

**PESTECH™**



*effective*

*efficient*

*excellent*

**POWER SYSTEM  
TECHNOLOGY**

— ANNUAL REPORT 2014/2015 —





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# CORPORATE PROFILE



PESTECH International Berhad (PESTECH) (Company No.: 948035-U) is a Malaysian integrated electric power technology group of companies listed on the Main Market of Kuala Lumpur Stock Exchange (stock code: PESTECH 5219) since 2012.

The company derived its name from “**Power System Technology**” and involves in five major business segments:-

1. Power transmission infrastructure and products
2. Power generation and rail electrification
3. Built and Operate of transmission asset
4. Embedded system software and product development
5. Property investment holding

The group began with the formation of PESTECH Sdn Bhd in 1991. Over the years, PESTECH slowly gained industry experience and has grown progressively to an established integrated electric power technology company. Its expertise is in the field of engineering, design, manufacturing, installation and commissioning of electrical power facility with operation in Malaysia and abroad.

PESTECH has successfully delivered projects and products to 17 countries. With its commitment to deliver the highest quality products and services, PESTECH invested in the state-of-the-art machineries

and technology. The company implement high quality standards in the day-to-day operations, where the importance of traceability, consistency and reliability are emphasised throughout the organisation. In every project, goals are transformed into achievements with the single focus of “In effectiveness we serve, in efficiency we deliver and in excellence we achieve.”

PESTECH has the resources and capabilities to ensure its client’s targets are met. Its’ continued success is grounded on the high level of customer service provided to clients. By taking full advantage of PESTECH engineering service, customer are able to cut cost and improve efficiency while ensuring the reliable operation of their power systems.

Currently, PESTECH is focusing on emerging and developing countries where there is demand for the development of electrical power facility. The company strategic location in the fast growing ASEAN region gave it in advantage to cover Cambodia, Laos, Indonesia and other region countries apart from maintaining its established presence back home in Malaysia.

With the guidance of the company vision to be “Consistently Dependable and Value Add”, PESTECH is confident that it will continue to be the system solution provider of choice.



# FINANCIAL HIGHLIGHTS

	AUDITED	
	2015 RM'000	2013 RM'000
<b>PROFITABILITY</b>		
Revenue	<b>394,822</b>	181,766
EBIT	<b>80,423</b>	32,052
Profit before taxation	<b>73,144</b>	28,593
Profit for the year attributable to equity holders	<b>54,833</b>	20,721
<b>BALANCE SHEET</b>		
Total Assets	<b>508,375</b>	212,091
Share Capital	<b>92,897</b>	46,218
Shareholders' equity	<b>238,601</b>	92,283
Total Bank Borrowings	<b>187,615</b>	67,059
<b>FINANCIAL RATIO</b>		
Return on equity	<b>23%</b>	22%
Return on Total Assets	<b>17%</b>	15%
Gearing Ratio	<b>79%</b>	73%
Interest Cover (times)	<b>12.33</b>	9.7
<b>SHARE INFORMATION</b>		
Gross dividend per share (sen)	<b>9.00</b>	11.00
Earnings per share (sen)	<b>37.66</b>	24.00
Net assets per share (sen)	<b>128.42</b>	99.83
Weighted average number of ordinary shares in issue	<b>145,584</b>	86,478
No of shares	<b>185,764</b>	92,437

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Lim Ah Hock**  
(Executive Chairman)

**Paul Lim Pay Chuan**  
(Executive Director/CEO)

**Ibrahim Bin Talib**  
(Senior Independent Non-Executive Director)

**Tan Puay Seng**  
(Independent Non-Executive Director)

**Khoo Kiak Kern**  
(Independent Non-Executive Director)

## 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)

## PRINCIPAL BANKERS

Bank Islam Malaysia Berhad  
Bank Muamalat Malaysia Berhad  
CIMB Bank Berhad  
Citibank Berhad  
Hong Leong Bank Berhad  
HSBC Bank (Malaysia) Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) 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  
Facsimile No.: (03) 2094 9940

## STOCK EXCHANGE LISTING

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



# CORPORATE STRUCTURE

AS AT JUNE 2015

**100%** PESTECH Power Sdn Bhd  
**60%** Diamond Power Ltd

**100%** PESTECH (Sarawak) Sdn Bhd

**100%** PESTECH Sdn Bhd  
**100%** Enersol Co. Ltd  
**100%** Fornix Sdn Bhd  
**100%** PESTECH (Cambodia) Ltd  
**100%** PESTECH Transmission Ltd  
**90%** PESTECH (Brunei) Sdn Bhd  
**50%** Tajri-PESTECH JV Sdn Bhd

**100%** PESTECH Switchgear Sdn Bhd

**100%** PESTECH Technology Sdn Bhd

**100%** Xcell ATS (M) Sdn Bhd

**51%** SystemCORP Embedded  
Technology Pty Ltd



# BUSINESS SEGMENT

## POWER TRANSMISSION INFRASTRUCTURE & PRODUCTS

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- Enersol Co. Ltd.
- PESTECH (Brunei) Sdn Bhd
- PESTECH (Cambodia) Ltd
- PESTECH (Sarawak) Sdn Bhd
- PESTECH Sdn Bhd
- PESTECH Switchgear Sdn Bhd
- PESTECH Transmission Ltd
- Tajri-PESTECH JV Sdn Bhd
- Xcell ATS (M) Sdn Bhd

## POWER GENERATION & RAIL ELECTRICIFICATION

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- PESTECH Technology Sdn Bhd

## BUILT AND OPERATE OF TRANSMISSION ASSET

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- PESTECH Power Sdn Bhd

## EMBEDDED SYSTEM SOFTWARE AND PRODUCT DEVELOPMENT

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- SystemCORP Embedded  
Technology Pty Ltd

## PROPERTY INVESTMENT HOLDING

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- Fornix Sdn Bhd



# OVERVIEW OF BUSINESS SEGMENT



## POWER TRANSMISSION INFRASTRUCTURE & PRODUCTS

The power transmission infrastructure & products business segment offers the design, engineering, manufacturing, installation, testing and commissioning of high voltage (“HV”) and extra high voltage (“EHV”) substations, transmission lines, underground cables and equipment for buildup of a fully integrated electricity transmission infrastructure. We extend to our customers a wide variety of tested solutions, combining the broad experience and expertise of our highly-skilled crew to handle a diversity of projects and ensure their delivery within the promised targets and deadlines. This wealth of collective knowledge and skill fuels PESTECH’s drive and passion to excel in the industry.

To further enhance its project execution capability, PESTECH’s in-house civil engineering team is able to coordinate, design, manage and construct the civil structure aspects of our entire project to effectively house electrical equipment in compliance with the relevant electrical and safety requirements.

Our power transmission control and protection system products are used by numerous energy utility companies and high-energy-usage industrial customers for robust substation automation and real-time device integration applications. PESTECH’s unique capabilities encourage customers to take maximum advantage of these standards and empower them to use latest technology in a way that is most complementary to their other business operations.



## POWER GENERATION AND RAIL ELECTRIFICATION

PESTECH’s power generation and rail electrification division was established in December 2013 and mainly involves in power system automation and electrical services for power plant and rail industries. The division adds value to overall Group performance by engaging in projects involving management and engineering for combined cycle, thermal, hydro, and solar power plant. Its service offerings include high-knowledge-based system integration for power plant automation system, distributed control system, power plant operator training simulation system, process optimization system and asset life cycle information management suite.

This segment of our business undertakes full turnkey engineering, procurement and construction and commissioning (“EPCC”) scope for power plant optimization. Our focus encompasses project management, basic and detail engineering, supply, installation and commissioning of control and optimization systems and equipment for power plant and its interconnection substations.

Having thoroughly armed itself with the necessary rail electrification and track construction machinery, PESTECH is one of the most well equipped rail electrification and track work contractor in Malaysia. As such the division can embark on EPCC projects for rail electrification, control, communication, signaling and track construction with ease.

# OVERVIEW OF BUSINESS SEGMENT

(cont'd)

## BUILD AND OPERATE OF TRANSMISSION ASSET

The transmission asset build, operate and transfer ("BOT") segment of PESTECH's Group of businesses is part of a strategic development direction of the Group. Building on the strength of the Group in the power system infrastructure EPCC segment, PESTECH embarks on the BOT business model to nurture a long term sustainable and recurring income stream for the Group.

The BOT that is already secured allows PESTECH to be the independent power transmitter in Cambodia for a concession period of 25 years.

The Group will continue to expand the BOT business segment in the regional countries to further enhance its future business income whilst maintaining its development in the EPCC business segment.



## EMBEDDED SYSTEM SOFTWARE AND PRODUCT DEVELOPMENT

PESTECH's embedded system software and product development ("ESSPD") businesses excel in the supervisory control and data acquisition ("SCADA") system catering for various process control industry. This Australian based subsidiary of PESTECH is a leading company in offering substation automation, smart grid control technology and turnkey solutions to global electrical utility industry. Its communication software products, data gateway modules, smart grid controllers and customized engineering solutions help utilities to meet their regulatory obligations. Through continuous research and development, this segment of business maintains its competitiveness technologically and commercially as the electricity market becomes deregulated worldwide.

The ESSPD business segment supplies a wide range of information, communications and automation system products for electrical transmission & distribution networks. By combining frontline, technical innovative solutions with traditional plant monitoring, it manages to open access to vital information in realtime, thus providing a clear migration strategy from legacy architectures to the integrated networks for today and into the future. The unique software product range allows any electronic controller or measurement device used in an electrical grid to exchange and share information as required by its functionality and specified by international standards, which are mandatory for designing electrical grid systems worldwide. The uniqueness of the software product range is the easy to understand and easy to use software interface, which is identical across the entire software product range and the capability of the software to run on most of the commonly used software operating systems such as Windows™ and Linux on various hardware platforms.

Customer reference list in this business segment includes large multi-national blue chip companies as well as smaller engineering firms taking advantage of the commercially viable hardware and competitive software license arrangements.

## PROPERTY INVESTMENT HOLDING

The Group's property investment holding company engages mainly in property investment in Malaysia. Its operation focuses on property investment of office complexes, residential and other properties which are specifically for the use of the various business segments of the Group.



# GLOBAL PRESENCE

PESTECH has a – we are going to do this, with all means **POSSIBLE** attitude, which is exactly what one needs to **SUCCEED**



# ENERGY MARKET REVIEW

## ASEAN POWER AND RAILWAYS INFRASTRUCTURE INDUSTRY OVERVIEW

The Association of Southeast Asian Nation ("ASEAN"), with its total population of over 600 million people, exerts a great appetite for power consumption as member states experience rapid economic and social growth.

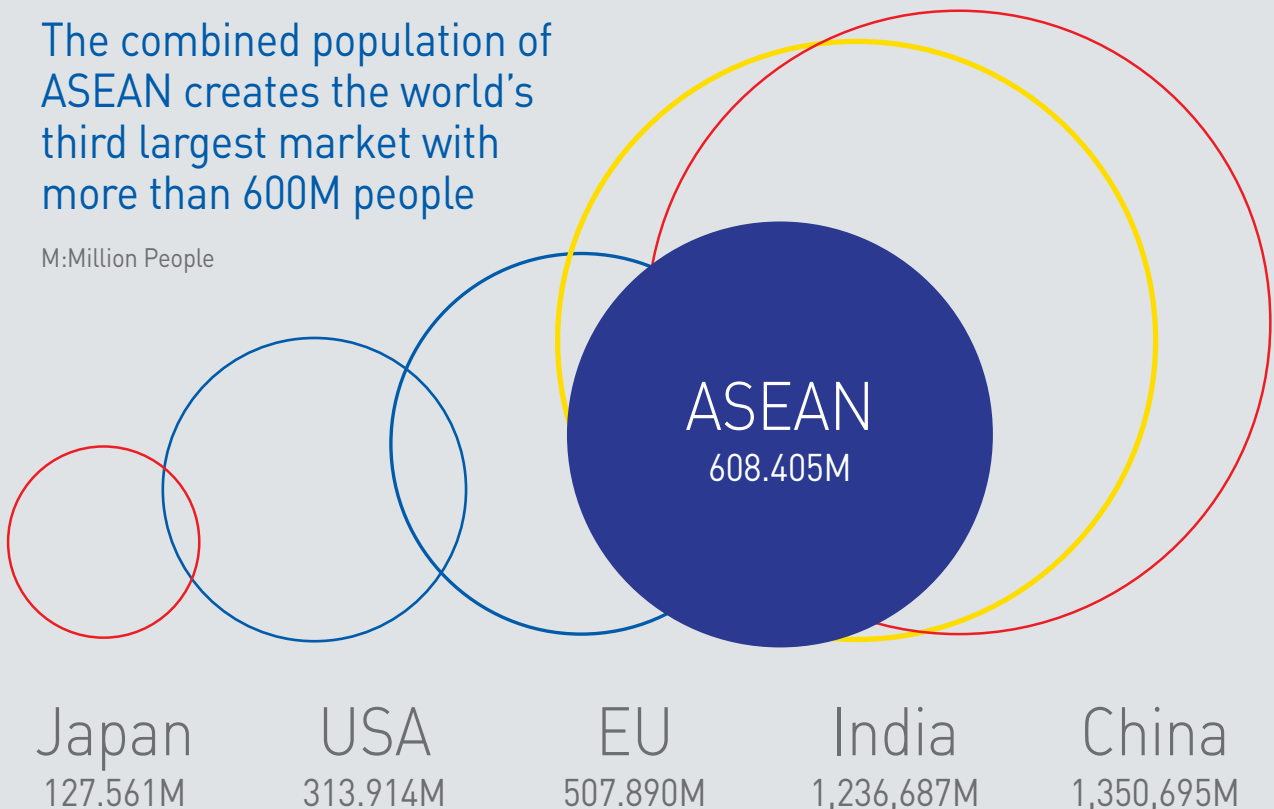
The

# ASEAN MARKET



The combined population of ASEAN creates the world's third largest market with more than 600M people

M: Million People



2012 data

aseanup.com - Source: 2012 world Bank data and Indexmundi for Myanmar data infographics by Fluorcom - Digital Agency - www.fluorcom.com

ASEAN<sup>up</sup>

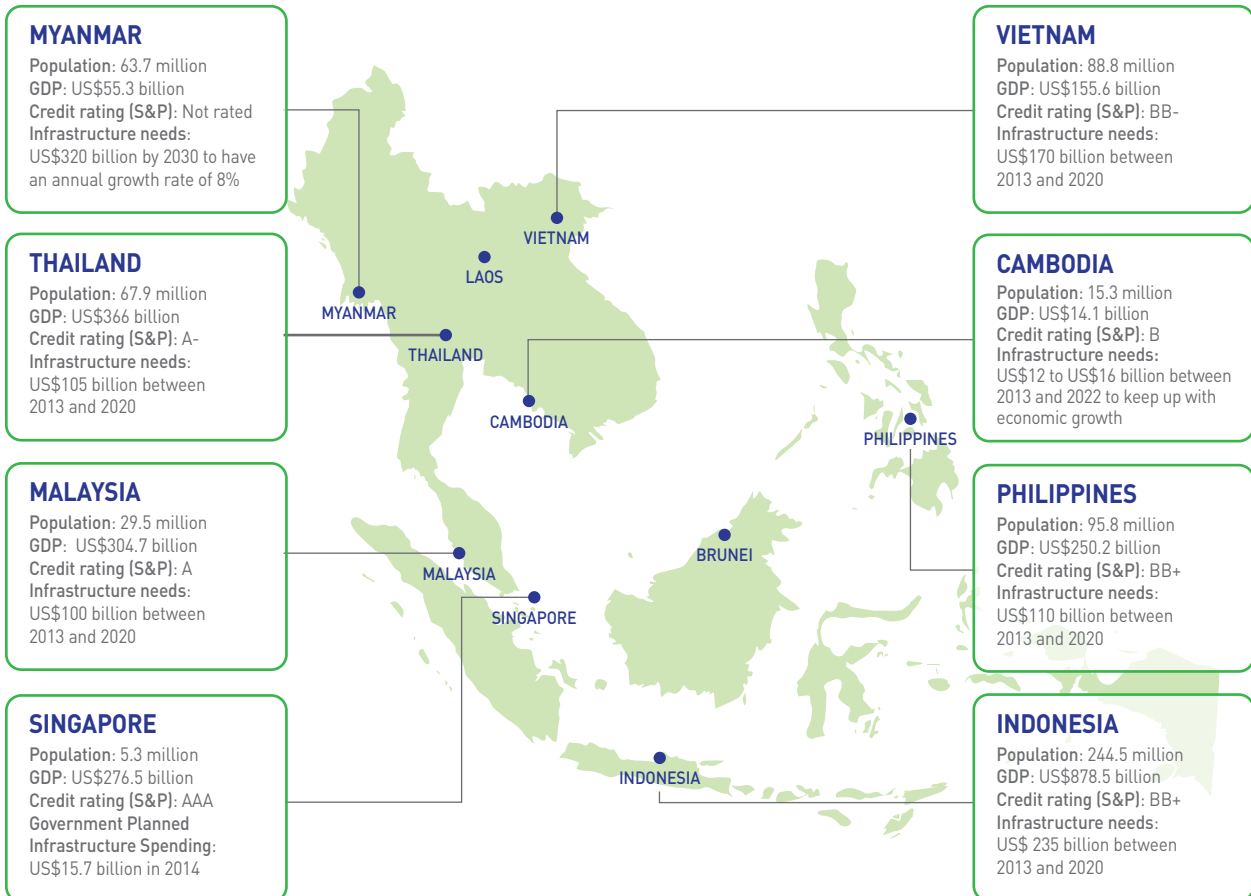
Empowering business in Southeast Asia



# ENERGY MARKET REVIEW

(cont'd)

In many of these countries, basic infrastructure such as electricity, water and sanitation, railways and roads remains under provided.



#### Sources:

- Population and GDP: International Monetary Fund, World Economic Outlook Database (2012)
- Credit rating: S&P sovereign debt rating (2012)
- Infrastructure needs data is from various sources and are cited appropriately in subsequent country sections

Note: Laos and Brunei are excluded from this report given the relatively small size of these markets.

Fueled by a total gross domestic product (“GDP”) in purchasing power parity (“PPP”) terms of almost USD3.6 trillion<sup>1</sup>, the estimated total infrastructure expenditures could reach USD555 billion from 2013 to 2020<sup>2</sup>. Out of which, power and railways infrastructure expenditures are expected to contribute more than 62.5% or about USD347 billion.

<sup>1</sup>Sources: ASEAN Macroeconomic Database and IMF-World Economic Outlook April 2013

<sup>2</sup>Source: “ASEAN’s half a trillion dollar infrastructure opportunity”, Goldman Sachs, May 2013

# ENERGY MARKET REVIEW

(cont'd)

## Projected Need for Infrastructure Spending: ASEAN-4 (2013 - 2020, US\$ billion)



US\$ **228**bn  
Power



US\$ **128**bn  
Roads



US\$ **26**bn  
Water & Sanitation



US\$ **119**bn  
Railways



US\$ **16**bn  
Airports



US\$ **33**bn  
Ports

Sources: "ASEAN's half a trillion dollar infrastructure opportunity", Goldman Sachs, May 2013

### POWER INFRASTRUCTURE INDUSTRY IN ASEAN

It is reported that Southeast Asian countries will invest USD13.6 billion in smart grid infrastructure between 2014 and 2024. This would include smart metering and the modernization of electricity transmission and distribution networks. By 2024, the largest markets will be Thailand, Indonesia, Malaysia, Singapore, the Philippines and Vietnam, according to a new study published by Northeast Group, LLC.

Southeast Asian countries will deploy 37.3 million smart meters between 2014 and 2024, accounting for USD8.8 billion in investment. The region will also invest USD2.5 billion in distribution automation, or advanced monitoring and control of the distribution network with sensors and communications. Other smart grid segments will account for an additional USD2.2 billion in investment<sup>3</sup>.

