



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



## Impetus Our Progressive **Strength**

Annual Report **2013**

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# Corporate Information

## BOARD OF DIRECTORS

**Teng Ah Kiong**  
Chairman / Managing Director

**Teng Yoon Kooi**  
Executive Director

**Tan Chor Tong**  
Executive Director

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

**Teoh Kim Hooi**  
Independent Non-Executive Director

**Yap Chee Keong**  
Independent Non-Executive Director

## AUDIT COMMITTEE

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

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

**Yap Chee Keong**  
Independent Non-Executive Director

## COMPANY SECRETARIES

Anna Lee Ai Leng (LS 0009729)  
Lim Lee Kuan (MAICSA 7017753)

## 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

## PRINCIPAL BANKERS

RHB Bank Berhad  
United Overseas Bank (Malaysia) 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

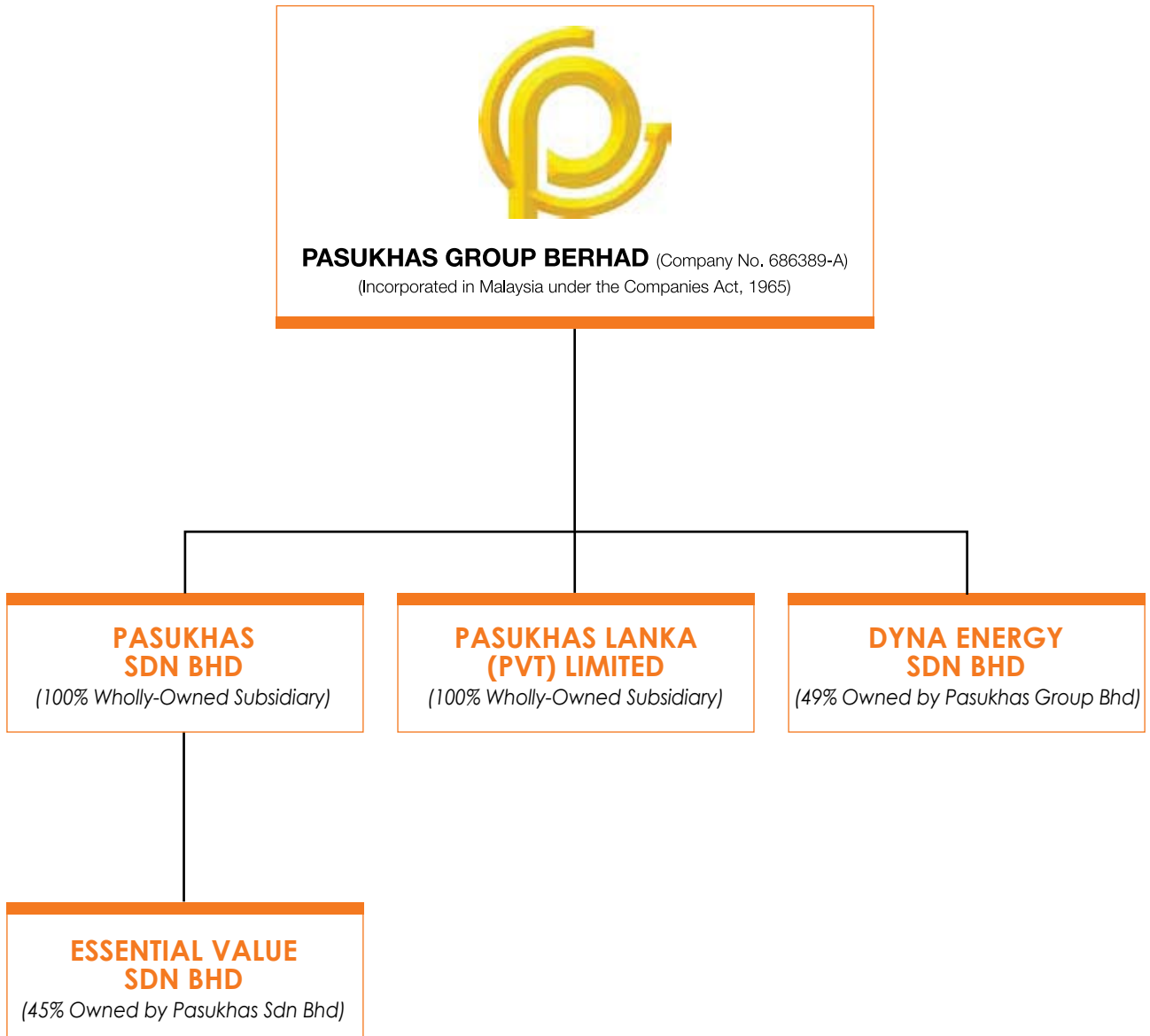
## SPONSOR

**M&A Securities Sdn. Bhd.**  
No. 45-3 (Level 3), The Boulevard  
Midvalley City  
Lingkaran Syed Putra  
Mid Valley City  
59200 Kuala Lumpur  
Tel : 03 2284 2911  
Fax : 03 2284 2718

## 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

# Corporate Structure



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Ninth 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 Tuesday, 24 June 2014 at 10.30 a.m. for the following purposes:

## AGENDA

1. To table the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note A)**
2. To approve the Directors' Fees amounting to RM67,000 for the financial year ended 31 December 2013. **(Ordinary Resolution 1)**
3. To re-elect Mr Teng Yoon Kooi, 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-elect Mr Yap Chee Keong, the Director who is retiring pursuant to Article 75 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Ordinary Resolution 3)**
5. To re-appoint Ir. S. P. Thiagarajan A/L Suppiah, the Director who is retiring pursuant to Section 129 (6) of the Companies Act, 1965, and being eligible, has offered himself for re-appointment. **(Ordinary Resolution 4)**
6. 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:

### 7. **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)**

# Notice of Annual General Meeting (cont'd)

## 8. PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTION(S) OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"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 companies to enter into recurrent related party transaction(s) 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 transaction(s) as authorised by this Ordinary Resolution.

AND THAT the estimates given in respect of the recurrent related party transaction(s) 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 2.5 of the Circular." **(Ordinary Resolution 7)**

By Order of the Board

**ANNA LEE AI LENG (LS 0009729)**  
**LIM LEE KUAN (MAICSA 7017753)**

Company Secretaries

Selangor Darul Ehsan  
2 June 2014

# Notice of Annual General Meeting (cont'd)

## 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.
- (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 17 June 2014.
- (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.

This is the renewal of the mandate obtained from the shareholders at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and no proceeds were raised. The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

(ii) **Ordinary Resolution 7**  
**Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transaction(s) of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

The proposed Ordinary Resolution 7, if passed, will allow the Group to enter into Recurrent Related Party Transaction(s) of a Revenue or Trading Nature pursuant to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

Please refer to the Circular to Shareholders dated 2 June 2014 despatched together with the Annual Report 2013.

# Statement Accompanying Notice of Annual General Meeting

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

# Chairman's Statement

## OUR FINANCIAL PERFORMANCE

The financial year ended 31 December 2013 was a challenging year for the Group. During the FYE 31 December 2013, the Group recorded an increase in its overall revenue by 6.56% or RM2.541 million, from RM38.756 million in the FYE 31 December 2012 to RM41.297 million during FYE 31 December 2013 mainly from the M&E Engineering services segment.

The total Group's revenue was mainly contributed by M&E engineering services (99.01%) whilst the remaining is from Manufacturing of LV Switchboards.

Despite the increase in revenue, profit after taxation fell from RM3.446 million during FYE 31 December 2012 to RM1.286 million during FYE 31 December 2013 mainly due higher cost and intense competition with pressure on pricing.

## DIVIDEND

The Board is not recommending any dividend in respect of FYE 31 December 2013.

## INDUSTRY OUTLOOK AND FUTURE PROSPECTS

The main revenue driver for PASUKHAS Group is from the M&E Engineering services projects. The continuous intense competitive market and environment, coupled with the continued pressure of pricing remain the significant factors that may have an impact on the Group's earnings position moving forward. The Group has been aggressively seeking new projects by selectively participating in sizeable contracts to increase the book order as well as seeking new business avenues or joint venture projects. The Company also plan to continue to identify potential civil engineering and construction projects for commercial high rise buildings and work with various property developers in Malaysia and in the Asian region. This shall provide PASUKHAS with the opportunity to broaden its customer base in its targeted industries to include established and global customers in its portfolio. By focusing on expanding its market base geographically, PASUKHAS seek to increase its profitability and sustainability while at the same time to reduce its dependency on a single country's economic and industry performance.

In addition, PASUKHAS shall continuously seek to focus on its in-house research and development methods for the development of new innovative technology methods for use in its M&E engineering services business segment, as well as production methods to offer comprehensive services for key electrical installation equipment to its customers. This includes plans to expand its range of related electrical installation equipment/components to complement its existing offering of LV switchboards and distribution, power and converter transformers. PASUKHAS is in the midst of conducting its research and development for the production of medium voltage switchboards.

The Group has also diversified into Civil Engineering and Construction services.

The management of PASUKHAS believes that the civil engineering and construction business segment is one of the most rapidly growing segments in Malaysia, due to the impact of the various mega projects currently been implemented in Malaysia and overseas.

# Chairman's Statement (cont'd)

## CORPORATE SOCIAL RESPONSIBILITIES

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

### Human Capital Development

The Group sends its employees to various trainings, seminars and workshops to upgrade and enhance their specific skills and knowledge such as related technical training, up to date technology and management and administrative courses. The Group also paid a great attention on the impact of GST with several key personnel being sent for exposure, and the Group have plan to engage a consultant to conduct in-house training.

### Safety and Health and Employee Welfare

The Group whilst pursuing the business objectives of growth in enhancing shareholders value is also cognizant of its corporate social responsibility and the importance of the contribution it can make in respect thereof, particularly towards improving the workplace, the community it operates in and the environment to ensure the safety and well-being of our employees.

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

## ACKNOWLEDGEMENT

On behalf of the Board, I wish to express my sincere gratitude and appreciation to all our valued shareholders, customers, business associates, financiers and suppliers for their continuous support of our Group. My appreciation also goes to my fellow members of the Board for their contribution and wisdom in steering the Group's business. Last but not least, I also wish to extend special thanks to the Management and employees for their continuous hard work and commitment in discharging their duties and effort to improve the operational and business aspects of the Group. I hope they will continue to strive for higher standards of service that is vital to the Group's sustained growth.

Thank you.

**TENG AH KIONG**

Chairman

# Directors' Profile

## CHAIRMAN / MANAGING DIRECTOR

**TENG AH KIONG**, a Malaysian aged 61, 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<sup>1</sup> 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 57, 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 56, 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

**Ir. S. P. THIAGARAJAN A/L SUPPIAH**, a Malaysian aged 72, 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 59, 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 TKH & Partners. 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.

### INDEPENDENT NON-EXECUTIVE DIRECTOR

**YAP CHEE KEONG**, a Malaysian aged 59, was appointed to the Board on 19 August 2013. He is the Chairman of the Remuneration Committee and is also a member of the Audit Committee and the Nomination Committee.

Mr. Yap holds a Bachelor of Arts (First Class Honours) degree in Economics from the University of Leeds, United Kingdom (1978). He is also a Chartered Accountant of the Institute of Chartered Accountants of Scotland (1981).

Mr. Yap has auditing experience in England from 1978 to 1981. He also has extensive financial experience gained from his career in merchant banking from 1981 to 1997 with Bumiputra Merchant Bankers Berhad. Mr. Yap Chee Keong is now a Financial Adviser and Company Director. He had also served as Director of several public listed companies.

## 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 2 June 2014 despatched together with this Annual Report, 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 24 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 pages 98 and 99 of this Annual Report.

**6. Directorships**

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

# 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 2013.

## 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

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

Yap Chee Keong - Independent Non-Executive Director

The Audit Committee met five (5) times during the financial year ended 31 December 2013 and the details of attendance of the Audit Committee Members are as follows:

| Name of Director  | Attendance |
|---|------------|
| Mr Teoh Kim Hooi – Chairman<br><i>Independent Non-Executive Director</i>  | 5/5        |
| Ir. S. P. Thiagarajan A/L Suppiah – Member<br><i>Independent Non-Executive Director</i>                         | 5/5        |
| Mr Yap Chee Keong – Member<br><i>Independent Non-Executive Director</i><br><i>(Appointed on 19 August 2013)</i> | 2/2        |
| Datuk Khor Chin Poey – Member<br><i>Independent Non-Executive Director</i><br><i>(Retired on 23 May 2013)</i>   | 2/2        |

Details of the members of the Audit Committee are contained in the Directors' Profile as set out on pages 10 to 12 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.

