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

DRIVING
GROWTH,
CREATING
VALUE

Annual Report 2017

Annual Report
2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Dato' Sri Teng Ah Kiong
Executive Chairman

Dato' Teng Yoon Kooi
Executive Director

Wan Thean Hoe
Executive Director cum Chief Executive Officer

Chan Man Chung
Non-Independent Non-Executive Director

Teoh Kim Hooi
Independent Non-Executive Director

Yap Chee Keong
Independent Non-Executive Director

Norkamaliah Binti Hashim
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE
Teoh Kim Hooi
Chairman of Audit and Risk Management Committee,
Independent Non-Executive Director

Yap Chee Keong
Independent Non-Executive Director

Norkamaliah Binti Hashim
Independent Non-Executive Director

NOMINATION COMMITTEE
Norkamaliah Binti Hashim
Chairman of Nomination Committee,
Independent Non-Executive Director

Yap Chee Keong
Independent Non-Executive Director

Teoh Kim Hooi
Independent Non-Executive Director

REMUNERATION COMMITTEE
Yap Chee Keong
Chairman of Remuneration Committee,
Independent Non-Executive Director

Teoh Kim Hooi
Independent Non-Executive Director

Norkamaliah Binti Hashim
Independent Non-Executive Director

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
AmBank (Malaysia) Berhad
Malayan Banking Berhad
Malaysia Debt Ventures Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad

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

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

AUDITORS
Crowe Horwath (Firm No. AF 1018)
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03 2788 9999
Fax : 03 2788 9998

SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03 2783 9299
Fax : 03 2783 9222

CORPORATE STRUCTURE

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

PASUKHAS LANKA (PVT) LIMITED
100%

PASUKHAS SDN BHD
100%

- **ESSENTIAL VALUE SDN BHD**
  55%

PASUKHAS PRODUCTS SDN BHD
100%

PASUKHAS ENERGY SDN BHD
100%

- **I.S. ENERGY SDN BHD**
  100%

PASUKHAS CONSTRUCTION SDN BHD
(Formerly known as Pasukan Khas Construction Sdn Bhd)
70%

PASUKHAS DEVELOPMENT SDN BHD
(Formerly known as Bungar Majujaya Sdn Bhd)
100%

PASUKHAS PROPERTIES SDN BHD
(Formerly known as Majujaya Masyhur Sdn Bhd)
100%

- **MIDTOWN PEARL SDN BHD**
  100%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth 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 Monday, 28 May 2018 at 10.30 a.m. for the following purposes:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon. ***(Please refer to Explanatory Note A)***

2. To re-elect the following Directors who retire by rotation in accordance with Article 70 of the Articles of Association and who being eligible offer themselves for re-election:

   (a) Dato' Teng Yoon Kooi ***Ordinary Resolution 1***
   (b) Teoh Kim Hooi ***Ordinary Resolution 2***

3. To elect Puan Norkamaliah Binti Hashim who retire by rotation in accordance with Article 75 of the Articles of Association and who being eligible offer herself for election. ***Ordinary Resolution 3***

4. To approve the payment of Directors' Fees of RM246,000 for the financial year ended 31 December 2017. ***Ordinary Resolution 4***

5. To approve the payment of Directors' benefits payable to the Board of the Company and its subsidiaries of up to RM1,000,000 for the financial period from 1 January 2018 until 31 December 2018. ***Ordinary Resolution 5***

6. To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorise the Directors to determine their remuneration. ***Ordinary Resolution 6***

Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modification:-

7. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** ***Ordinary Resolution 7***

   "THAT subject always to the Companies Act 2016 ("Act"), the Articles of Association of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the approvals of the relevant governmental or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to issue and allot shares in the Company to such persons, at any time until the conclusion of the next Annual General Meeting 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 to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being."

8. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** ***Ordinary Resolution 8***

   "THAT, subject always to the Companies Act, 2016 ("Act"), the Memorandum and Articles of Association of the Company and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries to enter into related party transactions with the Mandated Related Parties, particulars of which are set out in Section 2.3 of the Circular dated 25 April 2018, provided that such transactions are:-

   (a) recurrent transaction of a revenue or trading nature;
   (b) necessary for the day-to-day operations of the Company and/or its subsidiaries;
   (c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms with those generally available to the public; and
   (d) not detrimental to the interests of the minority shareholders of the Company;

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next annual general meeting ("AGM") of the Company following this AGM where the authority is approved, at which time the authority will lapse unless renewed by a resolution passed at the meeting; or
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever is earlier;

AND THAT the Directors of the Company be authorised to do, carry out and complete all such acts, things and arrangements (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions as contemplated/ authorised by the Proposed Shareholders' Mandate."

9. To transact any other business of which due notice shall been given in accordance with the Companies Act 2016.

By Order of the Board

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

Selangor Darul Ehsan
25 April 2018

Notes:

(A) The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put 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 restriction. 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) Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(8) For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors ("ROD") as at 22 May 2018 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

(9) Explanatory Notes on Special Business:

(i) **Ordinary Resolutions 4 & 5**

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company shall be approved at a general meeting.

In this respect, the Board wishes to seek shareholders' approval for the following payments to Directors at the 13th AGM in two (2) separate resolutions as below:

- Resolution 4 on payment of Directors' Fees totaling RM246,000 in respect of the financial year ended 31 December 2017; and
- Resolution 5 on payment of Directors' benefits payable to the Board of the Company and its subsidiaries of up to RM1,000,000 for the financial period from 1 January 2018 until 31 December 2018.

(ii) **Ordinary Resolution 7**
Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 7, if approved, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

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 to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

(iii) **Ordinary Resolution 8**
Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 8, if passed, will provide a renewed mandate for the Company and/or its subsidiaries to enter into recurrent transactions involving the interests of Mandated Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Please refer to the Circular to Shareholders dated 25 April 2018 dispatched together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

The profiles of the Directors who are standing for re-election/election as per Agenda 2 and 3 of the Notice of 13th AGM are stated on pages 13 to 16 of this Annual Report.

CHAIRMAN'S STATEMENT

COMMENTARIES ON GROUP'S FINANCIAL PERFORMANCE

The FYE 31 December 2017 was a very challenging year for the Group. The Group's revenue recorded a decrease from RM60.385 million in FYE 31 December 2016 to RM36,859 million in FYE 31 December 2017. Despite the lower revenue recorded, the Group made a significant turnaround from loss after taxation of RM5.927 million in FYE 31 December 2016 to profit after taxation of RM0.725 million in FYE 31 December 2017. The improvement of the financial performance was mainly attributable to improvement in the gross operating profit from RM5.156 million in FYE 2016 to RM8.677 million in FYE 2017 due to better management of the project cost.

For FYE 31 December 2017, the Civil Engineering & Construction Services was the largest contributor to the Group revenue at RM20.880 million representing 56.65% of Group revenue. The Mechanical & Electrical Engineering Services continues to contribute to the Group with revenue of RM6.965 million or 18.90% of Group revenue. The remaining revenues are contributed from the manufacturing of Low Voltage Switchboards, Renewable Energy and Rental Property.

The Group recorded a profit before taxation of RM1.419 million for the current year under review. This showed a significant improvement of RM8.132 million or 121.14% as compared to the previous financial year's loss before taxation of RM6.713 million. The substantial increase was mainly attributed to the improvement of the gross operating profit.

DIVIDEND

The Board of Directors of the Group has not recommended any dividend payment for the current financial year, mainly due to its diversification and expansion for future sustainable growth.

PROSPECTS AND FUTURE OUTLOOK

The main revenue driver of the Group for the current year to date is mainly from Civil Engineering & Construction Services projects and moving forward the Group shall continue developing and expanding its foothold in this segment. The intense competitive market in the construction industry will remain a significant factor that may have a material impact on the Group's earnings, while the availability of resources to undertake large projects remains a challenge to the Group.

However, with greater construction expertise and larger clientele base after the completion of the acquisition of Pasukhas Construction Sdn Bhd ("PCSB") in December 2016, with the synergies benefits thereon, the Group is expected to be in a better position to secure more projects and improve the future financial performance.

The Civil Engineering and Construction services business segments shall serve alongside Mechanical and Electrical Engineering services business segment to bring the Group towards achieving its future business plans and expansion targets.

Furthermore the acquisition of I. S. Energy Sdn Bhd ("ISE") marked the initial footprint of the Group into energy utilities services and power generation business. ISE has been granted by Sustainable Energy Development Authority (SEDA) a 21-year concession starting from 7 November 2012 to operate the 3.2 MW Sungai Rek Hydro Power Plant. The long term stable income stream derived from the energy utilities services will contribute positively to Group's long term revenue and profits.

The members of the Board of Directors and I are confident of the future prospects of the Group in anticipation of the improved economy and in line with the additional roll out of more infrastructure projects initiated by the Government. We believe that with the continuous growth in the construction sector, acquisitions of PCSB and ISE, the financial performance in the coming financial years will be positive.

CORPORATE GOVERNANCE

The Group and its Board of Directors continue to be resolute in ensuring that the Group's business and affairs are in line to the principles of good corporate governance such as integrity, transparency, accountability and responsible business conduct. We adhere to laws and regulations to ensure a proper and well-structured management.

CHAIRMAN'S STATEMENT (cont'd)

CORPORATE SOCIAL RESPONSIBILITY

The Group believes that effective corporate responsibility can deliver benefits to its business and, in turn, to its shareholders by enhancing the Group's reputation and business trust, staff motivation and retention, customer loyalty and long-term shareholder value.

The Group has consistently sent its staff for training to upgrade their knowledge and enhance their specific skills which would contribute to the well-being of the Group throughout in the years to come.

The Group also pays particular attention to the well-being of its staff notably in the area of improving the workplace, the community and the environment it operates to ensure the welfare and safety of its employees. The Group covers the cost of outpatient medical expenses for all eligible employees.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to express my deep appreciation to the management and staff, business associates and shareholders of the Group for their continuous commitment, contribution and support to the Group.

I also would like to take this opportunity to welcome Puan Norkamaliah Binti Hashim who has been appointed as an Independent Non-Executive Director of the Company on 5 July 2017.

Thank you.

DATO' SRI TENG AH KIONG
Executive Chairman

FINANCIAL HIGHLIGHTS

	2013	2014	2015	2016	2017
Profitability					
Revenue (RM'000)	41,297	41,304	68,109	60,385	36,859
Earnings/(Loss) before interest, tax, depreciation and amortization (EBITDA) (RM'000)	6,015	(3,829)	1,136	(6,646)	3,368
Profit/(Loss) before taxation (RM'000)	2,826	(5,205)	939	(6,713)	1,419
Profit/(Loss) for the year attributable to equity holders (RM'000)	1,285	(4,294)	897	(5,927)	725
Balance Sheet					
Share capital (RM'000)	29,500	29,500	29,500	37,011	89,783
Number of shares in issue (units) ('000)	295,001	295,001	295,001	370,112	811,573
Shareholders' equity (RM'000)	33,797	29,503	30,400	41,047	88,168
Financial Ratio					
Revenue growth	6.55%	0.02%	64.90%	(11.34%)	(38.96%)
Earnings growth	(62.71%)	(434.16%)	120.89%	(760.76%)	112.23%
Return on equity	3.80%	(14.55%)	2.95%	(14.44%)	0.82%
Share Information					
Weighted average number of ordinary Shares (units) ('000)	295,001	295,001	295,001	317,551	668,231
Dividend per share (sen)	-	-	-	-	-
Earnings/(Losses) per share (sen)	0.44	(1.46)	0.30	(1.92)	0.09
Net assets per share (sen)	11.46	10.00	10.31	11.09	10.86

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company is a public company limited by shares and is incorporated under the Companies Act in Malaysia. The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of its subsidiaries are engaged in the Mechanical & Electrical Engineering services, Civil Engineering and Construction services, Manufacturing of Low Voltage ("LV") Switchboards, Trading of Equipment, Renewable Energy and Rental Property segments ("the Group").

The year 2018 will no doubt bring a fair share of challenges and opportunities to the Group. The slowdown in activities on ongoing projects for the local Civil Engineering and Construction services and Mechanical & Electrical Engineering services in year 2017 as compared to year 2016, which due to intense competitive market and continued pressure on pricing are expected to have adverse financial effects on the Company. Despite the headwinds from the slowdown, the Group remains optimistic as it will continue to leverage on its clients base, internal strength and marketing efforts to secure new contracts from both local and overseas clients. It is expected that the Group would be able to improve earnings and profitability for the foreseeable financial years.

During the year 2017, Hong Leong Investment Bank Berhad, on behalf of the Board of the Group, announced that:-

(i) On 23 January 2017, the Company increased its total number of issued and paid-up share capital from 370,111,566 to 405,786,566 by an issuance of 35,675,000 new ordinary shares of RM0.10 each, at an issue price of RM0.15 each through private placement ("Placement Shares"). On 25 January 2017, the private placement is deemed completed following the listing of and quotation for 35,675,000 Placement Shares on the ACE Market of Bursa Securities.

(ii) On 11 May 2017, a total of 405,786,566 Rights Shares in relation to the Rights Issue were listed and quoted on the ACE Market of Bursa Securities with effect from 9.00 a.m. on Thursday, 11 May 2017, marking the completion of the Rights Issue.

(iii) On 21 June 2017, Pasukhas Energy Sdn Bhd ("PESB") has entered into the signing of the I. S. Energy Sdn Bhd ("ISE") Conditional Share Sales Agreement ("SSA") and ISE Debt Settlement Agreement ("DA"). Following to the signing of the ISE SSA Agreement and ISE DA Agreement, PESB is deemed to have taken over the management of ISE, including the Sungai Rek Hydro Power Plant commencing from 31 May 2017. Therefore, PESB will be entitled to all revenue and profit generated by ISE after 31 May 2017.

With its current solid foundation, and keen eye for integrating suitable mergers and acquisitions into its expansion plan, the Group is confident of maintaining sustainable growth and improved profitability.

FINANCIAL REVIEW

Revenue of the Group decreased to RM36.859 million (2016: RM60.385 million). This was mainly attributable to decrease in activities of ongoing projects for local Civil Engineering and Construction services and M&E Engineering services projects. The Group's revenue was derived solely from Malaysia. Despite the lower revenue, the Group's gross operating profit increase by 68.29% to RM8.677 million (2016: RM5.156 million) due to better management of the project cost. This resulted to the increase of net profit by 112.23% to RM0.725 million (2016: net loss RM5.927 million).

Revenue for the year comprises of RM20.880 million (2016: RM40.207 million) contributed by Civil Engineering and Construction services, RM6.965 million (2016: RM11.367 million) by M&E Engineering services, and the remaining revenue are contributed from Manufacturing of LV Switchboards, Renewable Energy and Rental Property. Gross Operating Profit for the year was RM8.677 million (2016: RM5.156 million), of which RM3.578 million (2016: RM2.316 million) was mainly from Civil Engineering and Construction services, and RM2.383 million (2016: RM1.940 million) by M&E Engineering services. The remaining gross operating profit are contributed from Manufacturing of LV Switchboards, Renewable Energy and Rental Property.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

FINANCIAL REVIEW (cont'd)

Most of the Group's assets and liabilities are dominated in Ringgit Malaysia. However, the Group is exposed to foreign currency risk from trade sales and purchases of the subsidiaries. However, the net exposure in terms of its potential impact on both profitability and financial position of the Group is considered to be not material. The Group will continue to closely monitor its foreign exchange position and if necessary, hedge its foreign exchange exposure by entering into appropriate hedging instruments. As at 31 December 2017, the Group has not enter into any hedging instruments as the potential impact was insignificant.

The Group has centralized its financing policies and control over all its operations. With tight control on treasury operations, yields from excess funds are maximized without compromising on risks while average cost of funds for borrowings is lowered. On the other side, all the bank facilities are secured by pledged of fixed deposits with licensed banks of the Group, joint and several guarantees of certain directors of the Company, and corporate guarantees by the Company.

The Board has not recommended and declared any dividend for the year and over the previous years, mainly due to its continued diversification and expansion for sustainable growth in future. Nevertheless, future declaration of dividends shall be subjected to future investment and further expansion needs.

OPERATIONAL REVIEW

In 2017, the Group continued to grow with resilience against the headwinds. The macroeconomic volatilities, currency fluctuations across the Asian nations, and slowing GDP growth of China exerted pressures at an increased level in this competitive environment. Despite these challenges, the Group continued to implement its strategic plans and delivered core earnings on an expanded scale.

Prior to the diversification into Renewable Energy business, the Group's business comprised of four major segments i.e. Civil Engineering and Construction services, M&E Engineering services, Manufacturing of LV Switchboards, and Trading of Equipment. The Group had been undertaking various types of projects in the construction industry and provision of M&E engineering services, either on a joint venture basis or by subsidiary of PGB alone.

In December 2016, the Group completed the acquisition of Pasukhas Construction Sdn Bhd ("PCSB"). Given PCSB's past track records and expertise in construction, this acquisition is expected to produce synergistic benefits. With greater assets and resources and a larger clientele base after the completion of the Acquisition of PCSB, the Group will be in a position to widen its client base and improve the earnings and revenue source of the Group.

In May 2017, the Group completed the acquisition of ISE. The acquisition of ISE remarkably marked the initial footprint of the Group into energy generation related industries and to diversification of its revenue base.

PROSPECTS

The Board of the Group believe that we can benefit from the growth of the general construction sector, which remains attractive on the back of continued Government development policies with strong emphasis on infrastructure development projects. It is our Group's plan to further explore the possibility of forming strategic alliance or joint venture with other companies in larger construction projects.

While competition in the construction industry remains intense, with our construction expertise and large clientele base, we are confident that we are in a better position to secure more projects and improve the financial performance of the Group.

The Group's M&E Engineering Services division is still actively securing more water and infrastructure projects. With the Government's aim to develop Malaysia into a developed nation by 2020, and to have a complete and modern water infrastructure system in place catering to the entire country as one of the national targets, we are cautiously optimistic in benefiting from the roll out of new infrastructure projects from the Government and private sectors.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

PROSPECTS (cont'd)

With the acquisition of ISE and diversification into Renewable Energy, i.e. energy utilities services and power generation business, the Group's growth potential is enhanced. In addition the long term stable income stream derived from the energy utilities services will contribute positively to the long term revenue and profits of the Group. ISE has been granted by Sustainable Energy Development Authority (SEDA) a 21-year concession starting from 7 November 2012 to operate the 3.2 MW Sungai Rek Hydro Power Plant. Furthermore, the introduction of the Renewable Energy Act 2011 provides a mandatory requirement for Tenaga Nasional Berhad to buy renewable energy power.

Given the Government's support in providing an economically viable platform for investments in the power and energy sector in Malaysia, the positive prospect is expected to improve the Group's power and energy related businesses, thus enhancing our growth potential and performance. We will continuously be on the lookout for mergers and acquisitions opportunities to further expand on our power and energy related business in the near future. With our long term concession revenue from ISE, we will gradually reduce our dependence on revenue derived from our existing business activities.

Overall, the Board is confident of the future prospects of the Group in anticipation of the improved economy and in line with the additional roll out of more infrastructure projects initiated by the Government. We believe that with the continuous opportunities in the construction sector, we expect the acquisitions of PCSB and ISE will contribute positively to the financial performance of the Group. Nonetheless, the Group will continue to focus and review strategies to improve the cost, quality and delivery of our products and services as well as overall operational efficiencies in order to remain competitive in the industries we operate in.