All ASEAN countries require massive amounts of investments in energy infrastructure with total projected market demand for power in the eight ASEAN countries projected to reach 1,958 terawatt-hour (TWh) by 2035<sup>4</sup>.

Another major ASEAN infrastructure initiative is the ASEAN Power Grid (APG), which aims to interconnect power systems between neighboring countries by building transmission lines between them. The objective of this initiative is to lower the requirements for capital investments in power projects and to also reduce the dependence of ASEAN countries on external fuel sources. Currently, there are 12 power grid interconnections, of which four are operational and the rest are either proposed or in a stage of construction<sup>5</sup>.

Thus, to continuously and reliably meet the growing demand for electrical energy, APG will be able to connect all national grids to become a wide regional grid. Countries with high power demand can meet their electricity shortfalls with

power import from neighboring countries at reasonable prices and countries with abundant natural resources but with little requirement for electric supply can generate income from their surplus power.

Capital investments for the installation of additional generating capacities and transmission lines are necessary and could be a problem; however, it was found that one effective way to lower the requirements for capital investments is to interconnect the power systems via transmission lines between neighboring countries. Regional power grid will provide cheaper electricity supply for all members and ensure sustainability of energy resources as well as energy efficiency which will enable the region to be more competitive in the world markets<sup>6</sup>.

### RAILWAYS INFRASTRUCTURE INDUSTRY IN ASEAN

The largest scaled railway project in ASEAN would be the Singapore-Kunming Rail Link ("SKRL").

The SKRL is an ambitious high-speed rail project, which aims to provide transport all the way from Singapore to Kunming (South-West China) in about 12 hours<sup>7</sup>. A special working group for the SKRL project was formed in 1996 and six possible routes were suggested upon completion of a feasibility study by the Malaysian government in 1997. During the fourth ASEAN Informal Summit in 2000, route number one which consisted of a 5,382km distance from Singapore to China through Malaysia, Thailand, Laos, Vietnam and Cambodia, including two spur road sections, was given the green light<sup>8</sup>.

While several sections of the SKRL were already in place before 2010, significant gaps still existed, particularly among cross-border rail links as depicted in the table below.

<sup>3</sup>Source: Northeast Group, LLC.

<sup>4</sup>Source: *Energy Outlook for Asia and the Pacific*, International Energy Agency, Oct 2013.

<sup>5</sup>Source: *An overview of infrastructure opportunities in ASEAN*, KPMG.

<sup>6</sup>Source: *ASEAN Economic Community 2015: Integration of Energy Infrastructure*, Beni Suryadi.

<sup>7</sup>Source: *Changing Asia: China's high-speed railway diplomacy*, The Strategist, GeoffWadde, Dec 2013.

<sup>8</sup>Source: *The Singapore-Kunming Rail Link (SKRL)*, Business In Asia, 2014.



# ENERGY MARKET REVIEW

(cont'd)

## Singapore Kunming Rail Link - Missing Link Sections

Country	Name	Length	Dateline	Status
Thailand	Aranyaprathet - Klongluk	6km	2014	At tendering stage
Cambodia	Poipet - Sisophon	48km	2013	Under Construction
Cambodia	Phnom Penh - Loc Ninh (Vietnam border)	254km	2015	Awaiting Financial Closure
VietNam	Loc Ninh - Ho Chi Minh City	129km	2020	Feasibility study completed
VietNam	Mu gia - Tan Ap - Vung Ang	119km	2020	Feasibility study stage
Laos	Vientiane - Thakek - Mu Gia (Vietnam border)	466km	2020	Feasibility study completed
Myanmar	Thanbyuzayat - Three Pagoda Pass	110km	2020	At planning stage
Thailand	Three Pagoda Pass - Nam Tok	153km	2020	At planning stage

Source: ASEAN Secretariat, Master Plan On ASEAN Connectivity (December 2010), ASEAN Connectivity Project Information

Other main rail related projects in the ASEAN region are:

### “Cross Island Line (Singapore)

Spanning across Singapore, the Cross Island Line (“CRL”) will be approximately 50km in length and is targeted to complete by around 2030. Starting from Changi, the CRL will pass through Loyang, Pasir Ris, Hougang, Ang Mo Kio, before reaching Sin Ming. Continuing westwards, it will serve areas such as Bukit Timah, Clementi, West Coast, and terminate at Jurong Industrial Estate. It will provide commuters with another alternative for East-West travel to the current East-West Line, bringing greater comfort and significantly shorter journey times.

### Klang Valley Mass Rapid Transit Project (Malaysia)

The Klang Valley Mass Rapid Transit Project (better known with its acronym “MRT Project”) is a planned 3-line mass rapid transit system in the Greater Kuala Lumpur (part of Klang Valley region) conurbation in Malaysia. It envisages a “wheel and spoke” concept comprising two northeast-southwest radial lines and one circle line looping around Kuala Lumpur. Preliminary project cost, which will be government-funded, at RM36 billion, representing the largest infrastructure project ever undertaken in Malaysia. The 52.2km line will include a 13.5km underground section and 38.7km of viaduct with 39 stations. Phase one of the line is on track to be fully operational in 2017.

### Rayong to Nong Khai rail line (Thailand)

This planned Chinese-backed rail line will run north-south from Thailand’s main deep-water seaport in Rayong to the Laos border at Nong Khai, with a separate spur that connects to Bangkok. The cost of the 867 km long line, on which trains which will reach a top speed of 180km/h is estimated at 328 billion baht. A 20 year loan for the standard-gauge line from the Exim Bank of China was agreed in February 2015.

### Land Transport Authority formation (Indonesia)

Following slow progress in getting developments off the ground Indonesian President Joko Widodo has ordered the

establishment of a land transportation authority to oversee all modes of public transport throughout the country. The Land Transport Authority (“LTA”), which will be set up under the Transportation Ministry, will oversee ambitious projects including the inter-city high speed rail line and light rail transit network in all Indonesian cities. Indonesia is preparing to build a high-speed rail line from Jakarta to Bandung with Japan and China already showing their interest in involvement.

### Jakarta and Bandung High-Speed Rail (Indonesia)

This proposed line connecting the capital Jakarta and Bandung will be able to reduce travel time for the 150km route to about 45 minutes from about three hours at present. The government will hold an open tender to select a company to build the line.

### The Hanoi Metro (Vietnam)

The capital of Vietnam’s first metro line was originally planned to be completed in 2016 but the launch date has now been pushed back to 2018. The project is part of an integrated transport development program to provide an efficient and clean urban transportation system and to lower the use of motorbikes, buses and taxis that cause mobility and environmental challenges in the city. Two lines are currently being built, though a total of eight are planned and the first lines will transport up to 200,000 passengers per day.

### Rail signaling upgrade (Myanmar)

The ageing existing railway infrastructure in Myanmar, is to receive a major boost with a signaling upgrade by Mitsubishi and Hitachi worth (USD20 million). The project, which will be covered by grant aid from the Japan International Cooperating Agency (“JICA”), is scheduled to be completed by June 2017. The project will help to improve rail safety and contribute to modernizing, upgrading and diversifying transportation infrastructure in Myanmar.”<sup>9</sup>

In short, both power and railways infrastructure potentials provide vast opportunities for industry players to tap on various high value projects in the ASEAN region.

<sup>9</sup>Source: “8 ASEAN rail projects giving the region a brighter transport future.”, Luke Upton, Smartrail World.

## 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**  
Senior Independent Non-Executive Director
4. **Khoo Kiak Kern**  
Independent Non-Executive Director
5. **Tan Puay Seng**  
Independent Non-Executive Director



## PROFILE OF DIRECTORS

### LIM AH HOCK

Lim Ah Hock, a Malaysian, aged 63, 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 and Circular to Shareholders dated 27 November 2015. 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 seven (7) Board of Directors' meetings held in the financial period ended 30 June 2015.

### Ir. PAUL LIM PAY CHUAN

Paul Lim Pay Chuan, a Malaysian, aged 45, 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 and Circular to Shareholders dated 27 November 2015. 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 seven (7) Board of Directors' meetings held in the financial period ended 30 June 2015.



## PROFILE OF DIRECTORS

(cont'd)

### IBRAHIM BIN TALIB

Ibrahim Bin Talib, a Malaysian, aged 67, is our Independent Non-Executive Director. He was appointed to our Board on 22 February 2012 and redesignated as Senior Independent Non-Executive Director on 26 October 2015. 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 seven (7) Board of Directors' meetings held in the financial period ended 30 June 2015.

### TAN PUAY SENG

Tan Puay Seng, a Malaysian, aged 63, 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 seven (7) Board of Directors' meetings held in the financial period ended 30 June 2015.

# PROFILE OF DIRECTORS

(cont'd)

## **KHOO KIAK KERN**

Khoo Kiak Kern, a Malaysian, aged 56, 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 officers 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 attended all seven (7) Board of Directors' meetings held in the financial period ended 30 June 2015.

**Powering up a  
new chapter**

# **EXECUTIVE CHAIRMAN & CEO JOINT STATEMENT**

Dear shareholders,

We present to you our 2014/2015 financial year's annual report that effectively sees our operation into the third year since we were first listed on Bursa Malaysia. We are excited with the opportunity that is presented to us and humbled by the overwhelming support towards PESTECH International Berhad ("PESTECH" or "Group") both internally and externally. On that note, let us start by extending a big "thank you" to all that is involved in the instrumental growth of PESTECH.



# EXECUTIVE CHAIRMAN & CEO JOINT STATEMENT

(cont'd)

The Group delivered a record-breaking year in both its revenues and order intake. We also have successfully embarked on a few strategic capability expansion and additional market segments to position ourselves for seizing future growth in the power infrastructure and its related industry.

On the broader market performance note, PESTECH's market capitalization gained RM753.115 million during this financial year, translated into a 492% enhancement since 31 December 2013<sup>1</sup>. This was partly contributed by growing stock price coupled with the completed bonus share issuance of 2 new ordinary shares for every 3 existing ordinary shares held in July 2014, which amplified the share capital base of the Group.

At PESTECH, we believe that all stakeholders in the Group have, each, their role to play. Everyone in this PESTECH family, ultimately, would like nothing less than seeing the Group paving its path of growth and become a proud stakeholder of this unique regional business organization in the power infrastructure build-up industry in years to come.

In that regard, the board and management will continue their focus in ensuring PESTECH is being diligently managed, maintaining its growth momentum, persevering its pursuit for new value-added business opportunities, and consistently delivering sustainable rewards to its shareholders. We are confident that by holding steadfast to those principles, over the long run, the stock price will naturally continue its growth in tandem with its performance and inertia of potential development of the Group; through the support of our shareholders who understand that the stock price will, most usually, endeavor to catch up with the intrinsic value of the Group.

Looking back at this last financial year, the social and economic growth in the ASEAN region continue to generate demand into build up of electrical power infrastructure for urbanization and modernization of developing countries in the region. This phenomenon is set to continue at least well into 2020s as north ASEAN countries catch up in their growth with their more affluent neighbors coupling with the effect of ASEAN Economic Community that is coming into shape by 2016. PESTECH, with its business segment in electric power transmission and distribution infrastructure build-up, serves a market with demand driven by a hunger for growth and modernization due to globalization. PESTECH's capability to deliver cross-geographical power infrastructure system build-up projects allows it to procure projects not only in its home turf in Malaysia, particularly in Sarawak, but also across the regions.

Again, this reflects our marketing mindset that places the entire regional prospects as our exploitable potential instead of fixated onto just certain countries. Throughout the years, PESTECH has established good footing in various regional countries, which enables the Group to diversify its business exposure and, at the same time, enhance its pool of selection for projects that require higher value add, and give better returns. In other words, we always aim to participate in a larger and more wholesome pie rather than always fighting for a bigger slice of the same old pie.

Amidst the financial year, the Group completed and handed over two substations for our high-energy consumption industrial customers within the SCORE area in Bintulu, Sarawak plus a substation for the utility customer in Sarawak. Among these, one of the achievements worth mentioning is the completion of the 275kV, 500MW substation for the OM Ferromanganese plant that started operation in August 2014. The interconnecting substation provides OM with the capabilities to maintain quality power supply to its plant and also to prevent its heavy requirement of electricity to burden the Sarawak electricity grid. The OM substation is equipped with automatic compensation for the heavy power required by all the furnaces within the plant. This project gives Pestech a valuable experience in providing automatic power compensation devices to industrial customer that will require high power in their operation other than utilities.

We also handed over Murum Junction substation to Sarawak Energy Berhad ("SEB") in October 2014. This substation is the third largest 275kV substation within the SEB network. The significance of the Murum Junction substation is that it serves as an interconnecting node for the Murum Dam Hydropower plant and the Bakun Dam Hydropower plant to bring energy to the Sarawak Corridor of Renewable Energy ("SCORE") areas and its vicinity, providing power required to fuel the industrialization of Sarawak.

Currently, we are still carrying out work for another two substations projects for the same utility customer in Sarawak. One of those projects, in the vicinity of Mambong, will eventually form part of the ASEAN power grid interconnection from Sarawak to Kalimantan. The Mambong substation extension job provides interconnection infrastructure for the SEB network to be interconnected with the Indonesian Perusahaan Listrik Negara ("PLN") network in Kalimantan. This interconnection serves as an infrastructure that enables power trade between two countries, thus benefiting both the people of Sarawak and Kalimantan, Indonesia.

# EXECUTIVE CHAIRMAN & CEO JOINT STATEMENT

(cont'd)

As you may appreciate, in the long run, the works that PESTECH does create value for the people that we serve in a significant way. Our undertakings contribute positively to the society and create an impact while generating values for our shareholders. The completed electrical infrastructures that we build around the region serve their own purposes during the assets' lifespan of 25 to 30 years, quietly fueling the social and economic growth in their own countries.

In its effort to enhance the long-term recurring income base, and diversify the nature of the Group's source of revenue, PESTECH had successfully clinched a 25-year independent power transmission concession development project in Cambodia. PESTECH is now in the midst of constructing the 125km 230kV power transmission system between Kampong Cham and Kratie, which, upon completion, will be operated and managed by PESTECH for the 25 years concession period with a derivation of fixed income stream from the utility company in Cambodia. The total gross revenue that the Group can expect from this concession asset would be USD437.500 million for the entire 25 years, whilst the anticipated total development cost is estimated at USD92.210 million.

The Independent Power Transmitter ("IPT") model is particularly suitable for developing nations that we serve. It provides win-win collaboration between public and private entity. As PESTECH is a competent EPC contractor for the power transmission line and substation, utility companies can be assured that the assets will be built with reliable quality to last at least the entire concession period. Utilities companies, on the other hand, do not need to incur capital expenditure in the built up of the infrastructures and its maintenance during the concession period. Payment to the IPT will only be made through revenue collection from the utility consumers when power is connected through the power transmission infrastructures.

Capitalizing on the successful concession procurement, the Group will continue to pursue and identify similar nature of assets that can bolster its future income and cash flow. Conscientious effort will be applied, along this path, to ensure the necessary financial obligation during the development as well as repayment phases of the concession assets would be well taken cared of by the matching anticipated income stream to minimize as much possible the uncertainty, if any.

In our corporate strategizing plan, PESTECH takes cognition that, though it has performed relatively satisfactorily in the engineering, procurement, construction and commissioning ("EPCC") aspect of the business, in order to induce sustainable growth and advancement in its aspiration to build a ASEAN based power infrastructure conglomerate, stagnation in its core competency development is uttermost unacceptable.

As such, during this financial year, the management had taken initiatives to form collaborative engagements and technological cooperation arrangements with reputable technology partners such as TRAX LLC. and eMeter Corporation of the United States of America, to help build competency in the latest technical knowhow, which is the cornerstone in the nurturing of the Group's capability in the provision of value added services to its regional customers. As a result of such an effort, the Group is now able to stand as one amongst the very few companies in the ASEAN region, which is able to provide local based services in the niche area of power plant control and automation systems that is commonly served by multinational corporations ("MNCs").

PESTECH, in the context of power plant construction, has assembled a team that can deliver system design that includes generator's control, plant control and automation, and design of auxiliary for the construction of a power plant. This segment had completed two projects in the power plant distributed control system upgrades in the country in the year 2014/2015. Thus, putting PESTECH's capability as the first Malaysian local company that is able to compete with the MNCs in the niche market of control and automation for power plant.

Based on the similar ideology of localizing core competency and technical knowhow, we have also built a team specializing in the rail electrification engineering, design and execution, which are, again, historically being dominated by the MNCs. PESTECH identified rail electrification as an area of considerable growth in the ASEAN region, and thus equipped itself adequately with the rail electrification and track laying machinery and equipment via an acquisition of such assets from Balfour Beatty Rail Sdn Bhd.

The amalgamation of capable team with the right equipment would set us ready to undertake domestic and regional track electrification related projects with confidence. The consequential effect of this endeavor would be the birth of an adept, homebred, full-fledge track laying and rail electrification specialist in Malaysia, notably the first of its kind. Thus, creating new market where PESTECH could play a part and generate a different segment of income for the Group. The first fruit of our labor came in when we secured the rail electrification project involving the extension of the Port Klang Line commuter service linking Subang Jaya to Subang Skypark. It is hopeful that the Group will be able to participate more in the various projects involving the light rail train, mass rapid transit system and double track train system, particularly in Malaysia and then subsequently export the knowhow into the region.

# EXECUTIVE CHAIRMAN & CEO JOINT STATEMENT

(cont'd)

PESTECH's financial performance was obviously very encouraging for this financial year, with a profit after tax growth of 164% on the back of a 117% improvement in revenue. Total equity stood at RM238.601 million, a big leap from previous financial year's RM92.282 million.

With our strategic planning in motion, we are eager to see this positive trend of growth continue further in the next financial year, with meaningful contribution from our new segments of businesses, and more EPCC contracts procurement which bring greater value for the Group.

We are excited of the prospect that the market presents to us, the demand for growth driven by globalization and free information flow, which help created a sustainable need for the development of electricity grid distribution. In the coming year, we are positive to see our continuing maturity in the power plant system design roll out and rail electrification segment of business.

Once again, we would like to extend our sincere thanks to all stakeholders on the unrelenting belief in our ability to deliver productive works and to chart for future growth of the Group in the building of infrastructure that serves as a backbone for social and economic growth. And to all PESTIONS, we salute your commitment and effort in living and spreading the spirit of "consistently dependable" into our works and to our peers. Indeed, we will grow stronger by drawing upon our inner strength and motivation through experiencing and observing the hard work that the management and all level of staff put into their works. Our mission of creating impact and adding values will surely come through.

Thank you.

**LIM AH HOCK**  
Executive Chairman

**PAUL LIM PAY CHUAN**  
Chief Executive Officer

<sup>1</sup>Market capitalization as at 31 December 2013: RM153.038 million; market capitalization as at 30 June 2015: RM906.153 million.



## OPERATION AND PERFORMANCE

The power system design, engineering and infrastructure industry has high barriers to entry. The involvement in the high voltage and extra high voltage segments of the industry requires experienced and skilled workers where PESTECH successfully secured some major projects despite strong competition in the market.

Tenaga Nasional Berhad (TNB), one of the Malaysia main utility firm, has awarded us the Financial Centre 132/33kV Gas Insulated Switchgear (GIS) Substation in North Region with a contract sum of RM35 million in March 2012. We successfully completed the project in August 2014 which involved establishment of new Pencawang Masuk Utama (PMU) at Financial Centre and extension for 2 overhead line bays at PMU in Gelang Patah.



*Financial Centre 132/33kV GIS Substation*



*Local Control Panel (LCP) for Financial centre 132/33kV GIS Substation*

PESTECH was delighted to be able to contribute through building this power energy infrastructure at the Iskandar Malaysia development plan whereby there are tremendous increase in energy demand from building of new state administration center, university park, medical hub, international destination resort and many more in the Johor Iskandar economic zone.

