013,042	-	1,166,067	-

The particulars of the associate is as follows:-

Name of company	Place of incorporation	Effective interest		Principal activities
		2013 %	2012 %	
SystemCorp Embedded Technology Pty Ltd	Australia	27.7	-	Specialising in the business of embedded hardware and software design using state-of-the-art electronic products and tools.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 6. INVESTMENT IN AN ASSOCIATE (cont'd)

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amounts of the Group's interests in the associate.

	<b>2013</b>
	<b>RM</b>
Financial position as at 31 December 2013:	
Current assets	557,387
Current liabilities	(2,227,702)
Net liabilities	(1,670,315)
Summary of financial performance for the financial year ended 31 December 2013:	
Revenue	793,236
Loss/Total comprehensive loss	(2,280,196)

### Acquisition of an associate:

On 23 August 2013, the Company entered into a share subscription agreement with the shareholders of SystemCorp Embedded Technology Pty. Ltd. ("SET") for a piecemeal acquisition of 1,060,665 ordinary shares of SET in total for a cash consideration of AUD1,060,665, equivalent to RM3,163,903 and representing 51% of the total issued and paid up share capital of SET by 15 June 2015.

As at 31 December 2013, the Company has completed the acquisition of 390,700 ordinary shares representing 27.7% of the total issued and paid up share capital of SET for a consideration of RM1,166,067.

## 7. INVENTORIES

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
At cost:-		
Work-in-progress	45,289,058	7,605,937
General stocks	17,367,471	5,432,323
	62,656,529	13,038,260

The amount of inventories recognised as cost of sales in profit or loss for the financial year is RM118,068,983 (2012: RM81,931,663).

# Notes to the Financial Statements

31 December 2013

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## 8. TRADE RECEIVABLES

	Group	
	2013	2012
	RM	RM
Trade receivables	56,266,403	39,120,492
Retention sums on contracts	17,450,069	14,959,829
	73,716,472	54,080,321

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 30 to 90 days (2012: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## 9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Other receivables	5,759,381	1,269,650	-	-
Deposits	781,711	356,100	-	-
Prepayments	2,950,880	3,605,387	58,587	24,800
	9,491,972	5,231,137	58,587	24,800

As at 31 December 2012, included in other receivables of the Group was an amount due from related parties amounting to RM467,525.

## 10. AMOUNT DUE FROM/ (TO) CUSTOMERS ON CONTRACTS

	Group	
	2013	2012
	RM	RM
Cost incurred on contracts to date	42,985,585	144,386,013
Add: Attributable profits	38,770,630	81,498,038
	81,756,215	225,884,051
Less: Progress billings	(59,703,711)	(206,389,685)
Amount due from/(to) customers for contracts works	22,052,504	19,494,366
Presented as:		
Amount due from contract customers	22,658,830	19,494,366
Amount due to a contract customer	(606,326)	-
	22,052,504	19,494,366
Retention sum on contracts included in trade receivables	17,450,069	14,959,829
Retention sum on contracts included in trade payables	1,139,583	984,088

# Notes to the Financial Statements

31 December 2013

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## 11. AMOUNT DUE FROM RELATED COMPANIES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Amount due from:</b>				
Jointly-controlled entity	17,435	13,435	-	-
Subsidiary	-	-	34,140,376	17,639,960
	17,435	13,435	34,140,376	17,639,960

Included in amount due from a subsidiary is dividend receivable from the subsidiary amounting to RM9,000,000 (2012: RM8,400,000).

The amount due from related companies represents advances and expenses paid on behalf which is unsecured, interest free and repayable on demand.

## 12. SHORT-TERM DEPOSITS WITH LICENSED INSTITUTIONS

Group	2013 RM	2012 RM
Fixed deposits with licensed institutions	-	5,386,681
Sinking funds	147,010	481,482
	147,010	5,868,163

The sinking funds are pledged to financial institutions for banking facilities granted to the Group and hence, are not available for general use.

The effective interest rates on short-term deposits range from 2.80% to 3.60% (2012: 2.30% to 3.60%) per annum. The average maturity periods of the short-term deposits range from 1 month to 12 months (2012: 1 month to 12 months).

## 13. CASH AND BANK BALANCES

### Group

Included in cash and bank balances of the Group is an amount of RM374,780 (2012: RM1,394,229) which is pledged to financial institutions for guarantee facilities granted to a subsidiary of the Company and hence, are not available for general use.

# Notes to the Financial Statements

31 December 2013

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## 14. SHARE CAPITAL AND SHARE PREMIUM

### Group and Company

#### Share capital

	2013		2012	
	Number of ordinary shares of RM0.50 each	Amount RM	Number of ordinary shares of RM0.50 each	Amount RM
Authorised:				
At 1 January/At 31 December	100,000,000	50,000,000	100,000,000	50,000,000
Issued and fully paid:				
At 1 January	85,880,000	42,940,000	73,000,000	36,500,000
Issued during the year	6,556,900	3,278,450	12,880,000	6,440,000
At 31 December	92,436,900	46,218,450	85,880,000	42,940,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

#### Share premium

	2013 RM	2012 RM
At 1 January	5,696,808	-
Increase on issuance of share capital	13,647,477	6,440,000
Share issuance expenses	-	(743,192)
At 31 December	19,344,285	5,696,808

## 15. RESERVES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-distributable reserve:				
Merger reserve	(33,136,979)	(33,136,979)	-	-
Exchange translation reserve	186,922	(70,298)	-	-
	(32,950,057)	(33,207,277)	-	-
Distributable reserve:				
Retained earnings	59,667,428	49,957,018	4,030,687	5,142,701
	26,717,371	16,749,741	4,030,687	5,142,701

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 15. RESERVES (cont'd)

### Merger reserve

The merger reserve represents the effect arising from the merger of subsidiaries by the Company.

### Exchange translation reserve

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

## 16. FINANCE LEASE LIABILITIES

The finance lease liabilities are payables as follows:-

	<b>Current liabilities</b>	<b>Non-current liabilities</b>	<b>Total</b>
	<b>Not later than one year</b>	<b>Later than one year and not later than five years</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Group</b>			
<b>2013</b>			
Future minimum lease payments	1,857,785	5,110,628	6,968,413
Less: Interest	(328,725)	(457,638)	(786,363)
Present value of minimum lease payments	1,529,060	4,652,990	6,182,050
<b>2012</b>			
Future minimum lease payments	719,845	1,525,935	2,245,780
Less: Interest	(85,631)	(83,119)	(168,750)
Present value of minimum lease payments	634,214	1,442,816	2,077,030
<b>Company</b>			
<b>2013</b>			
Future minimum lease payments	22,008	12,808	34,816
Less: Interest	(1,458)	(252)	(1,710)
Present value of minimum lease payments	20,550	12,556	33,106
<b>2012</b>			
Future minimum lease payments	22,008	34,816	56,824
Less: Interest	(2,754)	(1,710)	(4,464)
Present value of minimum lease payments	19,254	33,106	52,360

The Group's finance leases bear interest at rates ranging from 2.25% to 6.29% (2012: 2.34% to 6.29%) per annum and are secured over the leased assets and corporate guarantee of the Company.

The Company's finance leases bear interest at 6.29% (2012: 6.29%) per annum and are secured over the leased assets.