DIRECTORS' PROFILE

DATO' SRI TENG AH KIONG
Malaysian, male, aged 65
Executive Chaiman

Dato' Sri Teng Ah Kiong was appointed to the Board on 19 May 2011 as the Executive Chairman cum Managing Director of the Company. Subsequently, he relinquished his position as the Managing Director on 1 January 2016 and continued to assume the role as the Executive Chairman of the Company.

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

Dato' Sri Teng has attended all Board Meetings held during the financial year ended 31 December 2017. He does not hold any directorship in any other public company. Save as disclosed, he does not have any family relationship with any Director and/or major shareholder of Pasukhas Group Berhad, has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 31 December 2017.

Dato' Sri 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.

He is the brother to Dato' Teng Yoon Kooi, the Executive Director of the Company. His shareholding in the Company is disclosed on page 122 of the Annual Report.

DATO' TENG YOON KOOI
Malaysian, male, aged 61
Executive Director

Dato' Teng Yoon Kooi was appointed to the Board on 19 May 2011 and is an Executive Director of the Company.

Dato' 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 wireman apprentice in 1976 with Genelite Electric Sdn Bhd. In 1985, he co-founded Pasukhas Sdn Bhd ("PSB"), a subsidiary of the Company with his brother, Dato' Sri Teng Ah Kiong who is the Executive Chairman 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.

Dato' 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.

He is the brother to Dato' Sri Teng Ah Kiong, the Executive Chairman of the Company. His shareholding in the Company is disclosed on page 122 of the Annual Report.

Dato' Teng has attended all the Board Meetings held during the financial year ended 31 December 2017. Dato' Teng does not hold any directorship in any other public company. Save as disclosed above, he does not have any family relationship with any Director and/or major shareholder of Pasukhas Group Berhad, has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 31 December 2017.

DIRECTORS' PROFILE (cont'd)

WAN THEAN HOE
Malaysian, male, aged 49
Executive Director cum Chief Executive Officer

Mr Wan Thean Hoe was appointed to the Board on 4 November 2015 as an Executive Director and subsequently, he was re-designated as the Chief Executive Officer of the Company on 4 December 2015.

Mr Wan is a member of the Malaysian Institute of Accountants and an associate member of The Chartered Insitute of Management Accountants.

He started as an account executive in Maju Associate Sdn Bhd in 1993 before joining Tan Chong Motor Assemblies Sdn Bhd as an Accountant in 1995. Mr Wan subsequently joined DXN Holdings Bhd as the Group Financial Controller in 1998. In 2000, he joined Yunque Automotive (China) Co Ltd and Jiang Yin Cheng Chang Auto Parts (China) Co Ltd as Deputy General Manager. After came back from China, he joined Toptrans Engineering Group as Group Financial Controller in 2010 and started off Tara Temasek Sdn Bhd and Clean Tech Waste Solutions Sdn Bhd after he left Toptrans.

Mr Wan has extensive knowledge in corporate finance, business planning and development.

He has deemed interest in the Company by virtue of him being the ultimate beneficial owner of Tara Temasek Sdn Bhd, a substantial shareholder of the Company. His shareholding in the Company is disclosed on page 122 of the Annual Report.

He has attended all the Board Meetings held during the financial year ended 31 December 2017 and he does not hold any directorship in any other public company. He does not have any family relationship with any Director and/or major shareholder of Pasukhas Group Berhad, has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 31 December 2017.

CHAN MAN CHUNG
Malaysian, male, aged 51
Non-Independent Non-Executive Director

Mr Chan Man Chung was appointed to the Board on 24 November 2015 as a Non-Independent Non-Executive Director.

He completed his secondary school education in 1984 and has more than 20 years of experiences in Business Development and Strategic Planning.

Mr Chan started his early career in 1988 as a Marketing Executive with Elken Malaysia, overseeing in marketing and sales of cosmetics products. In 1990, he was placed in charge of Hong Kong Branch for MBTS Group as General Manager, overseeing operation and business development activity. He briefly joined CNI Malaysia in 1992, a company focusing on health care product as Marketing Executive. In 1993, he joined Fulli-Strong as General Manager based in Indonesia.

Four years later in 1997, he joined DXN Malaysia as Marketing Director, overseeing and developing oversea market in Asia particularly Indonesia, Philippines, Thailand, India and Australia. He also assisted in the listing exercise of DXN in Bursa Malaysia.

In 2006, he left and pursue his interest in Property Development and became a shareholder of PT Panca Tunggal Sapta and PT Panca Pilar Mas Indonesia.

Mr Chan has deemed interest in the Company by virtue of him being the ultimate beneficial owner of Tara Temasek Sdn Bhd, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 122 of the Annual Report.

He has attended all Board Meetings held during the financial year ended 31 December 2017 and he does not hold any directorship in any other public company. He does not have any family relationship with any Director and/or major shareholder of Pasukhas Group Berhad, has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 31 December 2017.

DIRECTORS' PROFILE (cont'd)

TEOH KIM HOOI
Malaysian, male, aged 63
Independent Non-Executive Director

Mr Teoh Kim Hooi was appointed to the Board on 8 February 2012 as an Independent Non-Executive Director. He is the Chairman of the Audit and Risk Management 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-sized audit firm from January 1979 to 1980. Thereafter, he joined a medium-sized audit firm, as a Senior Associate and rose up to the ranks of Audit Manager and also Tax Manager before he commencetd 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.

His shareholding in the Company is disclosed on page page 122 of the Annual Report.

He has attended all the Board Meetings held during the financial year ended 31 December 2017 and he does not hold any directorship in any other public company. He does not have any family relationship with any Director and/or major shareholder of Pasukhas Group Berhad, has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 31 December 2017.

YAP CHEE KEONG
Malaysian, male, aged 63
Independent Non-Executive Director

Mr Yap Chee Keong was appointed to the Board on 19 August 2013 as an Independent Non-Executive Director. He is the Chairman of the Remuneration Committee and is also a member of the Audit and Risk Management 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 a Director of several other public listed companies.

He has attended four out of five Board Meetings held during the financial year ended 31 December 2017 and he does not hold any directorship in any other public company. He does not have any family relationship with any Director and/or major shareholder of Pasukhas Group Berhad, has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 31 December 2017.

DIRECTORS' PROFILE (cont'd)

NORKAMALIAH BINTI HASHIM
Malaysian, female, aged 46
Independent Non-Executive Director

Puan Norkamaliah Binti Hashim was appointed to the Board on 5 July 2017 as an Independent Non-Executive Director. She is the Chairperson of Nomination Committee and is also a member of Audit and Risk Management Committee and the Remuneration Committee.

She holds a Bachelor in Estate Management from Mara University of Technology, Shah Alam, Selangor.

Puan Norkamaliah has more than 23 years of working experience in various companies specialized in real estate valuation, property management, plant and machinery valuation, land acquisition claims, feasibility studies, estate agency services as well as investment analysis. Currently she is a property consultant with TransAsia Property Consultancy Sdn Bhd.

She has attended one out of two Board Meetings held during the financial year ended 31 December 2017 and she does not hold any directorship in any other public company. She does not have any family relationship with any Director and/or major shareholder of Pasukhas Group Berhad, has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 31 December 2017.

PROFILE OF KEY SENIOR MANAGEMENT

LIM EE VONE
Malaysian, female, aged 38
Chief Financial Officer

Ms Lim Ee Vone was appointed on 16 November 2015 as Chief Financial Controller of the Company.

Ms Lim has more than 15 years of experience in corporate finance and accounting. She is a member of The Malaysian Institute of Accountants and Certified Practising Accountant of CPA Australia since 2007. She started her career in auditing as an Audit Associate in KPMG in 2003. Thereafter she joined Pricewaterhousecoopers in 2004 before joining ENV Water Engineering (M) Sdn Bhd in year 2007 as Account Manager cum Personal Assistant to Executive Director. She then joined Toptrans Engineering Sdn Bhd as Group Accountant overseeing Group Corporate Finance and Treasury matters from 2009 until 2015. Subsequently she joined Ahmad Zaki Resources Berhad as Senior Manager in Group Reporting, responsible for the Company write-up and presentation to Board of Director and external parties. She has extensive finance and accounting knowledge in Mechanical and Electrical industry.

She does not have any family relationship with any Director and/or major shareholder of Pasukhas Group Berhad, has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 31 December 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of Pasukhas Group Berhad ("the Board") is pleased to present the Audit and Risk Management Committee ("ARMC") Report for the financial year ended 31 December 2017.

COMPOSITION AND MEETINGS

The ARMC comprises of three (3) members as follows:

- Teoh Kim Hooi, Chairman, Independent Non-Executive Director
- Yap Chee Keong, Member, Independent Non-Executive Director
- Norkamaliah Binti Hashim, Member, Independent Non-Executive Director

During the financial year ended 31 December 2017, the ARMC conducted a total of five (5) meetings and the details of attendance of the ARMC Members are as follows:

Name of Members	Designation	Attendance
Teoh Kim Hooi *Independent Non-Executive Director*	Chairman	5/5
Yap Chee Keong *Independent Non-Executive Director*	Member	4/5
Norkamaliah Binti Hashim *Independent Non-Executive Director* *(Appointed on 5 July 2017)*	Member	1/2

Details of the members of the ARMC are contained in the Profile of Directors as set out on pages 13 to 16 of this Annual Report.

The ARMC Chairman, Mr Teoh Kim Hooi, is a member of the Malaysian Institute of Accountants (MIA) which fulfils the requirement of Rule 15.09(1)(c) of the ACE Market Listing Requirements of Bursa Securities.

The Board reviews the terms of office of the ARMC members and assesses the performance of the ARMC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that the ARMC and its members discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference (TOR), supporting the Board in ensuring the Group upholds appropriate CG standards.

At the invitation of the ARMC, the Chief Executive Officer, relevant Management Team members, External and Internal Auditors attended the ARMC meetings and presented their reports on financial results, audit findings and other matters for the information and/or approval of the ARMC.

Minutes of each ARMC meeting were recorded and tabled for confirmation at the next following ARMC meeting and subsequently presented to the Board for notation. In 2017, the ARMC Chairman presented to the Board the Committee's recommendations to approve the annual and quarterly financial statements. The ARMC Chairman also conveyed to the Board matters of significant concern as and when raised by the external auditors or internal auditors in the respective quarterly presentations.

The Company Secretary is responsible for coordinating administrative details such as calling for meeting and keeping the minutes. Minutes of each meeting is signed by the Chairman and extract of matters requiring actions were distributed to relevant attendees and members of the ARMC.

Terms of Reference

The ARMC Terms of Reference is made available on the Company's corporate website at www.pasukhasgroup.com.my.

Review of ARMC

The terms of office and performance of the ARMC and each of its members shall be reviewed by the Nomination Committee annually to determine whether such ARMC and members have carried out their duties in accordance with their terms of reference.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (cont'd)

SUMMARY OF WORK OF THE ARMC

During the financial year ended 31 December 2017, the ARMC has carried out the following work in accordance with its terms of reference to meets its responsibilities:

(a) Reviewed the unaudited quarterly financial statements of the Group to ensure adherence to the regulatory reporting requirements and appropriate resolution prior to Board's approval;

(b) Reviewed the annual audited financial statements of the Company and of the Group prior to Board's consideration and approval;

(c) Reviewed the audit plan of the external auditors in terms of their scope of audit prior to their commencement of their annual audit;

(d) Reviewed the recurrent related party transactions to be entered into by the Group to ensure that the transactions entered into were on arm's length basis and on normal commercial terms and not detrimental to the interests of minority shareholders every quarter;

(e) Reviewed 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;

(f) Reviewed 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;

(g) Met twice with the external auditors without the presence of the executive directors and management in the ARMC meetings to enquire on significant findings, fraud consideration, if any, and/or management cooperation level;

(h) Reviewed 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 for approval;

(i) Reviewed with the external auditors, the Statement on Risk Management and Internal Control of the Group for inclusion in the annual report;

(j) Reviewed and confirmed the minutes of the ARMC meetings, and also distributed the minutes to the other members of the Board; and

(k) Reported on the proceedings of each ARMC Meeting (through the ARMC Chairman).

ARMC MEMBERS' TRAINING

The details of training programmes and seminars attended by each ARMC member during the year under review are set out in the Report of Nomination Committee on page 22 of this Annual Report.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit functions to an independent professional consulting firm, CAS Consulting Services Sdn Bhd, who reports directly to the ARMC as well as to the Board. The scope of the internal audit covers the identification, assessment, examination and evaluation of the adequacy and effectiveness of the Group's system of internal control, the efficiency of its processes and their standard of performance in carrying out assigned responsibilities.

The internal auditors' main function is to submit audit reports that highlight any risk and control weaknesses and provide suitable recommendations for improvement to reassure the senior management and the ARMC on the state of its internal control and that of the Group. The internal audit reports issued during the year incorporated findings and recommendations with regard to its system, control and processes, weaknesses highlighted in the course of audit, management responses, addressing and proposing remedial actions on the findings in its review process.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (cont'd)

INTERNAL AUDIT FUNCTION (cont'd)

The annual Internal Audit Plan is reviewed and approved by the ARMC prior to each financial year. The plan is developed based on the analysis of the businesses of the Group, as well as on past experience. The internal audit will focus its resources on areas with high risks and the Internal Auditors will first discuss with Management and the ARMC, review management reports and financial statements.

The internal audit activity carried out in accordance with the approved audit plan for FY 2017 was on the Tendering and Procurement Management System.

The cost of internal audit services rendered by the Internal Auditor in respect of the financial year ended 31 December 2017 amounted to RM12,500.

Further details on the internal control are set out in the "Statement on Risk Management and Internal Control" on page 30 of this Annual Report.

The report is made in accordance with the resolution of the Board of Directors dated 30 March 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Pasukhas Group Berhad ("Pasukhas" or "the Company") strives to ensure good corporate governance practices are implemented and maintained throughout the Company and its subsidiaries ("the Group") as a fundamental part of discharging its duties to enhance shareholders' values. This statement provides an overview on the application of the principles as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and the extent to which the Company has complied with the three (3) key principles and practices of the MCCG 2017 during the financial year under review, and this is to be read together with the CG Report 2017 of the Company which is available on Bursa Malaysia's website: http://www.bursamalaysia.com/corporate/about-us/corporate-governance/cg-report-2017/ and the Company's website at www.pasukhasgroup.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Responsibilities

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 authority and discretion on the Executive Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising exclusively of Non-Executive Directors. The Board Committees comprise the Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC").

Board Committees have been established to assist the Board in its oversight function with reference to specific responsibility areas. It should however be noted that at all times, the Board retains collective oversight over the Board Committees. These Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Group is in adherence with good corporate governance. The Chairman of the relevant Board Committees report to the Board on key issues deliberated by the Board Committees at their respective meetings. The terms of reference of the Commitees are published on the Company's websites.

The positions of the Executive Chairman and the Executive Director cum Chief Executive Officer ("CEO") are held by two different individuals.

There is a clear division of responsibilities between the Executive Chairman of the Board and the Executive Director cum CEO to ensure that there is a balance of power and authority. The Executive Chairman is responsible for running of the Board and ensuring that all Directors receive sufficient and reliable information on financial and non-financial matters to enable them to participate actively in Board decisions whilst the Executive Director cum CEO is responsible over the operating units, organisation effectiveness and implementation of the Board's policies and decisions.

To enhance accountability, the Board has established clear functions reserved for the Board and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands.

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

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 disposals of assets.

CORPORATE GOVERNANCE OVERVIEW STATEMENT(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.1 Board Responsibilities (cont'd)

In performing their duties, all Directors have access to advice and services of a suitably qualified Company Secretary. The Company Secretary acts as a corporate governance counsel and ensures good information flow within Board, Board Committees and Senior Management. The Company Secretary attends all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, ACE Market Listing Requirements ("AMLR"), etc.

The Company Secretaries were entrusted to record the Board's deliberations, in terms of issues discussed, ensure that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to Management for appropriate actions. The minutes of the previous Board and Board Committee meetings are distributed to the Directors/ Committee prior to the meeting for their perusal before confirmation of the minutes at the commencement of the following Board meeting. The Directors may comment or request clarification before the minutes are tabled for confirmation as a correct record of the proceedings of the meeting. Management provides Directors with complete and time information prior to meetings and on-going basis to enable them to make informed decisions.

1.2 Board Charter

The Company has in place a Board Charter that sets out, among others, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the relationship between the Board with its Management and shareholders.

The Board shall review its Charter from time to time to ensure it remains consistent with its objectives and responsibilities and the prevailing regulatory requirements. The responsibilities of the Board are stipulated in the Charter which is available in the Company's website at www.pasukhasgroup.com.

1.3 Code of Conduct

The Board has adopted a Code of Conduct for the Directors of the Company, which covers a wide range of business practices and procedures. The Code of Conduct describes the standards of business conduct and ethical behaviour for Directors in the performance and exercise of their responsibilities as Directors of the Company or when representing the Company, which is available in the Company's website at www.pasukhasgroup.com.

In addition, all employees are encouraged to report genuine concerns about unethical behaviour or malpractices. Any such, concern should be raised with senior management, and an appropriate action will be taken by the Company. If for any reason, it is believed that this is not possible or appropriate, then the concern should be reported to any of the Independent Non-Executive Director of the Company who can be contacted at admin@pasukhas.com.my.

The Board has yet to identify a Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and the general public.

1.4 Board Meetings

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board Meetings during the financial year, as set out in the table below:

CORPORATE GOVERNANCE OVERVIEW STATEMENT(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.4 Board Meetings (cont'd)

Name of Director	No. of Meetings Attended
Dato' Sri Teng Ah Kiong	5/5
Dato' Teng Yoon Kooi	5/5
Wan Thean Hoe	5/5
Chan Man Chung	5/5
Teoh Kim Hooi	5/5
Yap Chee Keong	4/5
Norkamaliah Binti Hashim *(Appointed on 5 July 2017)*	1/2

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 dates of announcements of the Group's quarterly results.

1.5 Professional Development of Director

The Board acknowledges the importance of continuous training to keep abreast with regulatory updates and development in the business environment.

All the Directors have completed the mandatory accreditation program and attended various training programs. The training program, conferences, seminars and exhibitions attended by the Directors during the financial year are as follows:

Attended by	Training /Program/Seminars	Date of Training/ Program/Seminars
Dato' Teng Yoon Kooi	National Tax Conference 2017	25 - 26 July 2017
Dato' Sri Teng Ah Kiong	National Tax Conference 2017	25 - 26 July 2017
Teoh Kim Hooi	National Tax Conference 2017	25 - 26 July 2017
Wan Thean Hoe	Valuation on Mergers and Acquisitions	22 August 2017
Chan Man Chung	Practical Issues under the Companies Act 2016	26 September 2017
Yap Chee Keong	Practical Issues under the Companies Act 2016	26 September 2017
Norkamaliah Binti Hashim	Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies	13 and 16 October 2017

The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. Board Composition

The Board comprises competent members with a wide spectrum of skills and experience whom it believes can lead Pasukhas to achieve its operational performance goals and attain good corporate standing in terms of governance and credibility. It currently comprises seven (7) members, three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Executive Directors. The composition of the Board fulfils the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("AMLR") of having at least two (2) or one-third (1/3) of the Board comprising independent directors. The Directors' Profile is disclosed on pages 13 to 16 in this Annual Report.

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 Board has established separate NC and RC to assist in ensuring that its members remain relevant to the Company, having in place a remuneration policy which is competitive to attract and retain suitably qualified directors.