Our exciting journey in Malaysia expanded into East Malaysia by involving in two major projects in Sarawak at the same period. PESTECH has been awarded a contract by Sarawak Energy Berhad (SEB) worth RM92 million for Murum Junction 275/33kV substation at Sarawak in April 2012, followed by a "275kV substation for the Ferro Alloy Project in Samalaju, Sarawak" worth USD \$36 million by OM Materials (Sarawak) Sdn Bhd in July 2012. We successfully completed the Murum Junction substation in early September 2014 and the 275kV substation for OM Material (Sarawak) Sdn Bhd in August 2014.



*GIS (Gas Insulated Switchgear)*



*Murum Junction 275/33kV substation*

The Murum Junction substation is connecting to one of the major hydropower project in Sarawak - Murum Dam. The Murum dam, owned by utility firm SEB is located in the upper reaches of the Rajang River in central Sarawak.

The Murum Junction substation is an important part of the Sarawak Corridor of Renewable Energy (SCORE) which is a new development corridor focusing on energy intensive industries in central Sarawak. The substation integrate the Murum Hydroelectric Plant to the Sarawak Grid and serve as a collector station for future hydropower generations including Belaga (230 MW) and Pelagus (318 MW) which will increase SCORE's power supply security and reliability.

PESTECH involvement in Samalaju Industrial Park with the 275kV substation for the Ferroalloy Project had served OM Materials (Sarawak) Sdn Bhd's multimillion ferroalloy smelting plant at Samalaju Industrial Park in achieving their objective of producing 60% of the world's ferroalloy silicon demand. Its total power consumption will reach 500MW in 2015 with full operation of its smelting plant.

# OPERATION AND PERFORMANCE

(cont'd)



*"275kV substation for the Ferro Alloy Project" of OM Material (Sarawak) Sdn Bhd*



*132/33/11kV power distribution system for Sakura Ferroalloys Project*



*33kV Switchgear Panel for Sakura Ferroalloys Project*

Our order book was flourished with another project at Samalaju Industrial Park for the Turnkey Project of the 132/33/11kV power distribution system in Sakura Ferroalloys Project worth RM54 million by METIX Malaysia Sdn Bhd on 28th November 2013. We successfully completed the project in May 2015 which involved construction of 132kV outdoor Air Insulated Switchgear (AIS) with double busbar consisting two underground cable bay, three 132/33kV transformer bay, one bus couple bay and switchyard equipment.

Samalaju is a totally green field site launched in 2008 located 60km from Bintulu town, in the central region of Sarawak. It is the north western part of the Sarawak Corridor of Renewable Energy (SCORE) which is a new development corridor focusing on energy intensive industries in central Sarawak.

A constant supply of electricity is required for major operators there and their energy requirements will be sourced from the Bakun hydroelectric dam. Energy efficiency offered by SCORE will provide these companies with a competitive edge in world markets.

Sarawak is definitely a place with huge potential for PESTECH since its demand for electricity is increasing due to rapid development in various industrial park. As our Executive Chairman - Mr Lim emphasized, "We are located in the region where there is a huge demand for electricity. It gives us satisfaction that PESTECH is able to bring power to people where it is needed".

SEB engaged another project worth RM85 million with us in January 2014. The Mambong and Entinggan 275kV substation project which is expected to be completed by early 2016 is for the extension of the existing Mambong 275/132/33kV Substation in Mambong, and Entinggan 275/33kV Substation in Kota Samarahan, Kuching, Sarawak.

It will also include the installation of 275kV capacitor bank equipment to improve power quality of electrical network around Kuching and protection system retrofitting works at Matang 275/33kV Substation connecting to Mambong substation. The project serves as a critical interconnection point for electric power export from Sarawak to West Kalimantan, Indonesia and to improve the reliability and security of the 275kV electrical transmission network around Kuching.



*Mambong and Entinggan 275kV substation project*



# OPERATION AND PERFORMANCE

(cont'd)



Hydro turbine electro-hydraulic governor (load/frequency) control system for SJ Tenom Pangli, Sabah

PESTECH secured a contract worth RM1.2 million from TNB in January 2015 to supply and provide engineering assistance to install and commissioning new governor system upgrading at SJ Tenom Pangli, Sabah, Malaysia.

This Project is to retrofit, rehabilitate and replace one unit of hydro turbine electro-hydraulic governor (load/frequency) control system and its associated hydraulic sub system. PESTECH implemented this project together with our system partner, Valmet Automation OY. Implementation of this project also address obsolete issues of the existing system whilst improving operation controllability, flexibility and efficiency.

Although this 14-week project has a relatively small contract value, it marks PESTECH's first breakthrough in another milestone to localize know-how in the field of Distributed Control System (DCS) for power plant automation. The successful completion of this project has built a good reference for PESTECH to explore further opportunities in this business area with other regional power utilities.

## BUSINESS ACTIVITIES OF PESTECH

### Factory Acceptance Test (FAT)



33kV GIS FAT at Siemens AG, Berlin



CT & IVT FAT at EMEK Electrical Industry Inc, Turkey



10 MVar 275kV Shunt Reactor FAT at CG India



120 MVA 275/36kV Power Transformer FAT at PT CG Power Systems Indonesia



# OPERATION AND PERFORMANCE

(cont'd)

## Conference and Exhibition



PESTECH exhibition booth at Power & Electricity World 2015 Manila, Philippines.



AORC-CIGRE Technical Meeting 2015: PESTECH attended "Towards An Integrated & Interconnected Transmission Power Grid: Challenges & Opportunities" at Sabah, Malaysia.



PESTECH attended Huawei Electric Power Industry Summit 2014 at Brisbane, Australia.



PESTECH attended CEPSI 2014, 20th Conference of the Electric Power Supply Industry at International Convention Center Jeju Island, South Korea.

## Type Test

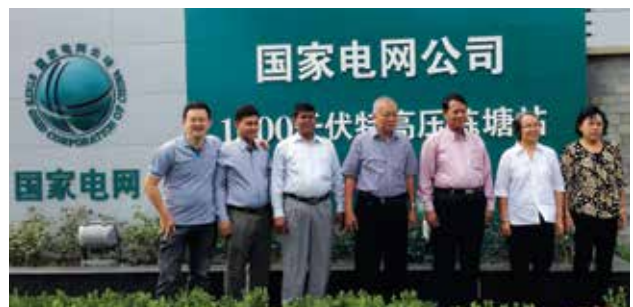


Picture 1 & 2: Type testing for 230kV West Phnom Penh (WPP) – Sihanoukville Transmission Line & Stung Hav 230/115/22kV Substation Extension at Cambodia.

## Training and Knowledge Sharing



PESTECH Corporate Sales & Marketing team attended Huawei HCS - Presales-Transmission Elite Camp at Training Center, Huawei Base, Shenzhen, China in June 2015.



Visit to State Grid Corporation of China's 1000kV substation at Shanghai, China.



# OPERATION AND PERFORMANCE

(cont'd)



Skytrex Teambuilding



PESTECH Street Basket Ball Game

## Teambuilding and Sport Activities

We at PESTECH not only excel in power system engineering, our people are great in all sort of teambuilding and sport activities.



PESTECH Bowling Game



PESTECH Badminton League



PESTECH Paintball Game



Cave exploration and water rafting at Gua Tempurung, Perak



3



4

Picture 3 & 4  
PESTECH annual gathering and Best Movie Character theme dinner at Genting Resort World Hotel in Jan 2015.



We, PESTIONS will go the extra mile to deliver excellent services as a team to achieve our goals and social cause.

For work or for play, we practise the can-do and must-achieve spirit.



# OPERATION AND PERFORMANCE

(cont'd)

## Products

PESTECH's products are used by numerous energy utility companies and industrial plant for robust substation automation and real-time device integration applications. Its unique capabilities encourage customers to take maximum advantage of these standards and empowers them to use latest technology in a way that is most complementary to their other business operations.

## Current Products

Product	Description
Alarm Annunciator Panel	To alert operators of alarm conditions in plant from abnormal events or conditions using audible signals and a group of LEDs working as central indicator of status of equipment or system in a substation.
Analogue To Digital Meter (ADM)	The function is to convert current signal from transformer and display tap indication on the seven segment display and able to provide tap position from 10-20.
BCD Converter and BCD Display	BCD converter function is to convert DC voltage signal into binary signal and able to produce display signal from 0 to 19. Whereby, BCD displays to convert binary signal from BCD converter into numeric value.
Control and Protection Panel	To control, protection and monitoring unit which enables remote control operation of primary high voltage equipment and protection systems in substations.
HV Isolator (single pole)	The disconnecter switch (D-Switch) is used in power utilities to separate equipment from either the energy source or the ground.
HV Isolator (three pole)	To developed Isolator (11kV, 33kV & 135kV) outdoor, double break, air break disconnectors that are normally associated with NER. This Isolator has some special/customizes feature with 3 pole and 3 phase, horizontal or vertical according to customer's requirement.
Neutral Earthing Resistor (NER)	The NER protects power equipment against fault currents by limiting the ground fault current to a certain level to prevent damage.
Remote Terminal Unit (RTU)	To provide interfacing of substation equipment with remote control center under SCADA implementation.
Substation Interrogation & Monitoring System (SIMS)	SIMS will facilitate full control or remote access to various IEDs (Intelligent Electronic Device) database through manufacturer's proprietary software.
Telecommunication and Teleprotection	The telecommunication and teleprotection panel combines communication and protection into one.





# CORPORATE SOCIAL RESPONSIBILITY (CSR)

PESTECH believes that engaging in corporate social responsibility (CSR) programs will help to fuel the social and economic growth of the country. It is always PESTECH's goal to bring value through our existence and creating a positive impact on our employees, community and environment.

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 CSR program going forward will revolve around the four key elements of Community, Advancement, Recuperation and Environment (CARE Program).

## Community

Simple acts of kindness can bring a smile. Our approach is aimed at bringing value that will benefit the community such as PESTECH joined Bursa Bull Charge 2015 as Ongole sponsor to run for others, celebrate "Raikan Syawal" as well as year end party with Orphanage Home, Pusat Jagaan Nur Sakinah (PJNS), sponsorship to USM volleyball team on the Karnival Sukan IMT-GT Universitas Sumatera Utara, Medan, Indonesia.



## Advancement

PESTECH supports and organizes activities that contribute towards nation building, such as sponsorship for Cambodia Red Cross and joint CSR effort with Sarawak Energy Berhad (SEB) to support Murum Resettlement.



# CORPORATE SOCIAL RESPONSIBILITY (CSR)

(cont'd)



## Recuperation

PESTECH also provided support to health-related care and efforts as we believe everyone should have live life with dignity no matter what state they are in by becoming the Gold Sponsor for Hospis Malaysia Charity Treasure Hunt 2015.



## Environment

PESTECH supports environmental protection initiatives and encourages our employees to join Malaysian Nature Society (Rimba Walk) and carry out their own environmental duties. PESTECH's policy under its environmental care is based on the tagline "Taking Care of Our Home".

At PESTECH, we view CSR programs as a means to add value to society. Being a responsible corporate citizen means never losing track of our obligations to society and the environment. PESTECH are deeply committed to helping empower industries with power system technology to fuel social and economic growth. We believe in creating a positive and lasting impact on employees, the environment and the communities where we live and work.

We understand that to achieve real progress, involvement must come from all sectors of society. And at PESTECH, we will continue to play our part, now and far into the future.





# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“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 Securities Berhad (“Bursa Securities”) 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 period from 1 January 2014 to 30 June 2015 (“financial period ended 30 June 2015”) is set out hereunder.

## PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

### Board of Directors

The Board is explicitly responsible for the stewardship of the Company and in discharging its obligations, the Board assumes responsibility in the following areas:

- retain full and effective control over the Company, and monitor management in implementing Board plans and strategies;
- ensure that a comprehensive system of policies and procedures is operative.
- identify and monitor non-financial aspects relevant to the business;
- 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;
- strive to act above and beyond the minimum requirements and benchmark performance against international best practices and not only to comply in practice, but be seen to comply;
- 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;
- act responsibly towards the Company’s relevant stakeholders; and
- be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principle

### Board Committees

All Board members take cognisance of their fiduciary duties and responsibilities for the overall corporate governance of PIB. To fulfill its roles, the Board delegates certain responsibilities to the Board Committees, operating within defined terms of reference, to assist the Board in the execution of its duties and responsibilities. These Committees report to the Board on their respective matters and make recommendations to the Board for final decision.

PIB’s Board Committees include, Audit Committee, Nomination Committee and Remuneration Committee.

### Board Charter

The Company has established and adopted a Board Charter which serves as a reference point for Board activities. The Board Charter is publicly available on the Company’s website at [www.pestech-international.com](http://www.pestech-international.com). In the Board Charter, the Board has established a formal schedule of matters reserved to the Board for its deliberation and decision in order to enhance the delineation of roles between the Board and Management, as well as to ensure the direction and control of the Group’s operations are in the Board’s hands.

### Code of Ethical Conduct

PIB’s Code of Ethical Conduct is committed to doing what is right and honourable in all aspect of whether at work, at home and elsewhere.

The Company sets high standards of behavior and use those values embedded in the Code of Ethical Conduct to build substance in building the Company’s character and also building the Company’s credibility and reputation that are observable through individual behaviour, individually and collectively as a team and as a company.

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (cont'd)

### Code of Ethical Conduct (cont'd)

In serving customers and in dealing with suppliers, vendors and subcontractors, the Company strives to put their interest ahead of other personal interests in order to uphold the Company's reputation and their trust in us. The Company is committed to provide efficient, effective and excellent products and services in an impartial manner. The Code of Ethical Conduct is publicly available on the Company's website at [www.pestech-international.com](http://www.pestech-international.com).

### Whistle-Blowing Policy

The Whistle-Blowing Policy is in place with the aim to provide an avenue for concerns relating to possible breaches of business conduct, non-compliances of laws and regulatory requirements, and other questionable practices to be raised by employees as well as outside parties without fear of reprisals or retaliation by the Company.

### Sustainability

The Board has adopted a Sustainability Policy that addresses the impact of the Group's businesses on environmental, social and governance ("ESG") elements. As such, the ESG aspects are considered by the Board in its corporate strategies.

### 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 Securities, 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.

### 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.

## PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION

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

The Board is formed by five (5) members comprising one (1) Executive Chairman ("EC"), one (1) Executive Director cum Chief Executive Officer ("CEO"), and three (3) Independent Directors. The composition of the Board complies with the requirements of Paragraph 15.02 of the MMLR. The separation of the position of Chairman and CEO also complies partly with Recommendation 3.4 of the Code. However, Recommendation 3.4 also suggests that the Chairman must be a non-executive member of the Board, which PIB is currently not yet in compliance.

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (cont'd)

The EC represents the Board to the shareholders and potential investors, and provides Board leadership on policy formation, decision making and oversight of the management. The EC, though in an executive position, is not involved in the day-to-day management of PIB. Instead, the EC keenly monitors the activities of the management, charting direction along with the CEO and provides guidance where necessary.

Recommendation 3.5 of the Code states that "The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director." In this regard, the Board comprises two (2) Executive Directors (including the EC and CEO) and three (3) Independent Non-Executive Directors, or 60% of the Board members are Independent Directors. The Board is of the view that the shareholders are best served by an EC who has great passion in building the Company coupled with an in-depth understanding of the industry that PIB is involved in. Thus, the EC would be able to safe guard the best interest of the shareholders as a whole. As such, Recommendation 3.5 is deemed complied with.

### Nomination Committee

The Nomination Committee is entrusted to be 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 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. The Nomination Committee will ensure that all assessments and evaluations carried out are properly documented.

In approaching towards diversity on the Board of Directors, the Board does not discriminate on the basis of ethnicity, age, gender, nationality, political affiliation, religious affiliation, marital status, education background or physical ability nor does it have any in its process to recruit or retain its members or Senior Management. The Board Diversity Policy does not set any specific target on the composition in terms of gender, age or ethnic of its Board members or members of Senior Management. However, the Board is well represented by individuals drawn from distinctly diverse professional backgrounds who have distinguished themselves in the electrical engineering, mechanical engineering, multinational business, 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 Nomination Committee comprises exclusively of Independent Non-Executive Directors:-

Chairman	: Mr. Tan Puay Seng ( <i>Independent Non-Executive Director</i> )
Member	: Encik Ibrahim Bin Talib ( <i>Senior Independent Non-Executive Director</i> )
Member	: Mr. Khoo Kiak Kern ( <i>Independent Non-Executive Director</i> )

The Nomination Committee shall meet as and when required, at least once a year. During the financial period ended 30 June 2015, the Nomination Committee met once and carried out the following activities:-

- conducted the annual assessment on the effectiveness of the board as a whole and contribution and performance of each individual director;
- reviewed and recommended on the re-election and re-appointment of the directors who would be retiring at the Third Annual General Meeting ("AGM"); and
- conducted annual assessment on independence for the independent directors.

In accordance with PIB's Board Charter and in line with its Articles of Association, all Board members are subject to retirement by rotation and re-election by the shareholders at least once every three (3) years. At the upcoming Annual General Meeting, Mr. Lim Ah Hock and Mr. Lim Pay Chuan will retire by rotation pursuant to Article 95 and being eligible, offer themselves for re-election.

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (cont'd)

### Remuneration Committee

The Board determines the level of remuneration paid to Directors within the limitations imposed by the shareholders. 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 of the Executive Directors is structured such that it is linked to the corporate and individual performance. The Non-Executive Directors will receive remuneration packages which reflect the relevant experience, expertise and level of responsibilities undertaken by the respective Non-Executive Director. The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director will abstain from the Board's deliberation and decision on his own remuneration.

The Board had established a Remuneration Committee to review and recommend the appropriate level of remuneration for the Executive Directors. The Remuneration Committee comprises a majority of Independent Non-Executive Directors:-

Chairman : Mr. Khoo Kiak Kern (*Independent Non-Executive Director*)  
 Member : Mr. Tan Puay Seng (*Independent Non-Executive Director*)  
 Member : Mr. Paul Lim Pay Chuan (*Executive Director/CEO*)

The Remuneration Committee shall meet as and when required, at least once a year. During the financial period ended 30 June 2015, the Remuneration Committee met once and carried out the following activities:-

- reviewed and recommended the proposed bonus payment for the executive directors for the financial year ended 31 December 2013; and
- reviewed and recommended the proposed remuneration package of the executive directors for year 2014; and
- reviewed and recommended the directors' fees for the financial year ended 31 December 2013.

The details of the remuneration of Directors who served during the financial period ended 30 June 2015 are as follows:-

Category	RM			
	Salaries & other Emoluments	Fees	Benefits	Total
Executive Directors	12,038,759	-	84,000	12,122,759
Non-Executive Directors	-	190,800	-	190,800

The numbers of Directors whose total remuneration fall within the following bands:-

Range (RM)	Executive	Non-Executive
Below 50,000	-	-
50,000 – 100,000	-	3
100,001 – 150,000	-	-
500,001 – 550,000	-	-
800,001 – 850,000	-	-
1,100,001 – 1,150,000	2	-

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



# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## PRINCIPLE 3: REINFORCING INDEPENDENCE

The position of EC and CEO is held by different individuals, as recommended by the Code. The Board has established the roles and responsibilities of the EC which are distinct and separate from the roles and responsibilities of the CEO, this is to ensure an appropriate balance of roles, responsibilities and accountability at the Board level.

The Board, with the assistance of the Nomination Committee, is required to review the independence of the Company's Independent Non-Executive Directors on an annual basis. The Board adopts the definition of an 'Independent Non-Executive Director' as provided by the MMLR, and such definition is used as criteria for Directors' independence assessment, which has been carried out at the date of this Statement.

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 redesignated as a Non-Independent Director. The Company does not have any Independent Non-Executive Director who has served more than nine (9) years at the date of this Statement.