The agreement is non-cancellable but does not contain any further restrictions.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 17. LOANS AND BORROWINGS

Group	2013 RM	2012 RM
<b>Non-current liabilities</b>		
Secured:		
Term loans	4,628,007	1,837,370
<b>Current liabilities</b>		
Secured:		
Term loans	169,363	94,701
Bank overdrafts	-	4,417,611
Bankers' acceptances	11,996,000	8,866,000
Trust receipts	24,415,035	8,581,168
Project-financing facility	19,668,712	-
	56,249,110	21,959,480
	60,877,117	23,796,850
<b>Total borrowings:</b>		
Term loans	4,797,370	1,932,071
Bank overdrafts	-	4,417,611
Bankers' acceptance	11,996,000	8,866,000
Trust receipts	24,415,035	8,581,168
Project financing facility	19,668,712	-
	60,877,117	23,796,850

The effective interest rates per annum are as follows:

	2013 %	2012 %
Term loans	5.10	5.10
Bank overdrafts	-	7.60 - 8.60
Bankers' acceptances	4.53 - 4.71	4.67 - 5.45
Trust receipts	2.05 - 4.85	2.12 - 8.35
Project financing facilities	8.00	-



# Notes to the Financial Statements

31 December 2013

(cont'd)

## 17. LOANS AND BORROWINGS (cont'd)

The particular of term loans are as follows:

	2013 RM	2012 RM
(i) A fifteen (15) year term loan of RM2,000,000 which is repayable by 180 equal monthly installments of RM15,920 commencing 16 March 2012	1,837,370	1,932,071
(ii) A nine (9) year term loan of RM22,960,000 which is repayable by 107 equal monthly installments of RM220,000 and a final installment of RM5,392,109, the first of which is to commence on the first day of the 14th month from the date of full disbursement or upon expiry of the availability period or upon notification from the bank.	2,960,000	-
	4,797,370	1,932,071

Term loan (i) of the Group are on-lend to Fornix Sdn. Bhd., a wholly-owned subsidiary of the Company and the interest incurred are borne by the said subsidiary.

Term loan (ii) consists of two tranches:-

(a) Tranche A of RM2,960,000

To finance up to 80% of the purchase of a freehold industrial land. The term loan was disbursed on 27 September 2013.

(b) Tranche B of RM20,000,000

To finance up to 80% of the total development costs (excluding land cost) of no less than RM25,000,000 of a 4 1/2 storey factory annexed with an office building ("the subject factory") to be constructed on the subject land. The term loan is pending certain documentation prior to full disbursement of the amount.

The term loan (i) is secured by:

- (i) Facilities Agreements;
- (ii) Freehold land and building of a subsidiary; and
- (iii) Corporate guarantee by the Company.

On 9 January 2014, the Group has fully settled the payment of term loan (i). The discharge of freehold land and building as part of the securities of the term loan has been completed on 17 February 2014.

The term loan (ii) is secured by:

- (i) Facility Agreement for RM22,963,520 together with profit, commission and all other charges thereon,
- (ii) A first party fixed charge over the subject land;
- (iii) A debenture limited to the subject land incorporating with a power of attorney to empower the bank in the event of default, to sell and/or to appoint a developer or contractor to commence and/or continue with the subject factory and to effect any subsequent transfer and do all acts to ensure the full completion of the subject factory;
- (iv) Corporate guarantee from the Company.

Project financing facility is offered by Malaysia Debt Ventures Berhad to finance the cost in relation to a contract awarded by Sarawak Energy Berhad via Letter of Award dated 24 April 2012.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 17. LOANS AND BORROWINGS (cont'd)

The project financing facility of the Group is secured by:

- (i) Assignment of contract proceeds in relation to the aforesaid project; and
- (ii) Corporate guarantee by the Company.

Other loans and borrowings of the Group are secured by:-

- (i) Facilities Agreements;
- (ii) Freehold land and building of a subsidiary;
- (iii) Fixed deposits and bank balances;
- (iv) Corporate guarantee by the Company;
- (v) Trade Financing General Agreement from a subsidiary of the Company;
- (vi) Blanket Counter Indemnity from a subsidiary of the Company;
- (vii) Letter of Undertaking from a subsidiary of the Company; and
- (viii) Assignment of contract proceeds in relation to the financed projects.

## 18. DEFERRED TAX

The deferred tax assets and liabilities are made up of the following:

	Group	
	2013	2012
	RM	RM
At 1 January	441,000	221,000
Recognised in profit or loss (Note 26)	483,400	220,000
	924,400	441,000
Under provision in prior year	176,800	-
At 31 December	1,101,200	441,000

The deferred tax liabilities as at the end of the reporting period are derived from the following:

	Group	
	2013	2012
	RM	RM
Property, plant and equipment	976,200	625,000
Unrealised gain/(loss) on foreign exchange	125,000	(184,000)
	1,101,200	441,000

The corporate tax rate will be reduced to 24% from the year of assessment 2016 onwards as announced in the Malaysian Budget 2014. Consequently, deferred tax assets and liabilities will be measured using 24%.

# Notes to the Financial Statements

31 December 2013

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## 19. TRADE PAYABLES

	Group	
	2013 RM	2012 RM
Trade payables	40,674,845	29,247,555
Retention sum on contracts (Note 10)	1,139,583	984,088
	41,814,428	30,231,643

Included in trade payables of the Group is an amount due to related parties amounting RM765,068 (2012: RM1,129,353) which is unsecured, non-interest bearing and the normal credit terms granted by the party is 90 days.

Trade payables are non-interest bearing and the normal credit terms granted by the trade payables range from 14 days to 90 days (2012: 14 days to 90 days).

## 20. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other payables	1,996,723	1,080,791	112,129	30,696
Dividend payable	3,867,220	1,374,080	3,867,220	1,374,080
Accruals	200,185	1,122,617	20,000	245,155
	6,064,128	3,577,488	3,999,349	1,649,931

## 21. AMOUNT DUE TO DIRECTORS

The amount due to Directors is unsecured, bears no interest and repayable upon demand.

## 22. REVENUE

Revenue of the Group were derived from engineering, procurement, manufacturing, construction and commissioning of power substations and transmission lines which consist of sales of products and rendering of services under contract.

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Sales of products	14,189,688	21,081,017	-	-
Rendering of services under construction contracts	167,575,999	115,017,185	-	-
Management fee Income	-	-	3,150,000	1,750,000
Dividend income	-	-	11,000,000	9,100,000
	181,765,687	136,098,202	14,150,000	10,850,000

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 23. OTHER INCOME

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest income	157,874	364,922	6,428	7,274
Gain on disposal of plant and equipment	14,712	54,000	-	-
Realised gain on foreign exchange	1,580,092	693,645	-	-
Unrealised gain on foreign exchange	499,127	-	-	-
Sundry income	132,718	181,883	-	-
	2,384,523	1,294,450	6,428	7,274

## 24. FINANCE COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest expense on:				
Term loans	96,364	220,826	-	-
Finance lease liabilities	255,121	50,830	2,754	1,530
Bank overdrafts	309,832	456,824	-	-
Bankers' acceptance/Letter of credit/ Trust receipts/Project financing facility	2,644,708	432,947	-	-
	3,306,025	1,161,427	2,754	1,530

# Notes to the Financial Statements

31 December 2013

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## 25. PROFIT BEFORE TAX

Profit before tax is determined after charging/(crediting), amongst others, the following items:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Auditors' remuneration:				
Auditors of the Company				
- statutory audit	92,500	81,000	20,000	20,000
- other services	8,000	268,964	8,000	252,664
Other auditors				
- statutory audit	26,959	24,331	-	-
Depreciation	2,352,141	1,511,908	15,597	7,407
Directors' remuneration				
- fee	115,944	255,000	115,944	105,000
- bonus	-	-	-	-
- other emoluments	2,006,000	1,446,146	2,006,000	1,006,000
Gain on disposal of property, plant and equipment	(14,712)	(54,000)	-	-
Interest income	(157,874)	(364,922)	(6,428)	(7,274)
Interest expense	3,306,025	1,161,427	2,754	1,530
Realised (gain)/loss on foreign exchange	(1,580,092)	(679,059)	294	8
Rental of equipment	950	718	-	-
Rental of premises	420,944	270,922	-	-
Rental of motor vehicle	28,000	-	-	-
Share of loss in an associate	153,025	-	-	-
Unrealised (gain)/loss on foreign exchange	(499,127)	766,698	-	-

