PESTECH's Project and/or Product Reach

www.pestech.com.my

WE EMPOWER INDUSTRIES WITH POWER SYSTEM TECHNOLOGY TO FUEL SOCIAL AND ECONOMIC GROWTH

PESTECH™ INTERNATIONAL
Effective.Efficient.Excellent

PROSPECTUS PESTECH INTERNATIONAL BERHAD

PROSPECTUS

This Prospectus is dated 10 May 2012

PESTECH™ INTERNATIONAL
Effective.Efficient.Excellent

PESTECH INTERNATIONAL BERHAD

(Company No. : 948035-U)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH THE LISTING OF PESTECH INTERNATIONAL BERHAD ("PESTECH") ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:-

(I) PUBLIC ISSUE OF 12,880,000 NEW ORDINARY SHARES OF RM0.50 EACH ("SHARES") IN THE FOLLOWING MANNER:-

- **6,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
- **5,367,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF PESTECH, ITS SUBSIDIARY COMPANIES AND JOINTLY-CONTROLLED ENTITY;**
- **1,513,000 NEW SHARES BY WAY OF PLACEMENT TO IDENTIFIED INVESTORS;**

AND

(II) OFFER FOR SALE OF 8,588,000 EXISTING SHARES IN THE FOLLOWING MANNER:-

- **6,456,400 EXISTING SHARES BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;**
- **2,131,600 EXISTING SHARES BY WAY OF PLACEMENT TO IDENTIFIED INVESTORS**

AT AN ISSUE/OFFER PRICE OF RM1.00 PER SHARE, PAYABLE IN FULL UPON APPLICATION

Principal Adviser, Sole Underwriter and Placement Agent

BANK ISLAM

Bank Islam Malaysia Berhad
(Company No. 98127-X)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 4 OF THIS PROSPECTUS.

RESPONSIBILITY STATEMENTS

OUR DIRECTORS, PROMOTERS AND OFFERORS (AS DEFINED HEREIN) HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

BANK ISLAM MALAYSIA BERHAD ("BANK ISLAM"), BEING THE PRINCIPAL ADVISER, SOLE UNDERWRITER AND PLACEMENT AGENT, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("IPO").

STATEMENT OF DISCLAIMER

THE SECURITIES COMMISSION ("SC") HAS APPROVED THE IPO AND A COPY OF THIS PROSPECTUS TOGETHER WITH THE APPLICATION FORMS HAVE BEEN REGISTERED WITH THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

APPROVAL HAS BEEN OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR THE LISTING OF AND QUOTATION FOR THE SECURITIES BEING OFFERED AND ANY SHARE(S) TO BE ISSUED PURSUANT TO THE SHARE GRANT PLAN. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, OUR COMPANY OR OUR SECURITIES.

BURSA SECURITIES SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS BY US AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO YOU PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE IPO FOR WHICH THE PERSONS SET OUT IN SECTION 236 OF THE CAPITAL MARKETS AND SERVICES ACT 2007, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

OUR SECURITIES ARE CLASSIFIED AS SHARIAH COMPLIANT BY THE SHARIAH ADVISORY COUNCIL ("SAC") OF THE SC BASED ON THE LATEST AUDITED FINANCIAL YEAR AT THE POINT OF SUBMISSION. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF ISSUE OF THIS PROSPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW IS UNDERTAKEN BY THE SAC OF THE SC. THE NEW STATUS IS RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES, ON THE LAST FRIDAY OF MAY AND NOVEMBER.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORMS, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com. THE CONTENTS OF THE ELECTRONIC PROSPECTUS ARE AS PER THE CONTENTS OF THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS SO REGISTERED IS AVAILABLE ON THE WEBSITE OF AFFIN BANK BERHAD AT www.affinOnline.com, THE WEBSITE OF RHB BANK BERHAD AT www.rhb.com.my, THE WEBSITE OF MALAYAN BANKING BERHAD AT www.maybank2u.com.my, THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT www.eipocimb.com, THE WEBSITE OF CIMB BANK BERHAD AT www.cimbclicks.com.my AND THE WEBSITE OF PUBLIC BANK BERHAD AT www.pbebank.com.

YOU ARE ADVISED THAT THE INTERNET IS NOT A FULLY SECURED MEDIUM, AND THAT YOUR INTERNET SHARE APPLICATION IS SUBJECT TO THE RISK OF PROBLEMS OCCURRING DURING DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. (INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE LISTED IN SECTION 16 OF THIS PROSPECTUS). THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

IF YOU ARE IN DOUBT AS TO THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US, OUR ADVISER OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THIS PROSPECTUS.

THE ELECTRONIC PROSPECTUS SUBMITTED TO THE SC AND BURSA SECURITIES IS THE SAME AS THE REGISTERED PAPER/PRINTED COPY. IN THE EVENT OF ANY DISCREPANCIES ARISING BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS FOR ANY REASON WHATSOEVER, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, WHICH IS IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES ("THIRD PARTY INTERNET SITES"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:-

(I) WE AND OUR ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY WITH THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENTS OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;

(II) WE AND OUR ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, FOR FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS, DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

(III) ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS AT YOUR OWN DISCRETION AND RISK. WE AND OUR ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:-

(I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS SITUATED ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OTHERWISE OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND THEREAFTER COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND

(II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED AS THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COST, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT OR FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT OR FAULTS ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/OR PROBLEMS OCCURING DURING DATA TRANSMISSION, WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON AN APPLICANT'S PERSONAL COMPUTER.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

WE WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF THE IPO, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER YOU HAVE AN ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTIONS OTHER THAN THE LAWS OF MALAYSIA. IT SHALL BE YOUR SOLE RESPONSIBILITY IF YOU ARE OR MAY BE SUBJECT TO THE LAWS OF ANY COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS. NEITHER WE NOR THE ADVISER NOR ANY OTHER ADVISER IN RELATION TO THE IPO SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, AVOIDABLE OR VOID IN ANY SUCH COUNTRY OR JURISDICTION.

FURTHER, IT SHALL BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR THE IPO WOULD BE IN COMPLIANCE WITH THE TERMS OF THE IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THE IPO IN MALAYSIA AND WILL BE SUBJECT ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION TO TREAT ANY ACCEPTANCES AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Event(s)	Tentative Date(s)
Issuance of this Prospectus/ Opening of the application period for the IPO	10 May 2012
Closing of the application period for the IPO	18 May 2012
Balloting of the applications for the Issue Shares	22 May 2012
Allotment of Issue Shares/ Transfer of Offer Shares to successful applicants	28 May 2012
Listing date	30 May 2012

This timetable is tentative and is subject to changes which may be necessary to facilitate the implementation procedures. The application period for the IPO will close at the date stated above or such further period or periods as our Directors and the Offerors, together with the Sole Underwriter, in their absolute discretion may mutually decide.

In the event the closing date of the application period is extended, we will advertise the notice of the extension in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia prior to the original closing date of the application period. Following this, we will extend the dates for the balloting of the applications, allotment of Issue Shares/ transfer of Offer Shares and Listing accordingly.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:-

AAP	:	Brand name for our alarm annunciation panel product
ABB Malaysia	:	ABB Malaysia Sdn Bhd (Company No. 210262-T)
Act	:	Companies Act, 1965
Acquisition of PSB	:	Acquisition by PESTECH of the entire issued and paid-up share capital of PSB, comprising 3,333,000 ordinary shares of RM1.00 each in PSB for a purchase consideration of RM36,499,998 satisfied by the issuance of 72,999,996 PESTECH Shares. The acquisition of PSB was completed on 17 August 2011
Acquisition of PSSB	:	Acquisition by PESTECH of the entire issued and paid-up share capital of PSSB, comprising two (2) ordinary shares of RM1.00 each in PSSB for a cash consideration of RM2.00. The acquisition of PSSB was completed on 2 April 2012
Acquisition of Xcell	:	Acquisition by PESTECH of the entire issued and paid-up share capital of Xcell, comprising 300,000 ordinary shares of RM1.00 each in Xcell for a cash consideration of RM5.00. The acquisition of Xcell was completed on 17 August 2011
ADA	:	Authorised Depository Agent
Application	:	The application for the IPO Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
Application Form(s)	:	The printed application form(s) for the application of the IPO Shares
ASEAN	:	Association of Southeast Asia Nations
ASTA	:	Association of Short-Circuit Authorities
ATM	:	Automated Teller Machine
Bank Islam	:	Bank Islam Malaysia Berhad (Company No. 98127-X)
BCD	:	Brand name for our BCD input display product. Also means binary code decimal, as defined in Glossary of Technical Terms below.
BEAB	:	British Electrotechnical Approvals Board
BND	:	Brunei Dollar
Board	:	The Board of Directors of PESTECH
Brunei	:	The State of Brunei Darussalam
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
Cambodia	:	The Kingdom of Cambodia
CDS	:	Central Depository System

DEFINITIONS (Cont'd)

CDS Account(s)	:	Account(s) established for a depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
Central Depositories Act	:	Securities Industry (Central Depositories) Act, 1991
CEO	:	Chief Executive Officer
CMSA	:	Capital Markets and Services Act 2007
COPS	:	Brand name for our control and protection panels product
D&D	:	Design & Development
D-Switch	:	Brand name for our HV isolator product
DOSH	:	Department of Occupational Safety and Health
Dayen	:	Moya Asia Limited (formerly known as Moya Dayen Limited) (formerly known as Dayen Environmental Ltd) (Company No. 198602051G)
Depositor	:	A holder of a CDS Account
Director(s)	:	Director(s) of our Company and shall have the meaning given in Section 2 of the CMSA
E&D	:	Engineering and Development
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
Electronic Share Application	:	An application for the Issue Shares through Participating Financial Institutions' ATM
EPS	:	Earnings per share
Executive Director	:	A natural person who holds a directorship in an executive capacity in any company within our Group and is on the payroll of that Company
Fornix	:	Fornix Sdn Bhd (Company No. 705247-A), a wholly-owned subsidiary company of PSB
FPE	:	Financial period ended / ending
FRS	:	Financial Reporting Standards
FYE	:	Financial year(s) ended / ending
Ghana	:	Republic of Ghana
GHS	:	Ghana cedi
GM	:	General Manager

DEFINITIONS (Cont'd)

Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Application, as listed in Section 16 of this Prospectus
Internet Share Application	:	Application for the Issue Shares through an online share application service provided by the Internet Participating Financial Institution(s)
IPO	:	Initial public offering of the Issue Shares and Offer Shares in conjunction with the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities
IPO Price	:	The Issue Price and Offer Price of RM1.00 for each IPO Share
IPO Share(s)	:	The Issue Shares and Offer Shares, collectively
ISO	:	International Organization for Standardization
Issue Price	:	The issue price of RM1.00 for each Issue Share
Issue Share(s)	:	12,880,000 new PESTECH Shares, representing approximately 15.0% of our enlarged issued and paid-up share capital, which are to be issued pursuant to the Public Issue and subject to the terms and conditions of this Prospectus
Issuing House or MIH	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
JV	:	Joint venture
KHR	:	Cambodian Riel
Listing	:	The admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM42,940,000, comprising 85,880,000 PESTECH Shares on the Main Market of Bursa Securities
Listing Scheme	:	The Public Issue, Offer for Sale and Listing, collectively
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	16 April 2012, being the latest practicable date prior to the printing of this Prospectus
Matrade	:	Malaysia External Trade Development Corporation
Malaysian Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	Any day between Monday and Friday (inclusive) which is not a public holiday and when Bursa Securities is open for trading of securities
MIDA	:	Malaysian Industry Development Authority
MITI	:	Ministry of International Trade and Industry
MOF	:	Ministry of Finance
NA	:	Net assets
NCA	:	Net carrying amount

DEFINITIONS (Cont'd)

Offer for Sale	:	Offer for sale by the Offerors of 8,588,000 Offer Shares at the Offer Price comprising:- (i) 6,456,400 Offer Shares by way of placement to Bumiputera investors approved by the MITI; and (ii) 2,131,600 Offer Shares by way of placement to identified investors
Offer Price	:	The offer price of RM1.00 for each Offer Share
Offer Share(s)	:	8,588,000 existing PESTECH Shares, representing 10.0% of our enlarged issued and paid-up share capital, which are to be offered for sale pursuant to the Offer for Sale and subject to the terms and conditions of this Prospectus
Offerors	:	Lim Ah Hock and Paul Lim, collectively
Official List	:	Official list of the Main Market of Bursa Securities
OHSAS	:	Occupational Health & Safety Assessment Series
P&P	:	Project & Production
Participating Financial Institution(s)	:	Participating financial institution(s) for Electronic Share Application, as listed in Section 16 of this Prospectus
PAT	:	Profit after tax
Paul Lim	:	Ir Lim Pay Chuan, our CEO
PBSB	:	PESTECH (Brunei) Sdn Bhd (Company No. RC/00008311), a 90% owned subsidiary company of PSB
PBT	:	Profit before tax
PE Multiple	:	Price earnings multiple
Pembinaan Tajri	:	Pembinaan Tajri Sdn Bhd (Company No. 112292-D)
PESTECH or Company	:	PESTECH International Berhad (Company No. 948035-U)
PESTECH Group or Group	:	PESTECH, PSB Group and Xcell, collectively
PESTECH Share(s) or Share(s)	:	Ordinary shares of RM0.50 each in PESTECH
Placement Agent	:	Bank Islam, being the agent to place out 1,513,000 Issue Shares to be issued pursuant to the Public Issue and 8,588,000 Offer Shares to be offered pursuant to the Offer for Sale
PPE	:	Property, plant and equipment
PPL	:	PNG Power Limited (Company No. 1-44680), a power authority responsible for the generation, transmission, distribution and retailing of electricity throughout PNG

DEFINITIONS (Cont'd)

PNG	:	Independent State of Papua New Guinea
PROCOM	:	Brand name for our RTU product
Product(s)	:	Power system components and equipment
Project(s)	:	Provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of substations, transmission lines and underground cables for electricity transmission and distribution
Promoters	:	Lim Ah Hock, Paul Lim and Lim Pay Chin, collectively
Prescribed Security	:	Securities of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules
PSB	:	PESTECH Sdn Bhd (Company No. 220578-T), a wholly-owned subsidiary company of PESTECH
PSB Group	:	PSB and its subsidiary companies, namely Fornix, TPJV, PBSB PSSB and PTL and its jointly-controlled entity, namely TPSB
PSSB	:	PESTECH (Sarawak) Sdn Bhd (Company No. 977694-K), a wholly-owned subsidiary company of PSB
PTL	:	PESTECH Transmission Limited (Company No. CA-99,553), a wholly-owned subsidiary company of PSB
Public Issue	:	Public issue of 12,880,000 new PESTECH Shares at the Issue Price comprising:- (a) 6,000,000 new PESTECH Shares available for application by the Malaysian Public; (b) 5,367,000 new PESTECH Shares available for application by our eligible Directors, employees and persons who have contributed to the success of our Group; and (c) 1,513,000 new PESTECH Shares by way of placement to identified investors
QSHE	:	Quality, Safety, Health and Environment
R&T	:	Reliability & Testing
RETCOMS	:	Brand name for our tele-communication and tele-protection product
RES	:	Brand name for our NER product
RFL	:	RFL Electronics Inc.
RM	:	Ringgit Malaysia
ROC	:	Registrar of Companies
Rs.	:	Rupees of Sri Lanka
Rules	:	Rules of Bursa Depository

DEFINITIONS (Cont'd)

SAC	:	Shariah Advisory Council of the SC
SAFCA	:	Safety Compliance Audit
SC	:	Securities Commission
SGP	:	Share grant plan involving up to 15% of the issued and paid-up share capital of PESTECH at any time during the existence of the share grant plan, to be granted and/or issued to the eligible Directors and executives of our Group
Siemens Malaysia	:	Siemens Malaysia Sdn Bhd (Company No. 93008-X)
SLCC	:	Sung Lee & Chu Construction Co Sdn Bhd (Company No. AGO/RC/2081)
SME	:	Small and Medium Enterprises
SME Corp	:	SME Corporation Malaysia
Sri Lanka	:	The Democratic Socialist Republic of Sri Lanka
TPJV	:	Tajri-PESTECH JV Ltd (Company No. 0276E/2010), a wholly-owned subsidiary company of PSB in Cambodia
TPSB	:	Tajri-PESTECH JV Sdn Bhd (Company No. 553143-U), a jointly-controlled entity of PSB
UK	:	The United Kingdom of Great Britain and Northern Ireland
Sole Underwriter	:	Bank Islam
US	:	The United States of America
USD	:	US Dollar
WACS	:	Brand name for our SIMS product
Xcell	:	Xcell ATS (M) Sdn Bhd (Company No. 503755-H), a wholly-owned subsidiary company of PESTECH

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

GLOSSARY OF TECHNICAL TERMS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:-

BCD	:	Binary code decimal, is a digital encoding method for decimal numbers in which each digit is represented by its own binary sequence. In BCD, a numeral is usually represented by four bits which, in general, represent the decimal range 0 through 9
BOM	:	Bill of material, is a list of the raw materials, sub-assemblies, intermediate assemblies, sub-components, components, parts and the quantities of each needed to manufacture an end product
Balance of Plant	:	All auxiliary equipment in the power plant apart from generators, such as transformers, switchgears and cabling
CAD	:	Computer-aided design, the use of computer technology in the design process
CRP	:	Control relay panel, scalable and cost efficient solutions for protection, control and monitoring can be easily adapted to different applications and philosophies, types and configurations of primary equipment in new, retrofit and rehabilitation projects
EHV	:	Extra high voltage i.e. voltage above 230 kV
FAT	:	Factory acceptance test, a test performed in the presence of the customer to ensure compliance to their standards before hand over
FTR	:	Factory test report, a report prepared to update and record the status of the factory test performed
HV	:	High voltage, i.e. voltage between 11kV and 230kV
kV	:	Kilovolts, a measure of the potential energy in thousands of a unit charge at a given point in a circuit relative to a reference point (ground)
MVA	:	Mega Volt Ampere, a measurement of real power in million units, i.e. electrical power consumed by all electrical equipment. The portion of power flow that, averaged over a complete cycle of the alternating current (AC) waveform, results in net transfer of energy in one direction is known as real power (also referred to as active power)
MVAr	:	Mega Volt Ampere Reactive, a measurement of reactive power in million units, i.e. that portion of power flow due to stored energy that returns to the source in each cycle
NER	:	Neutral earthing resistor, used in power utilities to protect power transformer, power generators and other associated equipment against fault currents, which is caused by 50/60Hz faults (short circuit) and transient phenomena (lightning switching operations)
PMU	:	Main intake transmission substation (Pencawang Masuk Utama), a substation in the transmission of electricity which increases or reduces voltage using a transformer.
RTU	:	Remote terminal unit, a microprocessor-controlled electronic device that interfaces objects in the physical world to a distributed control system or SCADA system by transmitting telemetry data to the system and/or altering the state of connected objects based on control messages received from the system

GLOSSARY OF TECHNICAL TERMS (Cont'd)

SCADA	:	Supervisory control and data acquisition, generally refers to industrial control systems: computer systems that monitor and control industrial, infrastructure, or facility-based processes
SCS	:	Substation control system, control systems for the monitoring and control of power distribution networks to satisfy the needs of industrial users
SIMS	:	Substation interrogation and monitoring system, a complete integration solution, facilitates full control or remote access to various intelligent electronic device (IED) database by creating a gateway to each IED through respective manufacturer's own proprietary software

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

INTERPRETATION

All references to "our Company" and "PESTECH" in this Prospectus are to PESTECH International Berhad, references to "our Group", "PESTECH Group", "we", "us", "our" and "ourselves" are to our Company, our subsidiary companies and jointly controlled entity taken as a whole, save where the context otherwise requires.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated.

If there are any discrepancies or inconsistencies between the English and Malay versions of this document, the English version shall prevail.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

FORWARD-LOOKING STATEMENT

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual result, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our management's current view with respect to future events and are not a guarantee of future performance. Forward looking statements can be identified by the use of forward looking terminology such as words "may", "will", "would", "could", "believe", "expect", "anticipate", "estimate", "aim", "plan", "forecast", or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:-

(i) demand of our products and services;

(ii) our business strategies;

(iii) our plans and objectives for future operations;

(iv) our financial position; and

(v) our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including without limitation:-

(a) changes in economic, political and regulatory conditions in countries we operate in; and

(b) government policies, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are limited to, those discussed in Section 4 and Section 11 of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

TABLE OF CONTENTS (Cont'd)

TABLE OF CONTENTS (Cont'd)

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Lim Ah Hock *(Executive Chairman)*	No. 7, Jalan Permas 3/22 Bandar Baru Permas Jaya 81750 Masai, Johor Bahru Johor Darul Takzim Malaysia	Director	Malaysian
Lim Pay Chuan *(Executive Director / CEO)*	No. 346, Jalan Yong Pak Kian Ujong Pasir 75050 Melaka Malaysia	Director / Engineer	Malaysian
Detlef Raddatz *(Non-Independent Non-Executive Director)*	No. 9, Summit View 6112, Mount Richon Western Australia Australia	Director / Engineer	Australian
Tan Puay Seng *(Independent Non-Executive Director)*	No. 69, Jalan Kota Laksamana 1/2 75200 Melaka Malaysia	Chartered Accountant	Malaysian
Ibrahim Bin Talib *(Independent Non-Executive Director)*	No. 30, Jalan USJ 5/4B 47610 Subang Jaya Selangor Darul Ehsan Malaysia	Director / Engineer	Malaysian

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

1. CORPORATE DIRECTORY (Cont'd)

AUDIT COMMITTEE

Name	Designation	Directorship
Ibrahim Bin Talib	Chairman	Independent Non-Executive Director
Tan Puay Seng	Member	Independent Non-Executive Director
Detlef Raddatz	Member	Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Detlef Raddatz	Chairman	Non-Independent Non-Executive Director
Tan Puay Seng	Member	Independent Non-Executive Director
Paul Lim	Member	Executive Director / CEO

NOMINATION COMMITTEE

Name	Designation	Directorship
Tan Puay Seng	Chairman	Independent Non-Executive Director
Detlef Raddatz	Member	Non-Independent Non-Executive Director
Ibrahim Bin Talib	Member	Independent Non-Executive Director

COMPANY SECRETARIES : Teh Bee Choo (MIA 7562)
No. 63, Jalan D
Taman Batu 52000
Kuala Lumpur

Chua Siew Chuan (MAICSA 0777689)
No. 6, Jalan SS14/8E
Subang Jaya
47500 Petaling Jaya
Selangor Darul Ehsan

Pan Seng Wee (MAICSA 7034299)
No. 11, Jalan Setia Impian U13/4N
Setia Alam, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan

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

HEAD OFFICE : No. 26, Jalan Utarid U5/14
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan
Telephone No. : (03) 7845 2186
Website : www.pestech.com.my
Information on our website does not constitute part of this Prospectus

1. CORPORATE DIRECTORY (Cont'd)

EXTERNAL AUDITORS AND REPORTING ACCOUNTANTS	:	SJ Grant Thornton (AF: 0737) Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No. : (03) 2692 4022
SOLICITORS FOR THE LISTING	:	Wong Beh & Toh Level 19, West Block Wisma Selangor Dredging 142-C Jalan Ampang 50450 Kuala Lumpur Telephone No. : (03) 2713 6050
PRINCIPAL ADVISER, SOLE UNDERWRITER AND PLACEMENT AGENT	:	Bank Islam Malaysia Berhad (Company No. 98127-X) 11th Floor, Wisma Bank Islam Jalan Dungun Bukit Damansara 50490 Kuala Lumpur Telephone No. : (03) 2688 2688
SHARE REGISTRAR	:	Securities Services (Holdings) Sdn Bhd (Company No. 36869-T) Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Telephone No. : (03) 2084 9000
PRINCIPAL BANKERS	:	Citibank Malaysia Berhad (Company No. 297089-M) Menara Citibank No. 165, Jalan Ampang 50450 Kuala Lumpur Telephone No. : (03) 2838 2513 Malayan Banking Berhad (Company No. 3813-K) G02, East Wing Wisma Consplant No. 2, Jalan SS 16/4 47500 Subang Jaya Selangor Darul Ehsan Telephone No. : (03) 5631 2210 Standard Chartered (Malaysia) Berhad (Company No. 115793-P) Level 13A, Annexe Building Menara Standard Chartered 30, Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No. : (03) 2721 5335
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Telephone No. : (03) 7841 8000

1. CORPORATE DIRECTORY (Cont'd)

INDEPENDENT MARKET RESEARCHER	:	Frost and Sullivan Malaysia Sdn Bhd (Company No. 522293-W) Suite E-08-15, Block E Plaza Mont' Kiara 2 Jalan Kiara Mont Kiara 50480 Kuala Lumpur Telephone No. : (03) 6204 5800
LISTING SOUGHT	:	Main Market of Bursa Securities
SHARIAH STATUS	:	Approved by the Shariah Advisory Council of the SC

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

2. INFORMATION SUMMARY

This section is only a summary of the salient information about us and the IPO and is extracted from the full text of this Prospectus. You should carefully read and understand this section together with the whole Prospectus before you decide whether to invest in us.

2.1 BACKGROUND AND PRINCIPAL ACTIVITIES

Further information on our Group's background and business activities are set out in Section 5 of this Prospectus.

Our Company was incorporated in Malaysia under the Act on 10 June 2011 as a private limited company with the name PESTECH International Sdn Bhd. We subsequently converted to a public limited liability company on 9 September 2011 and assumed our present name to facilitate our listing on the Main Market of Bursa Securities.

We are a home grown integrated electric power technology company in Malaysia. We are principally engaged in the provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of HV and EHV substations, transmission lines and underground cables for electricity transmission and distribution in the local and international markets. We also manufacture proprietary power system components and equipment. PSB is our core operating subsidiary company.

Our Group began with the formation of PSB in 1991. Our founder and Executive Chairman, Lim Ah Hock, possesses background in mechanical engineering and more than 25 years of management experience. Although he is a mechanical engineer by training, Lim Ah Hock had a profound interest in electrical engineering, and ventured into the trading of electrical equipment and supplies. He envisioned that worldwide energy demand will only continue to rise, as a result of increases in population and economic development, with particularly acute needs in the emerging and developing countries. While there were practical challenges in penetrating the upstream segments of electricity generation in most countries including Malaysia, he clearly saw opportunities in the system design, engineering and infrastructure segment of power transmission and distribution. Seizing on this vision, we aligned our focus and commenced operations in 1993 in the trading of electrical and electronic products.

As we slowly gained industry experience and established our presence in the market, Lim Ah Hock saw the potential and opportunity to penetrate the electric power transmission and distribution works segment of the industry. In 2000, Lim Ah Hock invited Paul Lim, an electrical engineer with relevant working experience and competence in the power transmission and distribution business with electric utilities, to join PESTECH and he was brought in as a GM to aid us to further grow and develop our business. With his technical experience and expertise, coupled with his drive and passion for the industry, his efforts to guide us to become a main player in the local scene led him to be promoted to CEO in 2008. Under our CEO's leadership, along with our other key management, we have grown progressively from a small player primarily involved in trading, to an established home-grown integrated electric power technology company in the engineering, design, manufacturing, installation and commissioning of electrical power transmission and distribution facility for electric utilities with operations both domestic and abroad.

Over the years, we build our experience and technical expertise in the field of electrical engineering. We concentrated our efforts and successfully equipped our Group with the technical expertise and know-how to provide a comprehensive engineering, design and technical solution for the build-up of electricity supply transmission and distribution assets for utilities and industries. This technical expertise and know-how have enabled us to export our services internationally especially to the developing countries, which is generally dominated by foreign multi-national companies.

2. INFORMATION SUMMARY (Cont'd)

Our Group's regional expansion

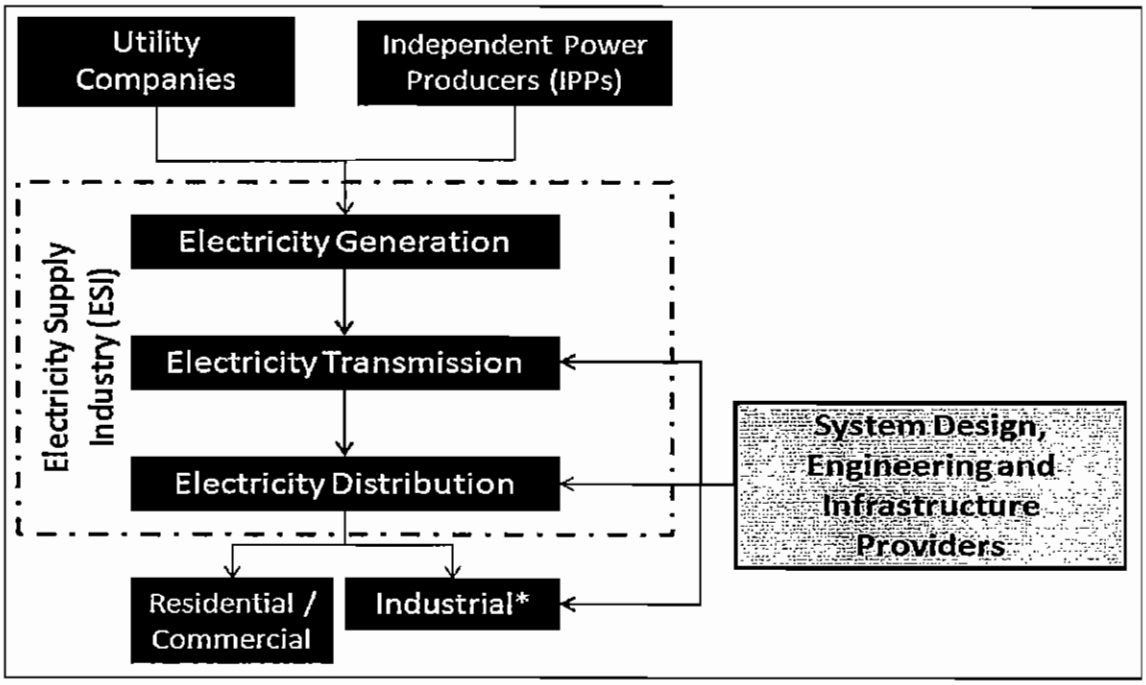
As we have established our presence as an important player here in Malaysia, we began expanding in the international markets using Malaysia as the platform, particularly in the emerging and developing economies, to tap into the growth potential of these countries. In 2007, we began to venture overseas into the region focusing in Brunei, Sri Lanka and PNG. Our Group's journey towards foreign expansion was challenging but our capabilities and expertise in project execution enabled us to overcome the initial stages of overseas market penetration and successfully compete with other foreign multi-national corporations. Please refer to Section 5.1.1 of this Prospectus for the details on our Group's regional expansion.

Having successfully executed the Projects in the overseas markets, we have enhanced our profile substantially which has facilitated the procurement of more overseas projects for our Group moving forward. Over the years, we have grown significantly and gained vast technical expertise and know-how to compete in the international markets, having made our footprint in Brunei, Ghana, PNG and currently in Sri Lanka and Cambodia. In addition to the abovementioned countries, we aim to further expand our presence to other developing countries where there is a demand for development, improvement and build up of electricity transmission and distribution assets.

Arising from the successful implementation of our regional expansion plan, revenue contribution from the foreign markets has increased significantly. For the FYE 31 December 2009, 2010 and 2011, the foreign markets contributed 44.8%, 51.4% and 76.5% of our Group's turnover respectively. Since we actively began penetrating the system design, engineering and infrastructure segment of the power transmission and distribution industry in 2000, we have established a strong track record built on providing high quality service with an emphasis on excellence. To-date, we pride ourselves for being able to compete in the international markets and deliver our Projects and services for the maintenance of delivered substations.

Our Group is well-positioned in the industry

The segmentation of the industry is as set out in the diagram below:-



* *Industrial customers include large companies such as mining operators, steel mills, cement plants and refineries*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan dated April 2012

2. INFORMATION SUMMARY (Cont'd)

Utility companies typically engage third party engineering companies to design and develop transmission and distribution infrastructure, connecting residential, commercial and industrial consumers to the national grid. Large industrial users also engage these third party engineering companies to erect electricity substations within their operating premises. These third party engineering companies are also required to commission the structure prior to handing it over to the utility companies. This industry is known as the power system design, engineering and infrastructure industry, and we are involved in the HV and EHV segments of this industry which has high barriers to entry.

We believe that we are strategically positioned in the power transmission and distribution business with the capability to provide comprehensive power system engineering and technical solutions, along with products for substation control, communication and protection. We are also geographically positioned in the fast growing ASEAN region surrounded by many developing nations such as Vietnam, Cambodia, Laos and Indonesia, enabling us to capitalise on our business practices and cultural similarities. In addition, we are able to leverage on the ASEAN Free Trade Area (AFTA), which enables us to competitively price our products and services for export to ASEAN region.

We conduct in-house engineering and development of our own Products and engineering solutions, enabling us to expand our Product base, enhance our competitive strengths as a value-added service provider and reduce cost. We own several registered brands such as PESTECH, COPS, PROCOM and RETCOMS for application in electric power substation control, monitoring and protection apparatus. The application of our Products has no geographical barriers and can be used in many countries. We continuously enhance our existing Products features and performance capabilities, as well as design and develop new Products.

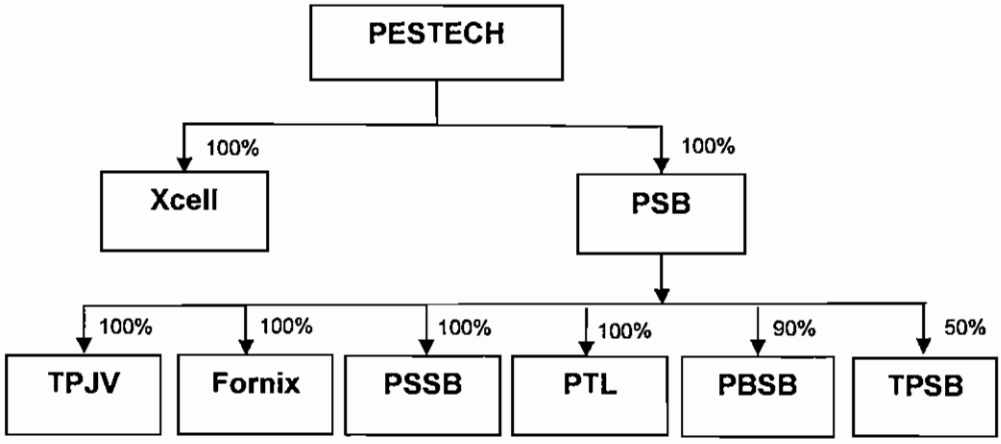
Our Group's quality achievements

Over the years, we have accumulated several certifications and awards in recognition of our emphasis on delivering high quality products and services in a safe, secure and reliable environment. We were one of the recipients of the Enterprise 50 Award by SME Corp and Deloitte Consulting (M) Sdn Bhd in 2009, 2010 and 2011 ranking among the top 15. Our CEO, Paul Lim received the Outstanding Entrepreneurship Award by Enterprise Asia in 2010. Our commitment towards compliance of our safety policies has also led us to be awarded a 'Certificate for Five Star Achievement in SAFCA for Project PMU Manjalara GIS' in 2010 by the Asset Development Department of TNB. Recently, our Company obtained the best vendor award in conjunction with Vendor Day by Northern Region, Transmission Asset Development of TNB. In January 2012, our Group was awarded TNB 2012 Excellence Award for the contractor category by TNB in conjunction with the Night of Award for Vendor, Contractors and Suppliers of TNB 2012. In addition, our Group was awarded the Brand Laureate Awards 2011 under the Corporate Branding category for SMEs best brand (Engineering – Power Systems).

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

2. INFORMATION SUMMARY (Cont'd)

Our existing corporate Group structure is as follows:-



Further information on our Group's background and principal activities is disclosed under Section 5.1.1 of this Prospectus.

2.2 COMPETITIVE STRENGTHS

The competitive strengths of our Group include the following:-

(i) Experienced and dedicated management personnel

Our Group is led by qualified senior management team with long standing experience in the system design, engineering and infrastructure segment of the power transmission and distribution industry.

(ii) Strong technical expertise

The power system engineering industry is a highly technical and specialised field, requiring specific knowledge and skills in electrical and mechanical engineering. We have developed the specific technical expertise and know-how required to execute our business activities.

(iii) Comprehensive range of services, including in-house engineering and development

We offer a comprehensive range of services across the scope of electrical power transmission and distribution, which includes substation, transmission line and underground cable works. In addition, we also design and manufacture our own communication, protection and control products for use in our Projects as well as to be sold as finished products.

(iv) High standards of Quality, Occupational Health and Safety Management System

We implement high quality standards in our day-to-day operations, where the importance of traceability, consistency and reliability are emphasised throughout the organisation. We adopted Quality Management System (QMS) in accordance with ISO 9001:2000 since 2001 and obtained certification in 2002. Subsequently, we extended our scope to ISO 9001:2008 and adopted Occupational Health and Safety Management System (OHS MS) in accordance with OHSAS 18001:2007 in 2010.

2. INFORMATION SUMMARY (Cont'd)

(v) Established track record and reputation

Since we actively began penetrating the system design, engineering and infrastructure segment of the power transmission and distribution industry, we have established a strong track record built on providing high quality service with an emphasis on excellence. We have a line of established clientele, some of whom are repeat customers and some of whom we have obtained through referrals from other customers and suppliers.

(vi) Established product branding

We actively strive to establish our brand name in the market to be associated with quality and excellence. We have begun to trademark our brand names since 2004 with the Intellectual Property Corporation of Malaysia. Our brands are also certified under the Malaysian Brand Certification Scheme by SME Corp and SIRIM QAS International Sdn Bhd, allowing us to use the National Mark of "Malaysian Brand", which is an acknowledgement of the quality, excellence and distinction of products and services by Malaysian companies.

(vii) Technology partnerships

We have established technology partnerships and distributorships with certain suppliers, who are established multinational corporations. Through our partnership agreements, we purchase licensed software directly from certain suppliers to develop our own value-added products and engineering solutions.

Further details of our competitive strengths are set out in Section 5.1.2 of this Prospectus.

2.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND DIRECTORS OF OUR GROUP

Our Company's promoters are Lim Ah Hock, Paul Lim and Lim Pay Chin. Lim Ah Hock and Paul Lim are also the existing substantial shareholders of our Company.

The Directors of our Company are as follows:-

Name	Designation
Lim Ah Hock	Executive Chairman
Paul Lim	Executive Director / CEO
Detlef Raddatz	Non-Independent Non-Executive Director
Tan Puay Seng	Independent Non-Executive Director
Ibrahim Bin Talib	Independent Non-Executive Director

Further details on our Promoters, substantial shareholders and Directors are disclosed in Section 7 of this Prospectus.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

2. INFORMATION SUMMARY (Cont'd)

2.4 PRINCIPAL STATISTICS RELATING TO THE IPO

The following statistics relating to the IPO are derived from the full text of this Prospectus and should be read in conjunction with the text:-

	No. of Shares	Share Capital (RM)
Authorised share capital	100,000,000	50,000,000
Issued and fully paid-up share capital as at the date of this Prospectus	73,000,000	36,500,000
New shares to be issued pursuant to the Public Issue	12,880,000	6,440,000
Enlarged share capital upon Listing	85,880,000	42,940,000
Offer for Sale	8,588,000	4,294,000
IPO Price		1.00
		RM
- **Proforma consolidated NA per Share** *(based on the enlarged issued and paid-up share capital after the IPO and after deducting the estimated listing expenses of RM2.500 million)*		0.57
- **Market capitalisation** *(based on the IPO Price and enlarged issued and paid-up share capital after the IPO)*		85,880,000

Further information on our IPO is disclosed under Section 3 of this Prospectus.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

2. INFORMATION SUMMARY (Cont'd)

2.5 UTILISATION OF PROCEEDS FROM THE IPO

The total gross proceeds from the Public Issue will amount to RM12.880 million based on the Issue Price. We expect the proceeds to be utilised in the following manner:-

Purpose	RM'000	%	Time frame for utilisation
Repayment of bank borrowings	6,000	46.6	Within 12 months from the date of Listing
Product development and market / business expansion	1,800	14.0	Within 36 months from the date of Listing
Working capital	2,580	20.0	Within 12 months from the date of Listing
Estimated listing expenses	2,500	19.4	Within three (3) months from the date of Listing
Total	**12,880**	100.0	

Further details on the utilisation of proceeds are set out in Section 3.9 of this Prospectus.