## PRINCIPLE 4: FOSTERING COMMITMENT

### Board meetings

The Board meets at least once every quarter and additional meetings are convened when necessary. There were seven (7) Board meetings held during the financial period ended 30 June 2015 and the attendance record of the Directors is as follows:

Directors	Meetings attended
Lim Ah Hock	7/7
Paul Lim Pay Chuan	7/7
Khoo Kiak Kern	7/7
Ibrahim bin Talib	7/7
Tan Puay Seng	7/7

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

The Board has also stipulated in its Board Charter, the need for Directors to notify the Chairman before accepting new directorships outside the Group and indicating the time that will be spent on the new directorship. Similarly, the Chairman of the Board shall also do likewise, and notify the Board as a whole, before taking up any additional appointment of directorships. This practice is to ensure that Directors devote sufficient time to meet the Company's needs and in the discharge of their fiduciary and leadership roles.

### Directors' training

All Directors of the Board have attended the Mandatory Accreditation Program as prescribed by the MMLR. 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.

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## PRINCIPLE 4: FOSTERING COMMITMENT (cont'd)

### Directors' training (cont'd)

During the financial period ended 30 June 2015, the continuous education programmes attended by Directors comprise the following:-

Name	Training	Date
Lim Ah Hock	Focus Group to Strengthen Corporate Governance Disclosures amongst Listed Issuers	9 April 2014
Paul Lim Pay Chuan	ABB IPS Forum 2014	2 June 2015 to 5 June 2015
	Power Gen Asia 2014	10 September 2015 to 12 September 2015
	SPECO (China) Technical collaboration and product training	19 November 2014 to 22 November 2014
Ibrahim bin Talib	Risk Management and Internal Control Workshop for Audit Committees – An Integrated Assurance on Risk Management and Internal Control – Is Our Line of Defense Adequate and Effective?	14 October 2014
	Focus Group to Strengthen Corporate Governance Disclosures amongst Listed Issuers	9 April 2014
	SC's Audit Oversight Board Conversation with Audit Committees	7 May 2015
Tan Puay Seng	National Tax Seminar	30 October 2014
	Comparative Analysis of PERS, MPERS and MFRS Frameworks	12 November 2014
	Shares with No Par Value, Share Buybacks and Redeemable Preference Share – Proposed Companies Bill 2013	13 November 2014
	Nominating Committee Programme 2: Effective Board Evaluations	6 April 2015
Khoo Kiak Kern	7 Habits of Highly Effective People	13 December 2014 to 14 December 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.

## PRINCIPLE 5: UPHOLDING INTEGRITY IN FINANCIAL REPORTING

### Financial Reporting

The Board 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.

The Group also releases unaudited quarterly financial results on a timely basis in addition to the Annual Report. These quarterly financial results are accessible via Bursa Malaysia and PIB website.

### Internal Control

The Board has the fiduciary responsibility for maintaining a sound system of internal controls, which provides a reasonable and sound assessment of the effectiveness and adequacy of the Group's internal controls, operations and compliance with rules and regulations. This is to ensure shareholders' investments, customers' interests and the Group's assets are well safeguarded.

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## **PRINCIPLE 5: UPHOLDING INTEGRITY IN FINANCIAL REPORTING** (cont'd)

### **Internal Control** (cont'd)

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 management's responses towards these recommendations.

### **Relationship with Auditors**

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 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. In assessing the independence of External Auditors, the Audit Committee obtains confirmation from the External Auditors, indicating that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

The Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, has formalised a Non-Audit Services Policy governing the types of non-audit services permitted to be provided by the External Auditors. The Non-Audit Services Policy provides for safeguards which may be considered, including having an engagement team different from the external audit team to provide the non-audit services.

## **PRINCIPLE 6: RECOGNISING AND MANAGING RISKS**

The Board regards risk management and internal controls as an integral part of the overall management processes. As such, the Board has established an Enterprise Risk Management ("ERM") framework to identify and manage significant risks faced in the Group's operations.

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.

## **PRINCIPLE 7: ENSURING TIMELY AND HIGH QUALITY DISCLOSURE**

The Board has formalised Corporate Disclosure Policies and procedures aimed to assist the Board in furnishing information which is comprehensive and accurate and is made on a timely basis without any bias to selective disclosure.

The Company's corporate website at [www.pestech-international.com](http://www.pestech-international.com) serves as a key communication channel for shareholders, investors, members of the public and other stakeholders to obtain up-to-date information on the Group's activities, financial results, major strategic development and other matters affecting stakeholders' interests.

The Board has earmarked a dedicated section for corporate governance on the Company's website, where information on the Company's announcements to the regulators, the Board Charter, Code of Ethical Conduct and the Company's Annual Report may be accessed.

The chairman will inform shareholders of their rights to demand for poll voting at the AGM and the Board will consider employing electronic poll voting for substantive resolutions in future general meetings.

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## **PRINCIPLE 8: STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS**

### **AGM**

The AGM is the main forum for dialogue with the shareholders. Shareholders are notified of the meeting and provided with a copy of the annual report at least twenty one (21) days before the meeting. 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. 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 Chairman will inform shareholders of their rights to demand for poll voting at the AGM and the Board will consider employing electronic poll voting for substantive resolutions in future general meetings.

### **Dialogue between the Company and Shareholders/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.

Dissemination of information to PIB's shareholders, investors and the public is executed through timely announcements and disclosure via Bursa LINK, press releases, press conferences and media/analyst briefings. PIB also maintains its own website at [www.pestech-international.com](http://www.pestech-international.com) to enable easy and convenient access of up-to-date information pertaining to the Group.



# AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") is pleased to present the Audit Committee Report for the financial period ended 30 June 2015.

## A. COMPOSITION

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

Chairman : Encik Ibrahim Bin Talib (*Senior Independent Non-Executive Director*)

Member : Mr. Tan Puay Seng (*Independent Non-Executive Director*)

: Mr. Khoo Kiak Kern (*Independent Non-Executive Director*)

## B. ATTENDANCE AT MEETINGS

During the financial period ended 30 June 2015, the Committee held a total of seven (7) meetings. The details of the attendance of the Committee members are as follows:-

Directors	Meetings attended
Encik Ibrahim Bin Talib	7/7
Mr. Tan Puay Seng	7/7
Mr. Khoo Kiak Kern	7/7

## 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 Securities Berhad ("Bursa Securities").

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.

### 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.

# AUDIT COMMITTEE REPORT

(cont'd)

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

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

#### 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 Auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the External Auditor 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.

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.

# AUDIT COMMITTEE REPORT

(cont'd)

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

### 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.

### x. Duties and Responsibilities

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

- (a) To consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;



# AUDIT COMMITTEE REPORT

(cont'd)

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

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

- (c) To review with the External Auditor 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 Auditor's 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;
- (n) To monitor the integrity of the Company's financial statements;
- (o) To monitor the independence and qualification of the Company's External Auditor;

# AUDIT COMMITTEE REPORT

(cont'd)

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

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

- (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;
- (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 FINANCIAL PERIOD UNDER REVIEW

The activities carried out by the Committee during the financial period 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 status and Audit Completion Report.
- Reviewed the 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 financial period under review.
- Reviewed the audit plan, audit fee and scope of work for the audit in respect of the financial period ended 30 June 2015.

### 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.

# AUDIT COMMITTEE REPORT

(cont'd)

## D. SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL PERIOD UNDER REVIEW (cont'd)

### iv. Related Party Transactions

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

### v. Share Grant Plan ("SGP")

- Verified the allocation of SGP in compliance with the criteria as stipulated in the By-Laws of the SGP of the Company.

### vi. Annual Report

- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company in respect of the financial year ended 31 December 2013.

### vii. Circular to Shareholders

- Reviewed the draft Circular to Shareholders in respect of the following proposals:-
  - Proposed Renewal of Existing Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading nature;
  - Proposed Renewal of Share Buy-back authority of up to 10% of the issued and paid-up share capital of the Company;
  - Proposed increase in the authorised share capital of the Company; and
  - Proposed amendments to the Memorandum and Articles of Association of the Company.

## 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 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 period ended 30 June 2015, the Internal Auditors had performed internal control reviews based on the agreed internal audit plan. 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. The total fees incurred for the internal audit function in respect of the financial period ended 30 June 2015 was RM68,499.06.



# 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 period 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 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 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 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

**Strategic risks** 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.

**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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

## RISK MANAGEMENT FRAMEWORK (cont'd)

- **Risk Awareness Culture**

Risk awareness within the organisation is reflected with emphasis on strong corporate governance, organizational 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 updates to the Board regularly 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

- **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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

## INTERNAL CONTROL SYSTEM (cont'd)

- **Internal Audit** (cont'd)

The Internal Auditors are responsible for planning, implementing and reporting on the internal audit timeline and activities of the Group. During the financial period 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 assesses 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 period under review. The process is in place for the financial period 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 period 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.

## 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 period 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 period under review.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

## 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 financial period from 1 January 2014 to 30 June 2015. Their review was performed in accordance with the Recommended Practice Guide 5 ("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 26 October 2015.



## **DIRECTORS' RESPONSIBILITY STATEMENT** on Preparation of Annual Financial Statements

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 period ended 30 June 2015 has been prepared adopting appropriate accounting policies and 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 PIB's initial public offering amounting to RM12.88 million has been fully utilised. The breakdown of the utilisation is as below:

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	1,800	-
Working capital	2,580	2,650	(70)
Estimated listing expenses	2,500	2,430	70
<b>Total</b>	<b>12,880</b>	<b>12,880</b>	<b>-</b>

\* 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").

During the financial period ended 30 June 2015, the Company had undertaken private placement of shares as follows pursuant to the authority granted by shareholders at the preceding AGM held on 26 June 2014.

Listing Date	Number of Shares	Issue Price (RM)
28 January 2014	4,243,600	3.02
12 February 2015	3,000,000	3.90
23 February 2015	2,500,000	4.10
4 March 2015	1,800,000	4.10
14 April 2015	8,800,000	5.00

The proceeds raised from the private placement have been utilized as working capital of the Company.

## II. SHARE BUY BACKS

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.

# ADDITIONAL COMPLIANCE INFORMATION

(cont'd)

## **VI. NON-AUDIT FEES**

There were no non-audit fees paid to the External Auditors or a firm affiliated to the External Auditors by the Group for the financial period ended 30 June 2015.

## **VII. VARIATION IN RESULTS**

There was no material deviation between the audited results for the financial period ended 30 June 2015 and the unaudited results previously announced.

## **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 period ended 30 June 2015 or entered into since the end of the previous financial year ended 31 December 2013.

## **X. RECURRENT RELATED PARTY TRANSACTIONS**

At the AGM to be held on 21 December 2015, the Company intends to seek the shareholders' mandate for recurrent related party transactions ("RRPTs") which it has entered 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.

Further details of which will be disclosed in the Circular to Shareholders dated 27 November 2015.

# 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 period from 1 January 2014 to 30 June 2015.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, general trading and provision of management service. The principal activities of its subsidiaries are disclosed in 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 during the financial period from 1 January 2014 to 30 June 2015.

## CHANGE OF FINANCIAL YEAR END

On 15 August 2014, the Group and the Company changed its financial year end from 31 December to 30 June.

## RESULTS

	<b>Group</b>	<b>Company</b>
	<b>RM</b>	<b>RM</b>
Net profit for the financial period	54,720,795	26,759,237
Attributable to:-		
Owners of the parent	54,833,247	26,759,237
Non-controlling interest	(112,452)	-
	54,720,795	26,759,237

## DIVIDENDS

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

	<b>Total</b>
	<b>RM</b>
<b>Paid</b>	
In respect of financial year ended 31 December 2013:-	
Second interim single tier dividend of 4.0 sen per ordinary share paid on 25 February 2014	3,867,220

# DIRECTORS' REPORT

(cont'd)

## DIVIDENDS (cont'd)

<b>Declared and paid</b>	<b>Total RM</b>
In respect of financial year ended 31 December 2013:-	
Final single tier dividend of 2.0 sen per ordinary share paid on 17 September 2014	6,577,191
In respect of financial period ended 30 June 2015:-	
First interim single tier dividend of 2.0 sen per ordinary share paid on 21 November 2014	3,324,387
Second interim single tier dividend of 4.0 sen per ordinary share paid on 14 May 2015	7,368,287
	17,269,865

The Directors proposed a final single tier dividend of 3 sen per ordinary shares, amounting to RM5,573,813 in respect of the financial period ended 30 June 2015 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 30 June 2016.

## RESERVES AND PROVISIONS

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

## 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)

## DIRECTORS' INTEREST

The Directors holding office at the end of the financial period and their beneficial interests in ordinary shares of the Company and its related corporations during the financial period ended 30 June 2015 as recorded in the Register of Director' Shareholdings kept by the Company under Section 134 of the Companies Act 1965 were as follows:

<b>Interest in the Company</b>	<b>Ordinary shares of RM0.50 each</b>				
	<b>At 1.1.2014</b>	<b>Bought</b>	<b>Dividend Reinvestment Plan</b>	<b>Sold</b>	<b>At 30.6.2015</b>
<b>Direct Interest</b>					
Lim Ah Hock	36,056,200	25,273,100	2,171,700	-	63,501,000
Lim Pay Chuan	22,103,300	16,763,898	1,309,700	(1,840,000)	38,336,898
Ibrahim bin Talib	2,161,900	1,462,533	129,200	-	3,753,633
Tan Puay Seng	101,400	68,533	5,800	-	175,733

# DIRECTORS' REPORT

(cont'd)

## DIRECTORS' INTEREST (cont'd)

The Directors holding office at the end of the financial period and their beneficial interests in ordinary shares of the Company and its related corporations during the financial period ended 30 June 2015 as recorded in the Register of Director' Shareholdings kept by the Company under Section 134 of the Companies Act 1965 were as follows (cont'd):

Interest in the Company	Ordinary shares of RM0.50 each				At 30.6.2015
	At 1.1.2014	Bought	Dividend Reinvestment Plan	Sold	
<b>Indirect Interest</b>					
Lim Ah Hock <sup>#</sup>	190,400	124,066	10,800	(7,000)	318,266
Lim Pay Chuan <sup>#</sup>	190,400	124,066	10,800	(7,000)	318,266

<sup>#</sup> 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 period from 1 January 2014 to 30 June 2015.

## DIRECTORS' BENEFITS

During and at the end of the financial period, 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.

## ISSUE OF SHARES AND DEBENTURES

During the financial period, the Company increased its authorised ordinary share capital from RM50,000,000 to RM500,000,000 through the creation of 900,000,000 ordinary shares of RM0.50 each.

# DIRECTORS' REPORT

(cont'd)

## ISSUE OF SHARES AND DEBENTURES (cont'd)

During the financial period, the Company issued 93,356,866 new ordinary shares at par value of RM0.50 each as follows:

Date of allotment	Number of shares	Issue Price RM	Total consideration RM
<b>Private Placement</b>			
27 January 2014	4,243,600	3.02	12,815,672
11 February 2015	3,000,000	3.90	11,700,000
18 February 2015	2,500,000	4.10	10,250,000
3 March 2015	1,800,000	4.10	7,380,000
13 April 2015	8,800,000	5.00	44,000,000
	20,343,600		86,145,672
<b>Dividend Reinvestment Plan</b>			
25 February 2014	1,353,600	2.71	3,668,256
17 September 2014	1,789,600	3.42	6,120,432
21 November 2014	856,000	3.57	3,055,920
14 May 2015	1,586,600	4.38	6,949,308
	5,585,800		19,793,916
<b>Share Grant Plan</b>			
21 April 2014	438,000	4.12	1,804,560
1 August 2014	309,600	3.93	1,216,728
3 April 2015	1,031,800	4.90	5,055,820
	1,779,400		8,077,108
<b>Bonus Issue</b>			
10 July 2014	65,648,066	0.50	32,824,033
<b>Total</b>	93,356,866		146,840,729
<b>Represented by:</b>			
Share capital			46,678,433
Share premium			100,162,296
			146,840,729

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

There were no debentures issued during the financial period.

## 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.



# DIRECTORS' REPORT

(cont'd)

## SHARE GRANT PLAN (cont'd)

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.
- (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.

# DIRECTORS' REPORT

(cont'd)

## SHARE GRANT PLAN (cont'd)

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

- (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 period, 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 per ordinary share	No. of new ordinary shares issued under SGP
21 April 2014	2,438,570	(634,010)	1,804,560	RM4.12	438,000
1 August 2014	1,590,066	(373,338)	1,216,728	RM3.93	309,600
15 April 2015	6,740,368	(1,684,548)	5,055,820	RM4.90	1,031,800
					1,779,400

## 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.

# DIRECTORS' REPORT

(cont'd)

## **DIVIDEND REINVESTMENT PLAN** (cont'd)

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

- (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.
- (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.

# DIRECTORS' REPORT

(cont'd)

## DIVIDEND REINVESTMENT PLAN (cont'd)

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

- (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 resolves 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 period are disclosed as follows:-

	<b>Non cash Dividend Reinvestment Plan</b>			<b>Total RM</b>
	<b>Cash RM</b>	<b>No. of ordinary shares</b>	<b>RM</b>	
<b>Issued</b>				
In respect of financial year ended 31 December 2013:-				
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
<b>Declared and issued</b>				
In respect of financial year ended 31 December 2013:-				
Final single tier dividend of 2.0 sen per ordinary share paid on 17 September 2014	456,759	1,789,600 at RM3.42 per ordinary share	6,120,432	6,577,191
In respect of financial period ended 30 June 2015:-				
First interim single tier dividend of 2.0 sen per ordinary share paid on 21 November 2014	268,467	856,000 at RM3.57 per ordinary share	3,055,920	3,324,387
Second interim single tier dividend of 4.0 sen per ordinary share paid on 14 May 2015	418,979	1,586,600 at RM4.38 per ordinary share	6,949,308	7,368,287
				<b>17,269,865</b>

## 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 period 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 period.

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 period 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 period 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 period 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 period in which this report is made.

## **SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD**

The significant events during the financial period are disclosed in Note 40 to the financial statements.



## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 66 to 141 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 30 June 2015 and of their financial performance and cash flows for the financial period ended 30 June 2015.

In the opinion of the Directors, the supplementary information set out on page 142 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  
26 October 2015

.....  
**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 66 to 141 and the supplementary information set out on page 142 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by )  
the abovenamed at Kuala Lumpur in )  
the Federal Territory this day of )  
26 October 2015 )

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

Before me:

Commissioner for Oaths  
**S.ARULSAMY W.490**

# 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 30 June 2015, 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 period ended 30 June 2015, and a summary of significant accounting policies and other explanatory notes, as set out on pages 66 to 141.