## 26. TAX EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current year taxation	7,481,110	6,657,254	-	54,000
Transferred to deferred taxation (Note 18)	483,400	220,000	-	-
	7,964,510	6,877,254	-	54,000
(Under)/Over provision in prior year				
- Current tax	(275,503)	(368,246)	-	-
- Deferred tax	176,800	-	-	-
	(98,703)	(368,246)	-	-
	7,865,807	6,509,008	-	54,000

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

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

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 26. TAX EXPENSE (cont'd)

The numerical reconciliation between the average effective tax rate and the statutory tax rate are as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax	28,592,873	23,032,839	9,898,339	7,333,288
At Malaysian statutory tax rate of 25%	7,148,218	5,758,210	2,474,585	1,833,322
Effects of different tax rates in overseas subsidiary	(15,404)	(66,104)	-	-
Tax effects in respect of:-				
Expenses not deductible for tax purposes	902,199	1,425,300	205,415	495,678
Income not subject to tax	(140,503)	(240,152)	(2,750,000)	(2,275,000)
Deferred tax assets not recognised during the financial year	70,000	-	70,000	-
	7,964,510	6,877,254	-	54,000
Over provision in prior year	(98,703)	(368,246)	-	-
	7,865,807	6,509,008	-	54,000

## 27. EARNINGS PER ORDINARY SHARE

### Basic earnings per share

Basic earnings per ordinary share is calculated by dividing consolidated profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2013	2012
Profit attributable to owners of the parent (RM)	20,720,763	16,524,258
Weighted average number of ordinary shares in issue - basic (no of shares):		
Issued ordinary shares at 1 January	85,880,000	73,000,000
Effect of ordinary shares issued during the financial year	597,653	7,513,333
	86,477,653	80,513,333
Basic earnings per share (RM)	0.24	0.21

# Notes to the Financial Statements

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## 27. EARNINGS PER ORDINARY SHARE (cont'd)

### Diluted earnings per share

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all ordinary shares issuable subsequent to the end of the reporting period under the Dividend Reinvestment Plan.

	<b>Group 2013</b>
Profit attributable to owners of the parent (RM)	20,720,763
Weighted average number of ordinary shares in issue - diluted (no of shares):	
Weighted average number of ordinary shares in issue - basic	86,477,653
Effect of ordinary shares issuable	135,360
	<u>86,613,013</u>
Diluted earnings per share (RM)	<u>0.24</u>

## 28. DIVIDENDS

	<b>Cash RM</b>	<b>Non-cash Dividend Reinvestment Plan No. of ordinary shares</b>	<b>RM</b>	<b>2013 Total RM</b>	<b>2012 Total RM</b>
In respect of the financial year ended 31 December 2012:					
First interim single tier dividend of 0.8 sen per ordinary share, paid on 15 October 2012	687,040	-	-	-	687,040
Second interim single tier dividend of 1.6 sen per ordinary share, paid on 25 January 2013	1,374,080	-	-	-	1,374,080
Third interim single tier dividend of 3.3 sen per ordinary share, paid on 26 April 2013	2,834,040	-	-	2,834,040	-
Final single tier dividend of 2.0 sen per ordinary share, paid on 7 August 2013	1,717,600	-	-	1,717,600	-
In respect of the financial year ended 31 December 2013:					
First interim single tier dividend of 3.0 sen per ordinary share, paid on 22 November 2013	367,975	1,053,800 at RM2.11 per ordinary share	2,223,518	2,591,493	-
Second interim single tier dividend of 4.0 sen per ordinary share, paid on 25 February 2014	198,964	1,353,600 at RM2.71 per ordinary share	3,668,256	3,867,220	-
			<u>11,010,353</u>	<u>2,061,120</u>	

# Notes to the Financial Statements

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## 28. DIVIDENDS (cont'd)

The Directors proposed a final single tier dividend of 4.0 sen per ordinary shares, amounting to RM3,938,884 in respect of the financial year ended 31 December 2013 which is subject to approval of the shareholders at the forthcoming Annual General Meeting and will be accounted for as an appropriation of the retained earnings in the financial year ending 31 December 2014.

## 29. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Salaries, wages, bonuses and other emoluments	14,038,074	11,145,283	748,000	1,216,000
Social security contributions	110,514	89,082	1,859	1,085
Defined contribution plan	1,489,169	1,265,049	89,760	142,800
Directors' fee	115,944	255,000	115,944	105,000
Fair value of shares granted under Share Grant Plan	1,458,080	-	250,464	-
Other benefits	658,626	639,175	10,224	13,539
	17,870,407	13,393,589	1,216,251	1,478,424

Included in the employee benefit expenses of the Group are Directors' remuneration as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Executive Directors:</b>				
Salaries, bonuses and other emoluments	1,794,500	1,299,800	1,794,500	901,000
Defined contribution plan	211,500	146,088	211,500	105,000
Social security contributions	-	258	-	-
Directors' fee	-	150,000	-	-
	2,006,000	1,596,146	2,006,000	1,006,000
<b>Non- Executive Directors:</b>				
Directors' fee	115,944	105,000	115,944	105,000

The estimated monetary value of benefit-in-kind received and receivable by the Executive Directors otherwise than in cash from the Group amounted to RM48,500 (2012: RM45,400).



# Notes to the Financial Statements

31 December 2013

(cont'd)

## 30. INVESTMENTS IN A JOINT VENTURE

### GROUP

The particulars of the joint venture entity are as follows:

Name of company	Country of incorporation	Interest in equity held by Group		Principal activities
		2013	2012	
Tajri-PESTECH JV Sdn. Bhd.	Malaysia	50%	50%	Provision of electrical, mechanical and civil engineering, subcontracting and engineering consultancy. It is currently inactive.

The Group discontinued in recognising its share of losses in the jointly-controlled entity under the equity method of accounting, as the share of losses in the jointly-controlled entity has exceeded the cost of investment of RM12,500.

The other financial information of the joint venture is not disclosed as they are immaterial to the Group's financial position, financial performance and cash flows.

## 31. COMMITMENTS

### 31.1 Operating lease commitments - as lessee

The future minimum lease payments payable under non-cancellable operating lease commitments are:

	Group	
	2013 RM	2012 RM
Future minimum lease payments payables:		
Not later than 1 year	902,207	726,227
Later than 1 year but not later than 2 years	643,710	1,202,596
	1,545,917	1,928,823

Operating lease commitments represent rentals payable for rent of the buildings and offices. Leases are negotiated for terms of 3 years (2012: 3 years).

### 31.2 Finance lease commitments

The future minimum lease payments under finance leases are disclosed in Note 16 to the Financial Statements.

### 31.3 Capital commitments

	Group	
	2013 RM	2012 RM
Capital expenditure		
Authorised but not contracted for		
- property, plant and equipment	-	410,000

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 32. CONTINGENCIES

Corporate guarantees extended by the Company to financial institutions for credit facilities granted to subsidiaries as at the end of the reporting year are as follows:-

	Company	
	2013 RM	2012 RM
<u>Secured</u>		
Finance lease liabilities of subsidiaries		
- Outstanding as at 31 December 2013	2,580,067	1,567,079
Loans and borrowings of subsidiaries		
- Outstanding as at 31 December 2013	64,086,249	15,768,968
<u>Unsecured</u>		
Suppliers of a subsidiary		
- Outstanding as at 31 December 2013	66,923	-

The corporate guarantees do not have a determinable effect on the terms of the credit facilities due to the banks, financial institutions and suppliers requiring parent guarantees as a pre-condition for approving the credit facilities granted to the subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiaries. As such, there is no value on corporate guarantee to be recognised in the financial statements.

## 33. RELATED PARTY DISCLOSURES

### 33.1 Related party transactions

Related party transaction have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group are as follows:

	Group	
	2013 RM	2012 RM
Related parties by virtue of common shareholders and common key management personnel		
- Sale of products	-	55,640
- Purchase of materials and services received	14,703,484	7,612,556

### 33.2 Compensation of key management personnel

The Group has no other members of key management personnel apart from the Board of Directors.

