



PASUKHAS GROUP BERHAD

(Company No. 686389-A)
(Incorporated in Malaysia under the Companies Act, 1965)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Teng Ah Kiong	<i>Chairman / Managing Director</i>
Teng Yoon Kooi	<i>Executive Director</i>
Tan Chor Tong	<i>Executive Director</i>
Datuk Khor Chin Poey	<i>Independent Non-Executive Director</i>
Ir. S. P. Thiagarajan A/L Suppiah	<i>Independent Non-Executive Director</i>
Teoh Kim Hooi	<i>Independent Non-Executive Director</i>

AUDIT COMMITTEE

Teoh Kim Hooi
*Chairman of Audit Committee,
Independent Non-Executive Director*

Ir. S. P. Thiagarajan A/L Suppiah
Independent Non-Executive Director

Datuk Khor Chin Poey
Independent Non-Executive Director

COMPANY SECRETARIES

Anna Lee Ai Leng (LS 0009729)
Pang Chia Tyng (MAICSA 7034545)

AUDITORS

Crowe Horwath
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03 2788 9999
Fax : 03 2788 9998

REGISTERED OFFICE

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 03 2382 4288
Fax : 03 2382 4170

HEAD OFFICE

Wisma Modal Khas
Lot 5815-A, Jalan Mawar
Taman Bukit Serdang,
Seksyen 9,
43300 Seri Kembangan
Selangor Darul Ehsan
Tel : 03 8948 3328
Fax : 03 8943 4328

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City,
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03 2264 3883
Fax : 03 2282 1886

SPONSOR

RHB Investment Bank Berhad
Level 10, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03 9287 8888
Fax : 03 9280 6507

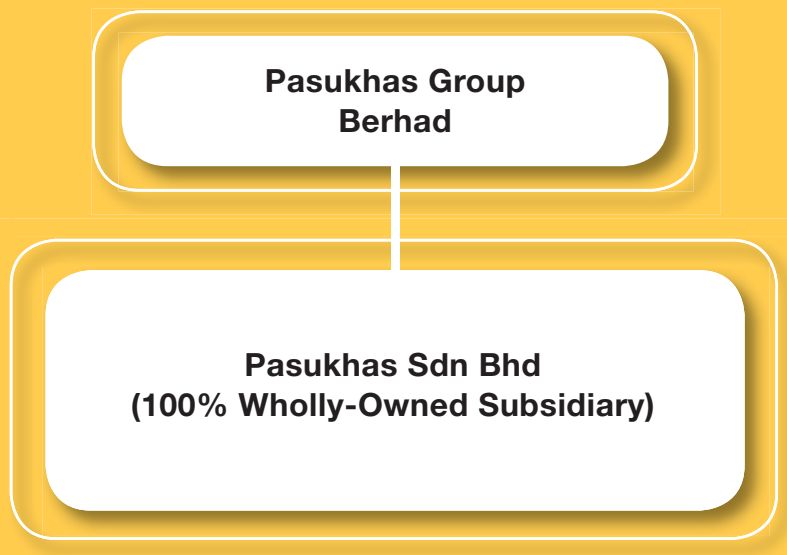
PRINCIPAL BANKERS

RHB Bank Berhad
United Oversea Bank (M) Berhad
OCBC Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE

ACE Market of Bursa Malaysia Securities Berhad
Stock Name : PASUKGB
Stock Code : 0177
Sector : Trading / Services

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

Overview

On behalf of the Board of Directors ("Board") of Pasukhas Group Berhad ("Pasukhas"), I am pleased to present to you the inaugural annual report and audited financial statements of Pasukhas and its subsidiaries ("Pasukhas Group" or "Group") for the financial year ended 31 December 2012 ("FY2012"). As you are aware, Pasukhas was recently listed on the ACE Market of Bursa Malaysia Securities Berhad on 29 August 2012 following our successful Initial Public Offering ("IPO") exercise.

Financial Review

For the financial year under review, the Group registered consolidated revenue of RM38.76 million, an increase of RM12.94 million or 50.12% compared to the previous financial year's revenue of RM25.82 million due to higher contribution from M&E engineering services activities undertaken by the Group. The total Group's revenue was contributed mainly by the M&E engineering services segment (94.03%) followed by the trading of equipment segment (3.06%) and the manufacturing of LV switchboard segment (2.91%).

The main increase in revenue from M&E Engineering services segment during the financial year under review was mainly contributed from three (3) major M&E engineering services projects namely electrical works for a property development project in Ara Damansara, Selangor followed by electrical works for a manufacturing plant project in Kuala Langat, Selangor and electrical works for and supply of cables to the Pahang-Selangor raw water transfer project in Pahang and Selangor.

The Group recorded a profit before tax of RM4.22 million for the current year under review. This is an increase of RM2.37 million or 128.81% as compared to the previous financial year's profit before tax of RM1.85 million. The substantial increase was mainly attributed to escalating activities on our on-going M&E engineering services projects.

Looking at the FY2012 results, we can stand proud of having accomplished a commendable growth to continue to push the Group's effort to strengthen its position and reputation in the market.

Dividend

The Board is not recommending any dividend in respect of the FY2012.

Industry Outlook and Future Prospect

The global economy is expected to continue its downward pressure due to adverse factors threatening the global economy, with the major economic power, Europe struggling to revive its economy while China is cautiously entering a slowdown.

However, despite the pressure and downward anticipation of global growth prospects, Malaysia's economy is expected to remain relatively resilient in the coming year due to the continued domestic demand and the implementation of key initiatives under the Economic Transformation Programme.

The Malaysia construction sector is expected to grow 15.6% in 2013 which is encouragingly positive and Pasukhas Group stands to benefit from the heightened construction activities.

While the Group remains positive in its outlook, it remains cautious of any uncertain economic development in the near term.

In the year 2013 ahead, the Group will remain focused on its core operations and in particular, will further strengthen and expand the current business networks in order to improve the profitability of the Group.

Corporate Social Responsibility

The Group continued to carry out its corporate social responsibility through activities which include the following:

Human Capital Development

The Group organises various trainings, seminars and workshops to upgrade and enhance the skills and knowledge of the employees. The training programmes organised/ attended during the last year of 2012 ranged from job-related technical trainings to soft skills as well as management and administrative courses.

CHAIRMAN'S STATEMENT (CONT'D)

Safety and Health

Safety and health are of paramount importance to the Group. The Group has in place appropriate plans to deal with emergencies and concerted efforts are made to prevent accidents and injuries at the workplace.

Employee Welfare

The Group bears the cost of outpatient medical attention and fees of the eligible employees.

Acknowledgement

I wish to thank my fellow Board members for their contribution and effort, for their astute counsel and assiduous guidance which have been my source of resilience and perseverance. I further thank the management team and staff and record my sincere appreciation especially for their steadfast commitment and dedication in driving the Group forward.

On behalf of the Board, I wish to express our thanks and appreciation to our advisers, auditors, the Securities Commission, Bursa Securities and other authorities for their invaluable advice and assistance, our clients, bankers, suppliers, business associates and shareholders for their continuous support and confidence in the Group.

Thank you.

TENG AH KIONG

Chairman

DIRECTORS' PROFILE

CHAIRMAN / MANAGING DIRECTOR

TENG AH KIONG, a Malaysian aged 60, was appointed to the Board on 19 May 2011.

Mr Teng completed his secondary school examination in 1971 and accumulated various on-the-job experiences before pursuing a Masters of Business Administration Degree from University of East London, UK, which was completed in 2009. He started his career as an electrician in 1971 with an electrical contracting company based in Butterworth, Penang. In 1977, he joined a sugar mill in Indonesia as the Head of the Electrical Unit where he was responsible for overseeing the maintenance of all electrical equipment and operation of the power house with three (3) electrical engineers and 28 electricians under his supervision. In 1980, he joined a Hong Kong-based turnkey construction company, Kerry Engineering Pte Ltd as the Head of Electrical Division and oversaw the electrical and mechanical installation works projects. In 1985, he co-founded Pasukhas Sdn Bhd ("PSB") with his brother, Teng Yoon Kooi. PSB is a subsidiary of the Company in which he is also a director.

Mr Teng is responsible for the Group's strategic operations and business development activities, the overall operations and management of the Group as well as overseeing the sales and marketing functions.

EXECUTIVE DIRECTOR

TENG YOON KOOI, a Malaysian aged 56, was appointed to the Board on 19 May 2011.

Mr Teng completed his secondary school examination in 1974 and holds a Wireman Nil and Chargeman certificate from the Energy Commission of Malaysia. He has over 20 years of working experience in the electrical engineering industry. He began his career as a wiremen apprentice in 1976 with Genelite Electric Sdn Bhd. In 1985, he co-founded PSB with his brother, Mr Teng Ah Kiong who is the Chairman / Managing Director of the Company and since then, has been responsible for the execution of all the site projects for water treatment plants, palm oil mills and other industrial projects in the M&E engineering services industry. He is also a director of PSB.

Mr Teng is responsible for overseeing the overall operations of the M&E engineering services division, the strategic planning and the overall management of M&E engineering projects, and the marketing and business development activities.

EXECUTIVE DIRECTOR

TAN CHOR TONG, a Malaysian aged 55, was appointed to the Board on 19 May 2011.

Mr Tan holds a Higher School Certificate from the Royal Military College, Sungei Besi, Selangor in 1977 and a Wireman Nil certificate from the Energy Commission of Malaysia. He started his career in 1978 as an Estimation Officer in Hicobrite Electrical Engineering Sdn Bhd, an electrical contracting and trading firm for LV switchboards and was subsequently promoted to Project Manager. With more than ten (10) years of experience in LV switchboards manufacturing, he joined PSB in which he is a director, in 1989 to spearhead the expansion of LV switchboard manufacturing. In 1994, he was one of the key personnel instrumental in PSB's appointment as the agent of distribution, power and converter transformers manufactured by Tusco Trafo. He gained extensive experience in the production of a wide range of LV switchboards and motor control centres, especially for the water treatment and sewerage sectors.

Mr Tan is responsible for the overall factory operations of the LV switchboards as well as the sales and trading of transformers.

DIRECTORS' PROFILE (CONT'D)

INDEPENDENT NON-EXECUTIVE DIRECTOR

DATUK KHOR CHIN POEY, a Malaysian aged 77, was appointed to the Board on 19 May 2011. He is the Chairman of the Remuneration Committee and is also a member of the Audit Committee and the Nomination Committee.

Datuk Khor holds a Bachelor of Engineering Degree from University of Malaya in 1960. He started his career in 1960 with the Public Works Department of Malaysia. In 1964, he joined the Federal Land Development Authority of Malaysia ("FELDA") as the Project Director. On leaving FELDA, he was appointed General Manager of Hume Far East Ltd from 1971 to 1975.

Datuk Khor joined the Kuok Group of Companies in 1975 whereby he assumed the role of the Chief Executive Officer of PT Gunung Madu Plantations, an integrated sugar project located in Lampung, Indonesia, concurrently holding the position of Director in Perlis Plantations Berhad (now known as PPB Group Berhad). Subsequently, he was appointed as the Managing Director of Perlis Plantations Berhad and was also on the Board of Directors of the various subsidiary companies.

In addition, he was also the Executive Chairman of Jerneh Insurance Berhad (now known as ACE Jerneh Insurance Berhad) and PPB Oil Palms Berhad. Datuk Khor retired from the Group in 2002. He currently sits on the Board of several private limited companies in Malaysia and Singapore.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ir. S. P. THIAGARAJAN A/L SUPPIAH, a Malaysian aged 71, was appointed to the Board on 19 May 2011. He is the Chairman of the Nomination Committee and is also a member of the Audit Committee and the Remuneration Committee.

Ir. S. P. Thiagarajan holds a Master of Science Degree (Electrical Machines and Automatic Control) from the Birmingham University, UK in 1968 and a Bachelor of Engineering (Electrical) from Annamalai University, India in 1965. He is a Registered Professional Engineer with the Board of Engineers, Malaysia, a member of the Institution of Engineers, Malaysia, a member of the Institution of Electrical Engineers, UK and a Chartered Electrical Engineer, UK. He started his career in 1968 as an Engineer with Brush Electrical Engineering Co. in UK. In 1969, he joined Preece, Cardew & Rider (South East Asia), a M & E engineering consultancy firm, as an Electrical Engineer. He was subsequently promoted to Associate Director of PCR & Rakan Rakan (now known as PCR Sdn Bhd), Kuala Lumpur in 1973. In 1979, he joined SMHB Sdn Bhd, a civil and structural engineering consultancy firm as a Director and spearheaded the M&E Division of the company. He was a Consultant with SMHB Sdn Bhd before retiring in 2010. He has more than 42 years of experience in the M&E engineering services industry and his experience included the design and project management, documentation, selection, inspection, witness testing and commissioning of large electrical equipment for drainage, sewerage and water supply projects.

On 16 April 2013, Ir. S. P. Thiagarajan was nominated as Senior Independent Non-Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTOR

TEOH KIM HOOI, a Malaysian aged 58, was appointed to the Board on 8 February 2012. He is the Chairman of the Audit Committee and is also a member of the Nomination Committee and the Remuneration Committee.

Mr Teoh graduated with a professional certification from the Association of Chartered Certified Accountants ("ACCA"), UK in 1980 and was admitted as an Associate Member of ACCA in 1982. He obtained his Fellowship of ACCA in 1987 and his audit licence from the MOF in 1986. He started his career in auditing as an audit assistant with a medium size audit firm from January 1979 to 1980. Thereafter, he joined K K San & Liew, a medium size audit firm, as a Senior Associate and rose up to the ranks of Audit Manager and also Tax Manager before he commenced his own practice in 1986. He currently practices under the name of Cheong, Pun & Teoh. He was also actively involved in the business advisory and company secretarial sectors. He is currently a Fellow Member of ACCA, a Licence Auditor and Tax Agent, a member of the Malaysian Institute of Accountants and a Fellow Member of the Chartered Tax Institute of Malaysia.