#### ***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 at 30 June 2015 and of their financial performance and cash flows for the financial period ended 30 June 2015 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 6 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 142 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  
26 October 2015

**HOOI KOK MUN**  
(NO: 2207/01/16(J))  
CHARTERED ACCOUNTANT

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Group		Company	
		30.6.2015 RM	31.12.2013 RM	30.6.2015 RM	31.12.2013 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	35,544,261	24,511,565	35,105	55,542
Intangible asset	5	75,460,000	-	-	-
Investment in subsidiaries	6	-	-	69,828,644	37,516,948
Investment in an associate	7	-	1,013,042	-	1,166,067
Deferred tax assets	8	309,412	-	309,412	-
<b>Total non-current assets</b>		<b>111,313,673</b>	<b>25,524,607</b>	<b>70,173,161</b>	<b>38,738,557</b>
<b>Current assets</b>					
Inventories	9	83,156,109	62,656,529	-	-
Trade receivables	10	117,076,338	73,716,472	-	-
Other receivables, deposits and prepayments	11	30,172,281	9,491,972	217,920	58,587
Amount due from contract customers	12	135,631,666	22,658,830	-	-
Amount due from related companies	13	23,430	17,435	109,818,939	34,140,376
Tax recoverable		-	-	767,655	131,260
Derivative financial instruments	14	643,800	-	-	-
Short-term deposits with licensed institutions	15	122,437	147,010	-	-
Cash and bank balances	16	30,235,981	17,878,363	21,363,853	557,102
<b>Total current assets</b>		<b>397,062,042</b>	<b>186,566,611</b>	<b>132,168,367</b>	<b>34,887,325</b>
<b>Total assets</b>		<b>508,375,715</b>	<b>212,091,218</b>	<b>202,341,528</b>	<b>73,625,882</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	17	92,896,883	46,218,450	92,896,883	46,218,450
Share premium	17	84,971,341	19,344,285	84,971,341	19,344,285
Reserves	18	62,522,792	26,717,371	13,520,059	4,030,687
		240,391,016	92,280,106	191,388,283	69,593,422
Non-controlling interest	6	(1,789,902)	2,435	-	-
<b>Total equity</b>		<b>238,601,114</b>	<b>92,282,541</b>	<b>191,388,283</b>	<b>69,593,422</b>

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2015  
(cont'd)

	Note	Group		Company	
		30.6.2015 RM	31.12.2013 RM	30.6.2015 RM	31.12.2013 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Finance lease liabilities	19	2,909,453	4,652,990	-	12,556
Loans and borrowings	20	35,731,366	4,628,007	-	-
Deferred tax liabilities	21	5,553,920	1,101,200	-	-
Total non-current liabilities		44,194,739	10,382,197	-	12,556
<b>Current liabilities</b>					
Trade payables	22	60,584,622	41,814,428	10,174,130	-
Other payables and accruals	23	12,737,721	6,064,128	777,315	3,999,349
Amount due to contract customers	12	-	606,326	-	-
Amount due to Directors	24	790,291	772,333	5	5
Finance lease liabilities	19	1,537,908	1,529,060	1,795	20,550
Loans and borrowings	20	147,436,692	56,249,110	-	-
Provision for taxation		2,492,628	2,391,095	-	-
Total current liabilities		225,579,862	109,426,480	10,953,245	4,019,904
<b>Total liabilities</b>		269,774,601	119,808,677	10,953,245	4,032,460
<b>Total equity and liabilities</b>		508,375,715	212,091,218	202,341,528	73,625,882

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2015

	Note	Group		Company	
		1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Revenue	25	394,822,191	181,765,687	58,734,078	14,150,000
Cost of sales		(290,116,424)	(133,812,202)	(16,648,897)	-
Gross profit		104,705,767	47,953,485	42,085,181	14,150,000
Other income	26	18,494,826	2,384,523	623,707	6,428
Administration expenses		(42,777,654)	(18,286,085)	(16,153,719)	(4,255,335)
Finance costs	27	(6,521,689)	(3,306,025)	(1,701)	(2,754)
Operating profit		73,901,250	28,745,898	26,553,468	9,898,339
Share of loss in an associate		(757,069)	(153,025)	-	-
Profit before tax	28	73,144,181	28,592,873	26,553,468	9,898,339
Tax (expense)/income	29	(18,423,386)	(7,865,807)	205,769	-
Profit for the financial period/year		54,720,795	20,727,066	26,759,237	9,898,339
<b>Other comprehensive income</b>					
Items that will be reclassified subsequently to profit or loss					
- Exchange translation differences		(1,953,756)	257,157	-	-
<b>Total comprehensive income for the financial period/ year</b>		<b>52,767,039</b>	<b>20,984,223</b>	<b>26,759,237</b>	<b>9,898,339</b>
<b>Profit for financial period/year attributable to:</b>					
Owners of the Company		54,833,247	20,720,763	26,759,237	9,898,339
Non-controlling interest		(112,452)	6,303	-	-
		54,720,795	20,727,066	26,759,237	9,898,339
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		53,075,286	20,977,983	26,759,237	9,898,339
Non-controlling interest		(308,247)	6,240	-	-
		52,767,039	20,984,223	26,759,237	9,898,339
<b>Earnings per share attributable to the owners of the Company:</b>					
Basic earnings per share (RM)	30	0.38	0.24		
Diluted earnings per share (RM)	30	0.38	0.24		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2015

Group	Note	Attributable to owners of the parent					Total equity		
		Share capital	Share premium	Translation reserve	Merger reserve	Retained earnings		Non-controlling interest	
		RM	RM	RM	RM	RM	RM		
<b>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	17	3,278,450	13,647,477	-	-	-	16,925,927	-	16,925,927
Dividends	31	-	-	-	-	(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>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
Profit for the financial period		-	-	-	-	54,833,247	54,833,247	(112,452)	54,720,795
Other comprehensive income for the financial period		-	-	(1,757,961)	-	-	(1,757,961)	(195,795)	(1,953,756)
Total comprehensive income for the financial period		-	-	(1,757,961)	-	54,833,247	53,075,286	(308,247)	52,767,039
<b>Transactions with owners:</b>									
Issue of share capital	17	46,678,433	67,338,263	-	-	-	114,016,696	(1,484,090)	112,532,606
Share issuance expenses		-	(1,711,207)	-	-	-	(1,711,207)	-	(1,711,207)
Dividends	31	-	-	-	-	(17,269,865)	(17,269,865)	-	(17,269,865)
Total transactions with owners		46,678,433	65,627,056	-	-	(17,269,865)	95,035,624	(1,484,090)	93,551,534
<b>30 June 2015</b>		92,896,883	84,971,341	(1,571,039)	(33,136,979)	97,230,810	240,391,016	(1,789,902)	238,601,114



# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2015

(cont'd)

Company	Note	Non-distributable		Distributable	
		Share capital RM	Share premium RM	Retained earnings RM	Total RM
<b>At 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	17	3,278,450	13,647,477	-	16,925,927
Dividends to owners of the Company	31	-	-	(11,010,353)	(11,010,353)
Total transactions with owners		3,278,450	13,647,477	(11,010,353)	5,915,574
<b>At 31 December 2013</b>		46,218,450	19,344,285	4,030,687	69,593,422
Profit for the financial period/ Total comprehensive income for the financial period		-	-	26,759,237	26,759,237
<b>Transaction with owners:</b>					
Issue of share capital	17	46,678,433	67,338,263	-	114,016,696
Share issuance expenses		-	(1,711,207)	-	(1,711,207)
Dividends of owners of the Company	31	-	-	(17,269,865)	(17,269,865)
Total transactions with owners		46,678,433	65,627,056	(17,269,865)	95,035,624
<b>At 30 June 2015</b>		92,896,883	84,971,341	13,520,059	191,388,283

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2015

	Group		Company		
	Note	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		73,144,181	28,592,873	26,553,468	9,898,339
Adjustments for:-					
Depreciation of property, plant and equipment		4,831,688	2,352,141	25,501	15,597
Gain on disposal of property, plant and equipment		(13,023)	(14,712)	-	-
Interest expense		6,521,689	3,306,025	1,701	2,754
Interest income		(286,577)	(157,874)	(260,655)	(6,428)
Share of loss in an associate		757,069	153,025	-	-
Employee benefits granted under SGP		8,077,108	1,202,409	7,083,604	185,464
Unrealised gain on foreign exchange		(14,773,079)	(499,127)	(361,938)	-
Fair value gain on derivative financial instruments		(643,800)	-	-	-
Operating profit before working capital changes		77,615,256	34,934,760	33,041,681	10,095,726
Changes in working capital:-					
Inventories		(20,499,580)	(49,618,269)	-	-
Receivables		(47,447,344)	(23,035,893)	(159,333)	(33,787)
Payables		29,311,007	11,493,449	10,819,316	(143,722)
Amount due from contracts customers		(113,579,162)	(2,558,138)	-	-
Cash (used in)/generated from operations		(74,599,823)	(28,784,091)	43,701,664	9,918,217
Interest paid		(5,535,050)	(2,644,708)	-	-
Tax paid		(14,178,545)	(7,586,362)	(740,038)	(173,260)
Net cash (used in)/from operating activities		(94,313,418)	(39,015,161)	42,961,626	9,744,957
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Advances to related companies		(5,995)	(4,000)	(102,483,623)	(16,500,416)
Acquisition of subsidiary, net of cash		-	-	(2,985,127)	-
Acquisition of right under contractual agreement		(75,460,000)	-	-	-
Interest received		286,577	157,874	260,655	6,428
Investment in associate		255,973	(1,166,067)	-	(1,166,067)
Investment in subsidiaries		-	-	-	-
Purchase of property, plant and equipment	A	(4,487,767)	(4,869,330)	(5,064)	(4,478)
Proceed from sale of property, plant and equipment		73,644	209,206	-	-
Uplift of bank balances pledged		374,536	1,019,449	-	-
Uplift of fixed deposits with licensed financial institutions		24,573	334,472	-	-
Net cash (used in)/from investing activities		(78,938,459)	(4,318,396)	(105,213,159)	(17,664,533)

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2015

(cont'd)

	Group		Company		
	Note	1.1.2014 to 30.06.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.06.2015 RM	1.1.2013 to 31.12.2013 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Advances received from/(repaid to) Directors		17,958	2,826	-	-
Dividend paid		(1,343,169)	(6,293,695)	(1,343,169)	(6,293,695)
Proceeds from issuance of ordinary shares		84,434,465	13,500,000	84,434,465	13,500,000
Interest paid		(3,868,201)	(696,717)	(1,701)	(2,754)
Proceeds from loan and borrowings		379,838,841	111,873,725	-	-
Repayment of loans and borrowings		(271,751,431)	(70,654,977)	-	-
Repayment of finance lease payables		(2,703,316)	(1,289,882)	(31,311)	(19,254)
Net cash from financing activities		184,625,147	46,441,280	83,058,284	7,184,297
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		11,373,270	3,107,723	20,806,751	(735,279)
Brought forward		17,503,583	14,207,912	557,102	1,292,381
Effects of foreign exchange rate		(3,424,895)	187,948	-	-
Carried forward	B	25,451,958	17,503,583	21,363,853	557,102

## 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 RM13,056,394 (31.12.2013: RM10,264,232) of which RM968,627 and RM7,600,000 (31.12.2013: RM5,394,902 and Nil) was acquired by means of finance lease and term loan financing respectively. Cash payment of RM4,487,767 (31.12.2013: RM4,869,330) was made to purchase the property, plant and equipment.

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2015  
(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:-

	<b>Group</b>		<b>Company</b>	
	<b>1.1.2014 to 30.6.2015 RM</b>	<b>1.1.2013 to 31.12.2013 RM</b>	<b>1.1.2014 to 30.6.2015 RM</b>	<b>1.1.2013 to 31.12.2013 RM</b>
Short-term deposits with licensed institutions (Note 15)	122,437	147,010	-	-
Cash and bank balances (Note 16)	30,235,981	17,878,363	21,363,853	557,102
Bank overdrafts (Note 20)	(4,783,779)	-	-	-
	25,574,639	18,025,373	21,363,853	557,102
Less : Fixed deposits and bank balance pledged to licensed financial institutions	(122,681)	(521,790)	-	-
	25,451,958	17,503,583	21,363,853	557,102

Fixed deposits with licensed financial institutions and bank balance amounting to RM122,437 (2013: RM147,010) and RM244 (2013: RM374,780) 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

30 JUNE 2015

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and 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 are disclosed in 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 during the financial period from 1 January 2014 to 30 June 2015.

On 15 August 2014, the Group and the Company changed its financial year end from 31 December to 30 June.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 October 2015.

## 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

30 JUNE 2015  
(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 Adoption of Amendments 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 period, the Group and the Company adopted amendments to MFRSs and IC Int which are mandatory for the financial periods beginning on or after 1 January 2014.

#### Amendments to MFRSs effective 1 January 2014

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Financial Instrument: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

IC Interpretation 21 is not applicable to the Group's and the Company's operation.

Initial application of the amendments to the standards and IC Int did not have material impact to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

### 2.4 Adoption of Amendments to MFRSs and IC Interpretations ("IC Int") (cont'd)

#### Amendments to MFRSs effective 1 January 2014 (cont'd)

The nature and the impact of the amendments to MFRS are described below:-

##### Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities

The amendments to MFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services; and
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to MFRS 12 and MFRS 127 to introduce new disclosure requirements for investment entities.

##### Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

The amendments to MFRS 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify of the meaning of "currency has a legally enforceable right to set-off" and "simultaneous realisation and settlement".

##### Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets

The amendments clarify that an entity is required to disclose the recoverable amount of an asset or cash generating unit whenever an impairment loss has been recognised or reversed in the period 2.

In addition, the amendments introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- Additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made;
- The discount rates used if fair value less costs of disposal is measured using a present value technique.

These additional disclosures are in line with the disclosure required by MFRS 13 Fair Value Measurements.

##### Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to MFRS 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendment also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

### 2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following new MFRSs, amendments to MFRSs and IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

#### Amendments to MFRSs effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119	Employee Benefits: Defined Benefit Plans - Employee Contributions
Annual Improvements to MFRSs 2010-2012 Cycle	
Annual Improvements to MFRSs 2011-2013 Cycle	

#### MFRS and Amendments to MFRSs effective for financial periods beginning on or after 1 January 2016

Amendments to MFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities - Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements: Accounting for Acquisitions of Interest in Joint Operations
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities - Applying the Consolidation Exception
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116	Property, Plant and Equipment: Agriculture - Bearer Plants
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Equity Method in Separate Financial Statements
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Investment Entities - Applying the Consolidation Exception
Amendments to MFRS 138	Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141	Agriculture: Bearer Plants
Annual Improvements to MFRSs 2012-2014 Cycle	

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

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

#### **MFRS and Amendments to MFRSs effective for financial periods beginning on or after 1 January 2018**

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
Amendments to MFRS 7	Financial Instruments: Disclosure Mandatory effective of MFRS 9 and Transition Disclosures
MFRS 15	Revenue from Contracts with Customers

The existing MFRS 111, MFRS 118, IC Int 13, IC Int 15, IC Int 18 and IC Int 131 will be withdrawn upon the adoption of MFRS 15 on 1 January 2018.

MFRS 14 is not applicable to the Group's operations while MFRS 10 and MFRS 14 are not applicable the Company's operation.

#### MFRS 9 Financial Instruments

MFRS 9 is issued during the financial year, which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions.

The Group and the Company are currently examining the financial impact of adopting MFRS 9.

#### MFRS 15 Revenue From Contracts with Customers

MFRS 15 presents new requirements for the recognition of revenue, replacing the guidance of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Int 13 Customer Loyalty Programs, IC Int 15 Agreements for Construction of Real Estate, IC Int 18 Transfers of Assets from Customers and IC Int 131 Revenue - Barter Transaction Involving Advertising Services. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group and the Company are currently assessing the impact of MFRS 15 and plans to adopt the new standards on the required effective date.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

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

#### 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 30 June 2015 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% (31.12.2013: 6%) difference in the expected useful lives of the property, plant and equipment from the management' estimates would result in approximately 1% (31.12.2013: 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.

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 9 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

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

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

##### *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 21 and 29 to the financial statements respectively.

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

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the 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 period is disclosed in Notes 10 and 11 to the financial statements.

##### *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 period is summarised in Note 12 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 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 are also tested for impairment from a group perspective.

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.

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.

#### 3.1.3 Business Combinations

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

### 3.1 Consolidation (cont'd)

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

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 the 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

### 3.1 Consolidation (cont'd)

#### 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 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

### 3.1 Consolidation (cont'd)

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

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 are 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.

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 operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combination before 1 January 2011 (the date when the Group and the Company first adopted MFRSs) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

### 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.

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 Intangible Asset

Intangible asset represents a right that is acquired separately by the Group through a contractual agreement to construct, maintain and service a transmission system in Cambodia for a period of 25 years subsequent to the commencement of the operation of the transmission system. The Group will receive power transmission proceeds as provided for, in this agreement for 25 years during the commercial operation period of the transmission system.

Intangible asset is measured on initial recognition at cost. Following initial recognition, intangible asset will be carried at cost until the construction is completed and the transmission system is in the condition necessary for it to be capable of being operating in the intended manner. Subsequently, it is carried at cost less accumulated amortisation and any accumulated impairment losses.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

### 3.3 Intangible Asset (cont'd)

The useful life of intangible asset is assessed to be finite and amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates being accounted on a prospective basis. The amortisation expense is recognised in the profit or loss.

Gain or losses arising from derecognition of an intangible assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

### 3.4 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.

#### 3.4.1 Finance Lease

Leases in terms of which the Group and the Company assume 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.

#### 3.4.2 Operating Lease

Leases, where the Group and the Company do 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.

### 3.5 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 comprises the original purchase price plus the costs incurred in bringing the inventories to their present location and condition.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

### 3.5 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.

### 3.6 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.

#### 3.6.1 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 carry financial assets at fair value through profit or loss and 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 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

30 JUNE 2015

(cont'd)

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

### 3.6 Financial Instruments (cont'd)

#### 3.6.1 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.

#### 3.6.2 Financial Liabilities

After the initial recognition, financial liabilities are classified as:-

- (a) financial liabilities at fair value through profit or loss;
- (b) other financial liabilities measured 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 expired. 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 carry financial liabilities at fair value through profit or loss and 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 by 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.

##### *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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

### 3.6 Financial Instruments (cont'd)

#### 3.6.3 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.

### 3.7 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 or 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.

### 3.8 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

### 3.9 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.

### 3.10 Impairment of Financial Assets

#### 3.10.1 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

### 3.10 Impairment of Financial Assets (cont'd)

#### 3.10.1 Impairment of Financial Assets Carried at Amortised Cost (cont'd)

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.

#### 3.10.2 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.

### 3.11 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.

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.

### 3.12 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.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

### 3.12 Provisions (cont'd)

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.

### 3.13 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.

#### 3.13.1 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.

#### 3.13.2 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.

#### 3.13.3 Management Fee Income

Management fee income is recognised when services are rendered.

#### 3.13.4 Dividend Income

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

## 3.14 Employee Benefits

### 3.14.1 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

### 3.14 Employee Benefits (cont'd)

#### 3.14.2 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").

#### 3.14.3 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 is 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 is measured at grant date.

#### 3.14.4 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.

### 3.15 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 ceased 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.

### 3.16 Tax Expense

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

#### 3.16.1 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).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

### 3.16 Tax Expense (cont'd)

#### 3.16.2 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 are 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.

### 3.17 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.

### 3.18 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 form 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.

### 3.19 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

### 3.20 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

30 JUNE 2015  
(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	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<b>Cost</b>																			
At 1 January 2013	-	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	-	-	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										
Additions	-	-	-	4,640	10,619,211	153,938	801,272	1,477,333	13,056,394										
Capitalisation of borrowing cost	2,881,562	-	-	-	-	-	-	-	2,881,562										
Disposal/Written off	-	-	-	-	-	(13,161)	(93,539)	(4,190)	(110,890)										
Translation differences	-	-	-	1,697	160,270	32,008	-	-	213,959										
At 30 June 2015	6,916,233	1,657,403	5,745,374	487,195	20,243,698	667,715	5,150,395	5,781,423	46,649,436										
<b>Accumulated depreciation</b>																			
At 1 January 2013	-	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 differences	-	-	-	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										
Charge for the financial period	-	25,897	198,258	70,910	1,948,131	52,680	1,474,604	1,061,208	4,831,688										
Disposal/Written off	-	-	-	-	-	(5,264)	(32,739)	(1,926)	(39,929)										
Translation differences	-	-	-	500	138,903	63,341	-	13,826	216,570										
At 30 June 2015	-	164,016	657,886	245,221	3,781,002	469,378	2,454,582	3,333,090	11,105,175										
<b>Net carrying amount</b>																			
At 30 June 2015	6,916,233	1,493,387	5,087,488	241,974	16,462,696	198,337	2,695,813	2,448,333	35,544,261										
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										
<b>Group</b>																			

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

Company	Motor vehicles under finance lease	Office equipment	Total
<b>Cost</b>			
At 1 January 2013	74,068	-	74,068
Additions	-	4,478	4,478
At 31 December 2013	74,068	4,478	78,546
Additions	-	5,064	5,064
At 30 June 2015	74,068	9,542	83,610
<b>Accumulated depreciation</b>			
At 1 January 2013	7,407	-	7,407
Charge for the financial year	14,813	784	15,597
At 31 December 2013	22,220	784	23,004
Charge for the financial period	22,220	3,281	25,501
At 30 June 2015	44,440	4,065	48,505
<b>Net carrying amount</b>			
At 30 June 2015	29,628	5,477	35,105
At 31 December 2013	51,848	3,694	55,542

## 5. INTANGIBLE ASSET

Group	RM
<b>Right</b>	
<b>At Cost</b>	
Acquired during the financial period through a contractual agreement	75,460,000

Prior to the financial year end, the Group has acquired a right to construct, maintain and service a transmission system in Cambodia for a period of 25 years starting from the commencement of the operation of the transmission system.