# Audit Committee Report (cont'd)

## SUMMARY OF TERMS OF REFERENCE (CONT'D)

### 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.

### 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 evaluate the quality and effectiveness of the Company's Internal Control system and management information systems, including compliance with applicable laws, rules, corporate governance requirements and guidelines;
- (d) To recommend to the Board the Director's Statement on Risk Management and Internal Control and any changes to the said Statement;
- (e) 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;
- (f) 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;
- (g) To consider any related party transactions that may arise within the Company or Group;
- (h) To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal;
- (i) To consider the major findings of internal investigations and Management's response; and
- (j) 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.

# Audit Committee Report (cont'd)

## SUMMARY OF TERMS OF REFERENCE (CONT'D)

### 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.

## 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 during the financial year ended 31 December 2013, including the deliberation on and 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 annual audited financial statements of the Company and of the Group prior to the submission to the Board of Directors for consideration and approval.
- (iii) the audit plan of the external auditors in terms of their scope of audit prior to their commencement of their annual audit.

# Audit Committee Report (cont'd)

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

- (iii) the related party transactions to ensure that they were not detrimental to the interests of the minority shareholders.
- (iv) the internal audit report which outlined the recommendations towards correcting areas of weaknesses and ensured that there were management action plans established for the implementation of the internal auditors' recommendations.
- (v) 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.
- (vi) the re-appointment of external auditors and their audit fees, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit, before the recommendation to the Board of Directors for approval.
- (vii) The necessary trainings attended by members of the Audit Committee, which are as set out on page 25 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.

During the financial year ended 31 December 2013, the Group had incurred a total amount of RM21,605.20 for the internal audit function.

The report is made in accordance with the resolution of the Board of Directors dated 23 May 2014.

# Statement on Corporate Governance

The Board of Directors of Pasukhas Group Berhad ("the Company" or "Pasukhas") is committed towards 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 the 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").

## 1.0 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.

# Statement on Corporate Governance (cont'd)

## 1.0 Establish clear roles and responsibilities (Cont'd)

### 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.

(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.

(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.

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.

# Statement on Corporate Governance (cont'd)

## 1.0 Establish clear roles and responsibilities (Cont'd)

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

- (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 had 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 pages 27 and 28 of this Corporate Governance Statement and the same had also been published on the corporate website.

### 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.

# Statement on Corporate Governance (cont'd)

## 1.0 Establish clear roles and responsibilities (Cont'd)

### 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 had 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.

### 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.

# Statement on Corporate Governance (cont'd)

## 2.0 Strengthen Composition (Cont'd)

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

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.

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.

#### Gender diversity policy

The Board shall endeavour to achieve at least one (1) female director by 2016. The Board through the NC shall 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.

# Statement on Corporate Governance (cont'd)

## 2.0 Strengthen Composition (Cont'd)

### 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 goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.

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 2013 are as follows:

|                         | Salary    | Fees    | Bonus | Benefits in-kind | Total     |
|-------------------------|-----------|---------|-------|------------------|-----------|
| Executive Directors     | 2,162,928 | 288,000 | 0     | 0                | 2,450,928 |
| Non-Executive Directors | 0         | 67,000  | 0     | 0                | 67,000    |

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         |                     |                         |
| 600,001 to 700,000         | 2                   |                         |
| 700,001 to 800,000         |                     |                         |
| 800,001 to 900,000         |                     |                         |
| 900,001 to 1,000,000       |                     |                         |
| 1,000,001 to 1,100,000     | 1                   |                         |

# Statement on Corporate Governance (cont'd)

## 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.

### 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) 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.

# Statement on Corporate Governance (cont'd)

## 3.0 Reinforce Independence (Cont'd)

### 3.5 Composition of the Board (Cont'd)

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 10 to 12 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 during the financial year under review, as set out in the table below:

| Name of Director                  | No. of Meetings Attended |
|-----------------------------------|--------------------------|
| Mr Teng Ah Kiong                  | 5/5                      |
| Mr Teng Yoon Kooi                 | 5/5                      |
| Mr Tan Chor Tong                  | 5/5                      |
| Mr Teoh Kim Hooi                  | 5/5                      |
| Ir. S. P. Thiagarajan A/L Suppiah | 5/5                      |
| Mr Yap Chee Keong*                | 2/2                      |
| Datuk Khor Chin Poey**            | 2/2                      |

\* Appointed on 19 August 2013

\*\* Retired on 23 May 2013

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.

# Statement on Corporate Governance (cont'd)

## 4.0 Foster Commitment (Cont'd)

### 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 2013, 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:

- i) National Tax Conference 2013
- ii) 2014 Budget Seminar-Key Budget Changes and Their 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.

# Statement on Corporate Governance (cont'd)

## 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.

### 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 29 to 31 of this Annual Report provides an overview of the internal control framework adopted by the Company during the financial year ended 31 December 2013.

## 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 the Company as well as its financial results.

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

# Statement on Corporate Governance (cont'd)

## 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 the AGM, 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.

### 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.

# Statement on Corporate Governance (cont'd)

## 9.0 Corporate Sustainability Statement (Cont'd)

- 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 all material respects, in 2013 followed the Principles and Recommendations of the MCCG 2012.

This statement is made in accordance with the resolution of the Board dated 23 May 2014.

# Statement on Risk Management and Internal Control

## INTRODUCTION

The Malaysian Code on Corporate Governance 2012 requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the company's assets. 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 Paragraph 15.26(b) of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad. The Board of Directors ("the Board") of Pasukhas Group Berhad (Pasukhas) is pleased to provide the following statement on the state of Pasukhas and its subsidiaries' (Pasukhas Group) internal controls and risk management.

## 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.

## RISK MANAGEMENT FRAMEWORK AND CONTROL SELF-ASSESSMENT

The Board believes firmly that risk management is essential for continued profitability and to safeguard shareholders' investment. Hence, the Company has a system of risk management and internal controls comprising of clear structures and accountabilities, well-understood policies, budgeting and review process. The senior executive management are responsible for identifying, managing and reporting on significant risk in an on-going basis and has been entrusted to formulate plans and implementation of plans to address risks and control of issues identified. The Board has established with the senior executive for internal control procedures for accountability and delegate authority to identify, evaluate and manage significant risks.

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.

# Statement on Risk Management and Internal Control (cont'd)

## INTERNAL AUDIT FUNCTION

The Board recognizes 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.

During the financial year, the results of findings by the internal audit function, including the recommended corrective actions, were reported directly to the Audit Committee. The Board is of the opinion that there were no material losses incurred during the financial year as a result of weakness in internal control. The Audit Committee considers report from the internal audit function and comments from Management before making recommendation to the Board to strengthen the internal control system.

## KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL ARE AS FOLLOWS:

- A functional organization that clearly defines the level of authority and responsibilities for managing activities.
- Policies and procedures, updated as necessary, are documented and formalized for compliance purposes.
- Other Board committees have been established with clear term of reference to ensure effective management.
- An internal audit service has been outsourced to conduct ongoing audits to assess the effectiveness of internal control and highlighting significant risks impacting the Group.
- Operating results are closely monitored by the Management against budget and key performance indicators.
- The scheduled and ad hoc meetings are held at all levels to identify, discuss and resolve business and operating issues.
- The Board of Directors reviews the operational and financial performance of the Group every quarter and management meetings are conducted regularly.
- Existence of organizational structure with clear 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.

# Statement on Risk Management and Internal Control (cont'd)

The system of internal controls described in this statement is considered by the Board to be adequate and the risks are considered by the board to be at an acceptable level within the Group's business. However, such system does not eliminate the possibility of human error, collusion and others. The board is satisfied that for the financial year under review, there is no material control failure or weakness that would have resulted in any material losses and contingencies that would require disclosure in the Annual Report.

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

The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 23 May 2014.

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

In accordance to Rule 15.23 ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2013 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.

# 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 Utilised (RM'000) |
|------------------------------|-------------------------------|-------------------|---------------------------|
| R&D expenditure              | 600                           | 0                 | 600                       |
| Repayment of bank borrowings | 1,634                         | 1,634             | 0                         |
| Working capital              | 6,366                         | 1,090             | 5,276                     |
| Estimated listing expenses   | 2,200                         | 2,200             | 0                         |
| <b>Total</b>                 | <b>10,800</b>                 | <b>4,924</b>      | <b>5,876</b>              |

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 2013.

## 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 2013 amounting to RM5,000.

## 8. Variation in Results

There were no material variations between the audited results for the financial year ended 31 December 2013 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.

## Additional Compliance Information (cont'd)

### 9. Profit Guarantee

There was no profit guarantee issued by the Company and its subsidiary during the financial year ended 31 December 2013.

### 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 2013.

### 11. Recurrent Related Party Transaction(s)

The Company obtained the shareholders' mandate for the Company and/or its subsidiary to enter into recurrent related party transactions of a revenue and trading nature ("RRPT") in their ordinary course of business at the Annual General Meeting held on 23 May 2013.

The Company will be seeking the shareholders' approval for renewal of the shareholders' mandate for the existing RRPT at the forthcoming Annual General Meeting to be held on 24 June 2014. The details of the new mandate to be sought are furnished in the Circular to Shareholders despatched together with this Annual Report.

In accordance with Guidance Note 8 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of the RRPT conducted during the financial year ended 31 December 2013 pursuant to the shareholders' mandate are as follows:

| Transacting Party   | Company within the Group | Nature of Transaction   | Related parties  | Actual value of transaction for the financial year ended 31 December 2013 (RM) |
|---------------------|--------------------------|---|--|--|
| Modal Khas Holdings | PSB                      | Rental of office premises to PSB located at Lot 5815-A, Jalan Mawar, Taman Bukit Serdang, Seksyen 9, 43300 Seri Kembangan, Selangor Darul Ehsan | Teng Ah Kiong, Teng Yoon Kooi and Tan Chor Tong are the direct/ indirect shareholders and directors of PSB and Modal Khas Holdings | RM642,000  |

#### Abbreviations:

Modal Khas Holdings : Modal Khas Holdings Sdn Bhd  
PSB : Pasukhas Sdn Bhd

# Statement of Directors' Responsibility

## in Respect of the Preparation 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 2013, 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.

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# Financial Statements

# 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 2013.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are 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<br>RM | The Company<br>RM |
|---|-----------------|-------------------|
| Profit/(Loss) after taxation for the financial year | 1,285,752       | (449,665)         |
| Attributable to:-                                   |                 |                   |
| Owners of the Company                               | 1,285,752       | (449,665)         |

## 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 and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

## 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.

# Directors Report (cont'd)

## **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 35 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  
S.P. Thiagarajan A/L Suppiah  
Teoh Kim Hooi  
Yap Chee Keong (Appointed on 19 August 2013)  
Datuk Khor Chin Poey (Retired on 23 May 2013)

## 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<br>31.12.2013 |
|------------------------------|--|---------------------|----------|------------------|
|                              | At<br>1.1.2013                           | Bought/<br>Allotted | Sold     |                  |
| <b>THE COMPANY</b>           |  |                     |          |                  |
| <b>Direct Interests</b>      |  |                     |          |                  |
| Teng Ah Kiong                | 31,980,000                               | -                   | -        | 31,980,000       |
| Teng Yoon Kooi               | 14,760,000                               | -                   | (25,000) | 14,735,000       |
| Tan Chor Tong                | 14,760,000                               | -                   | -        | 14,760,000       |
| S.P. Thiagarajan A/L Suppiah | 1,000,000                                | -                   | -        | 1,000,000        |
| Teoh Kim Hooi                | 300,000                                  | -                   | -        | 300,000          |
| <b>Indirect Interests</b>    |  |                     |          |                  |
| 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' INTERESTS (CONT'D)**

The other director holding office at the end of the financial year had no interest in shares in the Company and its related corporations during the financial year.

## **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 EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 40 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 25 April 2014

**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 43 to 96 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2013 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 41, 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 25 April 2014

**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 43 to 96 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 25 April 2014

**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 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 96.

### *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 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

# Independent Auditors' Report

to the Members of Pasukhas Group Berhad (cont'd)  
(Incorporated in Malaysia) Company No : 686389-A

## 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements of the subsidiary of which we have not acted as auditors, which is indicated in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The 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.