DIRECTORS' PROFILE (CONT'D)

Other Information on Directors:

1. Family Relationship

Teng Ah Kiong and Teng Yoon Kooi are brothers.

Save for the above, the other Directors do not have any family relationship with any Directors and/or major shareholders of the Company.

2. Conviction of Offences

None of the Directors have been convicted for any offences (other than traffic offences) within the past 10 years.

3. Conflict of Interest

Save for what is disclosed in the Circular to Shareholders dated 30 April 2013 despatched together with this Annual Report and Note 38 of the financial statements, all the Directors have no conflict of interest with the Company and its subsidiary.

4. Attendance at Board Meetings

The details of attendance of the Directors at the Board Meetings are set out in the Statement of Corporate Governance on page 15 of this Annual Report.

5. Shareholdings

The details of Directors' Interest in the securities of the Company are set out in the Analysis of Shareholdings on page 87 of this Annual Report.

6. Directorships

None of the Directors has any other directorships in other public companies.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Pasukhas Group Berhad (“the Company” or “Pasukhas”) is committed to cultivating a responsible organisation by instilling corporate conscience through excellence in corporate governance (“CG”) standards at all times. This includes accountability and transparency which is observed throughout the Group as a fundamental part of building a sustainable business and discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group. The Board is pleased to report on how the Company and Group have applied the principles set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) (“Principles”) to its particular circumstances, having regard to the recommendations stated under each Principle (“Recommendations”), which was applied predominantly since the listing of Pasukhas on the ACE Market of Bursa Securities on 29 August 2012.

1. Establish clear roles and responsibilities

1.1 Clear functions of the Board and those delegated to Management

The Board is responsible for formulating and reviewing the strategic plans and key policies of the Company, and charting the course of the Group’s business operations whilst providing effective oversight of Management’s performance, risk assessment and controls over business operations.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly / exclusively Non-Executive Directors.

There is a clear division of responsibilities between the Chairman of the Board and the Managing Director (“MD”). The Chairman leads strategic planning at the Board level, while the Executive Directors, led by the MD, are responsible for the implementation of the policies laid down and executive decision-making.

The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The Board Committees are made up of the Audit Committee (“AC”), Nomination Committee (“NC”) and Remuneration Committee (“RC”); and are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. At each Board meeting, minutes of the Board Committee meetings are presented to keep the Board informed. The Chairman of the relevant Board Committees also reports to the Board on key issues deliberated by the Board Committees at their respective meetings.

In general, the Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company’s business and operations.

Key matters reserved for the Board’s approval include the annual business plan and budget, capital management and investment policies, authority limits / levels, risk management policies, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material acquisitions and disposition of assets.

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

- (a) Reviewing and adopting the Company’s strategic plans

The Board has in place a strategy planning process, whereby the MD presents and proposes to the Board the Management’s business plans for the ensuing year for the Board’s review and approval. The Board will deliberate both Management’s and its own perspectives, and challenge the Management’s views and assumptions to ensure the best outcome.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions (cont'd)

- (b) Overseeing the conduct of the Company's business

The MD is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by the Management and the Chief Financial Officer ("CFO").

The Management's performance, under the leadership of the MD, is assessed by the Board through monitoring of the success in delivering the approved targets and business plans against the performance of the Group.

- (c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The AC, through the internal audit function, advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC reviews the action plan implemented and makes relevant recommendations to the Board to manage risks.

- d) Succession Planning

The Board has entrusted the NC and RC with the responsibilities to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, as well as to formulate nomination, selection, remuneration and succession policies for the Group.

The NC will also undertake yearly evaluation of the performance of the CFO who was newly appointed on 1 April 2013.

- (e) Overseeing the development and implementation of a shareholder communications policy for the Company

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community.

The Company has identified Ir. S. P. Thiagarajan A/L Suppiah as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

In addition to the above, shareholders and investors can make inquiries about investor relations matters with designated management personnel directly responsible for investor relations matters via dedicated e-mail address available on the corporate website.

- (f) Reviewing the adequacy and integrity of management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

1.3 Ethical standards through Code of Conduct

The Board is guided by the Company's Code of Conduct ("the Code") for Directors and Employees in discharging its oversight role effectively. The Code requires all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. A summary of the Code has been published on the corporate website.

1.4 Strategies promoting sustainability

The Board formalised the Company's strategies on promoting sustainability. A Corporate Sustainability Statement is set out on page 18 of this Statement on Corporate Governance and the same has also been published on the corporate website.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

1.6 Qualified and competent company secretaries

The Board is regularly updated and apprised by the Company Secretary on new regulation issued by the regulatory authorities. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in Pasukhas shares.

The Company Secretary attends and ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

1.7 Board Charter

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter which was adopted by the Board on 16 April 2013 and the same has been published on the corporate website.

The Board Charter serves to ensure that all Board members acting on the Group's behalf are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with the CG principles.

2.0 Strengthen Composition

2.1 NC

The NC was established on 19 May 2011 and comprises exclusively Independent Non-Executive Directors.

The NC is guided by specific terms of reference and the NC's duties are as follows:

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend candidates to fill the seats on Board Committees;
- To assess the contribution of each individual Director;
- To review annually the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- To take the necessary steps to ensure that women candidates are sought as part of the Company's recruitment exercise to meet its gender diversity policy;
- To review annually the independence of Independent Directors;
- To ensure existence of an appropriate framework and succession plan for the Executive Director and senior management of the Company;
- To identify suitable orientation, educational and training programmes for continuous development of Directors;
- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each Director; and
- To consider other matters as referred to the Committee by the Board.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

Board appointment process

The NC is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an on-going basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company while it determines the skills matrix needed to support strategic direction and needs of the Company.

Management shall then engage broadly to develop a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments.

The NC evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment.

Consideration will be given to those individuals possessing the identified skill, talent and experience.

The NC will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

According to the Articles of Association of the Company, all Directors are required to submit themselves for re-election at intervals of not more than three (3) years. The Articles of Association also state that one-third (1/3) of the Board members shall retire from office at the Annual General Meeting ("AGM") and shall be eligible for re-election at the same AGM.

The new Director(s) duly appointed by the Board are then recommended for re-election at the AGM.

The Company shall then provide orientation and on-going education to the Board.

In making the selection, the Board is assisted by the NC to consider the following aspects:

- Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.
- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.

Annual Assessment

The Board is tasked to review and evaluate its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual (Self & Peer) Assessment and an Assessment of Independence of Independent Directors.

As the Company was newly listed on the ACE Market of Bursa Securities on 29 August 2012, there has yet to be a NC meeting held to carry out the annual assessment prior to the issuance of this Annual Report. The Board would implement the annual assessment in the coming financial year ending 31 December 2013 through the NC.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

For Individual (Self & Peer) Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

The results of the assessment would form the basis of the NC's recommendation to the Board for the re-election of Directors at the next AGM.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors (cont'd)

Gender diversity policy

The Board shall endeavour to achieve at least one (1) female director by 2016. The Board through the NC should take steps to ensure that due consideration is given to female candidates as directors and/or Board Committee members to facilitate achievement of such policy and target in accordance with the MCCG 2012.

2.3 Remuneration Policies and Procedures

The RC and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders, and that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre.

The RC is tasked to review annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which depend on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.

During the financial year under review, there was no meeting held to review and discuss the performance and remuneration of the Executive Directors to be recommended to the Board for approval. The RC would carry out the reviews as and when required for the coming financial year ending 2013.

The Board as a whole determines the remuneration of Non-Executive Directors and recommends the same for shareholders' approval.

The remuneration package of the Executive Directors consists of monthly salary, bonus and benefits-in-kind such as company car and the benefit of Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2012 are as follows:

	Salary	Fees	Bonus	Benefits in-kind	Total
Executive Director					
Teng Ah Kiong	921,900	104,000	0	0	1,025,900
Teng Yoon Kooi	460,950	52,000	0	0	512,950
Tan Chor Tong	460,950	52,000	0	0	512,950
Non-Executive Director					
Datuk Khor Chin Poey	0	10,000	0	0	10,000
Ir. S. P. Thiagarajan A/L Suppiah	0	10,000	0	0	10,000
Teoh Kim Hooi	0	10,000	0	0	10,000
Total	1,843,800	238,000	0	0	2,081,800

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The number of Directors whose remuneration falls within the following bands is tabulated as below:

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below		3
50,001 to 150,000		
150,001 to 300,000		
300,001 to 400,000		
400,001 to 500,000		
500,001 to 600,000	2	
600,001 to 700,000		
700,001 to 800,000		
800,001 to 900,000		
900,001 to 1,000,000		
1,000,001 to 1,100,000	1	

3.0 Reinforce Independence

3.1 Annual Assessment of Independence

The Board, through the NC, shall assess the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

3.2 Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director.

None of the Independent Non-Executive Directors served more than 9 years in the Company.

3.3 Shareholders' approval for the Continuance Office as Independent Directors

The Board would seek shareholders' approval at the AGM if an Independent Director who has served in that capacity for more than nine years shall remain as an Independent Director.

The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC, and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders.

3.4 Separation of the Positions of the Chairman and the MD

Mr Teng Ah Kiong is currently holding the combined roles of the Chairman and the MD as the Board is confident that Mr Teng, who is respected and experienced in the industry, is able to contribute considerable experience towards accomplishing the Group's objectives. Represented on the Board are three (3) Independent Non-Executive Directors who provide unbiased and independent views, advice and judgment in the decision making process of the Board and thus ensuring that the interests of the shareholders and stakeholders are well safeguarded, the circumstances of which the Board views are adequate at this juncture.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

3.5 Composition of the Board

The Board of Directors currently comprises six (6) members, of whom three (3) are Independent Non-Executive Directors and the other three (3) are Executive Directors including the Chairman. The three (3) Independent Non-Executive Directors fulfilled the criteria of independence as defined in the ACE Market Listing Requirements ("AMLR"). The Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to fulfil their responsibility to provide check and balance to the Board.

The Independent Non-Executive Directors are of the calibre necessary to provide an independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.

The six (6) members of the Board are persons of high calibre and integrity, and they possess the appropriate skills and provide a wealth of knowledge, experience and skills in the key areas of accountancy, business operations and development, finance and risk management, amongst others.

Jointly with the CFO, the MD is accountable to the Board over the daily management and development of the Company.

The profile of each of the Member of the Board is presented on pages 6 to 8 of this Annual Report.

4.0 Foster Commitment

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Pasukhas. This is evidenced by the attendance record of the Directors at Board Meetings since the listing of the Company on 29 August 2012, as set out in the table below:

Name of Director	Attendance (As at 31/12/2012)
Teng Ah Kiong	1/1
Teng Yoon Kooi	1/1
Tan Chor Tong	1/1
Datuk Khor Chin Poey	1/1
Ir. S. P. Thiagarajan A/L Suppiah	1/1
Teoh Kim Hooi	1/1

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold directorships in more than five (5) public listed companies and shall notify the Chairman before accepting any new directorship.

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year, as well as the tentative closed periods for dealings in securities by Directors based on the targeted dated of announcements of the Group's quarterly results.

4.2 Training

All Directors had completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duty and responsibilities as Directors.

The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

During the financial year ended 31 December 2012, the Directors had attended the following training, seminars, conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulations, business environment and corporate governance development:

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

4.0 Foster Commitment (cont'd)

4.2 Training (cont'd)

- i) Case Studies for Boardroom Excellence Related Party Transactions – Doing It Right For Results
- ii) How To Write Minutes of Meetings
- iii) Refund & Drawback Claims under the various of the Customs
- iv) The Design and Installation of Grid Connected Photovoltaic (PV) System Training
- v) National Tax Conference 2012
- vi) 2014 Budget Seminar – Highlights & Implications

5.0 Uphold Integrity in Financial Reporting

5.1 Compliance with applicable financial reporting standards

The Board is committed to providing a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made.

The Board is assisted by the AC to oversee and scrutinise the process and quality of the financial reporting which includes reviewing and monitoring the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

5.2 Assessment of suitability and independence of external auditors

The AC is responsible for reviewing audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The terms of engagement for services provided by the external auditors are reviewed by the AC prior to submission to the Board for approval.

The AC has reviewed the provision of non-audit services by the external auditors during the year and concluded that the provision of these services did not compromise the external auditors' independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the external auditors.

Having satisfied itself with Messrs Crowe Horwath's performance, the AC will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

6.0 Recognise and manage risks

6.1 Sound framework to manage risks

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls.

The AC oversees the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks.

The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

6.0 Recognise and manage risks (cont'd)

6.2 Internal Audit Function

The Company has outsourced its internal audit function to a professional services firm namely CAS Consulting Services Sdn Bhd to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Statement on Risk Management and Internal Control as included on pages 22 to 23 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2012.

7.0 Ensure timely and high quality disclosure

7.1 Corporate Disclosure Policy and Procedures

The Board shall ensure that all communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

The MD and CFO are responsible for determining the materiality of the information and ensuring timely, complete and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures.

Sufficient information would be provided to the Company Secretary for drafting of the necessary announcement.

The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

7.2 Leverage on information technology for effective dissemination of information

Pasukhas' website provides all relevant corporate information and it is accessible by the public. The Company's website includes all announcements made by Pasukhas as well as its financial results.

Through the Company's website, the stakeholders are able to direct queries to the Company.

8.0 Strengthen relationship between Company and Shareholders

8.1 Encourage shareholder participation at general meetings

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman shall ensure that the Board is accessible to shareholders and an open channel of communication is cultivated.