As at the reporting date, the Group is in the midst of the preliminary planning works for the development of the transmission system. The management expects the construction to be completed by 30 November 2017.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 6. INVESTMENT IN SUBSIDIARIES

	Company	
	30.6.2015	31.12.2013
	RM	RM
Unquoted shares, at cost		
At 1 January	37,516,948	36,500,003
Transfer from associates	1,166,067	-
Additions	30,152,125	-
Capital contributions	993,504	1,016,945
At 30 June/31 December	69,828,644	37,516,948

The particulars of the subsidiaries are as follows:-

Name of company	Place of incorporation	Effective interest		Principal activities
		30.6.2015	31.12.2013	
		%	%	
Xcell (ATS) 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.
PESTECH Switchgear Sdn. Bhd.	Malaysia	100	-	Marketing of medium voltage switchgear products.
PESTECH Technology Sdn. Bhd.	Malaysia	100	-	Provision of design, engineering, supply and commissioning of balance of plant systems for power plants and rail electrification projects.
PESTECH Power Sdn. Bhd.	Malaysia	100	-	Provision of power infrastructure concessions holding company.
PESTECH (Sarawak) Sdn. Bhd.	Malaysia	100	-	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 6. 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
		30.6.2015	31.12.2013	
		%	%	
SystemCorp Embedded Technology Pty Ltd	Australia	51	-	Specialising in the business of embedded hardware and software design using state-of-the-art electronic products and tools.
<u>Subsidiaries of PESTECH Sdn. Bhd.:</u>				
Fornix Sdn. Bhd.	Malaysia	100	100	Investment holding company.
PESTECH (Cambodia) Limited*	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 Transmission Limited#	Ghana	100	100	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
PESTECH (Sarawak) Sdn. Bhd.	Malaysia	-	100	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
ENERSOL Co. Ltd.	Malaysia	100	-	Provision of supplying equipment to PESTECH (Cambodia) Limited.
<u>Subsidiaries of PESTECH Power Sdn. Bhd.:</u>				
Diamond Power Ltd.*	Cambodia	60	-	Construction of electrical substation and transmission line.

\* 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 amounts to RM989,967 (31.12.2013: RM1,012,882) and RM3,537 (31.12.2013: RM4,063) for the employees of PESTECH Sdn. Bhd. and PESTECH (Sarawak) Sdn. Bhd. respectively.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

### Non-controlling interests in a subsidiary:

The information of non-controlling interests are as follows:-

	<b>PESTECH (Brunei) Sdn. Bhd.</b>	<b>Diamond Power Ltd.</b>	<b>SystemCorp Embedded Technology Pty Ltd</b>	<b>Total</b>
	<b>1.1.2014 to 30.6.2015</b>	<b>1.1.2014 to 30.6.2015</b>	<b>1.1.2014 to 30.6.2015</b>	<b>1.1.2014 to 30.6.2015</b>
Percentage of ownership interest and voting interest (%)	10	40	49	
Carrying amount of non-controlling interests (RM)	2,152	(78,647)	(1,517,612)	(1,594,107)
Loss allocated to non-controlling interests (RM)	(283)	(78,647)	(33,522)	(112,452)
Total comprehensive (loss)/income allocated to non-controlling interest (RM)	(1,372)	3,254	(310,128)	(308,246)

	<b>PESTECH (Brunei) Sdn. Bhd. 1.1.2013 to 31.12.2013</b>
Percentage of ownership interest and voting interest (%)	10
Carrying amount of non-controlling interests (RM)	2,435
Profit allocated to non-controlling interests (RM)	6,303
Total comprehensive loss allocated to non-controlling interest (RM)	(63)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interest is as below:

	<b>30.6.2015</b>		
	<b>PESTECH (Brunei) Sdn. Bhd. RM</b>	<b>Diamond Power Ltd. RM</b>	<b>SystemCorp Embedded Technology Pty Ltd. RM</b>
<b>Financial position as at 30 June</b>			
Non-current assets	35,522	2,664	1,448,950
Current-assets	465,213	13,471,376	357,956
Non-current liabilities	-	-	-
Current liabilities	(477,408)	(11,803,038)	(2,417,678)
Net assets/(Net liabilities)	23,327	1,671,002	(610,772)

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interest is as below (cont'd):

	30.6.2015		
	PESTECH (Brunei) Sdn. Bhd. RM	Diamond Power Ltd. RM	SystemCorp Embedded Technology Pty Ltd. RM
<b>Summary of financial performance for the financial period ended 30 June</b>			
Loss for the year	(2,832)	(203,750)	(68,413)
Other comprehensive income/(loss)	(10,258)	204,752	(564,503)
Total other comprehensive income/(loss)	(13,090)	1,002	(632,916)
Included in total other comprehensive income is:			
Revenue	490,769	-	2,425

### Summary of cash flows for the financial period ended 30 June

Net cash inflow/(outflow) from operating activities	133,313	(1,573,208)	(644,127)
Net cash inflow from investing activities	8,409	1,883,858	662,805
Net cash (outflow) from financing activities	-	-	(59,634)
Net cash inflow/(outflow)	141,722	310,650	(40,956)

	31.12.2013
	PESTECH (Brunei) Sdn. Bhd. RM
<b>Financial position as at 31 December</b>	
Non-current assets	59,073
Current-assets	395,629
Non-current liabilities	-
Current liabilities	(393,799)
Net assets	60,903

### Summary of financial performance for the financial year ended 31 December

Profit for the year	63,027
Other comprehensive income	338
Total other comprehensive income	63,365
Included in total other comprehensive income is :	
Revenue	351,567

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interest is as below (cont'd):

	<b>31.12.2013</b>
	<b>PESTECH (Brunei) Sdn. Bhd.</b>
	<b>RM</b>
<b>Summary of cash flows for the financial year ended 31 December</b>	
Net cash inflow from operating activities	102,038
Net cash inflow from investing activities	-
Net cash inflow from financing activities	-
Net cash inflow	102,038

### Acquisition of subsidiaries:

#### Group

**30.6.2015**

#### **SystemCorp Embedded Technology Pty Ltd**

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, and representing 51% of the total issued and paid up share capital of SET. As at 31 December 2013, the Group has completed the piecemeal investment of 390,700 ordinary shares representing 27.7% of total issued and paid up share capital of SET for a cash consideration of RM1,166,067, and it was accounted for as an investment in associate.

On 15 June 2015, the Company has completed the additional acquisition of 669,965 ordinary shares representing 23.3% of the total issued and paid up share capital of SET for a total cash consideration of RM1,985,121. Consequently, SET became a subsidiary of PESTECH.

#### Consideration transferred, assets recognised and liabilities assumed

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

- Fair value of consideration transferred

	<b>RM</b>
Total cash consideration	1,985,121

- Fair value of identifiable assets acquired and liabilities assumed

	<b>RM</b>
Trade receivables	13,646
Other receivables	46,193
Cash and bank balances	279,218
Other payables	(79,168)
Amount due to shareholders	(1,912,139)
Amount due to a director	(9,546)
Total identifiable assets and liabilities	(1,661,796)

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

### Acquisition of subsidiaries: (cont'd)

#### Group (cont'd)

#### 30.6.2015 (cont'd)

#### **SystemCorp Embedded Technology Pty Ltd** (cont'd)

#### Net cash outflow arising from acquisition of subsidiary

	<b>RM</b>
Purchase consideration settled in cash	(1,985,121)
Cash and cash equivalents acquired	97,890
	<b>(1,887,231)</b>

#### Goodwill arising from business combination

Goodwill was recognised as a result of the acquisition as follows:

	<b>RM</b>
Fair value of consideration transferred	1,985,121
Fair value of existing interest in the acquiree	1,166,067
Fair value of identifiable assets acquired and liabilities assumed	(1,661,796)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	(1,489,392)
Goodwill	-

#### Impact of the acquisition on the consolidated statements of profit or loss and other comprehensive income

From the date of acquisition, the acquired subsidiary has absorbed RM68,413 to the Group's profit for the year. If the combination had taken place at the beginning of the financial year, the Group's profit for the year from its continuing operations would have been RM642,695.

#### **PESTECH Switchgear Sdn Bhd**

On 26 February 2014, the Company acquired the entire issued and paid up share capital of PESTECH Switchgear Sdn. Bhd. ("PSwitch"), for a cash consideration of RM2. Upon completion of the acquisition, PSwitch became a wholly-owned subsidiary of PESTECH.

#### **PESTECH Technology Sdn Bhd**

On 26 February 2014, the Company acquired the entire issued and paid up share capital of PESTECH Technology Sdn. Bhd. ("P-Tech"), for a cash consideration of RM2. Upon completion of the acquisition, P-Tech became a wholly-owned subsidiary of PESTECH.

On 20 November 2014, the Company subscribed additional 999,998 ordinary shares of RM1.00 each of P-Tech by cash of RM999,998.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

### Acquisition of subsidiaries: (cont'd)

#### Group (cont'd)

#### 30.6.2015 (cont'd)

#### **PESTECH (Sarawak) Sdn Bhd**

On 22 April 2014, the Company had re-organised the group structure by transferring to PESTECH the entire equity interest in PESTECH (Sarawak) Sdn. Bhd. ("PSSB") currently held by PESTECH Sdn. Bhd, ("PSB"), a wholly owned subsidiary of PESTECH. The rationale of the re-organisation of PSB and PSSB is to streamline the PESTECH Group structure.

On 31 December 2014, the Company subscribed additional 499,998 ordinary shares of RM1.00 each of PSSB by way of capitalisation of RM499,998 from the amount due from the wholly-owned subsidiary.

#### **PESTECH Sdn Bhd**

On 10 November 2014, the Company subscribed additional 26,667,000 ordinary shares of RM1.00 each of PESTECH Sdn. Bhd. by way of capitalisation of RM26,667,000 from the amount due from the wholly-owned subsidiary.

#### **PESTECH Power Sdn Bhd**

On 26 January 2015, the Company acquired two (2) ordinary shares of RM1.00 each in the share capital of PESTECH Power Sdn. Bhd. ("P-Power") for a total cash consideration of RM2.00. Upon completion, P-Power became a wholly-owned subsidiary of PESTECH.

#### **Diamond Power Limited**

On 28 January 2015, P-Power, a wholly-owned subsidiary of the Company had incorporated a 60% owned subsidiary in Cambodia, namely Diamond Power Limited ("DPL"). The Company had subscribed 600 ordinary shares of 2,000,000 Riel each in DPL representing 60% of the total issued and paid up share capital of DPL, for a total consideration of 2,000,000 Riel (RM1,054,800).

#### **Enersol Co. Ltd.**

On 14 April 2015, PSB, a wholly-owned subsidiary of the Company had acquired one (1) ordinary share of USD1.00 in the share capital of Enersol Co. Ltd. ("Enersol") for a total cash consideration of USD1.00.

#### 31.12.2013

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.

## 7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	30.6.2015	31.12.2013	30.6.2015	31.12.2013
	RM	RM	RM	RM
Unquoted equity shares, at cost	-	1,166,067	-	1,166,067
Share of associate's total comprehensive loss	-	(153,025)	-	-
	-	1,013,042	-	1,166,067

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

The particulars of the associate are as follows:-

Name of company	Place of incorporation	Effective interest		Principal activities
		30.6.2015	31.12.2013	
		%	%	
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.

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.

	1.1.2013 to 31.12.2013 RM
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:

#### 31.12.2013

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 8. DEFERRED TAX ASSETS

	Group		Company	
	30.6.2015	31.12.2013	30.6.2015	31.12.2013
	RM	RM	RM	RM
At 1 January	-	-	-	-
Recognised in profit or loss	309,412	-	309,412	-
At 30 June/31 December	-	-	-	-
	309,412	-	309,412	-

The deferred tax assets as at the end of the reporting period are made up of the temporary difference arising from:

	Group		Company	
	30.6.2015	31.12.2013	30.6.2015	31.12.2013
	RM	RM	RM	RM
Unutilised business losses	309,412	-	309,412	-

## 9. INVENTORIES

	Group	
	30.6.2015	31.12.2013
	RM	RM
At cost:-		
Work-in-progress	82,906,541	45,289,058
General stocks	249,568	17,367,471
	83,156,109	62,656,529

The amount of inventories recognised as cost of sales in profit or loss for the financial period is RM253,630,488 (31.12.2013: RM118,068,983).

## 10. TRADE RECEIVABLES

	Group	
	30.6.2015	31.12.2013
	RM	RM
Trade receivables	79,295,550	56,266,403
Retention sums on contracts (Note 12)	37,780,788	17,450,069
	117,076,338	73,716,472

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 30 to 90 days (31.12.2013: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	30.6.2015	31.12.2013	30.6.2015	31.12.2013
	RM	RM	RM	RM
Other receivables	20,861,199	5,759,381	197,176	-
Deposits	1,077,647	781,711	-	-
Prepayments	8,233,435	2,950,880	20,744	58,587
	30,172,281	9,491,972	217,920	58,587

As at 30 June 2015, included in other receivables of the Group was downpayment paid to suppliers of RM14,412,638 (31.12.2013 : RM4,126,010).

## 12. AMOUNT DUE FROM CUSTOMERS ON CONTRACTS

	Group	
	30.6.2015	31.12.2013
	RM	RM
Cost incurred on contracts to date	601,453,714	42,985,585
Add: Attributable profits	260,685,009	38,770,630
	862,138,723	81,756,215
Less: Progress billings	(726,507,057)	(59,703,711)
Amount due from customers for contracts works	135,631,666	22,052,504
Presented as:		
Amount due from contract customers	135,631,666	22,658,830
Amount due to a contract customer	-	(606,326)
	135,631,666	22,052,504
Retention sum on contracts included in trade receivables (Note 10)	37,780,788	17,450,069
Retention sum on contracts included in trade payables (Note 22)	1,711,090	1,139,583

## 13. AMOUNT DUE FROM RELATED COMPANIES

	Group		Company	
	30.6.2015	31.12.2013	30.6.2015	31.12.2013
	RM	RM	RM	RM
<b>Amount due from:</b>				
Jointly-controlled entity	23,430	17,435	-	-
Subsidiary	-	-	109,818,939	34,140,376
	23,430	17,435	109,818,939	34,140,376

Included in amount due from a subsidiary is dividend receivable from the subsidiary amounting to RM4,000,000 (31.12.2013: RM9,000,000).

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	30.6.2015		31.12.2013	
	Contract/ notional amount	Assets/ (liabilities)	Contract/ notional amount	(liabilities) Assets/
	RM	RM	RM	RM
<b>Hedging derivatives:</b>				
<b>Current</b>				
Forward currency contracts	5,668,000	643,800	-	-

The Group uses forward currency contracts to manage some of the transactions exposure. Trading derivatives are classified as current asset or liability. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

As at 30 June 2015, the Group has forward currency contracts outstanding designated as hedges of expected future purchases from suppliers for which the Group has high probable forecasted transactions. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

## 15. SHORT-TERM DEPOSITS WITH LICENSED INSTITUTIONS

Group	30.6.2015	31.12.2013
	RM	RM
Sinking funds	122,437	147,010

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 3.20% (31.12.2013: 2.80% to 3.60%) per annum. The average maturity periods of the short-term deposits range from 1 month to 12 months (31.12.2013: 1 month to 12 months).

## 16. CASH AND BANK BALANCES

### Group

Included in cash and bank balances of the Group is an amount of RM244 (31.12.2013: RM374,780) which is pledged to financial institutions for guarantee facilities granted to a subsidiary and are not available for general use.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 17. SHARE CAPITAL AND SHARE PREMIUM

### Group and Company

#### Share capital

	30.6.2015		31.12.2013	
	Number of ordinary shares of RM0.50 each	Amount RM	Number of ordinary shares of RM0.50 each	Amount RM
Authorised				
At 1 January	100,000,000	50,000,000	100,000,000	50,000,000
Created during the financial period	900,000,000	450,000,000	-	-
At 30 June/31 December	1,000,000,000	500,000,000	100,000,000	50,000,000
Issued and fully paid:				
At 1 January	92,436,900	46,218,450	85,880,000	42,940,000
Issued during the financial period:				
-Private placement	20,343,600	10,171,800	5,000,000	2,500,000
-Dividend Reinvestment Plan	5,585,800	2,792,900	1,053,800	526,900
-Share Grant Plan	1,779,400	889,700	503,100	251,550
-Bonus issue	65,648,066	32,824,033	-	-
	93,356,866	46,678,433	6,556,900	3,278,450
At 30 June/31 December	185,793,766	92,896,883	92,436,900	46,218,450

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.

### Group and Company

#### Share premium

	30.6.2015	31.12.2013
	RM	RM
At 1 January	19,344,285	5,696,808
Increase on issuance of share capital		
-Private placement	75,973,872	11,000,000
-Dividend reinvestment plan	17,001,016	1,696,618
-Share grant plan	7,187,408	950,859
	100,162,296	13,647,477
Utilisation in bonus issue exercise	(32,824,033)	-
Share issuance expenses	(1,711,207)	-
At 30 June/31 December	84,971,341	19,344,285



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 18. RESERVES

	Group		Company	
	30.6.2015	31.12.2013	30.6.2015	31.12.2013
	RM	RM	RM	RM
Non-distributable reserve:				
Merger reserve	(33,136,979)	(33,136,979)	-	-
Exchange translation reserve	(1,517,470)	186,922	-	-
	(34,654,449)	(32,950,057)	-	-
Distributable reserve:				
Retained earnings	97,177,241	59,667,428	13,520,059	4,030,687
	62,522,792	26,717,371	13,520,059	4,030,687

### *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.

## 19. FINANCE LEASE LIABILITIES

The finance lease liabilities are payables as follows:-

Group	Current liabilities	Non-current liabilities	Total
	Not later than one year	Later than one year but not later than five years	
	RM	RM	RM
<b>30.6.2015</b>			
Future minimum lease payments	1,754,041	3,092,018	4,846,059
Less: Interest	(216,133)	(182,565)	(398,698)
Present value of minimum lease payments	1,537,908	2,909,453	4,447,361
<b>31.12.2013</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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 19. FINANCE LEASE LIABILITIES (cont'd)

The finance lease liabilities are payables as follows (cont'd):-

Company	Current liabilities	Non-current liabilities	Total
	Not later than one year	Later than one year but not later than five years	
	RM	RM	RM
<b>30.6.2015</b>			
Future minimum lease payments	1,804	-	1,804
Less: Interest	(9)	-	(9)
Present value of minimum lease payments	1,795	-	1,795
<b>31.12.2013</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

The Group's finance leases bear interest at rates ranging from 2.25% to 3.86% (31.12.2013: 2.25% 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 3.33 % (31.12.2013: 6.29%) per annum and are secured over the leased assets.