# Notes to the Financial Statements

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(cont'd)

## 33. RELATED PARTY DISCLOSURES (cont'd)

### 33.3 Outstanding balances arising from related party transactions with related parties related by virtue of common shareholders and common key management personnel

	Group	
	2013	2012
	RM	RM
Receivables from related parties	-	467,525
Payable to related parties	(765,068)	(1,129,353)

## 34. FINANCIAL INSTRUMENTS

### 34.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

- (i) Loans and receivables (L&R), and
- (ii) Other liabilities measured at amortised cost (AC)

	Carrying amount		
	RM	L&R	AC
		RM	RM
<b>Group</b>			
<b>2013</b>			
<b>Financial assets</b>			
Receivables	102,933,829	102,933,829	-
Fixed deposits	147,010	147,010	-
Cash and bank balances	17,878,363	17,878,363	-
	120,959,202	120,959,202	-
<b>Financial liabilities</b>			
Payables	49,257,215	-	49,257,215
Finance lease liabilities	6,182,050	-	6,182,050
Loans and borrowings	60,877,117	-	60,877,117
	116,316,382	-	116,316,382
<b>2012</b>			
<b>Financial assets</b>			
Receivables	75,213,872	75,213,872	-
Fixed deposits	5,868,163	5,868,163	-
Cash and bank balances	14,633,071	14,633,071	-
	95,715,106	95,715,106	-
<b>Financial liabilities</b>			
Payables	34,578,638	-	34,578,638
Finance lease liabilities	2,077,030	-	2,077,030
Loans and borrowings	23,796,850	-	23,796,850
	60,452,518	-	60,452,518

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

	Carrying amount RM	L&R RM	AC RM
<b>Company</b>			
<b>2013</b>			
<b>Financial assets</b>			
Receivables	34,140,376	34,140,376	-
Cash and bank balances	557,102	557,102	-
	34,697,478	34,697,478	-
<b>Financial liabilities</b>			
Payables	3,999,354	-	3,999,354
Finance lease liabilities	33,106	-	33,106
	4,032,460	-	4,032,460
<b>2012</b>			
<b>Financial assets</b>			
Receivables	17,639,960	17,639,960	-
Cash and bank balances	1,292,381	1,292,381	-
	18,932,341	18,932,341	-
<b>Financial liabilities</b>			
Payables	1,649,936	-	1,649,936
Finance lease liabilities	52,360	-	52,360
	1,702,296	-	1,702,296

### 34.2 Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity risk, foreign currency risk, interest rate risk, and market price risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

#### (a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Following are the areas where the Group and the Company are exposed to credit risk:

#### i. Receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

The credit risk concentration profile of the Group as at end of the reporting period is as follows:

	Group			
	2013		2012	
	RM	% of total	RM	% of total
<b>By country:</b>				
Malaysia	68,743,093	93.3	43,265,436	80.0
Cambodia	2,389,440	3.2	6,618,582	12.2
Sri Lanka	-	-	4,122,307	7.6
Others	2,583,939	3.5	73,996	0.2
	73,716,472	100.0	54,080,321	100.0

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows: (cont'd)

#### (a) Credit risk (cont'd)

##### i. Receivables (cont'd)

The ageing analysis of trade receivables other than retention sum is as follows:-

	2013 RM	2012 RM
Not past due	35,569,337	27,758,214
Past due for 0-30 days	4,167,485	1,529,647
Past due for 31-60 days	4,231,855	3,499,190
Past due for 61-90 days	820,739	21,500
Past due for 91-120 days	1,581,100	570,292
Past due for more than 121 days	9,895,887	5,741,649
	56,266,403	39,120,492

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.

As at 31 December 2013, trade receivables of the Group amounting to RM20,697,066 (2012: RM11,362,278) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Trade receivables of the Group amounting to RM2,331,592 (2012: RM9,319,417) have been arranged for settlement via letters of credit issued by financial institutions in countries where the customers are located.

The Group has pledged trade receivables amounting to approximately RMNil (2012: RM9,801,101) as security for bank borrowings.

The net carrying amount of trade receivables is considered a reasonable approximate of fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above.

At the reporting date, approximately 72% (2012: 69%) of the Group's trade receivables other than retention sum were due from four (2012: three) major customers.

Trade receivables consist of a large number of customers in various geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows: (cont'd)

#### (a) Credit risk (cont'd)

##### ii. *Intercompany balances*

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

The Group and the Company provide unsecured advances to related companies and monitor the results of the related companies regularly.

As at the end of the reporting period, there was no indication that the advances to the related parties are not recoverable.

##### iii. *Corporate guarantee*

The maximum exposure to credit risk is disclosed in the Note 32 to the Financial Statements, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, loans and borrowings, the Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows: (cont'd)

#### (b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:

Group	Carrying amount RM	Repayment term months	Contractual interest rate %	Contractual cash flows RM	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
<b>2013</b>								
<b>Financial assets</b>								
Fixed deposits with licensed institutions	147,010	1 - 12	2.80% - 3.60%	147,010	147,010	-	-	-
<b>Non-derivative financial liabilities</b>								
<b>Secured :</b>								
Finance lease liabilities	6,182,050	19 - 59	2.25%-6.29%	6,968,413	1,857,785	1,772,759	3,337,869	-
Loans and borrowings	60,877,117	1 - 170	2.05%-8.00%	62,341,050	56,340,508	609,352	1,828,057	3,563,133
	67,059,167			69,309,463	58,198,293	2,382,111	5,165,926	3,563,133
<b>Unsecured :</b>								
Payables	49,257,215	-	-	49,257,215	49,257,215	-	-	-
Total undiscounted financial liabilities	116,316,382			118,566,678	107,455,508	2,382,111	5,165,926	3,563,133



## Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

## 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows: (cont'd)

## (b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below: (cont'd)

Group	Carrying amount RM	Repayment term months	Contractual interest rate %	Contractual cash flows RM	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
<b>2012</b>								
<b>Financial assets</b>								
Fixed deposits with licensed institutions	5,868,163	1-12	2.30% to 3.60%	5,868,163	5,868,163	-	-	-
<b>Non-derivative financial liabilities</b>								
<b>Secured :</b>								
Finance lease liabilities	2,077,030	31-54	2.34% to 6.29%	2,245,778	719,844	719,844	806,090	-
Loans and borrowings	23,796,850	1-180	2.12% to 8.60%	24,594,236	22,055,822	191,043	573,129	1,774,242
	25,873,880			26,840,014	22,775,666	910,887	1,379,219	1,774,242
<b>Unsecured :</b>								
Payables	34,578,638	-	-	34,578,638	34,578,638	-	-	-
Total undiscounted financial liabilities	60,452,518			61,418,652	57,354,304	910,887	1,379,219	1,774,242

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows: (cont'd)

#### (b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below: (cont'd)

Company	Carrying amount RM	Repayment term months	Contractual interest rate %	Contractual cash flows RM	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
<b>2013</b>								
<b>Non-derivative financial liabilities</b>								
<b>Secured :</b>								
Finance lease liabilities	33,106	19	6.29%	34,816	22,008	12,808	-	-
<b>Unsecured :</b>								
Payables	3,999,354	-	-	3,999,354	3,999,354	-	-	-
Total undiscounted financial liabilities	4,032,460			4,034,170	4,021,362	12,808	-	-
<b>2012</b>								
<b>Non-derivative financial liabilities</b>								
<b>Secured:</b>								
Finance lease liabilities	52,360	31-54	6.29%	56,824	22,008	22,008	12,808	-
<b>Unsecured :</b>								
Payables	1,649,936	-	-	1,649,936	1,649,936	-	-	-
Total undiscounted financial liabilities	1,702,296			1,706,760	1,671,944	22,008	12,808	-

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows: (cont'd)

#### (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.

To mitigate the Group's exposure to foreign currency risk, the Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily United States Dollar (USD), Singapore Dollar (SGD), Euro (EURO), Sri Lanka Rupee (LKR), and Japanese Yen (JPY).