There is no minimum subscription to be raised from the IPO.

The Offer for Sale will raise gross proceeds of approximately RM8.588 million. All the proceeds from the Offer for Sale will be credited to the Offerors and we will not receive any part of the proceeds. The Offerors shall bear all the expenses including registration and transfer fees, placement fee and miscellaneous expenses relating to their respective portion of the Offer for Sale amounting to an estimate of approximately RM0.300 million on a pro-rated basis.

The proforma impact of the utilisation of proceeds on our Proforma Consolidated Statements of Financial Position as at 31 December 2011 is reflected in Section 2.7 and Section 11.2 of this Prospectus.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

2. INFORMATION SUMMARY (Cont'd)

2.6 HISTORICAL PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF OUR GROUP

The following historical proforma consolidated statements of comprehensive income for the past five (5) FYE 31 December 2007 to 2011 are provided for illustrative purposes and have been extracted from the audited financial statements of PESTECH, our subsidiary companies and jointly-controlled entity (not applicable for PSSB and PTL which were incorporated in 2012) assuming that our Group has been in existence throughout the financial years under review. The proforma consolidated statements of comprehensive income should be read with our management's discussion and analysis of financial conditions, results of operations and prospects set out in Section 11.4 of this Prospectus and the Reporting Accountants' Letter on the Proforma Consolidated Financial Information together with the basis of assumption as set out in the accompanying notes in Section 11.2 of this Prospectus.

There has been no exceptional or extraordinary item on all the audited financial statements of our Group for the financial years under review.

FYE 31 December	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	43,382	51,596	86,548	114,982	130,947
Cost of sales	(35,965)	(43,452)	(74,866)	(90,328)	(104,383)
Gross profit	7,417	8,144	11,682	24,654	26,564
Other income	69	1,431	278	296	1,852
Administrative expenses	(3,357)	(4,746)	(5,648)	(8,438)	(10,414)
Finance costs	(791)	(692)	(1,098)	(1,057)	(1,319)
PBT	3,338	4,137	5,214	15,455	16,683
Taxation	(978)	(874)	(1,632)	(3,963)	(4,682)
PAT	2,360	3,263	3,582	11,492	12,001
Other comprehensive income: Exchange translation difference relating to foreign subsidiaries	-	-	-	(52)	36
Total comprehensive income	2,360	3,263	3,582	11,440	12,037
Assumed no. of Shares in issue[1] ('000)	73,000	73,000	73,000	73,000	73,000
EBITDA (RM'000)	4,463	5,165	6,722	17,228	18,823
Basic EPS[2] (RM)	0.03	0.04	0.05	0.16	0.16
Gross profit margin[3](%)	17.10	15.78	13.50	21.44	20.29
PBT margin[4](%)	7.69	8.02	6.02	13.44	12.74
PAT margin[5](%)	5.44	6.32	4.14	9.99	9.16
Effective tax rate[6](%)	29.30	21.13	31.30	25.64	28.06

2. INFORMATION SUMMARY (Cont'd)

Notes:-

1) The assumed number of Shares in issue after Acquisition of PSB but before Public Issue.
2) Basic EPS is calculated based on PAT of our Group divided by the assumed number of Shares in issue.
3) Gross profit margin is calculated based on gross profit divided by revenue.
4) PBT margin is calculated based on PBT divided by revenue.
5) PAT margin is calculated based on PAT divided by revenue.
6) Effective tax rate is calculated based on income tax expense divided by PBT.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

2. INFORMATION SUMMARY (Cont'd)

2.7 PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP

The Proforma Consolidated Statements of Financial Position of our Group as at 31 December 2011 as set out below, for which our Directors are solely responsible, have been prepared for illustrative purposes only to show the effects of the Acquisition of PSSB, incorporation of subsidiaries, Public Issue, Offer for Sale and utilisation of proceeds on the Proforma Consolidated Statements of Financial Position of our Group as at 31 December 2011 on the assumptions that these transactions were implemented and completed on 31 December 2011. We advise you to read the Proforma Consolidated Statements of Financial Position together with the basis of assumptions as set out in the accompanying notes included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 11.2 of this Prospectus.

	Audited as at 31.12.2011 RM	Proforma I After Acquisition of PSSB and incorporation of subsidiaries RM	Proforma II After Proforma I, Public Issue and Offer for Sale RM	Proforma III After Proforma II and utilisation of proceeds RM
ASSETS				
Non-current assets				
Property, plant and equipment	10,143,504	10,143,504	10,143,504	10,143,504
Investment in jointly-controlled entity	-	-	-	-
	10,143,504	10,143,504	10,143,504	10,143,504
Current assets				
Inventories	17,482,824	17,482,824	17,482,824	17,482,824
Trade receivables	21,087,680	21,087,680	21,087,680	21,087,680
Other receivables, deposits and prepayments	2,374,688	2,374,688	2,374,688	1,225,153
Amount due from jointly-controlled entity	11,086	11,086	11,086	11,086
Fixed deposits with licensed banks	11,152,761	11,152,761	11,152,761	11,152,761
Cash and bank balances	15,738,080	15,738,080	28,618,080	21,267,615
	67,847,119	67,847,119	80,727,119	72,227,119
Total assets	77,990,623	77,990,623	90,870,623	82,370,623

2. INFORMATION SUMMARY (Cont'd)

2.7 PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP (Cont'd)

	Audited as at 31.12.2011 RM	Proforma I After Acquisition of PSSB and incorporation of subsidiaries RM	Proforma II After Proforma I, Public Issue and Offer for Sale RM	Proforma III After Proforma II and utilisation of proceeds RM
EQUITY AND LIABILITIES				
Equity				
Share capital	36,500,000	36,500,000	42,940,000	42,940,000
Share premium	-	-	6,440,000	5,727,664
Merger reserve	(33,136,979)	(33,136,979)	(33,136,979)	(33,136,979)
Exchange translation reserve	(15,807)	(15,807)	(15,807)	(15,807)
Retained profits	35,493,880	35,493,880	35,493,880	33,706,216
	38,841,094	38,841,094	51,721,094	49,221,094
Non-controlling interest	(3,378)	(3,378)	(3,378)	(3,378)
Total equity	38,837,716	38,837,716	51,717,716	49,217,716
Non-current liabilities				
Finance lease liabilities	188,327	188,327	188,327	188,327
Borrowings	2,404,866	2,404,866	2,404,866	2,054,866
Deferred tax liabilities	221,000	221,000	221,000	221,000
	2,814,193	2,814,193	2,814,193	2,464,193
Current liabilities				
Trade payables	14,865,582	14,865,582	14,865,582	14,865,582
Other payables	2,315,092	2,315,092	2,315,092	2,315,092
Amount due to contract customers	1,577	1,577	1,577	1,577
Amount due to Directors	2,445,155	2,445,155	2,445,155	2,445,155
Finance lease liabilities	54,632	54,632	54,632	54,632
Borrowings	15,358,048	15,358,048	15,358,048	9,708,048
Provision for taxation	1,298,628	1,298,628	1,298,628	1,298,628
	36,338,714	36,338,714	36,338,714	30,688,714
Total liabilities	39,152,907	39,152,907	39,152,907	33,152,907
Total equity and liabilities	77,990,623	77,990,623	90,870,623	82,370,623

2. INFORMATION SUMMARY (Cont'd)

2.7 PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP (Cont'd)

		Proforma I	Proforma II	Proforma III
	Audited as at 31.12.2011 RM	After Acquisition of PSSB and incorporation of subsidiaries RM	After Proforma I, Public Issue and Offer for Sale RM	After Proforma II and utilisation of proceeds RM
NA (RM)	38,837,716	38,837,716	51,717,716	49,217,716
Number of Shares in issue	73,000,000	73,000,000	85,880,000	85,880,000
NA per Share (RM)	0.53	0.53	0.60	0.57

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

2. INFORMATION SUMMARY (Cont'd)

2.8 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, certain risks and investment considerations that may affect our future financial performance. The following is a summary of the key risks and investment considerations (which may not be exhaustive) that we are currently facing or that may develop in the future:-

2.8.1 Risks relating to the business and operations of our Group

(i) Dependency on the demand for electricity supply

We are dependent on the demand for electricity supply to fuel the demand for new substations and related products. Any absence of further expansion or upgrades resulting from a decrease in demand for electricity supply in the future will have a direct impact on our business operations and the prospects of our Group.

(ii) Foreign exchange risks

We are exposed to foreign exchange risk. Our Group began venturing into overseas markets in 2007 and our overseas sales transactions are mainly conducted in the currencies of USD or EURO. In addition, we also source key components such as transformers, relays, cables and circuit breakers from overseas suppliers, which are mostly denominated in USD, EURO or Japanese Yen.

(iii) Dependency and inability to retain key management personnel

We believe that our success has been, and will continue to be, significantly dependent on the efforts, abilities and capabilities of our key management and technical team especially our Executive Chairman, Lim Ah Hock; and Executive Director / CEO, Paul Lim who are both the major shareholders of our Company. In addition, our key management and technical team are well equipped with the necessary skills and experience in power system engineering technology and manufacturing of related products. As such, loss of our key management and technical team without suitable and timely replacement may have an adverse impact on our ability to effectively carry out our business activities.

(iv) Operational risks and insurance coverage

As we are involved in the electricity supply industry, our business activities are susceptible to operational risks. Risks in day-to-day operations include risk of accidents, disruption in supply of key components, disruption in supply of utilities, as well as fire, flood, and/or other natural disasters that may cause disruption or delay in implementing our Projects and also damage to our Products and manufacturing and administrative facilities thereby possibly disrupting our business operations. In addition, as our Projects involve use of heavy equipment and machineries, we may encounter accidents or dangerous incidents at the project sites.

(v) Dependency on third party suppliers to source equipment, components and parts for use in our Projects and Products

We are dependent on third party manufacturers such as Siemens Malaysia, ABB Malaysia, Toshiba Asia Pacific Pte Ltd, Tenaga Switchgear Sdn Bhd and Tira Thai Co. Ltd to supply components such as relays, current transformers and voltage transformers for use in our Products, as well as equipment such as switchgear and transformers for our Projects.

2. INFORMATION SUMMARY (Cont'd)

(vi) Third party technical utilisation risk

In the course of developing a substation, we would need to use third party equipment or products which we do not have control over their technical input and development. If such equipment or products are faulty, we would need to request for technical assistance from the original manufacturer to help mitigate the problems. Nonetheless, in the event of a technical fault due to third party technical utilisation which we are unable to resolve with the assistance of the supplier, additional costs may be incurred and project completion delay may happen which could adversely affect the particular project in hand.

(vii) Project risks

Our Group's revenue is heavily derived from Projects which are entered into on a contractual basis, subject to performance of certain terms and conditions. If our Projects were delayed as a result of factors that we are contractually responsible for, especially on those that are within our control, we are liable to pay liquidated and ascertained damages on termination or delay. As such, any delays may affect our ability to complete our Projects and achieve our business plans accordingly. The difficulties faced in executing projects may also result in incurring higher cost. These types of developments may, in turn, have an adverse effect on our business, financial condition and results of operations.

(viii) Our performance is project-driven

Our performance is project-driven. Our ability to replenish contracts in the future is dependent on, *inter-alia,* government policies and general economic conditions, the need to build infrastructure for the electrical supply industry in certain countries or industries; and changes in general business and credit conditions both locally and abroad. As such, our financial results can be adversely affected in the event that we fail to secure enough order book for our Projects.

(ix) Changes in economic, political and regulatory conditions in countries we operate in

We are susceptible to changes in economic, political and regulatory conditions in Malaysia, as well as other countries in which we operate. Thus, adverse situations in countries which we are currently operating in and any other countries which we could operate in the future, may potentially cause significant interruptions to our business activities, affecting our financial performance and profitability.

(x) Reliance on a single customer

Based on the past three (3) FYE 31 December 2009, 2010 and 2011, TNB had contributed 35.8%, 36.0% and 16.0% to our revenue respectively. In view that the local market is expected to remain as a significant contributor to our Group's revenues, we will continue to bid for local contracts and consequently, TNB, being the largest electricity utility company in Malaysia, will continue to be a significant contributor to our revenue.

2.8.2 Risks relating to investing in our Shares

(i) No prior market for our Shares

Prior to the IPO, there has been no public market for our Shares. Hence, there is no assurance that upon listing, an active market for our Shares will develop, or, if developed, that such a market can be sustained.

2. INFORMATION SUMMARY (Cont'd)

(ii) Share price volatility and volume of our Shares

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

(iii) Ownership and control by our existing shareholders

Our Promoters will collectively hold in aggregate approximately 71.2% of our enlarged issued and paid-up share capital upon listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations.

(iv) Failure or delay in our Listing

The occurrence of any one or more of the events, which is not exhaustive, as set out in Section 4.2.4 of this Prospectus may cause a delay in or cancellation of our Listing.

(v) Forward looking statements

This Prospectus contains certain forward-looking statements that are based on historical data, which may not be reflective of the future performance of our Group and others are forward-looking in nature which is subject to uncertainties and contingencies. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from future results.

Further information on our risk factors is disclosed under Section 4 of this Prospectus.

2.9 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

Notwithstanding the above, our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration amongst others the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:-

(i) The availability of adequate reserves and cash flows;
(ii) Our operating cash flow requirements and financing commitments;
(iii) Our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and
(iv) Any material impact of tax laws and other regulatory requirements.

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There is no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value.

3. PARTICULARS OF IPO

3.1 INTRODUCTION

This Prospectus is dated 10 May 2012.

We have registered a copy of this Prospectus together with the Application Forms with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC, and neither the SC nor the ROC takes any responsibility for its contents.

We have received the SC's approval for our IPO vide its letter dated 20 January 2012. However, the approval of the SC shall not be taken to indicate that the SC recommends the IPO and/or the listing of PESTECH on the Main Market of Bursa Securities. Investors are advised to make their own individual assessment on the merits and risks of the IPO.

On 4 November 2011, we have voluntarily submitted an application to the SC for a Shariah compliance review to be carried out by the SAC of the SC as part of the process of determining our Shariah status at IPO. On 17 November 2011, the SAC has classified our Shares as Shariah-compliant based on the audited financial statements of PSB, Fornix, Xcell, TPJV and TPSB for the FYE / FPE 31 December 2010. The classification will remain valid from the date of issue of this Prospectus until the next Shariah compliance review is conducted by the SAC. The new status will be released in the updated list of the Shariah-compliant securities on the last Friday of the month of May and November of each year.

We have obtained Bursa Securities' approval vide its letter dated 13 April 2012 for admission of our Company to the Official List of the Main Market of Bursa Securities and for the listing of and quotation for our Company's entire issued and paid-up share capital, including the IPO Shares which is the subject of this Prospectus and any Share(s) to be issued pursuant to the SGP, on the Main Market of Bursa Securities. Our Shares will be admitted to the Official List and official quotation will commence upon receipt of confirmation from the Issuing House that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptances of Application for the IPO Shares will be conditional upon the permission being granted by Bursa Securities to deal in and for quotation and listing of our entire issued and paid-up share capital on the Main Market of Bursa Securities. Accordingly, monies paid in respect of any Application accepted from the IPO will be returned in full without interest within 14 days if the aforesaid permission for quotation is not granted within six (6) weeks from the date of issue of this Prospectus, or such longer period as may be specified by the SC, provided that we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. If such monies are not repaid within the said period, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a Prescribed Security. Therefore, we will deposit the IPO Shares directly with Bursa Depository. Any dealings in these Shares will be carried out in accordance with the Central Depositories Act and the Rules. We will not issue any share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the total number of shares for which the listing is sought must be in the hands of a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon admission to the Main Market of Bursa Securities. In the event that the above requirement is not met pursuant to the IPO, we may not be allowed to proceed with our Listing on the Main Market of Bursa Securities. In such an event, we will return all the monies paid in respect of all Applications without interest.

If you are submitting your Application by way of an Application Form or Electronic Share Application or Internet Share Application, you **MUST** have a CDS account. If you presently do not have a CDS account, you should open a CDS account at an ADA prior to making an Application for our IPO Shares. Please refer to **Section 16** of this Prospectus for further details on the procedures for Application for the IPO Shares.

3. PARTICULARS OF IPO (Cont'd)

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by us. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Group since the date hereof.

The distribution of this Prospectus and the making of this IPO in certain other jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to the Malaysian laws and we, together with Bank Islam as the Principal Adviser, Sole Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation and/or offer to subscribe for our IPO Shares in any jurisdictions in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of our Company or Shares.

If you are in any doubt about any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

3. PARTICULARS OF IPO (Cont'd)

3.2 INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Event(s)	Tentative Date(s)
Issuance of this Prospectus/ Opening of the application period for the IPO	10 May 2012
Closing of the application period for the IPO	18 May 2012
Balloting of the applications for the Issue Shares	22 May 2012
Allotment of Issue Shares/ Transfer of Offer Shares to successful applicants	28 May 2012
Listing date	30 May 2012

This timetable is tentative and is subject to changes which may be necessary to facilitate the implementation procedures. The application period for the IPO will close at the date stated above or such further period or periods as our Directors and the Offerors, together with the Sole Underwriter, in their absolute discretion may mutually decide.

In the event the closing date of the application period is extended, we will advertise the notice of the extension in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia prior to the original closing date of the application period. Following this, we will extend the dates for the balloting of the applications, allotment of Issue Shares/ transfer of Offer Shares and Listing accordingly.

3.3 PURPOSES OF THE IPO

The purposes of the IPO are as follows:-

(i) To obtain the listing of and quotation for the entire issued and paid-up share capital of our Company on the Main Market of Bursa Securities, which is expected to enhance our business, profile and future prospects;

(ii) To provide our Group with access to the capital market and allow us to raise funds for future expansion and growth;

(iii) To enhance the stature of our Group in the marketing of our products and services, and to retain, and attract new and skilled employees;

(iv) To provide an opportunity for Malaysian investors to participate in our equity and continuing growth in the electricity supply industry, specifically in system design, engineering and build up for transmission and distribution assets;

(v) To assist our Group in expanding our customer base in Malaysia and abroad; and

(vi) To generate additional funds to meet our general working capital requirements for present and future operations of our Group.

3. PARTICULARS OF IPO (Cont'd)

3.4 SHARE CAPITAL AND RIGHTS ATTACHING TO THE IPO SHARES

	No. of Shares	Share Capital (RM)
Authorised share capital	100,000,000	50,000,000
Issued and fully paid-up share capital as at the date of this Prospectus	73,000,000	36,500,000
New Shares to be issued pursuant to the Public Issue	12,880,000	6,440,000
Enlarged share capital upon Listing	85,880,000	42,940,000
Offer for Sale	8,588,000	4,294,000
IPO Price		1.00
		RM
- **Proforma consolidated NA per Share** *(based on our enlarged issued and paid-up share capital after the IPO and after deducting the estimated listing expenses of RM2.500 million)*		0.57
- **Market capitalisation** *(based on the IPO Price and our enlarged issued and paid-up share capital after the IPO)*		85,880,000

The IPO Price is payable in full upon application.

We only have one (1) class of shares, being ordinary shares of RM0.50 each, all of which rank equally with each other. The Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued Shares which are fully paid-up including voting rights and rights to all dividends and distributions that may be declared, the entitlement date of which is subsequent to the allotment date of our Shares.

The Offer Shares rank equally in all respects with our other existing issued Shares including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of transfer.

Subject to special rights attaching to any share which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and provisions of the Act.

Each shareholder shall be entitled to vote at any of our general meetings in person, by proxy or by attorney, and, on a show of hands, every person present who is a shareholder, or a representative, proxy or attorney of a shareholder, shall have one (1) vote, and on a poll, every shareholder present in person, by proxy, by attorney or by duly authorised representative shall have one (1) vote for each of our Shares held. A proxy may but need not be our member.

3. PARTICULARS OF IPO (Cont'd)

3.5 DETAILS OF THE IPO

3.5.1 Public Issue

The Public Issue of 12,880,000 new PESTECH Shares, representing approximately 15.00% of our enlarged issued and paid-up share capital, at the Issue Price, payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

(i) Malaysian Public

6,000,000 new PESTECH Shares, representing approximately 6.99% of our enlarged issued and paid-up share capital, made available for application by the Malaysian Public via balloting, of which at least 50% is to be set aside strictly for Bumiputera investors.

The basis of allocation shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants in view of broadening the shareholding base of our Company to meet the public spread requirements, and to establish a liquid and adequate market in the Shares. Applicants will be selected in a manner to be determined by our Directors.

(ii) Eligible Directors, employees and persons who have contributed to the success of our Group

5,367,000 new PESTECH Shares, representing approximately 6.25% of our enlarged issued and paid-up share capital, reserved for our eligible Directors, employees and persons who have contributed to the success of our Group. Further details of our pink form share allocation are set out in Section 3.8 of this Prospectus.

(iii) Private placement to identified investors

1,513,000 new PESTECH Shares, representing approximately 1.76% of our enlarged issued and paid-up share capital, by way of placement to identified investors.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

3. PARTICULARS OF IPO (Cont'd)

3.5.2 Offer for Sale

The Offer for Sale of 8,588,000 Offer Shares, representing 10.00% of our enlarged issued and paid-up share capital, at the Offer Price, payable in full on application upon such terms and conditions as set out in this Prospectus, will be allocated and allotted in the following manner:-

(i) 6,456,400 Offer Shares, representing approximately 7.52% of our enlarged issued and paid-up share capital, by way of placement to Bumiputera investors approved by the MITI; and

(ii) 2,131,600 Offer Shares, representing approximately 2.48% of our enlarged issued and paid-up share capital, by way of placement to identified investors.

The breakdown of the Offer Shares offered by the respective Offerors and their respective material relationship with our Company for the past three (3) years are as follows:-

								<----After the IPO---->	
Shareholders	**Material Relationship with our Company**	**Address**	**No. of PESTECH Shares as at the LPD**	**%**	**No. of Offer Shares**	**% of issued and paid-up share capital**	**% of enlarged issued and paid-up share capital**	**No. of PESTECH Shares**	**%**
Lim Ah Hock	Executive Chairman / promoter / substantial shareholder / key management	No. 7, Jalan Permas 3/22 Bandar Baru Permas Jaya 81750 Masai, Johor Bahru Johor Darul Takzim Malaysia	41,924,800	57.43	5,224,000	7.16	6.08	36,700,800	42.73
Paul Lim	Executive Director / CEO / promoter / substantial shareholder / key management	No. 346, Jalan Yong Pak Kian Ujong Pasir 75050 Melaka Malaysia	26,997,700	36.98	3,364,000	4.61	3.92	23,633,700	27.52
			68,922,500	**94.41**	**8,588,000**	**11.77**	**10.00**	**60,334,500**	**70.25**

3. PARTICULARS OF IPO (Cont'd)

3.5.3 Underwriting Arrangement and Reallocation

All the 11,367,000 Issue Shares available for application by the Malaysian Public and our eligible Directors, employees and persons who have contributed to the success of our Group under Section 3.5.1(i) and Section 3.5.1(ii) of this Prospectus have been underwritten. Irrevocable written undertakings to subscribe for the 1,513,000 Issue Shares under Section 3.5.1(iii) have been obtained from the identified investors and as such, will not be underwritten.

Any Issue Shares which are not taken up by our eligible Directors, employees and persons who have contributed to the success of our Group under Section 3.5.1(ii) of this Prospectus will be re-offered to our Group's other eligible Directors, employees or persons who have contributed to the success of our Group. Subsequently, any of the unsubscribed Issue Shares re-offered which are not taken up will be offered for application by the Malaysian Public. Likewise, any Issue Shares which are not subscribed under Section 3.5.1(i) of this Prospectus will be offered to our eligible Directors, employees and persons who have contributed to the success of our Group.

In addition, any of the Issue Shares not subscribed under Section 3.5.1(i) and Section 3.5.1(ii) of this Prospectus will be made available to identified investors via private placement. Thereafter, any remaining re-offered Issue Shares under Section 3.5.1(i) and Section 3.5.1(ii) of this Prospectus that are not subscribed for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

The Offer Shares under Section 3.5.2(i) of this Prospectus will not be underwritten as irrevocable written undertakings have been obtained from the respective Bumiputera investors approved by the MITI to subscribe for the Offer Shares. The Offer Shares reserved for placement to identified investors under Section 3.5.2(ii) of this Prospectus will not be underwritten as irrevocable written undertakings have been obtained from the respective identified investors.

Any of the Offer Shares not subscribed for by the MITI approved Bumiputera investors under Section 3.5.2(i) of this Prospectus shall be made available for application by the Bumiputera public as part of the IPO balloting process. Thereafter, any Offer Shares that were reallocated to the Bumiputera public (as part of the IPO balloting process) and not taken up by the Bumiputera public, shall be made available for application by the Malaysian Public and/or private placement to identified investors.

Please refer to Section 3.10.2, Section 3.10.3 and Section 3.10.4 of this Prospectus for further details on the underwriting and placement arrangements respectively.

There is no over-allotment or "greenshoe" option that will result in an increase in the amount of IPO Shares.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

3. PARTICULARS OF IPO (Cont'd)

3.6 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors and Bank Islam, as the Principal Adviser, Sole Underwriter and Placement Agent, had determined and agreed upon the IPO Price, after taking into consideration the following factors:-

(i) Financial and Operating History

We have been actively involved in the system design, engineering and infrastructure segment of the power transmission and distribution industry since 2000. Based on the Proforma Consolidated Statements of Comprehensive Income of our Group for the FYE 31 December 2011, we recorded a PAT of RM12.001 million representing a basic EPS of RM0.164 (based on the existing issued and paid-up share capital of RM36,500,000 comprising 73,000,000 Shares) and RM0.140 (based on the enlarged issued and paid-up share capital of RM42,940,000 comprising 85,880,000 Shares upon Listing) resulting in net PE Multiple of 6.10 times and 7.14 times respectively. Our detailed operating and financial history is outlined in Section 5 and Section 11 of this Prospectus respectively.

(ii) Future Plans and Strategies

Going forward, our Group will continue to expand our business in markets such as Malaysia, Cambodia, Sri Lanka, PNG, Ghana, Brunei and Tanzania by increasing our business activities in these countries, and penetrating into other developing markets where there is a demand for the development, improvement and build up of electricity transmission and distribution assets. We also envisage venturing into related industries as well as expanding our range of products for the electricity supply industry. Please refer to Section 5.8.1 of this Prospectus for further details on our future plans and strategies.

(iii) Competitive Strengths and Prospects of our Group and Industry

The competitive strengths and the prospects of our Group and the industry are outlined in Section 5.1.2, Section 5.8.2 and Section 6 of this Prospectus respectively.

(iv) Proforma Consolidated NA

The proforma consolidated NA per Share as at 31 December 2011 of RM0.57 based on the enlarged issued and paid-up share capital of 85,880,000 Shares in our Company upon Listing and after utilisation of proceeds.

(v) Prevailing market conditions

The prevailing market conditions which include, among others, current market trends and investors' sentiments.

You should also note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the trading price of our Shares. You are reminded to consider the risk factors set out in Section 4 of this Prospectus before deciding to invest in our Shares.

3. PARTICULARS OF IPO (Cont'd)

3.7 DILUTION

Our proforma NA per Share as at 31 December 2011 before adjusting for the net proceeds from the Public Issue and based on the existing issued and paid-up share capital as at 31 December 2011 of RM36,500,000 comprising 73,000,000 Shares is RM0.53.

Pursuant to the Public Issue in respect of 12,880,000 Issue Shares at the Issue Price, our proforma NA per Share after adjusting for the net proceeds from the Public Issue and based on the enlarged issued and paid-up share capital upon listing of 85,880,000 Shares, would be RM0.60. This represents an increase in NA per Share of RM0.07 to our existing shareholders and a dilution in NA per Share of RM0.40 to our new investors. The following table illustrates such dilution on a per Share basis:-

	RM
Issue Price / Offer Price	1.00
Proforma NA per Share as at 31 December 2011	0.53
Increase in NA per Share attributable to existing shareholders	0.07
NA per Share after the Public Issue (before utilisation of proceeds)	0.60
Dilution in NA per Share to new investor	0.40

Save as disclosed below, there is no acquisition of any existing equity securities in our Company by the substantial shareholders, directors or key management, or persons connected with them during the past three (3) years, or which they have the right to acquire:-

Name	Total number of Shares received	Total Consideration RM	Effective cash cost per share RM
Lim Ah Hock*^	41,924,800#	20,962,400	0.50
Paul Lim*^	26,997,700#	13,498,850	0.50
Ibrahim Bin Talib*	2,131,600	1,065,800	0.50
Lim Pay Chin	157,900	78,950	0.50
Lee Kong Tee^	105,300	52,650	0.50
Lim Hon Seng^	105,300	52,650	0.50
Han Fatt Juan^	105,300	52,650	0.50
Chang Mei Lun^	52,700	26,350	0.50
Chong Kuen Wai^	52,700	26,350	0.50
Teh Bee Choo^	52,700	26,350	0.50
Public Investors			
- Public Issue	12,880,000	12,880,000	1.00
- Offer for Sale	8,588,000	8,588,000	1.00

Notes:-

* *A Director of our Group.*
^ *A key management of our Group.*
\# *Includes two (2) Shares each that were transferred from our Company's previous shareholders.*

3. PARTICULARS OF IPO (Cont'd)

3.8 ALLOCATION OF THE ISSUE SHARES TO OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP

The eligible Directors, employees and persons who have contributed to the success of our Group have been allocated a total of 5,367,000 new PESTECH Shares.

The total number of persons eligible for the allocation is 155 comprising the following:-

Eligibility	No. of persons	Aggregate number of Issue Shares allocated*
Director – Tan Puay Seng	1	100,000
Employees[1]	149	4,506,200
Persons who have contributed to the success of our Group [2]	5	760,800
Total	155	5,367,000

Notes:-

(1) *The criteria of allocation for the above mentioned Issue Shares to employees of our Group (as approved by our Board) are based on, inter-alia, the following factors:-*

i. *The employee must be a full time employee and on the payroll of our Group; and*

ii. *The number of Issue Shares allocated to the eligible employees is based on their seniority, position, their length of service, their past performance and respective contribution made to our Group as well as other factors deemed relevant to our Board.*

(2) *The Issue Shares to be allocated to the persons who have contributed to the success of our Group shall be based on their contribution to our Group and as approved by our Board. The persons who have contributed to the success of our Group include business contacts, suppliers, customers and others.*

* *Any Issue Shares which are not taken up by our eligible Directors, employees or persons who have contributed to the success of our Group will be re-offered to our Group's other eligible Directors, employees or persons who have contributed to the success of our Group before being allocated to the public balloting portion.*

3.9 UTILISATION OF PROCEEDS FROM THE IPO

The total gross proceeds from the Public Issue will amount to RM12.880 million based on the Issue Price. We expect the proceeds to be utilised in the following manner:-

Purpose	RM'000	%	Time frame for utilisation
Repayment of bank borrowings[i]	6,000	46.6	Within 12 months from the date of Listing
Product development and market / business expansion[ii]	1,800	14.0	Within 36 months from the date of Listing
Working capital*[iii]	2,580	20.0	Within 12 months from the date of Listing
Estimated listing expenses*[iv]	2,500	19.4	Within three (3) months from the date of Listing
Total	12,880	100.0	

Pending the eventual utilisation of the proceeds raised from the Public Issue, the funds will be placed in short-term deposits with licensed financial institutions.

3. PARTICULARS OF IPO (Cont'd)

Notes:-

- *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

(i) Repayment of bank borrowings

We intend to utilise approximately RM6.000 million of the total gross proceeds from the Public Issue for the repayment of bank borrowings. As at the LPD, our Group's total bank borrowings were approximately RM16.800 million. Further details of our bank borrowings intended to be repaid are as follows:-

Financial institution	*Type of facility*	*Interest rate / Terms of repayment*	*Purpose*	*Amount outstanding as at the LPD[#] (RM'000)*
Citibank Malaysia Berhad (Facility dated 20 August 2009 and 3 December 2010)	*i. Letter of credit ("LC");* *ii. Trust receipts ("TR");* *iii. Banker Acceptance ("BA");* *iv. Trade time Loan ("TLX");* *v. Overdraft ("OD");* *vi. Term loan ("TL"); and* *vii. Onshore Foreign Currency Loan ("OSFCL").* *Save for TL which is a non-current borrowing, the other facilities are current borrowings.*	• *LC - 0.1% per month subject to a minimum of RM50/ to be repaid within a maximum of 150 days;* • *TR - 1.0% per annum above base lending rate ("BLR") or cost of funds, whichever is higher/ to be repaid within a maximum of 150 days;* • *BA - 1.25% per annum above cost of creation over matching error/ to be repaid within a maximum of 150 days;* • *TLX – 1.0% per annum above BLR to be repaid within a maximum of 150 days if under the 20 August 2009 facility and 1.25% per annum over creation cost of matching tenor if under the 3 December 2010 facility;* • *OD – 1.0% per annum above BLR/ repayable on demand;* • *TL – 1.0% per annum above BLR/ to be repaid in full by 60 equal monthly instalments; and* • *OSFCL – 1.25% per annum over creation cost of matching tenor/ to be repaid within a maximum of 150 days.*	*The OD and TL is for general working capital purposes whereas the LC, TR, BA and TLX is to facilitate local purchase and importation of goods while the OSFCL is to finance imports only.*	*6,659*

3. PARTICULARS OF IPO (Cont'd)

Note:-

\# *Amount outstanding fluctuates from time to time. In the event that the amount outstanding is less than RM6.000 million, the excess will be utilised for working capital purposes.*

(ii) ***Product development and market/ business expansion***

We intend to allocate approximately RM1.800 million of the total gross proceeds from the Public Issue for product development and market/ business expansion as set out below:-

Product development

Our Group proposes to allocate approximately RM1.400 million of the proceeds from the Public Issue for the use of our Group's future product development plan and recruitment of new development personnel. We are constantly looking into the development of new products to sustain our business activities and support our continued growth. This includes, inter-alia, development expenditure, quality and testing expenses and salary expenses of development personnel.

Market/ business expansion

To-date, our Group has penetrated countries such as Cambodia, PNG, Sri Lanka, Ghana and Brunei, and intends to allocate approximately RM0.400 million of the proceeds from the Public Issue for our market or business expansion in our existing market or potential markets in the future. This includes, inter-alia, sales, marketing and administrative expenditure, advertising and promotional activities undertaken via trade events and exhibitions, capital expenditure and acquisition of plant and equipment.

(iii) ***Working capital***

RM2.580 million of the total gross proceeds from the Public Issue will be utilised for our Group's day to day operations to support our existing business operations which includes procurement of raw materials and supplies, payment to creditors, payment of salaries and operating expenses and defrayment of other expenses which will improve our Group's liquidity and enable the smooth conduct of our operations.

(iv) ***Estimated listing expenses***

Our listing expenses are estimated to be RM2.500 million, details of which are as follows:-

	RM'000
Professional fees	*1,600*
Fees to authorities	*110*
Estimated underwriting, placement and brokerage fees	*415*
Printing and advertising	*200*
Contingencies	*175*
Total	*2,500*

There is no minimum subscription to be raised from the IPO.

The Offer for Sale may raise gross proceeds of approximately RM8.588 million. All the proceeds from the Offer for Sale will be credited to the Offerors and we will not receive any part of the proceeds. The Offerors shall bear all the expenses including registration and transfer fees, placement fee and miscellaneous expenses relating to their respective portion of the Offer for Sale amounting to an estimate of approximately RM0.300 million on a pro-rated basis.

The financial impact of the utilisation of proceeds on our Proforma Consolidated Statements of Financial Position as at 31 December 2011 is reflected in Section 11.2 of this Prospectus.

3. PARTICULARS OF IPO (Cont'd)

3.10 BROKERAGE, UNDERWRITING AND PLACEMENT FEE

3.10.1 Brokerage

We will bear the brokerage fees to be incurred on the issue of the 6,000,000 Issue Shares pursuant to the IPO under Section 3.5.1(i) of this Prospectus at the rate of one percent (1.0%) of the Issue Price in respect of successful applications which bear the stamp of Bank Islam, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

3.10.2 Underwriting Commission

Our Sole Underwriter has agreed to underwrite 11,367,000 Issue Shares as set out in Section 3.5.1(i) and Section 3.5.1(ii) of this Prospectus. We will pay our Sole Underwriter an underwriting commission at the rate of two point five percent (2.5%) of the total value of the Shares underwritten at the Issue Price.

3.10.3 Placement fee

Our Placement Agent has agreed to place out 1,513,000 Issue Shares and 8,588,000 Offer Shares as set out in Section 3.5.1(iii) and Section 3.5.2 of this Prospectus on best effort basis. We will pay our Placement Agent a placement agent fee and placement management fee at the rate of one point five percent (1.5%) and one percent (1.0%) respectively of the IPO Price for each Issue Share successfully placed. The placement fee to be incurred on the placement of the Offer Shares will be fully borne by the respective Offerors.

3.10.4 Salient Terms of the Underwriting Agreement

The salient terms of the underwriting agreement dated 24 April 2012 entered into between our Company and Sole Underwriter which may allow the Sole Underwriter to withdraw from its obligations under the underwriting agreement after the IPO as extracted from the underwriting agreement, are set out below.

Unless otherwise stated, all capitalised terms herein shall bear the same meanings as prescribed in the underwriting agreement.

i. Conditions Precedent

Unless waived by the Underwriter (in which case any condition precedent or any part thereof so waived shall be deemed to have been satisfied), the obligations of the Underwriter under this Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:-

(a) the approvals referred to in Recital C remaining valid and have not been revoked or amended and all the conditions imposed therein which have to be complied by the Company prior to Listing, have been complied by the Company;

(b) the Underwriter being reasonably satisfied that the Listing will be granted two (2) Market Days (or such other period as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and receipt of confirmation from the Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;

(c) all other necessary approvals and consents required in relation to the Public Issue, the Offer for Sale, the Issue Shares and the Offer Shares

3. PARTICULARS OF IPO (Cont'd)

including but not limited to governmental approvals having been obtained and are in full force and effect;

(d) the issue of the Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting;

(e) the issue and subscription of the Issue Shares in accordance with the provisions of this Agreement is not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);

(f) the Prospectus having been lodged with the ROC and registered with the SC together with all the required documents in accordance with the CMSA, the Companies Act and the relevant laws and regulations;

(g) there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement or which proves to be incorrect in any material respect;

(h) there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Group or in the prospects or future financial condition or business or operations of the Group (which in the reasonable opinion of the Underwriter, is or will be material in the context of the Public Issue and Offer for Sale and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering materially inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained;

(i) the Underwriter receiving a copy certified by a director or secretary of the Company to be a true resolution of the Board of Directors of the Company approving the Listing, the prospectus and this Agreement, the issue and offer of the Issue Shares and authorizing a person or persons to sign this Agreement on behalf of the Company; and

(j) the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 15 hereof.