Pasukhas encloses the Annual Report and Notice of AGM with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also the qualification of proxy.

The Company allows a shareholder to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditors or a person approved by the Registrar of Companies.

To further promote participation of members through proxies, which is in line with the AMLR, the Company had amended its Articles of Association to include explicitly the right of proxies to speak at general meetings.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

8.0 Strengthen relationship between Company and Shareholders (cont'd)

8.2 Encourage poll voting

The Chairman would ensure that shareholders were informed of their rights to demand a poll vote at the commencement of the AGM.

8.3 Effective communication and proactive engagement

From the Company's perspective, the AGM also serves as a forum for Directors and Management to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

9.0 Corporate Sustainability Statement

The Board believes that it is crucial in driving interest and investments towards sustainability to the mutual benefit of Pasukhas and its investors.

Pasukhas' focus on sustainability are marked on achieving long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainable products and services while at the same time minimising sustainability costs and mitigating any sustainability risks. The Group's overall strategy involves continuously integrating long-term economic, environmental, governance and social aspects in their business strategies while maintaining competitiveness and brand reputation in the industry, based upon the four (4) pillars as set out below:

- Financial

Meeting shareholders' demands for reasonable financial returns, long-term economic growth, open communication and transparent financial accounting.

- Environmental

Investing in technologies and systems, which use financial, natural and social resources in an efficient, effective and economic manner over the long-term.

- Governance and Stakeholder

Embracing standards of corporate governance including corporate codes of conduct and public reporting.

- People

Managing human resources to maintain workforce capabilities and employee satisfaction through learning and knowledge management practices as well as remuneration and benefit programs.

COMPLIANCE STATEMENT

The Board believes that the Company has in 2012 followed the Principles and Recommendations of the MCCG 2012 in all material respects.

This statement is made in accordance with the resolution of the Board dated 16 April 2013.

AUDIT COMMITTEE REPORT

The Board of Directors of Pasukhas Group Berhad ("the Board") is pleased to present the Audit Committee Report for the financial year ended 31 December 2012.

COMPOSITION AND MEETINGS

As at the date of this Annual Report, the Audit Committee comprises three (3) Directors as follows:

Chairman

Teoh Kim Hooi - Independent Non-Executive Director

Members

Datuk Khor Chin Poey - Independent Non-Executive Director

Ir. S. P. Thiagarajan A/L Suppiah - Independent Non-Executive Director

The Audit Committee met one (1) time during the financial year ended 31 December 2012 since the listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 29 August 2012 and the details of attendance of the Audit Committee Members are as follows:

Name of Director	Attendance
Teoh Kim Hooi – Chairman <i>Independent Non-Executive Director</i>	1/1
Datuk Khor Chin Poey – Member <i>Independent Non-Executive Director</i>	1/1
Ir. S. P. Thiagarajan A/L Suppiah – Member <i>Independent Non-Executive Director</i>	1/1

Details of the members of the Audit Committee are contained in the Directors' Profile as set out on pages 6 to 8 of this Annual Report.

Senior Management staff, the external auditors and internal auditors are invited to attend the meeting where considered necessary. The Company Secretary is responsible for distributing the agenda of the meetings and relevant information to the Audit Committee members well in advance of their meetings, and recording the proceedings of the Audit Committee meetings.

SUMMARY OF TERMS OF REFERENCE

1. Composition

The members of the Audit Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members all of whom must be Non-Executive Directors, with majority of them being Independent Directors. At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants or possesses such other qualifications and/or experience as approved by Bursa Malaysia Securities Berhad.

2. Meetings

The Audit Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be no less than two (2) members, provided that the majority of members present shall be Independent Directors.

The Audit Committee may invite any member from the Management, the head of finance and the representatives of the internal auditors and the external auditors to attend the meeting. The Committee should also meet with the external auditors without Executive Board members present at least twice a year.

The external auditors may also request for a meeting when deemed necessary.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee.

AUDIT COMMITTEE REPORT (CONT'D)

3. Key Functions and Responsibilities

The key functions and responsibilities of the Audit Committee are as follows:

- (a) To discuss with the external auditors before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
- (b) To review the adequacy of the scope, functions, competency and resources and set the standards of the internal audit function;
- (c) To review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- (d) To review the quarterly results and annual financial statements of the Group, focusing particularly on changes in accounting policies and practices; significant adjustments arising from the audit; going concern assumption; and compliance with accounting standards and other legal requirements;
- (e) To consider any related party transactions that may arise within the Company or Group;
- (f) To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal;
- (g) To consider the major findings of internal investigations and Management's response; and
- (h) To verify all Employees' Share Option Scheme allocations, if any, to ensure that they are done in compliance with the criteria disclosed by the Company to its employees.

4. Rights

The Audit Committee shall:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have full and unrestricted access to any information and resources which are required to perform its duties;
- (c) be able to obtain, if it considers necessary, external independent professional advice;
- (d) be able to invite outsiders with relevant experience to attend meeting if necessary;
- (e) be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary;
- (f) be given full report upon completion of the internal audit reviews to be taken from time to time;
- (g) have direct communication channels with the external auditors and internal auditors;
- (h) be able to make prompt reports to Bursa Securities Malaysia Berhad when the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of listing requirements; and
- (i) be authorised to pass resolutions in writing and by circular provided always that such resolution(s) shall be executed by all members. Any such resolution(s) may consist of several documents in like form, each signed by one or more members of the Audit Committee.

5. Review of Audit Committee

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

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In accordance with the Terms of Reference of the Audit Committee, the following activities were undertaken by the Audit Committee since the listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 29 August 2012 up to 31 December 2012, including the deliberation on and/or review of:

- (i) the unaudited quarterly financial statements of the Group to ensure adherence to the regulatory reporting requirements and appropriate resolution prior to submission to the Board of Directors for approval.
- (ii) the audit plan of the external auditors in terms of their scope of audit prior to their commencement of their annual audit.
- (iii) the related party transactions to ensure that they were not detrimental to the interests of the minority shareholders.
- (iv) the audit reports from the external auditors in relation to audit and accounting matters arising from the statutory audit; matters arising from the audit of the Group in meetings with the external auditors without the presence of the executive Board members and management.
- (v) the consideration of the appointment of internal auditors and their audit fees, after taking into consideration the independence and objectivity of the internal auditors and the cost effectiveness of their audit, before the recommendation to the Board of Directors for approval.
- (vi) The necessary trainings attended by members of the Audit Committee, which are as set out on pages 15 to 16 of this Annual Report.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional firm to review and improve its existing processes for identifying and managing the Group's risks and the control procedures to manage those risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility in establishing an efficient and effective sound risk management framework and internal control system, which includes the Board's overall responsibility to maintain and review the adequacy and integrity of the internal control system. In addition, the Board also affirms its overall responsibility to identify principal risks, ensure the implementation of an appropriate control environment and framework to manage risks, and evaluate the operational effectiveness and efficiency of the Group.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement, operational failures, fraud or loss.

This Statement had been prepared in accordance with the Guidelines for Directors of Listed Issuers issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on the issuance of Statement on Risk Management and Internal Control pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Securities.

RISK MANAGEMENT FRAMEWORK AND CONTROL SELF-ASSESSMENT

During the Group's initial public offering ("IPO") stage, a review of the risk management framework was undertaken to assess the various types of risks, which might have an impact on the profitable operation of the Group's business. These include operational risk, financial risk, market risk, legal risk and regulatory risk. After the review and taking into consideration the nature of the Group's business, various management action plans have been undertaken to address and manage the key risks accordingly. The key management personnel are also actively involved in the process of identifying and managing the Group's risks and there is an ongoing review process to ensure the adequacy and integrity of the system.

The Board meets on a quarterly basis to discuss matters brought to its attention, thus ensuring effective supervision over the operations of the Group. The Board is updated on the operations and activities of the Group which include the strategies and goals and an assessment of its current position and future prospects.

The Board is committed towards operating and maintaining a sound system of internal control and recognizes that the system must continuously evolve to support the type of business and size of operations of the Group. As such, the Board will, when necessary, put in place appropriate action plans to rectify any potential weaknesses or further enhance the system of internal control. There were no material losses incurred during the financial year as a result of weaknesses in internal control.

INTERNAL AUDIT FUNCTION

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. In this respect, the Board through the Audit Committee is responsible to review the reports on internal control from its internal audit function.

The internal audit function is outsourced to an independent professional firm, namely CAS Consulting Services Sdn Bhd, which reports directly to the Audit Committee. Observations from internal audits will be presented to the Audit Committee together with management's response and proposed action plans for its review. The action plans will then be followed up during subsequent internal audits with implementation status reported to the Audit Committee.

As the Company was listed on 29 August 2012 on the ACE Market of Bursa Securities and CAS Consulting Services Sdn Bhd was appointed on 14 January 2013, there were no professional fees incurred for the Internal Audit function for the financial year ended 31 December 2012.

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

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Other key elements of the Group's internal control are as follows:

- The Board of Directors reviews the operational and financial performance of the Group every quarter and management meetings are conducted regularly.
- Existence of an organisational structure with clear delegation of responsibilities.
- A detailed budgeting process takes place annually, where each business segment prepares its budget for the following financial year and the budget is then reviewed by the Managing Director, after which the budget is submitted to the Board for formal approval.
- The Audit Committee reviews the internal audit plan for the year, and reviews and holds discussions on the actions taken on internal control issues.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the Managing Director and the management team that the Group's risk management and internal control system are operating adequately and effectively in all material aspects. It is of the view that the risk management and internal control system is satisfactory and no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

In accordance to Rule 15.23 of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that caused them to believe that the Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls of Pasukhas Group Berhad.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 16 April 2013.

DIRECTORS' RESPONSIBILITY STATEMENT in respect of the Financial Statements

The Directors are required to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their results and cash flows for that financial year.

In preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2012, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

As at the date of this report, the total proceeds raised from the IPO (Initial Public Offering) amounting to RM10,800,000 pursuant to the Listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad have been utilised in the following manner:

Description	Proposed Utilisation (RM'000)	Utilised (RM'000)	Balance Unutilised (RM'000)
R&D expenditure	600	0	600
Repayment of bank borrowings	1,634	1,634	0
Working capital	6,366	331	6,035
Estimated listing expenses	2,200	2,200	0
Total	10,800	4,165	6,635

The balance of the proceeds will be utilised for R&D expenditure and working capital.

2. Share Buy-Back

The Company currently does not have a share buy-back scheme during the financial year under review.

3. Employees' Share Option Scheme

The Company has not implemented any employees' share option scheme during the financial year under review.

4. Options, Warrants or Convertible Securities

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

5. American Depository Receipt (ADR) / Global Depository Receipt (GDR)

The Company did not sponsor any ADR / GDR Programme during the financial year ended 31 December 2012.

6. Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiary, Directors or management by the relevant regulatory bodies during the financial year under review.

7. Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group for the financial year ended 31 December 2012 amounting to RM5,000.

8. Variation in Results

There were no variations between the audited results for the financial year ended 31 December 2012 and the unaudited results previously announced.

The Company did not issue any profit estimate, forecast or projection in any public documents during the financial year.

9. Profit Guarantee

There was no profit guarantee issued by the Company and its subsidiary during the financial year ended 31 December 2012.

10. Material Contracts

During the financial year, there were no material contracts entered by the Company and its subsidiary involving the directors' and substantial shareholders' interest during the financial year ended 31 December 2012.

11. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting ("AGM") to be held on 23 May 2013, the Company intends to seek the shareholders' approval for the shareholders' ratification and the shareholders' mandate for recurrent related party transactions ("RRPTs") which it has entered and will enter with its related parties, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to its related parties than those generally available to the public.

The shareholders' ratification serves to ratify the RRPTs entered into by the Group from the Listing Date up to the date of the AGM. The shareholders' mandate will take effect for RRPTs from the date of AGM up to the conclusion of the next AGM.

Further details of which will be disclosed in the Circular to Shareholders dated 30 April 2013 despatched together with the Annual Report 2012.

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DIRECTORS' REPORT

The directors of Pasukhas Group Berhad hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activity of the subsidiary is set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit after taxation for the financial year	3,446,012	371,045
Attributable to:-		
Owners of the Company	3,446,012	371,045

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM20,500,100 to RM29,500,100 as part of its flotation scheme on the ACE Market of Bursa Malaysia Securities Berhad by the allotment of 90,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.12 each per ordinary share for public issue and listing. The issuance of these new ordinary shares has created a share premium account of RM1,800,000 of which RM866,767 being expenses directly attributable to the Share issuance were written off against the share premium account.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company; and

- (c) there were no issues of debentures by the Company.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value 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.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 37 to the financial statements. At the date of this report, there does not exist:-

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

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT (CONT'D)

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

HOLDING COMPANY

The holding company is Modal Khas Holdings Sdn. Bhd., a company incorporated in Malaysia.