## Other Reporting Responsibilities

The supplementary information set out in Note 41 on page 97 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

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

**Crowe Horwath**  
Firm No: AF 1018  
Chartered Accountants

**Chua Wai Hong**  
Approval No: 2974/09/15 (J)  
Chartered Accountant

25 April 2014

Kuala Lumpur

# Statements of Financial Position

At 31 December 2013

|  | Note | The Group         |                   | The Company       |                   |
|--|------|-------------------|-------------------|-------------------|-------------------|
|  |      | 2013<br>RM        | 2012<br>RM        | 2013<br>RM        | 2012<br>RM        |
| <b>ASSETS</b>                                  |      |                   |                   |                   |                   |
| NON-CURRENT ASSETS                             |      |                   |                   |                   |                   |
| Investments in subsidiaries                    | 6    | -                 | -                 | 20,525,070        | 20,500,000        |
| Investments in associates                      | 7    | 341,331           | -                 | 343,000           | -                 |
| Plant and equipment                            | 8    | 8,177,717         | 11,554,611        | 362               | -                 |
| Deferred tax assets                            | 9    | 421,000           | 1,689,000         | -                 | -                 |
| Other investments                              | 10   | 104,250           | 104,250           | -                 | -                 |
|  |      | <u>9,044,298</u>  | <u>13,347,861</u> | <u>20,868,432</u> | <u>20,500,000</u> |
| CURRENT ASSETS                                 |      |                   |                   |                   |                   |
| Inventories                                    | 11   | 1,736,147         | 2,572,794         | -                 | -                 |
| Amount owing by contract customers             | 12   | 1,808,933         | 3,644,947         | -                 | -                 |
| Trade receivables                              | 13   | 17,627,976        | 17,696,564        | -                 | -                 |
| Other receivables, deposits<br>and prepayments | 14   | 952,279           | 545,994           | 1,000             | 107,100           |
| Amount owing by subsidiaries                   | 15   | -                 | -                 | 1,500             | -                 |
| Amount owing by associates                     | 16   | 314,955           | -                 | -                 | -                 |
| Amount owing by related parties                | 17   | 106,298           | 64,012            | -                 | -                 |
| Dividend receivable                            |      | -                 | -                 | -                 | 1,188,000         |
| Tax refundable                                 |      | 948,074           | 416,000           | 2,000             | 2,000             |
| Short-term investment                          | 33   | 2,584,974         | 2,509,891         | 2,584,974         | 2,509,891         |
| Fixed deposits with licensed banks             | 18   | 15,781,533        | 19,039,091        | 5,685,667         | 6,532,915         |
| Cash and bank balances                         |      | 3,156,364         | 2,076,115         | 135,705           | 77,351            |
|  |      | <u>45,017,533</u> | <u>48,565,408</u> | <u>8,410,846</u>  | <u>10,417,257</u> |
| <b>TOTAL ASSETS</b>                            |      | <u>54,061,831</u> | <u>61,913,269</u> | <u>29,279,278</u> | <u>30,917,257</u> |

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

# Statements of Financial Position

At 31 December 2013 (cont'd)

|                                       | Note | The Group         |                   | The Company       |                   |
|---------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
|                                       |      | 2013<br>RM        | 2012<br>RM        | 2013<br>RM        | 2012<br>RM        |
| <b>EQUITY AND LIABILITIES</b>         |      |                   |                   |                   |                   |
| <b>EQUITY</b>                         |      |                   |                   |                   |                   |
| Share capital                         | 19   | 29,500,100        | 29,500,100        | 29,500,100        | 29,500,100        |
| Share premium                         | 20   | 933,233           | 933,233           | 933,233           | 933,233           |
| Merger deficit                        | 21   | (10,500,000)      | (10,500,000)      | -                 | -                 |
| Fair value reserve                    | 22   | 17,000            | 17,000            | -                 | -                 |
| Retained profits/(Accumulated losses) |      | 13,846,711        | 12,560,959        | (1,175,803)       | (726,138)         |
| <b>TOTAL EQUITY</b>                   |      | <b>33,797,044</b> | <b>32,511,292</b> | <b>29,257,530</b> | <b>29,707,195</b> |
| <b>NON-CURRENT LIABILITIES</b>        |      |                   |                   |                   |                   |
| Hire purchase payables                | 23   | 215,656           | 225,106           | -                 | -                 |
| Deferred income                       | 24   | -                 | 2,380,686         | -                 | -                 |
|                                       |      | <b>215,656</b>    | <b>2,605,792</b>  | <b>-</b>          | <b>-</b>          |
| <b>CURRENT LIABILITIES</b>            |      |                   |                   |                   |                   |
| Trade payables                        | 25   | 9,526,909         | 13,619,652        | -                 | -                 |
| Other payables and accruals           | 26   | 1,888,478         | 1,232,472         | 21,748            | 21,167            |
| Amount owing to related parties       | 17   | 40,051            | 37,162            | -                 | -                 |
| Amount owing to subsidiaries          | 15   | -                 | -                 | -                 | 1,188,895         |
| Short-term borrowings                 | 27   | 6,148,598         | 4,764,841         | -                 | -                 |
| Deferred income                       | 24   | 2,445,095         | 7,142,058         | -                 | -                 |
|                                       |      | <b>20,049,131</b> | <b>26,796,185</b> | <b>21,748</b>     | <b>1,210,062</b>  |
| <b>TOTAL LIABILITIES</b>              |      | <b>20,264,787</b> | <b>29,401,977</b> | <b>21,748</b>     | <b>1,210,062</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | <b>54,061,831</b> | <b>61,913,269</b> | <b>29,279,278</b> | <b>30,917,257</b> |

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 2013

|   | Note | The Group         |                   | The Company |            |
|---|------|-------------------|-------------------|-------------|------------|
|   |      | 2013<br>RM        | 2012<br>RM        | 2013<br>RM  | 2012<br>RM |
| REVENUE   | 28   | 41,297,060        | 38,756,523        | -           | 1,188,000  |
| CONTRACT EXPENSES   |      | (35,781,362)      | (30,328,804)      | -           | -          |
| GROSS PROFIT  |      | 5,515,698         | 8,427,719         | -           | 1,188,000  |
| OTHER OPERATING INCOME  |      | 2,217,852         | 611,227           | 266,093     | 65,268     |
|   |      | 7,733,550         | 9,038,946         | 266,093     | 1,253,268  |
| ADMINISTRATIVE EXPENSES   |      | (4,130,744)       | (4,188,243)       | (703,553)   | (882,223)  |
| OTHER EXPENSES  |      | (438,944)         | (362,368)         | (37)        | -          |
| FINANCE COSTS   |      | (335,802)         | (268,969)         | -           | -          |
| SHARE OF RESULTS IN ASSOCIATES,<br>NET OF TAX                       |      | (1,714)           | -                 | -           | -          |
| PROFIT/(LOSS) BEFORE TAXATION                                       | 29   | 2,826,346         | 4,219,366         | (437,497)   | 371,045    |
| INCOME TAX EXPENSE  | 30   | (1,540,594)       | (773,354)         | (12,168)    | -          |
| PROFIT/(LOSS) AFTER TAXATION  |      | 1,285,752         | 3,446,012         | (449,665)   | 371,045    |
| OTHER COMPREHENSIVE INCOME  |      | -                 | -                 | -           | -          |
| TOTAL COMPREHENSIVE INCOME/<br>(EXPENSES) FOR THE FINANCIAL YEAR    |      | 1,285,752         | 3,446,012         | (449,665)   | 371,045    |
| <b>PROFIT/(LOSS) AFTER TAXATION<br/>ATTRIBUTABLE TO:-</b>           |      |                   |                   |             |            |
| Owners of the Company   |      | 1,285,752         | 3,446,012         | (449,665)   | 371,045    |
| <b>TOTAL COMPREHENSIVE INCOME/<br/>(EXPENSES) ATTRIBUTABLE TO:-</b> |      |                   |                   |             |            |
| Owners of the Company   |      | 1,285,752         | 3,446,012         | (449,665)   | 371,045    |
| <b>EARNINGS PER SHARE (SEN)</b>                                     | 31   |                   |                   |             |            |
| Basic   |      | 0.44              | 1.45              |             |            |
| Diluted   |      | Not<br>Applicable | Not<br>Applicable |             |            |

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

# Statements of Changes in Equity

For the Financial Year Ended 31 December 2013

|   | Non-Distributable      |                             |                        |                         |                           | Distributable  |  |            | Total<br>Equity<br>RM |
|---|------------------------|-----------------------------|------------------------|-------------------------|---------------------------|--|--|------------|-----------------------|
|   | Share<br>Capital<br>RM | Fair Value<br>Reserve<br>RM | Share<br>Premium<br>RM | Merger<br>Deficit<br>RM | Retained<br>Profits<br>RM | Attributable<br>to Owners<br>of the<br>Company<br>RM |  |            |                       |
| <b>The Group</b>  |                        |                             |                        |                         |                           |  |  |            |                       |
| Balance at 1.1.2012   | 20,500,100             | 17,000                      | -                      | (10,500,000)            | 9,114,947                 | 19,132,047   |  | 19,132,047 |                       |
| Profit after taxation/Total comprehensive income for the financial year | -                      | -                           | -                      | -                       | 3,446,012                 | 3,446,012  |  | 3,446,012  |                       |
| Contributions by and distributions to owners of the Company:            |                        |                             |                        |                         |                           |  |  |            |                       |
| - Issuance of shares pursuant to public issue                           | 9,000,000              | -                           | 1,800,000              | -                       | -                         | 10,800,000   |  | 10,800,000 |                       |
| Listing expenses  | -                      | -                           | (866,767)              | -                       | -                         | (866,767)  |  | (866,767)  |                       |
| Balance at 31.12.2012/1.1.2013  | 29,500,100             | 17,000                      | 933,233                | (10,500,000)            | 12,560,959                | 32,511,292   |  | 32,511,292 |                       |
| Profit after taxation/Total comprehensive income for the financial year | -                      | -                           | -                      | -                       | 1,285,752                 | 1,285,752  |  | 1,285,752  |                       |
| Balance at 31.12.2013   | 29,500,100             | 17,000                      | 933,233                | (10,500,000)            | 13,846,711                | 33,797,044   |  | 33,797,044 |                       |

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

# Statements of Changes in Equity

For the Financial Year Ended 31 December 2013 (cont'd)

|  | Note | ← Non-Distributable →  |                        | Accumulated<br>Losses<br>RM | Total<br>RM |
|--|------|------------------------|------------------------|-----------------------------|-------------|
|  |      | Share<br>Capital<br>RM | Share<br>Premium<br>RM |                             |             |
| <b>The Company</b>   |      |                        |                        |                             |             |
| Balance at 1.1.2012  |      | 20,500,100             | -                      | (1,097,183)                 | 19,402,917  |
| Profit after taxation/Total comprehensive<br>income for the financial year |      | -                      | -                      | 371,045                     | 371,045     |
| Contributions by and distributions to owners<br>of the Company:            |      |                        |                        |                             |             |
| - Issuance of shares pursuant to<br>public issue                           | 19   | 9,000,000              | 1,800,000              | -                           | 10,800,000  |
| Listing expenses   |      | -                      | (866,767)              | -                           | (866,767)   |
| Balance at 31.12.2012/1.1.2013   |      | 29,500,100             | 933,233                | (726,138)                   | 29,707,195  |
| Loss after taxation/Total comprehensive<br>expenses for the financial year |      | -                      | -                      | (449,665)                   | (449,665)   |
| Balance at 31.12.2013  |      | 29,500,100             | 933,233                | (1,175,803)                 | 29,257,530  |

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

# Statements of Cash Flows

For the Financial Year Ended 31 December 2013

|  | The Group          |                  | The Company      |                  |
|--|--------------------|------------------|------------------|------------------|
|  | 2013<br>RM         | 2012<br>RM       | 2013<br>RM       | 2012<br>RM       |
| <b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>                            |                    |                  |                  |                  |
| Profit/(Loss) before taxation  | 2,826,346          | 4,219,366        | (437,497)        | 371,045          |
| Adjustments for:-  |                    |                  |                  |                  |
| Allowance for impairment loss on quoted investment                           | -                  | 2,550            | -                | -                |
| Allowance for impairment loss on trade receivables                           | 202,951            | -                | -                | -                |
| (Accretion)/Amortisation of non-current trade receivables                    | (10,670)           | 36,370           | -                | -                |
| Bad debts written off  | -                  | 20,663           | -                | -                |
| Depreciation of plant and equipment  | 3,597,026          | 3,308,179        | 37               | -                |
| Dividend income  | -                  | -                | -                | (1,188,000)      |
| (Gain)/Loss on foreign exchange:   |                    |                  |                  |                  |
| - unrealised   | (108,536)          | 82,882           | -                | -                |
| Interest expense   | 335,802            | 268,969          | -                | -                |
| Listing expenses written off   | -                  | 680,046          | -                | 680,046          |
| Gain on disposal of plant and equipment                                      | (18,999)           | (1,500)          | -                | -                |
| Interest income  | (733,758)          | (413,621)        | (266,023)        | (65,268)         |
| Share of results in associates   | 1,714              | -                | -                | -                |
| Writeback of allowance for impairment losses on trade receivables            | (1,225,214)        | (139,431)        | -                | -                |
| Operating profit/(loss) before working capital changes                       | 4,866,662          | 8,064,473        | (703,483)        | (202,177)        |
| Decrease/(Increase) in inventories   | 836,647            | (1,162,440)      | -                | -                |
| Decrease/(Increase) in amount owing by contract customers                    | 1,836,014          | (861,841)        | -                | -                |
| Decrease/(Increase) in trade and other receivables                           | 695,236            | (9,149,433)      | 106,100          | 350,900          |
| (Decrease)/Increase in trade and other other payables                        | (3,436,737)        | 8,039,235        | 581              | (443,185)        |
| Decrease in deferred income  | (7,077,649)        | (1,228,529)      | -                | -                |
| (Increase)/Decrease in amount owing by related parties                       | (42,286)           | 458,836          | -                | -                |
| Increase/(Decrease) in amount owing to related parties                       | 2,889              | (61,406)         | -                | -                |
| <b>CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES</b>                            | <b>(2,319,224)</b> | <b>4,098,895</b> | <b>(596,802)</b> | <b>(294,462)</b> |
| Interest paid  | (335,802)          | (268,969)        | -                | -                |
| Income tax paid  | (804,668)          | (1,866,354)      | (12,168)         | (2,000)          |
| <b>NET CASH (FOR)/FROM OPERATING ACTIVITIES/<br/>BALANCE CARRIED FORWARD</b> | <b>(3,459,694)</b> | <b>1,963,572</b> | <b>(608,970)</b> | <b>(296,462)</b> |