2.1 Tenure of Independent Director

Independence is important for ensuring objectivity and fairness in Board's decision making. The independence of Directors is measured based on the criteria prescribed under the AMLR in which a Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. The Independent Directors, in addition to compliance with the criteria set out under the AMLR, have also declared that they will continue to bring independent and objective judgement to the Board during the review of Directors' independence as part of the annual assessment carried out by the NC.

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 Annual General Meeting ("AGM") in the event it retains the director as an Independent Director.

None of the Independent non-Executive Directors has served for more than 9 years in the Company.

If the Board continues to retain the independent Director after 12th years, the Board will seek shareholders' approval through a two tier voting process and the manner to obtain the shareholders' approval on the resolution shall follow the MCCG 2017.

2.2 NC

The NC comprises entirely of Independent Non-Executive Directors and the NC's duties are as follows:

- To recommend candidates for Board membership;
- 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 Directors and senior management of the Company;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2.2 NC (cont'd)

- 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 Board Committees and assessing the contribution of each Director; and
- To consider other matters as referred to the Committee by the Board.

The NC met once during the financial period. All the meetings were attended by all members of the Committee and the following activities were carried out:

- Reviewing the structure of the Board and the Board Committees;
- Reviewing the tenure of Independent Non-Executive Directors and their independence;
- Evaluation of the performance of the Board and Board Committees; and
- Nominating the directors who are due for retirement by rotation and are eligible to stand for re-election.

Generally, 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.

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. In its effort to promote boardroom diversity, the NC has taken various steps to ensure that women candidates are sought from various sources as part of its recruitment exercise.

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.

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.

For the appointment of Puan Norkamaliah as an independent non-executive director during the financial year 2017, the Company sourced the candidates through Management's nomination.

2.3 Diverse Board and Senior Management Team

The Board views that the workplace and Board diversity is important to facilitate the decision-making process by harnessing different insights and perspectives.

The Group adopted a policy of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Board continues to work towards addressing this as and when vacancies arise and suitable candidates are identified. The Company's prime responsibility in new appointments is always to select the best candidates available.

CORPORATE GOVERNANCE OVERVIEW STATEMENT(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2.3 Diverse Board and Senior Management Team (cont'd)

In 2017, the first female Director, Puan Norkamaliah, joined the Board. The Board is presently of the view that there is no necessity yet to fix a specific gender diversity policy as the appointment of any Director(s) should be based primarily on their merit, qualification and working experience.

The current diversity of the Board and Key Senior Managment is as follows:

Gender	Number of Directors
Male	6
Female	2
Total	**8**

Age	Number of Directors
30-39 years	1
40-49 years	2
50-59 years	1
60 years and above	4
Total	**8**

Ethnicity	Number of Directors
Bumiputera	1
Chinese	7
Total	**8**

2.4 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 Committees and the Executive Chairman's role and responsibilities.

For Individual (Self & Peer) Assessment, the assessment criteria include interactive contribution, quality of input, 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.

Based on the annual assessment conducted, the NC was satisfied with the existing Board composition and concluded that each Directors has the requisite competence to serve on the Board and had sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review, and recommended to the Board the re-election of retiring Directors at the Company's forthcoming AGM. All assessments and evaluations carried by the NC in discharge of its functions were properly documented.

The Board is of the view that its present size and composition is optimal based on the Group's operations and that it reflects a fair mix of financial, technical and business experiences that are important to the stewardship of the Group.

In addition, the NC has reviewed and evaluated the performance of the Chief Financial Officer during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

3. Remuneration

The RC is assigned with the duty to assist the Board in the review of remuneration policy for the Board and make recommendation thereof. The RC comprises entirely of Independent Non-Executive Directors.

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 submit 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 (if any) and fees and Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company.

Details of the Directors' remuneration during the financial year 2017 are as follows:

	Fees RM	Salaries, Bonus RM	Allowance RM	Total RM
Non-Executive Directors				
Teoh Kim Hooi	36,000	-	-	36,000
Yap Chee Keong	36,000	-	-	36,000
Norkamaliah Binti Hashim *(Appointed on 5 July 2017)*	18,000	-	-	18,000
Chan Man Chung	36,000	-	-	36,000
Executive Directors				
Dato' Sri Teng Ah Kiong	66,000	-	-	66,000
Dato' Teng Yoon Kooi	102,000	306,000	60,652	468,652
Wan Thean Hoe	36,000	360,000	121,658	517,658

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

	Company		
Remuneration Band (RM)	**Executive Director**	**Non-Executive Director**	**Senior Management**
50,000 and below	-	4	-
50,001 - 100,000	1	-	-
200,001 - 250,000	-	-	1
450,001 - 500,000	1	-	-
500,001 - 550,000	1	-	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT(cont'd)

PRINCIPLE B – EFFECTVE AUDIT AND RISK MANAGEMENT

I. ARMC

The ARMC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The ARMC also undertakes to provide oversight on the risk management framework of the Group.

The ARMC is chaired by an independent director who is distinct from the Chairman of the Board and majority of the members of the ARMC are financially literate. The composition of the ARMC, including its roles and responsibilities as well as a summary of its activities carried out in year 2017, are set out in the ARMC Report of this Annual Report.

The ARMC has yet to adopt a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC. Nonetheless, the ARMC shall observe the said application in the event that any former key audit partner is appointed to the Board of the Company.

The ARMC 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 ARMC prior to submission to the Board for approval.

The ARMC 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. The external auditors had provided a confirmation of their independence to the ARMC that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Having satisfied with Messrs. Crowe Horwath's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Auditor Independent Policy, the ARMC recommended the re-appointment of Messrs. Crowe Horwath to the Board, upon which the shareholders' approval will be sought at the AGM.

Based on the ARMC's assessment of the external auditors, the Board satisfied with the independence, quality of service and adequacy of resources provided by the external auditors in carrying out the annual audit for financial year 2017. In view thereof, the Board has recommended the re-appointment of the external auditors for the approval of shareholders at the forthcoming AGM.

II. Risk Management and Internal Control Framework

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

The ARMC oversees the risk management 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 ARMC also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks. The Group has established a formal risk management framework to oversee the risks management of the Company and engaged an external consultant to assist the Company in identifying, assessing and managing the risks in areas that are applicable to the Company's business and ensure that the risk management process in place and functioning effectively.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE B – EFFECTVE AUDIT AND RISK MANAGEMENT (cont'd)

II. Risk Management and Internal Control Framework (cont'd)

The Company has outsourced its internal audit function to a professional services firm, namely CAS Consulting Services Sdn. Bhd. to assist the ARMC 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 in this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2017.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH THE STAKEHOLDERS

I. Communication with stakeholders

The Board recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. As such, the Board consistently ensure the supply of clear, comprehensive and timely information to their stakeholders via various disclosures and announcements including quarterly and annual financial statements which provides investors with up-to-date financial information of the Group. All these announcements and other information about the Company are available on the Company's website at www.pasukhasgroup.com. which shareholders, investors and public may access.

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.

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, whenever possible. The Chairman shall ensure that the Board is accessible to shareholders and an open channel of communication is cultivated.

The Company allows shareholders 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 auditor 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 Constitution to include explicitly the right of proxies to speak at general meetings.

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.

II. Conduct of General Meetings

The AGM is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification.

At the 12th AGM held on 25 May 2017, all the directors (including the chair of the Board Committees) were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. During the AGM, shareholders participated in deliberating resolutions being proposed or on the Group's operations in general. The Directors responded to all questions raised and provided clarification as required by the shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT(cont'd)

PRINCIPLE B – EFFECTVE AUDIT AND RISK MANAGEMENT (cont'd)

II. Conduct of General Meetings (cont'd)

In line with good corporate governance practice, the notice of the Thirteenth AGM was issued at least 28 days before the AGM date. The Chairman ensures that the Board is accessible to shareholders and an open channel of communication is cultivated.

This statement is made in accordance with the resolution of the Board dated 30 March 2018.

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 Securities. The Board of Directors ("the Board") of Pasukhas Group Berhad ("the Company") is pleased to provide the following statement on the state of the Company and its subsidiaries' ("the Group") risk management and internal control.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility in establishing an efficient and effective sound risk management framework and internal control system, which includes the Board's overall responsibility to maintain and review the adequacy and integrity of the Group's 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 Group has put in place an Enterprise Risk Management framework which seeks to identify principal risks affecting or likely to affect the Group and help to enable the implementation of appropriate and adequate systems to manage these risks on prioritised basis.

Annual Management and Board meetings were conducted to discuss amongst others, the success and risk factors.

The Group's Enterprise Risk Management Framework ("Framework") serves to inform and provide guidance to Directors, senior management, respective Head of Department and staff in managing risk in the Group. Towards this end, the framework sets out:

- The fundamentals and principles of risk and risk management that is to be applied in all situations and throughout all levels of the organisation;
- The process of identifying, assessing, responding, monitoring and reporting risks and controls;
- The roles and responsibilities of each level of management in the Group; and
- The mechanisms, tools and techniques for managing risk in the Group.

The risk management process is an ongoing process and is applied at the beginning of any major new project or change in operational environment.

During the financial year under review, the Group had implement Enterprise Risk Management Framework on Civil Engineering and Construction Services environment. The findings were presented to the Audit and Risk Management Committee ("ARMC").

The effectiveness of the system of Enterprise Risk Management is also reviewed through an on-going management appraisal of the effectiveness of its operations and the IS0 9001: 2008 standard Certification.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

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 control comprising of clear structures and accountabilities, well-understood policies, budgeting and review process. The senior executive management of the Group is responsible for identifying, managing and reporting on significant risks on an on-going basis and has been entrusted to formulate plans and implementation of plans to address risks and control of issues identified. The Management selects appropriate control objectives and procedures from the IS0 9001: 2008 standard to mitigate the risks to acceptable residual level.

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. All key risks and issues are quarterly reviewed and resolved by the Management team on regular meetings.

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.

INTERNAL AUDIT FUNCTION

Pursuant to Paragraph 15.26(b) of the Listing Requirements, the Board has established an internal audit function which reports directly to the ARMC. 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 ARMC is responsible for the review of the reports on internal control from its internal audit function.

The Group's internal audit function is outsourced to an independent professional firm, namely CAS Consulting Services Sdn Bhd, which reports directly to the ARMC on an annual basis. Observations from internal audits will be presented to the ARMC 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 ARMC. The Internal Auditors, on an annually basis, reviews the effectiveness and adequacy of control procedures adopted by the Group in mitigating the key risks identified in the Business Risk Profile.

During the financial year under review, the Internal Audit function performed a cycle of internal audit on Tendering and Procurement Management function (Civil Engineering and Construction Services). The findings from the audit were presented to the ARMC. The cost of internal audit services rendered by the Internal Auditor in respective of the financial year ended 31 December 2017 amounted to RM12,500.

During the financial year, the results of any findings and weaknesses noted by the internal audit function, including the recommended corrective actions, were reported directly to the ARMC. Through these mechanisms, the ARMC can be assured that the key risks of the Group are regulary reviewed and appropriately managed to an acceptable level.

The internal audit report that was tabled to the ARMC for their deliberation on an annual basis include management response and corrective actions taken or to be taken in regards to the specific findings and recommendations. The management as a whole is responsible for ensuring that the necessary corrective actions on reported weaknesses are promptly taken. ARMC presents its findings annually to the Board.

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 ARMC considers report from the internal audit function and comments from Management before making recommendation to the Board to strengthen the internal control system.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

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.
- Board committees have been established with clear terms 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 of individual projects are closely monitored by the Management against budget.
- The scheduled and ad hoc meetings are held at all levels to identify, discuss and resolve business and operating issues.
- The Board reviews the operational and financial performance of the Group every quarter.
- Existence of organizational structure with clear responsibilities.
- The ARMC reviews the internal audit plan for the year, and reviews and holds discussions on the actions taken on internal control issues.
- Staff policies: i.e. Employees are briefed on Code of Ethics during induction. They are required to adhere to the Code of Ethics, which upholds the Group's corporate values and ethical code of conduct. Formal guidelines are also available to govern staff's termination and resignation.
- Staff performance: i.e. The Employees' Performance Appraisal System is linked to their KPIs which are aligned to the Group's business goals and financial targets respectively.
- Staff training: i.e. The Human Resource Management has arranged and facilitated regular internal and external training programmes for its employees in relation to their respective areas of works.

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 CEO and CFO 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 Board is of view that the system of risk management and internal control is in place for the period under review and, up to the date of approval of this statement for inclusion in this Annual Report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report. Their reviews were performed in accordance with Audit and Assurance Practice Guide 3 (AAPG 3): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

This Statement is issued in accordance with a resolution of the Board dated 30 March 2018.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2017 except as below:

Private Placement

On 25 January 2017, the Company completed the Private Placement which involved the issuance of 35,675,000 PGB Shares at RM0.15 per PGB Share. The Private Placement was undertaken by the Company to raise funds for the Group's working capital and finance the day-to-day operations of the Group. The status of the utilisation of these proceeds as at 28 March 2018 is as set out below:-

Details of the proceeds raised from the Private Placement	Proposed amount RM '000	Utilised amount RM '000	Remaining balance RM '000
General requirements			
- Payment of trade and other payables	2,351	2,351	-
- Marketing and advertisement expenses	500	257	243
- Staff costs	2,000	2,000	-
- Finance costs	500	500	-
Total	**5,351**	**5,108**	**243**

Rights Issue

On 11 May 2017, the Company completed the Proposed Rights Issue of up to 407.1 million Company shares ("Rights Shares") and 405,786,566 Rights Shares were issued, listed and quoted on the ACE Market of Bursa Securities. The status of the utilisation of these proceeds as at 28 March 2018 is as set out below:

Details of the proceeds raised from the Rights Issue	Proposed amount RM '000	Utilised amount RM '000	Remaining balance RM '000
Payment of Remaining ISE Purchase Consideration	11,400	11,400	-
Working capital	27,579	21,908	5,671
Estimated Corporate Exercise Expenses	1,600	1,600	-
Total	**40,579**	**34,908**	**5,671**

2. NON-AUDIT FEES

For the financial year ended 31 December 2017, the amounts of audit and non-audit fees paid by the Company and the Group to the External Auditors are as follows:

	Group RM '000	Company RM '000
Audit fees	152	16
Non-audit fees	160	96
Corporation related to the External Auditors Firm:		
- Tax agent fees	26	4
Total	338	116

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

3. VARIATION IN RESULTS

There were no variations between the audited results for the financial year ended 31 December 2017 and the announced unaudited results.

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

4. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year or which were entered into since the end of the previous financial period except as disclosed in Notes 43 and 44 of the Audited Financial Statements for financial year ended 31 December 2017.

5. RECURRENT RELATED PARTY TRANSACTION(S)

The RRPTs of the Group have been entered into in the normal course of business. Further details of the RRPTs of a revenue or trading nature conducted during the financial year are disclosed in page 100 of the financial statements of the Annual Report.

Please refer to Section 2.3 of the Circular to Shareholders dated 25 April 2018 on the names of the related parties and the Company's relationship with the related parties.

DIRECTORS' RESPONSIBILITY STATEMENT
in respect of the Audited Financial Statements

The Directors are required by the Companies Act 2016 (CA), to prepare the financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs) and the requirements of the CA in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

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

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

FINANCIAL STATEMENT

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 2017.

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 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Profit/(Loss) after taxation for the financial year	724,560	(1,008,012)
Attributable to:-		
Owners of the Company	606,957	(1,008,012)
Non-controlling interests	117,603	-
	724,560	(1,008,012)

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up share capital from RM37,011,157 to RM89,782,847 by:-

(i) an issuance of 35,675,000 new ordinary shares for a cash consideration of RM3,567,500 through Private Placement;

(ii) an issuance of 405,786,566 new ordinary shares for a cash consideration of RM40,578,656 through Rights Issue for the acquisition of subsidiaries and working capital purposes; and

(iii) transfer of RM8,625,534 from the share premium account pursuant to the Companies Act 2016.

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

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

DIRECTORS' REPORT (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure 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 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

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

(a) 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

(b) 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 their obligations as and 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 in which this report is made.

DIRECTORS

The name of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Dato' Sri Teng Ah Kiong
Wan Thean Hoe
Dato' Teng Yoon Kooi
Teoh Kim Hooi
Yap Chee Keong
Chan Man Chung
Norkamaliah Binti Hashim (Appointed on 5 July 2017)
Bakhtiar Jamilee Bin Hj Abdul (Resigned on 7 April 2017)

The name of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Lim Ee Vone
Sim Guo Jong @ Tan Guo Jong
Ng Kim Keong
Wee Hiang Chyn
Tang Chee Wai
Nazaithul Akmar Binti Mukhtar (Appointed on 1 September 2017)
Azimy Bin Mohamed (Appointed on 1 September 2017)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
THE COMPANY				
Direct Interests				
Dato' Sri Teng Ah Kiong	29,724,226	80,162,974	-	109,887,200
Dato' Teng Yoon Kooi	5,735,000	13,626,100	-	19,361,100
Teoh Kim Hooi	300,000	700,000	-	1,000,000

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (CONT'D)

	Number of Ordinary Shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
THE COMPANY				
Indirect Interests				
Dato' Sri Teng Ah Kiong	5,735,000	13,626,100	-	19,361,100
Wan Thean Hoe	56,000,000	132,509,100	-	188,509,100
Dato' Teng Yoon Kooi	29,724,226	80,162,974	-	109,887,200
Chan Man Chung	56,000,000	132,509,100	-	188,509,100

By virtue of their shareholdings in the Company, Wan Thean Hoe and Chan Man Chung are deemed to have interests in shares in its related corporation during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in the shares and options over shares of the Company or 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 remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 39 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangement 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.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 38 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage was RM8,222,000 and the insurance premium paid amounted to RM10,468 for the directors of the Group and certain officers of the Group. No indemnity was given to or insurance effected for auditors of the Company.

DIRECTORS' REPORT (cont'd)

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 43 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 44 to the financial statements.

AUDITORS

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

The auditors' remuneration are disclosed in Note 33 to the financial statements.

Signed in accordance with a resolution of the directors dated 30 March 2018.

Wan Thean Hoe

Dato' Teng Yoon Kooi

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016

We, Wan Thean Hoe and Dato' Teng Yoon Kooi, being two of the directors of Pasukhas Group Berhad state that, in the opinion of the directors, the financial statements set out on pages 47 to 121 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 30 March 2018

Wan Thean Hoe **Dato' Teng Yoon Kooi**

STATUTORY DECLARATION
PURSUANT TO SECTION 251 (1) (b) OF THE COMPANIES ACT 2016

I, Wan Thean Hoe, MIA Membership Number: 14817, 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 47 to 121 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Wan Thean Hoe,
at Kuala Lumpur in the Federal Territory
on this 30 March 2018

Wan Thean Hoe
Before me

Lai Din
W668
Commissioner for Oaths

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pasukhas Group Berhad, which comprise the statements of financial position as at 31 December 2017 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 121.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter

Allowance for impairment of trade receivables
(Refer to Note 14 to the financial statements)
 	
The Group carries significant trade receivables and is exposed to credit risk, or the risk of counterparties defaulting. The assessment of the adequacy of the allowance for impairment losses involved judgement, which includes analysing historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms.
	Our procedures included, amongst others:-
	
	• Obtained an understanding of:-
	  • the Group's control over the receivable collection process;
	  • how the Group identifies and assesses the impairment of receivables; and
	  • how the Group makes the accounting estimates for impairment.
	• Reviewed the ageing analysis of receivables and testing the reliability thereof;
	• Reviewed subsequent cash collections for major receivables and overdue amounts;
	• Made inquiries of management regarding the action plans to recover overdue amounts;
	• Compared and challenged management's view on the recoverability of overdue amounts to historical patterns of collection;
	• Examined other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.; and
	• Evaluating the reasonableness and adequacy of the allowance for impairment recognised.