In the event any of the conditions set forth in Clause 5.1 are not satisfied on or before the Closing Date, the Underwriter shall, subject as mentioned below in this clause, be entitled to forthwith terminate this Agreement by notice in writing given to the Company whereupon the following shall take place within three (3) Market Days of the receipt of such notice:

(a) the Company shall make payment of the Underwriting Commission to the Underwriter; and

(b) each party shall return all other monies (in the case of the Underwriter, after deducting the Underwriting Commission due and owing to the Underwriter hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder);

and thereafter, this Agreement shall be terminated and of no further force and effect and none of the parties shall have a claim against the other, save and except in respect of any antecedent breaches. The Underwriter reserve the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriter's rights under this Agreement.

ii. Termination

Notwithstanding anything herein contained, the Underwriter may by notice in writing to the Company given at any time before the Closing Date or the Extended Closing Date, as the case may be, terminate, cancel and withdraw its commitment to underwrite the Underwritten Shares if:-

(a) the approval of the SC for the Listing and/or the approval of Bursa Securities for the admission of the Company to the official list of the Main Market of Bursa Securities or for the Listing is revoked, withdrawn or procured but subject to the conditions not acceptable to the Underwriter;

(b) there is any material breach by the Company of any of the representations, warranties or undertakings contained in Clauses 3 and 4, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or

(c) there is a material failure on the part of the Company to perform any of its obligations herein contained; or

(d) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to this Agreement which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or

(e) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group; or

(f) the imposition of any moratorium, suspension or material restriction on trading in securities generally on Main Market of Bursa Securities due to exceptional financial circumstances or otherwise; or

(g) a material adverse change in the stock market condition occurs, and for the purposes of this clause, a material adverse change in the stock market condition shall be deemed to have occurred if the FTSE Bursa Malaysia KLCI Index ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day:

(i) on or after the date of this Agreement; and

(ii) prior to the close of the offering of the Public Issue,

lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of this Agreement and remains at or below that level for at least three (3) Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event; or

3. PARTICULARS OF IPO (Cont'd)

(h) there shall have occurred, or happened any of the following circumstances: -

(i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

(ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole, the success of the Public Issue and/or Offer for Sale which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

In the event that this Agreement is terminated pursuant to Clause 12.1, the Underwriter and the Company may confer with a view to deferring the Public Issue by amending the terms of this Agreement and entering into a new underwriting agreement accordingly, but neither the Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.

Upon any such notice(s) being given pursuant to Clause 12.1, the Underwriter shall be released and discharged from their obligations hereunder whereupon the following shall take place within three (3) Market Days of the receipt of such notice:

(a) the Company shall make payment of the Underwriting Commission to the Underwriter; and

(b) each party shall return all other monies (in the case of the Underwriter, after deducting the Underwriting Commission due and owing to the Underwriter hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder);

and thereafter, this Agreement shall be terminated and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.

3. PARTICULARS OF IPO (Cont'd)

3.11 FINANCIAL IMPACTS FROM THE IPO

The financial impacts from the utilisation of proceeds of the Public Issue are envisaged to be as follows:-

3.11.1 Interest savings

The repayment of our bank borrowings of RM6.000 million from the proceeds from the Public Issue would help us to have interest savings of approximately RM0.360 million per annum. In addition, this would also lower our Group's overall gearing ratio and reduce our financial obligation. Please refer to Section 3.9 of this Prospectus for further details.

3.11.2 Increase on products development and business expansion

Our Group intends to allocate RM1.800 million of the proceeds from the Public Issue for our products development and business expansion in our existing and potential markets in the future. This would help to increase our Group's revenue and earning potentials, in both the local and overseas markets via business expansion as well as future development of our Group's Products. We anticipate that this would enhance our current Products via the increase in our E&D and also to develop more of our in-house Products for the power supply industry. The allocation of proceeds from the Public Issue augurs well with our Company's future plans and strategies which are disclosed in Section 5.8.1 of this Prospectus. In the event that the allocation of the proceeds from the Public Issue is insufficient for our products development and business expansion purpose, we will utilise our internally generated funds as well as source external funding.

3.11.3 Enhance working capital

We intend to utilise RM2.580 million of the proceeds from the Public Issue for our Group's working capital requirements, which includes procurement of components and supplies, payment to creditors, payment of salaries and operating expenses and defrayment of other expenses, which will strengthen our Group's cash flow position and working capital.

3.11.4 Enhance capital structure

The electrical supply industry (power transmission and distribution) is a capital intensive industry. The increase in shareholders' funds and repayment of bank borrowings subsequent to our IPO will enable us to lower our gearing ratio. Hence, this will provide us with the flexibility to optimise our capital structure and seek additional financing under the secondary market. In addition, being a public listed company may also provide us with a competitive edge in securing future overseas projects and relatively more favourable terms for alternative financing.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED HEREIN IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ARE NOT AN EXHAUSTIVE LIST OF THE CHALLENGES THAT WE CURRENTLY FACE OR THAT MAY DEVELOP IN THE FUTURE. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY HAVE A MATERIAL ADVERSE EFFECT ON THE FINANCIAL PERFORMANCE OF OUR GROUP.

4.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

4.1.1 Dependency on the demand for electricity supply

We are dependent on the demand for electricity supply to fuel the demand for new substations and related products. Our customers are mainly utility and industrial companies or infrastructure contractors who subcontract part of their work to us. Increase in demand for electricity will subsequently increase the demand for new substations to cater for the increase in load. In Malaysia particularly, we are dependent on the economic and population growth to drive new infrastructure projects, and the absence of such projects will adversely affect our business operations.

Many governments generally strive to improve the quality and sustainability of life for the population by providing better access to healthcare, public transport, water and electricity. In doing so, governments generally take a direct role in the planning and expansion of public utilities such as electricity to improve quality of life for its people. Investments in the electricity supply industry are greatly driven by government intervention in this context, as expansion efforts are ultimately funded by public funds. A reliable and secure electricity supply infrastructure is also key to economic investments. Industry demand for electricity will drive the demand for additional transmission and distribution capacity.

Notwithstanding the above, any absence of further expansion or upgrades resulting from a decrease in demand for electricity supply in the future will have a direct impact on our business operations and the prospects of our Group.

Nonetheless, in most countries, especially the developing countries, there will normally be an underlying electricity demand in tandem with the economic and population growth. Thus, it has become our Group's focus to set foot in these countries to tap on these opportunities.

4.1.2 Foreign exchange risks

We are exposed to foreign exchange risk. Since we began venturing into overseas markets in 2007, we have thus far conducted business in foreign countries such as Brunei, PNG, Sri Lanka, Ghana, Tanzania and Cambodia. For the FYE 31 December 2009, 2010 and 2011, approximately 44.8%, 51.4% and 76.5% respectively of our revenue were derived from overseas markets. Our overseas sales transactions are mainly conducted in the currencies of USD or EURO. In addition, we also source key components such as transformers, relays, cables and circuit breakers from overseas suppliers, which are mostly denominated in USD, EURO or Japanese Yen. For the FYE 31 December 2007 to 2011, approximately 43.8%, 27.8%, 65.4%, 35.1% and 73.3% of our total purchases were transacted in foreign denominated currencies.

Starting from 2011, we do, from time to time, enter into currency forward hedging against any fluctuation in the foreign exchange and we also leverage on the natural hedge through the matching of our sales and purchases which are mostly denominated in EURO and USD. As our Group in general is simultaneously exposed to various types of currency, adverse movement in one currency would normally not impose adverse impact on the overall financial condition or operating results of our Group as the risk has been spread out.

However, there is no assurance that such natural hedging would mitigate the risk that arises from foreign currency fluctuations which may have material adverse impact on our financial condition or operating results.

Our Directors constantly monitors our Group's foreign currency exposure and reviews our Group's hedging needs. In the FYE 31 December 2009 and 2010, our Group incurred realised foreign exchange loss of RM1.41 million and RM1.31 million respectively, whilst our Group recorded realised foreign exchange gain of RM0.662 million in the FYE 31 December 2011. Save for the FYE 31 December 2009 and 2010, our Group has not experienced any material adverse effect on our financial condition or operating results arising from foreign currency fluctuations. Going forward, our exposure to foreign exchange risk is expected to increase in line with our future plans to expand our presence in overseas markets as disclosed in Section 5.8.1 of this Prospectus.

4.1.3 Dependency and inability to retain key management personnel

We believe that our success has been, and will continue to be, significantly dependent on the efforts, abilities and capabilities of our key management and technical team especially our Executive Chairman, Lim Ah Hock; and Executive Director / CEO, Paul Lim who are both the major shareholders of our Company. In addition, we rely on Paul Lim who has been instrumental in the development, growth and success of our Group and under his leadership, our Group has grown to become a major integrated electric power technology company in Malaysia. Further, our key management and technical team are well equipped with the necessary skills and experience in power system engineering technology and manufacturing of related products. As such, loss of our key management and technical team without suitable and timely replacement may have an adverse impact on our ability to effectively carry out our business activities.

We strive to minimise this risk by ensuring that we have the ability to attract and retain our existing Directors and key management through the implementation of human resource strategies and developing a human resource plan that includes suitable compensation packages, career development and human resource training and development for our key management. In addition, our Group is continuously improving our internal documentation recording systems, process procedures, and technical database registration to establish base competency of our Company to reduce dependency on individuals. Furthermore, our Group would also undertake a SGP to reward and retain such key management.

Upon completion of the Listing, our Executive Chairman, Lim Ah Hock; and Executive Director / CEO, Paul Lim will hold approximately 42.73% and 27.52% equity interest in PESTECH respectively. This will ensure that Lim Ah Hock and Paul Lim will continue to have vested interest in the success of our Group.

Although we seek to limit our dependence on our Directors or key management, there can be no assurance that the above measures will be successful in retaining our Directors or key management or in ensuring a smooth transition or management succession plan should such key persons no longer be able to serve our Group.

4.1.4 Operational risks and insurance coverage

As we are involved in the electricity supply industry, our business activities are susceptible to operational risks. Risks in day-to-day operations include risk of accidents, disruption in supply of key components, disruption in supply of utilities, as well as fire, flood, and/or

other natural disasters that may cause disruption or delay in implementing our Projects and also damage to our Products and manufacturing and administrative facilities thereby possibly disrupting our business operations. In addition, as our Projects involve use of heavy equipment and machineries, we may encounter accidents or dangerous incidents at the project sites.

We seek to limit the above risks through, inter-alia, the following risk measures:-

(i) We have taken up property insurance covering our factory premises, fixed assets and inventories. As at the LPD, our Group's insurance coverage for our assets is RM14.420 million which covers the total NCA of our factory premises, fixed assets and raw materials inventories as at 31 December 2011;

(ii) We have taken/will take up insurance for each Project for up to the value of the Project;

(iii) Our premises are equipped with basic regulatory fire-fighting equipment such as fire hose reel system and fire extinguisher stored at strategic locations which can be easily accessible in the event of fire. Employees are trained on the use of these equipment, proper fire-fighting techniques and procedures and evacuation drills;

(iv) We ensure that our manufacturing facilities and warehouse comply with all safety requirements stipulated in various licences issued by the relevant authorities. In-house training and briefing on safety requirements and proper use of equipment are also conducted to ensure that our employees are adequately trained to minimise the risks of industrial accidents; and

(v) We have taken up a professional indemnity insurance of RM10.0 million to cover professional risks in our Projects.

Notwithstanding the above measures, there is no assurance that our insurance coverage is sufficient to cover potential losses in the event of fire, theft or accidents and in such event, we may be liable to cover the insufficiencies, which may adversely affect our business activities, projects implementation and financial performance.

However, our business operations have not been affected by any such events thus far including other risks such as natural disaster, general strikes, riots and any other risks which cannot reasonably be insured against.

4.1.5 Dependency on third party suppliers to source equipment, components and parts for use in our Projects and Products

We are dependent on third party manufacturers such as Siemens Malaysia, ABB Malaysia Toshiba Asia Pacific Pte Ltd ("**Toshiba**"), Tenaga Switchgear Sdn Bhd and Tira Thai Co. Ltd to supply components such as relays, current transformers and voltage transformers for use in our Products, as well as equipment such as switchgear and transformers for our Projects. For the FYE 31 December 2007 to 2011, our purchases from the aforementioned third party manufacturers amounted to approximately RM10.506 million, RM6.774 million, RM8.251 million, RM15.401 million and RM13.888 million representing 31.0%, 17.9%, 12.8%, 19.7% and 15.0% respectively of our total purchases in the respective years.

In addition, we also engage third party fabricators to fabricate metal parts for use in our Products. Although there are many such third party manufacturers and fabricators in the industry, our operations may possibly be affected if we are unable to guarantee the supply and performance of the components and equipment. As at the LPD, our Group has not experienced any difficulties in purchasing equipment, components and parts from third party suppliers for use in our Projects or Products.

4.1.6 Third party technical utilisation risk

In the course of developing a substation, we would need to use third party equipment or products which we do not have control over their technical input and development. If such equipment or products are faulty, we would need to request for technical assistance from the original manufacturer to help mitigate the problems. Although, normally the manufacturer would have a team of experts ready to assist in these circumstances, we would not be able to ascertain that such assistance can be always delivered in a timely and efficient manner.

We take comfort that these third party equipment or products suppliers, such as ABB Malaysia, Siemens Malaysia and Toshiba are of established brandnames with long standing track record on the reliability of their equipment or products. Nonetheless, in the event of a technical fault due to third party technical utilisation which we are unable to resolve with the assistance of the supplier, additional costs may be incurred and project completion delay may happen which could adversely affect the particular project in hand.

4.1.7 Project risks

As stated in Section 4.1.8 of this Prospectus, our Group's revenue is heavily derived from Projects which are entered into on a contractual basis, subject to performance of certain terms and conditions. If our Projects were delayed as a result of factors that we are contractually responsible for, especially on those that are within our control, we are liable to pay liquidated and ascertained damages on termination or delay. As such, any delays may affect our ability to complete our Projects and achieve our business plans accordingly. The difficulties faced in executing projects may also result in incurring higher cost. These types of developments may, in turn, have an adverse effect on our business, financial condition and results of operations.

Notwithstanding the above, for those situations which are out of our control, such as adverse weather conditions, such delays would usually be compensated by our customer via an extension of time to complete the project. In addition, under the terms of most of the contracts with our customers, our customers may request changes to the contract specifications that result from changes in field design or other unanticipated events affecting the project. Our contracts generally provide that such additional direct costs resulting from these types of changes in specifications are borne by our customer.

Apart from the above, our Projects could be subject to cancellation, deferral or rescheduling which could affect our Group's anticipated profitability. Furthermore, any termination of material projects will have an adverse impact on our future revenue, taking into consideration the typical size of Projects. However, cancellation or termination of Projects would not have any material impact on our revenue pertaining to the portion of work that has already been rendered. Payments for work rendered prior to such cancellation or termination would still be paid by our customers. As at the LPD, our Group has not paid or been liable to pay any liquidated and ascertained damages on termination, delay or rescheduling during the financial years under review.

In addition, our performance in a particular year may depend substantially on a single project. For example, in FYE 31 December 2010 and 2011, revenue contribution from the Project in Cambodia amounted to 27.4% and 57.7% of our total revenue respectively. Whilst we do not expect this trend to recur, there is no assurance that such dependency will not happen in the future. In the event of such recurrence, it may have an adverse impact on our performance due to any unforeseen cancellation, deferral or rescheduling of Projects.

4. RISK FACTORS (Cont'd)

4.1.8 Our performance is project-driven

For the past five (5) FYE 31 December 2007 to 2011, Projects has been the key contributor to our total revenue. As stated in Section 11.4.1 of this Prospectus, our Group's Projects (before consolidation adjustment) has contributed approximately 49.8%, 75.5%, 87.4%, 84.2% and 98.3% of our total revenue for the FYE 31 December 2007 to 2011. Over the years, domestically, we have been awarded with Projects substantially from TNB. As for foreign markets, we have executed/are executing Projects in Brunei, PNG, Sri Lanka, Cambodia and Ghana for both utilities and industrial companies. These Projects are usually obtained via an open tender basis.

Our performance is project-driven. Our ability to replenish contracts in the future is dependent on, *inter-alia*, government policies and general economic conditions, the need to build infrastructure for the electrical supply industry in certain countries or industries; and changes in general business and credit conditions both locally and abroad. As such, our financial results can be adversely affected in the event that we fail to secure enough order book for our Projects.

Due to risks inherent in undertaking Projects, we take the necessary steps to establish a good relationship with our customers and ensure customer retention and referral by:-

(a) offering value added solutions or services to customers through, amongst others, our ability to accommodate customer's design change requests, our comprehensive in-house test equipment for commissioning of substation and ability to provide after-sales customer services by our in-house team instead of going through the principals;

(b) providing appropriate solutions to customers at hand and ensuring that customers are satisfied with our project quality and services; and

(c) completing our projects without delay.

4.1.9 Changes in economic, political and regulatory conditions in countries we operate in

We are susceptible to changes in economic, political and regulatory conditions in Malaysia, as well as other countries in which we operate. We have, to date, established our presence in Brunei, Sri Lanka and Cambodia, and we have also conducted business in Ghana, PNG and Tanzania. Thus, adverse situations in countries which we are currently operating in and any other countries which we could operate in the future, may potentially cause significant interruptions to our business activities, affecting our financial performance and profitability. These situations include, but are not limited to, current global and local economic climates, inflation, credit conditions, political leadership, Government regulations and policies, risks of war, methods of taxation, nationalisation, expropriation and renegotiation or nullification of existing contracts.

Currently, we are in the midst of executing a Project in Cambodia. Cambodia has, by and large, been facing more political stability compared to the days of the Khmer Rouge rule. However, there have been instances of unrest at the Cambodia-Thailand border since 2008 pertaining to the border dispute with Thailand. This situation has eased since the Pheu Thai Party won the parliamentary election in Thailand in July 2011, and announced efforts to resolve the dispute with Cambodia. Nevertheless, the border dispute could have a direct impact on the political and economic conditions of Cambodia as a whole, and consequently, our business operations may be adversely impacted which may affect our financial performance and profitability.

As at the LPD, our Group has not experienced any adverse occurrences arising from changes in economic, political and regulatory conditions in the countries we operated / are operating in.

4. RISK FACTORS (Cont'd)

4.1.10 Reliance on a single customer

Based on the past three (3) FYE 31 December 2009, 2010 and 2011, TNB had contributed 35.8%, 36.0% and 16.0% to our revenue respectively. In view that the local market is expected to remain as a significant contributor to our Group's revenues, we will continue to bid for local contracts and consequently, TNB, being the largest electricity utility company in Malaysia, will continue to be a significant contributor to our revenue.

Based on the information set out in the Independent Market Research Report by Frost & Sullivan Malaysia Sdn Bhd, the performance of the system design, engineering and infrastructure segment of the power transmission and distribution industry is dependent on investments made by utility companies. In Malaysia, generation, transmission and distribution plans are developed by the Government and announced in the Malaysia Economic Plan. Investments are disbursed to various Government agencies and utility companies, which translates to actual expenditure on projects executed within this industry.

Being the largest and sole electricity utility company in Peninsular Malaysia and Sabah (via Sabah Electricity Sdn Bhd), annual system design, engineering and infrastructure expenditure to be incurred by TNB could be directly linked to Government spending and the economic and political conditions in Malaysia or the world. Accordingly, any adverse economic or political conditions which result in lower Government public spending or the loss of TNB as our customer, may affect the future growth and profitability of our Group.

Nonetheless, we have developed a good relationship with TNB through the long term working relationship (since 2001), timely delivery and reliability of our products and services. In addition, we have started to venture out from Malaysia since 2007 to expand our presence internationally and to be less reliant on local market. Based on the revenue contributions by the local and overseas markets for the past three (3) FYE 31 December 2009 to 2011, the sales from overseas markets have significantly increased whilst the sales contribution from local market was decreasing relatively over the financial years. As set out in Section 5.8.1 of this Prospectus, we aim to expand our presence to other developing countries where there is a demand for the development, improvement and build up of electricity transmission and distribution assets and expect that overseas contribution will continue to represent a major portion of our revenue in the near future.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

4. RISK FACTORS (Cont'd)

4.2 RISKS RELATING TO INVESTING IN OUR SHARES

4.2.1 No prior market for our Shares

Prior to the IPO, there has been no public market for our Shares. Hence, there is no assurance that upon listing, an active market for our Shares will develop, or, if developed, that such a market can be sustained. The IPO Price was determined after taking into consideration various factors and we believe that a variety of factors could cause our Share price to fluctuate and such fluctuations may adversely affect the market price of our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon our Listing and the market price of our Shares will not decline below the IPO Price.

4.2.2 Share price volatility and volume of our Shares

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Group have no direct correlation with the performance of securities listed on Bursa Securities.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:-

(i) Variations in our results and operations;

(ii) Success or failure in our management team in implementing business and growth strategies;

(iii) Changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(iv) Changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;

(v) Additions or departures of key personnel;

(vi) Fluctuations in stock market prices and volumes; or

(vii) Involvement in litigation.

4.2.3 Ownership and control by our existing shareholders

As disclosed in Section 7.1.1 of this Prospectus, our Promoters will collectively hold in aggregate approximately 71.2% of our enlarged issued and paid-up share capital upon listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations.

Nevertheless, our Group has appointed two (2) independent directors and set up an Audit Committee to ensure that any future transactions involving related parties are entered into on an arms-length basis and/or on normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not detrimental to our minority shareholders, and to facilitate good corporate governance whilst promoting greater corporate transparency.

4.2.4 Failure or delay in our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:-

(i) The MITI-approved investors fail to acquire the Shares allocated to them under the Offer for Sale;

(ii) Our Sole Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder; and/or

(iii) We are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of our issued and paid-up share capital for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing.

In such event, investors will not receive any of our IPO Shares and we together with the Offerors will return in full, without interest, all monies paid in respect of any application for our IPO Shares in compliance with sub-section 243(2) of the CMSA.

4.2.5 Forward looking statements

This Prospectus contains certain forward-looking statements that are based on historical data, which may not be reflective of the future performance of our Group and others are forward-looking in nature which is subject to uncertainties and contingencies. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from future results.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies, the environment in which our present and future business strategies have been developed and the environment in which we will operate in the future.

Although our Group believes that the expectations reflected in such forward-looking statements are reasonable at this point in time, we can give no assurance that such expectations will be justifiable. Whether or not such statements prove to be accurate would be dependent upon a variety of factors that may have an effect on the business and operations of our Group.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us, the Offerors or our Principal Adviser, that our plans and objectives will be achieved.

5. INFORMATION ON OUR GROUP

5.1 INFORMATION ON OUR GROUP

5.1.1 Background and Principal Activities

Our Company was incorporated in Malaysia under the Act on 10 June 2011 as a private limited company with the name PESTECH International Sdn Bhd. We subsequently converted to a public limited liability company on 9 September 2011 and assumed our present name to facilitate our listing on the Main Market of Bursa Securities.

We are a home grown integrated electric power technology company in Malaysia. We are principally engaged in the provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of HV and EHV substations, transmission lines and underground cables for electricity transmission and distribution in the local and international markets. We also manufacture proprietary power system components and equipment. PSB is our core operating subsidiary company.

Our Group began with the formation of PSB in 1991. Our founder and Executive Chairman, Lim Ah Hock, possesses background in mechanical engineering and more than 25 years of management experience. Although he is a mechanical engineer by training, Lim Ah Hock had a profound interest in electrical engineering, and ventured into the trading of electrical equipment and supplies. He envisioned that worldwide energy demand will only continue to rise, as a result of increases in population and economic development, with particularly acute needs in the emerging and developing countries. While there were practical challenges in penetrating the upstream segments of electricity generation in most countries including Malaysia, he clearly saw opportunities in the system design, engineering and infrastructure segment of power transmission and distribution. Seizing on this vision, we aligned our focus and commenced operations in 1993 in the trading of electrical and electronic products.

As we slowly gained industry experience and established our presence in the market, Lim Ah Hock saw the potential and opportunity to penetrate the electric power transmission and distribution works segment of the industry. In 2000, Lim Ah Hock invited Paul Lim, an electrical engineer with working experience in the power transmission and distribution business with electric utilities, to join PESTECH and he was brought in as a GM to aid us to further grow and develop our business. With his technical experience and expertise, coupled with his drive and passion for the industry, his efforts to guide us to become a main player in the local scene led him to be promoted to CEO in 2008. Under our CEO's leadership, along with our other key management, such as our GM of Sales & Marketing, Lim Hon Seng; GM of P&P, Lee Kong Tee; GM of D&D, Chong Kuen Wai; and GM of Strategic Planning (Business Development), Han Fatt Juan, we have grown progressively from a small player primarily involved in trading, to an established integrated electric power technology company in the engineering, design, manufacturing, installation and commissioning of electrical power transmission and distribution facility for electric utilities with operations both domestic and abroad.

Over the years, we build our experience and technical expertise in the field of electrical engineering. We concentrated our efforts and successfully equipped our Group with the technical expertise and know-how to provide a comprehensive engineering, design and technical solution for the build-up of electricity supply transmission and distribution assets for utilities and industries. This technical expertise and know-how have enabled us to export our services internationally especially to the developing countries, which is generally dominated by foreign multi-national companies.

5. INFORMATION ON OUR GROUP (Cont'd)

Our Group's regional expansion

As we have established our presence as a major player here in Malaysia, we began expanding in the international markets using Malaysia as the platform, particularly in the emerging and developing economies, to tap into the growth potential of these countries. In 2007, we began to venture overseas into the region focusing in Brunei, Sri Lanka and PNG. Our Group's journey towards foreign expansion was challenging but our capabilities and expertise in project execution enabled us to overcome the initial stages of overseas market penetration and successfully compete with other foreign multi-national corporations.

In 2008, we achieved a major breakthrough in our regional expansion plan and obtained our first major overseas Project when a JV between our Group and SLCC of Brunei was awarded a contract for the construction of a 66kV outdoor switchyard at Brunei's Lumut Power Station ("LPS"), and 66kV underground cable links from LPS to the proposed Brunei Methanol Company ("BMC") 66kV Substation in Brunei by BMC. In the same year, we established an offshore branch office in Brunei. As we built on our reputation, more opportunities in Brunei knocked on our doors and our Board decided to incorporate PBSB on 17 March 2011.

We achieved a major milestone when we established our presence in PNG in 2008 as well when a JV between us and Dayen was awarded a contract for the design, manufacture, supply, construction, installation and commissioning of two (2) 132kV grid substations in Erap and Hidden Valley for the Erap – Hidden Valley Gold Mine Electrification Project by PPL. PPL is a power authority responsible for the generation, transmission, distribution and retailing of electricity throughout PNG. This gave us an exposure to meet expectations of a foreign engineering consulting firm and created a first contact to show our capability to build inter-connecting substation facility for connection to the electricity grid for the mining industry.

We also established our presence in the Africa market during 2008 as we designed, manufactured, supplied, factory tested, export packed and delivered 33kV feeder protection and metering panels and 33kV transformer protection and metering panels to Ghana via a customer in Malaysia.

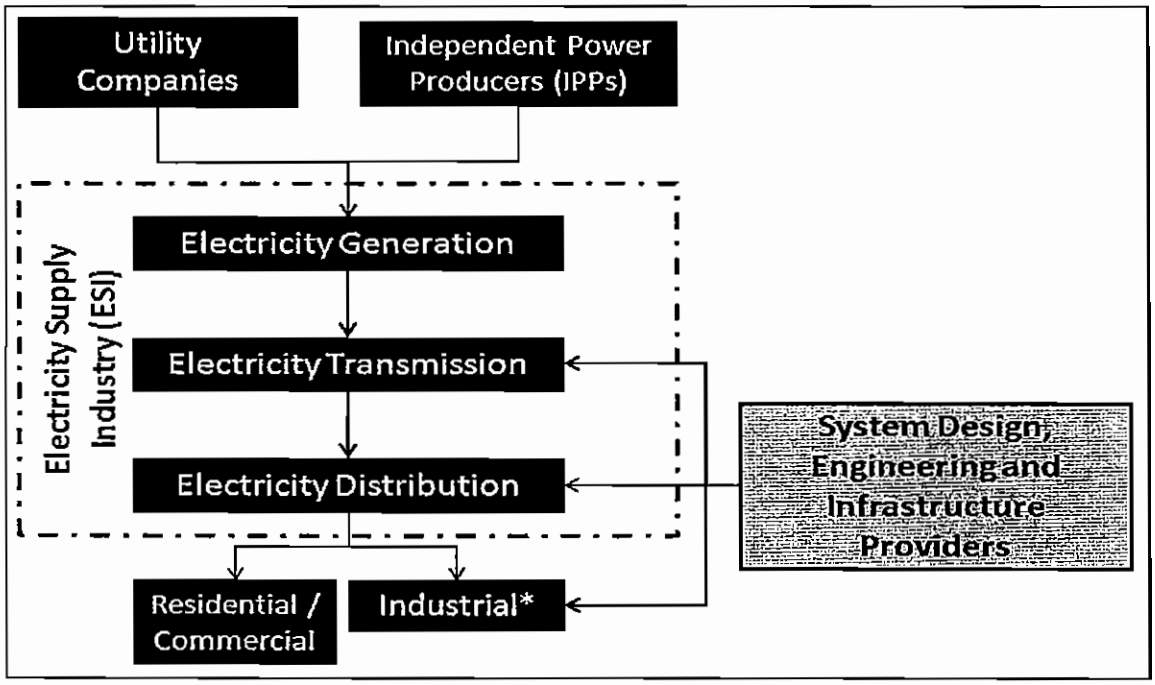
In 2009, we entered Sri Lanka market with our first project in the country to design, execute, complete and remedy any defects therein in relation to Beliatta grid substation project Lot A awarded by Ceylon Electricity Board. This substation served as an extension to the electrical transmission system supply to the Beliatta region, fuelling its social and economic growth.

Having successfully executed the Projects in the abovementioned overseas markets, we have enhanced our profile substantially which has facilitated the procurement of more overseas projects for our Group moving forward. In 2010, our JV with Pembinaan Tajri was awarded a contract involving the establishment of substations and a transmission link between the North Phnom Penh transmission network to the Kampong Cham network in Cambodia by Cambodia Transmission Limited. Subsequently, we established TPJV in February 2010, our subsidiary company in Cambodia to facilitate our current and future projects in the country. In the same year, we were also awarded a project in Ghana to design, supply, erect, test and commission a 161kV single busbar substation at Ayanfuri, located approximately 20km west of Dunkwa and construction of 161kV transmission line to connect to the grid transmission system for an Australian gold mining company introduced by our customer in PNG. In addition to the above, we have recently on our own procured a Project in Cambodia for the supply of equipment and installation to connect 115kV transmission line between Cambodia Power Grid 230kV to Cambodia Power Transmission Line 115/22kV which is expected to complete by the end of the 3rd quarter of 2012.

Arising from the successful implementation of our regional expansion plan, the revenue contribution from the foreign markets has increased significantly. For the FYE 31 December 2009, 2010 and 2011, the foreign markets contributed 44.8%, 51.4% and 76.5% of our Group's turnover respectively. Since we actively began penetrating the system design, engineering and infrastructure segment of the power transmission and distribution industry in 2000, we have established a strong track record built on providing high quality service with an emphasis on excellence. To-date, we pride ourselves for being able to compete in the international markets and deliver our Projects and services for the maintenance of delivered substations. In addition to the abovementioned countries, we aim to further expand our presence to other developing countries where there is a demand for development, improvement and build up of electricity transmission and distribution assets. Ultimately, we aspire to become one of the main regional players in the industry.

Our Group is well-positioned in the industry

The segmentation of the industry is as set out in the diagram below:-



* *Industrial customers include large companies such as mining operators, steel mills, cement plants and refineries*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan dated April 2012

Utility companies typically engage third party engineering companies to design and develop transmission and distribution infrastructure, connecting residential, commercial and industrial consumers to the national grid. Large industrial users also engage these third party engineering companies to erect electricity substations within their operating premises. These third party engineering companies are also required to commission the structure prior to handing it over to the utility companies. This industry is known as the power system design, engineering and infrastructure industry, and we are involved in the HV and EHV segments of this industry which has high barriers to entry.

5. INFORMATION ON OUR GROUP (Cont'd)

We believe that we are strategically positioned with the capability to provide comprehensive power system engineering and technical solutions, along with products for substation control, communication and protection. We are also geographically positioned in the fast growing ASEAN region surrounded by many developing nations such as Vietnam, Cambodia, Laos and Indonesia, enabling us to capitalise on our familiarity with the business practices and similarity in culture. In addition, we are also able to leverage on the ASEAN Free Trade Area (AFTA), which enables us to competitively price our products and services for export to ASEAN region.

We conduct in-house engineering and development of our own Products and engineering solutions, enabling us to expand our Product base, enhance our competitive strengths as a value-added service provider and reduce cost. We own several registered brands such as PESTECH, COPS, PROCOM and RETCOMS for application in electric power substation control, monitoring and protection apparatus. The application of our Products has no geographical barriers and can be used in many countries. We continuously enhance our existing Products features and performance capabilities, as well as design and develop new Products. In addition, we have also established technology partnerships/distributorships with certain suppliers for the distribution of their products, in which we also purchase licensed software and components directly from the manufacturers to develop our own value-added Products and engineering solutions.

Our Group's quality achievements

In view of the importance of traceability, consistency and reliability of our services and products, we adopted Quality Management Systems (QMS) in accordance with ISO 9001:2000 since 2001 and obtained certification in 2002. Subsequently, we extended our scope to ISO 9001:2008 and adopted Occupational Health and Safety Management System (OHS MS) in accordance with OHSAS 18001:2007 in 2010.

Over the years, we have accumulated several certifications and awards in recognition of our emphasis on delivering high quality products and services in a safe, secure and reliable environment. We were one of the recipients of the Enterprise 50 Award by SME Corp and Deloitte Consulting (M) Sdn Bhd in 2009, 2010 and 2011 ranking among the top 15. Our CEO, Paul Lim received the Outstanding Entrepreneurship Award by Enterprise Asia in 2010. Our commitment towards compliance of our safety policies has also led us to be awarded a 'Certificate for Five Star Achievement in SAFCA for Project PMU Manjalara GIS' in 2010 by the Asset Development Department of TNB. Recently, we obtained the best vendor award in conjunction with Vendor Day by Northern Region, Transmission Asset Development of TNB. In January 2012, our Group was awarded TNB 2012 Excellence Award for the contractor category by TNB in conjunction with the Night of Award for Vendor, Contractors and Suppliers of TNB 2012. In addition, our Group was awarded the Brand Laureate Awards 2011 under the Corporate Branding category for SMEs best brand (Engineering – Power Systems).

Please refer to Section 5.7 of this Prospectus for further details of our Group's business.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.1.2 Our competitive strengths

Our competitive strengths are as follows:-

(i) Experienced and dedicated management personnel

Our Group is led by qualified senior management team with longstanding experience in the system design, engineering and infrastructure segment of the power transmission and distribution industry. Our founder and Executive Chairman Lim Ah Hock has background in mechanical engineering and possesses more than 26 years of experience in management. Our CEO / Executive Director Paul Lim, who has been playing an instrumental role in growing our Group, is a registered professional engineer with 17 years of experience in the industry. He is also a certified Project Management Professional (PMP®) with the Project Management Institute, a worldwide professional association for project management. He has successfully grown our Group and built up our respectable track record of securing and executing various contracts for electrical transmission of HV and EHV substations in Malaysia, Brunei, PNG, Cambodia, Ghana and Sri Lanka.

In addition, the senior management personnel of our technical team collectively possesses many years of experience in the industry, whereby our:-

(a) GM of Sales & Marketing, Lim Hon Seng, possesses 29 years of experience in the power systems engineering field;
(b) GM of P&P, Lee Kong Tee, has 16 years of experience as an electrical engineer;
(c) GM of D&D, Chong Kuen Wai, has 11 years of experience in the system design field; and
(d) GM of Strategic Planning (Business Development), Han Fatt Juan, possesses 21 years of engineering experience.

Our senior management team also includes our COO, Chang Mei Lun and CFO, Teh Bee Choo, who have 20 and 26 years of working experience respectively. Our management team has contributed significantly to our success, and has the necessary industry experience, knowledge and skills to effectively grow our business moving forward.

(ii) Strong technical expertise

Our Group's vast experience in the power system engineering industry was accumulated through our management team's working experience. Such knowledge and experience, which have been developed over time and is not easily replicated, places the Company in good stead to compete in the international markets.

The power system engineering industry is a highly technical and specialised field, requiring specific knowledge and skills in electrical and mechanical engineering. This complexity serves as a significant barrier to entry for new players in the industry. We have developed the specific technical expertise and know-how required to execute our business activities. These include:-

(a) switchyard layout and clearance verification;
(b) switchyard foundation loading, sizing and foundation plan;
(c) busbar, conductors, clamps and connector sizing, dimensioning and swing force calculation;
(d) switchyard steel structure design verification;
(e) lightning protection design and calculation;
(f) cable duct and layout design;
(g) earthing system design and calculation;
(h) substation insulation coordination study;
(i) design and establishment of single line diagram;

(j) instrument transformer burden and accuracy calculation and verification;
(k) protection and control system block diagram;
(l) protection relay functional verification and parameterization;
(m) control system remote signal list verification;
(n) logic and interlocking system design for RTU and SCS; and
(o) AC and DC loading and cable sizing calculation.

Our technical team is well equipped with the necessary skills and experience in power system engineering technology and product manufacturing. In addition to the senior management personnel of our technical team who have many years of industry experience, our technical team also consists of our CEO/ Executive Director, Paul Lim, who brings with him a total of 17 years of industry experience. Furthermore, our GM of Sales & Marketing, Lim Hon Seng has spent 19 out of his 29 years of experience with ABB Malaysia where he executed various substation projects. With the proficiency and technical experiences, we have been able to secure and execute various types of power system engineering solutions projects in multiple countries including Malaysia, Brunei, Cambodia, PNG, Sri Lanka and Ghana. This has further solidified our capabilities.

Our technical team possesses a wide range of experience ranging across the spectrum of our business activities. This includes, inter-alia, the following:-

- Design, development and planning of indoor and outdoor substations;
- Supply, delivery and erection of power transformers, protection and control systems, switchgears, ancillary equipment and associated civil works for transmission and distribution networks, transmission lines and substations;
- Design, installation and supply of communication and protection and control systems;
- SCADA system implementation projects;
- Substation extension projects; and
- Various other projects.

(iii) Comprehensive range of services, including in-house engineering and development

We offer a comprehensive range of services across the scope of electrical power transmission and distribution, which includes substation, transmission line and underground cable works. In addition, we also design and manufacture our own communication, protection and control products for use in our Projects as well as to be sold as finished products. PESTECH's own Products conform to international standards and have been designed such that majority of raw materials and components can be sourced locally as far as possible. In this respect, we are able to price our Products and Projects competitively.

Our in-house engineering and development activities are conducted by our D&D team, led by GM of D&D, Chong Kuen Wai with 11 years of experience in the system design field. To date, we have developed two (2) isolators, the 12kV and 36kV outdoor, single pole, double break, air break disconnectors that are normally associated with NERs. The isolators have been certified with the ASTA Type Test Certificate by ASTA BEAB Certification Services, UK.

Our in-house Product range also comprises BCD input display, SIMS and AAP-10, which are complementary to our Projects in the electrical power transmission and distribution industry. Further details of our Products are set out in Section 5.7.1.2 of this Prospectus.

In addition to product development, our D&D team also conducts in-house design of power system engineering and technical solutions for substations, transmission lines and underground cables. Our engineers work closely with our clients to develop the

systems layout of the project based on the client's requirements and specifications, such as budget, schedule, land area and location. Based on the requirements and specifications, our engineers will formulate a design that is both reliable and cost effective, while also allowing for future capacity expansion of the substation, if necessary. The design also outlines the structural layout of the project, such as the switchyard layout, earthing system, cabling layout and lightning protection, as well as an integrated control, protection and communication system.

We are a home-grown integrated electric power technology company with the ability to export engineering and technological know-how to overseas markets. Our track record, knowledge and abilities enable us to compete against other foreign players at competitive prices, providing us with opportunities to extend our reach beyond our present markets.