DIRECTORS

The directors who served since the date of the last report are as follows:-

TENG AH KIONG
TAN CHOR TONG
TENG YOON KOOI
DATUK KHOR CHIN POEY
S.P. THIAGARAJAN A/L SUPPIAH
TEOH KIM HOOI

DIRECTORS' INTERESTS

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

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2012	BOUGHT/ ALLOTTED	SOLD	AT 31.12.2012
THE COMPANY				
DIRECT INTERESTS				
TENG AH KIONG	31,980,000	-	-	31,980,000
TENG YOON KOOI	14,760,000	-	-	14,760,000
TAN CHOR TONG	14,760,000	-	-	14,760,000
DATUK KHOR CHIN POEY	-	1,000,000	-	1,000,000
S.P. THIAGARAJAN A/L SUPPIAH	-	1,000,000	-	1,000,000
TEOH KIM HOOI	-	1,000,000	(700,000)	300,000
INDIRECT INTERESTS				
TENG AH KIONG	143,501,000	-	-	143,501,000
TENG YOON KOOI	143,501,000	-	-	143,501,000
TAN CHOR TONG	143,501,000	-	-	143,501,000

By virtue of their shareholdings in the Company and its holding company, Teng Ah Kiong, Teng Yoon Kooi and Tan Chor Tong are deemed to have interests in shares in the Company or its related corporation during the financial year, in accordance with Section 6A of the Companies Act 1965.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) 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 in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 16 APRIL 2013**

Teng Ah Kiong

Tan Chor Tong

STATEMENT BY DIRECTORS

We, Teng Ah Kiong and Tan Chor Tong, being two of the directors of Pasukhas Group Berhad state that, in the opinion of the directors, the financial statements set out on pages 34 to 85 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 state of affairs of the Group and of the Company at 31 December 2012 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 44, which is not part of the financial statements, is prepared in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 16 APRIL 2013**

Teng Ah Kiong

Tan Chor Tong

STATUTORY DECLARATION

I, Teng Ah Kiong, being the director primarily responsible for the financial management of Pasukhas Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 34 to 85 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Teng Ah Kiong at Kuala Lumpur in
the Federal Territory on this 16 April 2013

Teng Ah Kiong

Before me

Datin Hajah Raihela Wanchik (W-275)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PASUKHAS GROUP BERHAD (Incorporated in Malaysia) Company No : 686389 - A

Report on the Financial Statements

We have audited the financial statements of Pasukhas Group Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 85.

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary 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.
- (c) Our audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PASUKHAS GROUP BERHAD (Incorporated in Malaysia) Company No : 686389 - A (CONT'D)

Other Reporting Responsibilities

The supplementary information set out in Note 44 on page 86 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

- (1) As stated in the Note 4.1 to the financial statements, Pasukhas Group Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.
- (2) 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.

Crowe Horwath

Firm No: AF 1018
Chartered Accountants

16 April 2013

Kuala Lumpur

Chua Wai Hong

Approval No: 2974/09/13 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTE	THE GROUP			THE COMPANY		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
ASSETS							
NON-CURRENT ASSETS							
Investment in a subsidiary	6	-	-	-	20,500,000	20,500,000	-
Plant and equipment	7	11,554,611	9,880,876	3,839,669	-	-	-
Deferred tax assets	8	1,689,000	1,641,000	555,000	-	-	-
Other investments	9	104,250	106,800	106,800	-	-	-
Development expenditure	10	-	-	22,924	-	-	-
		<u>13,347,861</u>	<u>11,628,676</u>	<u>4,524,393</u>	<u>20,500,000</u>	<u>20,500,000</u>	<u>-</u>
CURRENT ASSETS							
Inventories	11	2,572,794	1,410,354	1,461,490	-	-	-
Amount owing by contract customers	12	3,644,947	2,783,106	3,056,461	-	-	-
Trade receivables	13	17,696,564	8,198,597	11,653,593	-	-	-
Other receivables, deposits and prepayments	14	545,994	812,130	519,829	107,100	458,000	-
Amount owing by joint ventures	15	6,224	463,311	498,035	-	-	-
Amount owing by related parties	16	57,788	59,537	484,457	-	-	-
Dividend receivable		-	-	-	1,188,000	-	-
Tax refundable		416,000	-	170,000	2,000	-	-
Fixed deposits with licensed banks	17	19,039,091	12,728,345	9,767,379	6,532,915	-	-
Cash and bank balances		4,586,006	3,417,805	7,000,145	2,587,242	100	100
		<u>48,565,408</u>	<u>29,873,185</u>	<u>34,611,389</u>	<u>10,417,257</u>	<u>458,100</u>	<u>100</u>
TOTAL ASSETS		<u>61,913,269</u>	<u>41,501,861</u>	<u>39,135,782</u>	<u>30,917,257</u>	<u>20,958,100</u>	<u>100</u>
EQUITY AND LIABILITIES							
EQUITY							
Share capital	18	29,500,100	20,500,100	20,500,100	29,500,100	20,500,100	100
Share premium	19	933,233	-	-	933,233	-	-
Merger deficit	20	(10,500,000)	(10,500,000)	(10,500,000)	-	-	-
Fair value reserve	21	17,000	17,000	17,000	-	-	-
Retained profits/(Accumulated losses)		12,560,959	9,114,947	9,920,234	(726,138)	(1,097,183)	(298,555)
TOTAL EQUITY		<u>32,511,292</u>	<u>19,132,047</u>	<u>19,937,334</u>	<u>29,707,195</u>	<u>19,402,917</u>	<u>(298,455)</u>
NON-CURRENT LIABILITIES							
Hire purchase payables	22	225,106	71,432	120,702	-	-	-
Deferred income	23	2,380,686	6,143,584	2,739,248	-	-	-
		<u>2,605,792</u>	<u>6,215,016</u>	<u>2,859,950</u>	<u>-</u>	<u>-</u>	<u>-</u>

The annexed notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2012 (CONT'D)

	NOTE	THE GROUP			THE COMPANY		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
CURRENT LIABILITIES							
Trade payables	24	13,619,652	2,786,112	7,043,885	-	-	-
Other payables and accruals	25	1,205,809	3,435,797	3,121,243	21,167	464,352	298,555
Amount owing to joint ventures	15	26,663	578,362	1,739,662	-	-	-
Amount owing to related parties	16	37,162	98,568	148,067	-	-	-
Amount owing to holding company		-	-	48,587	-	-	-
Amount owing to a subsidiary	26	-	-	-	1,188,895	1,090,831	-
Provision for taxation		-	629,000	-	-	-	-
Short-term borrowings	27	4,764,841	4,019,270	3,063,090	-	-	-
Deferred income	23	7,142,058	4,607,689	1,173,964	-	-	-
		26,796,185	16,154,798	16,338,498	1,210,062	1,555,183	298,555
TOTAL LIABILITIES		29,401,977	22,369,814	19,198,448	1,210,062	1,555,183	298,555
TOTAL EQUITY AND LIABILITIES		61,913,269	41,501,861	39,135,782	30,917,257	20,958,100	100

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	NOTE	THE GROUP		THE COMPANY	
		2012 RM	2011 RM	2012 RM	2011 RM
REVENUE	28	38,756,523	25,821,486	1,188,000	2,100,000
CONTRACT EXPENSES		(30,328,804)	(20,470,667)	-	-
GROSS PROFIT		8,427,719	5,350,819	1,188,000	2,100,000
OTHER OPERATING INCOME		600,041	1,316,826	65,268	-
		9,027,760	6,667,645	1,253,268	2,100,000
ADMINISTRATIVE EXPENSES		(4,188,243)	(4,407,933)	(882,223)	(798,628)
OTHER EXPENSES		(362,368)	(318,871)	-	-
FINANCE COSTS		(268,969)	(299,202)	-	-
SHARE OF PROFITS FROM JOINT VENTURES (NET)		11,186	207,030	-	-
PROFIT BEFORE TAXATION	29	4,219,366	1,848,669	371,045	1,301,372
INCOME TAX EXPENSE	30	(773,354)	(614,800)	-	-
PROFIT AFTER TAXATION		3,446,012	1,233,869	371,045	1,301,372
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		3,446,012	1,233,869	371,045	1,301,372
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		3,446,012	1,294,713	371,045	1,301,372
Non-controlling interests		-	(60,844)	-	-
		3,446,012	1,233,869	371,045	1,301,372
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		3,446,012	1,294,713	371,045	1,301,372
Non-controlling interests		-	(60,844)	-	-
		3,446,012	1,233,869	371,045	1,301,372
EARNINGS PER SHARE (SEN)	31				
Basic		1.45	0.63		
Diluted		Not Applicable	Not Applicable		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	NOTE	← NON-DISTRIBUTABLE →		ACCUMULATED LOSSES RM	TOTAL RM
		SHARE CAPITAL RM	SHARE PREMIUM RM		
THE COMPANY					
Balance at 1.1.2011		100	-	(298,555)	(298,455)
Profit after taxation/Total comprehensive income for the financial year		-	-	1,301,372	1,301,372
Contributions by and distributions to owners of the Company:					
- Issuance of shares	18	20,500,000	-	-	20,500,000
- Dividend	34	-	-	(2,100,000)	(2,100,000)
Balance at 31.12.2011/1.1.2012		20,500,100	-	(1,097,183)	19,402,917
Profit after taxation/Total comprehensive income for the financial year		-	-	371,045	371,045
Contributions by and distributions to owners of the Company:					
- Issuance of shares pursuant to public issue	18	9,000,000	1,800,000	-	10,800,000
Listing expenses		-	(866,767)	-	(866,767)
Balance at 31.12.2012		29,500,100	933,233	(726,138)	29,707,195

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	4,219,366	1,848,669	371,045	1,301,372
Adjustments for:-				
Allowance for impairment loss on quoted investment	2,550	-	-	-
Amortisation/(Accretion) of non-current trade receivables	36,370	(205,338)	-	-
Amortisation of development expenditure	-	22,924	-	-
Bad debts written off	20,663	43,847	-	-
Depreciation of plant and equipment	3,308,179	1,456,616	-	-
Dividend income	-	-	(1,188,000)	(2,100,000)
Loss/(Gain) on foreign exchange:				
- unrealised	82,882	(218,298)	-	-
Interest expense	268,969	299,202	-	-
Listing expenses written off	680,046	782,386	680,046	782,386
Gain on disposal of:				
- plant and equipment	(1,500)	-	-	-
- investment in a subsidiary	-	(343,328)	-	-
Interest income	(413,621)	(319,646)	(65,268)	-
Share of profits from joint ventures (net)	(11,186)	(207,030)	-	-
Writeback of allowance for impairment losses on trade receivables	(139,431)	(183,036)	-	-
Operating profit/(loss) before working capital changes carried forward	8,053,287	2,976,968	(202,177)	(16,242)
Operating profit/(loss) before working capital changes brought forward	8,053,287	2,976,968	(202,177)	(16,242)
(Increase)/Decrease in inventories	(1,162,440)	51,136	-	-
(Increase)/Decrease in amount owing by contract customers	(861,841)	273,355	-	-
(Increase)/Decrease in trade and other receivables	(9,149,433)	2,700,323	350,900	(458,000)
Increase/(Decrease) in trade and other payables	8,590,934	(3,814,032)	(443,185)	165,797
(Decrease)/Increase in deferred income	(1,228,529)	6,838,061	-	-
Net (decrease)/increase in amount owing to joint ventures	(260,924)	12,732	-	-
Net (decrease)/increase in amount owing to related parties	(59,657)	295,117	-	-
Increase in amount owing by shareholder of subsidiary	-	(500,000)	-	-
Distribution received from joint ventures	295,829	152,514	-	-
Distribution paid to joint ventures	(118,331)	(1,100,000)	-	-

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		2012 RM	2011 RM	2012 RM	2011 RM
CASH FLOWS FROM/(FOR)					
OPERATING ACTIVITIES					
		4,098,895	7,886,174	(294,462)	(308,445)
Interest paid		(268,969)	(299,202)	-	-
Income tax paid		(1,866,354)	(901,800)	(2,000)	-
		<hr/>	<hr/>	<hr/>	<hr/>
NET CASH FROM/(FOR)					
OPERATING ACTIVITIES/					
BALANCE CARRIED FORWARD		1,963,572	6,685,172	(296,462)	(308,445)
		<hr/>	<hr/>	<hr/>	<hr/>
NET CASH FROM/(FOR)					
OPERATING ACTIVITIES/					
BALANCE BROUGHT FORWARD		1,963,572	6,685,172	(296,462)	(308,445)
CASH FLOWS (FOR)/FROM					
INVESTING ACTIVITIES					
Repayment from joint venture		-	204,208	-	-
Repayment from a related party		-	80,304	-	-
Interest received		413,621	319,646	65,268	-
Net cash inflow from acquisition of a subsidiary	32	-	151,421	-	-
Purchase of plant and equipment	7	(4,681,914)	(7,497,823)	-	-
Net cash outflow from disposal of a subsidiary	33	-	(535,583)	-	-
Proceeds from disposal of plant and equipment		1,500	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
NET CASH (FOR)/FROM					
INVESTING ACTIVITIES		(4,266,793)	(7,277,827)	65,268	-
CASH FLOWS FROM/(FOR)					
FINANCING ACTIVITIES					
Proceeds from issuance of shares		10,800,000	-	10,800,000	-
Repayment to holding company		-	(48,587)	-	-
Advances from a subsidiary		-	-	98,064	1,090,831
Net drawdown in bankers' acceptances		689,000	953,000	-	-
Repayment of hire purchase obligations		(89,755)	(46,090)	-	-
Repayment to a related party		-	(189,000)	-	-
Listing expenses paid		(1,546,813)	(782,386)	(1,546,813)	(782,386)
		<hr/>	<hr/>	<hr/>	<hr/>
NET CASH FROM/(FOR)					
FINANCING ACTIVITIES		9,852,432	(113,063)	9,351,251	308,445
		<hr/>	<hr/>	<hr/>	<hr/>

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		2012 RM	2011 RM	2012 RM	2011 RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,549,211	(705,718)	9,120,057	-
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(70,264)	84,344	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		16,146,150	16,767,524	100	100
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	35	23,625,097	16,146,150	9,120,157	100

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office is at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, whilst the principal place of business is at Lot 5815-A, Jalan Mawar, Taman Bukit Serdang, Seksyen 9, 43300 Seri Kembangan, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 16 April 2013.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activity of the subsidiary is set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. HOLDING COMPANY

The holding company is Modal Khas Holdings Sdn. Bhd., a company incorporated in Malaysia.