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

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
<u>Revenue Recognition for Construction Contracts (Refer to Note 32 to the financial statements)</u>	
Revenue recognition for construction contracts, due to the contracting nature of the business, involves significant judgements. This includes the determination of the total budgeted contract costs and the calculation of percentage of completion which affects the quantum of revenue to be recognised. In estimating the revenue to be recognised, the management considers past experience and certification by customers and independent third parties, where applicable. We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs and the determination of revenue recognised.	Our procedures included, amongst others:- • Read all key contracts and discussed with management to obtain a full understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised; • Test the operating effectiveness of internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements; • Assessing the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables; • Assessed the reasonableness of percentage of completion by comparing to certification by external parties; and • Reviewing estimated profit and costs to complete and adjustments for job costing and potential contract losses.
<u>Accounting for business combination (Refer to Note 36 to the financial statements)</u>	
During the financial year, the Company acquired 100% equity interests in I.S. Energy Sdn. Bhd. and additional 10% equity interests in Essential Value Sdn. Bhd. for RM1 million and RM152,500 respectively. The purchase price allocation exercises have been performed by management, assisted by an external expert for one of the exercises. We determined this to be a key audit matter as the acquisitions are material and requires the use of significant management judgement regarding the valuation of the assets acquired and liabilities assumed.	Our procedures included, amongst others:- • Assessed the scope of work, qualifications and competence of the external expert; • Reviewed the terms of engagement of the external expert to determine whether there were any matters that might have affected their objectivity or limited the scope of their work; • Assessed the methodologies used by the external expert; • Made enquiries with management on the purchase price allocation and assessing the purchase price allocation has been performed in accordance with the requirement set out in MFRS 3 Business Combination; • Assessed the appropriateness of the identifiable assets acquired and the liabilities assumed at the acquisition date and reviewing management's procedure for determining the fair value of the net identifiable assets acquired; and • Tested the calculation of the goodwill arising from the acquisition of the subsidiaries, being the difference between the total purchase consideration and the fair value of the net identifiable assets acquired and liabilities assumed.

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

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:- (Cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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

Chin Kit Seong
Approval No: 03030/01/2019 J
Chartered Accountant

30 March 2018

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2017

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	34,768,967	34,668,968
Investments in associates	6	-	735,635	-	343,000
Plant and equipment	7	34,228,688	6,840,496	203	242
Investment properties	8	8,884,705	-	-	-
Goodwill	9	3,099,691	3,099,691	-	-
Deferred tax assets	10	1,072,338	2,967,400	-	-
Other investments	11	104,250	104,250	-	-
		47,389,672	13,747,472	34,769,170	35,012,210
CURRENT ASSETS					
Inventories	12	1,191,053	1,327,645	-	-
Amount owing by contract customers	13	25,773,499	27,948,360	-	-
Trade receivables	14	45,001,461	55,175,309	-	-
Other receivables, deposits and prepayments	15	28,706,423	6,238,810	30,333	513,851
Amount owing by subsidiaries	16	-	-	41,850,763	4,363,498
Amount owing by an associate	17	-	2,254,554	-	-
Current tax assets		1,700,830	1,164,933	1,728	1,128
Deposits with financial institutions	18	21,447,617	15,297,834	12,058,340	5,114,377
Cash and bank balances		2,330,812	2,943,154	734,350	601,606
		126,151,695	112,350,599	54,675,514	10,594,460
TOTAL ASSETS		173,541,367	126,098,071	89,444,684	45,606,670

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

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2017 (cont'd)

		The Group		The Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	19	89,782,847	37,011,157	89,782,847	37,011,157
Share premium	20	-	7,543,299	-	7,543,299
Merger deficit	21	(10,500,000)	(10,500,000)	-	-
Fair value reserve	22	17,000	17,000	-	-
Foreign exchange translation reserve	23	1,400	-	-	-
Retained profits/(Accumulated losses)		2,672,453	2,065,496	(7,602,377)	(6,594,365)
Equity attributable to owners of the Company		81,973,700	36,136,952	82,180,470	37,960,091
Non-controlling interests		6,193,978	4,910,242	-	-
TOTAL EQUITY		88,167,678	41,047,194	82,180,470	37,960,091
NON-CURRENT LIABILITIES					
Hire purchase payables	24	888,990	384,904	-	-
Term loan	25	11,616,564	-	-	-
		12,505,554	384,904	-	-
CURRENT LIABILITIES					
Amount owing to contract customers	13	2,015,923	2,652,315	-	-
Trade payables	26	41,446,207	47,047,555	-	-
Other payables and accruals	27	12,618,249	13,570,536	7,264,214	7,646,579
Amount owing to an associate	17	-	4,381,919	-	-
Amount owing to directors	28	492,200	492,200	-	-
Amount owing to shareholders	29	2,938,300	2,938,300	-	-
Short-term borrowings	30	8,367,369	10,340,950	-	-
Bank overdrafts	31	4,989,887	3,242,198	-	-
		72,868,135	84,665,973	7,264,214	7,646,579
TOTAL LIABILITIES		85,373,689	85,050,877	7,264,214	7,646,579
TOTAL EQUITY AND LIABILITIES		173,541,367	126,098,071	89,444,684	45,606,670

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 2017

		The Group		The Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
REVENUE	32	36,859,073	60,385,013	-	-
COST OF SALES		(28,182,086)	(55,229,013)	-	-
GROSS PROFIT		8,676,987	5,156,000	-	-
OTHER INCOME		7,364,981	655,925	609,480	164,975
		16,041,968	5,811,925	609,480	164,975
ADMINISTRATIVE EXPENSES		(10,093,980)	(9,452,317)	(1,604,350)	(2,009,191)
OTHER EXPENSES		(3,278,429)	(3,095,075)	(13,142)	(1,320)
FINANCE COSTS		(1,170,077)	(222,388)	-	-
SHARE OF RESULTS IN ASSOCIATES, NET OF TAX		(80,319)	245,123	-	-
PROFIT/(LOSS) BEFORE TAXATION	33	1,419,163	(6,712,732)	(1,008,012)	(1,845,536)
INCOME TAX EXPENSE	34	(694,603)	786,188	-	-
PROFIT/(LOSS) AFTER TAXATION		724,560	(5,926,544)	(1,008,012)	(1,845,536)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		724,560	(5,926,544)	(1,008,012)	(1,845,536)

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 2017 (cont'd)

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		606,957	(6,103,555)	(1,008,012)	(1,845,536)
Non-controlling interests		117,603	177,011	-	-
		724,560	(5,926,544)	(1,008,012)	(1,845,536)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		606,957	(6,103,555)	(1,008,012)	(1,845,536)
Non-controlling interests		117,603	177,011	-	-
		724,560	(5,926,544)	(1,008,012)	(1,845,536)
EARNINGS/(LOSS) PER SHARE (SEN)	35				
Basic		0.09	(1.92)		
Diluted		0.09	(1.92)		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		NON-DISTRIBUTABLE					DISTRIBUTABLE			
	Note	Share Capital RM	Share Premium RM	Merger Deficit RM	Fair Value Reserve RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Attributable to Owners of the Company RM	Non-Controlling Interests RM	Total Equity RM
The Group										
Balance at 1.1.2016		29,500,100	933,233	(10,500,000)	17,000	-	10,449,579	30,399,912	-	30,399,912
Loss after taxation/Total comprehensive expenses for the financial year		-	-	-	-	-	(6,103,555)	(6,103,555)	177,011	(5,926,544)
Contributions by and distributions to owners of the Company:										
- Private Placement	19, 20	2,950,000	1,917,500	-	-	-	-	4,867,500	-	4,867,500
- Expenses incurred in relation to the Private Placement	20	-	(96,543)	-	-	-	-	(96,543)	-	(96,543)
- Acquisition of subsidiaries	36(a)(ii)	4,561,057	4,789,109	-	-	-	(2,280,528)	7,069,638	4,733,231	11,802,869
Total transactions with owners		7,511,057	6,610,066	-	-	-	(2,280,528)	11,840,595	4,733,231	16,573,826
Balance at 31.12.2016/ 1.1.2017		37,011,157	7,543,299	(10,500,000)	17,000	-	2,065,496	36,136,952	4,910,242	41,047,194

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

		← NON-DISTRIBUTABLE				→	DISTRIBUTABLE			
	Note	Share Capital RM	Share Premium RM	Merger Deficit RM	Fair Value Reserve RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Attributable to Owners of the Company RM	Non-Controlling Interests RM	Total Equity RM
The Group										
Balance at 31.12.2016/1.1.2017		37,011,157	7,543,299	(10,500,000)	17,000	-	2,065,496	36,136,952	4,910,242	41,047,194
Profit after taxation/Total comprehensive income for the financial year		-	-	-	-	-	606,957	606,957	117,603	724,560
Contributions by and distributions to owners of the Company:										
- Private Placement	19, 20	3,567,500	1,783,750	-	-	-	-	5,351,250	-	5,351,250
- Rights Issue	19	40,578,656	-	-	-	-	-	40,578,656	-	40,578,656
- Expenses incurred in relation to the Private Placement and Right Issue	20	-	(701,515)	-	-	-	-	(701,515)	-	(701,515)
- Foreign exchange translation differences		-	-	-	-	1,400	-	1,400	-	1,400
- Acquisition of subsidiaries	36(d)(i)	-	-	-	-	-	-	-	1,166,133	1,166,133
- Transfer from share premium	19, 20	8,625,534	(8,625,534)	-	-	-	-	-	-	-
Total transactions with owners		52,771,690	(7,543,299)	-	-	1,400	-	45,229,791	1,166,133	46,395,924
Balance at 31.12.2017		89,782,847	-	(10,500,000)	17,000	1,400	2,672,453	81,973,700	6,193,978	88,167,678

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	Note	Share Capital RM	Non-Distributable Share Premium RM	Distributable Accumulated Losses RM	Total Equity RM
The Company					
Balance at 1.1.2016		29,500,100	933,233	(2,468,301)	27,965,032
Loss after taxation/Total comprehensive expenses for the financial year		-	-	(1,845,536)	(1,845,536)
Contributions by and distributions to owners of the Company:					
- Private Placement	19, 20	2,950,000	1,917,500	-	4,867,500
- Expenses incurred in relation to the Private Placement	20	-	(96,543)	-	(96,543)
- Acquisition of a subsidiary	36(a)(ii)	4,561,057	4,789,109	(2,280,528)	7,069,638
Total transactions with owners		7,511,057	6,610,066	(2,280,528)	11,840,595
Balance at 31.12.2016/1.1.2017		37,011,157	7,543,299	(6,594,365)	37,960,091
Loss after taxation/Total comprehensive expenses for the financial year		-	-	(1,008,012)	(1,008,012)
Contributions by and distributions to owners of the Company:					
- Private Placement	19, 20	3,567,500	1,783,750	-	5,351,250
- Rights Issue	19	40,578,656	-	-	40,578,656
- Expenses incurred in relation to the Private Placement and Right Issue	20	-	(701,515)	-	(701,515)
- Transfer from share premium	19, 20	8,625,534	(8,625,534)	-	-
Total transactions with owners		52,771,690	(7,543,299)	-	45,228,391
Balance at 31.12.2017		89,782,847	-	(7,602,377)	82,180,470

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
CASH FLOWS FOR OPERATING ACTIVITIES					
Profit/(Loss) before taxation		1,419,163	(6,712,732)	(1,008,012)	(1,845,536)
Adjustments for:-					
Bad debts written off		550,390	-	-	-
Depreciation of plant and equipment		1,753,123	205,042	39	40
Depreciation of investment properties		43,295	-	-	-
Gain on bargain purchase		(1,150,863)	-	-	-
Gain on fair value of existing equity interests in a former associate		(861,964)	-	-	-
(Gain)/Loss on disposal of plant and equipment		(65,865)	1,511	-	-
Impairment loss on:					
- trade receivables		1,889,156	2,259,097	-	-
- other receivables		-	70,622	-	-
- plant and equipment		-	176,554	-	-
Inventories written down		-	358,998	-	-
Interest expense		1,156,134	221,218	-	-
Loss on disposal of an associate		20,397	-	12,250	-
Interest income		(1,003,609)	(360,280)	(608,537)	(164,365)
Share of results in associates		80,319	(245,123)	-	-
Unrealised (gain)/loss on foreign exchange		(71)	600	(91)	670
Writeback impairment loss on:					
- trade receivables		(3,688,163)	-	-	-
- other receivables		(62,579)	-	-	-
Writeback of inventories previously written down		(183,709)	-	-	-
Operating loss before working capital changes carried forward		(104,846)	(4,024,493)	(1,604,351)	(2,009,191)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Operating loss before working capital changes brought forward		(104,846)	(4,024,493)	(1,604,351)	(2,009,191)
Decrease in inventories		320,301	242,839	-	-
Decrease/(Increase) in amount owing by contract customers		858,751	(3,604,793)	-	-
(Increase)/Decrease in trade and other receivables		(10,580,438)	10,359,060	483,518	(491,338)
(Decrease)/Increase in trade and other payables		(24,890,552)	(6,998,605)	(382,365)	492,638
(Decrease)/Increase in amount owing to an associate		(657,262)	564,329	-	-
CASH FLOWS FOR OPERATING ACTIVITIES		(35,054,046)	(3,461,663)	(1,503,198)	(2,007,891)
Interest paid		(1,156,134)	(221,218)	-	-
Income tax paid		(556,945)	(846,834)	(600)	(1,128)
Income tax refunded		6,422	1,700	-	1,700
NET CASH FOR OPERATING ACTIVITIES		(36,760,703)	(4,528,015)	(1,503,798)	(2,007,319)
CASH FLOWS FOR INVESTING ACTIVITIES					
Advances to an associate		-	(1,560,349)	-	-
Advances to subsidiaries		-	-	(37,487,265)	(356,891)
Interest received		1,003,609	360,280	608,537	164,365
Net cash (outflow)/inflow from acquisition of subsidiaries	36(c)	(5,020,672)	1,556,096	(99,999)	-
Sales proceeds from disposal of an associate		330,750	-	330,750	-
Proceeds from disposal of plant and equipment		1,053,834	4,442	-	-
Purchase of plant and equipment	37(a)	(107,170)	(190,125)	-	-
Placement of fixed deposits pledged and/or with maturity period more than 3 months		(8,203,166)	(2,713,243)	(8,997,346)	(3,060,994)
NET CASH FOR INVESTING ACTIVITIES		(10,942,815)	(2,542,899)	(45,645,323)	(3,253,520)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from directors		-	344,760	-	-
Advances from shareholders		-	517,140	-	-
Proceeds from issuance of shares		45,228,391	4,770,957	45,228,391	4,770,957
Repayment of bankers' acceptances	37(b)	(3,414,000)	(2,457,000)	-	-
Repayment of hire purchase obligations	37(b)	(339,627)	(180,758)	-	-
Net drawdown of term loan	37(b)	1,813,869	-	-	-
NET CASH FROM FINANCING ACTIVITIES		43,288,633	2,995,099	45,228,391	4,770,957
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,414,885)	(4,075,815)	(1,920,730)	(489,882)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		1,471	(600)	91	(670)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,754,339	5,830,754	2,654,989	3,145,541
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	37(c)	(2,659,075)	1,754,339	734,350	2,654,989

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur.
Principal place of business	:	Wisma Modal Khas 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 30 March 2018.

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 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. 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 2016 in Malaysia.

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 37(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and/or 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:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

(a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The Group is in the process of making an assessment of the financial impact arising from the adoption of MFRS 9 and the extent of the impact has not been determined.

(b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

The directors of the Company shall comply with the adoption of MFRS 9 and 15 respectively in the financial statements of the Group and of the Company for the financial year ending 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill. The carrying amount of goodwill as at the reporting date is disclosed in Note 9 to the financial statements.

(b) 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 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. The carrying amount of plant and equipment as at the reporting date is disclosed in Note 7 to the financial statements.

(c) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 10 to the financial statements.

(d) 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. The carrying amount of inventories as at the reporting date is disclosed in Note 12 to the financial statements.

(e) Construction Contracts

Significant judgement is required in determining the stage of completion of a construction contract, the extent of the construction costs incurred, the estimation of the variation works and total budgeted construction costs, as well as the recoverability of the construction project. In making the judgement, management evaluates based on experience and by relying the works of specialists. The gross amount due from contract customers for contract works as at the reporting date is disclosed in Note 13 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(f) Impairment of Trade 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. The carrying amount of trade receivables as at the reporting date is disclosed in Note 14 to the financial statements.

(g) Purchase Price Allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impact the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests. The fair values of the assets acquired and liabilities assumed under the business combinations made during the current financial year are disclosed in Note 36(b) to the financial statements.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 FINANCIAL INSTRUMENTS

Financial assets and liabilities 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 financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

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

A financial instrument is recognised initially at its fair value. 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.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(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.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(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.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

(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.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

(i) Financial Liabilities at 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities (Cont'd)

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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.

4.3 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) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income 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, attributed to the owners of the Company and non-controlling interests, as appropriate.

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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in associates, that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in associates that includes a foreign operation while retaining significant influence or joint control, or significant influence and joint control, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.4 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 BASIS OF CONSOLIDATION (CONT'D)

(a) 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.

(b) 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.

(c) 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.

(d) 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 (i.e. reclassified to profit or loss or transferred directly to retained profits). 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting periods if events or changes in circumstances indicate that the 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.

4.7 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.

The investment in an associate is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the associate made up to 31 December 2017. 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 or losses 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 INVESTMENTS IN ASSOCIATES (CONT'D)

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.

4.8 PLANT AND EQUIPMENT

All items of plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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.

Depreciation on plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a 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:-

Air conditioners	10%
Cables	over the remaining project duration less residual value
Computer and software	40%
Mini hydro power plant	remaining leasehold period
Motor vehicles	20%
Office equipment, furniture and fittings	10%
Plant and machinery	10%
Renovation	10%
Signboard	10%

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. Any changes are accounted for as a change in estimate.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

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, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 INVESTMENT PROPERTIES

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties is 50 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

4.10 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss) investments in subsidiaries and investments in associates, 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 an 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 into profit or loss.

With the exception of available-for-sale debt 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 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(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 an annual impairment assessment is compulsory or 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. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

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. Any impairment loss recognised in respect of cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

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.

4.11 LEASED ASSETS

(a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 LEASED ASSETS (CONT'D)

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

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

4.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method 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.

4.13 AMOUNTS OWING BY/TO CONTRACT CUSTOMERS

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

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

4.15 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. The 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.

4.16 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 INCOME TAXES (CONT'D)

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill 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 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 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 the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.17 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits 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. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.19 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.

4.20 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, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.21 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.

4.22 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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 FAIR VALUE MEASUREMENTS (CONT'D)

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.

4.23 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 proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

(b) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(c) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably by reference to the stage of completion at the end of the reporting period. The stage of completion is determined by reference to the proportion of costs incurred for work performed todate bear to the estimated total costs. 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 accounted for on a straight-line method over the lease term.