(iv) High standards of Quality, Occupational Health and Safety Management System

We implement high quality standards in our day-to-day operations, where the importance of traceability, consistency and reliability are emphasised throughout the organisation. We adopted Quality Management System (QMS) in accordance with ISO 9001:2000 since 2001 and obtained certification in 2002. Subsequently we extended our scope to ISO 9001:2008 and adopted Occupational Health and Safety Management System (OHS MS) in accordance with OHSAS 18001:2007 in 2010 for the following certification scope:

"Design, engineering, manufacture, installation, test and commission of HV and EHV electrical substation and equipment."

ISO 9001 requires the organisation to have best practices in management system and commitment as well as continuous improvement to provide services and products that meet customer needs and expectation while OHSAS 18001 requires the organisation to commit to prevent occupational ill health and injury at work place.

Our commitment towards complying with our Quality, Occupational Health and Safety policy has led us to be awarded for our efforts. In 2010, we received a "Certificate for Five Star Achievement" in SAFCA TNB for Project PMU Manjalara GIS Substation by the Asset Development Department of TNB. We also received a "Certificate of Achievement for Successfully Achieving Four Stars for the Year 2010" under the SME Competitive Rating for Enhancement (SCORE) by MITI and SME Corp. In January 2012, our Group was awarded TNB 2012 Excellence Award for the contractor category by TNB in conjunction with the Night of Award for Vendor, Contractors and Suppliers of TNB 2012. In addition, our Group was awarded the Brand Laureate Awards 2011 under the Corporate Branding category for SMEs best brand (Engineering – Power Systems).

(v) Established track record and reputation

Since we actively began penetrating the system design, engineering and infrastructure segment of the power transmission and distribution industry in 2000, we have established a strong track record built on providing high quality service with an emphasis on excellence. We have a line of established clientele, some of whom are repeat customers, and some of whom we have obtained through referrals from other customers and suppliers. Domestically, our list of major clients includes the following:-

- TNB;
- Tenaga Switchgear Sdn Bhd;
- Zafas Sdn Bhd;
- AM SGB Sdn Bhd;
- Waris Gigih Engineering & Technology Sdn Bhd;
- Tamco Switchgear (Malaysia) Sdn Bhd; and

- Sabah Electricity Sdn Bhd.

Our major foreign clients include the following:-

- Siemens AG;
- Department of Electrical Services of Brunei;
- BMC of Brunei;
- PPL;
- Cambodian Transmission Ltd of Cambodia;
- Ceylon Electricity Board of Sri Lanka; and
- Central Ashanti Gold Limited of Ghana.

To further emphasise our sound reputation in the industry, our capabilities have led many companies to establish JVs with us, such as Pembinaan Tajri, Nova Nusantara Sdn Bhd, SLCC and Dayen for our past projects.

Furthermore, we have also built partnerships with certain suppliers and/or appointed as distributors for their products in Malaysia. We are currently an authorised exclusive distributor for RFL's telecommunication products, and have been appointed as ABB's External Channel Partner for their protection and control products, as well as their MicroSCADA Pro System products in Malaysia. We also sell NER products from Post Glover. We have signed a collaboration agreement with Toshiba for provision of services. Siemens AG has appointed us as their distributor for the non-exclusive rights to sell contractual products in certain area where contractual products comprise products, systems and services of Siemens AG including any of their respective follow-up products, systems and services.

We have successfully submitted equipment / components for testing by the Quality Assurance Unit under TNB Research Sdn Bhd, for use in electricity substations in the nation. We have been awarded with the 'Certificate of Product Acceptance' for the following list of products:-

Item/Equipment	Make/Model
Autoreclose and synchrocheck relay	Toshiba/GRR100
Current differential relay	Toshiba/GRL100
Distance relay	Toshiba/GRZ100
Overcurrent and earth fault relay	Toshiba/GRD110
Transformer biased differential relay	Toshiba/GRT100
11kV NER	Post Glover/PESTECH
RTU	Xcell (manufactured by Microsol Ltd)

Our list of clients and partners is a testimony of our established industry track record and reputation, built on over a decade of technical excellence and service in the industry. Some of our clients have provided us with letters of recommendation in respect of our Projects.

(vi) Established product branding

PESTECH is a registered trademark and is widely recognised by those in the same industry. We actively strive to establish our brand name in the market to be associated with quality and excellence. Since 2004, we have begun to trademark our brand names, for the PESTECH logo, along with the COPS brand name for our control and protection panel product, PROCOM for our RTU product, D-Switch for isolator, WACS for substation interrogation monitoring system and RETCOMS for telecommunication panel. As at to-date, the PESTECH logo, COPS brand name,

PROCOM and RETCOMS, have been registered under Class 9 with the Intellectual Property Corporation of Malaysia.

In April 2011, we were certified under the Malaysian Brand Certification Scheme by SME Corporation Malaysia and SIRIM QAS International Sdn Bhd for our brands PESTECH, COPS and PROCOM, allowing us to use the National Mark of "Malaysian Brand", which is an acknowledgement of the quality, excellence and distinction of products and services by Malaysian companies. The Malaysian Brand Certification Scheme was formulated as a branding strategy for local products and services to gain global recognition as well as to promote and enhance domestic acceptance. The certified products and services have been assessed according to worldwide accepted criteria based on an approach that combines QMS requirements, local and global customer needs, product and service quality, financial capability, corporate social responsibility, and marketing and brand strategy. The certification will enable us to increase our brand presence to be recognised as a provider of high quality products both domestically and globally.

(vii) Technology partnerships

We have established technology partnerships and distributorships with some of our suppliers, who are established multinational corporations such as ABB AB Sweden, ABB Malaysia and Siemens AG. Through our partnership agreements, we purchase licensed software directly from our suppliers as and when required and pay a licence fee for each software purchased. We are also given training on the use and applications of our supplier's software and other products. With training given on the software and products, we are able to develop our own add-on platform for the design and development of our own engineering solutions and customised applications as well as our PESTECH branded Products to suit our customer's needs and requirements. Although we perform our own development using this software, the intellectual property on the core software resides with our suppliers. By providing value-added products and services, we are able to establish an edge over our competitors in the industry.

5.1.3 Share capital and changes in share capital

As at the LPD, our authorised and issued and paid-up share capital is as follows:-

	No. of shares	Par value (RM)	Amount (RM)
Authorised	100,000,000	0.50	50,000,000
Issued and paid-up	73,000,000	0.50	36,500,000

Details of the changes in our issued and paid-up share capital for the last three (3) years are as follows:-

Date of Allotment	No. of Shares allotted	Par value (RM)	Consideration	Cumulative Issued and Paid-up Share Capital (RM)
10 June 2011	4	0.50	Cash (Subscribers' shares)	2
17 August 2011	72,999,996	0.50	Otherwise than cash (Acquisition of PSB)	36,500,000

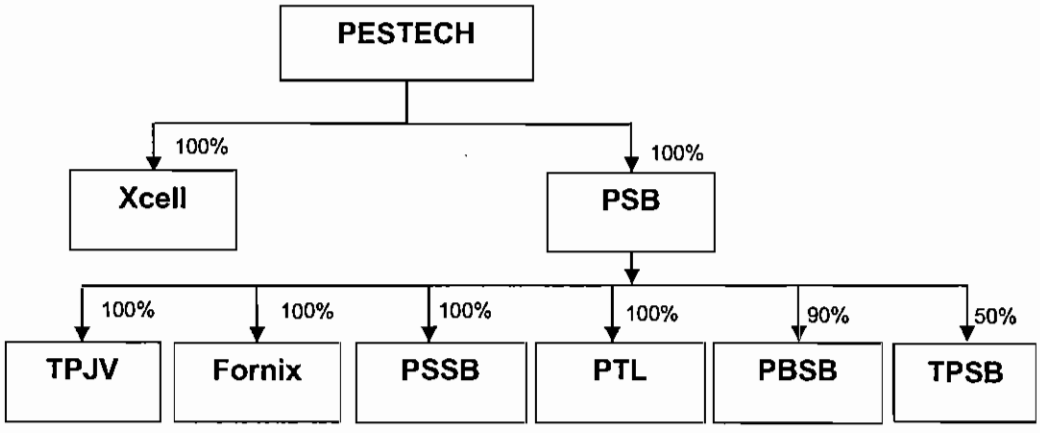
As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital.

5. INFORMATION ON OUR GROUP (Cont'd)

5.1.4 Subsidiary companies and jointly-controlled entity

To facilitate the listing of our Company, the Acquisition of PSB and the Acquisition of Xcell were completed on 17 August 2011. The Acquisition of PSSB was completed on 2 April 2012.

Our existing corporate Group structure is as follows:-



Details of our subsidiary companies and jointly-controlled entity are set out below:-

Subsidiary companies	Date and Place of Incorporation	Date of Commencement of Business	Issued and Paid-Up Share Capital	Effective Equity Interest (%)	Principal Activities
Subsidiary companies of PESTECH					
PSB	10 July 1991 Malaysia	8 July 1993	RM 3,333,000	100	Investment holding, provision of comprehensive power system engineering and technical solution for the design, procurement and installation of substations, transmission lines and underground cables for electricity transmission and distribution, and also manufacturing of proprietary power system components and equipment.
Xcell	25 January 2000 Malaysia	11 April 2001	RM300,000	100	Provision of design and supply of remote control system and data communication products.

5. INFORMATION ON OUR GROUP (Cont'd)

Subsidiary companies	Date and Place of Incorporation	Date of Commencement of Business	Issued and Paid-Up Share Capital	Effective Equity Interest (%)	Principal Activities
Subsidiary companies of PSB					
Fornix	4 August 2005 Malaysia	6 September 2005	RM100,000	100	Investment holding
TPJV	5 February 2010 Cambodia	10 March 2010	KHR 4,000,000	100	Construction of electrical substation and transmission line.
PBSB	17 March 2011 Brunei	25 October 2011	BND100	90	Provision of electrical engineering services, specialising in transmission and distribution specifically but not limited to include the design, manufacturing, trading, installing, commissioning and testing, repairs, maintenance of equipment at substations for public and private amenities.
PSSB	10 February 2012 Malaysia	Yet to commence operations	RM2	100	Provision of electrical, mechanical and civil engineering, subcontracting and engineering. It is currently inactive.
PTL	9 March 2012 Ghana	Yet to commence operations	GHS96,000	100	Provision of project management, electrical substations, transmission lines erection and installation, supervision of testing and commission and civil works. It is currently inactive.
Jointly-controlled entity of PSB					
TPSB	13 July 2001 Malaysia	10 September 2001	RM25,000	50	Provision of electrical, mechanical and civil engineering, subcontracting and engineering consultancy. It is currently inactive.

Further details on our subsidiary companies and jointly-controlled entity are set out in Section 5.2 below. As at the LPD, we do not have any associated companies.

5. INFORMATION ON OUR GROUP (Cont'd)

5.2 INFORMATION ON SUBSIDIARY COMPANIES AND JOINTLY-CONTROLLED ENTITY

5.2.1 PSB

(a) Background, history and principal activities

PSB (Company No. 220578-T) was incorporated in Malaysia under the Act on 10 July 1991 as a private limited liability company under the name of PESTECH Sdn Bhd. PSB commenced its business operations in the trading of electrical and electronic products on 8 July 1993.

In 1995, PSB began to develop and expand its business model and in 1997, started the assembly of its first product, the NER, and became involved in HV and EHV equipment control and protection products assembly. In addition, PSB also performed commissioning and installation works for its customers in the electricity supply industry. PSB actively began its operations in its current business model in the design and engineering of electrical power substation in 2000 and established its headquarters in Shah Alam to be strategically located nearer to the main commercial centre of Malaysia.

In summary, PSB is principally involved in the provision of comprehensive power system engineering and technical solution for the design, procurement and installation of HV and EHV substations, transmission lines and underground cables for electricity transmission and distribution, and also manufacturing of proprietary power system components and equipment.

PSB is our core operating subsidiary company.

(b) Share Capital

As at the LPD, the authorised and issued and paid-up share capital of PSB is as follows:-

	No. of shares	Par value (RM)	Amount (RM)
Authorised	5,000,000	1.00	5,000,000
Issued and paid-up	3,333,000	1.00	3,333,000

Details of the changes in the issued and paid-up share capital of PSB for the past three (3) years are as follows:-

Date of allotment	No. of shares allotted	Consideration	Cumulative issued and paid-up share capital (RM)
29 December 2010	2,333,000	Cash	3,333,000

As at the LPD, PSB does not have any outstanding warrants, options, convertible securities and uncalled capital.

(c) Substantial Shareholder

PSB is our wholly-owned subsidiary company.

5. INFORMATION ON OUR GROUP (Cont'd)

(d) Subsidiary, Jointly-Controlled Entity and Associated Companies

The subsidiary companies and jointly-controlled entity of PSB are set out in Section 5.1.4 above. As at the LPD, PSB does not have any associated companies.

5.2.2 Xcell

(a) Background, history and principal activities

Xcell (Company No. 503755-H) was incorporated in Malaysia under the Act on 25 January 2000 as a private limited liability company under the name of Xcell ATS (M) Sdn Bhd. Xcell commenced its business operations on 11 April 2001 and is principally involved in design and supply of remote control system and data communication products.

(b) Share Capital

As at the LPD, the authorised and issued and paid-up share capital of Xcell is as follows:-

	No. of shares	Par value (RM)	Amount (RM)
Authorised	500,000	1.00	500,000
Issued and paid-up	300,000	1.00	300,000

There were no changes in the issued and paid-up share capital of Xcell for the past three (3) years.

As at the LPD, Xcell does not have any outstanding warrants, options, convertible securities and uncalled capital.

(c) Substantial Shareholder

Xcell is our wholly-owned subsidiary company.

(d) Subsidiary and Associated Companies

As at the LPD, Xcell does not have any subsidiary or associated companies.

5.2.3 Fornix

(a) Background, history and principal activities

Fornix (Company No. 705247-A) was incorporated in Malaysia under the Act on 4 August 2005 as a private limited liability company under the name of Fornix Sdn Bhd and commenced its business operations on 6 September 2005. Currently, Fornix is an investment holding company.

5. INFORMATION ON OUR GROUP (Cont'd)

(b) Share Capital

As at the LPD, the authorised and issued and paid-up share capital of Fornix is as follows:-

	No. of shares	Par value (RM)	Amount (RM)
Authorised	100,000	1.00	100,000
Issued and paid-up	100,000	1.00	100,000

There were no changes in the issued and paid-up share capital of Fornix for the past three (3) years.

As at the LPD, Fornix does not have any outstanding warrants, options, convertible securities and uncalled capital.

(c) Substantial Shareholder

Fornix is a wholly-owned subsidiary company of PSB, which is in turn a wholly-owned subsidiary company of PESTECH.

(d) Subsidiary and Associated Companies

As at the LPD, Fornix does not have any subsidiary or associated companies.

5.2.4 TPJV

(a) Background, history and principal activities

TPJV (Company No. 0276E/2010) was incorporated in Cambodia under the Laws of Cambodia on 5 February 2010 as a single member private limited company under the name of Tajri-PESTECH JV Ltd. TPJV commenced its business operations on 10 March 2010 and is principally involved in the construction of electrical substation and transmission line.

(b) Share Capital

As at the LPD, the authorised and issued and paid-up share capital of TPJV is as follows:-

	No. of shares	Par value (KHR)	Amount (KHR)
Authorised	1,000	4,000	4,000,000
Issued and paid-up	1,000	4,000	4,000,000

There were no changes in the issued and paid-up share capital of TPJV for the past three (3) years.

As at the LPD, TPJV does not have any outstanding warrants, options, convertible securities and uncalled capital.

(c) Substantial Shareholder

TPJV is a wholly-owned subsidiary company of PSB, which is in turn a wholly-owned subsidiary company of PESTECH.

(d) Subsidiary and Associated Companies

As at the LPD, TPJV does not have any subsidiary or associated companies.

5.2.5 PSSB

(a) Background, history and principal activities

PSSB (Company No. 977694-K) was incorporated in Malaysia under the Act on 10 February 2012 as a private limited liability company under the name of PESTECH (Sarawak) Sdn Bhd. As at the LPD, PSSB has yet to commence its operations.

(b) Share Capital

As at the LPD, the authorised and issued and paid-up share capital of PBSB is as follows:-

	No. of shares	Par value (RM)	Amount (RM)
Authorised	100,000	1.00	100,000
Issued and paid-up	2	1.00	2

PSSB was recently incorporated in 2012, as such, there are no changes in the issued and paid-up share capital of PSSB.

As at the LPD, PSSB does not have any outstanding warrants, options, convertible securities and uncalled capital.

(c) Substantial Shareholders

PSSB is a wholly-owned subsidiary company of PSB, which is in turn a wholly-owned subsidiary company of PESTECH.

(d) Subsidiary and Associated Companies

As at the LPD, PSSB does not have any subsidiary or associated companies.

5.2.6 PTL

(a) Background, history and principal activities

PTL (Company No. CA-99,553) was incorporated in Ghana under the Companies Code, 1963 (Act 179) of Ghana on 9 March 2012 as a private limited company under the name of PESTECH Transmission Limited. As at the LPD, PTL has yet to commence its operations.

(b) Share Capital

As at the LPD, the authorised and issued and paid-up share capital of PTL is as follows:-

	No. of shares	Amount (GHS)
Authorised	1,000,000	1,000,000
Issued and paid-up	96,000	96,000

PTL was recently incorporated in 2012, as such, there are no changes in the issued and paid-up share capital of PTL.

As at the LPD, PTL does not have any outstanding warrants, options, convertible securities and uncalled capital.

(c) Substantial Shareholders

PTL is a wholly-owned subsidiary company of PSB, which is in turn a wholly-owned subsidiary company of PESTECH.

(d) Subsidiary and Associated Companies

As at the LPD, PTL does not have any subsidiary or associated companies.

5.2.7 PBSB

(a) Background, history and principal activities

PBSB (Company No. RC/00008311) was incorporated in Brunei under the Companies Act (Cap 39) of Brunei on 17 March 2011 as a private limited company under the name of PESTECH (Brunei) Sdn Bhd. PBSB commenced operations on 25 October 2011 and is principally involved in the provision of electrical engineering services, specialising in transmission and distribution specifically but not limited to include the design, manufacturing, trading, installing, commissioning and testing, repairs, maintenance of equipment at substations for public and private amenities.

(b) Share Capital

As at the LPD, the authorised and issued and paid-up share capital of PBSB is as follows:-

	No. of shares	Par value (BND)	Amount (BND)
Authorised	500,000	1.00	500,000
Issued and paid-up	100	1.00	100

There are no changes in the issued and paid-up share capital of PBSB since its incorporation.

As at the LPD, PBSB does not have any outstanding warrants, options, convertible securities and uncalled capital.

5. INFORMATION ON OUR GROUP (Cont'd)

(c) Substantial Shareholders

PBSB is a 90% owned subsidiary company of PSB, which is in turn a wholly-owned subsidiary company of PESTECH. The remaining 10% shareholding is held by Hairol Addy Nizam Bin Hasim, a Bruneian.

(d) Subsidiary and Associated Companies

As at the LPD, PBSB does not have any subsidiary or associated companies.

5.2.8 TPSB

(a) Background, history and principal activities

TPSB (Company No. 553143-U) was incorporated in Malaysia under the Act on 13 July 2001 as a jointly-controlled entity between PSB and Pembinaan Tajri under the name of Tajri-PESTECH JV Sdn Bhd. TPSB commenced its operations on 10 September 2001 and was principally involved in the provision of electrical, mechanical and civil engineering, subcontracting and engineering consultancy. It is currently inactive.

(b) Share Capital

As at the LPD, the authorised and issued and paid-up share capital of TPSB is as follows:-

	No. of shares	Par value (RM)	Amount (RM)
Authorised	100,000	1.00	100,000
Issued and paid-up	25,000	1.00	25,000

There were no changes in the issued and paid-up share capital of TPSB for the past three (3) years.

As at the LPD, TPSB does not have any outstanding warrants, options, convertible securities and uncalled capital.

(c) Substantial Shareholder

TPSB is a 50% jointly-controlled entity of PSB, which in turn is a wholly-owned subsidiary company of PESTECH. The substantial shareholders of TPSB are as follows:-

	Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
PSB	12,500	50.0	-	-
Lim Ah Hock	-	-	12,500	50.0 *
Lim Pay Chuan	-	-	12,500	50.0 *
Pembinaan Tajri	12,500	50.0	-	-
Abd. Ghaffur Bin Ramli	-	-	12,500	50.0 ^
Zulkhariah Binti Aman	-	-	12,500	50.0 ^
Right Hectares Sdn Bhd	-	-	12,500	50.0 ^
Saidon Bin Yunus	-	-	12,500	50.0 #
Rohaya Binti Osman	-	-	12,500	50.0 #

5. INFORMATION ON OUR GROUP (Cont'd)

Notes:-

* *Deemed interested by virtue of his shareholdings in PESTECH.*
^ *Deemed interested by virtue of his/her/its shareholdings in Pembinaan Tajri.*
\# *Deemed interested by virtue of his/her shareholdings in Right Hectares Sdn Bhd.*

(d) Subsidiary and Associated Companies

As at the LPD, TPSB does not have any subsidiary or associated companies.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.3 LISTING SCHEME AND SGP

In conjunction with and as an integral part of our listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the Main Market of Bursa Securities, the details of our Listing Scheme and SGP are as follows:-

(i) Public Issue

Our Company undertakes a public issue of 12,880,000 new Shares, at the Issue Price, representing approximately 15.00% of our enlarged issued and paid-up share capital, payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

(a) 6,000,000 new PESTECH Shares, representing approximately 6.99% of our enlarged issued and paid-up share capital, made available for application by the Malaysian Public via balloting, of which at least 50% is to be set aside strictly for Bumiputera investors;

(b) 5,367,000 new PESTECH Shares, representing approximately 6.25% of our enlarged issued and paid-up share capital, reserved for our eligible Directors, employees and persons who have contributed to the success of our Group; and

(c) 1,513,000 new PESTECH Shares, representing approximately 1.76% of our enlarged issued and paid-up share capital, by way of placement to identified investors.

All the Issue Shares shall rank *pari passu* in all respects with the existing issued and paid-up shares of our Company, including the voting rights and rights to all dividends and distributions that may be declared, made or paid subsequent to the date of the allotment thereof.

Upon completion of the Public Issue, the issued and paid-up share capital of our Company will increase to RM42,940,000 comprising 85,880,000 Shares.

(ii) Offer for Sale

The Offerors also undertake an offer for sale of 8,588,000 Offer Shares, representing 10.00% of our enlarged issued and paid-up share capital, at the Offer Price, payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-.

(a) 6,456,400 Offer Shares, representing approximately 7.52% of our enlarged issued and paid-up share capital, by way of placement to Bumiputera investors approved by the MITI; and

(b) 2,131,600 Offer Shares, representing approximately 2.48% of our enlarged issued and paid-up share capital, by way of placement to identified investors.

Pursuant to the Offer for Sale, the Offerors are expected to raise approximately RM8.588 million based on the Offer Price.

All the Offer Shares shall rank *pari passu* in all respects with the existing issued and paid-up shares of our Company, including the voting rights and rights to all dividends and distributions that may be declared, made or paid subsequent to the date of the transfer thereof.

5. INFORMATION ON OUR GROUP (Cont'd)

(iii) Listing

The admission and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM42,940,000 comprising 85,880,000 Shares on the Main Market of Bursa Securities have been approved by Bursa Securities.

(iv) SGP

In conjunction with the Listing, our Company will also implement a SGP involving up to 15% of the issued and paid-up share capital of PESTECH at any time during the existence of the SGP, to be granted and/or issued to the eligible Directors and executives of our Group.

In implementing the SGP, the SGP committee may in its discretion decide that the PESTECH Shares to be granted and/or issued to eligible Directors and executives may be satisfied by way of:-

(i) Issuance of new PESTECH Shares;

(ii) Purchase of existing PESTECH Shares from the market; or

(iii) A combination of both issuance of new PESTECH Shares and purchase of existing PESTECH Shares from the market.

In considering whether to issue new PESTECH Shares or to purchase existing Shares for the purpose of the SGP, the SGP committee will take into consideration, inter-alia, factors such as the prevailing market price of the Shares, funding consideration and dilutive effects on our Company's capital base and future returns. The implementation of the SGP will be facilitated through the establishment of a trust to be administered by the trustee in accordance with a trust deed and shall, at all times, be under the direction of the SGP committee.

In determining the number of PESTECH Shares to be granted and/or issued to our eligible Directors and executives under the SGP, the following shall be taken into consideration:-

(i) The performance of our Group in meeting certain financial targets to be determined by our Board and/or the SGP committee; and

(ii) Our eligible Directors and executives meeting certain individual financial and/or performance targets to be determined by our Board and/or the SGP committee.

The SGP shall be in force for a duration of five (5) years. However, our Board at its discretion, upon the recommendation of the SGP committee, may extend the SGP for a further period of up to five (5) years or any other duration that is allowed by the relevant authorities.

In the event new Shares are issued pursuant to the SGP, such new Shares will, upon allotment and issue, rank pari passu in all respects with our existing issued and paid-up share capital, except that the new Shares will not be entitled to any dividend, right, allotment or other distribution, the entitlement date of which is prior to the date of allotment of the said Shares. The new Shares will be subject to all provision of our Articles of Association.

In the event existing Shares are purchased from the market pursuant to the SGP, such Shares will rank equally in all respects with our other existing issued Shares including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of transfer.

The listing of and quotation for any new Share(s) to be issued pursuant to the SGP on the Main Market of Bursa Securities have been approved by Bursa Securities.

For further information, please refer to Section 14 of this Prospectus.

5. INFORMATION ON OUR GROUP (Cont'd)

5.4 LOCATION OF OPERATIONS

The location of our Group's operational and administrative premises is as follows:-

Company	Purpose	Location
PESTECH	Corporate Office	No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia
PSB	Factory and warehouse	No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia
	Branch office	No. 04A, Tingkat 4, Wisma SESB, Jalan Tunku Abdul Rahman, 88673 Kota Kinabalu, Sabah, Malaysia
	Branch office	Ground Floor of No. 273, Vauxhall Street, Colombo 02, Sri Lanka
Xcell	Corporate office	No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia
TPJV	Corporate office	No. 04E, National Road No.5, Group 6 Spean Khpous Village, Sangkat Kilometre No. 6, Khan Russey Keo, Phnom Penh, Cambodia
PBSB	Corporate office	Unit 3, 1st Floor, Block A, Urairah Complex, Kampung Kiulap, Bandar Seri Bengawan BE1518, Brunei Darussalam

5. INFORMATION ON OUR GROUP (Cont'd)

5.5 KEY ACHIEVEMENTS / MILESTONES / AWARDS

The key achievements / milestones / awards of our Group are as follows:-

Year	Key Milestones / Awards
2001	• Our JV with Pembinaan Tajri was awarded a contract from TNB for the design, supply, erection and commissioning of 275kV and 132kV transmission substations and upgrading of associated bay equipment and protection equipment for TNB substations. • Awarded first PMU job for the erection, installation, testing and commissioning of a 132kV outdoor transformer bay, 132kV indoor equipment and 33kV indoor equipment inclusive of ancillary equipment, earthing systems, power and auxiliary cables for Seberang Jaya temporary substation from Projass Engineering Sdn Bhd.
2002	• Obtained first SCADA system implementation contract to design, engineer, manufacture and supply SCADA systems to TNB substations in Putrajaya, Selangor and Kuala Lumpur from Central Energy Sdn Bhd. • Awarded a contract from Microsol Aust. Pty Ltd to supply RTUs to North Korea which was sponsored by the Australian Agency for International Development (AusAID). • Successful certification of ISO 9001:2000 for Quality Management System.
2004	• Awarded a contract from Microsol Aust. Pty Ltd to supply RTUs to Vietnam. • Awarded a fast-track job for the design, engineering, manufacture of secondary equipment, installation, testing and commissioning of 275kV switchgears, 3x60MVAr 275kV capacitor banks and ancillary equipment for KL North substation. We completed the Project in approximately seven (7) months as compared to the normal timeframe of 12 to 15 months required for a similar Project. • Awarded a project to design, manufacture, assemble, construct and commission the TNB PMU 132/11kV Sultan Idris Power Station (Woh) and PMU 132/11kV Sultan Yusoff Power Station (Jor) substations in Cameron Highlands by Zafas Sdn Bhd.
2006	Awarded by ASTA BEAB Certification Services, UK for ASTA Type Test Certificate for 12 kV and 36 kV outdoor, single pole, double break, air break disconnectors that are normally associated with neutral earthing resistors.
2008	• Our JV with SLCC was awarded an overseas project in Brunei for the design and construction of 66kV outdoor switchyard at Brunei's LPS, and 66kV underground cable links from LPS to the proposed BMC 66kV electrical substation in Brunei by BMC. • Our JV with Dayen was awarded a project in PNG for the design, manufacture, supply, construction, installation and commissioning of the Erap 132kV Grid Substation for the Erap – Hidden Valley Gold Mine Electrification Project by PPL.

5. INFORMATION ON OUR GROUP (Cont'd)

Year	Key Milestones / Awards
	• Awarded first contract for the supply of our Products for the Ghana market to design, manufacture, supply, factory test, export pack and deliver 33kV feeder protection and metering panels and 33kV transformer protection and metering panels via a customer in Malaysia.
2009	• One of the recipients of the Enterprise 50 Award for the year 2009 by SME Corp and Deloitte Consulting (M) Sdn Bhd. • Awarded a contract from Department of Energy Services, Brunei for the supply of relays to Brunei. • Awarded first project in Sri Lanka to design, execute, complete and remedy any defects therein in relation to Beliatta grid substation project Lot A by Ceylon Electricity Board.
2010	• Awarded Certificate of Achievement for Successfully Achieving Four Stars for the Year 2010 under the SME Competitiveness Rating for Enhancement (SCORE) by MITI and SME Corp. • Our JV with Pembinaan Tajri was awarded a contract involving the establishment of substations and a transmission link between the North Phnom Penh transmission network to the Kampong Cham network in Cambodia by Cambodian Transmission Limited. • Obtained OHSAS 18001:2007 certification. • Our Executive Director / CEO, Paul Lim received Outstanding Entrepreneurship Award 2010 by Enterprise Asia. • Received Certificate for Five Star Achievement in Safety Compliance Audit (SAFCA) for Project PMU Manjalara GIS substation awarded by Asset Development Department of TNB. • Obtained our first Project in Ghana to design, supply, test and commission a 161kV single busbar substation at Ayanfuri. • One of the recipients of the Enterprise 50 Award for the year 2010 by SME Corp and Deloitte Consulting (M) Sdn Bhd.
2011	• Awarded "Best Vendor" in conjunction with Vendor Day by Northern Region, Transmission Asset Development of TNB. • Awarded Malaysian Brand certification by SME Corp. • One of the recipients of the Enterprise 50 Award for the year 2011 by SME Corp and Deloitte Consulting (M) Sdn Bhd.
2012	• Awarded TNB 2012 Excellence Award for the contractor category by TNB. • Awarded Brand Laureate Awards 2011 for SMEs Chapter Awards (corporate branding category) by Brand Laureate.

5. INFORMATION ON OUR GROUP (Cont'd)

5.6 CAPITAL EXPENDITURE AND DIVESTITURES

Save as disclosed below, our Group did not incur any other capital expenditure or investments and had no other divestitures for the past three (3) FYE 31 December 2009 to 2011:-

	Transaction value for the FYE 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Building	4,179	-	-
Office equipment	1,163	443	445
Motor vehicles	217	182	30
Motor vehicles under hire purchase	-	118	313
Renovation	269	109	38
Tools and equipment	195	173	278
Total capital expenditures	**6,023**	**1,025**	**1,104**
Investment			
Unquoted shares (associated companies)	30	-	-
Unquoted shares (subsidiary companies)	60	-	36,500
Total investment	**90**	**-**	**36,500**
Divestitures			
Motor vehicles	(69)	-	(655)
Total divestitures	**(69)**	**-**	**(655)**

The above capital expenditures were financed through internally generated funds and bank borrowings. Our Group incurred capital expenditure on a need-be basis, hence the amount of capital expenditure incurred every year may vary.

For the FYE 31 December 2009, our Group's capital expenditures were substantially higher as compared to FYE 31 December 2010 and 2011 mainly due to the cost incurred for the construction of our present corporate office and manufacturing facility in Shah Alam. In addition, the capital expenditures on office equipment, renovations, tools and equipment were incurred pursuant to our aforesaid new corporate office as well as to accommodate our Group's business expansions.

For the FYE 31 December 2011, our Group's total investment of RM36.500 million was due to the Acquisition of PSB, whilst our Group's divestitures of RM0.655 million was due to disposal of motor vehicles during the financial year.

As at the LPD, we have not undertaken any material capital expenditure and material divestitures that is currently in progress.

5. INFORMATION ON OUR GROUP (Cont'd)

5.7 BUSINESS OVERVIEW

5.7.1 Our Projects / Products

We are an integrated electric power technology company. We are principally engaged in the provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of HV and EHV substations, transmission lines and underground cables for electricity transmission and distribution in the local and international markets. We also manufacture proprietary power system components and equipment.

As part of our power system engineering and technical solutions, we offer the following services:-

- The design of indoor and outdoor electrical substations, structural and civil layout for HV substations, and transmission line and underground cable systems;
- Project management, construction and commissioning of HV and EHV substations;
- Earthing, conductors, clamps and connectors design;
- Primary and secondary systems design including calculation and verification;
- Protection, control and communication system design and implementation; and
- SCADA system implementation.

The breakdown of our Group's revenue by Projects, Products and investment holding for the past three (3) FYE 31 December 2009 to 2011 is as follows:-

	<----------FYE 31 December---------->					
	2009		2010		2011	
	RM'000	%	RM'000	%	RM'000	%
Projects	75,662	87.4	96,852	84.2	128,732	98.3
Products	10,886	12.6	18,604	16.2	11,584	8.9
Investment holding	-	-	564	0.5	564	0.4
Total	**86,548**	**100.0**	**116,020**	**100.9**	**140,880**	**107.6**
Consolidation adjustment	-	-	(1,038)	(0.9)	(9,933)	(7.6)
Total	**86,548**	**100.0**	**114,982**	**100.0**	**130,947**	**100.0**

5.7.1.1 Selected key Projects

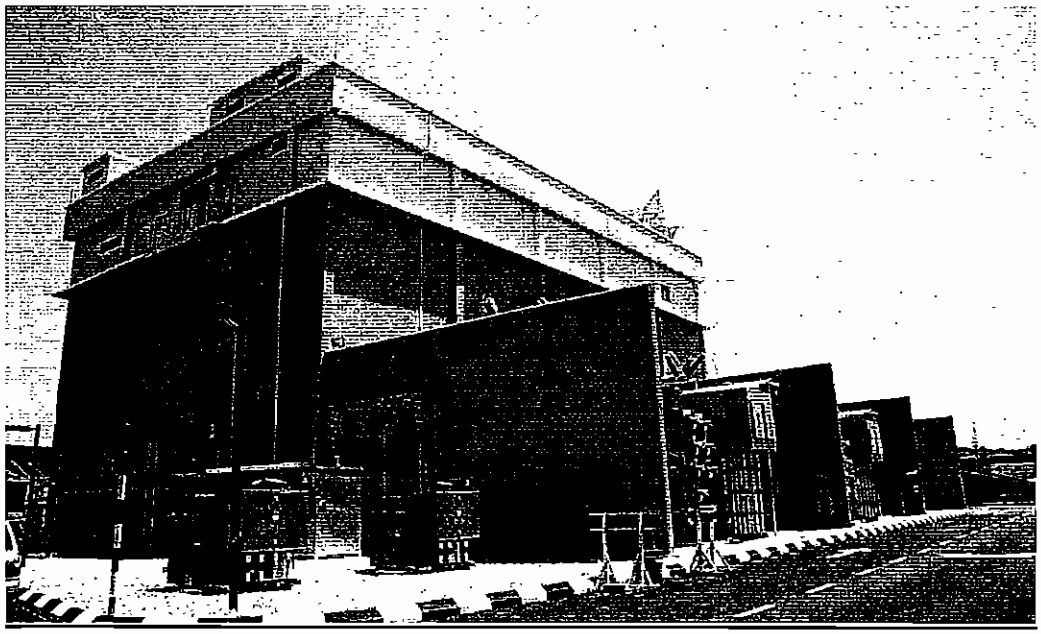
Malaysia

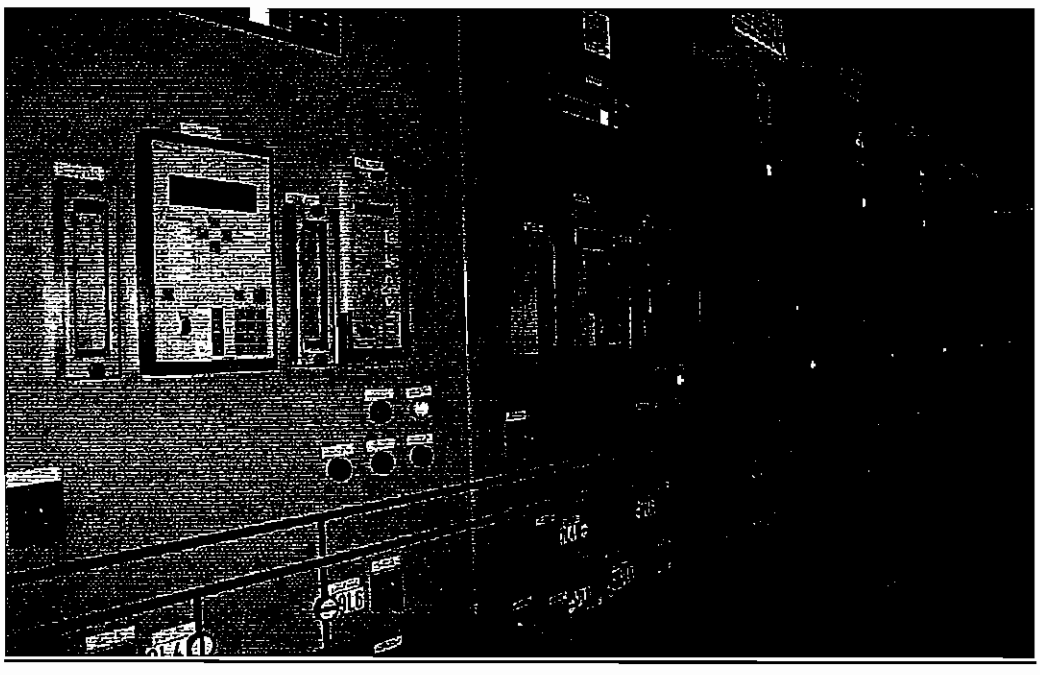
In 2009, our JV with Pembinaan Tajri was awarded a project by TNB to construct a PMU 132/33kV Manjalara indoor GIS substation. The substation is part of the system improvement for the electricity network within the Manjalara and Desa Park City area of Kuala Lumpur. We are responsible for the design, manufacture, supply, construction, installation and commissioning for the project. In the course of executing the project, we were awarded 5-Star achievement in SAFCA audit by the Asset Development (Central) Transmission Division of TNB.

5. INFORMATION ON OUR GROUP (Cont'd)

Year	Customer	Project Description
Awarded in 2009, completed in November 2011	TNB	Design, manufacture, supply, construction, installation and commissioning of a PMU 132/33kV Manjalara indoor GIS substation.