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

## 20. LOANS AND BORROWINGS

Group	30.6.2015	31.12.2013
	RM	RM
<b>Non-current liabilities</b>		
Secured:		
Term loans	9,320,366	4,628,007
Unsecured:		
Loan from third party	26,411,000	-
	35,731,366	4,628,007
<b>Current liabilities</b>		
	30.6.2015	31.12.2013
	RM	RM
Secured:		
Term loans	1,275,177	169,363
Bank overdrafts	4,783,779	-
Bankers' acceptances	24,914,000	11,996,000
Trust receipts	65,952,554	24,415,035
Revolving credit	20,327,182	-
Loan from third party	30,184,000	-
Project-financing facility	-	19,668,712
	147,436,692	56,249,110

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

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

Group	30.6.2015 RM	31.12.2013 RM
<b>Total borrowings:</b>		
Term loans	10,595,543	4,797,370
Bank overdrafts	4,783,779	-
Bankers' acceptance	24,914,000	11,996,000
Trust receipts	65,952,554	24,415,035
Revolving credit	20,327,182	-
Loan from third party	59,595,000	-
Project financing facility	-	19,668,712
	183,168,058	60,877,117

The effective interest rates per annum are as follows:

	30.6.2015 %	31.12.2013 %
Term loans	5.69	5.10
Bank overdrafts	4.70 – 5.54	-
Bankers' acceptances	3.89 – 7.10	4.53 – 4.71
Trust receipts	2.05 – 6.95	2.05 – 4.85
Project financing facilities	8.00	8.00

The particular of term loans and loan from third party are as follows:

	30.6.2015 RM	31.12.2013 RM
<b>Term loans</b>		
(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
(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	2,960,000
(iii) A seven (7) year term loan of RM9,500,000 which is repayable by 83 equal monthly installment of RM90,000 and a final installment of RM130,000 commencing 3 July 2015	7,635,543	-
	10,595,543	4,797,370
<b>Loan from third party</b>		
A two (2) year term loan of RM56,595,000 which is repayable by 5 installments based on the payment schedule of the collaboration agreement commencing 14 March 2015	56,595,000	-
	67,190,543	4,797,370

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

The particular of term loans and loan from third party are as follows (cont'd):

Term loan (i) of the Group are channeled 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) Leasehold land and building of a subsidiary; and
- (iii) Corporate Guarantee by the Company.

On 9 January 2014, the Group fully repaid term loan (i). The discharge of leasehold land and building as part of the securities of the term loan was 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; and
- (iv) Corporate guarantee from the Company.

The term loan (iii) is secured by corporate guarantee by 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.

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) Leasehold 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 21. DEFERRED TAX LIABILITIES

The deferred tax liabilities are made up of the following:

	Group	
	30.6.2015	31.12.2013
	RM	RM
At 1 January	1,101,200	441,000
Recognised in profit or loss (Note 29)	4,298,720	483,400
	5,399,920	924,400
Under provision in prior year	154,000	176,800
At 30 June/31 December	5,553,920	1,101,200

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

	Group	
	30.6.2015	31.12.2013
	RM	RM
Property, plant and equipment	2,013,000	976,200
Unrealised gain on foreign exchange	3,540,920	125,000
	5,553,920	1,101,200

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 are measured using 24%.

## 22. TRADE PAYABLES

	Group		Company	
	30.6.2015	31.12.2013	30.6.2015	31.12.2013
	RM	RM	RM	RM
Trade payables	58,873,532	40,674,845	10,174,130	-
Retention sum on contracts (Note 12)	1,711,090	1,139,583	-	-
	60,584,622	41,814,428	10,174,130	-

Included in trade payables of the Group is an amount due to related parties amounting RM770,173 (31.12.2013: RM561,323) 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 Group: 14 days to 90 days, Company: 61 days to 90 days (31.12.2013: Group: 14 days to 90 days, Company: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	30.6.2015	31.12.2013	30.6.2015	31.12.2013
	RM	RM	RM	RM
Other payables	11,934,374	1,996,723	646,485	112,129
Dividend payable	-	3,867,220	-	3,867,220
Accruals	803,347	200,185	130,830	20,000
	12,737,721	6,064,128	777,315	3,999,349

## 24. AMOUNT DUE TO DIRECTORS

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

## 25. REVENUE

Revenue of the Group was 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	
	1.1.2014 to 30.6.2015	1.1.2013 to 31.12.2013	1.1.2014 to 30.6.2015	1.1.2013 to 31.12.2013
	RM	RM	RM	RM
Sales of products	43,892,013	14,189,688	17,899,581	-
Rendering of services under construction contracts	350,930,178	167,575,999	-	-
Management fee income	-	-	12,234,497	3,150,000
Dividend income	-	-	28,600,000	11,000,000
	394,822,191	181,765,687	58,734,078	14,150,000



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 26. OTHER INCOME

	Group		Company	
	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Interest income	286,847	157,874	260,655	6,428
Gain on disposal of plant and equipment	13,023	14,712	-	-
Realised gain on foreign exchange	766,756	1,580,092	-	-
Unrealised gain on foreign exchange	14,773,079	499,127	361,938	-
Fair value gain on derivative financial instruments	643,800	-	-	-
Sundry income	1,998,466	132,718	1,114	-
Rental income	12,855	-	-	-
	18,494,826	2,384,523	623,707	6,428

## 27. FINANCE COSTS

	Group		Company	
	1.1.2014 To 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Interest expense on:				
Term loans	43,853	96,364	-	-
Finance lease liabilities	502,391	255,121	1,701	2,754
Bank overdrafts	440,395	309,832	-	-
Bankers' acceptance/Letter of credit/Trust receipts/ Project financing facility	5,535,050	2,644,708	-	-
	6,521,689	3,306,025	1,701	2,754

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 28. PROFIT BEFORE TAX

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

	Group		Company	
	1.1.2014 To 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Auditors' remuneration:				
Auditors of the Company				
- statutory audit	177,339	92,500	25,000	20,000
- other services	8,000	8,000	8,000	8,000
Other auditors				
- statutory audit	48,628	26,959	-	-
Depreciation	4,831,688	2,352,141	25,501	15,597
Directors' remuneration:				
- fee	190,800	115,944	190,800	115,944
- other emoluments	12,383,809	2,006,000	12,383,809	2,006,000
Interest expense	6,521,689	3,306,025	1,701	2,754
Rental of equipment	-	950	-	-
Rental income	(12,855)	-	-	-
Rental of premises	817,036	420,944	-	-
Rental of motor vehicles	66,740	28,000	-	-
Realised loss on foreign exchange	17,104	-	-	-
Share of loss in an associate	757,069	153,025	-	-

## 29. TAX EXPENSE/(INCOME)

	Group		Company	
	1.1.2014 To 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Current year taxation	14,613,530	7,481,110	103,643	-
Deferred taxation				
- Assets (Note 8)	(309,412)	-	(309,412)	-
- Liabilities (Note 21)	4,298,720	483,400	-	-
	18,602,838	7,964,510	(205,769)	-
(Over)/under provision in prior years				
- current tax	(333,452)	(275,503)	-	-
- deferred tax	154,000	176,800	-	-
	(179,452)	(98,703)	-	-
	18,423,386	7,865,807	(205,769)	-

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 29. TAX EXPENSE/ (INCOME) (cont'd)

Malaysian income tax is calculated at the statutory rate of 25% (31.12.2013: 25%) of the estimated taxable profits for the financial year.

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

A reconciliation of income tax expense applicable to profit before tax of the applicable statutory tax rate to income tax expense of the effective tax rate of the Group and the Company are as follows:-

	Group		Company	
	1.1.2014 To 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Profit before tax	73,144,181	28,592,873	26,553,468	9,898,339
At Malaysian statutory tax rate of 25%	18,286,045	7,148,218	6,638,367	2,474,585
Effects of different tax rates in overseas subsidiaries	(171,431)	(15,404)	-	-
Tax effects in respect of:-				
- expenses not deductible for tax purposes	663,433	902,199	305,864	205,415
- income not subject to tax	(105,709)	(140,503)	(7,150,000)	(2,750,000)
- deferred tax assets not recognised during the financial period	(69,500)	70,000	-	70,000
	18,602,838	7,964,510	(205,769)	-
Over provision in prior years	(179,452)	(98,703)	-	-
	18,423,386	7,865,807	(205,769)	-

## 30. 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 period.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

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

	Group	
	1.1.2014 to 30.6.2015	1.1.2013 to 31.12.2013
Profit attributable to owners of the parent (RM)	54,833,247	20,720,763
Weighted average number of ordinary shares in issue - basic (no. of shares):		
- Issued ordinary shares at 1 January	92,436,900	85,880,000
- Effect of ordinary shares issued during the financial period	53,147,274	597,653
	145,584,174	86,477,653
Basic earnings per share (RM)	0.38	0.24

### 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 has been adjusted for the dilutive effects of all ordinary shares issuable subsequent to the end of the reporting period under the Dividend Reinvestment Plan.

	Group	
	1.1.2014 to 30.6.2015	1.1.2013 to 31.12.2013
Profit attributable to owners of the parent (RM)	54,833,247	20,720,763
Weighted average number of ordinary shares in issue - diluted (no. of shares):		
- Weighted average number of ordinary shares in issue - basic	145,584,174	86,477,653
- Effect of ordinary shares issuable	-	135,360
	145,584,174	86,613,013
Diluted earnings per share (RM)	0.38	0.24

## 31. DIVIDENDS

	Cash RM	No. of ordinary shares	Non-cash Dividend Reinvestment Plan	1.1.2014 to 30.6.2015	1.1.2013 to 31.12.2013
			RM	Total RM	Total RM
In respect of the financial year ended 31 December 2012:					
First interim single tier dividend of 3.3 sen per ordinary share, paid on 26 April 2013	2,834,040		-	-	2,834,040
Second interim single tier dividend of 2.0 sen per ordinary share, paid on 7 August 2013	1,717,600		-	-	1,717,600

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 31. DIVIDENDS (cont'd)

	Cash RM	No. of ordinary shares	Non-cash Dividend Reinvestment Plan	1.1.2014 to 30.6.2015	1.1.2013 to 31.12.2013
			RM	Total RM	Total RM
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
Final single tier dividend of 2.0 sen per ordinary share, paid on 17 September 2014	456,759	1,789,600 at RM3.42 per ordinary share	6,120,432	6,577,191	-
In respect of the financial period ended 30 June 2015:					
First interim single tier dividend of 2.0 sen per ordinary share, paid on 21 November 2014	268,467	856,000 at RM3.57 per ordinary share	3,055,920	3,324,387	-
Second interim single tier dividend of 4.0 sen per ordinary share, paid on 14 May 2015	418,979	1,586,600 at RM4.38 per ordinary share	6,949,308	7,368,287	-
				17,269,865	11,010,353

The Directors proposed a final single tier dividend of 3.0 sen per ordinary shares, amounting to RM5,573,813 in respect of the financial year ended 30 June 2015 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 30 June 2016.

## 32. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Salaries, wages, bonuses and other emoluments	38,941,642	14,038,074	4,149,640	748,000
Social security contributions	2,284,491	110,514	4,073	1,859
Defined contribution plan	1,094,441	1,489,169	495,802	89,760
Directors' fee	190,800	115,944	190,800	115,944
Fair value of shares granted under Share Grant Plan	10,784,996	1,458,080	9,479,159	250,464
Other benefits	2,015,599	658,626	48,383	10,224
	55,311,969	17,870,407	14,367,857	1,216,251

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 32. EMPLOYEE BENEFIT EXPENSES (cont'd)

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

	Group		Company	
	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
<b>Executive Directors:</b>				
Salaries, bonuses and other emoluments	12,038,759	1,794,500	12,038,759	1,794,500
Defined contribution plan	343,456	211,500	343,456	211,500
Social security contributions	1,594	-	1,594	-
	12,383,809	2,006,000	12,383,809	2,006,000
<b>Non- Executive Directors:</b>				
Directors' fee	190,800	115,944	190,800	115,944

The estimated monetary value of benefit-in-kind received and receivable by the Executive Directors otherwise than in cash from the Group amounted to RM84,000 (31.12.2013: RM48,500).

## 33. INVESTMENTS IN A JOINTLY- CONTROLLED ENTITY

### Group

The particulars of the jointly- controlled entity are as follows:-

Name of company	Place of incorporation	Effective interest		Principal activities
		30.6.2015 %	31.12.2013 %	
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 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.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 34. COMMITMENTS

### 34.1 Operating lease commitments - as lessee

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

	<b>Company</b>	
	<b>1.1.2014 to 30.6.2015 RM</b>	<b>1.1.2013 to 31.12.2013 RM</b>
Future minimum lease payments payables :		
Not later than 1 year	673,559	902,207
Later than 1 year but not later than 2 years	166,062	643,710
	<u>839,621</u>	<u>1,545,917</u>

Operating lease commitments represent rentals payable for rent of the buildings and offices. Leases are negotiated for terms of 3 years (31.12.2013: 3 years).

### 34.2 Finance lease commitments

The future minimum lease payments under finance leases are disclosed in Note 19 to the financial statements.

### 34.3 Capital commitments

	<b>Group</b>	
	<b>30.6.2015 RM</b>	<b>31.12.2013 RM</b>
<u>Capital expenditure</u>		
Authorised and contracted for:		
- Property, plant and equipment	7,147,440	-

## 35. CONTINGENCIES

35.1 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:-

	<b>Company</b>	
	<b>1.1.2014 to 30.6.2015 RM</b>	<b>1.1.2013 to 31.12.2013 RM</b>
<u>Secured</u>		
Finance lease liabilities of subsidiaries		
-Outstanding as at 30 June 2015/31 December 2013	4,621,428	2,580,067
Loans and borrowings of subsidiaries		
-Outstanding as at 30 June 2015/31 December 2013	126,573,059	64,086,249
<u>Unsecured</u>		
Suppliers of a subsidiary		
-Outstanding as at 30 June 2015/31 December 2013	100,000	66,923

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 35. CONTINGENCIES (cont'd)

35.1 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 (cont'd):-

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.

35.2 A subsidiary of the Company received a Notice of Tax Reassessment from the tax authority to claim a purportedly undeclared prepayment profit tax and value-added tax amounting to USD 555,586 (approximately RM2,096,226) pertaining to the period from 1 May 2011 to 31 July 2011. In response, the subsidiary had filed a protest letter to the tax authority to contest the misinterpreted assessment. Management considers this assessment letter to be of no basis and unjustified and the probability that they will be required to settle the assessed taxes is considered to be remote. The protest is still pending as of the date of the financial statements.

## 36. RELATED PARTY DISCLOSURES

### 36.1 Related party transactions

Related party transactions 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		Company	
	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Subsidiary				
- Sale of products	-	-	18,355,464	-
- Management fee received	-	-	12,277,147	3,150,000
Related parties by virtue of common shareholders and common key management personnel				
- Purchase of materials and services received	1,132,575	14,703,484	-	-

### 36.2 Compensation of key management personnel

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

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

	Group	
	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Payable to related parties	(3,284,010)	(426,784)

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 37. FINANCIAL INSTRUMENTS

### 37.1 Categories of financial instruments

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

- (i) Loans and receivables (L&R)
- (ii) Financial assets at fair value through profit or loss (FVTPL)
- (iii) Other liabilities measured at amortised cost (AC)

	Carrying amount RM	L&R RM	FVTPL RM	AC RM
<b>Group</b>				
<b>30.6.2015</b>				
<b>Financial assets</b>				
Receivables	274,670,280	274,670,280	643,800	-
Short term deposit with licensed institutions	122,437	122,437	-	-
Cash and bank balances	30,235,981	30,235,981	-	-
	305,028,698	305,028,698	643,800	-
<b>Financial liabilities</b>				
Payables	74,112,634	-	-	74,112,634
Finance lease liabilities	4,447,361	-	-	4,447,361
Loans and borrowings	183,168,058	-	-	183,168,058
	261,728,053	-	-	261,728,053
<b>31.12.2013</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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

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

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

	<b>Carrying amount</b>	<b>L&amp;R</b>	<b>AC</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Company</b>			
<b>30.6.2015</b>			
<b>Financial assets</b>			
Receivables	197,176	197,176	-
Amount due from related companies	109,818,938	109,818,938	-
Cash and bank balances	21,363,853	21,363,853	-
	<b>131,379,967</b>	<b>131,379,967</b>	<b>-</b>
<b>Financial liabilities</b>			
Payables	10,951,450	-	10,951,450
Finance lease liabilities	1,795	-	1,795
	<b>10,953,245</b>	<b>-</b>	<b>10,953,245</b>
<b>31.12.2013</b>			
<b>Financial assets</b>			
Receivables	34,271,636	34,271,636	-
Cash and bank balances	557,102	557,102	-
	<b>34,828,738</b>	<b>34,828,738</b>	<b>-</b>
<b>Financial liabilities</b>			
Payables	3,999,354	-	3,999,354
Finance lease liabilities	33,106	-	33,106
	<b>4,032,460</b>	<b>-</b>	<b>4,032,460</b>

### 37.2 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

30 JUNE 2015

(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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:

	<b>Group</b>			
	<b>30.6.2015</b>		<b>31.12.2013</b>	
	<b>RM</b>	<b>% of total</b>	<b>RM</b>	<b>% of total</b>
<b>By country:</b>				
Malaysia	116,967,970	99.91	68,743,093	93.30
Cambodia	-	-	2,389,440	3.20
Sri Lanka	21,506	0.01	-	-
Brunei	53,954	0.05	-	-
Others	32,908	0.03	2,583,939	3.50
	<b>117,076,338</b>	<b>100.00</b>	<b>73,716,472</b>	<b>100.00</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):

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

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

	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM
Not past due	48,829,089	35,569,337
Past due for 0-30 days	12,195,604	4,167,485
Past due for 31-60 days	1,025,665	4,231,855
Past due for 61-90 days	304,818	820,739
Past due for 91-120 days	795,498	1,581,100
Past due for more than 121 days	16,144,876	9,895,887
	79,295,550	56,266,403

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.

Trade receivables of the Group amounting to RM1,472,262 (31.12.2013: RM2,331,592) have been arranged for settlement via letters of credit issued by financial institutions in countries where the customers are located.

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 89% (31.12.2013: 72%) of the Group's trade receivables other than retention sum were due from three (31.12.2013: four) 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.

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):

##### iii. Corporate guarantee

The maximum exposure to credit risk is disclosed in the Note 35 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

30 JUNE 2015  
(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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	Repayment term	Contractual interest rate	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
	RM	months	%	RM	RM	RM	RM	RM
<b>30.6.2015</b>								
<b>Financial assets</b>								
Fixed deposits with licensed institutions	122,437	1 - 12	2.80%-3.20%	122,437	122,437	-	-	-
<b>Non-derivative financial liabilities</b>								
<b>Secured:</b>								
Finance lease liabilities	4,447,361	19 - 60	2.25%-3.86%	4,843,067	1,754,041	1,657,558	1,431,468	-
Loans and borrowings	183,168,058	1 - 140	2.05%-8.00%	183,969,759	147,472,985	27,908,803	4,493,408	4,094,563
	187,615,419			188,812,826	149,227,026	29,566,361	5,924,876	4,094,563
<b>Unsecured:</b>								
Payables	74,112,634			74,112,634	74,112,634	-	-	-
Total undiscounted financial liabilities	261,728,053			262,925,460	223,339,660	29,566,361	5,924,876	4,094,563

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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 (cont'd)	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>31.12.2013</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

30 JUNE 2015  
(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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>30.6.2015</b>								
<b>Non-derivative financial liabilities</b>								
<b>Secured:</b>								
Finance lease liabilities	1,795	19	3.33%	1,804	1,804	-	-	-
<b>Unsecured:</b>								
Payables	10,951,450			10,951,450	10,951,450	-	-	-
Total undiscounted financial liabilities	10,953,245			10,953,254	10,953,254	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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 (cont'd)	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>31.12.2013</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	-	-

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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:

30.6.2015	Trade receivables RM	Other receivables RM	Cash and bank balances RM	Trade payables RM	Other payables RM	Loan and borrowings RM
<b>Denominated in:</b>						
<b>USD</b>	1,767,519	8,530,259	3,391,418	(26,211,520)	(494,922)	(40,598,630)
<b>EURO</b>	-	3,588,286	1,390,113	(1,987,773)	-	(6,792,980)
<b>JPY</b>	-	28,366	-	-	-	-
<b>LKR</b>	-	287	27,503	(39,756)	-	-
<b>Others</b>	-	193,727	622,844	(11,032)	(19,449)	-
<b>31.12.2013</b>						
	Trade receivables RM	Other receivables RM	Cash and bank balances RM	Trade payables RM	Other payables RM	Loan and borrowings RM
<b>Denominated in:</b>						
<b>USD</b>	18,832,279	1,121,445	1,879,872	(4,609,410)	(189,207)	(13,190,654)
<b>EURO</b>	2,427,844	71,050	5,522	(608,654)	-	(1,445,050)
<b>JPY</b>	-	-	-	(516,305)	-	-
<b>LKR</b>	-	9,250	25,452	(94,488)	-	-
<b>Others</b>	110,945	139,943	161,180	(130,156)	(16,449)	(94,802)

#### 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

30 JUNE 2015

(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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>30.6.2015</b>			
Sell USD			
- Less than 1 year	3.3228 to 3.5298	2,540,000	1,700,000
<b>31.12.2013</b>			
Sell USD			
- Less than 1 year	3.2000 to 3.2788	2,450,000	7,960,405

##### *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			
	30.6.2015		31.12.2013	
	Profit for the year RM	Equity RM	Profit for the year RM	Equity RM
USD/RM				
-Strengthened 12%(2013: 6%)	(6,626,447)	(6,626,447)	211,977	211,977
- Weakened 12% (2013: 6%)	6,626,447	6,626,447	(211,977)	(211,977)
EURO/RM				
- Strengthened 8% (2013: 7%)	308,567	308,567	32,224	32,224
- Weakened 8% (2013: 7%)	(308,567)	(308,567)	(32,224)	(32,224)
JPY/RM				
- Strengthened 6% (2013: 9%)	(1,570)	(1,570)	45,232	45,232
- Weakened 6% (2013: 9%)	1,570	1,570	(45,232)	(45,232)

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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 sensitivity analysis (cont'd)*

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.