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

# Statements of Cash Flows

For the Financial Year Ended 31 December 2013 (cont'd)

|   | Note | The Group   |             | The Company |             |
|---|------|-------------|-------------|-------------|-------------|
|   |      | 2013<br>RM  | 2012<br>RM  | 2013<br>RM  | 2012<br>RM  |
| <b>NET CASH (FOR)/FROM OPERATING<br/>ACTIVITIES/BALANCE BROUGHT FORWARD</b> |      | (3,459,694) | 1,963,572   | (608,970)   | (296,462)   |
| <b>CASH FLOWS (FOR)/FROM INVESTING<br/>ACTIVITIES</b>                       |      |             |             |             |             |
| Acquisition in a subsidiary   | 32   | -           | -           | (25,070)    | -           |
| Investments in associates   |      | (343,045)   | -           | (343,000)   | -           |
| Advances to subsidiaries  |      | -           | -           | (1,500)     | -           |
| Advances to associates  |      | (314,955)   | -           | -           | -           |
| Interest received   |      | 733,758     | 413,621     | 266,023     | 65,268      |
| Purchase of plant and equipment   | 8    | (139,133)   | (4,681,914) | (399)       | -           |
| Proceeds from disposal of plant and<br>equipment                            |      | 19,000      | 1,500       | -           | -           |
| <b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>                             |      | (44,375)    | (4,266,793) | (103,946)   | 65,268      |
| <b>CASH FLOWS FROM/(FOR) FINANCING<br/>ACTIVITIES</b>                       |      |             |             |             |             |
| Proceeds from issuance of shares  |      | -           | 10,800,000  | -           | 10,800,000  |
| (Repayment to)/Advances from subsidiaries                                   |      | -           | -           | (895)       | 98,064      |
| Net drawdown in bankers' acceptances  |      | 1,403,000   | 689,000     | -           | -           |
| Repayment of hire purchase obligations                                      |      | (109,693)   | (89,755)    | -           | -           |
| Listing expenses paid   |      | -           | (1,546,813) | -           | (1,546,813) |
| <b>NET CASH FROM/(FOR) FINANCING<br/>ACTIVITIES</b>                         |      | 1,293,307   | 9,852,432   | (895)       | 9,351,251   |
| <b>NET (DECREASE)/INCREASE IN CASH AND<br/>CASH EQUIVALENTS</b>             |      | (2,210,762) | 7,549,211   | (713,811)   | 9,120,057   |
| <b>EFFECTS OF FOREIGN EXCHANGE<br/>TRANSLATION</b>                          |      | 108,536     | (70,264)    | -           | -           |
| <b>CASH AND CASH EQUIVALENTS AT<br/>BEGINNING OF THE FINANCIAL YEAR</b>     |      | 23,625,097  | 16,146,150  | 9,120,157   | 100         |
| <b>CASH AND CASH EQUIVALENTS AT END OF<br/>THE FINANCIAL YEAR</b>           | 33   | 21,522,871  | 23,625,097  | 8,406,346   | 9,120,157   |

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013

## 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 25 April 2014.

## 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are 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 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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

4.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

### **MFRSs and IC Interpretations (Including The Consequential Amendments)**

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interests in Other Entities

MFRS 13 Fair Value Measurement

MFRS 119 (2011) Employee Benefits

MFRS 127 (2011) Separate Financial Statements

MFRS 128 (2011) Investments in Associates and Joint Ventures

Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Annual Improvements to MFRSs 2009 - 2011 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (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, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

| <b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>                   | <b>Effective Date</b>   |
|--|-------------------------|
| MFRS 9 (2009) Financial Instruments  | To be announced by MASB |
| MFRS 9 (2010) Financial Instruments  | To be announced by MASB |
| MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)  | To be announced by MASB |
| Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures | To be announced by MASB |
| Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities                        | 1 January 2014          |
| Amendments to MFRS 119: Defined Benefit Plans - Employee Contributions                         | 1 July 2014             |
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities                  | 1 January 2014          |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets                | 1 January 2014          |
| Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting           | 1 January 2014          |
| IC Interpretation 21 Levies  | 1 January 2014          |
| Annual Improvements to MFRSs 2010 - 2012 Cycle   | 1 July 2014             |
| Annual Improvements to MFRSs 2011 - 2013 Cycle   | 1 July 2014             |

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

- (a) MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, 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.
- (b) The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 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.

#### (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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

#### (e) 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.

#### (f) 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 judgement 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.

#### (g) 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.

#### (h) 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.

### 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.2 FINANCIAL INSTRUMENTS (CONT'D)

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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 interest income recognised in profit or loss 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 2013 (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 ordinary 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.

#### (d) Derecognition

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

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

#### (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 subsidiaries made up to 31 December 2013.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are 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 resulted in a business combination involving common control entities is outside the scope of MFRS 3. The merger accounting is used by the Group to account for such common control business combinations.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.4 BASIS OF CONSOLIDATION (CONT'D)

#### (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.

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. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.4 BASIS OF CONSOLIDATION (CONT'D)

#### (d) Changes In Ownership Interests In Subsidiaries Without Change of Control

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 of the Group.

#### (e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which 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.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for 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 joint venture.

### 5.5 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. The cost of the investments includes transaction costs.

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.

### 5.6 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.6 INVESTMENTS IN ASSOCIATES (CONT'D)

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to 31 December 2013. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method if the dilution does not result in a loss of significant influence or when an investment in a joint venture becomes an investment in an associate. Under such changes in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the associate will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in associates are recognised in profit or loss.

### 5.7 PLANT AND EQUIPMENT

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

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on 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 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.7 PLANT AND EQUIPMENT (CONT'D)

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.

### 5.8 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 financial asset 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.8 IMPAIRMENT (CONT'D)

#### (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, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 5.9 ASSETS UNDER HIRE PURCHASE ASSETS

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments 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.

### 5.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the purchase price, production or conversion costs 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.

### 5.11 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. The unwinding of the discount is recognised as interest expense in profit or loss.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.12 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.

### 5.13 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.

### 5.14 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 reporting period 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.

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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.15 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of 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.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### 5.16 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 with original maturity periods of three months or less.

### 5.17 EMPLOYEE BENEFITS

#### (a) Short-term Benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are measured on an undiscounted basis and 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.

### 5.18 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.18 RELATED PARTIES (CONT'D)

- (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.

### 5.19 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

#### (b) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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. INVESTMENTS IN SUBSIDIARIES

|                                      | The Company |            |
|--------------------------------------|-------------|------------|
|                                      | 2013<br>RM  | 2012<br>RM |
| At 1 January                         | 20,500,000  | 20,500,000 |
| Unquoted shares, at cost             |             |            |
| - Addition during the financial year | 25,070      | -          |
| At 31 December                       | 20,525,070  | 20,500,000 |
| Unquoted shares, at cost             |             |            |
| - in Malaysia                        | 20,500,000  | 20,500,000 |
| - outside Malaysia                   | 25,070      | -          |
|                                      | 20,525,070  | 20,500,000 |

The details of the subsidiaries are as follows:-

| Name of Subsidiary         | Country of Incorporation | Effective Equity Interest |      | Principal Activities   |
|----------------------------|--------------------------|---------------------------|------|--|
|                            |                          | 2013                      | 2012 |  |
| Pasukhas Sdn. Bhd.         | Malaysia                 | 100%                      | 100% | Designing, system integration, fabrication, installation, testing and commissioning of electrical and mechanical works for specified industries. |
| Pasukhas Lanka (Pvt) Ltd*^ | Colombo, Sri Lanka       | 100%                      | -    | Dormant.   |

\* Not audited by Messrs. Crowe Horwath.

^ The subsidiary has been consolidated based on management accounts for the period ended 31 December 2013.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 7. INVESTMENTS IN ASSOCIATES

|                                      | The Group      |            | The Company    |            |
|--------------------------------------|----------------|------------|----------------|------------|
|                                      | 2013<br>RM     | 2012<br>RM | 2013<br>RM     | 2012<br>RM |
| Unquoted shares in Malaysia, at cost | 343,045        | -          | 343,000        | -          |
| Share of post acquisition losses     | (1,714)        | -          | -              | -          |
|                                      | <u>341,331</u> | <u>-</u>   | <u>343,000</u> | <u>-</u>   |

The details of the associates are as follows:-

| Name of Associate         | Country of Incorporation | Effective Equity Interest |      | Principal Activities |
|---------------------------|--------------------------|---------------------------|------|----------------------|
|                           |                          | 2013                      | 2012 |                      |
| Dyna Energy Sdn. Bhd.*    | Malaysia                 | 49%                       | -    | Dormant.             |
| Essential Value Sdn. Bhd. | Malaysia                 | 45%                       | -    | Property investment. |

\* Not audited by Messrs. Crowe Horwath.

(a) The summarised unaudited financial information for associate that is material to the Group is as follows:-

|   | Dyna Energy Sdn. Bhd. |            |
|---|-----------------------|------------|
|   | 2013<br>RM            | 2012<br>RM |
| <u>At 31 December</u>   |                       |            |
| Current asset   | 700,000               | -          |
| Current liabilities   | (16,084)              | -          |
| Net assets  | <u>683,916</u>        | <u>-</u>   |
| <u>Financial year ended 31 December</u>                                 |                       |            |
| Revenue   | -                     | -          |
| Loss after taxation/Total comprehensive expenses for the financial year | (16,084)              | -          |
| Group's share of loss for the financial year                            | <u>(1,669)</u>        | <u>-</u>   |
| <u>Reconciliation of net assets to carrying amount</u>                  |                       |            |
| Group's share of net assets above                                       | 335,119               | -          |
| Goodwill  | 6,212                 | -          |
| Carrying amount of the Group's interests in this associate              | <u>341,331</u>        | <u>-</u>   |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 7. INVESTMENTS IN ASSOCIATES (CONT'D)

(b) The summarised financial information for associate that is immaterial to the Group is as follows:-

|  | Essential Value Sdn. Bhd. |      |
|--|---------------------------|------|
|  | 2013                      | 2012 |
|  | RM                        | RM   |
| Financial year ended 31 December             |                           |      |
| Group's share of loss for the financial year | (45)                      | -    |

(c) The Group has not recognised losses relating to Essential Value Sdn. Bhd., where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was RM2,490 of which RM45 was the share of the current financial year's losses. The Group has no obligation in respect of these losses.