View of the project site





5. INFORMATION ON OUR GROUP (Cont'd)

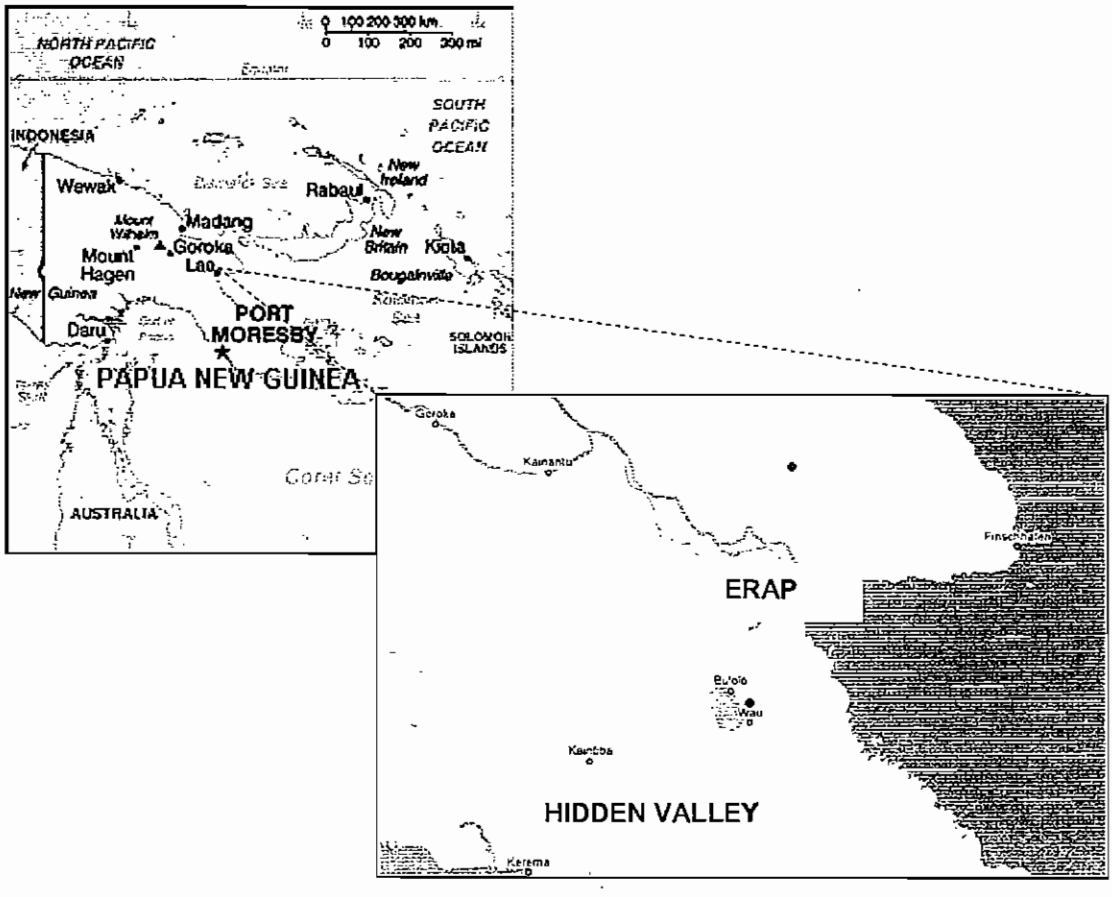
PNG

In June 2008, our JV with Dayen, a public-listed engineering, procurement and construction company based in Singapore, was awarded a project by PPL, a power authority responsible for the generation, transmission, distribution and retailing of electricity throughout PNG, for the Erap-Hidden Valley Gold Mine Electrification Project. We were responsible for the electrical works and design, manufacture, supply, construction, installation and commissioning of the two (2) 132kV substations. We successfully commissioned the Erap 132kV Grid Substation on 23 March 2010, and completed the handover of the grid substations to PPL on 31 March 2010. As for the Hidden Valley substation, it was fully commissioned and handed over to PPL on 23 January 2011.

This grid substations project was part of PPL's overall development plan for a gold mine at the Hidden Valley site, which includes the power expansion and development works at the Ramu Power Station, 132kV Transmission Line Construction Works between Erap and Hidden Valley and the 132kV Erap and Hidden Valley Grid Substations Project with contracts awarded to companies from China, Malaysia and Singapore. The completion of the Erap 132kV Grid Substation and its linkage to the existing PNG 132kV Ramu-Taraka, Lae transmission network is a strategic milestone achievement for PPL. The completion of the project would enable PPL to bring electrical power from Ramu Power Station to the gold mine at the Hidden Valley site, and also for future rural electrification to the people in the Morobe Province that is situated between the Ramu Power Station and Hidden Valley.

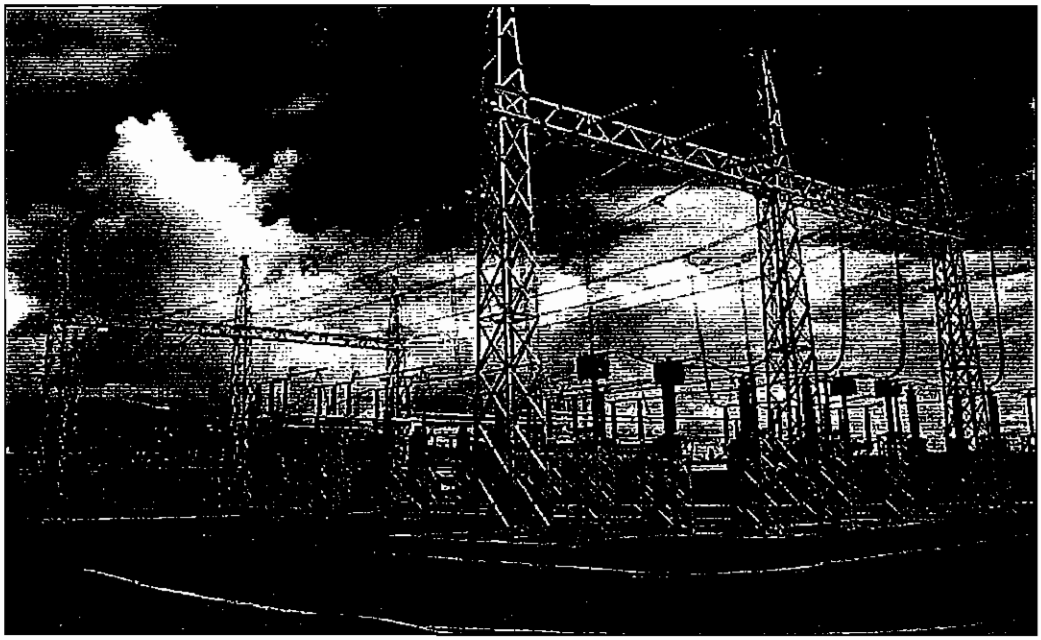
Year	Customer	Project Description
Awarded in 2008, completed in January 2011	PPL	Design, manufacture, supply, construction, installation and commissioning of the Erap and Hidden Valley 132/11kV Grid Substations in PNG for the Erap – Hidden Valley Gold Mine Electrification Project

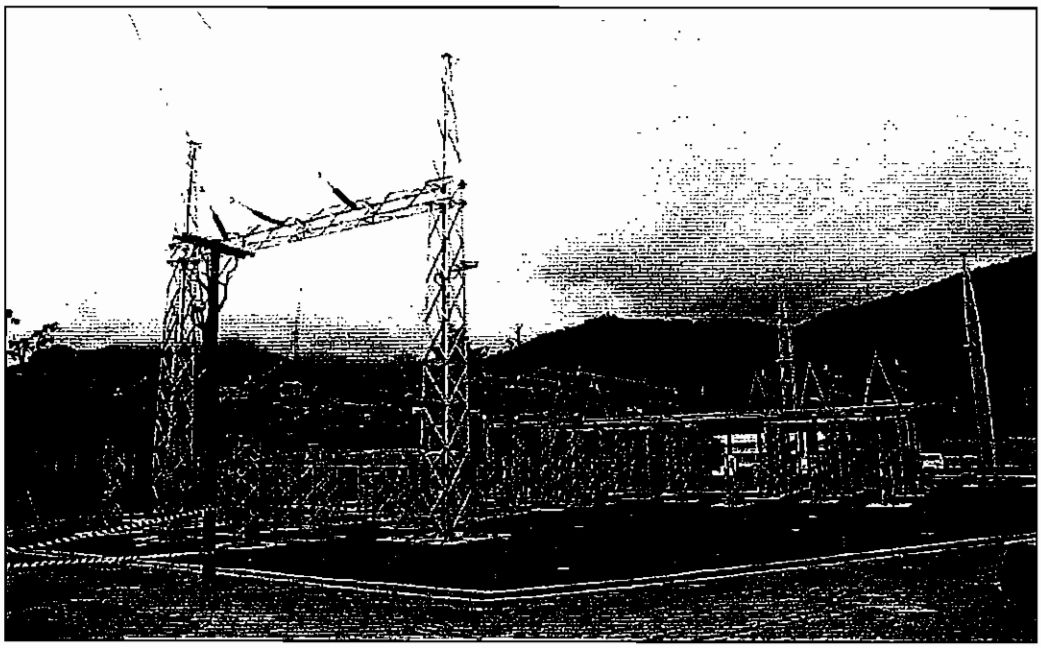
Map of the project site



5. INFORMATION ON OUR GROUP (Cont'd)

View of the completed substation switchyard





5. INFORMATION ON OUR GROUP (Cont'd)

Cambodia

In 2010, our JV with Pembinaan Tajri was awarded a project by Cambodia Transmission Limited to establish substations and a transmission link between North Phnom Penh and Kampong Cham in Cambodia. The project involves the design, building, testing and commissioning of a 110km long, 230kV double-circuit transmission line from North Phnom Penh to Kampong Cham, along with the substation facilities and upgrades.

Salient terms of the present JV agreement with Pembinaan Tajri in respect of the Project in Cambodia are as follows:-

(i) The agreement shall subsist until the completion of the Project in Cambodia including warranty period for the Project in Cambodia unless earlier terminated or mutually extended by both parties;

(ii) The parties are to co-operate on an exclusive basis to design, build, test and commission 110km long 230kV transmission line between North Phnom Penh to Kampong Cham including upgrades to substation facilities. Both parties will collaborate in project execution and transfer of know-how with regards to substation design, transmission lines and underground cable works, however, PSB is responsible for the full scope of work within the Project in Cambodia from project design, execution including engineering, procurement and commissioning;

(iii) Each party shall be severally responsible and liable for their own performance, losses and liabilities; and

(iv) The agreement shall be terminated if the Project in Cambodia is awarded to a third party; cancelled by the client; not awarded within 12 months from the date of the agreement unless extended in writing by mutual agreement; or both parties mutually agree to terminate the agreement.

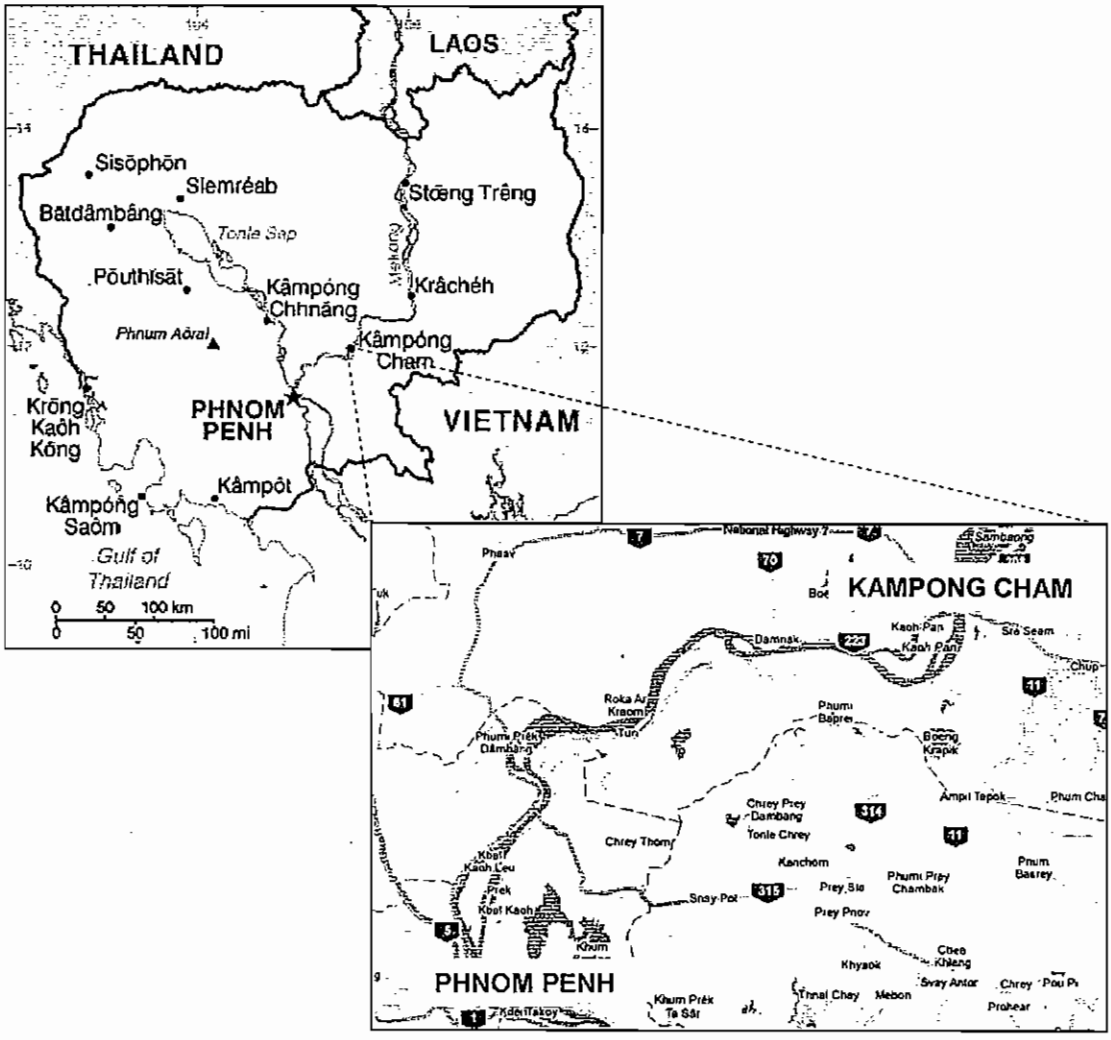
The contract outlines the erection of two (2) transmission substations, one (1) at North Phnom Penh (220/115kV) and the other at Kampong Cham (115kV) and the interconnecting transmission lines of 110km long linking the two (2) substations. The transmission tower will first operate at 115kV before being upgraded to 220kV in the future.

Year	Customer	Project Description
Awarded in 2010, currently ongoing, expected completion in 2013	Cambodian Transmission Limited	Design, build, test and commission of the North Phnom Penh and Kampong Cham transmission substations and the transmission lines interconnecting the two (2) substations

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

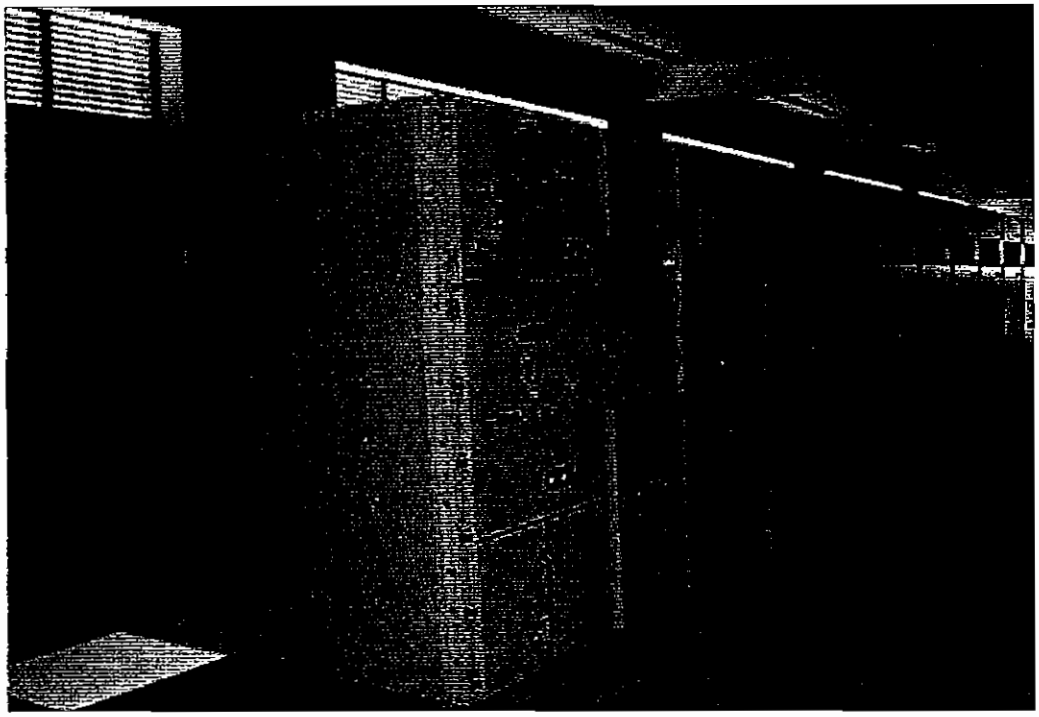
Map of the project site



View of the outdoor switchyard at the Cambodia project site

5. INFORMATION ON OUR GROUP (Cont'd)

Our delivered and installed panels



Ghana

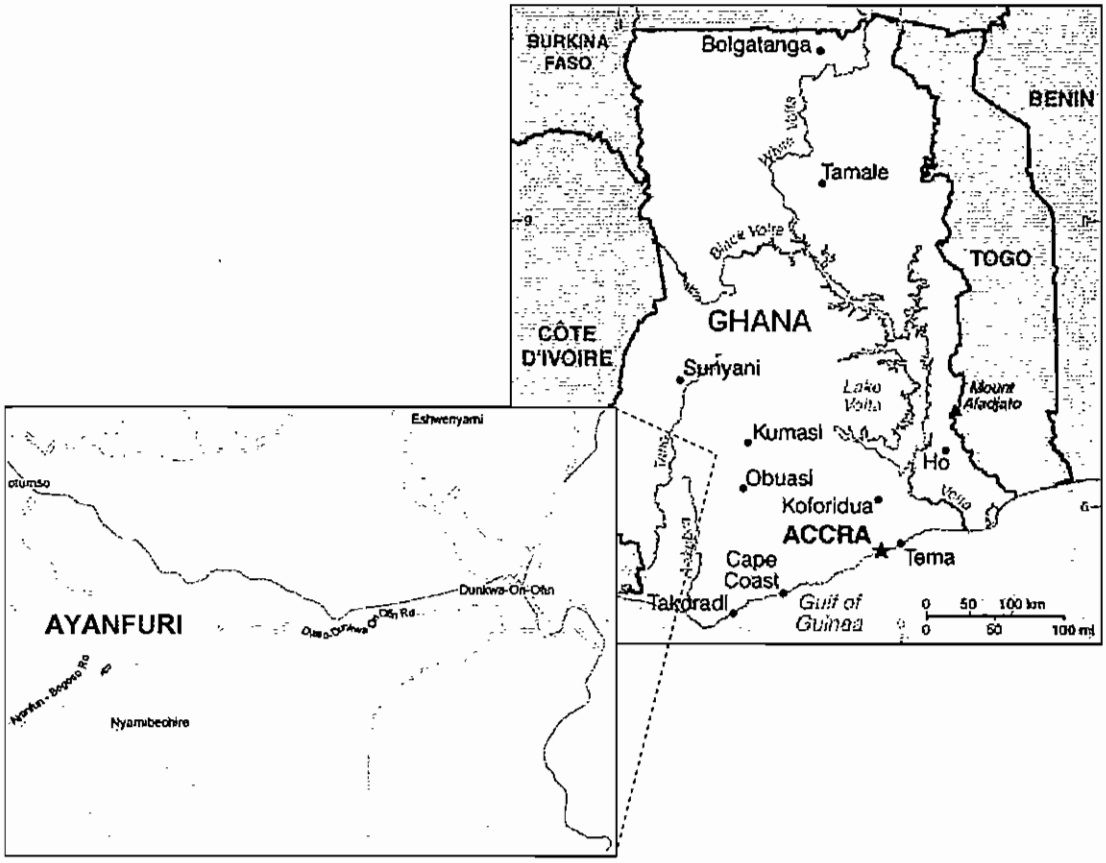
In 2010, we were awarded a Project in Ghana, where we obtained a contract to design, supply, test and commission a 161kV single busbar substation at Ayanfuri, located approximately 20km west of Dunkwa and construction of 161kV transmission line to connect to the grid transmission system.

The project involved adding a 161/11.5kV substation into the existing 161kV transmission line from Dunkwa to Asawinso. The additional substation will supply electric power to the Central Ashanti Gold Mine. The substation has a single busbar topology, which interconnects three (3) bays, designated for the newly terminated Dunkwa to Ayanfuri transmission line, the newly terminated Asawinso to Ayanfuri transmission line, and a 161/11.5kV, 25/33MVA power transformer to supply power to the Central Ashanti Gold Mine.

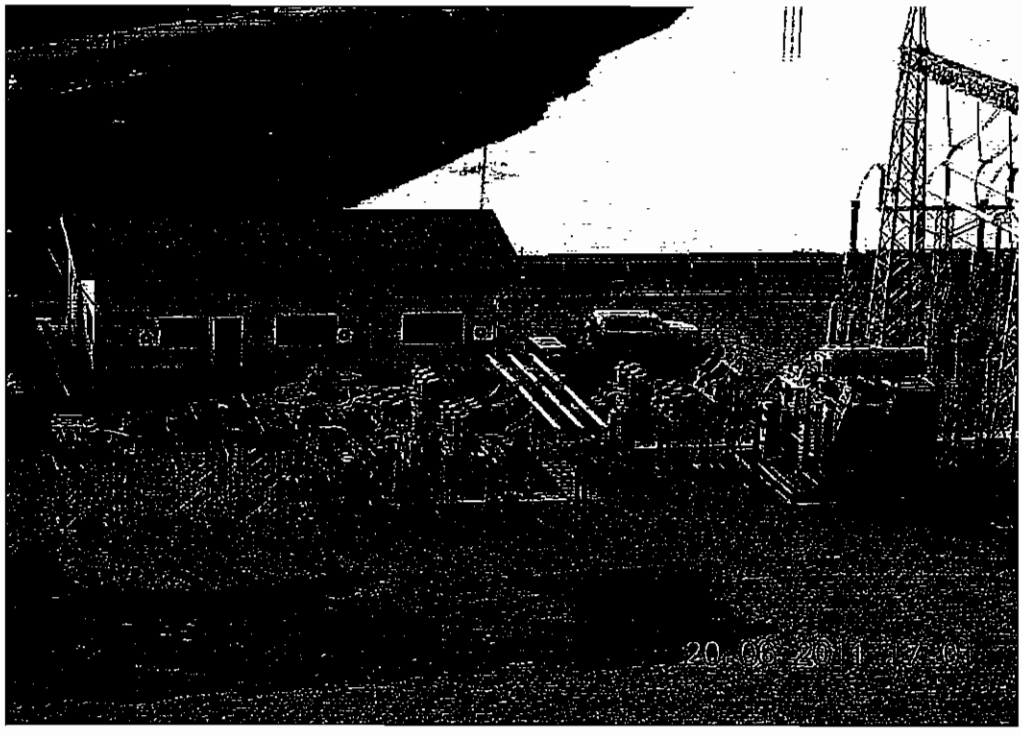
Year	Customer	Project Description
Awarded in 2010, completed in May 2011	Central Ashanti Gold Limited	Design, supply, test and commission a 161kV single busbar substation at Ayanfuri, Ghana

5. INFORMATION ON OUR GROUP (Cont'd)

Map of the project site



Aerial view of the substation

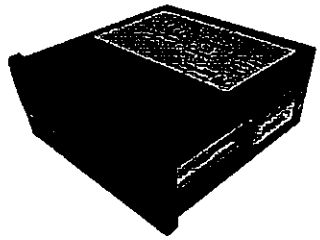
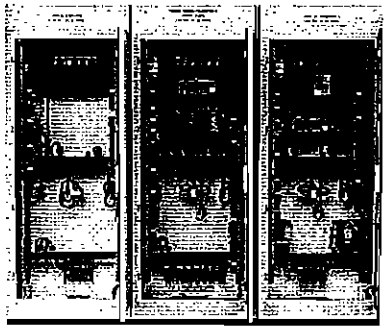
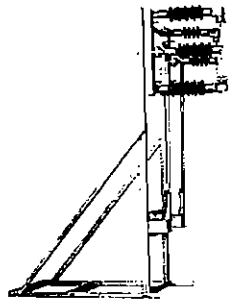


5. INFORMATION ON OUR GROUP (Cont'd)

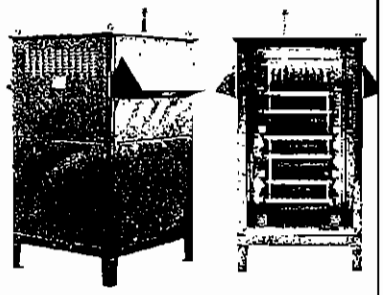
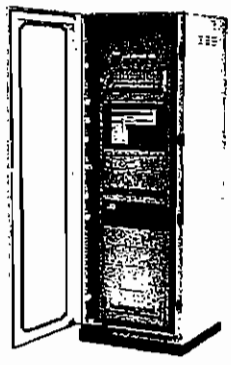
5.7.1.2 Our in-house product range

Our range of power system control components and equipment under the PESTECH brand includes:-

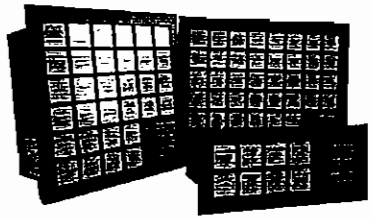
- BCD input display;
- Control and protection panels;
- HV isolator;
- Telecommunication and teleprotection;
- NER;
- RTU;
- SIMS; and
- Alarm annunciation panel

Product	Brand	Description	Visual
BCD input display	BCD	The BCD input display is designed to convert BCD signals into a numeric value.	
Control and protection panels	COPS	COPS is a control, protection and monitoring unit which enables remote control operation of primary high voltage equipment and protection systems in substations.	
HV isolator	D-Switch	The disconnector switch (D-switch) is used in power utilities to separate equipment from either the energy source or the ground.	

5. INFORMATION ON OUR GROUP (Cont'd)

Product	Brand	Description	Visual
Telecommunication and teleprotection	RETCOMS	The telecommunication and teleprotection panel combines communication and protection into one, by incorporating synchronous digital hierarchy as the transmission media, and multiplexer (sourced from RFL) and teleprotection products in one panel.	
NER	RES	The NER protects power equipment against fault currents by limiting the ground fault current to a certain level to prevent damage.	
RTU	PROCOM	The RTU, marketed under the brand name PROCOM, provides interfacing of substation equipment with remote control center under SCADA implementation.	
SIMS	WACS	The SIMS, marketed under the brand name WEBS, facilitates full control or remote access to various intelligent electronic devices (IEDs) by creating a gateway to each IED through the respective manufacturer's own proprietary software.	

5. INFORMATION ON OUR GROUP (Cont'd)

Product	Brand	Description	Visual
Alarm Annunciation panel	AAP	The AAP-10 is a micro-processor based alarm annunciation panel with universal power supply inputs. It provides the operator with vivid visual indication of alarms signalling. The logical function incorparated in the microprocessor allows logical operation on its input to activate the alarm indication.	

In addition, we are an authorised distributor of telecommunication products from RFL. We also sell NER products from Post Glover. We manufacture our Products under the registered trade mark of COPS, for protection and control panels and PROCOM for RTU. As at the LPD, PESTECH logo, COPS brand name, PROCOM and RETCOMS have been registered under Class 9 with the Intellectual Property Corporation of Malaysia.

Through the collaboration with our technology partners/distributors in the field of substation control automation, we are able to extend the range of services that we can provide to our customers. These include the service and maintenance of existing installation, launching of new products based on established platform, and competency in engineering and designing systems based on a wide range of universally accepted industry products.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.7.2 Our Principal Markets

Our revenue contribution is mainly derived from two (2) sources i.e. Projects and Products. Projects are executed both domestically and overseas which includes the utilisation of our manufactured Products. Similarly, the manufacturing and sales of our Products to third parties cater for both domestic and overseas markets.

Based on the FYE 31 December 2011, our revenue contribution by foreign and domestic markets is as shown below:-

	Revenue for the FYE 31 December 2011 * RM'000	Proportion of total revenue %
Foreign	100,201	76.5
Domestic	30,746	23.5
Total revenue	130,947	100.0

Note:-

* *After deducting consolidation adjustment.*

In analysing revenue contribution, revenue generated in the FYE 31 December 2011 is mainly derived from foreign markets, where the breakdown between foreign and domestic markets comprises 76.5% and 23.5% respectively.

Further revenue breakdown of contribution from foreign markets comprise the following countries:-

	Revenue for the FYE 31 December 2011 * RM'000	% of total revenue
Cambodia	75,521	57.7
Ghana	2,599	2.0
Sri Lanka	18,199	13.9
Brunei	3,882	2.9
Total foreign revenue	100,201	76.5

Note:-

* *After deducting consolidation adjustment.*

Based on the above, our Group's foreign market revenue is primarily derived from Cambodia and Sri Lanka in the FYE 31 December 2011. Our key target customers in foreign markets are mainly government-linked companies, authorities or companies in the developing countries which need electrical and electronic power system infrastructure for transmission and distribution of electricity at the HV and EHV levels.

Moving forward, it is our intention to expand our presence in the international markets as we can further leverage on our current capabilities and competencies to become one of the main regional players in the industry.

5.7.3 Seasonality

We do not experience any material seasonality in our business.

5. INFORMATION ON OUR GROUP (Cont'd)

5.7.4 Types, sources and availability of raw materials/input

Supply	Purchase Value (RM'000)	Sources *		Sources of Import
		Domestic (%)	Import (%)	
2011				
Transformers	4,189	-	100	Indonesia
Circuit breakers	17	100	-	N/A
Relays	6,474	-	100	Japan, Finland, Sweden
Current transformers	3,486	100	-	N/A
Voltage transformers	430	100	-	N/A
Third Party Services				
Civil works	21,962	100	-	N/A
Substation erection	4,097	100	-	N/A
2010				
Transformers	11,243	-	100	Indonesia
Circuit breakers	11,499	100	-	N/A
Relays	2,816	-	100	Japan, Finland, Sweden
Current transformers	1,024	-	100	Sweden
Voltage transformers	954	-	100	Sweden
Third Party Services				
Civil works	11,020	100	-	N/A
2009				
Transformers	17,865	-	100	India
Relays	2,351	-	100	Japan, Finland, Sweden
Current transformers	1,419	-	100	Sweden
Surge arrestors	782	-	100	Japan
Third Party Services				
Substation erection	7,749	100	-	N/A
Civil works	1,031	100	-	N/A
Erection and project management	71	100	-	N/A

Note:-

* *Sources are determined from the perspective of the operating entity.*

For the past 12 months up to the LPD, our Group has not experienced any significant shortage in the supply of raw materials and third party services used in our business operations.

5.7.5 Production/operating capacities and output

Project

Our Projects are mainly contract based. Time taken to complete a project from the design stage to the commissioning and handover stage to our customer may vary between six (6) months and as long as a few years. The timeline of the completion of a project will depend on the scope of work to be done and the requirement and specifications of the customer. On average, the design team is able to undertake three (3) substation projects at any one time, where the design of each substation takes approximately 45 working days. In a year, we are able to undertake an estimated 12 new substation projects. Our capacity is based on our manpower, and our ability to increase our capacity will be dependent on increasing manpower.

Products

Our capacity is dependent on several factors, such as availability of manpower and floorspace. As at the LPD, we are able to complete 200 various types of panels (such as control and protection panels, telecommunication and tele-protection panels, RTU and SIMS) and 20 NERs in a timeframe of eight (8) weeks, at a rate of one eight (8)-hour shift per day. Our production floor has an area of 14,000 square feet and is able to accommodate the production of 80 various types of panels at any one time. Notwithstanding, given our available floorspace, we are able to expand our capacity by increasing our manpower to add more shifts in a day.

Premised on the above, our annual production capacity and utilisation rates for the FYE 31 December 2011 are as follows:-

Type of Products	Annual production capacity # (unit)	Output (unit)	Utilisation rate %
Panels*	1,300	179	13.8
NER	130	58	44.6

Notes:-

* *Comprising various types of panels such as control and protection panels, telecommunication and tele-protection panels, RTU and SIMS.*

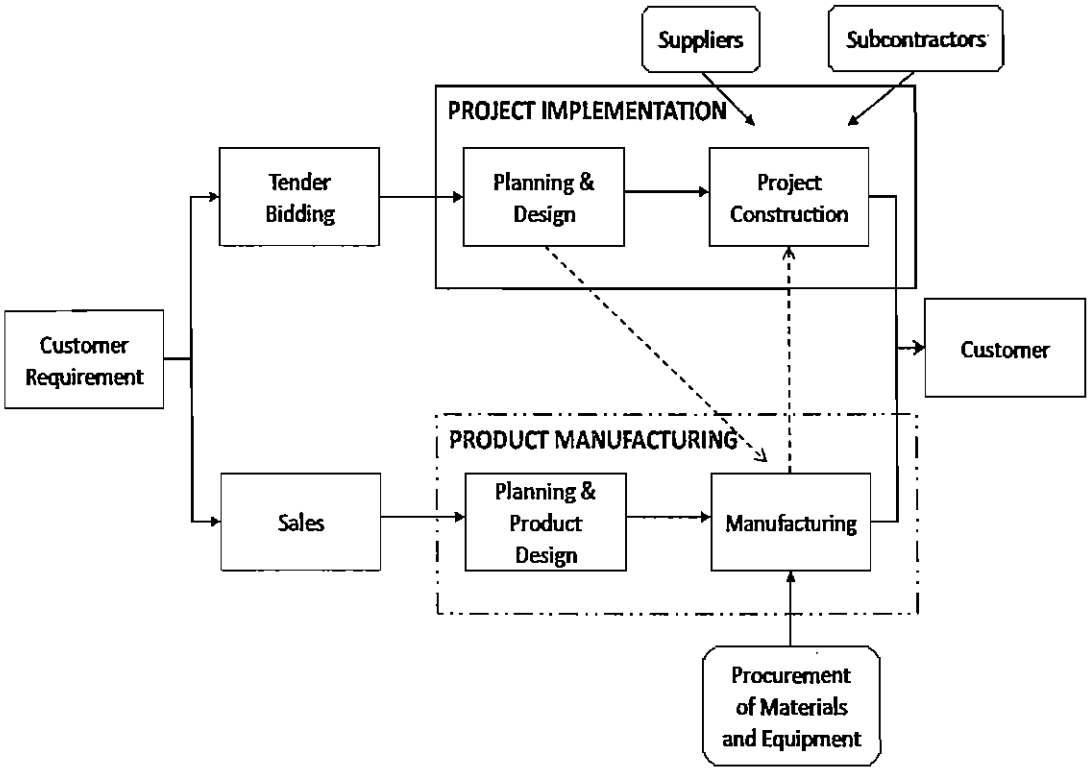
\# *At a rate of eight (8)-hour shift per day*

The production of our panels and NERs are generally project based, i.e. we produce only when there is a purchase order from our customers (which is for use in their projects) or when required in the execution of our Projects. Our strategy in the FYE 31 December 2011 remained the same as the previous years where we focused and channelled our resources towards the implementation of the substantial contracts in hand especially for our overseas Projects and as such, we were selective in the sale of Products as undertaking Projects would create a higher value for our Group. In addition, we do not produce the products for the purpose of holding or keeping stock for future sales. As such, the utilisation rates of our production for the FYE 31 December 2011 were low.

5. INFORMATION ON OUR GROUP (Cont'd)

5.7.6 Process flow

Our business activities are broadly divided into two (2) categories: Project implementation and Product manufacturing. The overall process flow for our business activities are depicted below:-



Project implementation

Under Project implementation, we typically obtain business opportunities via a tender bidding process. Our Sales & Marketing team will identify the prospective tenders to participate in, and we will submit our proposal accordingly. Once we have been awarded the Project, our D&D department will work closely with the customer to identify the requirements and technical specifications of the Project. Based on our customer's requirements and specifications, the D&D team will plan and design the control drawings for the layout and structure of the substation, as well as the control, protection and telecommunication systems to be implemented. Once the customer has approved the drawings, construction and installation works will commence, and our R&T team will conduct testing of equipment onsite to ensure compliance to our standards. When all the equipment has passed the tests, commissioning will be carried out and the substation will then be handed over to the customer.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

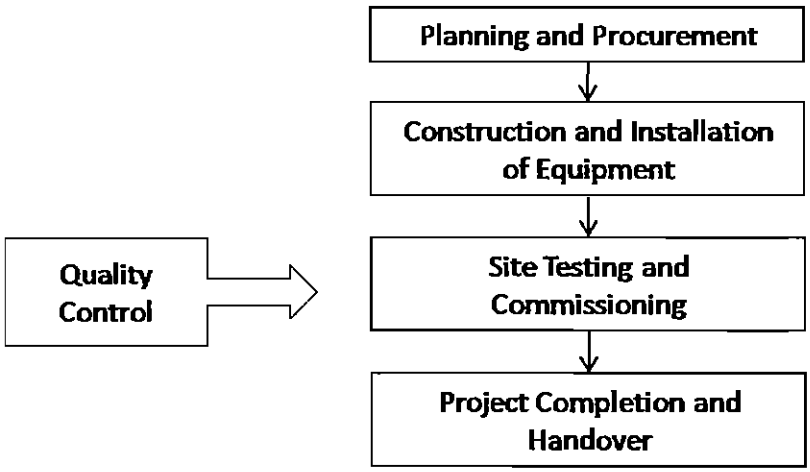
5. INFORMATION ON OUR GROUP (Cont'd)

Product manufacturing

We manufacture our own Products to be used in HV and EHV substations as part of our technical solutions to our customers. The D&D team will design the product according to the technical specifications of the project. The metal fabrication of the product is outsourced to third-party fabricators and delivered to our facilities to be assembled and to undergo quality control. We also obtain electrical components from third-party manufacturers. The R&T team will conduct a factory test, and if required, a factory acceptance test ("FAT") in the presence of the customer to ensure compliance to their standards. Once the product has passed all the testing procedures, it will be delivered to the project site and installed.

Project implementation process

A typical project for the construction of a substation, transmission line or underground cable system refers to a project that includes the design, engineering, manufacturing, supply, installation, testing and commissioning of the structure and its related equipment. The implementation of a project follows the procedures established in our Project Management Manual. In summary, the processes involved in a project are depicted below:



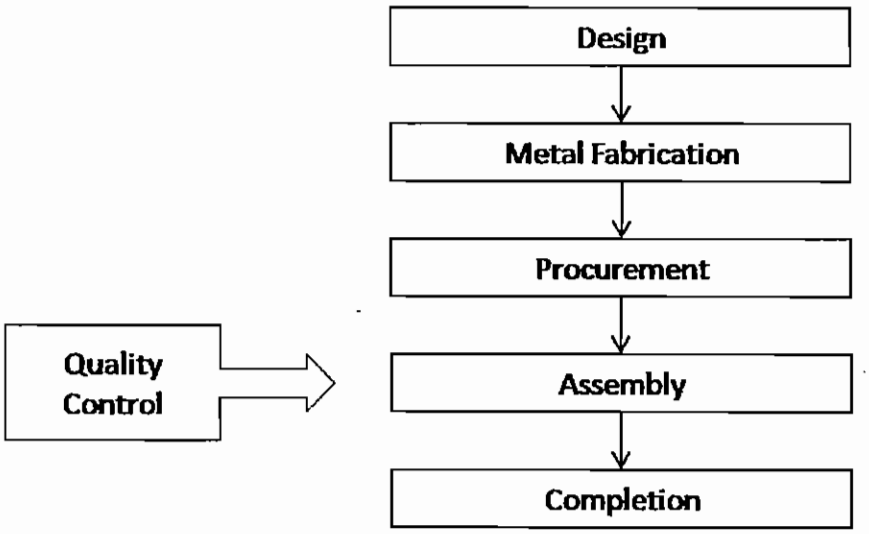
Stage	Processes
Planning and Procurement	In the planning stage, we discuss the requirements and needs of the customer when designing the layout of the project's system. We take into account the customer's budget, schedule, specifications, land area, location and other factors/constraints. Our engineers will then formulate a design that can be both reliable and cost-effective, while also allowing for expansion, if necessary. The design will outline the structural layout of the project, such as the switchyard layout, earthing system, cabling layout and lightning protection, as well as an integrated control, protection and communication system. The D&D team is responsible for the engineering and design of the project as per the project requirements. When the drawing of the design is approved and released for construction, the Project team will procure the required materials, which may be sourced from third-party manufacturers or suppliers, or from our in-house developed products.
Construction and Installation of Equipment	Based on the customer-approved drawings, the project team will prepare the installation layout plan ("ILP"). The materials shall be delivered to the site, and the team will commence construction and

5. INFORMATION ON OUR GROUP (Cont'd)

	installation of equipment, based on the customer-approved ILP. In general, we will outsource the civil construction work to a third party appointed by us to commence the civil construction work. The installation of equipment will commence upon the completion of civil construction work.
Site Testing and Commissioning	Once the equipment has been installed, the R&T team (a section under the D&D department), or a third-party tester, will conduct testing of equipment onsite. Commissioning will be carried out after the testing has been completed and passed.
Project Completion and Handover	Upon completion of the project, a completion certificate, or a take over certificate will be issued by the client.