(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 2017 (cont'd)

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2017 RM	2016 RM
Unquoted shares, at cost		
- in Malaysia	34,743,897	34,643,898
- outside Malaysia	25,070	25,070
	34,768,967	34,668,968

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held By Parent 2017	2016	Principal Activities
Subsidiaries of the Company				
Pasukhas Sdn. Bhd. (“PSB”)	Malaysia	100%	100%	(1) Designing, system integration, fabrication, installation, testing and commissioning of electrical and mechanical works for specified industries. (2) Civil engineering and construction business.
Pasukhas Products Sdn. Bhd. (“PPSB”)	Malaysia	100%	100%	Dormant.
Pasukhas Energy Sdn. Bhd. (“PESB”)	Malaysia	100%	100%	Investment holding.
Pasukhas Development Sdn. Bhd. (formerly known as Bungar Majujaya Sdn. Bhd.) (“PDSB”)	Malaysia	100%	-	Dormant.
Pasukhas Construction Sdn. Bhd. (formerly known as Pasukan Khas Construction Sdn. Bhd.) (“PCSB”)	Malaysia	70%	70%	General contractor.
Pasukhas Lanka (Pvt) Ltd*	Sri Lanka	100%	100%	Dormant.
Subsidiary of PESB				
I.S. Energy Sdn. Bhd. (“ISE”)	Malaysia	100%	-	Design, build and manage mini hydro power plant and other related works.
Subsidiary of *PSB*				
Essential Value Sdn. Bhd. (“EVSB”)	Malaysia	55%	-	Property investment and mechanical and electrical engineering business.

* *Not audited by Messrs. Crowe Horwath.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) During the current financial year, the Company has:-

(i) acquired 100% equity interests in PDSB for a total cash consideration of RM1; and
(ii) subscribed for additional shares in PESB for a total cash consideration of RM99,998. The equity interest in PESB remained as 100% after the increase in the number of shares.

The acquisition of PDSB has no significant effect on the financial results of the Group for the current financial year and the financial position of the Group as at the end of the current reporting period.

(b) During the current financial year:-

(i) PESB has acquired 100% equity interests in ISE for a total cash consideration of RM1 million; and
(ii) PSB has acquired an additional 10% equity interests held in EVSB for a total cash consideration of RM152,500. Following the completion of the acquisition, EVSB became a 55% owned subsidiary of PSB.

The details of the acquisitions are disclosed in Note 36 to the financial statements.

(c) In the previous financial year, the Company acquired:-

(i) 100% equity interests in PPSB for a total cash consideration of RM2;
(ii) 100% equity interests in PESB for a total cash consideration of RM2; and
(iii) 70% equity interests in PCSB for a total consideration of RM17,223,990.

The acquisitions of PPSB and PESB have no significant effect on the financial results of the Group for the previous financial year and the financial position of the Group as at the end of the previous reporting period.

The details of the acquisition of PCSB are disclosed in Note 36 to the financial statements.

(d) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		**The Group**	
	2017	**2016**	**2017**	**2016**
	%	**%**	**RM**	**RM**
PCSB	30	30	5,057,265	4,910,242
EVSB	45	-	1,136,713	-
			6,193,978	4,910,242

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	PCSB	
	2017 RM	**2016 RM**
At 31 December		
Non-current assets	2,575,959	2,949,521
Current assets	46,223,378	56,129,614
Non-current liabilities	(156,244)	(232,476)
Current liabilities	(31,785,545)	(42,479,188)
Net assets	16,857,548	16,367,471
Financial Year Ended 31 December		
Revenue	8,843,953	142,673,934
Profit/(Loss) after taxation/Total comprehensive income/(expenses) for the financial year	490,077	(4,187,742)
Net cash for operating activities	(377,061)	(4,978,654)
Net cash from investing activities	48,561	523,242
Net cash from/(for) financing activities	1,741,886	(977,174)

	EVSB	
	2017 RM	**2016 RM**
At 31 December		
Non-current assets	8,884,705	-
Current assets	3,913,272	-
Non-current liabilities	(604,888)	-
Current liabilities	(9,667,061)	-
Net assets	2,526,028	-
Financial Year Ended 31 December		
Revenue	197,082	-
Loss after taxation/Total comprehensive expenses for the financial year	(248,209)	-
Net cash for operating activities	355,796	-
Net cash from investing activities	-	-
Net cash for financing activities	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

6. INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unquoted shares, at cost				
At 1 January	343,045	343,045	343,000	343,000
Transfer to investments in subsidiaries	(45)	-	-	-
Disposal during the year	(343,000)	-	(343,000)	-
At 31 December	-	343,045	-	343,000
Share of post acquisition profits				
At 1 January	392,590	147,467	-	-
Addition during the year	(80,319)	245,123	-	-
Disposal during the year	(8,147)	-	-	-
Transfer to investments in subsidiaries	(304,124)	-	-	-
At 31 December	-	392,590	-	-
	-	735,635	-	343,000

The details of the associates are as follows:-

Name of Associate	Principal Place of Business	Effective Equity Interest 2017	Effective Equity Interest 2016	Principal Activities
Dyna Energy Sdn. Bhd. ("DESB")	Malaysia	@	49%*	Dormant.
EVSB	Malaysia	#	45%	Property investment and mechanical and electrical engineering business.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

6. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised financial information for each associate that is material to the Group is as follows:-

	DESB		EVSB	
	2017 RM (Unaudited)	**2016 RM (Unaudited)**	**2017 RM (Audited)**	**2016 RM (Audited)**
At 31 December				
Non-current assets	-	-	#	6,494,225
Current assets	-	719,894	#	4,624,472
Current liabilities	-	(19,920)	#	(10,259,937)
Net assets	-	699,974	#	858,760
Financial year ended 31 December				
Revenue	-	-	131,388 ^	5,240,074
Profit after taxation/Total comprehensive income for the financial year	3,988^	14,722	(182,830)^	528,687
Group's share of profit for the financial year	1,954^	7,214	(82,273)^	237,909
Reconciliation of net assets to carrying amount				
Group's share of net assets above	-	342,981	#	386,442
Goodwill	-	6,212	#	-
Carrying amount of the Group's interests in the associate	-	349,193	#	386,442

* *Not audited by Messrs. Crowe Horwath.*

@ *Disposed of during the financial year.*

\# *As disclosed in Note 5(c) to the financial statements, PSB has acquired an additional 10% equity interests in EVSB. Consequently EVSB became a 55% owned subsidiary of PSB. Therefore, these information are no longer required to be disclosed.*

^ *Represents financial information and the Group's share of profit up-to the date of disposal of DESB or the date that EVSB became a 55% owned subsidiary of PSB.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

7. PLANT AND EQUIPMENT

The Group	At 1.1.2017 RM	Additions RM	Acquisition Of Subsidiaries (Note 36(b)) RM	Disposal RM	Depreciation Charges RM	At 31.12.2017 RM
2017						
Carrying Amount						
Air conditioners	39,333	-	-	-	(4,366)	34,967
Cables	2,854,329	-	-	(987,969)	-	1,866,360
Computer and software	-	2,908	227	-	(570)	2,565
Mini hydro power plant	-	-	29,900,000	-	(1,152,217)	28,747,783
Motor vehicles	301,647	130,377	-	-	(102,416)	329,608
Office equipment, furniture and fittings	378,845	63,935	8,887	-	(87,156)	364,511
Plant and machinery	3,190,896	22,950	-	-	(394,559)	2,819,287
Renovation	73,317	-	-	-	(11,374)	61,943
Signboard	2,129	-	-	-	(465)	1,664
Total	6,840,496	220,170	29,909,114	(987,969)	(1,753,123)	34,228,688

The Group	At 1.1.2016 RM	Additions RM	Acquisition Of Subsidiaries (Note 36(b)) RM	Disposals RM	Impairment Loss RM	Depreciation Charges RM	At 31.12.2016 RM
2016							
Carrying Amount							
Air conditioners	14,670	27,500	-	(62)	-	(2,775)	39,333
Cables	3,030,883	-	-	-	(176,554)	-	2,854,329
Motor vehicles	50,895	215,000	93,050	-	-	(57,298)	301,647
Office equipment, furniture and fittings	369,295	64,116	32,154	(5,891)	-	(80,829)	378,845
Plant and machinery	266,065	900,000	2,079,962	-	-	(55,131)	3,190,896
Renovation	33,353	48,509	-	-	-	(8,545)	73,317
Signboard	2,593	-	-	-	-	(464)	2,129
Total	3,767,754	1,255,125	2,205,166	(5,953)	(176,554)	(205,042)	6,840,496

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

7. PLANT AND EQUIPMENT (CONT'D)

The Group	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
2017			
Air conditioners	43,652	(8,685)	34,967
Cables	4,665,902	(2,799,542)	1,866,360
Computer and software	3,135	(570)	2,565
Mini hydro power plant	29,900,000	(1,152,217)	28,747,783
Motor vehicles	944,890	(615,282)	329,608
Office equipment, furniture and fittings	1,614,522	(1,250,011)	364,511
Plant and machinery	4,383,606	(1,564,319)	2,819,287
Renovation	113,747	(51,804)	61,943
Signboard	4,644	(2,980)	1,664
Total	41,674,098	(7,445,410)	34,228,688

The Group	At Cost RM	Accumulated Depreciation RM	Accumulated Impairment Loss RM	Net Book Value RM
2016				
Air conditioners	43,652	(4,319)	-	39,333
Cables	7,577,210	(4,546,327)	(176,554)	2,854,329
Motor vehicles	814,513	(512,866)	-	301,647
Office equipment, furniture and fittings	1,541,700	(1,162,855)	-	378,845
Plant and machinery	4,360,656	(1,169,760)	-	3,190,896
Renovation	113,747	(40,430)	-	73,317
Signboard	4,644	(2,515)	-	2,129
Total	14,456,122	(7,439,072)	(176,554)	6,840,496

The Company	At 1.1.2017 RM	Depreciation Charges RM	At 31.12.2017 RM
2017			
Carrying Amount			
Office equipment, furniture and fittings	242	(39)	203

The Company	At 1.1.2016 RM	Depreciation Charges RM	At 31.12.2016 RM
2016			
Carrying Amount			
Office equipment, furniture and fittings	282	(40)	242

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

7. PLANT AND EQUIPMENT (CONT'D)

The Company	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
2017			
Office equipment, furniture and fittings	399	(196)	203
2016			
Office equipment, furniture and fittings	399	(157)	242

(a) The net book value of the plant and equipment which have been acquired under hire purchase terms are as follows:-

	The Group 2017 RM	The Group 2016 RM
Motor vehicles	325,442	301,517
Plant and machinery	802,500	-
	1,127,942	301,517

These leased assets have been pledged as security for the related finance lease liabilities of the Group as disclosed in Note 24 to the financial statements.

(b) Certain assets have been charged to a financial institution for term loan granted to the Group as disclosed in Note 25 to the financial statements as follows:-

	The Group 2017 RM	The Group 2016 RM
Computer and software	2,565	-
Mini hydro power plant	28,747,783	-
Office equipment, furniture and fittings	16,162	-
Plant and machinery	2,684	-
	28,769,194	-

(c) The mini hydro power plant is depreciated over the leasehold period of 21 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

8. INVESTMENT PROPERTIES

	The Group 2017 RM	2016 RM
Cost:-		
At 1 January	-	-
Acquisition of subsidiaries (Note 36(b))	8,928,000	-
At 31 December	8,928,000	-
Accumulated depreciation:-		
At 1 January	-	-
Depreciation during the financial year	(43,295)	-
At 31 December	(43,295)	-
	8,884,705	-
Represented by:-		
Leasehold commercial buildings	8,884,705	-
Fair value	8,928,000	-

(a) The leasehold commercial buildings have been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 31 to the financial statements.

(b) The fair value of the investment properties are within level 2 of the fair value hierarchy and are arrived at by reference to market evidence of transaction prices for similar properties. The most significant input into this valuation approach is the price per square foot of comparable properties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

9. GOODWILL

	The Group 2017 RM	The Group 2016 RM
Cost:-		
At 1 January	3,099,691	-
Acquisition of subsidiaries (Note 36(d))	-	3,099,691
At 31 December	3,099,691	3,099,691

(a) The carrying amount of goodwill allocated to each cash-generating unit is as follows:-

	The Group 2017 RM	The Group 2016 RM
Civil engineering and construction	3,099,691	3,099,691

(b) The Group has assessed the recoverable amount of goodwill allocated and determined that no impairment is required. The recoverable amount of the cash-generating unit is determined using the value in use approach and this is derived from the present value of the future cash flows from the cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-

	2017 %	2016 %
Gross margin	8.00	2.00
Growth rate	16.00	5.00
Discount rate	6.80	6.70

(i)	Budgeted gross margin	Average gross margin achieved in 5 years immediately before the budgeted period increased for expected efficiency improvements and cost saving measures.
(ii)	Growth rate	Based on the expected projection of the civil and structural sector.
(iii)	Discount rate (pre-tax)	Reflects specific risks relating to the relevant cash-generating unit.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

The directors believe that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the respective cash-generating unit carrying amount to be exceeded its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

10. DEFERRED TAX ASSETS

	The Group	
	2017	**2016**
	RM	**RM**
At 1 January	2,967,400	1,142,000
Arising from acquisition of subsidiaries (Note 36(b))	(1,288,062)	990,600
Recognised in profit or loss (Note 34)	(607,000)	834,800
At 31 December	1,072,338	2,967,400

The deferred tax assets/(liabilities) recognised at the end of the reporting period and before offsetting are as follows:-

	2017 RM	2016 RM
Deferred tax assets:-		
Unutilised tax losses	1,972,700	1,900,140
Unabsorbed capital allowances	150,500	791,500
Provisions	853,000	1,040,560
	2,976,200	3,732,200
Deferred tax liabilities:-		
Accelerated capital allowances on qualifying plant and equipment	(615,800)	(764,800)
Revaluation of properties	(1,288,062)	-
	(1,903,862)	(764,800)
	1,072,338	2,967,400

No deferred tax assets are recognised on the following items:-

	The Group	
	2017	**2016**
	RM	**RM**
Excess of depreciation over capital allowances	30,800	-
Unabosorbed capital allowances	10,491,000	11,750,100
	10,521,800	11,750,100

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise these benefits.

As at 31 December 2017, subject to agreement with the Inland Revenue Board, the Group has unutilised investment tax allowances of approximately RM17,029,964 (2016 - Nil) available to be carried forward to be offset against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

11. OTHER INVESTMENTS

	The Group 2017 RM	The Group 2016 RM
Quoted shares	12,000	12,000
Transferable club membership	100,000	100,000
	112,000	112,000
Allowance for impairment losses:		
- At 1 January/31 December	(7,750)	(7,750)
	104,250	104,250
Represented by:-		
Quoted shares, at fair value	4,250	4,250
Transferable club membership, at cost	100,000	100,000
	104,250	104,250

Investment in transferable club membership of the Group is designated as available-for-sale financial assets and is stated at cost as its fair value cannot be reliably measured using valuation techniques due to the lack of marketability of the investment.

12. INVENTORIES

	The Group 2017 RM	The Group 2016 RM
Materials, electrical parts and consumables	1,191,053	1,327,645
<u>Recognised in profit or loss</u>		
Inventories recognised at cost of sales	5,171,584	13,962,446
Inventories written down	-	358,998
Writeback of inventories previously written down	(183,709)	-

None of the inventories is carried at net realisable value.

13. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	The Group 2017 RM	The Group 2016 RM
Contract costs incurred	540,262,652	581,428,062
Attributable profits	24,680,590	17,666,065
	564,943,242	599,094,127
Progress billings	(541,185,666)	(573,798,082)
	23,757,576	25,296,045
Represented by:-		
Amount owing by contract customers	25,773,499	27,948,360
Amount owing to contract customers	(2,015,923)	(2,652,315)
	23,757,576	25,296,045
The contract costs incurred during the financial year included the following expenses:-		
Hiring charges	556,996	1,281,483
Staff costs	4,641,310	4,287,092

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

14. TRADE RECEIVABLES

	The Group 2017 RM	The Group 2016 RM
Gross trade receivables	47,494,553	59,467,408
Allowance for impairment losses:		
- At 1 January	(4,292,099)	(662,651)
- Addition during the financial year (Note 33)	(1,889,156)	(2,259,097)
- Arising from acquisition of a subsidiary	-	(1,370,351)
- Writeback during the financial year (Note 33)	3,688,163	-
- At 31 December	(2,493,092)	(4,292,099)
	45,001,461	55,175,309

(a) The Group's normal trade credit terms range from 14 to 120 (2016 - 14 to 120) days.

(b) Included in trade receivables of the Group are retention sums amounting to RM14,610,230 (2016 - RM22,978,337). The retention sums 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.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Other receivables:				
- Third parties	4,526,927	2,005,874	-	502,351
- Advances to suppliers	778,642	447,238	-	-
- Goods and services tax recoverable	651,563	535,211	-	-
	5,957,132	2,988,323	-	502,351
Allowance of impairment losses	(8,043)	(70,622)	-	-
	5,949,089	2,917,701	-	502,351
Deposits	22,291,961	3,310,609	1,000	1,000
Prepayments	465,373	10,500	29,333	10,500
	28,706,423	6,238,810	30,333	513,851

(a) The advances to suppliers are in respect of future supply of project materials. These advances shall be recoverable by set-off against future receipt of the project materials.

(b) Included in deposits of the Group are:-
   (i) an amount of RM19,729,078 (2016 - Nil) paid as land premium and architect fees for a joint venture project;
   (ii) an amount of RM770,000 (2016 - Nil) paid as cash deposit to the Financing Service Reserve Account ("FSRA") in respect of the term loan as disclosed in Note 25 to the financial statements; and
   (iii) an amount of RM80,568 (2016 - Nil) as part of the cash deposit paid over a Sinking Fund. The Sinking Fund is to be build up to RM1,000,000 as disclosed in Note 25 to the financial statements by 5% from each proceeds/receivables received from revenue of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

16. AMOUNT OWING BY SUBSIDIARIES

The amount owing by subsidiaries 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) ASSOCIATES

	The Group	
	2017 RM	2016 RM
Amount owing by an associate:		
Non-trade balance	-	2,254,554
Amount owing to an associate:		
Trade balance	-	(4,381,919)

In the previous financial year, the amount owing by an associate was non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

In the previous financial year, the trade balance was subject to normal credit term of 30 days. Included in the amount owing was retention sum amounted to RM530,180.

18. DEPOSITS WITH FINANCIAL INSTITUTIONS

(a) The deposits with financial institutions of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 2.75% to 4.00% (2016 - 2.75% to 3.80%) per annum and 3.90% to 4.00% (2016 - 3.60% to 3.80%) per annum respectively. The deposits with financial institutions have maturity periods ranging from 31 to 365 (2016 - 31 to 365) days and 182 to 365 (2016 - 31 to 182) days for the Group and the Company respectively.

(b) Included in the deposits with financial institutions of the Group at the end of the reporting period was an amount of RM9,389,277 (2016 - RM10,183,457) which has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 30 and 31 to the financial statements.