## 8. PLANT AND EQUIPMENT

| The Group                                   | At         | Additions | Disposal | Depreciation | At         |
|---|------------|-----------|----------|--------------|------------|
|   | 1.1.2013   |           |          | Charge       | 31.12.2013 |
|   | RM         | RM        | RM       | RM           | RM         |
| Net Book Value                              |            |           |          |              |            |
| Plant and machinery                         | 48,477     | 29,000    | -        | (15,525)     | 61,952     |
| Office equipment,<br>furniture and fittings | 382,399    | 86,833    | -        | (78,431)     | 390,801    |
| Motor vehicles                              | 386,593    | 100,000   | (1)      | (111,242)    | 375,350    |
| Cables                                      | 10,692,552 | -         | -        | (3,385,509)  | 7,307,043  |
| Renovation                                  | 39,430     | 2,700     | -        | (5,620)      | 36,510     |
| Signboard                                   | 3,987      | -         | -        | (464)        | 3,523      |
| Air conditioners                            | 1,173      | 1,600     | -        | (235)        | 2,538      |
| Total                                       | 11,554,611 | 220,133   | (1)      | (3,597,026)  | 8,177,717  |

| The Group                                   | At        | Additions | Depreciation | At         |
|---|-----------|-----------|--------------|------------|
|   | 1.1.2012  |           | Charge       | 31.12.2012 |
|   | RM        | RM        | RM           | RM         |
| Net Book Value                              |           |           |              |            |
| Plant and machinery                         | 64,100    | -         | (15,623)     | 48,477     |
| Office equipment,<br>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 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 8. PLANT AND EQUIPMENT (CONT'D)

| The Group                                | At<br>Cost<br>RM | Accumulated<br>Depreciation<br>RM | Net Book<br>Value<br>RM |
|--|------------------|-----------------------------------|-------------------------|
| <b>2013</b>                              |                  |                                   |                         |
| Plant and machinery                      | 1,121,884        | (1,059,932)                       | 61,952                  |
| Office equipment, furniture and fittings | 1,314,670        | (923,869)                         | 390,801                 |
| Motor vehicles                           | 920,713          | (545,363)                         | 375,350                 |
| Cables                                   | 15,446,350       | (8,139,307)                       | 7,307,043               |
| Renovation                               | 56,638           | (20,128)                          | 36,510                  |
| Signboard                                | 4,644            | (1,121)                           | 3,523                   |
| Air conditioners                         | 2,880            | (342)                             | 2,538                   |
| Total                                    | 18,867,779       | (10,690,062)                      | 8,177,717               |

|  |            |             |            |
|--|------------|-------------|------------|
| <b>2012</b>                              |            |             |            |
| 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 |

| The Company                              | At<br>1.1.2013<br>RM | Additions<br>RM | Depreciation<br>Charge<br>RM | At<br>31.12.2013<br>RM |
|--|----------------------|-----------------|------------------------------|------------------------|
| Net Book Value                           |                      |                 |                              |                        |
| Office equipment, furniture and fittings | -                    | 399             | (37)                         | 362                    |

| The Company                              | At<br>Cost<br>RM | Accumulated<br>Depreciation<br>RM | Net Book<br>Value<br>RM |
|--|------------------|-----------------------------------|-------------------------|
| <b>2013</b>                              |                  |                                   |                         |
| Office equipment, furniture and fittings | 399              | (37)                              | 362                     |

Included in plant and equipment of the Group are motor vehicles with a total net book value of RM382,962 (2012 - RM383,400) acquired under hire purchase terms.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 8. PLANT AND EQUIPMENT (CONT'D)

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

|  | The Group  |            | The Company |            |
|--|------------|------------|-------------|------------|
|  | 2013<br>RM | 2012<br>RM | 2013<br>RM  | 2012<br>RM |
| Cost of plant and equipment purchased              | 220,133    | 4,981,914  | 399         | -          |
| Amount financed through hire purchase              | (81,000)   | (300,000)  | -           | -          |
| Cash disbursed for purchase of plant and equipment | 139,133    | 4,681,914  | 399         | -          |

## 9. DEFERRED TAX ASSETS

|  | The Group   |            |
|--|-------------|------------|
|  | 2013<br>RM  | 2012<br>RM |
| At 1 January                           | 1,689,000   | 1,641,000  |
| Recognised in profit or loss (Note 30) | (1,268,000) | 48,000     |
| At 31 December                         | 421,000     | 1,689,000  |

The components of the deferred tax assets are as follows:-

|  |           |             |
|--|-----------|-------------|
| Deferred income  | 611,000   | 2,381,000   |
| Unutilised tax losses  | 16,000    | -           |
| Unabsorbed capital allowances                                    | 442,000   | -           |
| Other deductible temporary differences                           | 39,000    | 441,000     |
| Accelerated capital allowances on qualifying plant and equipment | (661,000) | (1,133,000) |
| Other taxable temporary differences                              | (26,000)  | -           |
|  | 421,000   | 1,689,000   |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 10. OTHER INVESTMENTS

|                                      | The Group      |                |
|--------------------------------------|----------------|----------------|
|                                      | 2013<br>RM     | 2012<br>RM     |
| Quoted shares                        | 12,000         | 12,000         |
| Transferable club membership         | 100,000        | 100,000        |
|                                      | <u>112,000</u> | <u>112,000</u> |
| Allowance for impairment losses:     |                |                |
| - At 1 January                       | (7,750)        | (5,200)        |
| - Addition during the financial year | -              | (2,550)        |
| - At 31 December                     | <u>(7,750)</u> | <u>(7,750)</u> |
|                                      | <u>104,250</u> | <u>104,250</u> |
| Represented by:-                     |                |                |
| At fair value                        | <u>104,250</u> | <u>104,250</u> |

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

## 11. INVENTORIES

|   | The Group        |                  |
|---|------------------|------------------|
|   | 2013<br>RM       | 2012<br>RM       |
| Materials and electrical parts, at cost | <u>1,736,147</u> | <u>2,572,794</u> |

None of the inventories is carried at net realisable value.

## 12. AMOUNT OWING BY CONTRACT CUSTOMERS

|                                    | The Group         |                   |
|------------------------------------|-------------------|-------------------|
|                                    | 2013<br>RM        | 2012<br>RM        |
| Contract costs incurred            | 70,795,752        | 55,953,447        |
| Attributable profits               | 14,807,264        | 13,572,978        |
|                                    | <u>85,603,016</u> | <u>69,526,425</u> |
| Progress billings                  | (83,794,083)      | (65,881,478)      |
| Amount owing by contract customers | <u>1,808,933</u>  | <u>3,644,947</u>  |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 12. AMOUNT OWING BY CONTRACT CUSTOMERS (CONT'D)

The amount owing by contract customers included the following expenses:

|                                     | RM               | RM               |
|-------------------------------------|------------------|------------------|
| Depreciation of plant and equipment | 3,385,509        | 3,074,042        |
| Directors' non-fee emoluments       | 1,295,912        | 1,276,720        |
| Staff costs                         | 2,051,315        | 1,712,384        |
|                                     | <u>6,732,736</u> | <u>6,063,146</u> |

## 13. TRADE RECEIVABLES

|  | The Group         |                   |
|--|-------------------|-------------------|
|  | 2013<br>RM        | 2012<br>RM        |
| Gross trade receivables                              | 17,974,947        | 19,378,844        |
| Allowance for impairment losses:                     |                   |                   |
| - At 1 January                                       | (1,682,280)       | (1,785,341)       |
| - Addition during the financial year                 | (202,951)         | -                 |
| - Accretion/(Amortisation) during the financial year | 10,670            | (36,370)          |
| - Writeback during the financial year                | 1,225,214         | 139,431           |
| - Written off during the financial year              | 302,376           | -                 |
| - At 31 December                                     | (346,971)         | (1,682,280)       |
|  | <u>17,627,976</u> | <u>17,696,564</u> |

The Group's normal trade credit terms range from 30 to 90 (2012 - 30 to 90) days.

Included in trade receivables of the Group are retention sums of RM3,515,090 (2012 - RM2,785,126).

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  |                |
|-------------------|----------------|----------------|--------------|----------------|
|                   | 2013<br>RM     | 2012<br>RM     | 2013<br>RM   | 2012<br>RM     |
| Other receivables | 4,325          | 2,285          | -            | -              |
| Deposits          | 947,954        | 437,609        | 1,000        | 1,000          |
| Prepayments       | -              | 106,100        | -            | 106,100        |
|                   | <u>952,279</u> | <u>545,994</u> | <u>1,000</u> | <u>107,100</u> |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 15. AMOUNTS OWING BY/(TO) SUBSIDIARIES

(a) The amount owing by a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

(b) The amount owing to a subsidiary in the previous financial year was non-trade in nature, interest-free and repayable on demand. The amount owing was settled by offsetting against dividend receivable from the subsidiary.

## 16. AMOUNT OWING BY ASSOCIATES

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

## 17. AMOUNTS OWING BY/(TO) RELATED PARTIES

|                                  | <b>The Group</b> |             |
|----------------------------------|------------------|-------------|
|                                  | <b>2013</b>      | <b>2012</b> |
|                                  | <b>RM</b>        | <b>RM</b>   |
| Amount owing by related parties: |                  |             |
| Trade balances                   | 106,298          | 64,012      |
|                                  | <hr/>            | <hr/>       |
| Amount owing to related parties: |                  |             |
| Trade balances                   | (40,051)         | (37,162)    |
|                                  | <hr/>            | <hr/>       |

The trade balances are subjected to the normal credit terms ranging from 30 to 90 (2012 - 30 to 90) days.

Included in the amount owing by the related parties are retention sums of RM10,116 (2012 - RM18,448).

Included in the amount owing to the related parties are retention sums of RM30,303 (2012 - RM30,303).

## 18. FIXED DEPOSITS WITH LICENSED BANKS

Included in the fixed deposits with licensed banks is an amount of RM10,095,866 (2012 - RM11,585,920) 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 2.55% to 3.20% (2012 - 0.08% to 3.30%) per annum.

The fixed deposits have maturity periods ranging from 1 month to 12 months (2012 - 1 month to 12 months).

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 19. SHARE CAPITAL

|                                     | The Company              |             |            |            |
|-------------------------------------|--------------------------|-------------|------------|------------|
|                                     | 2013<br>Number Of Shares | 2012        | 2013<br>RM | 2012<br>RM |
| Ordinary Shares Of RM0.10 Each:-    |                          |             |            |            |
| Authorised                          | 500,000,000              | 500,000,000 | 50,000,000 | 50,000,000 |
| Issued And Fully Paid-Up            |                          |             |            |            |
| Authorised:                         |                          |             |            |            |
| At 1 January                        | 295,001,000              | 205,001,000 | 29,500,100 | 20,500,100 |
| Allotment during the financial year | -                        | 90,000,000  | -          | 9,000,000  |
| At 31 December                      | 295,001,000              | 295,001,000 | 29,500,100 | 29,500,100 |

The Company increased its issued and paid-up share capital from RM20,500,100 to RM29,500,100 in the previous financial year 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 per ordinary share for public issue and listing. The issuance of these new ordinary shares 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 in the previous financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

## 20. SHARE PREMIUM

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

|                                   | The Group/<br>The Company |            |
|-----------------------------------|---------------------------|------------|
|                                   | 2013<br>RM                | 2012<br>RM |
| At 1 January                      | 933,233                   | -          |
| Premium arising from public issue | -                         | 1,800,000  |
| Listing expenses                  | -                         | (866,767)  |
| At 31 December                    | 933,233                   | 933,233    |

The total listing expenses in the previous financial year was for the Initial Public Offering exercise amounted to RM2,530,815 of which RM866,767 had been written off against share premium. The balance of the listing expenses had 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 21. MERGER DEFICIT

The merger deficit relates to a 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 a subsidiary and the nominal value of the shares acquired.

## 22. 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.

## 23. HIRE PURCHASE PAYABLES

|   | <b>The Group</b> |                |
|---|------------------|----------------|
|   | <b>2013</b>      | <b>2012</b>    |
|   | <b>RM</b>        | <b>RM</b>      |
| Minimum hire purchase payables:-                    |                  |                |
| - not later than one year                           | 99,552           | 119,223        |
| - later than one year and not later than five years | 234,345          | 241,190        |
|   | <u>333,897</u>   | <u>360,413</u> |
| Future finance charges                              | (31,643)         | (29,466)       |
| Present value of hire purchase payables             | <u>302,254</u>   | <u>330,947</u> |

The hire purchase payables are repayable as follows:-

|   | <b>The Group</b> |                |
|---|------------------|----------------|
|   | <b>2013</b>      | <b>2012</b>    |
|   | <b>RM</b>        | <b>RM</b>      |
| Current:  |                  |                |
| - not later than one year (Note 27)                 | 86,598           | 105,841        |
| Non-current:  |                  |                |
| - later than one year and not later than five years | 215,656          | 225,106        |
|   | <u>302,254</u>   | <u>330,947</u> |

The effective interest rates of the hire purchase payables at the end of the reporting period ranged from 4.55% to 5.75% (2012 - 4.55% to 7.00%) per annum.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 24. DEFERRED INCOME

|   | The Group        |                  |
|---|------------------|------------------|
|   | 2013<br>RM       | 2012<br>RM       |
| Current:  |                  |                  |
| - not later than one year                           | 2,445,095        | 7,142,058        |
| Non-current:  |                  |                  |
| - later than one year and not later than five years | -                | 2,380,686        |
|   | <u>2,445,095</u> | <u>9,522,744</u> |

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.

## 25. TRADE PAYABLES

Included in the trade payables of the Group are retention sums of RM859,210 (2012 - RM401,409).

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 (2012 - 30 to 120) days.

## 26. OTHER PAYABLES AND ACCRUALS

|                | The Group        |                  | The Company   |               |
|----------------|------------------|------------------|---------------|---------------|
|                | 2013<br>RM       | 2012<br>RM       | 2013<br>RM    | 2012<br>RM    |
| Other payables | 188,013          | 492,455          | -             | -             |
| Accruals       | 1,700,465        | 740,017          | 21,748        | 21,167        |
|                | <u>1,888,478</u> | <u>1,232,472</u> | <u>21,748</u> | <u>21,167</u> |

Included in the other payables and accruals of the Group was an amount of RM418,856 in the previous financial year, being the amount owing to a supplier in relation to the acquisition of cables as disclosed under Note 8 to the financial statements.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 27. SHORT-TERM BORROWINGS

|                                  | The Group        |                  |
|----------------------------------|------------------|------------------|
|                                  | 2013<br>RM       | 2012<br>RM       |
| Hire purchase payables (Note 23) | 86,598           | 105,841          |
| Bankers' acceptances             | 6,062,000        | 4,659,000        |
|                                  | <u>6,148,598</u> | <u>4,764,841</u> |

The weighted average effective interest rate of the bankers' acceptances at the end of the reporting period is 4.54% (2012 - 4.39%) per annum.