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

2013 Denominated in	Trade receivables RM	Other receivables RM	Cash and bank balances RM	Trade payables RM	Other payables RM	Loan and borrowings RM
USD	18,832,279	1,121,445	1,879,872	(4,609,410)	(189,207)	(13,190,654)
EURO	2,427,844	71,050	5,522	(608,654)	-	(1,445,050)
JPY	-	-	-	(516,305)	-	-
LKR	-	9,250	25,452	(94,488)	-	-
Others	110,945	139,943	161,180	(130,156)	(16,449)	(94,802)

2012 Denominated in	Trade receivables RM	Other receivables RM	Cash and bank balances RM	Trade payables RM	Other payables RM	Loan and borrowings RM
USD	19,256,714	1,876,652	10,785,210	(1,780,232)	(177,504)	(5,311,766)
EURO	4,016,001	-	22,056	(120,644)	(3,148)	-
JPY	-	-	-	(946,884)	-	-
LKR	106,306	163,544	4,497	(130,447)	-	-
Others	73,213	221,845	73,857	(159,589)	(54,950)	-

#### Foreign currency forward contracts

The Group enters into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on trade transactions denominated in foreign currencies.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows: (cont'd)

#### (c) Foreign currency risk (cont'd)

*Foreign currency forward contracts (cont'd)*

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

	Average exchange rate	Contracts value USD	Contracts value RM
<b>Outstanding contracts</b>			
<b>2013</b>			
Sell USD			
- Less than 1 year	3.2000 to 3.2788	2,450,000	7,960,405
<b>2012</b>			
Sell USD			
- Less than 1 year	3.0795 to 3.1020	2,000,000	6,181,250

*Foreign currency sensitivity analysis:*

The following table demonstrates the sensitivity of the Group's profit for the financial period to a reasonably possible change in the USD, EURO and JPY exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	← Increase/(decrease) → Group			
	2013		2012	
	Profit for the year RM	Equity RM	Profit for the year RM	Equity RM
USD/RM				
- Strengthened 6% (2012: 1%)	211,977	211,977	151,226	151,226
- Weakened 6% (2012: 1%)	(211,977)	(211,977)	(151,226)	(151,226)
EURO/RM				
- Strengthened 7% (2012: 1%)	32,224	32,224	31,705	31,705
- Weakened 7% (2012: 1%)	(32,224)	(32,224)	(31,705)	(31,705)
JPY/RM				
- Strengthened 9% (2012: 11%)	45,232	45,232	103,356	103,356
- Weakened 9% (2012: 11%)	(45,232)	(45,232)	(103,356)	(103,356)

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposures to foreign currency risk.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows: (cont'd)

#### (d) Interest rate risk

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

The Group's investments in fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

*Fair value sensitivity analysis for fixed rate instruments:*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting period were:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Fixed rate instruments:</b>				
Financial assets	147,010	5,868,163	-	-
Financial liabilities	(35,850,762)	(2,077,030)	(33,106)	(52,360)
	(25,703,752)	3,791,133	(33,106)	(52,360)
<b>Floating rate instruments:</b>				
Financial liabilities	(41,208,405)	(23,796,850)	-	-

*Cash flow sensitivity analysis for variable rate instruments:*

A change in 50 basis point (bp) in interest rates at the end of the reporting period would have increased/(decreased) profit for the year and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

### 34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows: (cont'd)

#### (d) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments: (cont'd)

	Profit for the year		Equity	
	+ 50 bp RM	- 50 bp RM	+ 50 bp RM	- 50 bp RM
<b>2013</b>				
Floating rate instruments	(206,042)	206,042	(206,042)	206,042
<b>2012</b>				
Floating rate instruments	(118,984)	118,984	(118,984)	118,984

### 34.3 Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short term borrowings (except for finance lease liabilities and term loans), are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The fair value of non-current financial liabilities, together with their carrying amounts are disclosed as below:

Fair value of financial instruments not carried at fair value:

	2013		2012	
	Carrying amounts RM	Fair value at Level 2 RM	Carrying amounts RM	Fair value at Level 2 RM
Non-current liabilities:				
Finance lease liabilities	6,182,050	5,325,569	2,007,030	1,790,353
Term loans	4,797,370	4,124,334	1,932,071	1,282,183

## 35. OPERATING SEGMENT

### 35.1 Business segments

For the management purposes, the Group is organised into business units based on their products and services, which comprises the following:

Investment	Investment and property holding
EPMCC	Engineering, procurement, manufacturing, construction and commissioning of power substations and transmission lines

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 35. OPERATING SEGMENT (cont'd)

### 35.1 Business segments (cont'd)

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

Transfer price between operating segments are on arm's length basis in a manner similar to transactions with third parties.

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

2013	Note	Investment RM	EPMCC RM	Adjustments and Eliminations RM	Total RM
<b>Revenue</b>					
External customers		-	181,765,687	-	181,765,687
Inter-segment	i	14,714,000	-	(14,714,000)	-
<b>Total revenue</b>		<b>14,714,000</b>	<b>181,765,687</b>	<b>(14,714,000)</b>	<b>181,765,687</b>
<b>Results</b>					
Dividend income		11,000,000	-	(11,000,000)	-
Interest income		6,428	682,290	(530,844)	157,874
Finance costs		(533,598)	(3,303,271)	530,844	(3,306,025)
Depreciation		(15,597)	(2,204,372)	(132,172)	(2,352,141)
Share of loss in an associate		-	-	(153,025)	(153,025)
Income tax expense		(3,553)	(7,862,254)	-	(7,865,807)
Other material non-cash items:					
- Gain on disposal of property, plant and equipment		-	14,712	-	14,712
- Unrealised gain on foreign exchange		-	(499,127)	-	(499,127)
Segment profit	ii	10,385,312	32,898,066	(11,132,172)	32,151,206
<b>Assets</b>					
Segment assets		80,403,006	207,228,651	(79,540,439)	212,091,218
Additions to non-current assets other than financial instruments and deferred tax assets	iii	4,003,749	6,260,483	-	10,264,232
<b>Liabilities</b>					
Segment liabilities		(14,229,133)	(146,477,505)	40,897,961	(119,808,677)

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 35. OPERATING SEGMENT (cont'd)

### 35.1 Business segments (cont'd)

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by business segment: (cont'd)

2012	Note	Investment RM	EPMCC RM	Adjustments and Eliminations RM	Total RM
<b>Revenue</b>					
External customers		-	136,098,202	-	136,098,202
Inter-segment	i	11,414,000	-	(11,414,000)	-
Total revenue		11,414,000	136,098,202	(11,414,000)	136,098,202
<b>Results</b>					
Dividend income		2,100,000	-	(2,100,000)	-
Interest income		7,274	791,243	(433,595)	364,922
Finance cost		(435,125)	(1,159,897)	433,595	(1,161,427)
Depreciation		(7,407)	(1,372,329)	(132,172)	(1,511,908)
Income tax expense		(89,315)	(6,419,593)	-	(6,509,008)
Other material non-cash items:					
- Gain on disposal of property, plant and equipment		-	54,000	-	54,000
- Unrealised gain on foreign exchange		-	766,698	-	766,698
Segment profit	ii	1,567,671	24,875,010	(2,667,828)	23,744,853
<b>Assets</b>					
Segment assets		57,765,201	127,361,547	(56,078,636)	129,048,112
Additions to non-current assets other than financial instruments and deferred tax assets	iii	74,068	8,083,290	-	8,157,358
<b>Liabilities</b>					
Segment liabilities		(8,866,522)	(59,164,425)	4,365,579	(63,665,368)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- i. Inter-segment revenues are eliminated on consolidation.