4. BASIS OF PREPARATION

The financial statements of the Company and its subsidiary have been consolidated using the merger method of accounting as disclosed in Note 5.4(a) to the financial statements. Accordingly, the results of the Group incorporated the results of the Company and its subsidiary from 1 January 2012 to 31 December 2012.

The financial statements of the Group for the financial years ended 31 December 2012 and 31 December 2011 respectively were prepared on the assumption that the Group had been in existence since 1 January 2011.

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

4.1 These are the Group's first set of financial statements prepared in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board.

In the previous financial year, the financial statements of the Group were prepared in accordance with Financial Reporting Standards ("FRSs"). There were no material financial impacts on the transition from FRSs to MFRSs.

4.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

4. BASIS OF PREPARATION (CONT'D)

- 4.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year (Cont'd):-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements to MFRSs 2009 - 2011 Cycle	1 January 2013

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

- (a) MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories - those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (b) MFRS 10 replaces the consolidation guidance in MFRS 127 and IC Interpretation 112. Under MFRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (c) MFRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. MFRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (d) MFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards and therefore there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (e) The amendments to MFRS 7 (Disclosures - Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

4. BASIS OF PREPARATION (CONT'D)

4.2 The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows (Cont'd):-

- (f) The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There will be no financial impact on the financial statements of the Group upon its initial application other than the presentation format of the statements of profit or loss and other comprehensive income.
- (g) The Annual Improvements to MFRSs 2009 - 2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) Contract Revenue

Construction contracts accounting requires variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) Contract Costs

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the probability of the contract on an individual basis at any particular time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(c) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final 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 year in which such determination is made.

(d) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(e) Amortisation of Development Expenditure

Changes in the expected level of usage and technological development could impact the economic useful lives therefore future amortisation charges could be revised.

(f) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(g) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. 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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(h) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(i) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carry certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group use different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair values cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(b) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(c) Equity Instruments

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

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

5.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

5.4 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 31 December 2012.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

A subsidiary is consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

The acquisitions disclosed in Note 6 to the financial statements resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of MFRS3. The merger accounting is used by the Group to account for such common control business combinations.

(a) Merger accounting for common control business combinations

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

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

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. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 BASIS OF CONSOLIDATION (CONT'D)

(a) Merger accounting for common control business combinations (Cont'd)

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(b) Acquisition method of accounting for non-common control business combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(d) Acquisitions of Non-controlling Interests

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(e) Loss of Control

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 BASIS OF CONSOLIDATION (CONT'D)

(e) Loss of Control (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

5.5 DEVELOPMENT EXPENDITURE

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed asset; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 5 years, commencing when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

5.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting periods if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

5.7 JOINT CONTROLLED OPERATIONS

A joint venture represents a business arrangement formed under a contract with a third party to undertake specific projects.

Jointly controlled operations are operations which involve the use of the assets and other resources of the venturers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 JOINT CONTROLLED OPERATIONS (CONT'D)

The Group recognised its interests in jointly controlled operations based on the terms set out in the joint venture agreements, which include:-

- i) the assets that it controls and the liabilities that it incurs; and
- ii) the expenses that it incurs and its share of the income that it earns from the sale of goods or render of services to the joint venture.

The assets, liabilities, income and expenses of the jointly controlled operations were not separately presented because they are all recognised in the financial statements of the Group.

The billings raised by the Group to the jointly controlled operations are recognised in accordance with the percentage of completion method as detailed under Note 5.20(a) to the financial statements.

5.8 PLANT AND EQUIPMENT

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

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives.

Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Plant and machinery	10%
Office equipment, furniture and fittings	10%
Motor vehicles	20%
Renovation	10%
Signboard	10%
Air conditioners	10%
Cables	over the remaining project duration

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.9 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised in profit or loss.

5.10 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5.8 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

5.12 PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

5.13 AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

The amounts owing by/(to) contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

5.14 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5.15 INCOME TAXES

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.15 INCOME TAXES (CONT'D)

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

5.16 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition and construction of plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

5.17 CASH AND CASH EQUIVALENTS

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

5.18 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group have no further liability in respect of the defined contribution plans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.19 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:-
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5.20 REVENUE AND OTHER INCOME

(a) Contract Income

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contracts cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the following:-

- (i) the survey of work performed;
- (ii) the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs; or
- (iii) the completion of a physical proportion of contract work;

whichever is applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 REVENUE AND OTHER INCOME (CONT'D)

(b) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(c) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(d) Rental Income

Rental income is recognised on an accrual basis.

(e) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(f) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

5.21 OPERATING SEGMENTS

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

6. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2012 RM	2011 RM
At 1 January	20,500,000	-
Unquoted shares, at cost		
- Addition during the financial year	-	20,500,000
At 31 December	<u>20,500,000</u>	<u>20,500,000</u>

Details of the subsidiary, which is incorporated in Malaysia, are as follows:-

Name of Company	Equity Interest		Principal Activity
	2012	2011	
Pasukhas Sdn. Bhd.	100%	100%	Designing, system integration, fabrication, installation, testing and commissioning of electrical and mechanical works for specified industries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

7. PLANT AND EQUIPMENT

THE GROUP	AT 1.1.2012 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 31.12.2012 RM
NET BOOK VALUE				
Plant and machinery	64,100	-	(15,623)	48,477
Office equipment, furniture and fittings	426,460	31,184	(75,245)	382,399
Motor vehicles	105,817	418,080	(137,304)	386,593
Cables	9,235,224	4,531,370	(3,074,042)	10,692,552
Renovation	44,824	-	(5,394)	39,430
Signboard	4,451	-	(464)	3,987
Air conditioners	-	1,280	(107)	1,173
Total	9,880,876	4,981,914	(3,308,179)	11,554,611

NET BOOK VALUE

Plant and machinery	81,703	-	(17,603)	64,100
Office equipment, furniture and fittings	429,507	75,738	(78,785)	426,460
Motor vehicles	173,444	-	(67,627)	105,817
Cables	3,105,977	7,416,261	(1,287,014)	9,235,224
Renovation	49,038	1,180	(5,394)	44,824
Signboard	-	4,644	(193)	4,451
Total	3,839,669	7,497,823	(1,456,616)	9,880,876

THE GROUP	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
At 31.12.2012			
Plant and machinery	1,092,884	(1,044,407)	48,477
Office equipment, furniture and fittings	1,227,837	(845,438)	382,399
Motor vehicles	880,665	(494,072)	386,593
Cables	15,446,350	(4,753,798)	10,692,552
Renovation	53,939	(14,509)	39,430
Signboard	4,644	(657)	3,987
Air conditioners	1,280	(107)	1,173
Total	18,707,599	(7,152,988)	11,554,611

At 31.12.2011

Plant and machinery	1,092,884	(1,028,784)	64,100
Office equipment, furniture and fittings	1,196,653	(770,193)	426,460
Motor vehicles	499,385	(393,568)	105,817
Cables	10,914,980	(1,679,756)	9,235,224
Renovation	53,939	(9,115)	44,824
Signboard	4,644	(193)	4,451
Total	13,762,485	(3,881,609)	9,880,876

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

7. PLANT AND EQUIPMENT (CONT'D)

Included in plant and equipment of the Group are motor vehicles with a total net book value of RM383,400 (2011 - RM105,817) acquired under hire purchase terms.

During the financial year, the Group made the following cash payments for the purchase of plant and equipment:-

	THE GROUP	
	2012	2011
	RM	RM
Cost of plant and equipment purchased	4,981,914	7,497,823
Amount financed through hire purchase	(300,000)	-
	<hr/>	<hr/>
Cash disbursed for purchase of plant and equipment	4,681,914	7,497,823
	<hr/>	<hr/>

8. DEFERRED TAX ASSETS

	THE GROUP	
	2012	2011
	RM	RM
At 1 January	1,641,000	555,000
Recognised in profit or loss (Note 30)	48,000	1,086,000
	<hr/>	<hr/>
At 31 December	1,689,000	1,641,000
	<hr/>	<hr/>
The components of the deferred tax assets are as follows:-		
Deferred income	2,381,000	2,688,000
Other deductible temporary differences	441,000	89,000
Accelerated capital allowances on qualifying plant and equipment	(1,133,000)	(1,081,000)
Other taxable temporary differences	-	(55,000)
	<hr/>	<hr/>
	1,689,000	1,641,000
	<hr/>	<hr/>

9. OTHER INVESTMENTS

	THE GROUP	
	2012	2011
	RM	RM
Quoted shares	12,000	12,000
Transferable club membership	100,000	100,000
	<hr/>	<hr/>
	112,000	112,000
Allowance for impairment losses:		
- At 1 January	(5,200)	(5,200)
- Addition during the financial year	(2,550)	-
	<hr/>	<hr/>
- At 31 December	(7,750)	(5,200)
	<hr/>	<hr/>
	104,250	106,800
	<hr/>	<hr/>
Represented by:-		
At fair value	104,250	106,800
	<hr/>	<hr/>

Other investments of the Group are designated as available-for-sale financial assets and are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

10. DEVELOPMENT EXPENDITURE

	THE GROUP	
	2012 RM	2011 RM
At cost	818,454	818,454
Accumulated amortisation:-		
At 1 January	(818,454)	(795,530)
Addition during the financial year	-	(22,924)
At 31 December	(818,454)	(818,454)
	-	-

11. INVENTORIES

	THE GROUP	
	2012 RM	2011 RM
Materials and electrical parts, at cost	2,572,794	1,410,354

None of the inventories is carried at net realisable value.

12. AMOUNT OWING BY CONTRACT CUSTOMERS

	THE GROUP	
	2012 RM	2011 RM
Contract costs incurred	55,953,447	38,348,582
Attributable profits	13,572,978	9,159,495
	69,526,425	47,508,077
Progress billings	(65,881,478)	(44,724,971)
Amount owing by contract customers	3,644,947	2,783,106

The amount owing by contract customers included the following expenses:

	RM	RM
Depreciation of plant and equipment	3,074,042	1,287,014
Directors' non-fee emoluments	1,276,720	1,274,706
Staff costs	1,712,384	1,879,305

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

13. TRADE RECEIVABLES

	THE GROUP	
	2012 RM	2011 RM
Gross trade receivables	19,378,844	9,983,938
Allowance for impairment losses:		
- At 1 January	(1,785,341)	(2,173,715)
- (Amortisation)/Accretion during the financial year	(36,370)	205,338
- Writeback during the financial year	139,431	183,036
- At 31 December	(1,682,280)	(1,785,341)
	17,696,564	8,198,597

The Group's normal trade credit terms range from 30 to 90 (2011 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables of the Group are retention sums of RM2,785,126 (2011 - RM3,096,370).

Retention monies represent a portion of progress billings which are due and receivable upon expiry of the warranty period and the satisfaction of conditions specified in the relevant contracts.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Other receivables	2,285	3,010	-	-
Deposits	437,609	217,852	1,000	-
Prepayments	106,100	591,268	106,100	458,000
	545,994	812,130	107,100	458,000

15. AMOUNTS OWING BY/(TO) JOINT VENTURES

	THE GROUP	
	2012 RM	2011 RM
Amount owing by joint ventures:		
Trade balance	476,799	212,789
Undistributed share of (loss)/profit in joint ventures	(470,575)	250,522
At 31 December	6,224	463,311
Amount owing to joint ventures:		
Trade balance	-	3,086
Undistributed share of profit in joint ventures	(26,663)	(581,448)
At 31 December	(26,663)	(578,362)

The Group's normal trade credit terms range from 30 to 90 (2011 - 30 to 90) days.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

15. AMOUNTS OWING BY/(TO) JOINT VENTURES (CONT'D)

The undistributed share of profits relates to the following joint ventures:-

(a) Pasukhas-Pasukhas Construction Joint Venture

	THE GROUP	
	2012	2011
	RM	RM
(i) At 1 January	(581,448)	(1,553,748)
Share of profit to joint venture *	(7,458)	(127,700)
Distribution paid to joint venture	118,331	1,100,000
	<hr/>	<hr/>
At 31 December	(470,575)	(581,448)
	<hr/>	<hr/>
(ii) Trade balance	476,799	3,086
	<hr/>	<hr/>
	6,224	(578,362)
	<hr/>	<hr/>
(b) <u>Zublin-Pasukhas Joint Venture</u>		
At 1 January	250,522	(63,938)
Share of profit from joint venture **	18,644	314,460
Distribution received from joint venture	(295,829)	-
	<hr/>	<hr/>
At 31 December	(26,663)	250,522
	<hr/>	<hr/>
(c) <u>Pasukhas-Jancos Joint Venture</u>		
At 1 January	-	132,244
Share of profit from joint venture ***	-	20,270
Distribution received from joint venture	-	(152,514)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
	(26,663)	250,522
	<hr/>	<hr/>

* - percentage of profit sharing from the joint venture range between 50% and 60% according to each individual project jointly undertaken.

** - percentage of profit sharing by the Group from the joint venture range between 49% and 50% according to each individual project jointly undertaken.

*** - percentage of profit sharing by the Group from the joint venture is 55%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

16. AMOUNTS OWING BY/(TO) RELATED PARTIES

	THE GROUP	
	2012	2011
	RM	RM
Amount owing by related parties:		
Trade balances	57,788	59,537
	<hr/>	<hr/>
Amount owing to related parties:		
Trade balances	(37,162)	(98,568)
	<hr/>	<hr/>

The trade balances are subjected to the normal credit terms ranging from 30 to 90 (2011 - 30 to 90) days.

Included in the amount owing by the related parties are retention sums of RM18,448 (2011 - Nil).