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 |                  |
|---|-------------------|-------------------|-------------|------------------|
|   | 2013<br>RM        | 2012<br>RM        | 2013<br>RM  | 2012<br>RM       |
| Contract revenue                        | 40,889,813        | 37,095,789        | -           | -                |
| Sale of goods and rendering of services | 407,247           | 1,660,734         | -           | -                |
| Dividend income                         | -                 | -                 | -           | 1,188,000        |
|   | <u>41,297,060</u> | <u>38,756,523</u> | <u>-</u>    | <u>1,188,000</u> |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 29. PROFIT/(LOSS) BEFORE TAXATION

|  | The Group   |            | The Company |             |
|--|-------------|------------|-------------|-------------|
|  | 2013<br>RM  | 2012<br>RM | 2013<br>RM  | 2012<br>RM  |
| Profit/(Loss) before taxation is arrived at after charging/(crediting):- |             |            |             |             |
| Allowance for impairment loss on quoted investment                       | -           | 2,550      | -           | -           |
| Allowance for impairment loss on trade receivables                       | 202,951     | -          | -           | -           |
| (Accretion)/Amortisation of non-current trade receivables                | (10,670)    | 36,370     | -           | -           |
| Audit fee:   |             |            |             |             |
| - for the financial year   | 70,000      | 75,000     | 15,000      | 20,000      |
| - underprovision in the previous financial year                          | -           | 53,837     | -           | 15,000      |
| Bad debts written off  | -           | 20,663     | -           | -           |
| Directors' remuneration:   |             |            |             |             |
| - fees   | 355,000     | 238,000    | 163,000     | 70,000      |
| - salaries, bonus and allowances   | 1,846,128   | 1,617,000  | -           | -           |
| - defined contribution plan  | 316,800     | 226,800    | -           | -           |
| Depreciation of plant and equipment                                      | 3,597,026   | 3,308,179  | 37          | -           |
| Hiring charges   | 530,210     | 29,915     | -           | -           |
| Interest expense:  |             |            |             |             |
| - bank overdraft   | 2,554       | 2,328      | -           | -           |
| - bankers' acceptances   | 267,140     | 120,039    | -           | -           |
| - bank guarantee   | 7,957       | 74,956     | -           | -           |
| - hire purchase  | 15,400      | 15,737     | -           | -           |
| - letters of credit  | 2,122       | 12,883     | -           | -           |
| - others   | 40,629      | 43,026     | -           | -           |
| Listing expenses written off   | -           | 680,046    | -           | 680,046     |
| Loss/(Gain) on foreign exchange:   |             |            |             |             |
| - realised   | 24,476      | 24,685     | -           | -           |
| - unrealised   | (108,536)   | 82,882     | -           | -           |
| Rental of premises   | 675,653     | 806,578    | -           | -           |
| Share of results of associates   | (339)       | -          | -           | -           |
| Staff costs:   |             |            |             |             |
| - salaries, bonus and allowances   | 2,970,607   | 2,435,049  | 161,539     | 1,016       |
| - defined contribution plan  | 270,501     | 240,702    | 18,568      | 133         |
| - other benefits   | 171,616     | 125,130    | 8,015       | 18          |
| Dividend income  | -           | -          | -           | (1,188,000) |
| Gain on disposal of plant and equipment                                  | (18,999)    | (1,500)    | -           | -           |
| Interest income  | (733,758)   | (413,621)  | (266,023)   | (65,268)    |
| Writeback of allowance for impairment losses on trade receivables        | (1,225,214) | (139,431)  | -           | -           |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 30. INCOME TAX EXPENSE

|  | The Group        |                 | The Company   |            |
|--|------------------|-----------------|---------------|------------|
|  | 2013<br>RM       | 2012<br>RM      | 2013<br>RM    | 2012<br>RM |
| Current tax expense:                                   |                  |                 |               |            |
| - for the financial year                               | -                | 1,086,000       | -             | -          |
| - under/(over)provision in the previous financial year | 272,594          | (264,646)       | 12,168        | -          |
|  | <u>272,594</u>   | <u>821,354</u>  | <u>12,168</u> | <u>-</u>   |
| Deferred tax expense (Note 9):                         |                  |                 |               |            |
| - for the financial year                               | 908,000          | 227,000         | -             | -          |
| - under/(over)provision in the previous financial year | 360,000          | (275,000)       | -             | -          |
|  | <u>1,268,000</u> | <u>(48,000)</u> | <u>-</u>      | <u>-</u>   |
|  | <u>1,540,594</u> | <u>773,354</u>  | <u>12,168</u> | <u>-</u>   |

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

A reconciliation of income tax expense applicable to profit/(loss) 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      |                |
|---|------------------|------------------|------------------|----------------|
|   | 2013<br>RM       | 2012<br>RM       | 2013<br>RM       | 2012<br>RM     |
| Profit/(Loss) before taxation                         | <u>2,826,346</u> | <u>4,219,366</u> | <u>(437,497)</u> | <u>371,045</u> |
| Tax at the statutory tax rate of 25% (2012 - 25%)     | 706,587          | 1,054,842        | (109,374)        | 92,761         |
| Tax effects of:-                                      |                  |                  |                  |                |
| Share of results in associates                        | 428              | -                | -                | -              |
| Non-taxable gain                                      | -                | (40,343)         | -                | (297,000)      |
| Non-deductible expenses                               | 200,985          | 298,501          | 109,374          | 204,239        |
| Under/(over)provision in the previous financial year: |                  |                  |                  |                |
| - current tax   | 272,594          | (264,646)        | 12,168           | -              |
| - deferred tax  | 360,000          | (275,000)        | -                | -              |
|   | <u>1,540,594</u> | <u>773,354</u>   | <u>12,168</u>    | <u>-</u>       |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 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   |             |
|---|-------------|-------------|
|   | 2013<br>RM  | 2012<br>RM  |
| Profit attributable to owners of the Company              | 1,285,752   | 3,446,012   |
| Weighted average number of ordinary shares:-              |             |             |
| Issued ordinary shares at 1 January                       | 295,001,000 | 205,001,000 |
| Effect of public issue                                    | -           | 31,967,213  |
| Weighted average number of ordinary shares at 31 December | 295,001,000 | 236,968,213 |
| Basic earnings per share (Sen)                            | 0.44        | 1.45        |

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

## 32. ACQUISITION OF A SUBSIDIARY

During the financial year, the Company acquired a 100% equity interest of 10,000 ordinary shares of Sri Lanka Rupee ("LKR") of LKR100 each, in Pasukhas Lanka (Pvt) Ltd ("PLL") for a total cash consideration of RM25,070.

The fair values of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition has no material impact on the financial statements of the Group.

The acquired subsidiary's contribution is immaterial to the results of the Group:

## 33. CASH AND CASH EQUIVALENTS

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

|  | The Group  |            | The Company |            |
|--|------------|------------|-------------|------------|
|  | 2013<br>RM | 2012<br>RM | 2013<br>RM  | 2012<br>RM |
| Short-term investment                        | 2,584,974  | 2,509,891  | 2,584,974   | 2,509,891  |
| Cash and bank balances                       | 3,156,364  | 2,076,115  | 135,705     | 77,351     |
| Fixed deposits with licensed banks (Note 18) | 15,781,533 | 19,039,091 | 5,685,667   | 6,532,915  |
|  | 21,522,871 | 23,625,097 | 8,406,346   | 9,120,157  |

Short-term investment represents cash management fund unit trust in Malaysia carried at fair value.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 34. 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    |               |
|--------------------------|------------------|------------------|----------------|---------------|
|                          | 2013             | 2012             | 2013           | 2012          |
|                          | RM               | RM               | RM             | RM            |
| Executive directors:     |                  |                  |                |               |
| - non-fee emoluments     | 2,162,928        | 1,843,800        | -              | -             |
| - fees                   | 288,000          | 208,000          | 96,000         | 40,000        |
| Non-executive directors: |                  |                  |                |               |
| - fees                   | 67,000           | 30,000           | 67,000         | 30,000        |
|                          | <u>2,517,928</u> | <u>2,081,800</u> | <u>163,000</u> | <u>70,000</u> |

- (b) Details of directors' emoluments of the Group and of the Company received/receivable for the financial year in bands of RM50,000 are as follows:-

|                          | The Group           |                     | The Company         |                     |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
|                          | 2013                | 2012                | 2013                | 2012                |
|                          | Number of Directors | Number of Directors | Number of Directors | Number of Directors |
| Executive directors:     |                     |                     |                     |                     |
| Below RM50,000           | -                   | -                   | 3                   | 3                   |
| RM500,000 - RM550,000    | -                   | 2                   | -                   | -                   |
| RM600,000 - RM650,000    | 2                   | -                   | -                   | -                   |
| Above RM1,000,000        | 1                   | 1                   | -                   | -                   |
| Non-executive directors: |                     |                     |                     |                     |
| Below RM50,000           | 3                   | 3                   | 3                   | 3                   |
|                          | <u>6</u>            | <u>6</u>            | <u>6</u>            | <u>6</u>            |

## 35. CONTINGENT LIABILITIES

|  | The Group |           | The Company |      |
|--|-----------|-----------|-------------|------|
|  | 2013      | 2012      | 2013        | 2012 |
|  | RM        | RM        | RM          | RM   |
| Corporate guarantee given to a licensed bank for credit facilities granted to subsidiary | -         | -         | 13,000,000  | -    |
| Corporate guarantee given to third parties   | -         | -         | 8,200,000   | -    |
| Bank guarantee issued by a subsidiary to third parties                                   | 2,760,132 | 2,799,265 | -           | -    |

The bank guarantees issued by a subsidiary to third parties as at 31 December 2013 shown as above is for the supply of materials in the ordinary course of business.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 36. 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 and the Company carried out the following transactions with the related parties during the financial year:-

|   | The Group   |             | The Company |            |
|---|-------------|-------------|-------------|------------|
|   | 2013<br>RM  | 2012<br>RM  | 2013<br>RM  | 2012<br>RM |
| (i) Holding company                                 |             |             |             |            |
| - Rental of premises                                | (642,000)   | (642,000)   | -           | -          |
| (ii) Subsidiaries                                   |             |             |             |            |
| - Dividend income                                   | -           | -           | -           | 1,188,000  |
| (iii) Related parties                               |             |             |             |            |
| - Contract revenue                                  | 79,970      | 810,323     | -           | -          |
| - Insurance and road tax expenses                   | -           | (23,873)    | -           | -          |
| - Purchases   | (19,010)    | (19,459)    | -           | -          |
| - Staff secondment charges                          | -           | (1,137)     | -           | -          |
| - Sub-contractors' charges                          | -           | (114,846)   | -           | -          |
| - Printing and stationery                           | -           | (1,040)     | -           | -          |
| (iv) Joint ventures                                 |             |             |             |            |
| - Staff secondment income                           | -           | 1,679       | -           | -          |
| (v) Key management personnel                        |             |             |             |            |
| - Short-term employee benefits payable to directors | (2,517,928) | (2,081,800) | (163,000)   | (70,000)   |

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 2013 (cont'd)

## 37. 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'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<br>RM         | LV<br>RM       | EQ<br>RM | Group<br>RM       |
|---|-------------------|----------------|----------|-------------------|
| <b>2013</b>                             |                   |                |          |                   |
| <b>Revenue</b>                          |                   |                |          |                   |
| External revenue                        | 40,889,813        | 407,247        | -        | 41,297,060        |
| Inter-segment revenue                   | -                 | -              | -        | -                 |
|   | <u>40,889,813</u> | <u>407,247</u> | <u>-</u> | <u>41,297,060</u> |
| Adjustments and eliminations            |                   |                |          | -                 |
| Consolidated revenue                    |                   |                |          | <u>41,297,060</u> |
| <b>Results</b>                          |                   |                |          |                   |
| Segment results                         |                   |                |          | 12,960,865        |
| Adjustments and eliminations            |                   |                |          | -                 |
|   |                   |                |          | <u>12,960,865</u> |
| Interest income                         |                   |                |          | 733,758           |
| Depreciation of plant and and equipment |                   |                |          | (3,597,026)       |
| Finance costs                           |                   |                |          | (335,802)         |
| Share of results in associates          |                   |                |          | (1,714)           |
| Other material items of expenses        |                   |                |          | (6,933,735)       |
|   |                   |                |          | <u>2,826,346</u>  |
| Income tax expense                      |                   |                |          | (1,540,594)       |
| Consolidated profit after taxation      |                   |                |          | <u>1,285,752</u>  |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 37. OPERATING SEGMENTS (CONT'D)