Product manufacturing process

We design and manufacture our own Products to be utilised as part of our power systems engineering solutions. A summary of the processes involved in the manufacturing of our Products is as depicted below:



Stage	Processes
Design	The design and drawing of a product blueprint is prepared by the D&D team, which will be approved by the head of sections respectively in the division and head of department. Once the drawings have been approved, a BOM is issued listing the necessary supplies and components required for the manufacturing of the product.
Metal Fabrication	We subcontract out the metal fabrication stage of our manufacturing process to third-party fabricators. Metal fabrication will be executed based on our approved drawings and schedule.
Procurement	The procurement of materials is carried out according to the BOM, where a purchase order is raised to source the required components from both local and foreign suppliers.
Assembly	The assembly stage is divided into two (2) parts: assembly of metal housing and assembly of electrical parts. First, we assemble the metal housing of the product to form the skeleton upon which the components will be fitted in. Then, we assemble the various electrical components into the metal housing, along with the wiring works.

Stage	Processes
	Once the product has been fully assembled, we will conduct tests to ensure the product complies with all our standards. An in-house factory test will first be conducted on all our products, and if required, an FAT in the presence of the customer.
Completion	Once the product has successfully passed the various testing procedures, it is completed and handed over to the customer.

5.7.7 Quality control assurance and procedures

We place great emphasis in ensuring that our products are subject to stringent quality control in order to meet our customers' requirements and industrial standards. The commitment on quality broadly entails areas such as processes and scope, document control and policy, planning, and supplier and procurement review and monitoring/evaluation.

We are committed to delivering high quality products to our customers by placing emphasis on defect prevention while ensuring that we have a consistent detection program in place. Our quality system is intended to ensure that our customer receives a product that is designed and manufactured in accordance with the customers', industries and our own strict quality requirements.

We believe in the utmost importance of continually delivering products and services that are of high quality and free from defects to our customers. We place strong emphasis on quality control of our Products, whereby all our Products will undergo stringent testing before being delivered to our customers. As such, our Group abides by the following quality, occupational health and safety policy:

- We commit to provide quality services that consistently meet total customer satisfaction through continuous improvement of the quality, occupational health and safety management system. We shall to the best of our abilities ensure the safety, health and welfare of our employees at our work sites by complying with safety, health and legal requirements currently enforced by the Government of Malaysia and other requirements enforced by relevant parties. We shall ensure that the quality, occupational health and safety policy is communicated and understood by all employees. The quality, occupational health and safety policy shall be reviewed regularly for continuing suitability during management review.

To achieve and maintain the intent of the quality policy, the management has established the following quality objective, which shall be reviewed periodically during the management review meeting.

- To achieve zero error on drawings submitted to customers for approval;
- To achieve 99.9% defect-free Products after factory test;
- To ensure 99.9% Products acceptance during FAT; and
- To meet at least 99.9% of customer handover deadline.

In striving to achieve the above objectives, we have in place the quality control measures as disclosed below.

In view of the importance of traceability, consistency and reliability of our services and Products, we adopted QMS in accordance with ISO 9001:2000 since 2001 and obtained certification in 2002. Subsequently we extended our scope to ISO 9001:2008 and OHS MS in accordance with OHSAS 18001:2007 in 2010 for the following certification scope:

5. INFORMATION ON OUR GROUP (Cont'd)

"Design, engineering, manufacture, installation, test and commission of HV and EHV electrical substation and equipment"

Quality assurance and control are managed by our QHSE department. To ensure that our Products consistently conform to our standards, we have established a QMS for inspection of incoming materials, factory test, FAT and calibration.

Quality control measure	Procedure
Inspection of incoming materials	All materials will be assigned a stock code number for material identification upon issuance of purchase order ("PO"). Delivery to factory: Upon the delivery of the materials, store personnel will perform 'incoming inspection' as per the quality plan and 'standard sampling table' to ensure its quality and compliance to the delivery order ("DO") and PO. The store personnel will then stamp the 'received date' on each material and paste the colour stickers based on the overall inspection results (Red – Reject, Blue – On Hold and Green – Pass). Materials with green stickers will be transferred to the store area and recorded in 'goods received note'. Materials with blue stickers will be placed at 'on hold area' until the replacement/rework process is completed. Materials with red stickers will be placed at 'rejected area'. The project engineer will inform the supplier for replacement. Delivery to Project work site: Upon the delivery of the materials, the site supervisor or project engineer will perform 'incoming inspection' as per the quality plan and 'standard sampling table' to ensure its quality and compliance to the DO and PO. Materials that do not have any defects will be used directly at the site, while defective materials will be rejected and returned to the supplier for rework or replacement. Materials that have been reworked or replaced will be subject to re-inspection.
Factory test	Our P&P team is responsible for ensuring that the in-house factory test is organised and carried out in accordance with the factory test procedure or quality plan. P&P may request R&T to perform the factory test by submitting the R&T request form. R&T will update and record the status of the test into the FTR. Any non-conformance will be recorded in the non-conformance report. In the event that more than five (5) defects are recorded in the report, R&T will issue a corrective action request ("CAR") to the P&P department, where P&P personnel shall rectify the non-conformance. Upon acceptance of the test results, P&P personnel will review and sign the FTR.
Quality control	Upon completion of the manufacturing process and factory test, the product will be sent for quality control inspection. The quality control inspection will be carried out according to the established checklist. The products that meet the quality control inspection criteria will be affixed with "QC Approved" sticker and prepared for FAT or delivery. The product that does not meet the inspection criteria will be returned to the production team for rework, and upon satisfactory completion, sent to quality control for re-inspection.
FAT	Where applicable, an invitation for a FAT will be sent to the customer.

5. INFORMATION ON OUR GROUP (Cont'd)

Quality control measure	Procedure
	P&P personnel will invite the customer and sales & marketing team to attend the FAT, as the FAT has to be carried out in the presence of the customer. If the customer accepts the invitation, R&T will perform the test according to the FAT procedure or project quality management plan, if applicable. The FAT shall be conducted based on the FAT checklist. The FAT checklist details out the processes of the test to be conducted, along with the standards that need to be complied to. All test equipment must be calibrated prior to testing, and any previous non-compliance of the product must be declared beforehand. A copy of the checklist will be given to the customer after the FAT is completed. Several testing procedures will be carried out to test the functionality and accuracy of the product. The R&T team conducts simulation tests to give the customers a walk-through on how the product should function. Some of the test procedures include: (a) Inspection of installation works and cabling; (b) Checking of electrical ports; and (c) Synchronisation test.
Calibration	All test equipment is subject to calibration to ensure its measurements are accurate and within the specification limits. When equipment is due for calibration, it will be identified, segregated and sent for the necessary calibration work before being used. Calibration is done both internally and by external third-party calibration bodies. Internal calibration is conducted by the R&T team as per the yearly equipment calibration schedule, where the details of calibration work will be in accordance with the instructions of the internal calibration work guide. If the services of an external calibration body are required, a suitable party will be identified and engaged.

Details of our project quality management plan, corrective action / preventive action request and customer feedback and complaint handling are set out below:-

Quality control measure	Procedure
Project quality management plan	The project manager will develop the respective project quality management plans by identifying all quality requirements, acceptance criteria and deliverables for the project. The quality requirements can be obtained from the specific project documents. The project manager can also refer to the company's QMS as a guideline to define the quality requirements for the project. This document shall provide the guidelines for determining the quality standard requirements of the project and devising ways to satisfy these quality requirements. The quality management plan consists of the following:- (a) Quality policy; (b) Quality procedures; (c) Quality standards; (d) Ways of ensuring compliance with quality standards;

Quality control measure	Procedure
	(e) Resources required; and (f) Activities to be carried out.
Corrective action / preventive action request	When customer complaints are received or non-conformance issue detected, the respective department shall forward the issue to QSHE department. QSHE personnel will issue a CAR form to the respective departments and call for a CAR meeting to identify the responsible personnel and investigate the root cause. The responsible personnel shall take the necessary corrective action and record it in the CAR form accordingly. The CAR form will be reviewed by the management and the preventive action plan will be developed whenever applicable.
Customer feedback and complaint handling	When customer complaints are received via phone, fax, email or letter, it shall be forwarded to the QSHE department, who will then call for a CAR meeting to decide on the corrective actions required. The person responsible shall take the necessary corrective action as decided.

5.7.8 Technology used and E&D

Our Group carries out E&D activities. Our focus is essentially on enhancing our production process and product development in the field of control and indication equipment. We have an in-house E&D department which is responsible for the regular engineering activities on electrical products and equipment and constantly conducts information technical studies into the enhancement of the production process and innovation, catering for different needs and specifications of individual customers.

Electric power transmission and distribution, along with the electrical devices involved in the process, generally employ engineering know-how and practices that are known in the industry. We have established key technologies and competencies required to provide efficient electric power transmission and distribution solution to utilities and industrial customer to fuel and maintain social and economic development. Our Group's area of expertise can be segregated into the following:-

(i) Construction of HV and EHV substation;
(ii) Protection and control systems;
(iii) Communication and tele-control; and
(iv) CAD tools and customised design tools.

The key technologies and engineering know-how utilised by our Group's area of expertise in our business operations include the following:-

(a) Construction of HV and EHV substation (Electric power transmission and distribution)

Electric power transmission involves the transfer of electricity from generating power plants to substations, while electric power distribution transfers electricity from substations to the end users. Key technologies utilised in the electric power transmission and distribution system ensure the safe and reliable handling of HV and EHV electrical system to bring electrical power to the industry and consumer.

The key technologies and engineering systems used can be categorised into the following:-

5. INFORMATION ON OUR GROUP (Cont'd)

i. Earthing system design for HV and EHV substation;

An earthing system is the core of a reliable HV and EHV substation and it is a system created to ensure flow of fault current into the ground when there is an electrical fault. Fault current occurs when there is a short circuit to the system.

The earthing design system will ensure that there will not be any thermal or mechanical damage that occurs to equipment within a substation, thereby resulting in safety to operations and maintenance personnel. The earthing system design also guarantees that there will be no electrical shocks arising from current leakage in the substation.

Three (3) voltages are considered during the substation earthing design i.e. touch voltage, step voltage, and mesh voltage. Touch voltage is the difference in potential between the surface of a touched and earthed equipment when a man is standing and touching the earthed equipment or structure. Step voltage is the potential difference that will develop when a man bridges a distance of one (1) meter with his feet while not touching any earthed equipment. Mesh voltage is the maximum touch voltage that is developed in the mesh of the substation's earthing grid.

It is required to calculate the earth impedances from the measured ground resistivity and subsequently determine the allowable step and touch voltages of an electrical substation. Our technical know-how and experience then allow us to design the earthing grid to establish the step and touch voltages below the required calculated threshold in an optimal manner. The earthing grid is established through the use of combination of copper bars and earth rods based on the results of our value engineering.

ii. HV and EHV substation layout design and insulation coordination;

The layout of a substation determines the security of supply and its safe operation to the personnel. The design of a substation may effectively result in complete duplication or loss of supply due to a single fault within the substation. Due to the high implementation costs, a balance has to be achieved between complete security of supply and capital investment. Depending on the customer requirement and budget, a substation layout of different specifications can be designed.

Other than the security of supply, the layout of substation is governed by the electrical insulation and arrangement of switchgear components. Rules of spatial separation are applied to establish a safe working arrangement of electrical components at HV and EHV levels. This design consideration is based on the electrical insulation capacities of surrounding air and its pollution indexes.

Spatial separation in electrical substation design considers the followings:-

- Earth clearance - the clearance between live parts and earthed structures;
- Phase clearance - the clearance between live parts of different phases;
- Isolating clearance - the clearance between terminals of isolator and its live connection; and
- Section clearance: the clearance between live parts and terminals of a work section. The terminals of work section may be the ground or earthed platform.

5. INFORMATION ON OUR GROUP (Cont'd)

Formulas and guidelines are established to determine minimum section clearance required in the substation to define its maintenance zone, work areas and earth clearance. The isolation distance established to separate the work area from its adjacent live parts is integrated in the substation layout design. Therefore, together with maintenance zoning, the separation, by isolating distance and phase clearances, of the substation components and of the conductors interconnecting them constitute the main basis of substation layouts.

The electrical insulation coordination of substation switchgear components is the next consideration in designing an electrical substation. The insulation coordination looks into improving the flashover threshold of the substation equipment combating pollution, air humidity, electrical surges, lightning and etc. The technology used includes the use of increased creepage length of insulators, resistance level of ground, defining discharge capacities of surge arrestors and defining the base insulation level switchgear components.

A properly designed substation layout and well coordinated insulation coordination between its equipment will result in the construction of a HV and EHV substation that is secure, safe and reliable in its operations.

iii. Main conductors, clamps and busbar sizing;

Conductors and busbars in an electrical substation provide the interconnectivity of substation components to direct electrical power to its proper use. It is the next main components of a substation design.

The types of conductors include flat surface conductors, stranded conductors and tubular conductors. The materials of conductors used in a HV and EHV substation are usually copper or aluminum. Steel is not preferred due to its poor conductivity and high susceptibility to corrosion.

The selection of conductors and busbars in a substation takes the following into consideration:-

- Its capability to carry the specified continuous load currents and its short time currents;
- Its ability to withstand forces acted on it due to its function. These forces comprise of its weight, weight of other conductors and equipment, short circuit forces, atmospheric forces such as wind and ice loading, its swings and electrical magnetic forces;
- Its shape and design should be corona free at the rated voltage;
- There should be a minimum number of joints; and
- There should be a minimum number of support insulators.

The technology and know-how in the selection of conductors are essential in designing a reliable substation.

iv. Lightning protection system;

Lightning strike is one of the main reasons of substation and equipment failure for a HV and EHV substation. A direct strike of lightning into a substation causes failure in substation equipment, due to the extremely high voltage of a lightning surge. If the travelling wave of a lightning surge through transmission line to a substation is not controlled and coordinated through the transmission line tower, earthing and surge protection, it will also cause detrimental damage to substation equipment.

Effective lightning protection system is required to protect the substation from direct lightning strike. This is achieved through the use of overhead earth wire shield in the outdoor substation or the use of lightning rod on earth mass within the substation.

The shielding of outdoors electrical installation through the use of earth wire over the substation installation provides a zone of protection for lightning strike. The zone of protection is calculated based on international standards, for example BS (British Standards) or DIN (Deutsches Institut für Normung or the German Institute for Standardization). The earth wire provides a zone of protection for substation equipment by directing lightning strike to the substation earth grid.

The earth wire shielding of a substation depends upon the integrity of the earth wire. A broken or damage earth wire will affect its functionality. An alternative to the earth wire is the installation of lightning rod on top of earth mass in a substation to provide lightning protection. The lightning rod creates a spherical zone of protection to the substation switchyard. The installation of a few lightning rods establishes overlapping spherical zone of protection through calculation. This will provide long-term lightning protection to the substation.

v. HV apparatus for isolation and switching; and

A HV and EHV substation constitute various components and devices for purpose of isolation and switching electricity at various voltage levels. The main components of a substation include circuit breaker, instruments transformer, isolators and power transformers.

The circuit breaker is a device that is capable of breaking the HV electrical circuit in a normal condition as well as during fault condition to isolate faulty sections of an electrical system. The instrument transformers provide a means of measuring the current and voltage in the network to determine its state of operation and its health. Isolators in a substation provide a means of isolating section of a circuit from live parts for ease of maintenance or creating a work area. The power transformer in a substation transforms the voltage of electricity from one level to the next lower level depending on its purpose. A transformer is necessary to increase voltage before electricity is transmitted over long distances from a generating power plant to a substation via the transmission lines. Electricity is transmitted in high voltages as a higher voltage reduces transmission loss due to lower resistance of the wires. A transformer is also used to decrease voltage before electricity is distributed from the substation to end users.

The substation design defines short circuit level, base insulation level, and performance requirement that is required in the selection of components of the substation. The specification of the instrument transformer depends on the sensitivity and the settings of the protection system.

The parameter of the power transformer is defined to determine that the allowable short circuit current in the system design is not breached. The losses of the power transformer determine the efficiency of the substation to give customer value in their investment.

These inter-related specifications of the substation components, when correctly defined, will add value to the electrical network. Our technical expertise in these fields gives us an edge in providing value engineering to the customer to deliver and construct a substation that is value for money. The know-how also gives us an edge over competitor to reach a

compromise between cost and specification that will serve its purpose as required by the client without sacrificing its reliability and its functionality.

vi. Civil structural requirement

The construction of electrical HV and EHV substation cannot be done without civil construction.

The civil construction requirement will have to be coordinated with the electrical requirement in terms of the loading of the equipment, the movement of the electrical equipment, the short circuit force that the civil structure will have to withstand and the functional and operational requirements of substation control room design due to the electrical equipment arrangement and layout.

It is within part of our competency to specify these parameters required to the civil structural designer to ensure proper construction of civil facility to house substation equipment. These areas of inputs are an important aspect of constructing a functioning and reliable facility to ensure the electrical equipment is installed correctly to perform its function. A wrongly constructed foundation or switchgear room will adversely affect the service life of the installed equipment.

Circuit breakers are designed to detect fault conditions and interrupt the electrical flow. When a fault is detected, contacts within the circuit breaker will open to interrupt the electrical current using mechanically stored energy such as springs or compressed air. Once the current is interrupted, an arc is generated, which needs to be insulated and extinguished so that the contacts are able to withstand the voltage. There are several types of circuit breakers, classified by the method by which it extinguishes the arc to disconnect the circuit:-

- Oil circuit breakers - vaporises oil to send a jet of oil through the arc;
- Gas circuit breakers - stretches the arc and uses sulphur dioxide to extinguish it;
- Vacuum circuit breakers - stretches small arcs to extinguish it; and
- Air circuit breakers - uses compressed air to extinguish the arc.

(b) Control and protection systems

Control and protection systems are necessary to monitor the entire transmission and distribution grid together with the linked substations. In addition, as substations present a potentially hazardous working environment, remote control and protection systems are necessary to effectively and safely monitor the operations of various electrical equipment. The remote monitoring enables the system to react to electricity overloads or faults by isolating the affected area through the control and protection system.

Control systems are put in place to manage and regulate the flow of incoming and outgoing electricity. Protection systems, through protective relays, are able to trip circuit breakers in the event of a fault such as over-current and over-voltage. Relays form an integral part of control and protection systems in substations.

(i) Relay

A relay, in simple terms, is a device that continuously monitors the health of an electrical circuit and activates its electromechanical switch to operate a

circuit breaker in the event of fault. This is achieved through the input of current and voltage information of a circuit to the relays.

The role of protection relays is to protect the substation components from being damaged by electrical fault. Protecting the power transformers, power cables, isolators and personnel safety are the main functions of relays. A relay only operates during a fault in its own protected zone, and will only operate in the event of fault.

There are many types of protection relays suitable for many kinds of application in the power system. The competency in choosing the correct protection system for a specific purpose will ensure reliability of supply. The protection system must also be discriminative and secure. A wrong application and setting of protection system will have catastrophic effect to the power system as well as damaging the equipment in the substation.

We specialised in the design of protection system for application in various parts of the substation for various purposes. Each of the application ensures duplicate protection of main and backup function is available to give customer protection in their investment in their power system.

(ii) SCADA system

The control and monitoring system of a substation is going towards automation and remote control due to the advancement of communication medium and technology in secure communication.

Our engineers have been involved in providing SCADA facility in our delivery of substation to utilities since 2002. The current SCADA capability includes the delivery of substation control system at the substation level to control and monitor the functionality and health of substation components through a server in the substation control room. The human machine interface in the control room provides interfacing to the substation apparatus remotely through software with control functionality directly available on the computer screen. The software is programmed with substation wide operation interlocking and synchronising function to avoid wrong operation sequence arising from human errors and also provide password access control to prevent unauthorised operation.

Other than at the substation level, our Products also provide a gateway communication interface to a remote control center of utility. At the control center, utility will be able to have a global view of its entire operational and connected substations in their network. The control center will then have control over the network power flow, loss reduction, fault identification and isolation. Through the control center, utility also can operate the circuit breaker and isolator remotely even when the substation is unmanned.

SCADA facility when implemented, provides utility with online information of the status of its network. This will improve its reliability and customer satisfaction tremendously as fault identification and isolation can be performed automatically and swiftly.

(c) Communication and tele-control

In electrical transmission and distribution, information is transmitted in binary form through communication system either through the power line or through fibre optic cables incorporated in the transmission line ground wire. Data, protection signal and voice is transmitted within the network to facilitate SCADA and tele-control functionality.

Communication system for electric substation is part of our core competency to provide a complete service to our customer as technology partner in the construction of electric substation in the transmission and distribution level. Either through power line carrier communication or through fibre synchronous digital hierarchy communication, a multiplexer is provided in the substation to multiplex data and information into a time-modulated signal to be transmitted across the utility substation network. At each substation the specific relevant data is then de-multiplex to its terminal through programming of its time frame.

The communication panel produced by our Group provides secure and reliable communication required in substation environment as the communication channel also serves as a medium that transmits protection relay communication between inter-connected substations in their determination of the operating condition of the transmission line. Tripping information is also sent to remote substation through the communication multiplexer.

The high electromagnetic compatibility and electromagnetic interference in the substation produced by the HV and EHV electrical system requires communication equipment used in substation to be properly shielded. The design of communication system for substations employ N + 1 redundancy in its power supplies, control modules and channels of communication to ensure secure and reliable communication of up to 99.99% availability. N + 1 redundancy is a form of resilience that ensures system availability in the event of component failure where components (i.e. N) have at least one independent backup component.

(d) CAD tools and customised design tools

CAD is the use of computer technology in the design process. We utilise CAD tools as well as simulators to aid the design of our Products and Projects. Some of the software we utilise and their primary functions are described as follows:-

(i) CAD Tools

- **Autocad LT**: aids in 2-dimesional (2D) drawing for substation primary and secondary design, and electrical circuitry design;
- **Autocad Electrical**: aids in electrical circuitry design automation, wiring diagram self-generation, cable schedule self generation; and
- **Solid Work**: aids in 3-dimensional (3D) drawing and 3D modelling for product development.

(ii) Earthing Design Simulator

- **Auto Grid**: utilised for soil modelling, substation earthing design calculation and result simulation

(iii) Customised Design Aided Tool

- **Busbar Sizing Tool**: calculates the continuous current carrying capacity, conductor stress, thermal short time rating and deflection of busbar in accordance to International Electrotechnical Commission (IEC) standards;
- **Mechanical Forces Calculation Tool**: analyzes the mechanical effect for a flexible conductor during normal and short circuit condition in accordance to IEC standards;

- **Lightning Protection Calculation Tool**: determines the substation lightning protection design in accordance to the Institute of Electrical and Electronics Engineers (IEEE) standards; and

- **Substation Earthing Calculation Tool**: determines the substation earthing design in accordance to IEEE standards.

5.7.9 Marketing and distribution

Our Sales & Marketing team is led by our GM, Lim Hon Seng, who has 28 years of experience in the power systems engineering field. As at the LPD, we have 11 members in the Sales & Marketing team, managing our various clients and seeking new business opportunities. For the past three (3) FYE 31 December 2009, 2010 and 2011, our sales and marketing expenditure was recorded at RM0.90 million, RM1.25 million and RM1.63 million respectively. We utilise various sales channels to procure projects as well as to promote greater awareness for our Products and services. The diagram below depicts the different avenues we use to generate sales:-

(a) Tender bidding

We tender for projects from private organisations and Government bodies by submitting our tender applications to the relevant parties. Tender notices for projects are published in newspapers. We also receive tender invitations directly from companies to tender for projects. Once we determine we have the required track record, experience and resources to deliver the specifications, parameters and requirements of the project, we will submit our tender application and quote to the relevant party.

There are typically two (2) stages in a tender evaluation process. The first stage is the technical evaluation stage, where the candidates are evaluated based on track record, financial strength, experience and resources. Once the competent candidates have been selected, they will move on to the second stage, which is the commercial stage. In this stage, the candidates, who have all been deemed qualified for the job, will compete based on pricing strategies.

(b) Referrals

We secure new business opportunities through referrals from companies we have worked with. We obtain referrals for new projects from past and present clientele, external consultants and other business associates due to our good track records and high quality service.

5. INFORMATION ON OUR GROUP (Cont'd)

(c) Request for proposals

Through our references in the industry, we also generate sales from proposals we have been invited to submit. These requests for proposals are normally associated with projects that have special requirements, such as fast track projects, projects that require special skills and projects with unconventional designs.

(d) Exhibitions

We engage in active targeted marketing activities such as participation in international exhibitions. In 2008, we took part in the Conference of the Electric Power Supply Industry (CEPSI) in Macau organised by Companhia de Electricidade de Macau (CEM). In the exhibition, we showcased our Products such as our isolator, NER, SIMS, RTU and telecommunication and teleprotection equipment.

In 2011, we participated in the SME Innovation Showcase in Kuala Lumpur organised by MITI and SME Corp.

Date	Name	Organiser	Location
27-31 October 2008	Conference of the Electric Power Supply Industry (CEPSI)	Companhia de Electricidade de Macau (CEM)	Macau
20-23 July 2010	ASEAN Elenex	Malaysian Exhibition Services Sdn Bhd	Kuala Lumpur
7-9 June 2011	SME Innovation Showcase	MITI and SME Corp	Kuala Lumpur

We also obtain sales opportunities through our clients who may have visited our website or read about us in newspaper articles. We have also in the past listed our subsidiary company, PSB, in trade directories of MITI and Matrade.

(e) Technical presentation and training

We regularly give technical presentations and training sessions to our customers in our effort to keep them up-to-date with the types of technology we can offer, as well as to promote the services that are available in the industry.

Training for the operations and maintenance of our Products is periodically conducted for our clients in order to maintain our client's competency in operating our equipment. This creates familiarity and wide acceptance of our Products.

(f) Overseas sales offices and representative partner

Our offices in the region, i.e. Cambodia, Sri Lanka and Brunei not only serve as project offices but also function as our local marketing and sales offices to manage our foreign clients and market our range of Products and services. Our overseas offices helped us access these markets, enabling us to obtain new business opportunities to continue our presence in these countries. By establishing overseas offices, our sales officers are then able to familiarise ourselves with the local market and build networks within the local industry. This emphasises our continued commitment to expand our presence overseas to position ourselves as an international player. As at the LPD, we have established offices / subsidiary companies in Brunei, Sri Lanka and Cambodia.

5. INFORMATION ON OUR GROUP (Cont'd)

Presently, we are also exploring opportunities in Laos and Vietnam. We have established industry contacts to seek new business ventures on our behalf and may appoint formal agents in these countries respectively.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.7.10 Approvals, major licences and permits obtained

Details of major business licenses, permits and approvals applicable to our Group as at the LPD are as follows:-

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
PSB	Majlis Bandaraya Shah Alam	Business Licence (Licence No. OU501012009002-(LS))	03.11.2011 / 31.12.2012	No equity or other major conditions imposed.	N/A
	Felda Holdings Berhad ("Felda")	Vendor registration account - PSB has registered with Felda and is eligible to participate in bids/ tenders in companies belonging to the Felda group. (Licence No. NB-01090900928-01) PSB is registered in the following field codes:- 0101 –General Engineering 0102- Mechanical Engineering 0103- Electrical engineering 0301- Stationery and others 0302-Office, residential and exhibition kits 0311- Factory/ workshop equipments	N/A / 31.08.2013	1. This certificate is issued based on the information submitted by PSB. 2. Therefore any changes in the information submitted by PSB in connection with this certificate must be conveyed to the Bahagian Perolehan, Felda. 3. This certificate may be revoked if PSB is found to have committed a price collusion with other companies when submitting a tender.	Noted Complied Noted

5. INFORMATION ON OUR GROUP (Cont'd)

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
	MOF	Contractor Registration Account (Licence No. 357-01005432) PSB is now registered with the MOF in the following categories: 020101- Furniture 020300- Electrical items 040100- Communication equipment 200100- Motor and alatubah (including tools) 200199- Manufacturer (manufacturer for control protection panel (COPS), Remote terminal units (PROCOM), Neutral Earthing Resistor (POST GLOVER) 200200- Electric generator station and generator equipment / spare part 200300- Cable, accessories and conductor 210101- Personal computer and related peripheral services	18.08.2009 / 23.10.2012	1. Online changes are to be made where there are any changes to the information submitted by the company in respect of the registration with MOF within 10 days from the date of such changes to the information. 2. PSB must ensure that the area of work registered in the certificate does not contradict with any approved area of work of any company having the same shareholders or directors as PSB. 3. MOF reserves the right to cancel / suspend the registration of the Company with MoF without giving any notice, if it is found that any false information was submitted by the Company. 4. The Company is not allowed to make any changes to the ownership and Directorship for six (6) months from the date of registration. 5. The certificate could be cancelled if the contractor fails to proceed with contracts made with the Government of Malaysia or the contractor is found to have engaged in price collusions with other companies prior to submitting for government tenders	Complied Complied Noted Complied Noted

5. INFORMATION ON OUR GROUP (Cont'd)

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
		210103- Workstations and related peripheral services 210104- Software product and services 210105- Other computer related services 210106- Networking products and services			
	Pusat Khidmat Kontraktor ("PKK")	Registration with PKK (Reference No. 0102 A 2001E222)	N/A / 12.08.2013	PKK must be informed of any changes to the information submitted by the company in respect of the registration with PKK within 21 days from the date of such changes to the information. PKK reserves the right to cancel or suspend the registration of PSB as contractor with PKK without giving any notice, if it is found that any false information was submitted by PSB, or where there is any failure by PSB to provide the required information.	Complied
	Sabah Electricity Board (Licence No. SESB/P/BBV/002/1679)	Registration as supply and services contractor	06.10.2009 / 23.10.2012	No equity or other major conditions imposed.	N/A
	Energy Commission (Licence No. (TKL) KE 220578T/2011)	Form Q - Certificate of registration as electrical contractor under class A	N/A / 03.04.2013	No equity or other major conditions imposed.	N/A
	Energy Commission (Licence No. (TKL) PPS 220578T/2011)	Form U - Certificate of registration as a manufacturer of switch board	N/A / 14.03.2013	No equity or other major conditions imposed.	N/A

5. INFORMATION ON OUR GROUP (Cont'd)

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
	Tenaga Nasional Berhad	Certificate of registration as service provider and contractor	N/A / 23.10.2012	The validity period of this registration is subject to the validity of other registrations with the MOF, Pusat Khidmat Kontraktor Awam, Pusat Khidmat Kontraktor Elektrik and other professional certificates.	Complied
	MIDA	Manufacturing license no. A 018143 bearing serial no. A 30828	01.06.2011 / N/A	1. PSB is required to notify MITI and MIDA of any disposal of shares in PSB. 2. PSB is also required to obtain a no objection letter/ consent letter from the department of environment and the relevant Selangor government.	Complied Complied
	Construction and Industry Development Board ("CIDB")	Certificate of registration no. 0120001212 – JG 061358	10.11.2009 / 27.12.2012	The Contractor is not allowed to undertake to participate in any construction project which exceeds the applicable value set out under its registration grade and shall not be involved in any construction project which is outside its scope of category registered.	Complied
TPJV	Ministry of Commerce, Cambodia	Letter of Approval No. 0829 PN. ChBP for the Incorporation of TPJV	16.02.2010 / N/A	None	N/A
	Ministry of Commerce, Cambodia	Commercial Registration Certificate No. 0829	16.02.2010 / 05.02.2013	None	N/A
	Ministry of Commerce, Cambodia	Articles of Incorporation	12.09.2011 / N/A	None	N/A
	General Department of Tax	Letter from the Ministry of Economy and Finance, Cambodia for Tax Registration No. 060975 GDT. LTD	03.03.2010 / N/A	None	N/A
	General Department of Tax	Value-Added Tax Certificate No. 380	19.03.2010 / N/A	None	N/A
	National Social Security Fund	Enterprise Registration Certificate 05/10 BSSBP	20.07.2010 / N/A	None	N/A

5. INFORMATION ON OUR GROUP (Cont'd)

Note:-

N/A *Not applicable.*

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.7.11 Patents, trademarks and registrations

Save for the trademarks and patent registration for our logo and Products disclosed below, we do not hold any other patents, trademarks or registrations.

Trademarks

No.	Trademark	Applicant	Registration number / Application number	Place of application	Status of trademark
1.	COPS®	PSB	04008403	Malaysia	Registered under Class 9*
2.	PESTECH® SDN BHD Effective.Efficient.Excellent	PSB	07008014	Malaysia	Registered under Class 9*
3.	PROCOM®	PSB	04008402	Malaysia	Registered under Class 9*
4.	RETCOMS®	PSB	2010021210	Malaysia	Registered under Class 9*

5. INFORMATION ON OUR GROUP (Cont'd)

No.	Trademark	Applicant	Registration number / Application number	Place of application	Status of trademark
5.		PSB	06011713	Malaysia	Application of trademark is currently pending approval
6.		PSB	2010004127	Malaysia	Application of trademark is pending approval
7.		PESTECH	2011021961	Malaysia	Application of trademark is pending approval
8.		PSB	2012005552	Malaysia	Application of trademark is pending approval

Note:-

* *Under the Malaysian Trademark Classes, Class 9 includes scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carries, recording discs; automatic vending machines and mechanisms for coin operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.*

5. INFORMATION ON OUR GROUP (Cont'd)

Patent

No.	Patent	Applicant	Application number	Place of application	Status of patent
1.	Isolator for high current carrying capacity	PSB	UI 20064111	Malaysia	The patent application has complied with the requirements of the Patents Act 1983 and Patents Regulations 1986. PSB is in the process of obtaining the Notice of Grant.

5.7.12 Contracts/arrangements on which our Group is highly dependent

As at the LPD, our Group has not entered into any contracts/arrangements for which our Group is highly dependent upon.

5.7.13 Interruptions in business

Our Group has not experienced any material interruption to the business of our Group in the past 12 months preceding the LPD.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.7.14 Major customers

The major customers that contributed 10% or more to our Group's revenue for the past three (3) FYE 31 December 2009 to 2011 are listed below:-

Name	Country of origin	Product sold / Service rendered	Length of relationship as at the LPD (years)	Contribution to total Group revenue FYE 31 December					
				2009		2010		2011	
				RM'000	%	RM'000	%	RM'000	%
BMC	Brunei	Project	4	13,677	15.8	-	-	-	-
TNB	Malaysia	Project	11	30,967	35.8	41,449	36.0	20,979	16.0
Cambodian Transmission Ltd	Cambodia	Project	2	-	-	31,481	27.4	75,521	57.6
Ceylon Electricity Board	Sri Lanka	Project	2	-	-	4,875	4.2	18,199	13.9
Central Ashanti Gold Ltd	Ghana	Project	2	-	-	15,090	13.1	2,599	2.0
PPL	PNG	Project	4	17,915	20.7	3,819	3.3	-	-

For the past three (3) FYE 31 December 2009 to 2011, TNB has been one of our major customers contributing approximately 35.8%, 36.0% and 16.0% of our total revenue recorded for the respective financial years. This is a testament to the quality and reliability of our products and services. In view that the local market is expected to remain as one of the major contributors to our Group's revenues, PESTECH will continue to bid for local contracts and consequently, TNB will continue to be one of our major customers as TNB is the largest electricity utility company in Malaysia. As such, our Group is to a certain extent reliant on TNB as a major customer and for our domestic market.

As mentioned under Section 5.1.1 of this Prospectus, our Group began to venture into the foreign markets in 2007. Subsequently, our JV with SLCC was awarded a Project by the BMC. In turn, the project has recorded approximately RM13.7 million, representing approximately 15.8% of our total revenue recorded for the FYE 31 December 2009. In addition, our JV with Dayen was also awarded a Project by PPL in PNG which has recorded approximately RM17.9 million and RM3.9 million for the FYE 31 December 2009 and 2010 respectively.

Since then, foreign projects have been the major contributors to our total revenue. For the FYE 31 December 2010 and 2011, our Projects in Cambodia recorded approximately RM31.5 million and RM75.5 million respectively whilst our Projects in Ghana recorded approximately RM15.1 million and RM2.6 million respectively. In addition, our Sri Lanka Project contributed approximately RM4.9 million and RM18.2 million for the

FYE 31 December 2010 and 2011 respectively. In the future, our Group expects that foreign projects will continue to be a major contributor to our total revenue. This is also in line with our Group's future plans as stated in Section 5.8.1 of this Prospectus to expand our presence in the international markets and our aim to become a major integrated electric power technology company.

5.7.15 Major suppliers

The major suppliers that contributed 10% or more to our Group's purchases for the past three (3) FYE 31 December 2009 to 2011 are listed below:-

Name	Country of origin	Product / Services Purchased	Length of relationship as at the LPD (years)	Contribution to total Group purchases					
				FYE 31 December					
				2009		2010		2011	
				RM'000	%	RM'000	%	RM'000	%
Tira Thai Co. Ltd	Thailand	Transformers	4	2,598	3.9	3,453	3.9	4,189	4.5
Crompton Greaves Ltd	India	Transformers	3	13,020	19.6	-	-	87	0.1
Rohas-Euco Industries Bhd	Malaysia	Transmission tower	2	-	-	194	0.2	13,531	14.6

Our key materials include transformers, circuit breakers, cables and relay panels. Over the years, our Group has engaged with various suppliers locally and overseas. We have established strong relationships with our suppliers and we ensure that we have alternative suppliers for our materials. Hence, moving forward, our Group does not foresee significant problems or obstacles in obtaining supplies from and continuing our strong relationships with our suppliers.

Our Board is of the opinion that we are not dependent on any single supplier.

5. INFORMATION ON OUR GROUP (Cont'd)

5.8 FUTURE PLANS, STRATEGIES AND PROSPECTS

5.8.1 Future plans and strategies

In order to maintain and enhance our competitive edge, our Group intends to deploy the following strategies as part of our future plans for the next three (3) years:-

(i) Expand overseas presence

We have, to date, implemented Projects in or supplied Products to Malaysia, Cambodia, Sri Lanka, PNG, Ghana, Brunei and Tanzania, and we plan to increase our operations in these countries as well as penetrate other markets in the region. We have also established offices / subsidiary companies in Brunei, Sri Lanka and Cambodia. We aim to expand our presence to other developing countries where there is a demand for the development, improvement and build up of electricity transmission and distribution assets. As an efficient and reliable electrical transmission and distribution system is a key necessity for modern society, this creates ample opportunities for us to extend our reach and introduce our expertise to developing countries in other regions, namely South East Asia, Africa and South America.