Included in the amount owing to the related parties are retention sums of RM30,303 (2011 - RM51,000).

17. FIXED DEPOSITS WITH LICENSED BANKS

Included in the fixed deposits with licensed banks is an amount of RM11,585,920 (2011 - RM11,254,555) which has been pledged to banks as security for banking facilities granted to the Group.

The effective interest rates of the fixed deposits at the end of the reporting period ranged from 0.08 % to 3.30 % (2011 - 0.03% to 3.30%) per annum.

The fixed deposits have maturity periods ranging from 1 month to 12 months (2011 - 1 month to 12 months).

18. SHARE CAPITAL

	THE COMPANY			
	2012	2011	2012	2011
	NUMBER OF SHARES		RM	RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED:				
At 1 January	500,000,000	25,000,000	50,000,000	2,500,000
Created during the financial year	-	475,000,000	-	47,500,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	500,000,000	500,000,000	50,000,000	50,000,000
	<hr/>	<hr/>	<hr/>	<hr/>
ISSUED AND FULLY PAID-UP				
Authorised:				
At 1 January	205,001,000	1,000	20,500,100	100
Allotment during the financial year	90,000,000	205,000,000	9,000,000	20,500,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	295,001,000	205,001,000	29,500,100	20,500,100
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

18. SHARE CAPITAL (CONT'D)

During the financial year, the Company increased its issued and paid-up share capital from RM20,500,100 to RM29,500,100 as part of its flotation scheme on the ACE Market of Bursa Malaysia Securities Berhad by the allotment of 90,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.12 each per ordinary share for public issue and listing. The issuance of these new ordinary shares has created a share premium account of RM1,800,000 of which RM866,767 being expenses directly attributable to the Share issuance were written off against the share premium account.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company

19. SHARE PREMIUM

The movements in the share premium of the Group and of the Company are as follows:-

	THE GROUP/THE COMPANY	
	2012 RM	2011 RM
At 1 January	-	-
Premium arising from public issue	1,800,000	-
Listing expenses	(866,767)	-
	<hr/>	<hr/>
At 31 December	933,233	-
	<hr/>	<hr/>

The total listing expenses for the Initial Public Offering exercise amounted to RM2,530,815 of which RM866,767 has been written off against share premium. The balance of the listing expenses has been recognised in profit or loss.

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

20. MERGER DEFICIT

The merger deficit relates to the subsidiary which was consolidated under the merger method of accounting.

The merger deficit arose from the difference between the nominal value of shares issued for the acquisition of the subsidiary and the nominal value of the shares acquired.

21. FAIR VALUE RESERVE

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

22. HIRE PURCHASE PAYABLES

	THE GROUP	
	2012	2011
	RM	RM
Minimum hire purchase payables:-		
- not later than one year	119,223	55,092
- later than one year and not later than five years	241,190	74,813
	<hr/>	<hr/>
	360,413	129,905
Future finance charges	(29,466)	(9,203)
	<hr/>	<hr/>
Present value of hire purchase payables	330,947	120,702
	<hr/>	<hr/>

The hire purchase payables are repayable as follows:-

	THE GROUP	
	2012	2011
	RM	RM
Current:		
- not later than one year (Note 27)	105,841	49,270
Non-current:		
- later than one year and not later than five years	225,106	71,432
	<hr/>	<hr/>
	330,947	120,702
	<hr/>	<hr/>

The effective interest rate of the hire purchase payables at the end of the reporting period range from 4.55 % to 7.00 % (2011 - 5.32% to 7.00%) per annum.

23. DEFERRED INCOME

	THE GROUP	
	2012	2011
	RM	RM
Current:		
- not later than one year	7,142,058	4,607,689
Non-current:		
- later than one year and not later than five years	2,380,686	6,143,584
	<hr/>	<hr/>
	9,522,744	10,751,273
	<hr/>	<hr/>

This is in respect of ancillary services provided to a customer over a contracted period of 4 years. Income is recognised on a systematic basis over the contract period. Deferred income represents billings made for services which will be rendered in the subsequent financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

24. TRADE PAYABLES

Included in the trade payables of the Group are retention sums of RM401,409 (2011 -RM324,136).

Retention monies represent a portion of progress billings which are due and payable upon expiry of the warranty period and the satisfaction of conditions specified in the relevant contracts.

The normal trade credit terms granted to the Group range from 30 to 120 (2011 - 30 to 120) days.

25. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables	465,792	2,388,958	-	3,352
Accruals	740,017	1,046,839	21,167	461,000
	<u>1,205,809</u>	<u>3,435,797</u>	<u>21,167</u>	<u>464,352</u>

Included in the other payables and accruals of the Group are:-

- An amount of RM418,856 (2011 - RM876,241), being the amount owing to a supplier in relation to the acquisition of cables as disclosed under Note 7 to the financial statements.
- An amount of RM1,500,000 in the previous financial period, being the advance payment received from a project customer for a project which commenced work towards the end of that reporting period.

26. AMOUNT OWING TO A SUBSIDIARY

The amount owing to a subsidiary is non-trade in nature, interest-free and repayable on demand. The amount owing is to be settled by offsetting against dividend receivable from a subsidiary.

27. SHORT-TERM BORROWINGS

	THE GROUP	
	2012 RM	2011 RM
Hire purchase payables (Note 22)	105,841	49,270
Bankers' acceptances	4,659,000	3,970,000
	<u>4,764,841</u>	<u>4,019,270</u>

The weighted average effective interest rate of the bankers' acceptances at the end of the reporting period was as follows:-

	THE GROUP	
	2012 per annum	2011 per annum
Bankers' acceptances	<u>4.39%</u>	<u>4.77%</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

27. SHORT-TERM BORROWINGS (CONT'D)

The bankers' acceptances are secured by:-

- (i) a third party legal charge over the property which belonged to the holding company;
- (ii) a pledge of certain fixed deposits of the Group;
- (iii) a joint and several guarantee of certain directors of the Company; and
- (iv) a corporate guarantee of the holding company.

28. REVENUE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Contract revenue	37,095,789	24,006,905	-	-
Sale of goods and rendering of services	1,660,734	1,814,581	-	-
Dividend income	-	-	1,188,000	2,100,000
	<u>38,756,523</u>	<u>25,821,486</u>	<u>1,188,000</u>	<u>2,100,000</u>

29. PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before taxation is arrived at after charging/ (crediting):-				
Allowance for impairment loss on quoted investment	2,550	-	-	-
Amortisation/(Accretion) of non-current trade receivables	36,370	(205,338)	-	-
Amortisation of development expenditure	-	22,924	-	-
Audit fee:				
- for the financial year	75,000	31,370	20,000	1,000
- underprovision in previous financial years	53,837	-	15,000	-
Bad debts written off	20,663	43,847	-	-
Directors' remuneration:				
- fees	238,000	192,000	70,000	-
- salaries, bonus and allowances	1,617,000	1,818,000	-	-
- defined contribution plan	226,800	277,800	-	-
Depreciation of plant and equipment	3,308,179	1,456,616	-	-
Hiring charges	29,915	22,916	-	-
Interest expense:				
- bank overdraft	2,328	9,344	-	-
- bankers' acceptances	120,039	194,713	-	-
- bank guarantee	74,956	40,507	-	-
- hire purchase	15,737	9,003	-	-
- letters of credit	12,883	7,168	-	-
- others	43,026	38,467	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

29. PROFIT BEFORE TAXATION (CONT'D)

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before taxation is arrived at after charging/ (crediting):-				
Listing expenses written off	680,046	782,386	680,046	782,386
Loss/(Gain) on foreign exchange:				
- realised	24,685	82,497	-	-
- unrealised	82,882	(218,298)	-	-
Rental of motor vehicle	-	660	-	-
Rental of premises	806,578	807,591	-	-
Staff costs:				
- salaries, bonus and allowances	2,435,049	2,620,401	1,016	-
- defined contribution plan	240,702	237,995	133	-
- other benefits	125,130	187,599	18	-
Dividend income	-	-	(1,188,000)	(2,100,000)
Gain on disposal of:				
- plant and equipment	(1,500)	-	-	-
- investment in a subsidiary	-	(343,328)	-	-
Interest income	(413,621)	(319,646)	(65,268)	-
Writeback of allowance for impairment losses on trade receivables	(139,431)	(183,036)	-	-
	<u>680,046</u>	<u>782,386</u>	<u>680,046</u>	<u>782,386</u>

30. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax expense:				
- for the financial year	1,086,000	1,754,000	-	-
- overprovision in the previous financial year	(264,646)	(53,200)	-	-
	<u>821,354</u>	<u>1,700,800</u>	<u>-</u>	<u>-</u>
Deferred tax expense (Note 8):				
- for the financial year	227,000	(1,048,000)	-	-
- overprovision in the previous financial year	(275,000)	(38,000)	-	-
	<u>(48,000)</u>	<u>(1,086,000)</u>	<u>-</u>	<u>-</u>
	<u>773,354</u>	<u>614,800</u>	<u>-</u>	<u>-</u>

During the current financial year, the statutory tax rate remained at 25%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

30. INCOME TAX EXPENSE (CONT'D)

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

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before taxation	4,219,366	1,848,669	371,045	1,301,372
Tax at the statutory tax rate of 25%	1,054,842	462,000	92,761	325,000
Tax effects of:-				
Non-taxable gain	(40,343)	(138,000)	(297,000)	(525,000)
Non-deductible expenses	298,501	382,000	204,239	200,000
Overprovision in the previous financial year:				
- current tax	(264,646)	(53,200)	-	-
- deferred tax	(275,000)	(38,000)	-	-
	773,354	614,800	-	-

31. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the Group's profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year, as follows:-

	THE GROUP	
	2012 RM	2011 RM
Profit attributable to owners of the Company	3,446,012	1,294,713
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 January	205,001,000	1,000
Effect of new ordinary shares issued	-	205,000,000
Effect of public issue	31,967,213	-
Weighted average number of ordinary shares at 31 December	236,968,213	205,001,000
Basic earnings per share (Sen)	1.45	0.63

The diluted earnings per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

32. NET CASH INFLOW FROM ACQUISITION OF A SUBSIDIARY

In the previous financial year, the Group acquired 1,020,000 ordinary shares of RM1.00 each at par in JMT Hidro Sdn. Bhd. ("JMT") representing 51% of the issued and paid-up capital of JMT.

The fair values of the identifiable assets and liabilities of JMT as at the date of acquisition were as follows:-

	2011
	RM
Cash and cash equivalents	1,971,421
Other current asset	10,000
Other payables and accruals	(4,767)
	<hr/>
Net identifiable assets and liabilities	1,976,654
Less: Non-controlling interests	(968,560)
Add: Goodwill on acquisition	11,906
	<hr/>
Total purchase consideration	1,020,000
Share subscription fee paid on behalf by the Group	800,000
Less: Cash and cash equivalents of subsidiary acquired	(1,971,421)
	<hr/>
Net cash outflow for acquisition of a subsidiary	<u>151,421</u>

The non-controlling interests were measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

The acquired subsidiary had contributed the following results to the Group:-

	2011
	RM
Revenue	-
Loss after taxation	(124,172)
	<hr/>

If the acquisition had taken place at the beginning of the previous financial year, the Group's loss after taxation would have been RM147,518.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

33. NET CASH OUTFLOW FROM DISPOSAL OF A SUBSIDIARY

In the previous financial year, the Group disposed of its entire equity interest in JMT to Modal Khas Holdings Sdn. Bhd. ("MK") for a total sale consideration of RM2,100,000. Consequently JMT ceased to be a subsidiary of the Group.

Details of the net assets disposed of and the net cash flows from the disposal of the subsidiary in the previous financial year were as follows:-

	THE GROUP 2011 RM
Current assets	1,852,482
Non-controlling interests	(907,716)
	<hr/>
Group's share of net assets disposed	944,766
Unamortised goodwill	11,906
Share subscription fee paid on behalf by the Group	800,000
Gain on disposal	343,328
	<hr/>
Proceeds from disposal	2,100,000
Offset by dividend declared during the financial year	(2,100,000)
Cash and cash equivalents of subsidiary disposed	(535,583)
	<hr/>
Net cash outflow from disposal of a subsidiary	(535,583)
	<hr/>

The effects of disposal of the subsidiary on the Group's financial results in the previous financial year were as follows:-

	THE GROUP 2011 RM
Revenue	-
Loss after taxation	(124,172)
	<hr/>

34. DIVIDEND

	2012 RM	THE GROUP 2011 RM
Single-tier interim dividend of RM0.21 per ordinary share in respect of the financial year ended 31 December 2011	-	2,100,000
	<hr/>	<hr/>

The dividend was settled by way of offset against proceeds from the disposal of the investment in a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

35. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash and bank balances	4,586,006	3,417,805	2,587,242	100
Fixed deposits with licensed banks (Note 17)	19,039,091	12,728,345	6,532,915	-
	<u>23,625,097</u>	<u>16,146,150</u>	<u>9,120,157</u>	<u>100</u>

36. DIRECTORS' REMUNERATION

(a) The aggregate amounts of emoluments received and receivable by directors of the Group and of the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive directors:				
- non-fee emoluments	1,843,800	2,095,800	-	-
- fees	208,000	192,000	40,000	-
Non-executive directors:				
- fees	30,000	-	30,000	-
	<u>2,081,800</u>	<u>2,287,800</u>	<u>70,000</u>	<u>-</u>

(b) Details of directors' emoluments of the Group and of the Company received/receivable for the financial year in bands of RM100,000 are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive directors:-				
Below RM100,000	-	-	3	-
RM100,001 - RM200,000	-	-	-	-
RM200,001 - RM300,000	-	-	-	-
RM300,001 - RM400,000	-	-	-	-
RM400,001 - RM500,000	-	-	-	-
RM500,001 - RM600,000	2	2	-	-
RM600,001 - RM700,000	-	-	-	-
RM700,001 - RM800,000	-	-	-	-
RM800,001 - RM900,000	-	-	-	-
RM900,001 - RM1,000,000	-	-	-	-
Above RM1,000,000	1	1	-	-
Non-executive directors:-				
Below RM100,000	3	-	3	-
	<u>6</u>	<u>3</u>	<u>6</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

37. CONTINGENT LIABILITY

	THE GROUP	
	2012 RM	2011 RM
Bank guarantees issued by a subsidiary to third parties	2,799,265	2,155,068

38. RELATED PARTY DISCLOSURES

(a) In addition to the information detailed elsewhere in the financial statements, identities of related parties are as follows:-

- (i) the Group has related party relationships with its holding company;
- (ii) the directors and certain key management personnel;
- (iii) entities controlled, jointly controlled or significantly influenced by the key management personnel/directors/substantial shareholders; and
- (iv) close members of the family of certain directors.