### BUSINESS SEGMENTS (CONT'D)

|  | <b>Group<br/>RM</b>   |                  |                  |                     |
|--|-----------------------|------------------|------------------|---------------------|
| <b>2013</b>  |                       |                  |                  |                     |
| <b>Assets</b>  |                       |                  |                  |                     |
| Segment assets   |                       |                  |                  | 53,251,740          |
| Elimination  |                       |                  |                  | (26,909)            |
|  |                       |                  |                  | <u>53,224,831</u>   |
| Deferred tax assets  |                       |                  |                  | 421,000             |
| Tax refundable   |                       |                  |                  | 416,000             |
| Consolidated total assets  |                       |                  |                  | <u>54,061,831</u>   |
| <b>Liabilities</b>   |                       |                  |                  |                     |
| Segment liabilities  |                       |                  |                  | 20,264,787          |
| Elimination  |                       |                  |                  | -                   |
| Consolidated total liabilities                                     |                       |                  |                  | <u>20,264,787</u>   |
| <b>Net assets</b>  |                       |                  |                  | <u>33,797,044</u>   |
| <b>Other segment items</b>   |                       |                  |                  |                     |
| Additions to non-current assets other than financial instruments:- |                       |                  |                  |                     |
| - plant and equipment  |                       |                  |                  | <u>220,133</u>      |
|  | <b>M&amp;E<br/>RM</b> | <b>LV<br/>RM</b> | <b>EQ<br/>RM</b> | <b>Group<br/>RM</b> |
| <b>2012</b>  |                       |                  |                  |                     |
| <b>Revenue</b>   |                       |                  |                  |                     |
| External revenue   | 36,443,943            | 1,127,055        | 1,185,525        | 38,756,523          |
| Inter-segment revenue  | -                     | -                | -                | -                   |
|  | <u>36,443,943</u>     | <u>1,127,055</u> | <u>1,185,525</u> | <u>38,756,523</u>   |
| Adjustments and eliminations                                       |                       |                  |                  | -                   |
| Consolidated revenue   |                       |                  |                  | <u>38,756,523</u>   |
| <b>Results</b>   |                       |                  |                  |                     |
| Segment results  |                       |                  |                  | 14,243,493          |
| Adjustments and eliminations                                       |                       |                  |                  | -                   |
|  |                       |                  |                  | <u>14,243,493</u>   |
| 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)         |
|  |                       |                  |                  | <u>4,219,366</u>    |
| Income tax expense   |                       |                  |                  | (773,354)           |
| Consolidated profit after taxation                                 |                       |                  |                  | <u>3,446,012</u>    |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 37. OPERATING SEGMENTS (CONT'D)

### BUSINESS SEGMENTS (CONT'D)

|  | Group<br>RM       |
|--|-------------------|
| <b>2012</b>  |                   |
| <b>Assets</b>  |                   |
| Segment assets   | 62,185,225        |
| Elimination  | (2,376,956)       |
|  | <u>59,808,269</u> |
| Deferred tax assets  | 1,689,000         |
| Tax refundable   | 416,000           |
| Consolidated total assets  | <u>61,913,269</u> |
| <b>Liabilities</b>   |                   |
| Segment liabilities  | 31,778,933        |
| Elimination  | (2,376,956)       |
| Consolidated total liabilities                                     | <u>29,401,977</u> |
| <b>Net assets</b>  | <u>32,511,292</u> |
| <b>Other segment items</b>   |                   |
| Additions to non-current assets other than financial instruments:- |                   |
| - plant and equipment  | <u>4,981,914</u>  |

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

|                               | The Group        |                  |
|-------------------------------|------------------|------------------|
|                               | 2013<br>RM       | 2012<br>RM       |
| Directors' non-fee emoluments | 2,517,928        | 2,081,800        |
| Listing expenses              | -                | 680,046          |
| Professional fees *           | 327,430          | 491,295          |
| Staff costs                   | 3,412,724        | 2,800,881        |
| Rental expenses               | 675,653          | 806,578          |
|                               | <u>6,933,735</u> | <u>6,860,600</u> |

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 37. OPERATING SEGMENTS (CONT'D)

### GEOGRAPHICAL INFORMATION

|                      | The Group Revenue |                   |
|----------------------|-------------------|-------------------|
|                      | 2013<br>RM        | 2012<br>RM        |
| Malaysia             | 41,297,060        | 37,959,871        |
| Indonesia            | -                 | 679,050           |
| United Arab Emirates | -                 | 117,602           |
|                      | <u>41,297,060</u> | <u>38,756,523</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   |
|---|------------|------------|---|
|   | 2013<br>RM | 2012<br>RM |   |
| SGL Carbon Sdn. Bhd.*                     | 374,906    | 7,040,706  | M&E engineering services - Factory.               |
| Shimizu-Nishimatsu-UEMB-IJM Joint Venture | 7,427,965  | 8,363,521  | M&E engineering services - Water transfer tunnel. |
| Jaks Sdn. Bhd.                            | 20,537,385 | 14,006,309 | M&E engineering services - Property developer.    |
| 1MDB Real Estate Sdn. Bhd.*               | 477,252    | 4,374,736  | M&E engineering services - Real Estate.           |
| PK Agro-Industrial Products Sdn. Bhd.     | 4,789,945  | -          | M&E engineering services - Factory.               |

\* During the financial year, the revenue for these customers were less than 10% of Group revenue.

## 38. 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:-

|                             | The Group  |            |
|-----------------------------|------------|------------|
|                             | 2013<br>RM | 2012<br>RM |
| United States Dollar        | 3.28       | 3.06       |
| United Arab Emirates Dirham | 0.89       | 0.83       |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 39. 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.

### 39.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's 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*

|                                    | <b>United<br/>States<br/>Dollar<br/>RM</b> |
|------------------------------------|--|
| <b>The Group</b>                   |  |
| 2013                               |  |
| <b>Financial Assets</b>            |  |
| Cash and bank balances             | 923,280                                    |
| <b>Net currency exposure</b>       | <u>923,280</u>                             |
| 2012                               |  |
| <b>Financial Assets</b>            |  |
| Fixed deposits with licensed banks | 918,554                                    |
| Cash and bank balances             | 747,482                                    |
| <b>Net currency exposure</b>       | <u>1,666,036</u>                           |

*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/(loss) after taxation and equity respectively by RM69,246 (2012 - RM124,953). A 10% weakening in the foreign currency would have had an equal but opposite effect on the profit/(loss) 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 2013 (cont'd)

## 39. FINANCIAL INSTRUMENTS (CONT'D)

### 39.1 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             |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 2013                    | 2012                    | 2013                    | 2012                    |
|   | Increase/<br>(Decrease) | Increase/<br>(Decrease) | Increase/<br>(Decrease) | Increase/<br>(Decrease) |
|   | RM                      | RM                      | RM                      | RM                      |
| <b>Effects on Profit/(loss) after taxation and equity</b> |                         |                         |                         |                         |
| Increase of 100 basis points ("bp")                       | 72,897                  | 107,851                 | 42,643                  | 48,997                  |
| Decrease of 100bp   | (72,897)                | (107,851)               | (42,643)                | (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 10 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/(loss) 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 39. FINANCIAL INSTRUMENTS (CONT'D)

### 39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (b) Credit Risk (Cont'd)

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.

#### (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 70% (2012 - 83%) 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:-

|                           | <b>Gross<br/>Amount<br/>RM</b> | <b>Individual<br/>Impairment<br/>RM</b> | <b>Carrying<br/>Value<br/>RM</b> |
|---------------------------|--------------------------------|---|----------------------------------|
| <b>The Group</b>          |                                |   |                                  |
| <b>2013</b>               |                                |   |                                  |
| Not past due              | 8,391,245                      | -                                       | 8,391,245                        |
| Past due:                 |                                |   |                                  |
| - less than 3 months      | 1,466,884                      | -                                       | 1,466,884                        |
| - 3 to 9 months           | 2,861,523                      | -                                       | 2,861,523                        |
| - over 9 months           | 2,210,885                      | (244,150)                               | 1,966,735                        |
|                           | <u>6,539,292</u>               | <u>(244,150)</u>                        | <u>6,295,142</u>                 |
| Non-retention sum portion | 14,930,537                     | (244,150)                               | 14,686,387                       |
| Retention sum portion     | 3,628,027                      | (102,821)                               | 3,525,206                        |
| Total trade receivables   | <u>18,558,564</u>              | <u>(346,971)</u>                        | <u>18,211,593</u>                |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 39. FINANCIAL INSTRUMENTS (CONT'D)

### 39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (b) Credit Risk (Cont'd)

##### (iii) Ageing analysis (Cont'd)

| The Group                 | Gross<br>Amount<br>RM | Individual<br>Impairment<br>RM | Carrying<br>Value<br>RM |
|---------------------------|-----------------------|--------------------------------|-------------------------|
| <b>2012</b>               |                       |                                |                         |
| Not past due              | 3,475,412             | -                              | 3,475,412               |
| Past due:                 |                       |                                |                         |
| - less than 3months       | 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                 |
|                           | 13,520,954            | (1,568,789)                    | 11,952,165              |
| 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   | 19,913,431            | (1,682,280)                    | 18,231,151              |

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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 39. FINANCIAL INSTRUMENTS (CONT'D)

### 39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (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.

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<br>Average<br>Effective<br>Rate<br>% | Carrying<br>Amount<br>RM | Contractual<br>Undiscounted<br>Cash Flows<br>RM | Within<br>1 Year<br>RM | 1 - 5<br>Years<br>RM |
|---------------------------------|---|--------------------------|---|------------------------|----------------------|
| <b>2013</b>                     |   |                          |   |                        |                      |
| Hire purchase payables          | 4.91  | 302,254                  | 333,897   | 99,552                 | 234,345              |
| Trade payables                  | 4.40  | 9,526,909                | 9,546,280                                       | 8,821,908              | 724,372              |
| Other payables and accruals     | -   | 1,888,478                | 1,888,478                                       | 1,888,478              | -                    |
| Amount owing to related parties | -   | 40,051                   | 40,051  | 40,051                 | -                    |
| Bankers' acceptances            | 4.54  | 6,062,000                | 6,062,000                                       | 6,062,000              | -                    |
|                                 |   | <u>17,819,692</u>        | <u>17,870,706</u>                               | <u>16,911,989</u>      | <u>958,717</u>       |
| <b>2012</b>                     |   |                          |   |                        |                      |
| Hire purchase payables          | 5.78  | 330,947                  | 360,413   | 119,223                | 241,190              |
| Trade payables                  | 4.59  | 13,619,652               | 13,634,691                                      | 13,291,994             | 342,697              |
| Other payables and accruals     | -   | 1,232,472                | 1,232,472                                       | 1,232,472              | -                    |
| Amount owing to related parties | -   | 37,162                   | 37,162  | 37,162                 | -                    |
| Bankers' acceptances            | 4.39  | 4,659,000                | 4,659,000                                       | 4,659,000              | -                    |
|                                 |   | <u>19,879,233</u>        | <u>19,923,738</u>                               | <u>19,339,851</u>      | <u>583,887</u>       |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 39. FINANCIAL INSTRUMENTS (CONT'D)

### 39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (c) Liquidity Risk (Cont'd)

| The Company                  | Weighted<br>Average<br>Effective<br>Rate<br>% | Carrying<br>Amount<br>RM | Contractual<br>Undiscounted<br>Cash Flows<br>RM | Within<br>1 Year<br>RM |
|------------------------------|---|--------------------------|---|------------------------|
| <b>2013</b>                  |   |                          |   |                        |
| Other payables and accruals  | -   | 21,748                   | 21,748  | 21,748                 |
| <b>2012</b>                  |   |                          |   |                        |
| Other payables and accruals  | -   | 21,167                   | 21,167  | 21,167                 |
| Amount owing to subsidiaries | -   | 1,188,895                | 1,188,895                                       | 1,188,895              |
|                              |   | <u>1,210,062</u>         | <u>1,210,062</u>                                | <u>1,210,062</u>       |

### 39.2 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.

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

|  | The Group          |                    |
|--|--------------------|--------------------|
|  | 2013<br>RM         | 2012<br>RM         |
| Hire purchase payables                   | 302,254            | 330,947            |
| Trade payables                           | 9,526,909          | 13,619,652         |
| Other payables and accruals              | 1,888,478          | 1,232,472          |
| Amount owing to related parties          | 40,051             | 37,162             |
| Bankers' acceptances                     | 6,062,000          | 4,659,000          |
|  | <u>17,819,692</u>  | <u>19,879,233</u>  |
| Less: Short-term investment              | (2,584,974)        | (2,509,891)        |
| Less: Fixed deposits with licensed banks | (15,781,533)       | (19,039,091)       |
| Less: Cash and bank balances             | (3,156,364)        | (2,076,115)        |
| Net debt                                 | <u>(3,703,179)</u> | <u>(3,745,864)</u> |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 39. FINANCIAL INSTRUMENTS (CONT'D)

### 39.2 CAPITAL RISK MANAGEMENT (CONT'D)

|                      | The Group      |                |
|----------------------|----------------|----------------|
|                      | 2013<br>RM     | 2012<br>RM     |
| Total equity         | 33,797,044     | 32,511,292     |
| 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.