For our existing overseas markets, we aim to become a main player in the provision of Project works for electrical transmission and distribution networks. We also plan to expand our range of services to include contracts for power station Balance-of-Plant in the near future.

In terms of expanding our presence to new markets, we plan to enter Laos, Myanmar and Vietnam as these countries currently have increasing electricity demand, fuelling the need for new infrastructure for electricity generation, transmission and distribution. In particular, hydro power stations are being built in Laos to supply electricity to Cambodia, Vietnam and China. Our Cambodia office will serve as a platform to venture into these markets. We believe we can leverage on factors such as familiarity with the business practices and similarity in culture in addition to our competitive strengths to compete successfully in these countries.

(ii) Expansion of our Product base

As we grow and progress, we will continue to expand our Product base and range of services in the local and overseas markets. We believe the introduction of new products and services will facilitate our efforts in becoming a main player in the markets we compete in. We believe our Product base can serve as a main area of business in the future.

With the receipt of listing proceeds of RM1.400 million earmarked for product development, we will intensify the marketing and promotional activities for our Products in Malaysia and the region as well as conducting the necessary engineering and development efforts to enhance our Products in meeting customers' needs and requirements.

We expect to be able to leverage on our Group's present technical collaboration and partnerships with some of the established multinational companies in the industry such as ABB AB Sweden, ABB Malaysia and Siemens Malaysia as well as any future and potential technological partnership with other major companies to grow our Product base. We believe that the technology know how and knowledge shared to us by our partners will help to expand and enhance our Product base with the introduction of new products in the engineering, design, manufacturing, installation and commissioning of electrical power transmission and distribution facility.

Apart from the collaboration and partnership with established MNC, collaboration between our Group and education institutions could also assist us in the engineering and development process of creating new products for our Group as well as attracting potential talents. In this regard, we have proposed and Universiti Malaya has accepted to co-operate with us to develop certain products, which is pending the execution of a formal agreement. We also intend to continue participating in local and international exhibitions or trade shows related to the industry to introduce our products and increase our Group's profile and name in the industry.

In addition, we plan to be selective in our selection of local contracting works directly for special projects and projects which are strategic in nature, i.e. high value Projects which generate higher returns or milestone Projects which would enable us to boost our track record and enhance our profile/expertise.

(iii) Expand range of services to system design, engineering and infrastructure services of power generation plants

The field of power systems engineering encompasses electric power generation, transmission and distribution. Though we currently have knowledge and experience in transmission and distribution systems, we have not been involved in the power generation segment of the industry. It is therefore of strategic importance to extend our know-how into the area of power generation to provide system design for the installation of power station Balance-of-Plant services. Hence, we intend to expand our range of services to include system design, engineering and infrastructure works of power generation plants, specifically for biomass and solar photovoltaic power systems under the renewable energy sector.

The renewable energy sector is an up and coming market, an important area that we cannot ignore as it is an alternative energy source to reduce the industry's dependency on fossil fuel. With the familiarity and knowledge in the electrical utility network, we are armed with the advantage of being efficient i.e. optimising the system design in the connectivity of renewable energy sources to the utility grid. We are particularly interested in the fields of biomass power plant design and solar photovoltaic system design. A conceptual design of the structural and mechanical sections of a biomass power plant using empty fruit bunches of palm oil and rice husks shall be established in order to extend our business to providing construction services of biomass power plants. A solar photovoltaic system design shall be established to connect photovoltaic installation to the utility grid.

5.8.2 Prospects

Our Board is of the view that our Group will enjoy positive and promising growth and favourable prospects in the long-term premised on the following:-

(i) Our competitive strengths are as follows:-

(a) Experienced and dedicated management personnel;

(b) Strong technical expertise;

(c) Comprehensive range of services, including in-house engineering and development;

(d) High standards of Quality, Occupational Health and Safety Management System;

(e) Established track record and reputation;

(f) Established product branding; and

(g) Technology partnerships.

Further details of our competitive strengths are set out in Section 5.1.2 of this Prospectus.

(ii) Our Group's future plans and strategies as set out in Section 5.8.1 of this Prospectus.

(iii) The promising prospects of system design, engineering, and infrastructure in the power transmission and distribution industry as mentioned in Section 6 of this Prospectus.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

FROST & SULLIVAN

Frost & Sullivan Malaysia Sdn Bhd (522293W)
Suite E-08-15, Block E, Plaza Mont' Kiara,
2 Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur,
Malaysia.
Tel: +603.6204.5800 Fax: +603.6201.7402
www.frost.com

25 APR 2012

The Board of Directors
PESTECH INTERNATIONAL BERHAD
No. 26 Jalan Utarid U5/14
Bandar Pinggiran Subang
40150 Shah Alam
Selangor Darul Ehsan

Dear Sirs,

Executive Summary of the Independent Market Report on Power Transmission and Distribution: System Design, Engineering and Infrastructure for PESTECH International Berhad ("PESTECH" or the "Company")

This Executive Summary of the Independent Market Report on Power Transmission and Distribution: System Design, Engineering and Infrastructure is prepared by Frost & Sullivan Malaysia Sdn Bhd ("Frost & Sullivan") for inclusion in the Prospectus of PESTECH International Berhad ("PESTECH" or the "Company") in connection with its listing on the Main Market of Bursa Malaysia Securities Berhad.

For and on behalf of Frost & Sullivan Malaysia Sdn Bhd:

Hazmi Yusof

Vice-President

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

The market research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research, which involves discussing the status of the industry with leading industry participants and industry experts. The research methodology used is the *Expert Opinion Consensus Methodology*. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in the business and industry climate.

This market research was completed in April 2012.

This report is prepared for inclusion in the Prospectus of PESTECH International Berhad (PESTECH) for submission to the Securities Commission Malaysia and other relevant parties.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For further information, please contact:

Frost & Sullivan Malaysia Sdn Bhd
Suite E-08-15, Block E, Plaza Mont' Kiara
2, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur.

1.1 ANALYSIS OF THE ELECTRICITY SUPPLY INDUSTRY IN MALAYSIA

1.1.1 Electricity Consumption and Growth Trends

The electricity supply industry comprises electricity generation, transmission and distribution / retail. Utility companies and Independent Power Producers (IPPs) generate electricity from energy sources to be sold to consumers. Electricity is generated in power plants / stations from various energy sources such as coal, natural gas, hydropower, geothermal power, solar and nuclear. These power plants house equipment such as boilers, turbines and generators, which are critical equipment in the production of electricity.

Utility companies are companies typically involved in all three phases of electricity supply chain from generation to transmission to distribution. There are three primary utility companies in Malaysia, namely Tenaga Nasional Berhad (TNB), Sabah Electricity Sdn Bhd (SESB) and Syarikat SESCO Berhad (SESCO), serving the various regions within the country. TNB was established to generate, transmit and distribute electricity throughout Peninsular Malaysia, SESB serves the state of Sabah while Sarawak Energy Berhad (SEB) via SESCO serves the state of Sarawak. TNB, a company controlled by the Government of Malaysia, also has an 80% ownership stake in SESB. The remaining 20% stake is owned by the State Government of Sabah.

In 1992, following a nationwide power blackout and series of interruptions, the Government opened the electricity generation phase to IPPs. IPPs are private firms which were awarded the concessions to develop, finance, build, own and operate power plants. This is in line with the rapid growth of the national economy and to cater for parallel growth in power demand. IPPs generate electricity which is sold to utility companies and selected large end users. IPPs are only involved in the electricity generation phase. These firms are not licensed by the Government to transmit or distribute electricity to the population at large. Each IPP will have a long term Power Purchase Agreement (PPA) in place with a utility company, governing the sale or off-take of generated electricity between these 2 parties. In 1998, NUR Distribution Sdn Bhd (NUR) received the license to generate and distribute electricity to the tenants of Kulim Hi-Tech Park, Kedah. TNB has a 20% interest in NUR through its parent company, Northern Utility Resources Sdn Bhd. Presently NUR is the sole independent power utility (IPU) with the license to generate, transmit and distribute electricity, albeit to consumers within the confined location of Kulim Hi-Tech Park, Kedah.

Presently there are 26 IPPs in Malaysia, of which 16 are located in Peninsular Malaysia, 6 in Sabah and the remaining 4 in Sarawak. From these 26 IPPs, TNB Janamanjung Sdn Bhd (TNB

Janamanjung) is a wholly owned subsidiary of TNB, while Sejingkat Power Corporation Sdn Bhd and Sarawak Power Generation Sdn Bhd are wholly owned subsidiaries of SESCO.

Electricity is transmitted to residential, commercial and industrial end users along the National Grid in Peninsular Malaysia and state based grids in Sabah and Sarawak. The transmission system consists of infrastructure such as substations, structures, conductors, insulators and associated hardware that carry electrical energy from point to point in an elaborate power supply system. These transmission lines are operated at high voltages varying from 66 kiloVolt (kV) up to 500 kV, and are capable of transmitting large quantities of electricity over long distances. Transmission substations or electricity substations are erected at appropriate intervals to channel electricity from the National Grid to residential, commercial and industrial end users.

Transmitting electricity at very high voltages reduces the transmission losses over long distances. Transmission loss refers to the difference in the ratio of electricity voltage at various points of the grid. For this purpose, the dispatch station of the power plant is equipped with voltage step-up transformers. The step-up transformer increases the voltage of electricity before it is transmitted along the transmission lines. A strong transmission system improves the reliability of electricity supply and is flexible in drawing power from various power plants and diversified fuel mix. A strong transmission system presents utility companies with the opportunity to tap power from diverse power plants in various locations with different operating characteristics or fuel mix. For instance, utility companies have the flexibility of meeting the demand for electricity by drawing additional power from coal power plants to compensate for the shortfall in electricity supplied by natural gas power plants during periods of gas supply shortages.

The transmission system in Malaysia enables utility firms such as TNB, SESB and SEB to draw power from various types of power plants such as coal, gas and hydro which are located at different locations and have different operating characteristics. This power is then supplied to residential, commercial and industrial customers throughout the country. Failure in the transmission system could potentially lead to a situation of power loss. The erection of a transmission system requires much planning and investment in terms of financing.

In Malaysia, electricity is distributed or retailed to residential, commercial and industrial end users by utility companies. TNB, SESB, and SEB via its wholly owned subsidiary SESCO, dominate the electricity supply industry throughout Malaysia. The electricity tariff in Malaysia is governed by the Government, with subsidies provided for the use of natural gas as a source of fuel. This is part of the Government's move in maintaining the welfare of all levels of the population by ensuring their access to affordable electricity rates.

In Malaysia, third party engineering companies are hired to design and develop transmission and distribution infrastructure, connecting residential, commercial and industrial consumers to the National Grid. These companies are also required to commission the structure prior to handing it over to the customer. This industry is known as the power system design, engineering and infrastructure industry, and this report will focus on system design, engineering and infrastructure providers in the power transmission and distribution industry in Malaysia, in which PESTECH operates in.

The electricity supply industry in Malaysia is a large industry serving a combined consumer base from the residential, commercial, industrial and other sectors. In 2010, this industry's consumer base exceeded 8 million consumers, which consumed 99,475 gigawatts per hour (GWh) of electricity throughout the year. This is expected to increase in the coming years as Malaysia's economy continues to grow and consequently leads to higher electricity requirements. In order to meet the future demand from users, the electricity supply industry will have to further expand by generating additional capacities of electricity. High amounts of investment will be required not only to erect more power plants, but also on transmission lines, substations and other corresponding equipment that distribute electricity to homes and businesses that depend on it. Generation, transmission and distribution are core sectors within the electricity supply industry.

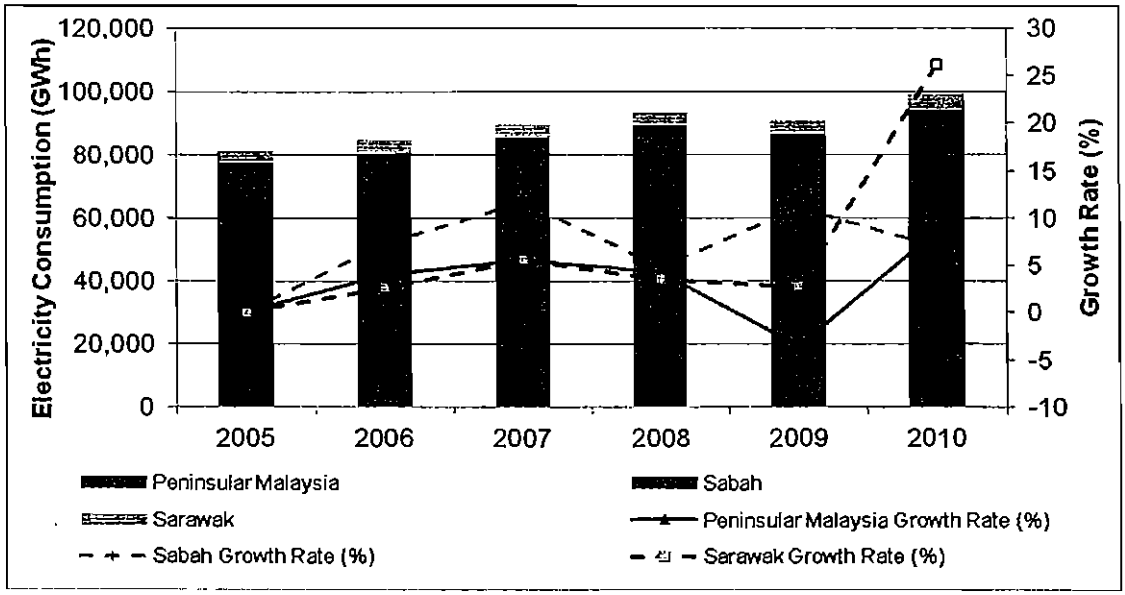
Malaysia's consumption of electricity increased from 81,507 GWh in 2005 to 99,475 GWh in 2010 at a compound annual growth rate (CAGR) of 4.1%. Regionally, Peninsular Malaysia remains as the primary consumer of electricity in Malaysia, consuming over 90% of the electricity generated between 2005 and 2010. This region consumed approximately 74,796 GWh of electricity in 2005 and its consumption increased to 89,621 GWh in 2010 at a CAGR of 3.7%. While the electricity consumption in Sarawak was marginally higher than Sabah, Sabah depicted a higher CAGR of 8.3% compared to Sarawak and Peninsular Malaysia. Peninsular Malaysia emerged as the primary consumer of electricity as a result of its much larger consumer base compared to Sarawak and Sabah. This region had a consumer base exceeding 7.4 million consumers in 2010, compared to Sarawak and Sabah, which only had about 400,000 to 500,000 consumers each in the corresponding year. The total consumed electricity in Malaysia dipped in 2009 as a result of the prolonged financial crisis which began the previous year. Industrial customers responded to this crisis by taking cost saving measures to reduce their expenditure on electricity.

While electricity consumption in the industrial sector grew at a slower pace by 2.1% between 2005 and 2010, this sector remained as the largest consumer of electricity generated in Malaysia. The industrial sector consumed 43,842 GWh of electricity in 2010, compared to the 39,573 GWh of electricity consumed in 2005. The commercial sector emerged as the second

largest consumer of electricity, with its consumption increasing from 23,951 GWh in 2005 to 33,209 GWh in 2010. The commercial sector experienced a 6.8% growth in electricity consumption during this period. The residential sector, despite its much larger end consumer base, was only the third largest consumer of electricity for the period, as its consumption rose from 15,388 GWh in 2005 to 20,847 GWh in 2010 at a growth rate of 6.3%.

Frost & Sullivan notes that among these three sectors, the residential sector has the largest consumer base followed by the commercial and industrial sectors. Despite this, the industrial and commercial sectors topped the residential sector in terms of consumed electricity due to the higher electricity requirements for commercial and industrial operations.

Historical Electricity Consumption (Malaysia), 2005 – 2010



Year	Electricity Consumption (GWh)							
	Peninsular Malaysia	Growth Rate (%)	Sabah	Growth Rate (%)	Sarawak	Growth Rate (%)	Total Malaysia	Growth Rate (%)
2005	74,796	-	2,769	-	3,942	-	81,507	-
2006	77,771	4.0	2,969	7.2	4,045	2.6	84,785	4.0
2007	82,052	5.5	3,317	11.7	4,272	5.6	89,641	5.7
2008	85,616	4.3	3,475	4.8	4,421	3.5	93,512	4.3
2009	82,443	(3.7)	3,856	11.0	4,540	2.7	90,839	(2.9)
2010	89,621	8.6	4,127	7.0	5,727	26.1	99,475	9.5
CAGR 2005 – 2010		3.7%		8.3%		7.8%		4.1%

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

Between 1980 and 2008, the per capita total consumption of electricity increased from 626 kilowatts per hour (kWh) to 3,368 kWh at a growth of 438%. The per capita electricity consumption by the residential and commercial (RESCOM) sector increased from 304 kWh to 1,789 kWh at a growth of 488.5% during the same period. Growth in both the per capita total consumption of electricity and per capita electricity consumption by the RESCOM sector reflects the trend of Malaysia's per capita gross domestic production (GDP) growth, which has been on an uptrend from 1980 to 2008. Malaysia's GDP per capita rose by 168.5%, from RM7,096 to RM19,052 during the same period.

1.1.2 Outlook and Forecast of Electricity Consumption

The consumption of electricity is a key driver for the electricity supply industry. This industry is expected to grow at a healthy pace from 2011 to 2014 as a result of future economic growth, supporting Government policies, population growth and consumer preferences. Electricity consumption is projected to grow from an estimated 101,496 GWh in 2011 to 119,086 GWh in 2015 at a CAGR of 4.1%. The electricity supply industry will need to plan and make its move in meeting this anticipated increase in electricity consumption in the coming years.

In meeting this additional increase in the consumption of electricity, the electricity supply industry will have to gear up to increase its present electricity installed generation capacity.

Stakeholders in the industry have two options available in increasing this capacity for Peninsular Malaysia:

- To erect additional new power plants
- To extend the concession period of PPAs for existing first generation IPPs

The Government has approved three hydroelectric power plant projects, the Ulu Jelai Hydroelectric Project in Pahang, the Hulu Terengganu Hydroelectric Project in Terengganu and the Bakun Hydroelectric Project (Bakun) in Sarawak. The construction of the first two projects is targeted to complete in 2015, while the construction completion target for Bakun is between 2015 and 2017. However it is noted that presently the construction for Bakun has been largely completed in late 2010 and the dam is expected to be fully operational by 2012. In the Tenth Malaysia Plan (10MP), the Government has also announced its intention to commission a coal fired power plant in Sabah.

In 2010, the Government announced its plan of building the nation's first nuclear power plant in the country by 2021. The investment cost for the construction of a 1,000 megawatt (MW) nuclear power plant is expected to range between USD2.5 billion and USD4 billion. The Government plans to employ international consulting firms to identify suitable sites for this plan. In line with this, awareness programs will be rolled out nationally to educate the population on the need for a nuclear power plant to reduce Malaysia's dependency on fossil fuels. The move to build a nuclear power plant in Malaysia will enable the Government to provide for the increase in the consumption of electricity over the longer term post 2020.

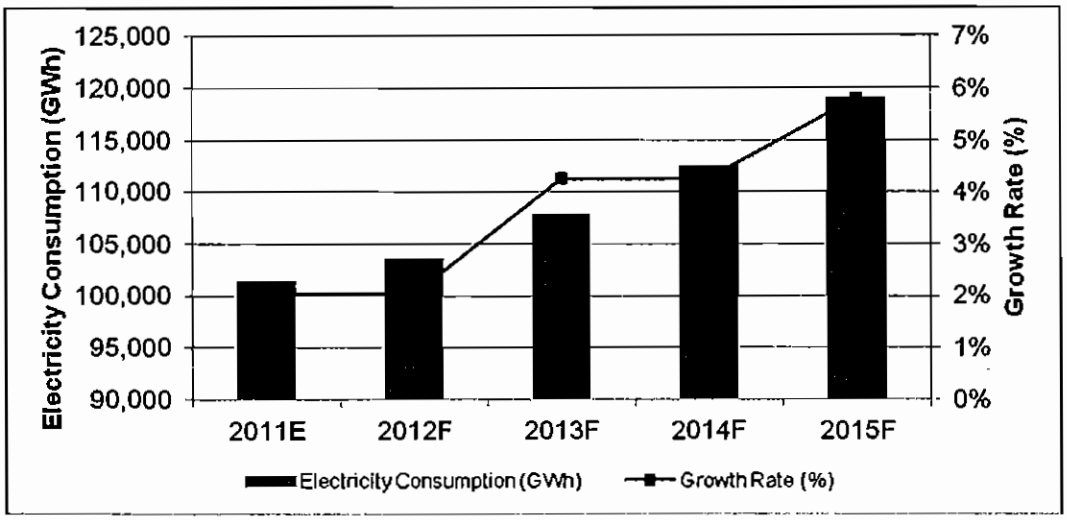
In meeting the anticipated increase in consumption of electricity post 2015, the Government is also mulling extending the PPA concession period for existing IPPs. The first generation of PPAs which are due for renewal between 2014 and 2016 are YTL Power Paka, YTL Power Pasir Gudang, Genting Sanyen Kuala Langat, Segari Energy Ventures in Lumut, Port Dickson Power and Powertek Telok Gong.

In addition to these options, TNB has carried out a feasibility study to evaluate the possibilities of linking the National Grid in Peninsular Malaysia to Sumatera, Indonesia. This grid linkage project is likely to be rolled out in 2015. TNB is presently in talks with the Asian Development Bank (ADB) to seek funding for this project. This grid linkage project is also in line with realizing the ASEAN Power Grid (APG) program and the Indonesia – Malaysia – Thailand Growth Triangle (IMT – GT), whereby this grid project to Sumatera is a potential energy project connecting these three countries.

It is clearly noted that the Government takes seriously its role of providing sufficient electricity to meet the anticipated increase in electricity consumption over the long term, with considerations

in place for short term fulfilment as well. The Government has also, in the past, intervened through policy formulation and the revision of electricity tariffs to ensure that all levels of the population have access to affordable electricity. This trend is expected to continue in the coming years.

Projected Electricity Consumption (Malaysia), 2011E – 2015F



Year	Electricity Consumption	
	GWh	Growth Rate (%)
2011F	101,496	2.0
2012F	103,559	2.0
2013F	107,968	4.3
2014F	112,552	4.2
2015F	119,086	5.8
CAGR 2011E – 2015F		**4.1**

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

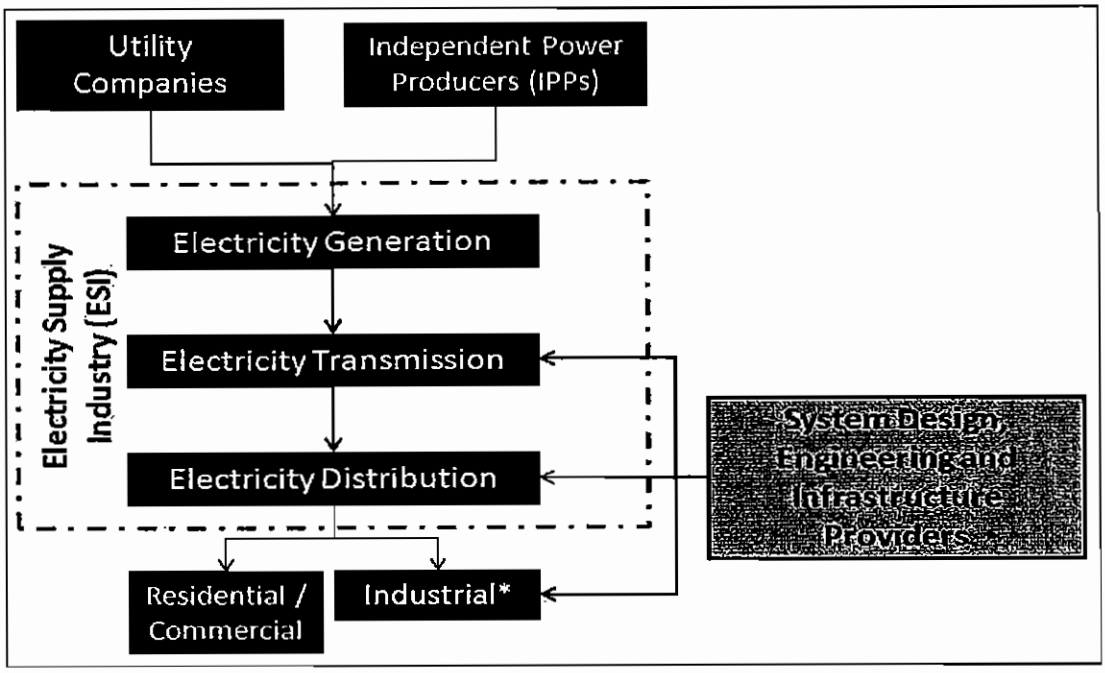
1.2 ANALYSIS OF THE SYSTEM DESIGN, ENGINEERING AND INFRASTRUCTURE SEGMENT OF THE POWER TRANSMISSION AND DISTRIBUTION INDUSTRY IN MALAYSIA

1.2.1 Definition and Segmentation

The transmission system in Malaysia channels electricity generated by power plants to residential, commercial and industrial customers throughout the country. TNB, SESB and SESCO dominate the transmission and distribution of electricity in Peninsular Malaysia, Sabah and Sarawak respectively. TNB is the grid owner and operator in Peninsular Malaysia and Sabah, and acts as the sole supplier of electricity to residential, commercial and industrial customers. Large industrial customers such as mining operators, steel mills, cement plants, oil refineries, airports and seaports require high volumes of electricity and therefore may erect electricity substations within their premises which draw electricity supply from the National Grid.

Utility companies such as TNB, SESB and SESCO typically engage third party engineering companies to design and develop transmission and distribution infrastructure, connecting residential, commercial and industrial consumers to the National Grid. Large industrial users also engage these third party engineering companies to erect electricity substations within their operating premises. These third party engineering companies are also required to commission the structure prior to handing it over to the customer. This industry is known as the power system design, engineering and infrastructure industry. This report will focus on system design, engineering and infrastructure providers in the power transmission and distribution industry in Malaysia, in which PESTECH operates in.

Industry Segmentation (Malaysia), 2012



** Industrial customers include large companies such as mining operators, steel mills, cement plants and refineries.*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

1.2.2 Industry Size and Growth

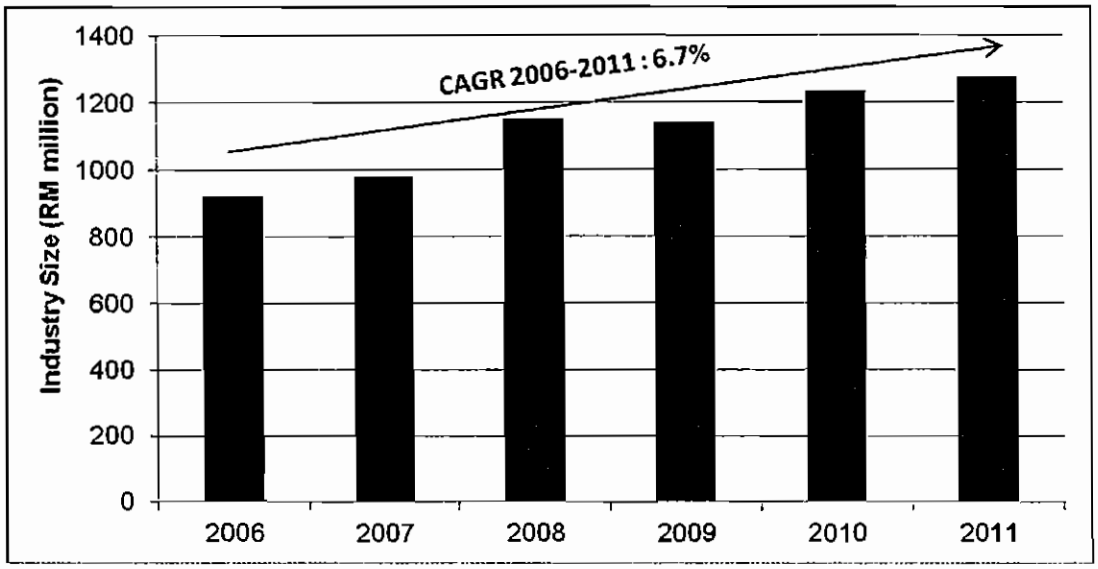
The performance of the system design, engineering and infrastructure segment of the power transmission and distribution industry is dependent on investments made by utility companies, specifically as defined by transmission costs incurred by these utility companies. In Malaysia, generation, transmission and distribution plans are developed by the Government and announced in the Malaysia Economic Plan. Investments are disbursed to various Government agencies and utility companies, and this translates to actual expenditure on projects executed within this industry.

Utility companies allocate funds to ensure the reliability and security of the National Grid system. This includes expenditure on new low voltage, medium voltage, high voltage and extra high voltage transmission and distribution projects, as well as maintenance expenditure to ensure that all equipment are in good working condition. This expenditure is known as transmission cost.

The market size of the system design, engineering and infrastructure segment of the power transmission and distribution industry is based on the annual transmission cost incurred by utility companies in Peninsular Malaysia and Sabah. Based on the transmission cost sustained

by utility companies in Peninsular Malaysia and Sabah, the system design, engineering and infrastructure segment of the power transmission and distribution industry has increased from RM922.0 million in 2006 to RM1,276.5 million in 2011 at a CAGR of 6.7%[1]. In 2009, system design, engineering and infrastructure expenditure declined as subsequent result of the global financial crisis, whereby the Government lowered public spending. With the exception of 2009 and 2011, the growth rate for the system design, engineering and infrastructure segment of the power transmission and distribution industry has been robust, with the segment reflecting growth rates exceeding 6% per annum.

Power Transmission Cost Incurred by Utility Companies (Peninsular Malaysia and Sabah), 2006 – 2011



Year	Industry Size	
	RM million	Growth Rate (%)
2006	922.0	-
2007	980.9	6.4
2008	1,150.3	17.3
2009	1,143.2	(0.6)
2010	1,236.5	8.2

[1] *Power transmission cost incurred by SESCO, the utility company in Sarawak, was not publicly available at the time of the printing of this report.*

2011	1,276.5	3.2
CAGR 2006 – 2011		**6.7%**

Note:

1. *Transmission cost includes expenditure on new low voltage, medium voltage, high voltage and extra high voltage transmission and distribution projects, as well as maintenance expenditure.*
2. *Power transmission cost incurred by SESCO, the utility company in Sarawak, was not publicly available at the time of publication of this report.*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

Growth in Malaysia's power transmission and distribution industry is also represented by the nation's growth in transmission system capacity between 2005 and 2010. The total transmission system lines / cables in Malaysia increased from 20,559km in 2005 to 25,493km in 2010 at a CAGR of 4.4%. The highest growth rate was recorded in the 275kV category, which increased from 7,013km to 10,914km during the same period at a CAGR of 9.2%. As at end 2010, Malaysia had a total of 455 electricity transmission substations with a capacity of 95,433 megaVolt Ampere (MVA). Malaysia's transmission substations capacity increased from 75,524 MVA in 2005 to 95,433 MVA at a CAGR of 4.8%.

Transmission System Capacity (Malaysia), 2005 – 2010

	2005	2006	2007	2008	2009	2010	CAGR 2005 – 2010 (%)
Transmission System Lines / Cables (km)							
500 kV	*890*	*890*	*890*	*890*	*1,209*	*1,094*	*4.2*
275 kV	*7,013*	*8,135*	*7,994*	*8,873*	*8,995*	*10,914*	*9.2*
132 kV	*12,362*	*11,501*	*12,734*	*13,109*	*13,207*	*13,361*	*1.6*
66 kV	*294*	*294*	*192*	*123*	*123*	*123.9*	*(15.9)*
Total (km)	**20,559**	**20,820**	**21,810**	**22,995**	**23,534**	**25,493**	***4.4***
Transmission Substations							
Number	*426*	*486*	*495*	*442*	*444*	*455*	*1.3*
Capacity (MVA)	*75,524*	*81,654*	*83,992*	*92,327*	*91,709*	*95,433*	*4.8*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

1.2.3 Competitive / Industry Landscape and Structure

Key players in the system design, engineering and infrastructure segment of the power transmission and distribution industry in Malaysia comprise locally established companies, and foreign companies interested to penetrate this segment must first form a joint venture or be in

partnership with local companies. There are high entry barriers in the high voltage and extra high voltage segment of this industry, and as such there are approximately 11 key players operating within the system design, engineering and infrastructure segment. Among these 11 key players are companies specializing in high voltage transmission and distribution system design, engineering and infrastructure, while other companies specialize in medium voltage and low voltage transmission and distribution system design, engineering and infrastructure respectively.

- Duta Technic Sdn Bhd (Duta Technic)
- KUB Power Sdn Bhd (KUB Power)
- Mahkota Technologies Sdn Bhd (Mahkota Technologies)
- Nova Nusantara and Subsidiary Company Sdn Bhd (Nova Nusantara)
- Pembinaan Tajri Sdn Bhd (Pembinaan Tajri)
- PESTECH International Berhad (PESTECH), via its subsidiaries in Malaysia and overseas
- Ramusa Engineering Sdn Bhd (Ramusa Engineering)
- System Protection and Maintenance Sdn Bhd (SPM)
- Toshiba Transmission & Distribution Systems Asia Sdn Bhd (previously known as Toprank Corporation Sdn Bhd) (Toshiba Transmission & Distribution)
- Transgrid Ventures Sdn Bhd (Transgrid Ventures)
- Zafas Sdn Bhd (Zafas)

1.2.4 Market Share Based on Incurred Transmission Cost

The market size of the system design, engineering and infrastructure segment of the power transmission and distribution industry in Peninsular Malaysia and Sabah was valued at RM RM1,276.5 million in 2011[2].

In financial year 2011 (FY2011), PESTECH reported revenues from its local operations amounting to RM30.7 million from executing system design, engineering and infrastructure projects within the transmission and distribution industry, and the manufacturing of proprietary power system components and equipment. This has enabled PESTECH to gain a market share of 2.4% in Peninsular Malaysia and Sabah in 2011, within the system design, engineering and infrastructure segment of the power transmission and distribution industry. PESTECH's market share of 2.4% was calculated based on the revenue generated by this company in Malaysia divided by total TNB's incurred transmission cost of RM1,276.5 million in Peninsular Malaysia

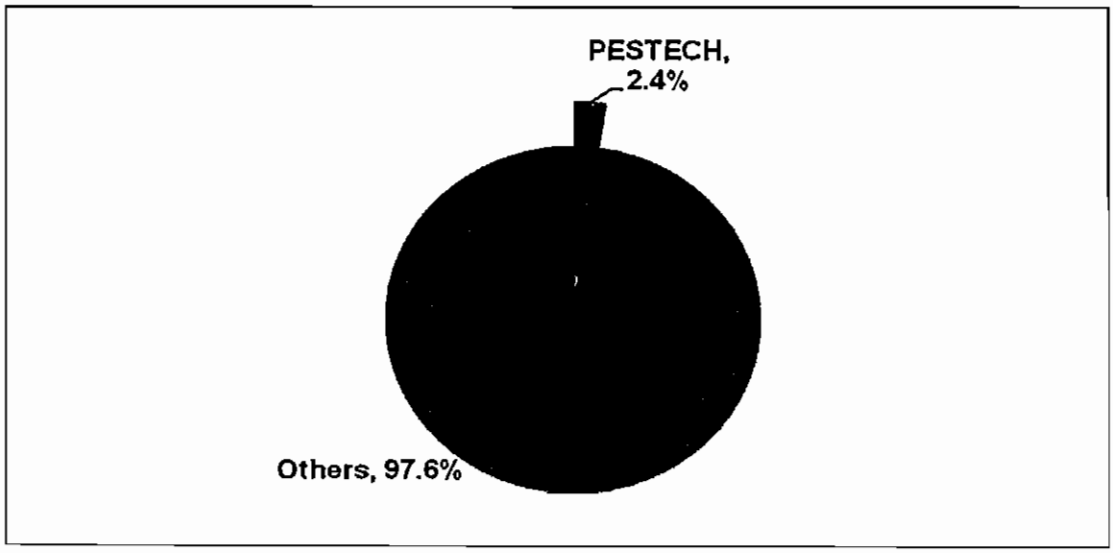
[2] *Power transmission cost incurred by SESCO, the utility company in Sarawak, was not publicly available at the time of publication of this report.*

and Sabah during 2011. This transmission cost refers to expenditure incurred for asset maintenance and development initiatives in Peninsular Malaysia and Sabah which contribute to improving electricity transmission connectivity.

Frost & Sullivan notes that PESTECH has also penetrated foreign countries such as Cambodia, Ghana, PNG and Brunei Darussalam. Revenues from PESTECH's foreign operations increased from RM14.1 million in FY2008 to RM109.5 million in FY2011.

The remaining 97.6% players comprise other industry players that are involved in high voltage transmission and distribution, system design, engineering and infrastructure, such as Duta Technic, KUB Power, Mahkota Technologies, Nova Nusantara), Pembinaan Tajri, Ramusa Engineering, SPM, Toshiba Transmission & Distribution, Transgrid Ventures and Zafas (this list highlights the major industry players and is not exhaustive), and other industry players that mainly focus on low and medium voltage.

Market Share for PESTECH International Berhad in the System Design, Engineering and Infrastructure Segment of the Power Transmission and Distribution Industry (Peninsular Malaysia and Sabah), 2011



Note:

1. *Transmission cost includes expenditure on new low voltage, medium voltage, high voltage and extra high voltage transmission and distribution projects, as well as maintenance expenditure.*
2. *Power transmission cost incurred by SESCO, the utility company in Sarawak, was not publicly available at the time of publication of this report.*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

The table below identifies selected key players in the system design, engineering and infrastructure segment of the power transmission and distribution industry. Among these 11 key

players are companies specializing in high voltage transmission and distribution system design, engineering and infrastructure, while other companies specialize in medium voltage and low voltage transmission and distribution system design, engineering and infrastructure respectively. It should be noted that some of these players may also be involved in other business activities, and the segmental revenues of these companies are not publicly available. PESTECH has the largest revenue, PBT and PAT amongst the selected key players indicated below, based on the latest publicly available financial information.

Financial Information of Key Players in the System Design, Engineering and Infrastructure Segment of the Power Transmission and Distribution Industry (Malaysia)

Industry Player	Latest Financial Year Ending	Revenue (RM)	PBT (RM)	PAT (RM)
Duta Technic Sdn Bhd	31 March 2010	19,366,945	(69,777)	(91,910)
KUB Power Sdn Bhd	31 December 2010	44,236,000	1,566,000	1,046,000
Mahkota Technologies Sdn Bhd	31 December 2010	33,921,000	(26,276,000)	(25,879,000)
Nova Nusantara And Subsidiary Company Sdn Bhd	31 December 2010	9,372,424	5,780,796	3,721,422
Pembinaan Tajri Sdn Bhd	31 December 2010	67,587,337	115,294	23,948
PESTECH	31 December 2011	130,947,000	16,683,000	12,001,000
Ramusa Engineering Sdn Bhd	31 January 2011	315,930	185,981	161,966
System Protection & Maintenance Sdn Bhd	31 December 2010	36,270,204	295,674	440,075
Toshiba Transmission & Distribution Systems Asia Sdn Bhd (previously known as Toprank Corporation Sdn Bhd)	31 July 2011	49,125,055	3,337,062	3,303,444
Transgrid Ventures Sdn Bhd[b]	31 December 2001	2,599,979	18,206	9,306
Zafas Sdn Berhad	31 May 2010	11,127,705	754,955	465,596
Total		404,869,579		

Note:

[a] *List highlights financial information of selected key industry players and is not exhaustive.*

[b] *Transgrid Ventures Sdn Bhd is classified as an exempt private company, and as such does not file its updated accounts with CCM for public information.*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

1.2.5 Barriers to Entry

High Capital and Operational Expenditure

System design, engineering and infrastructure projects in the power transmission and distribution industry require high investment in terms of capital expenditure and operational expenditure. This investment includes initial costs of purchasing equipment and the development of related infrastructure in power transmission and distribution. It is noted that the primary equipment in substations are transformers, high voltage switchgear and panels, and these equipment are primarily supplied by larger multinational corporations such as ABB Group, Siemens Group and Toshiba Group. Contractors engaged to carry out system design, engineering and infrastructure projects will also have to sustain regular overheads, operation and maintenance cost during the construction phase of the substations.