# Notes to the Financial Statements

31 December 2013

(cont'd)

## 35. OPERATING SEGMENT (cont'd)

### 35.1 Business segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements: (cont'd)

- ii. The following items are added to/(deducted from) segment profit to arrive at "Total Comprehensive Income" presented in the Statement of Profit or Loss and Other Comprehensive Income:

	Group	
	2013 RM	2012 RM
Segment profit	32,151,206	23,774,853
Interest income	157,874	364,922
Interest expense	(3,306,025)	(1,161,427)
Share of loss in an associate	(153,025)	-
Income tax expense	(7,865,807)	(6,509,008)
	20,984,223	16,469,340

- iii. Non-current assets are referring to property, plant and equipment.

### 35.2 Geographical segments

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

Group	Revenue		Non-current assets	
	2013 RM	2012 RM	2013 RM	2012 RM
Malaysia	179,351,937	131,767,116	24,596,777	15,678,310
Cambodia	2,086,183	4,114,422	868,757	939,318
Brunei	327,567	216,664	59,073	71,731
	181,765,687	136,098,202	25,524,607	16,689,359

Non-current assets are referring to property, plant and equipment.

### 35.3 Information about major customers

Revenue from 2 (2012: 4) major customers amounted to RM103,028,423 (2012: RM86,316,708), arising from the sales by the EPMCC segment.

# Notes to the Financial Statements

31 December 2013

(cont'd)

## 36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions including interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the financial period.

## 37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

### Acquisition of an associate:

On 23 August 2013, the Company entered into a share subscription agreement with the existing shareholders of SystemCorp Embedded Technology Pty. Ltd. ("SET") for the piecemeal acquisition of 1,060,665 ordinary shares of SET in total for a cash consideration of AUD1,060,665, equivalent to RM3,163,903 and representing 51% of the total issued and paid up share capital of SET by 15 June 2015.

As at 31 December 2013, the Company has completed the acquisition of 390,700 ordinary shares representing 27.7% of the total issued and paid up share capital of SET for a consideration of RM1,166,067.

## 38. EVENTS AFTER THE REPORTING PERIOD

### Acquisition of subsidiaries:

On 26 February 2014, the Company acquired 2 new ordinary shares of RM1.00 each representing 100% interest of PESTECH Technology Sdn. Bhd..

On the same day, the Company acquired 2 new ordinary shares of RM1.00 each representing 100% interest of PESTECH Switchgear Sdn. Bhd..

# Notes to the Financial Statements

31 December 2013

(cont'd)

## DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdowns of unappropriated profits as at the reporting date that has been prepared in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:-

Total unappropriated profits of the Company and its subsidiaries:

	<b>Group RM</b>	<b>Company RM</b>
- Realised	62,772,883	4,030,687
- Unrealised	(602,073)	-
	62,170,810	4,030,687
Consolidation adjustments	(2,503,382)	-
	59,667,428	4,030,687

The above disclosures were reviewed and approved by the Board of Directors in accordance with a resolution of the Directors on 22 April 2014.

# Analysis of Shareholdings

23 May 2014

Authorised share capital	:	RM50,000,000.00
Issued and fully paid-up capital	:	RM49,236,050.00
Class of shares	:	Ordinary Shares of RM0.50 each
Total number of shares issued	:	98,472,100
Voting rights	:	One vote for each share held

## BREAKDOWN OF HOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of shares	Percentage of Issued Capital
1 — 99	6	0.82	100	0.00
100 — 1,000	143	19.46	104,400	0.11
1,001 — 10,000	356	48.44	1,484,300	1.51
10,001 — 100,000	142	19.32	4,629,300	4.70
100,001 — 4,923,604*	86	11.70	40,216,400	40.84
4,923,605 and above**	2	0.27	52,037,600	52.85
	<b>735</b>	<b>100.00</b>	<b>98,472,100</b>	<b>100.00</b>

Remarks:

\* Less than 5 % of the issued holdings

\*\* 5% and above of the issued holdings

## SUBSTANTIAL SHAREHOLDERS

(as shown in the Register of Substantial Shareholdings)

Name of Substantial Shareholder	Number of Ordinary Shares of RM0.50 each			
	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	36,807,300	37.38	<sup>(1)</sup> 186,100	0.19
2. Lim Pay Chuan	22,348,400	22.70	<sup>(1)</sup> 186,100	0.19

Note:

<sup>(1)</sup> Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.

# Analysis of Shareholdings

23 May 2014  
(cont'd)

## DIRECTORS' SHAREHOLDINGS

(as shown in the Register of Directors' Shareholdings)

Name of Director	Number of Ordinary Shares of RM0.50 each			
	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	36,807,300	37.38	<sup>(1)</sup> 186,100	0.19
2. Lim Pay Chuan	22,348,400	22.70	<sup>(1)</sup> 186,100	0.19
3. Ibrahim Bin Talib	2,193,800	2.23	-	-
4. Tan Puay Seng	102,800	0.10	-	-
5. Khoo Kiak Kern	-	-	-	-

Note:

<sup>(1)</sup> Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.

## THIRTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	%
1. Lim Ah Hock	36,807,300	37.38
2. Lim Pay Chuan	15,230,300	15.47
3. Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Pay Chuan</i>	4,639,400	4.71
4. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Pay Chuan</i>	2,478,700	2.52
5. Ibrahim Bin Talib	2,193,800	2.23
6. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Kumpulan Wang Persaraan (diperbadankan) (Kenanga)</i>	1,968,100	2.00
7. HSBC Nominees (Tempatan) Sdn. Bhd. <i>HSBC (M) Trustee Bhd for MAAKL Progress Fund (4082)</i>	1,286,200	1.31
8. Lim Hon Seng	1,093,300	1.11
9. Kumpulan Liva Sdn. Bhd.	1,071,100	1.09
10. HSBC Nominees (Tempatan) Sdn. Bhd. <i>HSBC (M) Trustee Bhd for MAAKL AL-FAUZAN (5170)</i>	1,060,600	1.08
11. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-cap Fund</i>	1,050,600	1.07
12. CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>CIMB Commerce Trustee Berhad – Kenanga Growth Fund</i>	926,200	0.94
13. CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>CIMB-Principal Asset Management Berhad for Lembaga Tabung Haji (CAFIM)</i>	882,300	0.90
14. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (KIB)</i>	788,000	0.80
15. Ng Tiang Yong	763,000	0.77
16. Teoh Tuan Hooi	680,800	0.69

# Analysis of Shareholdings

23 May 2014  
(cont'd)

## THIRTY LARGEST REGISTERED HOLDERS (cont'd)

Name	No. of Shares	%
17. Han Fatt Juan	660,000	0.67
18. HSBC Nominees (Tempatan) Sdn. Bhd. <i>HSBC (M) Trustee Bhd for RHB-OSK Small Cap Opportunity Unit Trust (3548)</i>	650,000	0.66
19. Tan Pu Hooi	617,400	0.63
20. Soh Wai Har	588,800	0.60
21. Tokio Marine Life Insurance Malaysia Bhd <i>As Beneficial Owner (TMEF)</i>	588,200	0.60
22. Hee Chiew Har	562,800	0.57
23. Lim Chin Hwa	555,000	0.56
24. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Kenanga Islamic Investors Bhd for Lembaga Tabung Haji</i>	529,900	0.54
25. HSBC Nominees (Tempatan) Sdn. Bhd. <i>HSBC (M) Trustee Bhd for MAAKL Dividend Fund (5311-401)</i>	497,800	0.51
26. CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>CPIAM for MAA Takaful Shariah Growth Fund</i>	488,200	0.50
27. Tan Pu Hooi	477,900	0.49
28. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>RHB Trustees Berhad for Kenanga Asia Pacific Total Return Fund (TSTAC/CLNT)</i>	471,300	0.48
29. Chai Moi See	461,400	0.47
30. Yee Wai Yin	444,000	0.45