(b) Other than those disclosed elsewhere in the financial statements, the Group carried out the following transactions with the related parties during the financial year:-

	THE GROUP	
	2012 RM	2011 RM
(i) Holding company		
- Rental of premises	642,000	642,000
(ii) Related parties		
- Contract revenue	810,323	419,742
- Insurance and road tax expenses	23,873	26,036
- Purchases	19,459	26,168
- Staff secondment charges	1,137	49,721
- Sub-contractors' charges	114,846	277,022
- Printing and stationery	1,040	3,391
- Proceeds from disposal of investment in a subsidiary	-	2,100,000
(iii) Joint ventures		
- Staff secondment income	1,679	14,086
(iv) Key management personnel		
- Short-term employee benefits payable to directors	2,081,800	2,287,800

Key management personnel comprise executive and non-executive directors of the Group and of the Company who have authority and responsibility for planning, directing, and controlling the activities of the Group and of the Company, directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

39. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follows:-

- (i) M&E Engineering Services ("M&E") - involved in the provision of water treatment and sewerage industry, palm oil and sugar mills and refineries, and other factories.
- (ii) Manufacturing of LV switchboards ("LV") - involved in sub-distribution for the generation, transmission, distribution and conversion of electric energy and for the control of equipment that consume electric energy.
- (iii) Trading of equipment ("EQ") - involved in trading in distribution, power and converter transformers.

The Group consists of one company as disclosed in Note 6 to the financial statements. All 3 main business segments are held by the subsidiary, thus the Group's contract expenses, operating expenses, financing (including finance costs), income taxes, assets and liabilities are managed on a group and are not allocated to operating segments.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

BUSINESS SEGMENTS

	M&E RM	LV RM	EQ RM	Group RM
2012				
Revenue				
External revenue	36,443,943	1,127,055	1,185,525	38,756,523
Inter-segment revenue	-	-	-	-
	36,443,943	1,127,055	1,185,525	38,756,523
Adjustments and eliminations				-
Consolidated revenue				38,756,523
Results				
Segment results				14,243,493
Adjustments and eliminations				-
				14,243,493
Interest income				413,621
Depreciation of plant and and equipment				(3,308,179)
Finance costs				(268,969)
Other material items of expenses				(6,860,600)
				4,219,366
Income tax expense				(773,354)
Consolidated profit after taxation				3,446,012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

39. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2012

Assets

Segment assets				62,185,225
Elimination				(2,376,956)
				59,808,269

Deferred tax assets				1,689,000
Tax refundable				416,000
				2,105,000

Consolidated total assets				61,913,269
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Liabilities

Segment liabilities				31,778,933
Elimination				(2,376,956)
				29,401,977

Consolidated total liabilities				29,401,977
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Net assets

32,511,292

Other segment items

Additions to non-current assets other than financial instruments:-				
- plant and equipment				11,554,611
				11,554,611

	M&E RM	LV RM	EQ RM	Group RM
2011				
Revenue				
External revenue	24,006,904	779,156	1,035,426	25,821,486
Inter-segment revenue	-	-	-	-
	24,006,904	779,156	1,035,426	25,821,486
Adjustments and eliminations				-
Consolidated revenue				25,821,486
Results				
Segment results				10,181,008
Adjustments and eliminations				-
				10,181,008
Interest income				319,646
Depreciation of plant and and equipment				(1,456,616)
Finance costs				(299,202)
Other material items of expenses				(6,896,167)
				1,848,669
Income tax expense				(614,800)
Consolidated profit after taxation				1,233,869

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

39. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	Group RM
2011	
Assets	
Segment assets	40,951,692
Elimination	(1,090,831)
	<hr/> 39,860,861
Deferred tax assets	1,641,000
	<hr/> 41,501,861
Liabilities	
Segment liabilities	22,831,645
Elimination	(1,090,831)
	<hr/> 21,740,814
Provision for taxation	629,000
	<hr/> 22,369,814
Net assets	<hr/> 19,132,047
Other segment items	
Additions to non-current assets other than financial instruments:-	
- plant and equipment	9,880,876
	<hr/>

(a) Other material items of expenses consist of the following:-

	THE GROUP	
	2012 RM	2011 RM
Directors' non-fee emoluments	2,081,800	2,287,800
Listing expenses	680,046	782,386
Professional fees *	491,295	150,000
Staff costs	2,800,881	3,045,995
Rental expenses	806,578	629,986
	<hr/> 6,860,600	<hr/> 6,896,167

* - Professional fees rendered for consultancy and project management services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

39. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION

	THE GROUP REVENUE	
	2012 RM	2011 RM
Malaysia	37,959,871	25,406,334
Indonesia	679,050	-
United Arab Emirates	117,602	415,152
	<u>38,756,523</u>	<u>25,821,486</u>

All non-current assets of the Group are located in Malaysia during the financial year.

MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of Group revenue:-

	REVENUE		SEGMENT
	2012 RM	2011 RM	
SGL Carbon Sdn. Bhd.	7,027,459	9,812,086	M&E engineering services - Factory.
	-	132,157	Trading of equipment.
Shimizu-Nishimatsu-UEMB-IJM Joint Venture	8,363,521	5,750,446	M&E engineering services - Water transfer tunnel.
Jaks Sdn. Bhd.	14,006,309	216,842	M&E engineering services - Property developer.
1MDB Real Estate Sdn. Bhd.	4,374,736	-	M&E engineering services - Real Estate.

40. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the reporting period are as follows:-

	2012 RM	2011 RM
United States Dollar	3.06	3.12
United Arab Emirates Dirham	0.83	0.86

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

41. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

41.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Foreign currency exposure

	United States Dollar RM
THE GROUP	
2012	
Financial Assets	
Fixed deposits with licensed banks	918,554
Cash and bank balances	747,482
	<hr/>
Net currency exposure	1,666,036
	<hr/>
2011	
Financial Assets	
Fixed deposits with licensed banks	954,850
Cash and bank balances	1,306,897
	<hr/>
Financial Liability	
Trade payables	(137,084)
	<hr/>
Net currency exposure	2,124,663
	<hr/>

There were no outstanding foreign trade payables at the end of the current reporting period.

Foreign currency risk sensitivity analysis

A 10% strengthening of the RM against the United States Dollar at the end of the reporting period would have increased profit after taxation and equity respectively by RM124,953 (2011 - RM159,350). A 10% weakening in the foreign currency would have had an equal but opposite effect on the profit after taxation and equity respectively. This assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in the respective notes to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	THE GROUP		THE COMPANY	
	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM
Effects on profit after taxation and equity				
Increase of 100 basis points ("bp")	107,851	87,583	48,997	-
Decrease of 100bp	(107,851)	(87,583)	(48,997)	-

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group's exposure to equity price risk is minimal as the Group only maintains a small portfolio of equities as disclosed in Note 9 to the financial statements. The Group's exposure to equity price risk at the end of the reporting period would have an immaterial impact on the profit after taxation and equity respectively. As such, sensitivity analysis is not disclosed.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by three major customers which constituted approximately 83% (2011 - 68%) of its trade receivables at the end of the reporting period.

(ii) Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

The Group does not have exposure to international credit risk at the end of the reporting period as the entire trade receivables were concentrated in Malaysia.

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables (including amounts by related parties and joint ventures) is as follows:-

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
2012			
Not past due	3,475,412	-	3,475,412
Past due:			
- less than 3 months	9,861,415	-	9,861,415
- 3 to 9 months	1,341,490	-	1,341,490
- over 9 months	2,318,049	(1,568,789)	749,260
	<u>13,520,954</u>	<u>(1,568,789)</u>	<u>11,952,165</u>
Non retention sum portion	16,996,366	(1,568,789)	15,427,577
Retention sum portion	2,917,065	(113,491)	2,803,574
Total trade receivables	<u>19,913,431</u>	<u>(1,682,280)</u>	<u>18,231,151</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis (Cont'd)

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
2011			
Not past due	4,921,094	-	4,921,094
Past due:			
- less than 3 months	141,073	-	141,073
- 3 to 9 months	15,468	-	15,468
- over 9 months	2,082,259	(1,708,220)	374,039
	2,238,800	(1,708,220)	530,580
Non retention sum portion	7,159,894	(1,708,220)	5,451,674
Retention sum portion	3,096,370	(77,121)	3,019,249
Total trade receivables	10,256,264	(1,785,341)	8,470,923

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undisclosed Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
2012					
Hire purchase payables	5.78	330,947	360,413	119,223	241,190
Trade payables	4.59	13,619,652	13,634,691	13,218,243	416,448
Other payables and accruals	-	1,205,809	1,205,809	1,205,809	-
Amount owing to joint ventures	-	26,663	26,663	26,663	-
Amount owing to related parties	-	37,162	37,162	37,162	-
Bankers' acceptances	4.39	4,659,000	4,659,000	4,659,000	-
		19,879,233	19,923,738	19,266,100	657,638
2011					
Hire purchase payables	6.25	120,702	129,905	55,092	74,813
Trade payables	4.00	2,786,112	2,791,901	2,451,139	340,762
Other payables and accruals	-	1,935,797	1,935,797	1,935,797	-
Amount owing to joint ventures	-	578,362	578,362	578,362	-
Amount owing to related parties	-	98,568	98,568	98,568	-
Bankers' acceptances	4.77	3,970,000	3,970,000	3,970,000	-
		9,489,541	9,504,533	9,088,958	415,575

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

THE COMPANY	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undisclosed Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
2012					
Other payables and accruals	-	21,167	21,167	21,167	-
Amount owing to a subsidiary	-	1,188,895	1,188,895	1,188,895	-
		1,210,062	1,210,062	1,210,062	-
2011					
Other payables and accruals	-	464,352	464,352	464,352	-
Amount owing to a subsidiary	-	1,090,831	1,090,831	1,090,831	-
		1,555,183	1,555,183	1,555,183	-

41.2 CAPITAL RISK MANAGEMENT

The Group manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on the debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

There was no change in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

41. FINANCIAL INSTRUMENTS (CONT'D)

41.2 CAPITAL RISK MANAGEMENT (CONT'D)

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	THE GROUP	
	2012 RM	2011 RM
Hire purchase payables	330,947	120,702
Trade payables	13,619,652	2,786,112
Other payables and accruals	1,205,809	1,935,797
Amount owing to joint ventures	26,663	578,362
Amount owing to related parties	37,162	98,568
Bankers' acceptances	4,659,000	3,970,000
	<u>19,879,233</u>	<u>9,489,541</u>
Less: Fixed deposits with licensed banks	(19,039,091)	(12,728,345)
Less: Cash and bank balances	(4,586,006)	(3,417,805)
	<u>(3,745,864)</u>	<u>(6,656,609)</u>
Net debt		
	<u>32,511,292</u>	<u>19,132,047</u>
Total equity		
Debt-to-equity ratio	Not applicable	Not applicable

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as the cash and cash equivalents exceeded the total debts.

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

41.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Financial assets				
<u>Available-for-sale financial assets</u>				
Other investments	104,250	106,800	-	-
	<u>104,250</u>	<u>106,800</u>	<u>-</u>	<u>-</u>
<u>Loans and receivables financial assets</u>				
Trade receivables	17,696,564	8,198,597	-	-
Other receivables and deposits	439,894	220,862	1,000	-
Amount owing by joint ventures	6,224	463,311	-	-
Amount owing by related parties	57,788	59,537	-	-
Fixed deposits with licensed banks	19,039,091	12,728,345	6,532,915	-
Cash and bank balances	4,586,006	3,417,805	2,587,242	100
	<u>41,825,567</u>	<u>25,088,457</u>	<u>9,121,157</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

41. FINANCIAL INSTRUMENTS (CONT'D)

41.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Financial liabilities				
<u>Other financial liabilities</u>				
Hire purchase payables	330,947	120,702	-	-
Trade payables	13,619,652	2,786,112	-	-
Other payables and accruals	1,205,809	1,935,797	21,167	464,352
Amount owing to joint ventures	26,663	578,362	-	-
Amount owing to related parties	37,162	98,568	-	-
Amount owing to a subsidiary	-	-	1,188,895	1,090,831
Bankers' acceptances	4,659,000	3,970,000	-	-
	<u>19,879,233</u>	<u>9,489,541</u>	<u>1,210,062</u>	<u>1,555,183</u>

41.4 FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair values of quoted investment and investment in club membership are estimated based on their quoted market prices at the end of the reporting period.
- (iii) The fair value of the hire purchase payables is determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period.