### 39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

|   | The Group  |            | The Company |            |
|---|------------|------------|-------------|------------|
|   | 2013<br>RM | 2012<br>RM | 2013<br>RM  | 2012<br>RM |
| <b>Financial Assets</b>                       |            |            |             |            |
| <u>Available-for-sale financial assets</u>    |            |            |             |            |
| - quoted shares                               | 4,250      | 4,250      | -           | -          |
| - transferable club membership                | 100,000    | 100,000    | -           | -          |
| Other investments                             | 104,250    | 104,250    | -           | -          |
| <u>Loans and receivables financial assets</u> |            |            |             |            |
| Trade receivables                             | 17,627,976 | 17,696,564 | -           | -          |
| Other receivables and deposits                | 952,279    | 439,894    | 1,000       | 1,000      |
| Amount owing by subsidiaries                  | -          | -          | 1,500       | -          |
| Amount owing by associates                    | 314,995    | -          | -           | -          |
| Amount owing by related parties               | 106,298    | 64,012     | -           | -          |
| Fixed deposits with licensed banks            | 15,781,533 | 19,039,091 | 5,685,667   | 6,532,915  |
| Cash and bank balances                        | 3,156,364  | 2,076,115  | 135,705     | 77,351     |
|   | 37,939,445 | 39,315,676 | 5,823,872   | 6,611,266  |
| <u>Fair value through profit or loss</u>      |            |            |             |            |
| Short-term investment                         | 2,584,974  | 2,509,891  | 2,584,974   | 2,509,891  |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 39. FINANCIAL INSTRUMENTS (CONT'D)

### 39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

|                                    | The Group         |                   | The Company   |                  |
|------------------------------------|-------------------|-------------------|---------------|------------------|
|                                    | 2013              | 2012              | 2013          | 2012             |
|                                    | RM                | RM                | RM            | RM               |
| <b>Financial Liabilities</b>       |                   |                   |               |                  |
| <u>Other financial liabilities</u> |                   |                   |               |                  |
| Hire purchase payables             | 302,254           | 330,947           | -             | -                |
| Trade payables                     | 9,526,909         | 13,619,652        | -             | -                |
| Other payables and accruals        | 1,888,478         | 1,232,472         | 21,748        | 21,167           |
| Amount owing to related parties    | 40,051            | 37,162            | -             | -                |
| Amount owing to subsidiaries       | -                 | -                 | -             | 1,188,895        |
| Bankers' acceptances               | 6,062,000         | 4,659,000         | -             | -                |
|                                    | <u>17,819,692</u> | <u>19,879,233</u> | <u>21,748</u> | <u>1,210,062</u> |

### 39.4 FAIR VALUE MEASUREMENTS

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. These fair values are included in level 2 of the fair value hierarchy.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 39. FINANCIAL INSTRUMENTS (CONT'D)

### 39.4 FAIR VALUE MEASUREMENTS (CONT'D)

| The Group                      | Fair Value Of<br>Financial Instruments<br>Carried At Fair Value |               |               | Fair Value Of<br>Financial Instruments Not<br>Carried At Fair Value |               |               | Total<br>Fair<br>Value<br>RM | Carrying<br>Amount<br>RM |
|--------------------------------|---|---------------|---------------|---|---------------|---------------|------------------------------|--------------------------|
|                                | Level 1<br>RM   | Level 2<br>RM | Level 3<br>RM | Level 1<br>RM   | Level 2<br>RM | Level 3<br>RM |                              |                          |
| <b>2013</b>                    |   |               |               |   |               |               |                              |                          |
| <u>Financial Assets</u>        |   |               |               |   |               |               |                              |                          |
| Other investments:             |   |               |               |   |               |               |                              |                          |
| - quoted shares                | 4,250   | -             | -             | -   | -             | -             | 4,250                        | 4,250                    |
| - transferable club membership | -   | 100,000       | -             | -   | -             | -             | 100,000                      | 100,000                  |
| Short-term investment          | 2,584,974   | -             | -             | -   | -             | -             | 2,584,974                    | 2,584,974                |
|                                |   |               |               |   |               |               |                              |                          |
| <u>Financial Liability</u>     |   |               |               |   |               |               |                              |                          |
| Hire purchase payables         | -   | -             | -             | -   | 215,656       | -             | 215,656                      | 215,656                  |
|                                |   |               |               |   |               |               |                              |                          |
| <b>2012</b>                    |   |               |               |   |               |               |                              |                          |
| <u>Financial Asset</u>         |   |               |               |   |               |               |                              |                          |
| Other investments:             |   |               |               |   |               |               |                              |                          |
| - quoted shares                | 4,250   | -             | -             | -   | -             | -             | 4,250                        | 4,250                    |
| - transferable club membership | -   | 100,000       | -             | -   | -             | -             | 100,000                      | 100,000                  |
| Short-term investment          | 2,509,891   | -             | -             | -   | -             | -             | 2,509,891                    | 2,509,891                |
|                                |   |               |               |   |               |               |                              |                          |
| <u>Financial Liability</u>     |   |               |               |   |               |               |                              |                          |
| Hire purchase payables         | -   | -             | -             | -   | 225,106       | -             | 225,106                      | 225,106                  |

\* Comparative fair value information is not presented by levels, by virtue of the exemption given in MFRS 13.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 39. FINANCIAL INSTRUMENTS (CONT'D)

### 39.4 FAIR VALUE MEASUREMENTS (CONT'D)

The fair values of Level 1 and Level 2 above have been determined using the following basis:

- (a) The fair values of the quoted investment and the investment in club membership are estimated based on their quoted market prices at the end of the reporting period.
- (b) The fair values of the hire purchase payables are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period.

## 40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 25 September 2013, a wholly-owned subsidiary of the Group, Pasukhas Sdn. Bhd. accepted a letter of award dated 10 September 2013 from Emerald Capital (Ipoh) Sdn. Bhd. for the construction and completion of 1 block of 18-storey apartment for a contract sum of RM64.5 million.
- (b) On 24 October 2013, the Group incorporated a wholly-owned subsidiary, Pasukhas Lanka (Pvt) Ltd ("PLL") in Colombo, Sri Lanka.

PLL is a limited liability company with a paid-up share capital of Sri Lankan Rupee ("LKR") 1,000,000 comprising 10,000 ordinary shares of LKR 100 each. The intended activities of PLL are to undertake construction activities including mechanical and electrical works. PLL is presently dormant as disclosed in Note 6 to the financial statements.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013 (cont'd)

## 41. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFIT/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 |            |
|--|------------|------------|-------------|------------|
|  | 2013<br>RM | 2012<br>RM | 2013<br>RM  | 2012<br>RM |
| Total retained profits/ (accumulated losses)<br>of the Company and its subsidiaries: |            |            |             |            |
| - realised   | 13,317,175 | 10,954,841 | (1,175,803) | (726,138)  |
| - unrealised   | 529,536    | 1,606,118  | -           | -          |
| At 31 December   | 13,846,711 | 12,560,959 | (1,175,803) | (726,138)  |

# Analysis of Shareholdings

As at 19 May 2014

|                                  |   |
|----------------------------------|---|
| 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           | : 1,202   |

## ANALYSIS OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | %             | No. of Shares      | %             |
|-----------------------|---------------------|---------------|--------------------|---------------|
| Less than 100         | 3                   | 0.25          | 100                | 0.00          |
| 100 to 1,000          | 54                  | 4.49          | 34,400             | 0.01          |
| 1,001 to 10,000       | 314                 | 26.12         | 2,242,900          | 0.76          |
| 10,001 to 100,000     | 669                 | 55.66         | 30,314,100         | 10.28         |
| 100,001 to 14,750,049 | 159                 | 13.23         | 72,168,500         | 24.46         |
| 14,750,050 and above  | 3                   | 0.25          | 190,241,000        | 64.49         |
| <b>Total</b>          | <b>1,202</b>        | <b>100.00</b> | <b>295,001,000</b> | <b>100.00</b> |

## 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 <sup>(1)</sup> | 48.64 |
| 3. | Tan Chor Tong               | 14,760,000      | 5.00  | 143,501,000 <sup>(1)</sup> | 48.64 |
| 4. | Teng Yoon Kooi              | 14,735,000      | 5.00  | 143,501,000 <sup>(1)</sup> | 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 <sup>(1)</sup> | 48.64 |
| 2. | Teng Yoon Kooi                    | 14,735,000      | 5.00  | 143,501,000 <sup>(1)</sup> | 48.64 |
| 3. | Tan Chor Tong                     | 14,760,000      | 5.00  | 143,501,000 <sup>(1)</sup> | 48.64 |
| 4. | Ir. S. P. Thiagarajan A/L Suppiah | 1,000,000       | 0.34  | -                          | -     |
| 5. | Teoh Kim Hooi                     | 300,000         | 0.10  | -                          | -     |
| 6. | Yap Chee Keong                    | -               | -     | -                          | -     |

### 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 19 May 2014 (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   | 14,735,000    | 5.00  |
| 5.  | Pete Emmanuel A/L J. A Pereira   | 3,178,000     | 1.08  |
| 6.  | Leong Kok Peng   | 2,400,000     | 0.81  |
| 7.  | Tan Eng Hoo  | 1,740,500     | 0.59  |
| 8.  | Saw Kong Beng  | 1,500,000     | 0.51  |
| 9.  | Lee Chee Hoong   | 1,290,000     | 0.44  |
| 10. | Loh Yun Chyi   | 1,200,000     | 0.41  |
| 11. | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>Exempt AN for Phillip Capital Management Sdn Bhd (EPF)     | 1,181,000     | 0.40  |
| 12. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Kok Fook Yu                        | 1,127,100     | 0.38  |
| 13. | Tay Khai Wei   | 1,100,000     | 0.37  |
| 14. | Hing Wai Keong   | 1,000,000     | 0.34  |
| 15. | HLIB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Koo Jon Mean @ Koh Jon Mean           | 1,000,000     | 0.34  |
| 16. | S P Thiagarajan A/L Suppiah  | 1,000,000     | 0.34  |
| 17. | Eng Gel Bert   | 995,000       | 0.34  |
| 18. | PM Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Soh Say Keong (B)                       | 946,300       | 0.32  |
| 19. | Chong Hon Hwee   | 800,000       | 0.27  |
| 20. | Sim Guo Jong @ Tan Guo Jong  | 770,000       | 0.26  |
| 21. | Choong Yean Yaw  | 728,900       | 0.25  |
| 22. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ramesh Chander Khanijow (470650) | 700,000       | 0.24  |
| 23. | Yong Chean Peng  | 699,000       | 0.24  |
| 24. | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt AN for OCBC Securities Private Limited<br>(Client A/C-NR)   | 660,000       | 0.22  |
| 25. | Chuah Tiong Pan  | 630,000       | 0.21  |
| 26. | Koay Chee Hong   | 600,000       | 0.20  |
| 27. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chong Hon Hwee (E-TSA)              | 600,000       | 0.20  |
| 28. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chin Soo Khim (E-TWU/LDU)           | 600,000       | 0.20  |
| 29. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tey Heong Tiong (E-TCS)             | 600,000       | 0.20  |
| 30. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ho Hon Keng (E-PDG)                 | 598,000       | 0.20  |

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# 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 Ninth 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 Tuesday, 24 June 2014 at 10.30 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 |
|---|-----|---------|
| <b>Ordinary Business</b>  |     |         |
| 1. To approve the Directors' Fees amounting to RM67,000 for the financial year ended 31 December 2013                     |     |         |
| 2. To re-elect Mr Teng Yoon Kooi as Director  |     |         |
| 3. To re-elect Mr Yap Chee Keong 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 |     |         |
| <b>Special Business</b>   |     |         |
| 6. Authority to Directors to issue shares pursuant to Section 132D of the Companies Act, 1965                             |     |         |
| 7. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions                            |     |         |

(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 \_\_\_\_\_ 2014

\_\_\_\_\_  
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 here

Affix  
stamp

**THE COMPANY SECRETARY**

**PASUKHAS GROUP BERHAD**

10th Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur

fold here

[www.pasukhasgroup.com](http://www.pasukhasgroup.com)

**PASUKHAS GROUP BERHAD**

(Company No. 686389-A)

(Incorporated in Malaysia under the Companies Act, 1965)

Wisma Modal Khas, Lot 5815-A, Jalan Mawar,

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