# List of Properties

Registered and Beneficial Owner	Property Address/Title Details	Description and Existing Use	Category of Land Use/Tenure of Property	Land Area/Gross Built-up Area	Net Carrying Amount @ 31 Dec 2013
Fornix Sdn Bhd	No. 26 Jalan Utarid U5/14, Seksyen U5 40150 Shah Alam Selangor Darul Ehsan Malaysia  Lot No. 69874 Title No. PN 11423 Mukim of Sungai Buloh District of Petaling Selangor Darul Ehsan	Single-storey detached factory with an annexed three-storey office building (office) and other ancillary buildings, currently being used as our Group's corporate office, factory and warehouse	Industry/ Leasehold of 99 years, expiring on 10 Jan 2102	4,027.0 square meters/2,896.7 square meters	RM6,805,030
	Lot No. 9366 Title No. GRN 207566 Mukim Bandar Serendah District Ulu Selangor Selangor	Empty land	Industry/Freehold	8,575 square meters	RM4,034,671

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of PESTECH International Berhad ("PESTECH" or "the Company") will be held at the Zamrud Room, Ground Floor, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 26 June 2014 at 10:00 a.m. to transact the following business:-

## AGENDA

- |    |   |   |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and the Auditors thereon.                  | <b>[Please refer to Explanatory Note (i)]</b> |
| 2. | To approve a single tier final dividend of 4.0 sen per share for the financial year ended 31 December 2013.   | <b>Ordinary Resolution 1</b>                  |
| 3. | To approve the payment of Directors' fees of RM88,923/- for the financial year ended 31 December 2013.  | <b>Ordinary Resolution 2</b>                  |
| 4. | To re-elect the Encik Ibrahim Bin Talib, who retires in accordance with Article 95 of the Company's Articles of Association and being eligible, offers himself for re-election. | <b>Ordinary Resolution 3</b>                  |
| 5. | To re-elect the Mr. Khoo Kiak Kern, who retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election.     | <b>Ordinary Resolution 4</b>                  |
| 6. | To re-appoint Messrs. SJ Grant Thornton as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.                       | <b>Ordinary Resolution 5</b>                  |

### As Special Business

To consider and, if thought fit, with or without any modification, to pass the following resolutions as Ordinary/Special Resolutions:-

- |    |   |                              |
|----|---|------------------------------|
| 7. | <b>ORDINARY RESOLUTION<br/>- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965</b> | <b>Ordinary Resolution 6</b> |
|----|---|------------------------------|

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"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the total issued capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."



# Notice of Annual General Meeting

(cont'd)

8. **ORDINARY RESOLUTION**  
**- PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE")**

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**Ordinary Resolution 7**

"THAT, subject to the provision of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to PESTECH International Berhad Group ("the Group") to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in Part A Section 1.4 (a) of the Circular to Shareholders dated 4 June 2014, which are necessary for its day-to-day operations, to be entered into by the Group on the basis that these transactions are entered into on terms which are not more favourable to the Related Party involved than generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT the Proposed Renewal of Existing Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Renewal of Existing Shareholders' Mandate, shall only continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which the Proposed Renewal of Existing Shareholders' Mandate was passed, at which time it will lapse, unless by resolution passed at the general meeting, the authority is renewed; or
- (b) the expiration of the period within which the AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act 1965 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Renewal of Existing Shareholders' Mandate."

9. **ORDINARY RESOLUTION**  
**- PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE")**

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**Ordinary Resolution 8**

"THAT, subject to the provision of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to PESTECH International Berhad Group ("the Group") to enter into and to give effect to new recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in Part A Section 1.4 (b) of the Circular to Shareholders dated 4 June 2014, which are necessary for its day-to-day operations, to be entered into by the Group on the basis that these transactions are entered into on terms which are not more favourable to the Related Party involved than generally available to the public and are not detrimental to the minority shareholders of the Company;

# Notice of Annual General Meeting

(cont'd)

THAT the Proposed New Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed New Shareholders' Mandate, shall only continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which the Proposed New Shareholders' Mandate was passed, at which time it will lapse, unless by resolution passed at the general meeting, the authority is renewed; or
- (b) the expiration of the period within which the AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act 1965 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed New Shareholders' Mandate."

## 10. ORDINARY RESOLUTION

### **- PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PESTECH INTERNATIONAL BERHAD ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")**

## Ordinary Resolution 9

"THAT subject always to the Companies Act, 1965 ("the Act"), the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the approvals of all relevant governmental and/or regulatory authorities, the Company be authorised, to the extent permitted by the law, to buy back such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors deem fit and expedient in the interest of the Company provided that:-

- i) the aggregate number of shares bought-back does not exceed 10% of the total issued and paid-up share capital of the Company at any point in time;
- ii) the maximum amount of funds to be allocated for the share buy-back shall not exceed the aggregate of the retained profits and/or share premium of the Company based on the audited financial statements for the financial year ended 31 December 2013 of RM4,030,687/- and RM19,344,285/- respectively; and
- iii) The shares purchased are to be treated in either of the following manners:-
  - (a) cancel the purchased ordinary shares; or
  - (b) retain the purchased ordinary shares as treasury shares for distribution as dividend to shareholders and/or resell on the market of Bursa Securities; or
  - (c) retain part of the purchased ordinary shares as treasury shares and cancel the remainder;

# Notice of Annual General Meeting

(cont'd)

THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:-

- i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- iii) revoked or varied by ordinary resolution passed by shareholders of the Company in general meeting,

whichever occurs first;

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities, and all other relevant governmental and/or regulatory authorities."

## 11. ORDINARY RESOLUTION

## Ordinary Resolution 10

**- PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW ORDINARY SHARES OF RM0.50 EACH IN PESTECH INTERNATIONAL BERHAD ("PESTECH SHARES"), FOR THE PURPOSE OF THE DIVIDEND REINVESTMENT PLAN ("DRP") OF THE COMPANY WHICH WILL PROVIDE THE SHAREHOLDERS OF PESTECH ("SHAREHOLDERS") WITH THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN PESTECH SHARES ("PROPOSED RENEWAL OF DRP AUTHORITY")**

"THAT pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting of the Company held on 9 October 2013 and subject to the approval of the relevant regulatory authorities (if any), approval be and is hereby given to the Company to allot and issue such number of new PESTECH Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting upon such terms and conditions as stated in Circular to Shareholders dated 3 September 2013, PROVIDED THAT the issue price of the said new PESTECH Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the five (5)-market day volume weighted average market price ("VWAP") of PESTECH Shares immediately prior to the price-fixing date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and the issue price may not be less than the par value of PESTECH Shares at the material time;

# Notice of Annual General Meeting

(cont'd)

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments or at the discretion of the Directors in the best interest of the Company."

## 12. ORDINARY RESOLUTION

### Ordinary Resolution 11

**- PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF PESTECH INTERNATIONAL BERHAD FROM RM50,000,000/- COMPRISING 100,000,000 ORDINARY SHARES OF RM0.50 EACH TO RM500,000,000/- COMPRISING 1,000,000,000 ORDINARY SHARES OF RM0.50 EACH ("PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL")**

"THAT the authorised share capital of the Company be and is hereby increased from RM50,000,000/- comprising 100,000,000 ordinary shares of RM0.50 each to RM500,000,000/- comprising 1,000,000,000 ordinary shares of RM0.50 each by the creation of 900,000,000 new ordinary shares of RM0.50 each and such new ordinary shares when issued shall rank pari passu in all respects with the existing ordinary shares in the capital of the Company

AND THAT the Directors and Secretaries of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary to give full effect to the aforesaid Proposed Increase in Authorised Share Capital with full power to assent to any conditions, modifications, variations and/or amendments as may be required and/or as the Directors deem fit, appropriate and in the best interest of the Company."