19. SHARE CAPITAL

	The Group/The Company			
	2017	2016	2017	2016
	Number Of Shares		RM	RM
Ordinary share of RM0.10 each:-				
Authorised	N/A	500,000,000	N/A	50,000,000

N/A - Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

19. SHARE CAPITAL (CONT'D)

	The Group/The Company			
	2017	2016	2017	2016
	Number Of Shares		RM	RM
Issued and fully paid-up				
Ordinary shares with no par value (2016 - par value of RM0.10 each)				
At 1 January	370,111,566	295,001,000	37,011,157	29,500,100
Increase during the year:				
- Private Placement	35,675,000	29,500,000	3,567,500	2,950,000
- Rights Issue	405,786,566	-	40,578,656	-
- acquisition of a subsidiary	-	45,610,566	-	4,561,057
- transfer from share premium (Note 20)	-	-	8,625,534	-
At 31 December	811,573,132	370,111,566	89,782,847	37,011,157

(i) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

(ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

20. SHARE PREMIUM

	The Group	
	2017	2016
	RM	RM
At 1 January	7,543,299	933,233
Increase during the year:		
- Private Placement	1,783,750	1,917,500
- acquisition of a subsidiary	-	4,789,109
Expenses incurred in relation to the Private Placement and Rights Issue	(701,515)	(96,543)
Transfer to share capital (Note 19)	(8,625,534)	-
At 31 December	-	7,543,299

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

23. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

24. HIRE PURCHASE PAYABLES

	The Group	
	2017 RM	2016 RM
Minimum hire purchase payables:		
- not later than 1 year	371,302	163,573
- later than 1 year and not later than 5 years	964,992	416,326
	1,336,294	579,899
Future finance charges	(138,067)	(55,045)
Present value of hire purchase payables	1,198,227	524,854
Analysed by:-		
Current liabilities (Note 30)	309,237	139,950
Non-current liabilities	888,990	384,904
	1,198,227	524,854

(a) The hire purchase payables of the Group are secured by the Group's motor vehicles and plant and machinery under finance leases as disclosed in Note 7(a) to the financial statements. The hire purchase agreements are expiring from 1 to 5 (2016 - 1 to 5) years.

(b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.50% to 8.01% (2016 - 4.50% to 8.01%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

25. TERM LOAN

	The Group	
	2017 RM	2016 RM
Current liabilities (Note 30)	1,271,132	-
Non-current liabilities	11,616,564	-
	12,887,696	-

The term loan is secured by:-

(a) a Third Party Debenture creating a second fixed and floating charge and a Third Party Specific Debenture over certain plant and equipment of the Group as disclosed in Note 7 to the financial statements;
(b) a corporate guarantee of the holding company;
(c) a Third Party Assignment of all rights, interest and benefits of a subsidiary and proceeds from the sales of electricity in respect of the Renewable Energy Power Purchase Agreement executed between the subsidiary and a third party;
(d) an assignment of all rights, interest and benefits of a subsidiary in respect of the Concession Agreement and any amendment between the subsidiary and a local authority;
(e) an assignment in favour of the financial institution over all rights, interest and benefits of a subsidiary of all insurances in relation to the mini hydro power plant;
(f) a Memorandum of Deposit and charge of securities over the shares of a subsidiary;
(g) a Memorandum of Deposit of Cash Deposit of RM770,000 or equivalent to the three months financing service (principal and profits) for the FSRA as disclosed in Note 15 to the financial statements;
(h) a Memorandum of Cash Deposit over Sinking Fund of RM1,000,000 to be build up by 5% from each proceeds/ receivables received from revenue of a subsidiary as disclosed in Note 15 to the financial statements; and
(i) a Deed of Subordination from the Company/related companies/shareholders and/or directors' advances until the term loan is fully settled.

The term loan at the end of the reporting period bore an interest rate of 2.55% per annum above the Effective Cost of Funds of the financial institution.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

26. TRADE PAYABLES

Included in the trade payables of the Group is retention sum amounting to RM9,625,076 (2016 - RM7,604,962).

The normal trade credit terms granted to the Group range from 30 to 120 (2016 - 30 to 120) days.

27. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	11,455,175	12,215,203	7,191,435	7,577,040
Goods and services tax payable	305,689	334,794	-	-
Accruals	857,385	1,020,539	72,779	69,539
	12,618,249	13,570,536	7,264,214	7,646,579

Included in other payables of the Group are:-

(a) an amount owing to a related party amounting to RM119,092 (2016 - RM59,546). The amount owing is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash;

(b) an amount owing to a shareholder of EVSB amounting to RM686,025 (2016 - Nil). The amount owing is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash; and

(c) the fair value of the amount owing to the vendors of PCSB amounted to RM7,074,256 (2016 - RM7,074,256) as disclosed in Note 36(a)(i).

28. AMOUNT OWING TO DIRECTORS

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

29. AMOUNT OWING TO SHAREHOLDERS

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

30. SHORT-TERM BORROWINGS

	The Group	
	2017 RM	2016 RM
Hire purchase payables (Note 24)	309,237	139,950
Term loan (Note 25)	1,271,132	-
Bankers' acceptances	3,787,000	7,201,000
Revolving credits	3,000,000	3,000,000
	8,367,369	10,340,950

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

30. SHORT-TERM BORROWINGS (CONT'D)

The weighted average effective interest rate of the bankers' acceptances at the end of the reporting period is 5.47% (2016 - 4.96%) per annum.

The weighted average effective interest rate of the revolving credits at the end of the reporting period is 5.24% (2016 - 5.17%) per annum.

The bankers' acceptances and revolving credits are secured by:-

(i) pledged deposits of the Group as disclosed in Note 18 to the financial statements;
(ii) a joint and several guarantee of certain directors of the Company; and
(iii) a corporate guarantee of the Company.

31. BANK OVERDRAFTS

(a) The bank overdrafts are secured by:-

  (i) a deed of assignment over the investment properties of the Group as disclosed in Note 8 to the financial statements;
  (ii) pledged deposits of the Group as disclosed in Note 18 to the financial statements;
  (iii) a joint and several guarantee of certain directors of a subsidiary and the Company; and
  (iv) a corporate guarantee of the Company and a shareholder of a subsidiary.

(b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rates ranging from 5.00% to 8.26% (2016 - 7.60% to 7.90%) per annum.

32. REVENUE

	The Group	
	2017 RM	2016 RM
Contract revenue	25,345,255	48,229,015
Sale of goods, rendering of services, rental income and electricity supplied	11,513,818	12,155,998
	36,859,073	60,385,013

The disaggregation of revenue from contracts with customers is presented under "Operating Segments" in Note 40 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

33. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- audit fees	152,494	87,266	16,000	16,000
- non-audit fees				
- auditor of the Company	160,000	-	96,000	-
Bad debts written off	550,390	-	-	-
Depreciation of plant and equipment	1,753,123	205,042	39	40
Depreciation of investment properties	43,295	-	-	-
Directors' remuneration (Note 38)	2,822,446	2,701,955	865,069	861,977
Gain on bargain purchase (Note 36(d))	(1,150,863)	-	-	-
Gain on fair value of existing equity interests in a former associate	(861,964)	-	-	-
Hiring charges	556,996	1,281,483	-	-
Impairment loss on:				
- trade receivables (Note 14)	1,889,156	2,259,097	-	-
- other receivables	-	70,622	-	-
- plant and equipment	-	176,554	-	-
Inventories written down	-	358,998	-	-
Interest expense:				
- bank overdraft	317,054	41,039	-	-
- bankers' acceptances	93,577	41,584	-	-
- bank guarantee	615	2,921	-	-
- hire purchase	76,303	(21,574)	-	-
- revolving credit	151,896	157,248	-	-
- term loan	516,689	-	-	-
Loss on disposal of an associate	20,397	-	12,250	-
(Gain)/Loss on disposal of plant and equipment	(65,865)	1,511	-	-
Loss/(Gain) on foreign exchange:				
- realised	1,134	23,483	-	-
- unrealised	(71)	600	(91)	670
Rental income	(65,694)	-	-	-
Rental of premises	873,100	738,260	-	-
Share of results in associates	80,319	(245,123)	-	-
Staff costs:				
- salaries, bonus and allowances	7,081,989	6,230,405	201,000	209,593
- defined contribution plan	606,509	463,754	23,040	24,606
- other benefits	629,896	398,106	125,100	15,184
Interest income	(1,003,609)	(360,280)	(608,537)	(164,365)
Writeback of impairment loss on:				
- trade receivables (Note 14)	(3,688,163)	-	-	-
- other receivables	(62,579)	-	-	-
Writeback of inventories previously written down	(183,709)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

34. INCOME TAX EXPENSE

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense:				
- for the financial year	85,000		-	-
- underprovision in the previous financial year	2,603	48,612	-	-
	87,603	48,612	-	-
Deferred tax expense (Note 10):				
- for the financial year	845,000	(834,800)	-	-
- overprovision in the previous financial year	(238,000)	-	-	-
	607,000	(834,800)	-	-
	694,603	(786,188)	-	-

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before taxation	1,419,163	(6,712,732)	(1,008,012)	(1,845,536)
Tax at the statutory tax of 24%	340,599	(1,611,056)	(241,923)	(442,929)
Tax effects of:-				
Share of results in associates	19,277	(58,830)	-	-
Non-deductible expenses	864,906	835,086	241,923	442,929
Deferred tax assets not recognised during the financial year	23,243	-	-	-
Utilisation of deferred tax assets not recognised in the previous financial year	(318,025)	-	-	-
Under/(Over)provision in the previous financial year:				
- current tax	2,603	48,612	-	
- deferred tax	(238,000)	-	-	-
	694,603	(786,188)	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016 - 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2017 and 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

34. INCOME TAX EXPENSE (CONT'D)

Tax savings during the financial year arising from:-

	The Group	
	2017	**2016**
	RM	**RM**
Utilisation of capital allowances previously not recognised as deferred tax assets	1,325,106	-

35. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share is arrived at by dividing the Group's earnings/(loss) 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	
	2017	**2016**
	RM	**RM**
Profit/(Loss) attributable to owners of the Company (RM)	606,957	(6,103,555)
Weighted average number of ordinary shares	668,231,368	317,550,907
Basic earnings/(loss) per ordinary share (Sen)	0.09	(1.92)

The diluted earnings/(loss) per ordinary share is the same as the basic earnings/(loss) per ordinary share as there is no dilutive potential ordinary shares outstanding at the end of the reporting period.

36. ACQUISITION OF SUBSIDIARIES

2017

During the current financial year, the Group:-

(i) through its subsidiary, PESB has acquired 100% equity interests in ISE. The acquisition of ISE is to enable the Group to expand its business into power and energy sector; and

(ii) through its subsidiary, PSB has acquired an additional 10% equity interests in EVSB. Following the completion of the acquisition, EVSB became a 55% owned subsidiary of PSB. The acquisition of EVSB is to enable the Group to expand its business into mechanical and electrical sector.

2016

In the previous financial year, the Company acquired 70% equity interest in PCSB. The acquisition of PCSB is to enable the Group to expand its business into civil and structural sector.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

36. ACQUISITION OF SUBSIDIARIES (CONT'D)

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

(a) Fair Value of Purchase Consideration

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash (item (c) below)	1,152,500	-	99,999	-
Contingent consideration (item (a)(i) below)	-	7,074,256	-	7,074,256
Ordinary shares issued, at fair value (item (a)(ii) below)	-	7,069,638	-	7,069,638
Total purchase consideration	1,152,500	14,143,894	99,999	14,143,894

(i) The Group is required to pay the vendors an additional consideration of RM7,873,834 if PCSB achieve an aggregate profit after taxation of RM7,873,834 based on the 24-month period commencing 1 October 2016 to 30 September 2018. The fair value of the contingent consideration of RM7,873,834 was estimated by calculating the present value of the future expected cash flows based on a discount rate of 5.50% and assumed probability-adjusted profits of PCSB of RM7,873,834.

(ii) The Company issued a total of 45,610,566 new ordinary shares for the acquisition of PCSB:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At issued price of RM0.205 per share	-	9,350,166	-	9,350,166
At market value of RM0.155 per share	-	(7,069,638)	-	(7,069,638)
	-	2,280,528	-	2,280,528

In the previous financial year, the difference of RM2,280,528 arising from the acquisition of PCSB has been accounted for as a deduction from retained profits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

36. ACQUISITION OF SUBSIDIARIES (CONT'D)

(b) Identifiable Assets Acquired and Liabilities Assumed

	The Group	
	2017 RM	2016 RM
Investment properties	8,928,000	-
Plant and equipment	29,909,114	2,205,166
Trade and other receivables	4,126,788	37,924,444
Cash and cash equivalents (item (c) below)	(3,868,172)	1,556,096
Current tax assets	72,977	6,506
Deferred tax (liabilities)/assets	(1,288,062)	990,600
Trade and other payables	(21,491,471)	(42,511,182)
Amount owing (to)/by contract customers	(679,718)	16,089,468
Borrowings	(11,073,827)	(483,664)
Fair value of net identifiable assets acquired	4,635,629	15,777,434

(c) Cash Flows Arising from Acquisition

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Purchase consideration settled in cash and cash equivalents (item (a) above)	1,152,500	-	99,999	-
Less: Cash and cash equivalents of subsidiaries acquired (item (b) above)	3,868,172	(1,556,096)	-	-
Net cash outflow/(inflow) from the acquisition of subsidiaries	5,020,672	(1,556,096)	99,999	-

(d) Goodwill Arising from Acquisition

	The Group	
	2017 RM	2016 RM
Total fair value of consideration transferred (item (a) above)	1,152,500	14,143,894
Add: Non-controlling interests (item (d)(i) below)	1,166,133	4,733,231
Add: Gain on fair value of existing equity interests in a former associate (item (d)(iii) below)	861,964	-
Add: Transfer from interest in an associate	304,169	-
Less: Fair value of net identifiable assets (item (b) above)	(4,635,629)	(15,777,434)
(Gain on bargain purchase) (Note 33)/Goodwill from the acquisition of subsidiaries (Note 8)	(1,150,863)	3,099,691

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

36. ACQUISITION OF SUBSIDIARIES (CONT'D)

(d) Goodwill Arising from Acquisition (Cont'd)

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

(ii) The Group has incurred acquisition-related costs of RM352,110 (2016 - RM320,000) related to external legal fees and due diligence costs. These expenses were recognised in "Administrative Expenses" line item of the consolidated statement of profit or loss and other comprehensive income.

(iii) The remeasurement to fair value of the Group's existing 45% interests in EVSB resulted in a gain of RM861,964 (being fair value of RM2,028,096 less its carrying value at acquisition date of RM1,166,132) was recognised in profit or loss under the "Other Income" line item as disclosed in Note 33 to the financial statements.

(e) Impact of Acquisition on the Group's Results

The acquired subsidiaries have contributed the following results:-

	The Group	
	2017 RM	2016 RM
Revenue	2,669,410	6,913,687
Profit after taxation	255,627	801,937

If the acquisition had taken place at the beginning of the current financial year, the Group's revenue and profit/(loss) after taxation from continuing operations would have been RM38,689,774 (2016 - RM196,145,260) and RM752,308 (2016 - (RM10,704,323)) respectively.

37. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of plant and equipment is as follows:-

	The Group	
	2017 RM	2016 RM
Cost of plant and equipment purchased (Note 7)	220,170	1,255,125
Amount financed through hire purchase (Note (b) below)	(113,000)	(165,000)
Other payables	-^	(900,000)
Cash disbursed for purchase of plant and equipment	107,170	190,125

^ Referred as the purchase cost for a machinery which is payable in year 2016 and subsequently repaid through drawdown of hire purchase payables in year 2017. Therefore, the total drawdown of hire purchase facilities is as follows:-

	The Group	
	2017 RM	2016 RM
Purchase of plant and equipment	113,000	165,000
Repayment of purchase cost of machinery, accrued in financial year 2016	900,000	-
	1,013,000	165,000

37. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Term Loan RM	Hire Purchase RM	Bankers' Acceptances RM	Revolving Credits RM	Total RM
2017					
At 1 January	-	524,854	7,201,000	3,000,000	10,725,854
Changes in Financing Cash Flows					
Proceeds from drawdown	13,300,000	1,013,000	12,912,000	-	27,225,000
Repayment of borrowing principal	(11,486,131)	(339,627)	(16,326,000)	-	(28,151,758)
Repayment of borrowing interests	(516,689)	(76,303)	(93,577)	(151,896)	(838,465)
Non-cash Changes					
Acquisition of subsidiaries (Note 36(b))	11,073,827	-	-	-	11,073,827
Finance charges recognised in profit or loss	516,689	76,303	93,577	151,896	838,465
At 31 December	12,887,696	1,198,227	3,787,000	3,000,000	20,872,923

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

37. CASH FLOW INFORMATION (CONT'D)

(c) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits with financial institutions (Note 18)	21,447,617	15,297,834	12,058,340	5,114,377
Cash and bank balances	2,330,812	2,943,154	734,350	601,606
Bank overdrafts (Note 31)	(4,989,887)	(3,242,198)	-	-
	18,788,542	14,998,790	12,792,690	5,715,983
Less: Deposits pledged to financial institutions and/ or with maturity period more than 3 months	(21,447,617)	(13,244,451)	(12,058,340)	(3,060,994)
	(2,659,075)	1,754,339	734,350	2,654,989

38. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors of the Company				
Short-term employee benefits:				
- fees	330,000	411,000	246,000	264,000
- salaries, bonuses and other benefits	848,310	1,402,966	360,829	360,724
	1,178,310	1,813,966	606,829	624,724
- defined contribution benefits	101,067	240,990	43,200	43,200
	1,279,377	2,054,956	650,029	667,924
Directors of Subsidiaries				
Short-term employee benefits:				
- fees	84,000	28,500	-	-
- salaries, bonuses and other benefits	1,302,829	552,355	192,000	173,317
	1,386,829	580,855	192,000	173,317
- defined contribution benefits	156,240	66,144	23,040	20,736
	1,543,069	646,999	215,040	194,053
Total directors' remuneration (Note 33)	2,822,446	2,701,955	865,069	861,977

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the subsidiaries were RM26,000 (2016 - RM34,750).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

39. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, significant investors, associates, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

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**	
		2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
(i)	Subsidiaries				
	- Advances to subsidiaries	-	-	17,296,171	-
	- Payment on behalf	-	-	19,817,052	2,986,808
	- Interest income	-	-	374,895	-
(ii)	Associates				
	- Contract expenses	-	(3,593,423)	-	-
	- Payment on behalf	-	1,568,304	-	-
(iii)	Related parties				
	- Rental of premises	(781,200)	(655,375)	-	-
	- Top up rental deposit	-	(5,350)	-	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

40. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Chief Executive Officer 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 6 main reportable segments as follows:-

(i) M&E Engineering Services ("M&E") - involved in the provision of water treatment and sewerage industry, palm oil, sugar mills, 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 ("EQ") - involved in trading of a variety of goods without any particular specialisation.

(iv) Property Development ("PD") - involved in civil engineering and construction.

(v) Renewable Energy ("RE") - involved in power plant and electricity supplied.

(vi) Rental Property ("RP") - Rental income generated from investment properties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

40. OPERATING SEGMENTS (CONT'D)

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.

Each reportable segment assets is measured based on all assets (including goodwill) of the segment other than investments in associates and tax-related assets.

Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.