41.5 FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:-

Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

41. FINANCIAL INSTRUMENTS (CONT'D)

41.5 FAIR VALUE HIERARCHY (CONT'D)

Fair value hierarchy analysis

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
THE GROUP				
2012				
Financial asset				
Other investments:				
- quoted shares	4,250	-	-	4,250
- transferable club membership	-	100,000	-	100,000
	<u>4,250</u>	<u>100,000</u>	<u>-</u>	<u>104,250</u>
2011				
Financial asset				
Other investments:				
- quoted shares	6,800	-	-	6,800
- transferable club membership	-	100,000	-	100,000
	<u>6,800</u>	<u>100,000</u>	<u>-</u>	<u>106,800</u>

There were no transfers between level 1 and level 2 fair value measurements during the current financial year.

42. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Company's entire enlarged issued and paid-up share capital comprising 295,001,000 ordinary shares of RM0.10 each was listed on the ACE Market of Bursa Malaysia Securities Berhad on 29 August 2012.

43. COMPARATIVE FIGURES

The comparative figures of the Group as at 1 January 2011 were presented based on the financial statements of the subsidiary accounted for using the merger method of accounting, as the subsidiary was under common control by the same parties both before and after the acquisition by the Company, and control was not transitory.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

44. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared 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, as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits/(accumulated losses) of the Company and its subsidiary:				
- realised	10,954,841	7,255,649	(726,138)	(1,097,183)
- unrealised	1,606,118	1,859,298	-	-
At 31 December	12,560,959	9,114,947	(726,138)	(1,097,183)

ANALYSIS OF SHAREHOLDINGS

AS AT 25 MARCH 2013

Authorised Share Capital	:	RM50,000,000.00
Issued and Fully Paid-Up Capital	:	RM29,500,100.00
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Right	:	Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share he holds.
Number of Shareholders	:	1,532

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	3	0.20	100	0.00
100 to 1,000	51	3.33	35,000	0.01
1,001 to 10,000	418	27.28	2,973,500	1.01
10,001 to 100,000	893	58.29	38,212,200	12.95
100,001 to 14,750,049	163	10.64	48,779,200	16.54
14,750,050 and above	4	0.26	205,001,000	69.49
Total	1,532	100.00	295,001,000	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Modal Khas Holdings Sdn Bhd	143,501,000	48.64	-	-
2. Teng Ah Kiong	31,980,000	10.84	143,501,000 ⁽¹⁾	48.64
3. Tan Chor Tong	14,760,000	5.00	143,501,000 ⁽¹⁾	48.64
4. Teng Yoon Kooi	14,760,000	5.00	143,501,000 ⁽¹⁾	48.64

Note:

- (1) Deemed interested under Section 6A of the Companies Act, 1965 by virtue of his shareholding in Modal Khas Holdings Sdn Bhd.

DIRECTORS' SHAREHOLDINGS

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Teng Ah Kiong	31,980,000	10.84	143,501,000 ⁽¹⁾	48.64
2. Teng Yoon Kooi	14,760,000	5.00	143,501,000 ⁽¹⁾	48.64
3. Tan Chor Tong	14,760,000	5.00	143,501,000 ⁽¹⁾	48.64
4. Datuk Khor Chin Poey	1,000,000	0.34	-	-
5. Ir. S. P. Thiagarajan A/L Suppiah	1,000,000	0.34	-	-
6. Teoh Kim Hooi	300,000	0.10	-	-

Note:

- (1) Deemed interested under Section 6A of the Companies Act, 1965 by virtue of his shareholding in Modal Khas Holdings Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS AS AT 25 MARCH 2013 (CONT'D)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No. Names	No. of Shares	%*
1. Modal Khas Holdings Sdn Bhd	143,501,000	48.64
2. Teng Ah Kiong	31,980,000	10.84
3. Tan Chor Tong	14,760,000	5.00
4. Teng Yoon Kooi	14,760,000	5.00
5. Leong Kok Peng	4,300,000	1.46
6. Saw Kong Beng	1,500,000	0.51
7. Leow Jiah Soon	1,210,500	0.41
8. Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Khor Chin Poey (PB)	1,000,000	0.34
9. Low Sze Ngian	1,000,000	0.34
10. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Soo Khim (E-TWU/LDU)	1,000,000	0.34
11. Ir. S. P. Thiagarajan A/L Suppiah	1,000,000	0.34
12. Sim Tze Jye	885,000	0.30
13. SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Francis Ho Ik Sing (SMT)	878,300	0.30
14. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tey Heong Tiong (E-TCS)	800,000	0.27
15. Pete Emmanuel A/L J. A Pereira	707,000	0.24
16. Yong Chean Peng	699,000	0.24
17. Koay Chee Hong	600,000	0.20
18. Ling Ping Ching	600,000	0.20
19. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Francis Ho Ik Sing (8095529)	577,000	0.20
20. Tey Chee Thong	550,000	0.19
21. Tay Khai Wei	522,000	0.18
22. Pang Fook For	520,000	0.18
23. Tan Bak Hai	510,000	0.17
24. Hing Wai Keong	500,000	0.17
25. Loh Yun Chyi	500,000	0.17
26. Maybank Nominees (Tempatan) Sdn Bhd Boey Cheng Hai	500,000	0.17
27. Maybank Nominees (Tempatan) Sdn Bhd Wong Kim Ling	500,000	0.17
28. Chuah Tiong Pan	460,000	0.16
29. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tai Fook Hwa	448,000	0.15
30. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Siow Shan	422,000	0.14

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at Wisma Modal Khas, Lot 5815-A, Jalan Mawar, Taman Bukit Serdang, Seksyen 9, 43300 Seri Kembangan, Selangor Darul Ehsan on Thursday, 23 May 2013 at 10.00 a.m. for the following purposes:

AGENDA

1. To table the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. (Please refer to Note A)
2. To approve the Directors' Fees amounting to RM30,000 for the financial year ended 31 December 2012. **(Ordinary Resolution 1)**
3. To re-elect Mr Tan Chor Tong, the Director who is retiring pursuant to Article 70 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Ordinary Resolution 2)**
4. To re-appoint the following Directors who are retiring pursuant to Section 129 (6) of the Companies Act, 1965, and being eligible, have offered themselves for re-appointment:
 - (i) Datuk Khor Chin Poey **(Ordinary Resolution 3)**
 - (ii) Ir. S. P. Thiagarajan A/L Suppiah **(Ordinary Resolution 4)**
5. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions and Special Resolution:

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act"), the Directors be and are hereby empowered to issue shares in the Company, at any time until the conclusion of the next Annual General Meeting ("AGM") 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 does not exceed ten per centum (10%) of the issued share capital of the Company at the time of issue 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 to be in force until the conclusion of the next Annual General Meeting of the Company." **(Ordinary Resolution 6)**

7. **PROPOSED SHAREHOLDERS' RATIFICATION FOR RECURRENT RELATED PARTY TRANSACTIONS**

"THAT all the recurrent related party transactions entered into by the Company and its subsidiaries with the related parties as set out in Section 2.3 of the Circular to Shareholders dated 30 April 2013 ("Circular") from 29 August 2012, being the listing date of the Company on the ACE Market of Bursa Malaysia Securities Berhad to the date of the forthcoming Annual General Meeting, which were undertaken in the ordinary course of business, on arms length basis, on normal commercial terms which were not more favourable to the related party than those generally available to the public and were not detrimental to the minority shareholders of the Company, be hereby approved and ratified.

AND THAT all the actions taken and the execution of all necessary documents by the Directors of the Company as they had considered expedient or deemed fit in the interest of the Company be hereby approved and ratified." **(Ordinary Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS

"THAT, subject always to the provisions of the Act, the Memorandum & Articles of Association of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the regulations, guidelines and guidance notes issued from time to time by Bursa Securities or any other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiary company to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business as set out in Section 2.3 of the Circular, which are necessary for the day-to-day operations; and undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which were not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT such approval shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following this AGM at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) it is revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is earlier;

AND THAT authority be and is hereby given to the Directors of the Company and its subsidiary to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution.

AND THAT the estimates given in respect of the recurrent related party transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount(s) thereof provided that such amount or amounts comply with the procedures set out in Section 2.4 of the Circular."

(Ordinary Resolution 8)

9. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the existing Articles 63 and 64 in the Articles of Association of the Company be deleted in its entirety and the following be substituted in lieu thereof:

Article Existing Article

Proposed Amendments

63 (a) A Member may appoint up to two (2) proxies to attend the same meeting. Where a Member appoints two (2) proxies, the appointment shall not be valid unless the Member specifies the proportion of his shareholding to be represented by each proxy.

A Member may appoint up to two (2) proxies to attend the same meeting. Where a Member appoints two (2) proxies, the appointment shall not be valid unless the Member specifies the proportion of his shareholding to be represented by each proxy. **There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.**

63 (b) 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 ordinary 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. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.**

NOTICE OF ANNUAL GENERAL MEETING

Article Existing Article

64 The instrument appointing a proxy shall be in writing (in the common or usual form) 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. Save for the authorised nominee defined under Article 63(b) above, a proxy may but need not be a Member of the Company. If the proxy is not a Member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

Proposed Amendments

The instrument appointing a proxy shall be in writing (in the common or usual form) 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. Save for the **exempt** authorised nominee defined under Article 63(b) above, a proxy may but need not be a Member of the Company. If the proxy is not a Member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

(Special Resolution 1)

By Order of the Board

ANNA LEE AI LENG (LS 0009729)
PANG CHIA TYNG (MAICSA 7034545)

Company Secretaries

Selangor Darul Ehsan
30 April 2013

Notes:

- (A) *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 and hence, is not put forward for voting.*
- (1) *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*
- (2) *A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.*
- (3) *Where a member 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 ordinary shares of the Company standing to the credit of the said securities account.*
- (4) *If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.*
- (5) *The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

- (6) *If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.*
- (7) *The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the Meeting is 15 May 2013.*
- (8) *Explanatory Notes on Special Business:*

(i) **Ordinary Resolution 6**
Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 6, if passed, will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding current and/or future investment project(s), working capital and/or acquisitions.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of share, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being, for such purposes. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. The general mandate sought for issue of securities is a new mandate which the Company wishes to seek from its shareholders at this Annual General Meeting.

(ii) **Ordinary Resolution 7**
Proposed Shareholders' Ratification for Recurrent Related Party Transactions ("Proposed Shareholders' Ratification")

The proposed Ordinary Resolution 7, if passed, will ratify all the recurrent related party transactions entered into by the Company and its subsidiary from 29 August 2012, being the listing date of the Company on the ACE Market of Bursa Securities Malaysia Berhad to the date of the forthcoming Annual General Meeting. The details of the Proposed Shareholders' Ratification are set out in the Circular to Shareholders dated 30 April 2013 which is despatched together with the Annual Report 2012.

(iii) **Ordinary Resolution 8**
Proposed Shareholders' Mandate for Recurrent Related Party Transactions ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 8, if passed, will benefit the Company by facilitating entry by members of the Group into transactions with Related Parties specified in Section 2.3 of the Circular in the ordinary course of the Group's business on commercial terms, in a timely manner and will enable the Group to continue to carry out recurrent related party transactions necessary for the Group's day-to-day operations. This will substantially reduce administration time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group. The details of the Proposed Shareholders' Mandate are set out in the Circular to Shareholders dated 30 April 2013 which is despatched together with the Annual Report 2012.

(iv) **Special Resolution 1**
Proposed Amendments to the Articles of Association of the Company

The proposed amendments to the Articles of Association of the Company are to comply with the amendments made in Chapter 7 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad in relation to the Appointment of Multiple Proxies by an Exempt Authorised Nominee, Qualification of Proxy and Rights of Proxy to Speak.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad

There is no person seeking election as Director of the Company at this Eighth Annual General Meeting.

PROXY FORM



PASUKHAS GROUP BERHAD

(Company No. 686389-A)

(Incorporated in Malaysia under the Companies Act, 1965)

No. of ordinary shares held

CDS Account No.

I/We NRIC No./Co. No.
(full name in block letters)

of
(full address)

Tel No. being a member/members of **PASUKHAS GROUP BERHAD** hereby appoint the
 *THE CHAIRMAN OF THE MEETING or failing him/her

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
1.			
*And/or (delete as appropriate)			
2.			

as my/our proxy/proxies, to vote for me/us on my/our behalf at the Eighth Annual General Meeting of Pasukhas Group Berhad to be held at Wisma Modal Khas, Lot 5815-A, Jalan Mawar, Taman Bukit Serdang, Seksyen 9, 43300 Seri Kembangan, Selangor Darul Ehsan on Thursday, **23 May 2013 at 10.00 a.m.**, or at any adjournment thereof.

* If you wish to appoint other person(s) to be your proxy(ies), kindly delete the words "The Chairman of the Meeting or failing him/her" and insert the name(s) of the person(s) desired

My/our proxy/proxies is/are to vote as indicated below:

Resolutions	For	Against
Ordinary Business		
1. To approve the Directors' Fees amounting to RM30,000 for the financial year ended 31 December 2012		
2. To re-elect Mr Tan Chor Tong as Director		
3. To re-appoint Datuk Khor Chin Poey as Director		
4. To re-appoint Ir. S. P. Thiagarajan A/L Suppiah as Director		
5. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration		
Special Business		
6. Authority to Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
7. Proposed Shareholders' Ratification for Recurrent Related Party Transactions		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
9. Proposed Amendments to the Articles of Association of the Company		

(Please indicate with a cross (X) in the space provided, how you wish your vote to be cast in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.)

Signed this day of 2013

.....
 Signature/Common Seal of Shareholder

NOTES:

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation. If the proxy is not a member, he needs not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
- Where a member 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 ordinary shares of the Company standing to the credit of the said securities account.
- If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
- If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.

Fold this flap for sealing

Then fold here

**Affix
stamp**

THE COMPANY SECRETARY
PASUKHAS GROUP BERHAD
10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur

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