## 13. SPECIAL RESOLUTION

### Special Resolution 1

**- PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF PESTECH INTERNATIONAL BERHAD PURSUANT TO THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL ("PROPOSED AMENDMENTS OF M&A")**

"THAT contingent upon the passing of Ordinary Resolution 11 above, the Memorandum and Articles of Association of the Company be altered as follows:-

#### **Memorandum of Association**

By deleting the existing Clause 6 in its entirety and substituting with the following new Clause 6:-

*"The authorised capital of the Company is RM500,000,000/- (Ringgit Malaysia Five Hundred Million) only divided into 1,000,000,000 ordinary shares of RM0.50 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise."*

#### **Articles of Association**

By deleting the existing Article 3 in its entirety and substituting with the following new Article 3:-

*"The authorised capital of the Company is RM500,000,000/- (Ringgit Malaysia Five Hundred Million) only divided into 1,000,000,000 ordinary shares of RM0.50 each as may be increased or modified from time to time in accordance with the Act and these Articles."*

# Notice of Annual General Meeting

(cont'd)

AND THAT the Directors and Secretaries of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary to give full effects to the aforesaid Proposed Amendments of M&A with full power to assent to any conditions, modifications, variations and/or amendments as may be required and/or as the Directors deem fit, appropriate and in the best interest of the Company."

14. **SPECIAL RESOLUTION**  
**- PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION ("PROPOSED AMENDMENTS OF AA")**

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**Special Resolution 2**

"THAT the Proposed Amendments of AA as set out in Part D of the Circular to Shareholders dated 4 June 2014, be and are hereby approved.

AND THAT the Directors and Secretaries of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary to give full effects to the aforesaid Proposed Amendments of AA with full power to assent to any conditions, modifications, variations and/or amendments as may be required and/or as the Directors deem fit, appropriate and in the best interest of the Company."

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

By Order of the Board

**TEH BEE CHOO (MIA 7562)**  
**CHUA SIEW CHUAN (MAICSA 0777689)**  
**PAN SENG WEE (MAICSA 7034299)**  
 Company Secretaries

Kuala Lumpur  
 4 June 2014

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 June 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Sections 149(1)(a) and (b) of the Companies Act 1965 shall not apply to the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
4. A member of the Company may not appoint more than two (2) proxies to attend the same meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

# Notice of Annual General Meeting

(cont'd)

5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company 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 it holds.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
8. Explanatory Notes on Ordinary and Special Business

(i) Item 1 of the Agenda

This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(ii) Ordinary Resolution 1 – Payment of Single Tier Final Dividend

The Dividend Reinvestment Plan will be applied to the whole portion of the Single Tier Final Dividend of 4.0 sen per ordinary share. Pursuant to Paragraph 8.26 of the Main Market Listing Requirements of Bursa Malaysia, the Proposed Single Tier Final Dividend, if approved, shall be paid not later than three (3) months from the date of the shareholders' approval. The Book Closure Date will be announced by the Company after the Annual General Meeting.

(iii) Ordinary Resolution 6 – Authority to Issue Shares

The proposed resolution, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

The Company had been granted a general mandate by its shareholders at the Second Annual General Meeting of the Company held on 27 June 2013 ("the Previous Mandate"). As at the date of this Notice, 9,243,600 new ordinary shares in the Company were issued pursuant to the Previous Mandate.

(iv) Ordinary Resolution 7 – Proposed Renewal of Existing Shareholders' Mandate

The proposed resolution, if passed, will allow the Group to renew its mandate to enter into Recurrent Related Party Transactions of a revenue or trading nature pursuant to the provisions of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Please refer to the Circular to Shareholders dated 4 June 2014 for further information.

(v) Ordinary Resolution 8 – Proposed New Shareholders' Mandate

The proposed resolution, if passed, will allow the Group to enter into a new Recurrent Related Party Transaction of a revenue or trading nature pursuant to the provisions of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Please refer to the Circular to Shareholders dated 4 June 2014 for further information.

(vi) Ordinary Resolution 9 – Proposed Renewal Share Buy-Back Authority

The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total issued and paid-up capital of the Company by utilising the funds allocated which shall not exceed the retained profit and/or share premium account of the Company.

Please refer to the Circular to Shareholders dated 4 June 2014 for further information.

# Notice of Annual General Meeting

(cont'd)

(vii) *Ordinary Resolution 10 – Proposed Renewal of DRP Authority*

*The proposed resolution, if passed, will allow the Company to allot and issue new PESTECH Shares pursuant to DRP in respect of the Single Tier Final Dividend to be declared and approved at this Third Annual General Meeting and subsequently, until the conclusion of the next Annual General Meeting of the Company. It would also allow the Directors to fix the issue price of such new PESTECH Shares at a discount of up to 10% of the five (5)-market day volume weighted average market price of PESTECH Shares immediately prior to the price-fixing date.*

(viii) *Ordinary Resolution 11 – Proposed Increase in Authorised Share Capital*

*The proposed resolution, if passed, will increase the authorised share capital of the Company to RM500,000,000/- divided into 1,000,000,000 ordinary shares of RM0.50 each.*

*Please refer to the Circular to Shareholders dated 4 June 2014 for further information.*

(ix) *Special Resolution 1 – Proposed Amendments of M&A*

*The proposed adoption of the Special Resolution is to facilitate the implementation of Ordinary Resolution 10 above.*

*Please refer to the Circular to Shareholders dated 4 June 2014 for further information.*

(x) *Special Resolution 2 – Proposed Amendments of AA*

*The Proposed Amendments of AA are to streamline the Company's Article of Association to be aligned with the amendments to the Bursa Securities Main Market Listing Requirements.*

*Please refer to the Circular to Shareholders dated 4 June 2014 for further information.*

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**PESTECH INTERNATIONAL BERHAD (948035-U)**

(Incorporated in Malaysia)

CDS Account No.

Number of ordinary shares

**FORM OF PROXY**

I/We \_\_\_\_\_ NRIC No./Passport No./Company No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Pestech International Berhad hereby appoint :-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

\*and/or \*delete if not applicable

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the Third Annual General Meeting of the Company to be held at the Zamrud Room, Ground Floor, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 26 June 2014 at 10:00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

Item	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and the Auditors thereon.			
2.	To approve a single tier final dividend of 4.0 sen per share for the financial year ended 31 December 2013	1		
3.	To approve the payment of Directors' fees of RM88,923/- for the financial year ended 31 December 2013.	2		
4.	To re-elect Encik Ibrahim Bin Talib who retires in accordance with Article 95 of the Company's Articles of Association and being eligible, offers himself for re-election.	3		
5.	To re-elect Mr. Khoo Kiak Kern who retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election.	4		
6.	To re-appoint Messrs. SJ Grant Thornton as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.	5		
<b>Special Business</b>				
7.	Authority to Issue Shares pursuant to Section 132D of the Companies Act 1965	6		
8.	Proposed Renewal of Shareholders' Mandate	7		
9.	Proposed New Shareholders' Mandate	8		
10.	Proposed Renewal of Share Buy-Back Authority	9		
11.	Proposed Renewal of DRP Authority	10		
12.	Proposed Increase in Authorised Share Capital	11		
13.	Proposed Amendments of M&A	12		
14.	Proposed Amendments of AA	13		

Please indicate with an "X" in the appropriate spaces how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.

Dated this day \_\_\_\_\_ of \_\_\_\_\_ 2014

\_\_\_\_\_  
\*Signature/Common Seal of Shareholder

\* Delete if not applicable

**Notes :**

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 June 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
- A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Sections 149(1)(a) and (b) of the Companies Act 1965 shall not apply to the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- A member of the Company may not appoint more than two (2) proxies to attend the same meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.
- Where a member of the Company 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 it holds.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

Fold This Flap For Sealing

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AFFIX  
STAMP

Securities Services (Holdings) Sdn. Bhd.  
**PESTECH INTERNATIONAL BERHAD** (948035-U)  
at Level 7, Menara Milenium  
Jalan Damanlela, Pusat Bandar Damansara,  
Damansara Heights, 50490 Kuala Lumpur

1st Fold Here

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