BUSINESS SEGMENTS

	M&E RM	LV RM	PD RM	RE RM	RP RM	The Group RM
2017						
Revenue						
External revenue	6,964,980	6,344,300	20,880,380	2,603,719	65,694	36,859,073
Inter-segment revenue	-	-	-	-	-	-
	6,964,980	6,344,300	20,880,380	2,603,719	65,694	36,859,073
Consolidation adjustments						-
Consolidated revenue						36,859,073
Results						
Segment profit						2,669,559
Finance costs						(1,170,077)
Share of results in associates						(80,319)
Consolidated profit before taxation						1,419,163
Segment profit includes the following:-						
Bad debts written off						(550,390)
Depreciation of plant and equipment						(1,753,123)
Depreciation of investment properties						(43,295)
Gain on bargain purchase						1,150,863
Gain on fair value of existing equity interests in a former associate						861,964
Gain on disposal of plant and equipment						65,865
Impairment loss on trade receivables						(1,889,156)
Interest expenses						(1,156,134)
Interest income						1,003,609
Loss on disposal of an associate						(12,250)
Share of results in associates						(80,319)
Unrealised loss on foreign exchange						221
Writeback of impairment loss on:						
- trade receivables						3,688,163
- other receivables						62,579
Writeback of inventories previously written down						183,709

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

40. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	The Group RM
2017	
Assets	
Segment assets	268,363,595
Unallocated assets:	
- deferred tax assets	1,072,338
- current tax assets	1,700,830
- goods and services tax recoverable	651,563
Consolidation adjustments	(98,246,959)
Consolidated total assets	173,541,367
Addition to non-current assets other than financial instruments and deferred tax assets is:	
- plant and equipment	220,170
Liabilities	
Segment liabilities	152,636,769
Unallocated liability:	
- goods and services tax payable	305,689
Consolidation adjustments	(67,568,769)
Consolidated total liabilities	85,373,689

	M&E RM	LV RM	EQ RM	PD RM	The Group RM
2016					
Revenue					
External revenue	11,367,240	4,977,575	3,832,767	40,207,431	60,385,013
Inter-segment revenue	-	-	-	-	-
	11,367,240	4,977,575	3,832,767	40,207,431	60,385,013
Consolidation adjustments					-
Consolidated revenue					60,385,013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

40. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	The Group RM
2016	
Results	
Segment loss	(6,735,467)
Finance costs	(222,388)
Share of results in associates	245,123
Consolidated loss before taxation	(6,712,732)
Segment loss includes the following:-	
Interest income	360,280
Depreciation of plant and equipment	(205,042)
Impairment loss on:	
- trade receivables	(2,259,097)
- other receivables	(70,622)
- plant and equipment	(176,554)
Inventories written down	(358,998)
Loss on disposal of plant and equipment	(1,511)
Unrealised loss on foreign exchange	(600)
Share of results in associates	245,123
Assets	
Segment assets	156,973,834
Unallocated assets:	
- deferred tax assets	2,967,400
- current tax assets	1,164,933
- goods and services tax recoverable	535,211
Consolidation adjustments	(35,543,307)
Consolidated total assets	126,098,071
Addition to non-current assets other than financial instruments and deferred tax assets is:	
- plant and equipment	1,255,125
Liabilities	
Segment liabilities	89,082,703
Unallocated liability:	
- goods and services tax payable	334,794
Consolidation adjustments	(4,366,620)
Consolidated total liabilities	85,050,877

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

40. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION

	Revenue		Non-current Assets	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Group				
Malaysia	36,859,073	60,385,013	47,389,672	13,747,472

MAJOR CUSTOMERS

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

	Revenue		
	2017 RM	**2016 RM**	**Segment**
Customer A	9,706,000	13,799,000	Property developer - Civil engineering and construction.
Customer B	4,273,000	4,332,100	Property developer - Civil engineering and construction.
Customer C	3,805,000	3,832,000	Manufacturing of LV Switchboards.
Customer D	*	9,879,000	Property developer - Civil engineering and construction.
Customer E	*	7,782,000	Property developer - Civil engineering and construction.

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

41. CAPITAL COMMITMENT

	The Group	
	2017 RM	**2016 RM**
Payment to landowner for the future entitlement in respect of the Joint Venture Agreement	2,000,000	-
Acquisition of subsidiaries	536,400	710,000
	2,536,400	710,000

(a) During the financial year, the Group paid a deposit of RM472,500 for the acquisition of PT Bekah Bumi Leluhur ("PTBBL"). The remaining purchase consideration of PTBBL is RM536,400.

(b) In the previous financial year, the Group paid a deposit of RM290,000 for the acquisition of ISE. The remaining purchase consideration of ISE was RM710,000.

42. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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 the respective functional currencies of entities within the Group. 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.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	**United States Dollar RM**
2017	
Financial Asset	
Cash and bank balances	20,214
Net currency exposure	20,214
2016	
Financial Asset	
Cash and bank balances	22,403
Net currency exposure	22,403

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 RM1,536 (2016 - RM1,703). 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 2017 (cont'd)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

The Group's policies in respect of the major areas of treasury activity are as follows:- (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 long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix fixed and floating rate borrowings.

The Group deposits with financial institution is carried at cost. Therefore, it is not subject to interest rate as defined in MFRS 7 since neither its carrying amount nor the future cash flows fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 25 and 30 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	
	2017 RM	**2016 RM**
Effects on Profit/(Loss) After Taxation		
Increase of 100 basis points	187,451	102,168
Decrease of 100 basis points	(187,451)	(102,168)

(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 11 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

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

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 1 year, which are deemed to have higher credit risk, are monitored individually.

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 (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides corporate guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(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 66% of its trade receivables at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing Analysis

The ageing analysis of trade receivables is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
2017			
Not past due	9,211,354	-	9,211,354
Past due:			
- less than 3 months	180,642	-	180,642
- 3 to 9 months	4,329,866	-	4,329,866
- over 9 months	19,054,366	(2,384,997)	16,669,369
	23,564,874	(2,384,997)	21,179,877
Non-retention sum portion	32,776,228	(2,384,997)	30,391,231
Retention sum portion	14,718,325	(108,095)	14,610,230
Total trade receivables	47,494,553	(2,493,092)	45,001,461
2016			
Not past due	6,291,021	-	6,291,021
Past due:			
- less than 3 months	659,798	-	659,798
- 3 to 9 months	7,654,578	(1,211,314)	6,443,264
- over 9 months	19,384,683	(581,794)	18,802,889
	27,699,059	(1,793,108)	25,905,951
Non-retention sum portion	33,990,080	(1,793,108)	32,196,972
Retention sum portion	25,477,328	(2,498,991)	22,978,337
Total trade receivables	59,467,408	(4,292,099)	55,175,309

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.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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.

Maturity Analysis

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

The Group	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
2017					
Non-derivative Financial Liabilities					
Trade payables	-	41,446,207	41,446,207	41,446,207	-
Other payables and accruals	-	12,618,249	12,618,249	12,618,249	-
Amount owing to directors	-	492,200	492,200	492,200	-
Amount owing to shareholders	-	2,938,300	2,938,300	2,938,300	-
Hire purchase payables	5.73	1,198,227	1,336,294	371,302	964,992
Term loan	8.30	12,887,696	17,444,553	2,293,402	15,151,151
Bankers' acceptances	5.47	3,787,000	3,787,000	3,787,000	-
Revolving credits	5.24	3,000,000	3,000,000	3,000,000	-
Bank overdrafts	5.74	4,989,887	4,989,887	4,989,887	-
		83,357,766	88,052,690	71,936,547	16,116,143

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
2016					
Non-derivative Financial Liabilities					
Trade payables	-	47,047,555	47,047,555	47,047,555	-
Other payables and accruals	-	13,570,536	13,570,536	13,570,536	-
Amount owing to an associate	-	4,381,919	4,381,919	4,381,919	-
Amount owing to directors	-	492,200	492,200	492,200	-
Amount owing to shareholders	-	2,938,300	2,938,300	2,938,300	-
Hire purchase payables	6.30	524,854	579,899	163,573	416,326
Bankers' acceptances	4.96	7,201,000	7,201,000	7,201,000	-
Revolving credits	5.17	3,000,000	3,000,000	3,000,000	-
Bank overdrafts	7.75	3,242,198	3,242,198	3,242,198	-
Financial guarantee contracts in relation to corporate guarantees extended to an associate	-	-	2,115,000	2,115,000	-
		82,398,562	84,568,607	84,152,281	416,326

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
2017				
Other payables and accruals	-	7,264,214	7,264,214	7,264,214
Financial guarantee contracts in relation to corporate guarantees extended to subsidiaries	-	-	18,979,482	18,979,482
		7,264,214	26,243,696	26,243,696
2016				
Other payables and accruals	-	7,646,579	7,646,579	7,646,579
Financial guarantee contracts in relation to corporate guarantees extended to subsidiaries	-	-	12,646,326	12,646,326
		7,646,579	20,292,905	20,292,905

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.2 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.

The Group includes within net debt, payables and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the Group. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2017	**2016**
	RM	**RM**
Hire purchase payables	1,198,227	524,854
Trade payables	41,446,207	47,047,555
Other payables and accruals	12,618,249	13,570,536
Amount owing to an associate	-	4,381,919
Amount owing to directors	492,200	492,200
Amount owing to shareholders	2,938,300	2,938,300
Bankers' acceptances	3,787,000	7,201,000
Term loan	12,887,696	-
Revolving credits	3,000,000	3,000,000
Bank overdrafts	4,989,887	3,242,198
	83,357,766	82,398,562
Less: Deposits with financial institutions	(21,447,617)	(15,297,834)
Less: Cash and bank balances	(2,330,812)	(2,943,154)
Net debt	59,579,337	64,157,574
Total equity	88,167,678	41,047,194
Debt-to-equity ratio	0.67	1.56

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Financial Assets				
Available-for-sale Financial Asset				
Other investments	104,250	104,250	-	-
Loans and Receivables Financial Assets				
Trade receivables	45,001,461	55,175,309	-	-
Other receivables and deposits	28,241,050	6,228,310	1,000	503,351
Amount owing by subsidiaries	-	-	41,850,763	4,363,498
Amount owing by an associate	-	2,254,554	-	-
Deposits with financial institutions	21,447,617	15,297,834	12,058,340	5,114,377
Cash and bank balances	2,330,812	2,943,154	734,350	601,606
	97,020,940	81,899,161	54,644,453	10,582,832
Financial Liability				
Other Financial Liabilities				
Hire purchase payables	1,198,227	524,854	-	-
Trade payables	41,446,207	47,047,555	-	-
Other payables and accruals	12,618,249	13,570,536	7,264,214	7,646,579
Amount owing to an associate	-	4,381,919	-	-
Amount owing to directors	492,200	492,200	-	-
Amount owing to shareholders	2,938,300	2,938,300	-	-
Term loan	12,887,696	-	-	
Bankers' acceptances	3,787,000	7,201,000	-	-
Revolving credits	3,000,000	3,000,000	-	-
Bank overdrafts	4,989,887	3,242,198	-	-
	83,357,766	82,398,562	7,264,214	7,646,579

42. FINANCIAL INSTRUMENTS (CONT'D)

42.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
The Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**RM**	**RM**
2017								
Financial Assets								
Other investments:								
- quoted shares	4,250	-	-	-	-	-	4,250	4,250
Financial Liability								
Hire purchase payables	-	-	-	-	1,198,227	-	1,198,227	1,198,227
Term loan	-	-	-	-	12,887,696	-	12,887,696	12,887,696
2016								
Financial Assets								
Other investments:								
- quoted shares	4,250	-	-	-	-	-	4,250	4,250
Financial Liability								
Hire purchase payables	-	-	-	-	524,854	-	524,854	524,854

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.4 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values above have been determined using the following basis:-

(aa) The fair value of the quoted investment is estimated based on its quoted closing bid price at the end of the reporting period.

(bb) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair values of the hire purchase payables that carry fixed interest rates are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period.

(ii) The fair value of the term loan that carry floating interest rate approximated its carrying amount as it is repriced to market interest rates on or near the reporting date.

43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 23 January 2017, the Company increased its total number of issued and paid-up share capital from 370,111,566 to 405,786,566 by an issuance of 35,675,000 new ordinary shares of RM0.10 each, at an issue price of RM0.15 each through Private Placement ("Placement Shares"). On 25 January 2017, the Private Placement is deemed completed following the listing of and quotation for 35,675,000 Placement Shares on the ACE Market of Bursa Securities.

(b) On 24 January 2017, PESB entered into the following:-

(i) a supplemental agreement to the ISE SSA between PESB and Maser (M) Sdn. Bhd. ("Maser") ("ISE Supplemental SSA 2"); and
(ii) a supplemental agreement of the ISE DA between PESB, Maser and ISE ("ISE Supplemental DA 2").

The salient terms of the Supplemental SSA 2 are as follows:-

(i) the completion date for the Acquisition of ISE shall be extended to 17 March 2017 ("New Completion Date"), provided that:-

(aa) PESB to pay Maser the remaining SSA Consideration of RM0.71 million on the New Completion Date, together with late payment interest of 8.00% per annum on a day to day basis, calculated from 18 January 2017 until the date of full payment; and
(bb) PESB to make payment of premium payable for subscription of insurances by ISE effective from May 2017, subject to the completion of the SSA.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(b) On 24 January 2017, PESB entered into the following (cont'd):-

The salient terms of the Supplemental DSA 2 are as follows:-

(i) the completion date of the DSA shall be extended to 17 March 2017, being the New Completion Date, provided that the Balance Settlement Sum to be paid in the following manners:-

(aa) The 85% of the Balance Settlement Sum is to be paid in two tranches:-

		Interest rate
(aaa)	PESB to pay a sum of RM3.5 million on or before 7 February 2017; and	Nil.
(bbb)	PESB to pay the remaining sum on or before the New ISE Completion Date.	8.00% per annum on a day to day basis, calculated from 18 January 2017 until the date of full payment.

(bb) The 15% of the Balance Settlement Sum shall be paid within 3 months from the New ISE Completion Date, together with late payment interest of 8.00% per annum on a day to day basis, calculated from 18 April 2017 until the date of full payment.

(c) The Companies Act 2016 came into operation on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon its initial implementation are:-

(i) Removal of the authorised share capital;
(ii) Ordinary shares ceased to have par value; and
(iii) Share premium account transferred to share capital account.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective notes to financial statements.

(d) On 22 March 2017, PESB had entered into the following:-

(i) a supplemental agreement to the ISE SSA between PESB and Maser ("Supplemental ISE SSA No. 3"); and
(ii) a supplemental agreement to the ISE DA between PESB, Maser and ISE ("Supplemental ISE DA No. 3").

The salient terms of the Supplemental ISE SSA No. 3 are as follows:-

(i) PESB to pay the remaining ISE SSA Consideration of RM710,000 ("Balance ISE SSA Consideration") within 10 days from the date of the Supplemental ISE SSA No. 3; and
(ii) PESB to pay the late payment interest on the Balance ISE SSA Consideration at the rate of 8.00% per annum, calculated on day to day basis from 18 January 2017 until the date of full payment by the ISE DA Completion Date (as defined below).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(d) On 22 March 2017, PESB had entered into the following (Cont'd):-

The salient terms of the Supplemental ISE DA No. 3 are as follows:-

(i) the completion date of the ISE DA shall be 2 months from the date of the Supplemental ISE DA No. 3 ("ISE DA Completion Date");
(ii) PESB to pay a sum of RM290,000 as part payment of the Balance Settlement Sum within 10 days from the date of the Supplemental ISE DA No. 3; and
(iii) PESB to pay all remaining Balance Settlement Sum together with the late payment interest of 8.00% per annum, calculated on day to day basis from 18 January 2017 until the date of full payment by the ISE DA Completion Date.

The signing of the above Supplemental ISE SSA No. 3 and Supplemental ISE DA No. 3 are to allow the extension of 2 months to 22 May 2017 for both Maser and PESB to complete the Acquisition of ISE pursuant to the Supplemental ISE DA No. 3.

Further, in consideration of PESB agreement with Maser for early payment of the 15% of the Balance Settlement Sum pursuant to the Supplemental ISE DA No. 3, Maser has on 22 March 2017 given a letter of undertaking to PESB to undertake that, for a period of 3 months from the ISE DA Completion Date:-

(i) Maser will continuously ensure that all documents in relation to the operation and management of ISE, including the operation of the hydro plant and the financial status of ISE are in order; and
(ii) Maser will use its best endeavour to assist and advise PESB for the operation and management of ISE, including the hydro plant of ISE.

(e) On 27 March 2017, the Company announced on relevant dates for Renounceable Rights Issue of up to 405,786,566 new ordinary shares in PGB ("PGB Share(s)") ("Rights Share(s)") at an issue price of RM0.10 per Rights Share on the basis of 1 Rights Share for every 1 existing PGB Share held at 5.00 p.m. on 10 April 2017. The Board of Directors had resolved to fix the issue price of the Rights Shares at RM0.10 per Rights Share.

(f) At the close of acceptance, excess application and payment for the Rights Issue as at 5.00 p.m. on 26 April 2017 ("Closing Date"), the total valid acceptances and excess applications received for the Rights Issue was 539,679,891 Rights Shares. This represents a subscription rate of 133% of the total number of 405,786,566 Rights Shares available for subscription under the Rights Issue.

The details of the valid acceptances and excess applications received as at the Closing Date are as follows:

	No. of Rights Shares	**% of total issue**
Total valid acceptances	271,911,617	67.01
Total valid excess applications	267,768,274	65.99
Total valid acceptances and excess applications	539,679,891	133.00
Total Rights Shares available for subscription	405,786,566	100.00
Oversubscription	133,893,325	33.00

Accordingly, the Excess Rights Shares will be allocated in accordance with the basis as stated in Section 11.6 of the Abridged Prospectus dated 10 April 2017 in relation to the Rights Issue, on a fair and equitable basis.

(g) On 11 May 2017, 405,786,566 Rights Shares in relation to the Rights Issue were listed and quoted on the ACE Market of Bursa Securities with effect from 9.00 a.m. on 11 May 2017, marking the completion of the Rights Issue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(h) On 30 May 2017, PESB entered into a Memorandum of Understanding ("MOU") with PT CHD Power Plant Operation Indonesia ("PT CHD") to establish the basis for further discussions between the parties in exploring the feasibility of entering into a joint venture to undertake the development/explore potential business opportunities in power generation project in Indonesian market.

(i) On 6 June 2017, the Company acquired one ordinary share representing 100% of the share capital of PDSB for a total cash consideration of RM1. Upon the Acquisition, PDSB became a wholly-owned subsidiary of the Company.

(j) On 9 June 2017, PDSB entered into a Joint Venture Agreement ("JV Agreement") with Yayasan Veteran ATM ("Yayasan") in collaborating in a joint venture to undertake the development of a piece of state leasehold land held under Lot 385, Seksyen 87A Bandar Kuala Lumpur measuring approximately 5,142 square metres by constructing and completing a commercial development comprising office towers or such other type of buildings at the sole discretion of PDSB ("Development Project").

(k) On 12 June 2017, PESB entered into an Approval Letter with PT Bangun Daya Perkasa ("PT BDP") in expressing PESB's interest in acquiring a 92.5% stake of PT BDP's shares in PT Tenaga Listrik Gorontalo ("PT TLG"), a subsidiary of PT BDP.

Subsequently, after reviewing the terms of the transaction and in order to comply with regulatory requirements, PESB proposed to modify the transaction structure whereby PESB shall acquire the equity interest in PT BDP instead.

The shareholders of PT BDP, namely PT Saratoga Sentra Business and PT Persada Capital Investama had on 22 December 2017 accepted PESB Letter of Offer ("Offer Letter") to acquire 100% equity interest in PT BDP.

The Offer Letter is intended to set out the board parameters of the proposed acquisition. The Offer Letter is subject to the definitive agreement(s) containing the detailed terms and conditions of the proposed acquisition to be executed within a period of 3 months from the date of the Offer Letter.