#### (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	
	30.6.2015	31.12.2013	30.6.2015	31.12.2013
	RM	RM	RM	RM
<b>Fixed rate instruments:</b>				
Financial assets	122,437	147,010	-	-
Financial liabilities	(4,447,361)	(25,850,762)	(1,795)	(33,106)
	(4,324,924)	(25,703,752)	(1,795)	(33,106)
<b>Floating rate instruments:</b>				
Financial liabilities	(183,168,058)	(41,208,405)	-	-



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 37. FINANCIAL INSTRUMENTS (cont'd)

### 37.2 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*

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.

	Profit for the year		Equity	
	+ 50 bp	- 50 bp	+ 50 bp	- 50 bp
	RM	RM	RM	RM
<b>30.6.2015</b>				
Floating rate instruments	(915,840)	915,840	(915,840)	915,840
<b>31.12.2013</b>				
Floating rate instruments	(206,042)	206,042	(206,042)	206,042

### 37.3 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 is disclosed as below:

*Fair value of financial instruments not carried at fair value*

	30.6.2015		31.12.2013	
	Carrying amounts	Fair value at Level 2	Carrying amounts	Fair value at Level 2
	RM	RM	RM	RM
Finance lease liabilities	4,447,361	4,450,833	6,182,050	5,325,569
Term loans	67,190,543	33,138,895	4,797,370	4,124,334

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 38. OPERATING SEGMENT

### 38.1 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

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:

	Note	Investment RM	EPMCC RM	Adjustments and Eliminations RM	Total RM
<b>30.6.2015</b>					
<b>Revenue</b>					
External customers		-	394,822,191	-	394,822,191
Inter-segment	i	59,580,078	-	(59,580,078)	-
Total revenue		59,580,078	394,822,191	(59,580,078)	394,822,191
<b>Results</b>					
Dividend income		28,600,000	-	(28,600,000)	-
Interest income		261,385	747,206	(721,744)	286,847
Finance costs		(1,701)	(6,519,988)	-	(6,521,689)
Depreciation		(25,501)	(4,582,032)	(224,155)	(4,831,688)
Shares of an associate's result		-	-	(757,069)	(757,069)
Income tax expense		45,542	(18,468,928)	-	(18,423,386)
Other material non-cash items:					
-Gain on disposal of property, plant and equipment		-	13,023	-	13,023
-Unrealised gain on foreign exchange		-	(15,349,471)	-	(15,349,471)
Segment profit	ii	27,214,956	79,842,991	(28,875,611)	78,182,336

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 38. OPERATING SEGMENT (cont'd)

### 38.1 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):

	Note	Investment RM	EPMCC RM	Adjustments and Eliminations RM	Total RM
<b>30.6.2015</b> (cont'd)					
<b>Assets</b>					
Segment assets		221,298,656	626,718,656	(339,641,597)	508,375,715
Additions to non-current assets other than financial instruments and deferred tax assets	iii	5,064	25,126,988	(8,394,544)	16,737,508
<b>Liabilities</b>					
Segment liabilities		(25,174,008)	(477,926,172)	233,325,579	(269,774,601)

	Note	Investment RM	EPMCC RM	Adjustments and Eliminations RM	Total RM
<b>31.12.2013</b>					
<b>Revenue</b>					
External customers		-	181,765,687	-	181,765,687
Inter-segment	i	14,714,000	-	(14,714,000)	-
Total revenue		14,714,000	181,765,687	(14,714,000)	181,765,687

<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)
Shares of an associate's result		-	-	(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	-	14,172
-Unrealised gain on foreign exchange		-	(499,127)	-	(499,127)
Segment profit	ii	10,385,312	32,898,066	(11,132,172)	32,151,206

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 38. OPERATING SEGMENT (cont'd)

### 38.1 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):

	Note	Investment RM	EPMCC RM	Adjustments and Eliminations RM	Total RM
<b>31.12.2013</b> (cont'd)					
<b>Assets</b>					
Segment assets		84,403,006	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 nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- Inter-segment revenues are eliminated on consolidation.
- 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	
	30.6.2015 RM	31.12.2013 RM
Segment profit	87,265,246	32,151,206
Interest income	766,815	157,874
Finance cost	(6,521,689)	(3,306,025)
Share of loss in an associate	(757,069)	(153,025)
Income tax expense	(18,113,546)	(7,865,807)
	62,639,757	20,984,223

- Non-current assets are referring to property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(cont'd)

## 38. OPERATING SEGMENT (cont'd)

### 38.2 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	
	1.1.2014 to 30.6.2015 RM	1.1.2013 to 31.12.2013 RM	30.6.2015 RM	31.12.2013 RM
Malaysia	369,379,831	179,351,937	110,362,953	24,596,777
Cambodia	24,958,414	2,086,183	915,198	868,757
Brunei	481,521	327,567	35,522	59,073
Australia	2,425	-	-	-
	394,822,191	181,765,687	111,313,673	25,524,607

Non-current assets are referring to property, plant and equipment and concession right.

### 38.3 Information about major customers

Revenue from three (2013: two) major customers amounted to RM260,096,411 (31.12.2013: RM103,028,423), arising from the sales by the EPMCC segment.

## 39. 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 adjustment to it, in light of changes in economic condition including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment 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.

## 40. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

### SystemCorp Embedded Technology Pty Ltd

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, and representing 51% of the total issued and paid up share capital of SET. As at 31 December 2013, the Group has completed the piecemeal investment of 390,700 ordinary shares representing 27.7% of total issued and paid up share capital of SET for a cash consideration of RM1,166,067, and it was accounted for as an investment in associate.

On 15 June 2015, the Company has completed the additional acquisition of 669,965 ordinary shares representing 23.3% of the total issued and paid up share capital of SET for a total cash consideration of RM1,985,121. Consequently, SET became a subsidiary of PESTECH.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015  
(cont'd)

## 40. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (cont'd)

### **PESTECH Switchgear Sdn Bhd**

On 26 February 2014, the Company acquired the entire issued and paid up share capital of PESTECH Switchgear Sdn. Bhd. ("PSwitch"), for a cash consideration of RM2. Upon completion of the acquisition, PSwitch became a wholly-owned subsidiary of PESTECH.

### **PESTECH Technology Sdn Bhd**

On 26 February 2014, the Company acquired the entire issued and paid up share capital of PESTECH Technology Sdn. Bhd. ("P-Tech"), for a cash consideration of RM2. Upon completion of the acquisition, P-Tech became a wholly-owned subsidiary of PESTECH.

On 20 November 2014, the Company subscribed additional 999,998 ordinary shares of RM1.00 each of P-Tech by cash of RM999,998.

### **PESTECH (Sarawak) Sdn Bhd**

On 22 April 2014, the Company had re-organised the group structure by transferring to PESTECH the entire equity interest in PESTECH (Sarawak) Sdn. Bhd. ("PSSB") currently held by PESTECH Sdn. Bhd, ("PSB"), a wholly owned subsidiary of PESTECH.

The rationale of the re-organisation of PSB and PSSB is to streamline the PESTECH Group structure.

On 31 December 2014, the Company subscribed additional 499,998 ordinary shares of RM1.00 each of PSSB by way of capitalisation of RM499,998 from the amount due from the wholly-owned subsidiary.

### **PESTECH Sdn Bhd**

On 10 November 2014, the Company subscribed additional 26,667,000 ordinary shares of RM1.00 each of PESTECH Sdn. Bhd. by way of capitalisation of RM26,667,000 from the amount due from the wholly-owned subsidiary.

### **PESTECH Power Sdn Bhd**

On 26 January 2015, the Company acquired two (2) ordinary shares of RM1.00 each in the share capital of PESTECH Power Sdn. Bhd. ("P-Power") for a total cash consideration of RM2.00. Upon completion, P-Power became a wholly-owned subsidiary of PESTECH.

### **Diamond Power Limited**

On 28 January 2015, P-Power, a wholly-owned subsidiary of the Company had incorporated a 60% owned subsidiary in Cambodia, namely Diamond Power Limited ("DPL"). The Company had subscribed 600 ordinary shares of 2,000,000 Riel each in DPL representing 60% of the total issued and paid up share capital of DPL, for a total consideration of 2,000,000 Riel (RM1,054,800).

### **Enersol Co. Ltd.**

On 14 April 2015, PSB, a wholly-owned subsidiary of the Company had acquired one (1) ordinary share of USD1.00 in the share capital of Enersol Co. Ltd. ("Enersol") for a total cash consideration of USD1.00.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

(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</b>	<b>Company</b>
	<b>RM</b>	<b>RM</b>
- Realised	85,684,620	13,520,059
- Unrealised	10,065,197	-
	95,749,817	13,520,059
Consolidation adjustments	1,480,993	-
	97,230,810	13,520,059

The above disclosures were reviewed and approved by the Board of Directors in accordance with a resolution of the Directors on 26 October 2015.



# ANALYSIS OF SHAREHOLDINGS

29 OCTOBER 2015

Authorised share capital	:	RM500,000,000.00
Issued and fully paid-up capital	:	RM92,896,883.00
Class of shares	:	Ordinary Shares of RM0.50 each
Total number of shares issued	:	185,793,766
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	87	8.77	3,753	0.00
100 – 1,000	146	14.72	99,085	0.05
1,001 – 10,000	413	41.63	1,807,135	0.97
10,001 – 100,000	208	20.97	7,289,950	3.92
100,001 – 9,289,687*	136	13.71	112,639,010	60.63
9,289,688 and above**	2	0.20	63,954,833	34.42
	<b>992</b>	<b>100.00</b>	<b>185,793,766</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	61,501,000	33.10	<sup>(1)</sup> 318,266	0.17
2. Lim Pay Chuan	38,386,898	20.66	<sup>(1)</sup> 318,266	0.17

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

29 OCTOBER 2015

(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	61,501,000	33.10	<sup>(1)</sup> 318,266	0.17
2. Lim Pay Chuan	38,386,898	20.66	<sup>(1)</sup> 318,266	0.17
3. Ibrahim Bin Talib	3,753,633	2.02	-	-
4. Tan Puay Seng	175,733	0.09	-	-
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 (30) LARGEST REGISTERED HOLDERS

Name	No. of Shares	%
1. Lim Ah Hock	48,101,300	25.89
2. Lim Pay Chuan	15,853,533	8.53
3. Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Pay Chuan</i>	8,369,933	4.50
4. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Bank AG Singapore for Lim Pay Chuan (Maybank SG)</i>	7,699,800	4.14
5. Lim Ah Hock	7,311,000	3.94
6. Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Ah Hock (504021612634)</i>	6,088,700	3.28
7. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Pay Chuan</i>	5,946,666	3.20
8. Citigroup Nominees (Asing) Sdn. Bhd. <i>Exempt AN for Citibank New York (Norges Bank 14)</i>	5,045,600	2.72
9. Ibrahim Bin Talib	3,753,633	2.02
10. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (RHB INV)</i>	3,081,600	1.66
11. CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>CIMB Commerce Trustee Berhad – Kenanga Growth Fund</i>	2,799,966	1.51
12. HSBC Nominees (Tempatan) Sdn. Bhd. <i>HSBC (M) Trustee Bhd for RHB Kidsave Trust</i>	2,730,100	1.47
13. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)</i>	2,593,933	1.40
14. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (CIMB PRIN)</i>	2,375,600	1.28
15. HSBC Nominees (Tempatan) Sdn. Bhd. <i>HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)</i>	2,049,533	1.10
16. Citigroup Nominees (Asing) Sdn. Bhd. <i>Exempt AN for Citibank New York (Norges Bank 12)</i>	2,000,000	1.08
17. HSBC Nominees (Tempatan) Sdn. Bhd. <i>HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)</i>	1,814,666	0.98

# ANALYSIS OF SHAREHOLDINGS

29 OCTOBER 2015  
(cont'd)

## THIRTY (30) LARGEST REGISTERED HOLDERS (cont'd)

Name	No. of Shares	%
18. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investments Dana Al-Ilham</i>	1,713,700	0.92
19. CIMB Islamic Nominees (Tempatan) Sdn. Bhd. <i>CIMB-Principal Islamic Asset Management Sdn. Bhd. for Lembaga Tabung Haji</i>	1,551,400	0.84
20. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund</i>	1,423,000	0.77
21. Lim Hon Seng	1,290,800	0.69
22. Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Ee Chong</i>	1,268,000	0.68
23. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund</i>	1,236,600	0.67
24. Ng Tiang Yong	1,192,564	0.64
25. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)</i>	1,096,200	0.59
26. Han Fatt Juan	989,700	0.53
27. CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>CIMB Bank for Tan Pu Hooi (MY2357)</i>	900,000	0.48
28. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (ARIM)</i>	890,000	0.48
29. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Bank Negara Malaysia Medical Fund Account (CIMB PRINCIPAL)</i>	854,100	0.46
30. HSBC Nominees (Tempatan) Sdn. Bhd. <i>HSBC (M) Trustee Bhd for Manulife Investment Dividend Fund (5311-401)</i>	851,766	0.46
<b>Total</b>	<b>142,873,393</b>	<b>76.90</b>

## 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 @ 30th June 2015
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	RM6,580,875
	Lot No. 9366 Title No. GRN 207566 Mukim Bandar Serendah District Ulu Selangor Selangor	Empty land	Industry/ Freehold	8,575 square meters	RM6,122,073
	B2-1001, Meritus Tower Oasis Corporate Park 43701, Ara Damansara Selangor  Lot No. 92087 Title No. GRN 317343 Mukim Damansara Daerah Petaling, Selangor	Two blocks of 12 storey commercial retails/offices (3 units of retail shops & 40 of executive flexi suites) with two levels of basement car parks and the Common Property	Industry/ Freehold	5993 square feet	RM409,180
	B2-1002, Meritus Tower Oasis Corporate Park 43701, Ara Damansara Selangor  Lot No. 92087 Title No. GRN 317343 Mukim Damansara Daerah Petaling, Selangor	Two blocks of 12 storey commercial retails/offices (3 units of retail shops & 40 of executive flexi suites) with two levels of basement car parks and the Common Property	Industry/ Freehold	5635 square feet	RM384,980

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of PESTECH International Berhad (“PESTECH” or “the Company”) will be held at Glenmarie Ballroom A, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan on Monday, 21 December 2015 at 10:00 a.m. to transact the following business:-

## AGENDA

- |    |  |   |
|----|--|---|
| 1. | To receive the Audited Financial Statements for the financial period ended 30 June 2015 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 3.0 sen per share for the financial period ended 30 June 2015.  | <b>Ordinary Resolution 1</b>                  |
| 3. | To approve the payment of Directors’ fees of RM190,800/- for the financial period ended 30 June 2015.  | <b>Ordinary Resolution 2</b>                  |
| 4. | To re-elect the following Directors who retire in accordance with Article 95 of the Company’s Articles of Association and being eligible, offer themselves for re-election |   |
|    | (a) Mr. Lim Ah Hock  | <b>Ordinary Resolution 3</b>                  |
|    | (b) Mr. Lim Pay Chuan  | <b>Ordinary Resolution 4</b>                  |
| 5. | 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 Resolutions:-

- |    |                            |                              |
|----|----------------------------|------------------------------|
| 6. | <b>ORDINARY RESOLUTION</b> | <b>Ordinary Resolution 6</b> |
|----|----------------------------|------------------------------|

**- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965**

“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.”

- |    |                            |                              |
|----|----------------------------|------------------------------|
| 7. | <b>ORDINARY RESOLUTION</b> | <b>Ordinary Resolution 7</b> |
|----|----------------------------|------------------------------|

**- PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE”)**

“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 1.3 of the Circular to Shareholders dated 27 November 2015, 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 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."

## 8. ORDINARY RESOLUTION

## Ordinary Resolution 8

### **- 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")**

"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 utilised for the purpose of the Proposed Renewal of Share Buy-Back Authority shall not exceed the Company's aggregate of the retained profits and/or share premium based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); 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."

## 9. ORDINARY RESOLUTION

### Ordinary Resolution 9

**- 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 23 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;

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."



# NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

By Order of the Board

**TEH BEE CHOO** (MIA 7562)  
**CHUA SIEW CHUAN** (MAICSA 0777689)  
**PAN SENG WEE** (MAICSA 7034299)  
Company Secretaries

Kuala Lumpur  
27 November 2015

## **NOTES:**

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 14 December 2015 ("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.*
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 Damantela, 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 3.0 sen per ordinary share. Pursuant to Paragraph 8.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 Third Annual General Meeting of the Company held on 26 June 2014 ("Previous Mandate"). As at the date of this Notice, 20,343,600 new ordinary shares in the Company were issued pursuant to the Previous Mandate.*

# NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

(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 27 November 2015 for further information.*

(v) *Ordinary Resolution 8 – 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 27 November 2015 for further information.*

(vi) *Ordinary Resolution 9 – 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 declared and approved at this Fourth Annual General Meeting 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.*

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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 Fourth Annual General Meeting of the Company to be held at Glenmarie Ballroom A, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan on Monday, 21 December 2015 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 period ended 30 June 2015 together with the Reports of the Directors and the Auditors thereon			
2.	To approve a single tier final dividend of 3.0 sen per share for the financial period ended 30 June 2015	1		
3.	To approve the payment of Directors' fees of RM190,800/- for the financial period ended 30 June 2015	2		
4(a).	To re-elect Mr. Lim Ah Hock who retires in accordance with Article 95 of the Company's Articles of Association and being eligible, offers himself for re-election	3		
4(b).	To re-elect Mr. Lim Pay Chuan who retires in accordance with Article 95 of the Company's Articles of Association and being eligible, offers himself for re-election	4		
5.	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>				
6.	Authority to Issue Shares pursuant to Section 132D of the Companies Act 1965	6		
7.	Proposed Renewal of Existing Shareholders' Mandate	7		
8.	Proposed Renewal of Share Buy-Back Authority	8		
9.	Proposed Renewal of DRP Authority	9		

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 \_\_\_\_\_ 2015

\_\_\_\_\_  
\*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 14 December 2015 ("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.

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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

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

**Headquarters:**

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