(l) On 21 June 2017, PESB entered into:-

(i) an agreement in respect of the ISE SSA between PESB and Maser to govern the obligations of the parties in respect of the redemption of the banking facilities granted by Kuwait Finance House (Malaysia) Berhad ("KFH") to ISE and also to govern the management of ISE ("ISE SSA Agreement"); and

(ii) an agreement in respect of the ISE DA between PESB, Maser and ISE to govern the payment of the remaining Balance Settlement Sum, of which the final amount payable to Maser shall be adjusted to take into account of the following:-

(aa) the redemption sum for the repayment of the loan granted by KFH, including any penalty and/or late payment imposed by KFH; and

(bb) any costs, damages and losses suffered by PESB due to the management of ISE by Maser before the handover of the management of ISE.

The above are collectively referred to as "ISE DA Agreement".

Following to the signing of the ISE SSA Agreement and ISE DA Agreement, PESB is deemed to have taken over the management of ISE, including the Sungai Rek Hydro Power Plant commencing from 31 May 2017. Therefore, PESB will be entitled to all revenue and profit generated by ISE after 31 May 2017. All relevant documents for the transfer of the ISE Shares had been delivered to PESB's solicitor as stakeholder.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(l) PESB had on 21 June 2017, paid the estimated remaining Balance Settlement Sum together with the late payment interest (in respect of the Balance SSA Consideration and Balance Settlement Sum) to Maser's solicitors as stakeholder. In addition, Maser has handed over an undated deed of assignment of Debt to PESB's solicitors as stakeholder. Both Maser and PESB have mutually agreed that the Acquisition of ISE shall be deemed to be completed when the redemption sum for the repayment of the loan granted by KFH is fully paid.

(m) On 11 July 2017, PESB entered into a MOU with IR Hariyanto for the proposed acquisition of 61% equity interest in the share capital of PT Indomuda Satria Internusa.

(n) On 21 July 2017, the Company disposed of its entire shareholding comprising 343,000 ordinary shares representing 49% equity interest held in DESB to Madun Bin Mangkadau for a total cash consideration of RM330,750.

(o) On 12 September 2017, PSB further acquire 10 ordinary shares representing 10% equity interest held in EVSB from Sim Guo Jong @ Tan Guo Jong for a total cash consideration of RM152,500. Following the acquisition, EVSB became a 55% owned subsidiary of PSB.

(p) On 18 September 2017, the redemption sum in respect of KFH Loan is fully paid pursuant to the ISE SSA Agreement and ISE DA Agreement both dated 21 June 2017. The Proposed Acquisition of ISE has now been completed effective on 15 September 2017, hence marking the completion of the Proposals.

(q) On 22 November 2017, PPSB entered into a Preliminary Share Sales Agreement ("PSSA") with Masrani, Agus Triono, Akhmad Syaifullah and Khutut Jalu Prasojo ("the Vendors") in relation to the acquisition of 60% of the issued and paid-up share capital of PT BBL for a total cash consideration of IDR3.3 billion or equivalent to approximately RM1 million, upon the terms and conditions stipulated in the PSSA.

44. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 19 January 2018, PPSB entered into a Sale and Purchase Contract with a Taiwan Company for the sale and delivery of one vessel of steam coal for USD6.35 million on a Free on Board ("FOB") basis at anchorage point of South Kalimantan, Indonesia.

(b) On 2 February 2018, the Company acquired one ordinary share representing 100% of the share capital of Pasukhas Properties Sdn. Bhd. for a total cash consideration of RM1. Upon the acquisition, Pasukhas Properties Sdn. Bhd. became a wholly-owned subsidiary of the Company.

(c) On 5 February 2018, PPSB entered into a Sale and Purchase Contract with a Taiwan Company for the sale and delivery of two vessels of steam coal for USD8.74 million on a FOB basis at anchorage point of South Kalimantan, Indonesia.

(d) On 27 February 2018, Pasukhas Properties Sdn Bhd acquired one ordinary share representing 100% of the share capital of Midtown Pearl Sdn. Bhd. ("MPSB") for a total cash consideration of RM1. Upon the acquisition, MPSB became a wholly-owned subsidiary of Pasukhas Properties Sdn Bhd.

(e) On 1 March 2018, PPSB entered into a Conditional Sale and Purchase of Shares Agreement ("CSPA") with the vendors of PT BBL in relation to the acquisition of 1,650 shares, representing 60% of the issued and paid-up share capital of PT BBL for a total cash consideration of IDR3.3 billion or equivalent to approximately RM1 million, upon the terms and conditions as stipulated in the CSPA.

(f) On 20 March 2018, PCSB accepted the Letter of Award with total sub-project sum amounting to RM41.3 million issued by Paramount Property Construction Sdn Bhd (Main Contractor) in relation to sub-contract of the superstructure works to PCSB.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

44. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

(g) On 27 March 2018, the Company proposed to vary the utilisation of proceeds from Rights Issue of approximately RM7.87 million earmarked for payment of remaining PCSB cash consideration to fund its working capital requirements for its existing construction projects and joint ventures which include the payment of contractors, suppliers of goods and services, and sourcing of manpower such as construction workers. This would enable the PGB to optimise the returns on these funds. The variation is not subjected to any regulatory authorities or shareholders' approval.

(h) On 27 March 2018, PDSB entered into a supplement JV Agreement with Yayasan to clarify certain entitlements of PDSB ("the developer") under the Development Project, which shall also include the following:-

(i) fifty car parking bays;
(ii) one retail unit; and
(iii) cafeteria and "surau" shall belong and managed entirely by the developer.

45. MATERIAL LITIGATION

(a) In the matter of Fast Track Arbitration between Townscapes Builder Sdn. Bhd. ("Townscapes") and PSB pursuant to Dispute Resolution Agreement dated 29 November 2016

Townscapes (the Claimant) is claiming against PSB (the Respondent) for a sum of RM3,281,962 being the payment for final account and loss of profit for the project known as Apartment Housing Scheme which includes: 1) Apartment Block A (14-Storey): i) 13-Storey (130 Units) Apartment, ii) 1-Storey Carpark, iii) 1 Unit Electrical Sub-Station; 2) Apartment Block B (14-Storey): i) 13-Storey (130 Units) Apartment, ii) 1-Storey Carpark; 3) 1-Storey Club House and Swimming Pool; 4) Guard House on Lot 208397, 69040, 69041, 69042, 69043, Taman Bintang, Bandaraya Ipoh, Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan for Messrs Empire Multiple Sdn. Bhd.

PSB disputed the entire claim of Townscapes save for a sum of RM472,042 and has counterclaimed a sum of RM281,003 against Townscapes.

Based on the Arbitration Award dated 19 July 2017, the Arbitrator has awarded and directed that, in full and final settlement of all claims and counter-claims in the arbitration:-

(i) PSB shall pay to Townscape the sum of RM2,249,541 together with interest on the sum of RM2,238,157 at the rate of 5% per annum;
(ii) PSB shall pay to Townscape, its costs in the sum of RM117,065; and
(iii) PSB shall pay and bear the fees of the Arbitrator amounting to RM69,223 and Kuala Lumpur Regional Centre Arbitration's ("KLRCA") administrative fees in the sum of RM16,073 and to the extent that Townscape has paid any part thereof.

The Respondent has filed an Originating Summons to set aside the Final Award and the Plaintiff has filed an Originating Summons to enforce the Final Award made on 19 July 2017.

The Respondent and Claimant withdrew the suit with no order as to costs subsequently.

(b) In the matter of an intended Fast Track Arbitration between PSB and Townscapes pursuant to Dispute Resolution Agreement dated 29 November 2017

PSB (the Claimant) is claiming against Townscapes (the Respondent) for approximately the sum of RM7,581,232 for payment on behalf, defects and liquidated damages for the project known as "Sub-structure and part of external works" for "Cadangan Mendirikan Skim Pembangunan Bersepadu Pelancongan Dan Wellness Center (Medical Tourism) at Lot 841 and 842, Jalan Teluk Bahang, Mukim 2, Teluk Bahang DBD, Pulau Pinang".

PSB anticipates a counterclaim of RM2,703,482 by Townscapes.

Based on the Arbitration Award dated 23 November 2017, the Arbitrator has awarded the following in accordance to KLRCA Rules for Fast Track Arbitration:-

(i) Townscape need to pay PSB the sum of RM1,049,278;
(ii) as sums found due to the Final Account;
(iii) Townscape need to pay PSB costs of RM268,145; and
(iv) all other claims are dismissed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

45. MATERIAL LITIGATION (CONT'D)

(c) Kuala Lumpur High Court Companies (Winding Up) No: 28NCC-254-05/2015

PCSB and I-Innovations Construction Sdn Bhd ("ICSB") presented a winding-up petition against MTM Millenium Holdings Sdn. Bhd. ("MTM") for MTM's failure to adhere to Final Award dated 28 May 2012 awarded by the Arbitrator, Mr David Cheah Ming Yew for payment of the sum of RM4,811,808, inclusive of interest amounting to RM1,093,720 as at 28 May 2012 and RM24,929 being half of the Arbitrator's costs as awarded in the Final Award.

PCSB has presented a winding up petition against MTM for MTM's failure to pay the Final Award Sum.

On 15 May 2017, the High Court allowed the said petition and Mr. Lean Chee Seng was appointed as the liquidator.

(d) Issuance of Payment Claim under Construction Industry Payment and Adjudication Act 2012 ("CIPAA") against Emerald Capital (Ipoh) Sdn Bhd ("Emerald")

PSB is claiming against Emerald for a construction contract claim under the Construction Industry Payment and Adjudication Act 2012 ("CIPPA").

The claim is for payment for work done under the project known as "Phase 2-1 Block Condominium 18-Storey (240 Units) together with the Common Facilities erected on Podium 5-Storey together with the Accessory Parcels and 2-Storey of Shop Lot (9 Units) erected upon Lot 25117 and 25118 (Previous Lot: 206349), Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan for Emerald for the sum of RM8,293,658.

PSB anticipates a counterclaim for the sum of RM8,491,493 by Emerald ("the Counterclaim anticipated"). A substantial portion of the Counterclaim anticipated which is RM2,135,000 constitutes a claim for alleged delay.

On 28 June 2017, PSB had received the written Adjudication Decision dated 24 June 2017 from the Adjudicator.

Based on the evidence/arguments submitted by both parties, the Adjudicator has made the following decision:-

(i) The adjudicated amount is RM6,452,897 and shall be paid to PSB;
(ii) Emerald shall pay PSB simple interest on the adjudicated amount at the rate of 5% per annum; and
(iii) Emerald shall pay the costs of the adjudication proceedings amounting to RM81,489.

On 2 August 2017, PSB has been served with an Originating Summons from Emerald seeking to set aside the Adjudication Decision. PSB is at the same time applying to register the Adjudication Decision in the High Court.

Kuala Lumpur High Court had on 4 October 2017, heard and dismissed the Emerald's application to set aside the Adjudication Decision dated 24 June 2017 and allowed PSB's application to enforce the Adjudication Decision with a revised amount of RM5,769,305 awarded to PSB.

Emerald has filed an appeal to the Court of Appeal against the decision given at the Kuala Lumpur High Court which dismissed Emerald's application to set aside the whole of the Adjudicator's Decision dated 24 June 2017.

The hearing date is fixed on 23 May 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

45. MATERIAL LITIGATION (CONT'D)

(e) In the matter of an arbitration between Samsung C&T Corporation UEM Construction JV Sdn Bhd ("Samsung-UEM") (Claimant) and PCSB (Respondent)

On 28 August 2017, the Company announced that PCSB had received a Notice of Arbitration dated 24 August 2017 from Samsung C&T Corporation UEM Corporation Construction JV Sdn. Bhd. ("the Claimant") vide its solicitors, Messrs Wong & Partners to resolve the disputes between Claimant and Respondent in relation to the sub-contract works amounting to approximately RM14,000,000.

The Respondent estimates its counter-claim to be in the region of RM4,000,000.

The case is currently pending the appointment of an Arbitrator. PCSB's solicitor is unable to ascertain the full extent of the claim as this matter has yet to progress beyond initial stages.

(f) In the matter of an adjudication between Bauer (Malaysia) Sdn Bhd (the Claimant) and PSB (the Respondent)

PSB received one Payment Claim under Section 5 of the CIPAA dated 28 June 2017 from its sub-contractor, Bauer (Malaysia) Sdn Bhd ("Bauer") via its solicitor, Messrs Mohanadass Partnership for a total amount of RM8,956,617 ("CIPAA Payment Claim").

The CIPAA Payment Claim is in relation to the disputes over non-payment works done by Bauer for sub-structure and part of external works for "Cadangan Mendirikan Skim Pembangunan Bersepadu Pelancongan dan Wellness Centre (Medical Tourism)".

On 21 September 2017, PSB received a notice of Adjudication from the Claimant. The Claimant is claiming against the Respondent for the following reliefs:-

(i) the sum of RM2,728,989 for variation; and
(ii) the sum of RM7,038,527 for loss and expense.

There is a Liquidated Ascertained Damages claim by the Respondent from a sum of RM4,850,000. The Respondent has also sought a counterclaim and/or set-off of RM142,187.

PSB had on 7 March 2018 received the Adjudication Decision dated 9 February 2018 ("Decision") issued by the sole Adjudicator. Based upon the evidence tendered, the legal authorities submitted and the submissions made by the parties in the adjudication, and the findings of the Adjudicator on the issues submitted for determination, the following award is made by the Adjudicator:-

(i) PSB shall pay Bauer the sum of RM647,086 in relation to the Adjudication Claim;
(ii) PSB shall pay Bauer costs in the sum of RM100,000;
(iii) PSB shall pay Adjudicator's fees and KLRCA fees in a total sum of RM84,840, less the deposit of RM42,420; and
(iv) PSB shall pay Bauer the above mentioned sums within 30 days of the date of this Decision.

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018

Issued Share Capital	: 811,573,132 ordinary shares
Class of Shares	: Ordinary shares
Voting Rights	: One vote per ordinary share.
Number of Shareholders	: 1,652

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	2	0.12	56	0.00
100 to 1,000	87	5.27	48,700	0.01
1,001 to 10,000	332	20.10	2,314,900	0.29
10,001 to 100,000	843	51.03	39,136,600	4.82
100,001 to 40,578,655	385	23.31	454,437,576	55.99
40,578,656 and above	3	0.18	315,635,300	38.89
Total	**1,652**	**100.00**	**811,573,132**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

		Direct Interest		Indirect Interest	
	Names	No. of Shares	%	No. of Shares	%
1.	RHB Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd for Tara Temasek Sdn Bhd	188,509,100	23.23	-	-
2.	Wan Thean Hoe	-	-	188,509,100 [1]	23.23
3.	Chan Man Chung	-	-	188,509,100 [1]	23.23
5.	Dato' Sri Teng Ah Kiong	109,887,200	13.54	19,361,100 [2]	2.39
6.	Dato' Teng Yoon Kooi	19,361,100	2.39	109,887,200 [2]	13.54

Note:
(1) Deemed interested under Section 8 of the Companies Act, 2016 by virtue of their shareholdings in Tara Temasek Sdn Bhd.
(2) Deemed interested by virtue of his brother's shareholdings in PGB.

DIRECTORS' SHAREHOLDINGS

	Names	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1.	Dato' Sri Teng Ah Kiong	109,887,200	13.54	19,361,100 [2]	2.39
2.	Dato' Teng Yoon Kooi	19,361,100	2.39	109,887,200 [2]	13.54
3.	Wan Thean Hoe	-	-	188,509,100 [1]	23.23
4.	Chan Man Chung	-	-	188,509,100 [1]	23.23
5.	Teoh Kim Hooi	1,000,000	0.12	-	-
6.	Yap Chee Keong	-	-	-	-
7.	Norkamaliah Binti Hashim	-	-	-	-

Note:
(1) Deemed interested under Section 8 of the Companies Act, 2016 by virtue of their shareholdings in Tara Temasek Sdn Bhd.
(2) Deemed interested by virtue of his brother's shareholdings in PGB.

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018 (cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Names	No. of Shares	%
1.	RHB Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd for Tara Temasek Sdn Bhd	188,509,100	23.23
2.	Dato' Sri Teng Ah Kiong	78,887,200	9.72
3.	RHB Nominees (Asing) Sdn Bhd Exempt an (BP) for RHB Securities Hong Kong Limited A/C Clients (Retail)	48,239,000	5.94
4.	Ong Mei Lee	35,244,226	4.34
5.	Affin Hwang Nominees (Asing) Sdn Bhd Exempt an for Phillip Securities (Hong Kong) Ltd (Clients' Account)	32,721,900	4.03
6.	Dato' Sri Teng Ah Kiong	31,000,000	3.82
7.	Yew Ai Boon	27,199,900	3.35
8.	Lim Siow Jin	26,667,000	3.29
9.	Dato' Teng Yoon Kooi	19,361,100	2.39
10.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for OCBC Securities Private Limited (Client A/C-NR)	15,166,400	1.87
11.	M & A Nominee (Asing) Sdn Bhd for Wong Shuk Man	12,700,000	1.56
12.	Liew Sze Fook	10,234,000	1.26
13.	Wee Hiang Chyn	9,594,228	1.18
14.	M & A Nominee (Asing) Sdn Bhd for He Liang	9,425,000	1.16
15.	Liew Ngit Siew	7,558,700	0.93
16.	M & A Nominee (Asing) Sdn Bhd for Huang Shasha	7,375,000	0.91
17.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for H'ng Bok Chuan	5,000,000	0.62
18.	Chan Sooi Mun	4,382,455	0.54
19.	Chia Chee Seng	3,933,800	0.48
20.	Zhong Jialiang	3,768,000	0.46
21.	Low Ah Kou	3,401,500	0.42
22.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	3,300,000	0.41
23.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Yeong Wai	3,247,000	0.40
24.	Lau Kim Wah	3,000,000	0.37
25.	Lim Lip Chai	2,948,000	0.36
26.	Lim Kim Cheng	2,500,000	0.31
27.	Sim Ah Seng	2,500,000	0.31
28.	Hing Wai Keong	2,460,000	0.30
29.	Chin Yet Ying	2,399,400	0.30
30.	Dato' Sri Punidanathan A/L Velupillai	2,250,000	0.28
	Total	604,972,909	74.54

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PROXY FORM

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

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 Thirteenth 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 Monday, 28 May 2018 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:

Ordinary Resolutions	**For**	**Against**
1. To re-elect Dato' Teng Yoon Kooi as Director of the Company		
2. To re-elect Mr Teoh Kim Hooi as Director of the Company		
3. To elect Puan Norkamaliah Binti Hashim as Director of the Company		
4. To approve the payment of Directors' Fees		
5. To approve the payment of Directors' Benefits (excluding Directors' fees)		
6. To re-appoint Messrs Crowe Horwath as Auditors of the Company		
Special Business		
7. Authority to Issue Shares		
8. Proposed Renewal of Existing Shareholders' Mandate		

Note: Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

(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 ________________ 2018

____
Signature/Common Seal of Shareholder

Notes:

i) 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 restriction. 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.

ii) 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.

iii) 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.

iv) 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.

v) 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.

vi) 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.

vii) Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.

viii) For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors ("ROD") as at 22 May 2018 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

Fold this flap for sealing

Then fold here

Affix stamp

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

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www.pasukhasgroup.com

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

Wisma Modal Khas, Lot 5815-A, Jalan Mawar,
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43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.
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