Players in this industry will have to depend on self funding or financial institutions to fund the initial investment and operational cost of the project until they receive payments from project principals. Delays in payment could potentially affect the financial strength of these contractors.

Industry Regulations, Policies and Practices

The electricity supply industry in Malaysia is highly regulated by the Government as a matter of social agenda. The Government intervenes in the industry via its various ministries and agencies such as the Ministry of Rural Development, Economic Planning Unit (EPU), Ministry of Energy, Green Technology and Water (KeTTHA), Energy Information Bureau and the Energy Commission. Each body has a specific mandate in ensuring the reliability of industry performance.

All mechanical, electrical and civil contracts must be registered with the Construction Industry Development Board (CIDB), an accreditation body for contractors with business operations in Malaysia. Contractors engaged in the system design, engineering and infrastructure segment of the power transmission and distribution industry must also be registered with the Energy Commission and undergo competency testing before receiving their license. Ownership of this license is a prerequisite in bidding for contracts from utility companies in Malaysia. In addition, these contractors are expected to possess quality certifications from the International Organization for Standardization (ISO), which lend credibility to the contactor's work processes. These regulations and practices act as a barrier to entry for potential entrants to the industry.

Technical Capabilities of Contractors

The design, construction and management of electricity substation systems require a specific level of skill and experience. Project principals would seek to hire companies with proven track record to execute such works. The system design, engineering and infrastructure project for the 132 kV Manjalara indoor gas insulated switchgear (GIS) substation in 2010 was awarded to PESTECH via the joint venture between its subsidiary PESTECH Sdn Bhd and Pembinaan Tajri Sdn Bhd, which has a track record of executing similar projects in Peninsular Malaysia. This substation was constructed to meet the current and future electricity demand from residential and commercial consumers in Manjalara and Desa Park City.

While the fundamentals of electricity transmission and distribution technology have remained constant over the years, skilled engineers and technicians are able to carry out improvements in order to enhance delivery and efficiency, while optimizing system performance. Such skill can only be gained through hands on experience.

Industry Track Record and Reputation

The system design, engineering and infrastructure segment of the power transmission and distribution industry comprises a few large players dominating the industry via the awards of high value projects primarily from TNB. It is not uncommon for industry players to establish joint ventures in the bidding of selected projects, and build relations and trust within the industry. Furthermore, Frost & Sullivan notes that the key industry players have been operational for over a decade, and have therefore established their track record and reputation within the industry which cannot be easily replicated by a new entrant.

1.2.6 Relevant Laws and Regulations

1.2.6.1 *Regulation*

The Malaysian Grid Code

The Malaysian Grid Code was launched in December 2010 and enforced in January 2011 to ensure the reliability of electricity supply in Peninsular Malaysia. The six critical functions governed by this document are the Planning Code, Connection Code, Operating Codes, Scheduling and Dispatch Codes, Data Registration Code, Metering Code. The Malaysian Grid Code essentially regulates the various functions across the value chain of the electricity supply industry. The parties that are regulated by this Code are:

- Electricity generators comprising both TNB and IPPs
- Network operators which operate networks and may import or export electricity to the National Grid
- TNB Transmission Division as the grid owner and single buyer of electricity
- Distributors connected to the National Grid that import electricity from the National Grid
- Directly connected large customers to the National Grid
- Grid system operator which operates the Peninsular Malaysia Grid System
- Interconnected parties outside Malaysia which are connected to the National Grid

The Malaysian Grid Code coordinates electricity supply activities between these parties. The Code is a technical specification document which outlines the parameters that power plants and the grid system network have to meet in order to ensure the electrical grid does not fail. It aims to ensure that operations at the distribution level are carried out in a timely and systematic manner. The Code sets regulations and technical requirements to be carried out by all involved parties in the planning, managing and maintenance of the National Grid and its distribution systems to ensure constant security, safety and reliability of electricity supply.

The Energy Commission will establish and maintain the Grid Code Committee to oversee the implementation of the Malaysian Grid Code. The committee shall comprise of representatives from all stakeholders across the electricity supply industry value chain, including TNB and IPPs.

The technical specification in the Malaysian Grid Code applies to TNB as the Grid owner and Grid system operator. As such, TNB is responsible for ensuring that its vendors, suppliers and contractors, including third party engineering contractors involved in system design, engineering and infrastructure works comply with the specifications in the Malaysian Grid Code.

1.2.6.2 *Contractor Licensing*

a) Contractor Services Centre (Pusat Khidmat Kontraktor)

The Contractor Services Centre is an agency under the Ministry of Works tasked to manage registration and related matters for all contractors at both the federal and state level. All engineering contractors operating in Malaysia must register with this agency and obtain a license prior to operating in Malaysia.

b) Construction Industry Development Board (CIDB)

Registration with CIDB is a mandatory requirement for all engineering contractors and specific to the skill or trade. System design, engineering and infrastructure providers in the power transmission and distribution industry are classified under the Mechanical and Electrical (M&E) category.

These providers are categorized by paid-up capital from Grade 1 ("G1") to Grade 7 ("G7"). In numerical order, the lower grade represents lesser paid-up capital, and vice versa. For instance, G1 contractors hold only RM5,000 in paid-up capital while G7 represents contractors with at least RM750,000 in paid-up capital. Another attribute of this grading is that G1 contractors' tendering capacity is limited to no more than RM200,000 of the entire project value, while there is no limit for G7 contractors. As such, G7 contractors are deemed as bigger companies compared with the others.

Contractor's Grade of Registration (Malaysia), 2011

Grade	Paid-up Capital (RM)	Tendering Capacity (RM)
G1	5,000	<200,000
G2	25,000	<500,000
G3	50,000	<1,000,000
G4	150,000	<3,000,000
G5	250,000	<5,000,000
G6	500,000	<10,000,000
G7	750,000	No limit

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

1.2.7 Demand Conditions and Dependencies

The key drivers for the growth of system design, engineering and infrastructure services for power transmission and distribution is growth in the demand for electricity supply in Malaysia. The consumption of electricity in Malaysia increased from 81,507 GWh in 2005 to 99,475 GWh in 2010 at a CAGR of 4.1%. Further increase in the demand for electricity in Malaysia is

expected to positively impact the system design, engineering and infrastructure segment of the power transmission and distribution industry.

1.2.7.1 Economic Growth

Since achieving independence, Malaysia's economy has transformed from one that has been dependent on agriculture and primary commodities to one that is export driven. Malaysia's present economy is driven by knowledge and capital intensive industries, and technology. The nation's GDP has increased over the years as the Government has launched several economic plans to continue spurring the economy. Malaysia's GDP rose from RM1.8 trillion in 1990 to an estimated RM5.6 trillion in 2010 at a growth rate of 210.3%.

Despite the economic challenges faced by the country in 2008 as a result of the global financial crisis, Malaysia's economy posted an admirable GDP growth rate of 4.6% during that year, primarily driven by domestic demand and continued expansion in private and public consumption. The Government has recently rolled out the 10MP to further drive the domestic economy. Malaysia's GDP is estimated to increase to RM5.9 trillion in 2011, at a year on year growth rate of 5.5%.

Further growth in the economy is outlined in the 10MP, which strives to transform Malaysia into a high income nation by 2020 by focusing on 12 national key economic areas (NKEA). These NKEAs are specific areas in the nation's economy with potential to significantly contribute to economic growth. Among the identified NKEAs are wholesale and retail, financial services, tourism, electronics and electrical, education and Greater Kuala Lumpur. The Government has also committed to the establishment of 5 economic growth corridors to promote free trade. These corridors are the Iskandar Malaysia (IRDA) in South Johor, Northern Corridor Economic Region (NCER), East Coast Economic Region (ECER), Sabah Development Corridor (SDC) and Sarawak Corridor of Renewable Energy (SCORE).

It is noted that these initiatives will lead to increase inflow of foreign direct investment (FDI) into the country, via investments and the relocation of foreign companies. Domestic private investment is also expected to increase in the coming years in line with the incentives set out under the 10MP. These developments are expected to lead to the formation of commercial and industrial firms, and offering greater employment opportunities to the population of Malaysia. These new commercial and industrial firms will be potential customers to the electricity supply industry. The electricity supply industry in Malaysia is expected to experience growth in the coming years, as a direct result of economic growth within the country.

1.2.7.2 Government Commitment in Ensuring Reliable Electricity Supply to Consumers

The Government of Malaysia regulates and monitors the electricity supply industry via tariffs, policies and industry based regulations. All this is carried out with the aim of ensuring a steady and consistent supply of affordable electricity, which remains affordable to consumers.

In the 10MP, the Government has announced initiatives to improve the generation capacity and transmission of electricity. In improving the generation capacity of electricity, the Government is looking towards:

- Diversifying alternative fuel sources, particularly hydro and the importation of coal and liquefied natural gas (LNG) by 2015 to ensure stability in fuel supply
- To further explore investments in coal technology to reduce emission from this source of fuel
- To consider nuclear energy as a source of energy

The Government has further announced specific initiatives to increase electricity generation capacity in Malaysia. This includes:

- The commissioning of the Ulu Jelai and Hulu Terengganu hydroelectric plants with a combined capacity of 622 MW during the Plan period
- The commissioning of 2 gas fired power plants and 1 coal fired power plant in Sabah with a combined capacity of 700 MW
- The commissioning in stages of the Bakun Hydroelectric Project in Sarawak with a capacity of 2,000 MW

In addition, the Government has also approved a RM7 billion project to increase the capacity of TNB Janamanjung by 1,000 MW. The construction of this project began in July 2012 and is expected to be completed by 2015. The Government also opened bidding for a second power plant extension project, in which MMC Corporation Berhad was awarded the contract to undertake the construction and development of a 1,000 MW coal fired power plant to be situated adjoining the existing Tanjung Bin Plant. This plant is expected to be operational in the first quarter of 2016.

The expansion plans for the TNB Janamanjung Plant and the Tanjung Bin Plant is anticipated to fill the gap in electricity demand, especially after taking into consideration the fact that electricity generated from the Bakun dam will not be transmitted to Peninsular Malaysia by 2015, as initially planned.

Alongside increasing the generation capacity in Malaysia, the Government also intends to strengthen and expand transmission lines and improve reliability in the supply of electricity. The 10MP aims to implement new transmission projects, including new overhead lines in Peninsular Malaysia, from Bentong South to Kampung Pandan via Ampang East, from the Bakun Hydroelectric Project to Similajau in Sarawak and other similar transmission projects in Sabah. In order to minimize loss, reduce cost and increase reliability, the implementation of a Smart Grid system will be considered.

Frost & Sullivan notes that these initiatives by the Government will further serve to strengthen the performance and reliability of the electricity supply industry in Malaysia.

1.2.7.3 Stable Population Growth

Malaysia's population has been increasing steadily since the 1990s. Between 1990 and 2010, Malaysia's population grew from 18.1 million to 28.3 million at a growth rate of 56.5%. Residential consumers are the largest consumer base for electricity, constituting approximately 83% of total consumers by segment between 2005 and 2010. The residential consumer segment is expected to continue emerging as the largest consumer base demanding electricity in the coming years, in line with further population growth experienced by the country.

The preference of residential consumers, in particular for electric and electronic products is also expected to drive the electricity supply industry. Consumer electronics are largely charged by electricity and it has become a norm for households to own multiple consumer electronic products in the current technological age.

1.2.8 Product Substitution

The electricity supply industry in Malaysia supports a wide end user base. To date, there is no substitute for electricity. However it is noted that there are substitutes for the choice of fuel used to generate electricity. Fuel options range from fossil fuels (natural gas, LNG, diesel and coal) to renewable energy (hydro, biomass and nuclear).

The generated electricity is delivered to end consumers via an elaborate nationwide cable network, or transmission and distribution system. In Peninsular Malaysia, this system is known as the National Grid. Projects within the system design, engineering and infrastructure segment of the power transmission and distribution industry are executed by third party contractors. These contractors provide the services of design, procuring of construction materials and

construction of the substations and transmission lines. These contractors also commission the project prior to handing it over to the customer.

Frost & Sullivan notes that there is no substitute for services provided by these contractors. This lack of product substitute reflects positively on the sustainability of the system design, engineering and infrastructure segment of the power transmission and distribution industry.

1.2.9 Supply Conditions and Dependencies

1.2.9.1 *Availability of Equipment*

Key equipment in the transmission and distribution of electricity typically comprises transformers, relay and communication panels, and high voltage switchgears. These equipment are largely manufactured by multinational companies and imported from foreign countries such as Japan and Europe. As investment in these equipment is often relatively large, the selection of equipment supplier is given great consideration. Frost & Sullivan also notes that TNB has identified its approved brands of equipment for use in electricity substations. Primary equipment such as transformers are imported, however secondary equipment such as relays, isolators, control and protection panels and remote terminal units can be sourced from local manufacturers / assemblers.

While some equipment is imported, contractors engaged to carry out system design, engineering and infrastructure projects are able to compete with multinational companies by locally assembling secondary equipment for use in their respective projects.

1.2.9.2 *Availability of Skilled Labour*

The design, engineering and construction of electricity substations require a specific level of skill and experience. Project principals such as TNB would seek to hire companies with proven track record to execute system design, engineering and infrastructure works.

Due to the high level of technicality of this field, contractors bidding for system design, engineering and infrastructure projects are expected to possess skills and experience in the following areas:

- Design, development and planning of indoor and outdoor substations
- Supply, delivery and erection of power transformers, protection and control systems, switchgears, ancillary equipment and associated civil works for transmission and distribution networks, transmission lines and substations

- Design, installation and supply of communication and protection and control systems; supervisory control and data acquisition (SCADA) system implementation projects
- Substation extension projects
- Various other turnkey projects

While the fundamentals of electricity transmission and distribution technology have remained constant over the years, skilled engineers and technicians are able to carry out improvements in order to enhance the performance of the system and optimize substation performance. Such skill can only be gained through hands on experience.

1.2.10 Reliance and Vulnerability to Imports

The system design, engineering and infrastructure segment of the power transmission and distribution industry is dependent on the imports of primary equipment such as transformers. These equipment are not available locally and sourced from established multinational companies in the power transmission and distribution industry. The corresponding software, which is used as a platform for the programming of primary equipment, is also typically sourced from equipment manufacturers which in this case are foreign multinational companies.

Frost & Sullivan notes that there is a certain level of reliance on imports for the sourcing of secondary equipment such as relays, isolators, and control and protection panels. However, these equipment could also be sourced from selected local manufacturers / assemblers.

The system design, engineering and infrastructure segment of the power transmission and distribution industry is not dependent on imports for services offered by third party engineering companies. Utility firms such as TNB engage third party engineering companies to carry out power transmission and distribution system design, engineering and infrastructure works. This is a service that can only be carried out locally at the construction site and therefore is not dependent on imports.

1.3 OVERVIEW OF THE ELECTRICITY SUPPLY INDUSTRY IN CAMBODIA

1.3.1 Electricity Consumption and Growth Trends

Electricity in Cambodia is primarily generated by IPPs. In 2010, IPPs produced a total of 2,254 GWh or 91% of the total generated electricity in the country while consolidated licensees

generated 41 GWh or 4.2%. Consolidated licenses are issued to isolated systems to grant applicants the right to generate, transmit, dispatch, distribute and sell electric power to consumers. The remaining 47 GWh or 4.8% of electricity was generated by Electricite du Cambodge (EDC). Cambodia's supply of electricity is generated by hydropower plants, diesel power plants, thermal power plants using coal, and thermal power plants using wood or other forms of biomass. In 2010, about 93% of the generated electricity originated from diesel and heavy fuel oil (HFO) power plants.

Although there are 13 operating IPPs in Cambodia, these plants are unable to generate sufficient electricity to meet demand. Cambodia imported approximately 70% of its total electricity needs from the neighboring countries in 2009. Cambodia is relatively dependent on imported electricity. Cambodia has established Government level cooperation with the Governments of Thailand and Vietnam for the purpose of importing electricity. Since November 2007, Thailand exports 115 kV of electricity to Cambodia's Banteay Meanchey, Battambang and Siem Reap provinces. Since April 2009, Vietnam exports 230 kV of electricity to Cambodia's Takeo, Phnom Penh, Kandal and Kampong Speu provinces.

According to the World Bank, only 26% of Cambodia's 2.8 million households had access to electricity as at December 2010. Most of these households were located at urban areas, while 13% of the rural population had access to electricity. The Government of Cambodia has targeted to expand its rural electrification strategies with the goal of ensuring that all villages in the country would have access to electricity by the year 2020, including access to mini-grid and off-grid electricity, and 70% of households will have electricity by 2030. To this end, the World Bank is supporting 2 projects, namely the Rural Electrification and Transmission Project (RETP) and the Greater Mekong Sub-region Power Trade Project (GMSRPTP).

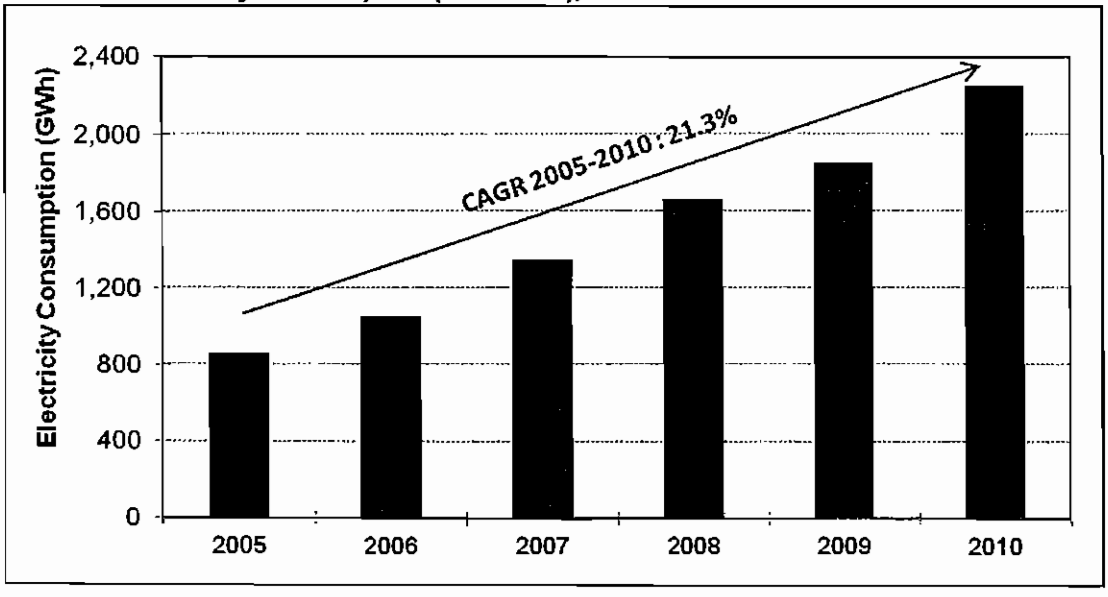
The country's electricity supply industry has experienced improvement since EDC became a wholly state owned company to generate, transmit and distribute electric power throughout Cambodia. Cambodia's consumption of electricity increased from 858 GWh in 2005 to 2,254 GWh in 2010 at a CAGR of 21.3% during that period. The growth rate of electricity consumption grew strongly between 2005 and 2008 in line with the nation's economic growth. In 2009, the growth rate of electricity consumption in Cambodia dipped as a consequent result of the global financial crisis in the previous year, which led to many residential, industrial and commercial consumers conserving on utility expenditure. Nevertheless, electricity consumption recovered with a strong growth of 21.6% in 2010.

Between 1995 and 2008, the per capita consumption of electricity increased from 10.46 kWh to 112.83 kWh at a growth of 978.7%. Growth in per capita total consumption of electricity reflects the growth trend of Cambodia's GDP per capita, which has been on an upward trend from 1995

to 2008. Cambodia's GDP per capita rose by 135.1%, from USD302 in 1995 to USD710 in 2008.

The capital city Phnom Penh is the primary consumer of electricity in Cambodia, constituting more than 67% of the total electricity consumption in 2008. As the capital city of Cambodia, this region consumed 667 GWh in 2005 and its consumption increased to 1,246 GWh in 2008. Phnom Penh emerged as the primary consumer of electricity as a result of its larger industrial and commercial consumer base and population compared to the other 15 regions. Phnom Penh city has a consumer base of 254,662 customers in 2008, almost 100,000 customers more compared to other towns and provincial towns during the same period.

Historical Electricity Consumption (Cambodia), 2005 – 2010



Year	Electricity Consumption (GWh)	Growth Rate (%)
2005	858	-
2006	1,057	23.2
2007	1,349	27.6
2008	1,664	23.4
2009	1,853	11.4
2010	2,254	21.6
CAGR 2005 – 2010		**21.3**

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

1.3.2 Industry Outlook

The consumption of electricity is a key driver for the electricity supply industry. In meeting the anticipated future growth in electricity consumption as a result of population and economic growth, the Government of Cambodia has planned for the increase in installed generation capacity and transmission capacity. The Government has announced its intention to strengthen the transmission system in Cambodia during the 2001 to 2020 period. Under its national targets, the Government aims to strengthen the transmission system in Cambodia by a factor of over 20 times from 120 km in 2001 to 2,582 km by 2020.

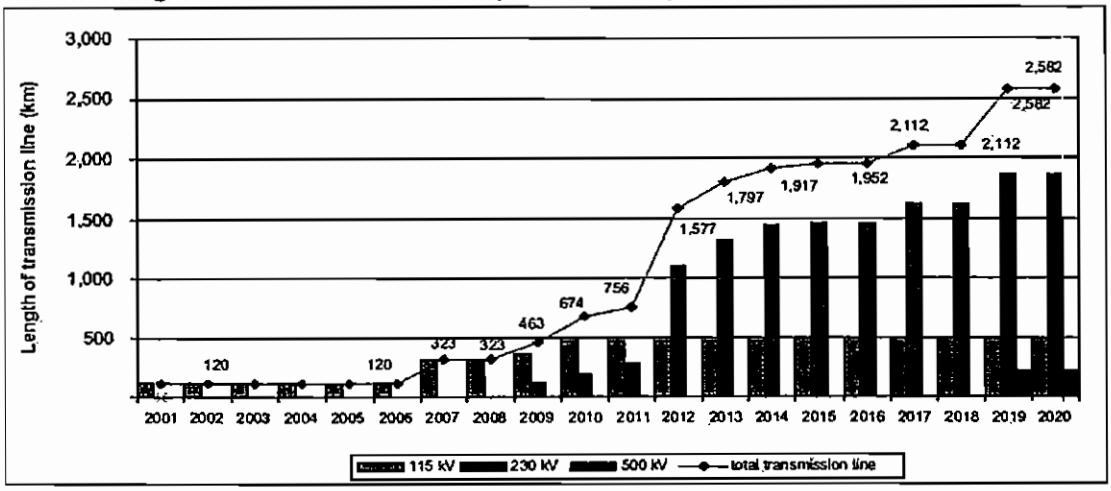
At the end of 2009, Cambodia had 4 operational high voltage lines:

- 115 kV line from the Kirirom 1 hydropower plant to Phnom Penh's distribution system, length 111.24 km
- 115 kV line surrounding Phnom Penh, length 82.71km
- 115 kV line from the border of Thailand to Banteay Meanchey – Siem Reap and Battambang, length 221 km
- 230 kV line from the border of Vietnam to Takeo and Phnom Penh, length 91 km

The Power Development Plan for the period of 2008 to 2021 outlines national strategies to be taken in the development of generation capacities, transmission capacities, and power trading with neighbouring countries. As a reflection of the nation's commitment in accelerating the development of rural electrification in Cambodia, the Government has set a two-step target in rural electrification, through Ministry of Industry, Mines and Energy (MIME). Firstly, the Government targets that all villages in Cambodia will have electricity supply by the year 2020. Secondly, the Government targets to have at least 70% of the total households supplied with grid quality electricity by 2030. According to the Electricity Authority of Cambodia (EAC), only the capital city of Phnom Penh was 100% electrified in 2009, compared to the 20% electrification rate in provinces such as Mondolkiri, Preah Vihear, and Ratanakiri. From the 13,898 villages in the 24 provinces in Cambodia, only 6,629 villages were electrified during the same period.

The Government of Cambodia aims to further reduce poverty in the country by improving the standards of living and fostering economic development in rural areas. This shall, in part, be possible through the Government's rural electrification policies and strategies.

National Targets in the Transmission Expansion Plan (Cambodia), 2001 – 2020



Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

In order to achieve these targets, the Government has established the Rural Electrification Fund (REF). The REF is anticipated to promote equitable rural electrification coverage by facilitating the population's access to electricity at affordable price for economic, social and households usage, thus contributing to poverty reduction, and to promote and encourage the private sector to participate in providing sustainable rural electrification services, in particular for the exploitation of the economic application of well proven, technically and commercially, new and renewable energy technologies (RET). The Royal Decree states that the mandate of REF shall last until REF achieves the goals outlined in the Government's policy on rural electrification.

The Government has carried out several initiatives over the years to develop the power sector in Cambodia. Among these initiatives include the extension of the supply grid to new areas and the strengthening and expansion of isolated supply systems. A major development is the erection of the double circuit 230 kV line from Vietnam to Phnom Penh, with the commissioning of grid substations at Takeo and Phnom Penh (GS4).

Government Driven Transmission Expansion Plans (Cambodia), 2010 - 2019

No	Transmission Expansion Plan	Distance (km)	Scheduled Operational Year
1	230 kV, Takeo - Kompot (construct substation in Kompot),	87	2011
2	115 kV, Steung Treng - Loa PDR (construct substation in Steung Treng)	56	2012
3	110 kV, Kampong Cham - Vietnam (construct 3 substations: Kampong Cham, Soung, Pongnearkreak)	68	2010

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

No	Transmission Expansion Plan	Distance (km)	Scheduled Operational Year
4	230 kV, Kampot - Sihanouk Ville (construct 2 substations: Veal Rinh, Sihanouk Ville)	82	2011
5	230 kV, Phnom Penh - Kompong Chhnang - Pursat - Battambong (construct 3 substations: Kompong Chhnang, Pursat, Battambong)	310	2012
6	230 kV, Pursat - Osom (construct 1 substation in Osom Commune)	175	2012
7	230 kV, Kampong Cham – Kratie	110	2012
8	230 kV, Kratie – Stung Treng	126	2012
9	230 kV, Phnom Penh – Kampong Cham	110	2012
10	220 kV, Phnom Penh – Sihanoukville, along national road 4	220	2013
11	230 kV, East Phnom Penh – Neakleung – Svay Rieng (construct 2 substations: Neakleung, Svay Rieng)	120	2014
12	230 kV, Stung Tatay Hydro – Osom substation	15	2015
13	115 kV, West Phnom Penh – East Phnom Penh (construct substation GS4 at South Phnom Penh)	20	2015
14	230 kV, Reinforcement of transmission line on the existing pole, Phnom Penh – Kampong Cham (transmit power from Lower Sesan II + Lower Srepok II)	100	2017
15	230 kV, Stung Chay Areng - Osom substation	60	2017
16	230 kV, Kampong Cham - Kampong Thom - Siem Reap (construct 1 substation in Kampong Thom)	250	2019
17	500 kV, Loa PDR (Ban Sok) - Steung Treng – Vietnam (Tay Ninh) (construct substation in Steung Treng)	220	2019

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

To this end, the World Bank, Australian Government Overseas Aid Programme (AusAID), ADB and other development partners are coordinating their support towards bringing affordable power to rural households to foster economic growth. The focus of World Bank's support for rural electrification in Cambodia is to improve power sector efficiency and reliability, reduce electricity costs, improve standards of living, and enhance economic growth. This is being achieved by expanding rural electrification and other energy supplies, and strengthening electricity institutions while boosting the regulatory framework and the "enabling environment" for energy sector commercialization.

The World Bank and various other private sponsors have also committed to investing an approximate USD1.7 billion to further develop the electricity supply industry in Cambodia. The largest investment is intended for the construction of the 338 MW Orussei Hydroelectric Power Plant and its related infrastructure, which requires an investment of approximately USD558

million. In March 2011, the Government of Cambodia has further committed to investing USD500 million over the next 5 years for the development of power transmission lines to transport power from hydroelectric plants and other power plants to household consumers within the country.

With the measures to provide sufficient electricity to meet the anticipated increase in electricity demand in the long run, which includes the development of generation and transmission expansion plans, the continuous power trades with neighbouring countries, and also the implementation of provincial and rural electrification programs, the transmission and distribution infrastructure must likewise be sufficiently expanded. This will lead to substantial increases in transmission and distribution expenditure incurred by the Government. System design, engineering and infrastructure companies such as PESTECH are expected to benefit from the public and private investments for the electricity supply industry in Cambodia.

Selected Targeted Investments in the Electricity Supply Industry (Cambodia), 2010 – 2014

Project Description	Targeted Investment (USD million)
Rural Electrification and Transmission Project (RETP)	40.0
Greater Mekong Sub-region Power Trade Project (GMSRPTP)	18.5
Greenfield Project: North Phnom Penh - Kampong Power Transmission (110km)	106.5
Greenfield Project: Orussei Hydroelectric Power Plant (338 MW)	558.0
Greenfield Project: Stung Russey Chrum Krom Hydropower Plant (338 MW)	412.0
Greenfield Project: Stung Tatay Hydropower Plant (246 MW)	540.0
Total Investment	**1,675.0**

Note: List of projects is not exhaustive but captures major targeted investments in the electricity supply industry in Cambodia.

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

1.4 OVERVIEW OF THE ELECTRICITY SUPPLY INDUSTRY IN PAPUA NEW GUINEA (PNG)

1.4.1 Electricity Consumption and Growth Trends

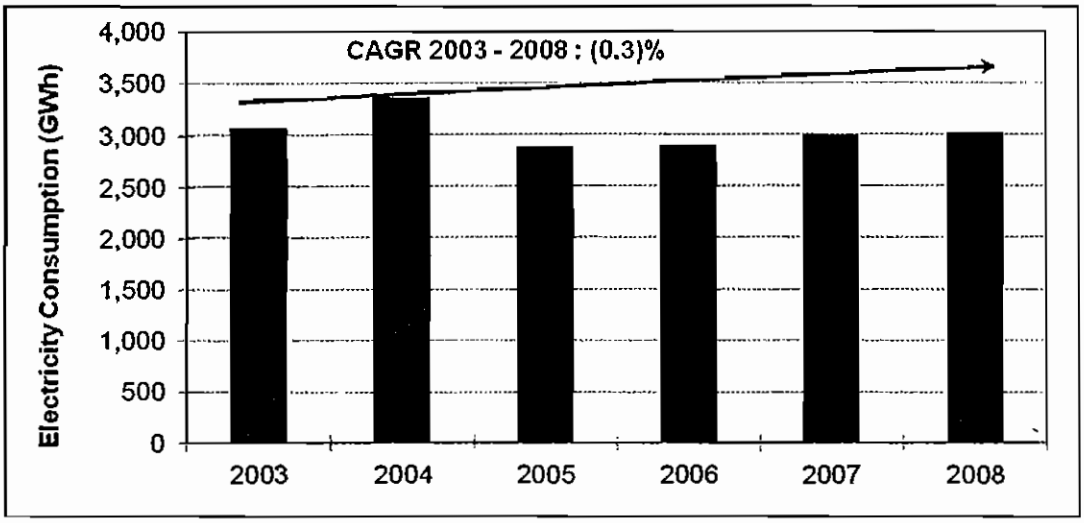
PNG presently does not have a national power grid backbone throughout the country, although there are two main electricity networks serving the Port Moresby and the Lae – Madang – Highlands areas respectively. PNG Power Limited (PPL) is the sole national state owned power utility responsible for the generation, transmission, distribution and retailing of electricity throughout PNG. PNG had a total of installed generation capacity of 580 MW in year 2006, sourced from hydropower (230 MW, or 39.7%), diesel (217 MW, or 37.4%), gas (82 MW or 14.1%) and geothermal (53 MW or 9.1%).

Presently, there are two main power grids in PNG, one located in Port Moresby and the other in the Lae – Madang – Highlands areas. The second grid is known as the Ramu Grid. There are also smaller grids servicing the smaller urban centers in PNG. Due to the unreliability of the power supply in these areas, there is considerable self-generation and back-up generation capacity in urban areas, resulting in high operational and maintenance cost.

The power sector in PNG is faced with challenges, including low investment in power infrastructure and high initial infrastructure costs to extend power to off-grid areas, such rural areas and smaller urban centers. Investments are required in electricity generation, and transmission and distribution at the Port Moresby and Ramu Grids. Apart from that, the supply of electricity in urban areas is often unreliable, limiting growth in smaller urban areas not connected to the main grids, and thus discouraging economic development. This has been a barrier to the industry as the cost of self generated electricity is high.

Between 2003 and 2008, the consumption of electricity in PNG contracted from 3,078 GWh to 3,026 GWh at a negative CAGR of 0.3% during this period. Electricity consumption peaked in 2004 before contracting in 2005 due to lower demand from a slower economy. The nation's electricity consumption subsequently depicted a positive growth rate between 2005 and 2008.

Historical Electricity Consumption (PNG), 2003 – 2008*



Year	Electricity Consumption (GWh)	Growth Rate (%)
2003	3,078	-
2004	3,363	9.3
2005	2,897	(13.9)
2006	2,907	0.3
2007	3,007	3.4
2008*	3,026	0.6
CAGR 2003 – 2008		(0.3)

** Latest available data*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

1.4.2 Industry Outlook

Although electricity consumption has slowed between 2005 and 2008, the Government has developed the Power Sector Development Plan (PSDP) together with ADB to strengthen and enhance the electricity supply industry in PNG. The PSDP aims to increase electrification rates in the country, and provide reliable electricity to the remaining 90% of the population which presently does not have access to power. The PDSP has been recognized by the Department of Petroleum and Energy (DPE) as the basis for future planning of the power sector in PNG. The PSDP includes:

- power demand analysis
- assessment of generation alternatives
- analysis of policy and regulatory framework
- barriers assessment
- preparation of pre-feasibility studies
- power sector operational program
- results dissemination.

PNG has significant indigenous energy sources such as hydropower, natural gas, geothermal, and solar with high potential of development. The electricity supply industry infrastructure requires upgrading to improve reliability, extension of grids to service the growing urban populations, and expansion of disaggregated generation to service the rural populations. Energy losses have continued to increase over the years, primarily because of outdated and poorly maintained transmission and distribution lines, and inadequate substation sizing.

The ADB Country Partnership Strategy of PNG 2011 – 2015 is aimed at providing support for the implementation of the Government's Development Strategic Plan, 2010 – 2030. The Country Partnership Strategy identifies ADB's continued efforts in the promotion of private sector development and good governance. ADB's operational strengths and focus will be on infrastructure, including transport and power development and management, regional cooperation and integration, access to finance, and environment, particularly climate change adaptation.

ADB will support the expansion of the power sector in provincial centers by developing least-cost hydropower projects and improving distribution systems. This is expected to significantly improve access to energy in the provinces. ADB will also explore options for financing least-cost generation options, primarily through technical assistance for Preparing the Power Sector Development Project. ADB will support the expansion of power generation capacity at PNG's two main grids to meet anticipated demand growth. The demand for electricity in PNG is expected to be driven by economic development in the Port Moresby associated with the proposed LNG project, and from the development of mining sector projects. ADB will build on recent technical assistance for the development of power sector planning capacity by providing technical support to the DPE for the implementation of the Electricity Industry Policy. As requested by the Government, technical assistance will also be provided to support sustainable development through the promotion of renewable energy, particularly in off-grid areas, and improved energy efficiency.

ADB has been a long advocate in supporting the development of the electricity supply industry in PNG through a series of technical assistance projects between 1970 and 2000, and has thus far processed four loans for hydropower and transmission projects. Between 2000 and 2005, ADB provided two technical assistance projects to assist in the development of the gas sector. In 2009, ADB completed a technical assistance for preparation of the national PSDP, which will provide strategic assistance to the power sector through preparation of the power demand forecast and least-cost supply development plan.

The recent 150 million kina (K) loan agreement signing between the Government of PNG and ADB in February 2011 was to kick start a Town Electrification Investment Program (TEIP). The signing also involved a Loan Agreement between PPL and the Government, in which PPL would be receiving funds for the implementation of the first phase of the TEIP. The TEIP, to be executed in 2 phases, will include the construction of 6 run – of – river hydro power plants, construction of transmission systems to connect provincial centers to generation sources, and capacity building within the power utility and communities.

Projects under the first phase, which is expected to be completed by end 2013, include

- Kimbe to ialla Interconnection - West New Britain Province
- Divune Hydropower Plant - Northern Province
- Ramazon Hydropower Plant - Autonomous Region of Bougainville

The beneficiaries of TEIP will include the current energy consumers in town centers particularly commercial, industry and domestic (including poor households) sectors, agro-industries including oil palm estates, and rural villages. The primary beneficiaries under phase 1 will include at least 50% of an estimated 3,273 unconnected households in the town of Popondetta, about 50% of estimated 1,187 unconnected households in the town of Kimbe, and an estimated 922 households in the Arawa and Buka towns. Presently consumers in these towns are experiencing regular rotating blackouts due to limited capacity. These consumers are expected to benefit from regular power supply after the project implementation.

The Government of PNG, PPL and ADB have collectively targeted to invest approximately USD254 million over the next 5 years in improving the generation, transportation and distribution infrastructure for the electricity supply industry in PNG, which will benefit system design, engineering and infrastructure companies such as PESTECH.

Selected Targeted Investments in the Electricity Supply Industry (PNG), 2010 – 2015

Project Description	Targeted Investment (USD million)
Town Electrification Investment Program (TEIP)	150.0
Improving Power Supply to Poor Communities	3.0
Power Grid Development Project	100.0
Promoting Renewable Energy in the Pacific	1.0
Total Investment	**254.0**

Note: List of projects is not exhaustive but captures major targeted investments in the electricity supply industry in PNG.

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

The PNG Government is working hand in hand with the ADB to address the issue of electricity supply availability and reliability in the country. TEIP (2011 – 2015), which was approved by ADB in late 2010, aims to improve electricity supply in urban areas, erect key transmission links along major corridors to boost connectivity outside main provincial locations, and provide financial funding to the Government in improving the quality and reliability of the electricity supply industry. The ADB estimates a total investment of USD150 million, of which USD57.3 million was approved in the form of loan to PNG Power Limited in February 2011. This loan will fund renewable energy efforts, including run-of-the-river hydropower plants and the erection of transmission systems in urban areas.

The Government believes that ADB's support will be crucial in creating an export driven economy, increasing rural development and reducing poverty within the country. The various power transmission and distribution projects under TEIP are expected to create demand for system design, engineering and infrastructure providers, enabling companies such as PESTECH which have experience in this area to contribute to the development of the electricity supply industry in PNG.

In addition to the USD150 million in TEIP, the Government of PNG and ADB have committed to investing approximately an additional USD204 million for the improvement of the electricity generation, transmission and distribution infrastructure in PNG, which will ultimately benefit system design, engineering and infrastructure companies such as PESTECH.

1.5 OVERVIEW OF THE ELECTRICITY SUPPLY INDUSTRY IN THE STATE OF BRUNEI DARUSSALAM (BRUNEI DARUSSALAM)

1.5.1 Electricity Consumption and Growth Trends

The State of Brunei Darussalam (Brunei Darussalam) had an installed generation capacity of 888 MW in 2010, which is shared between Department of Electrical Services (DES) and Berakas Power Company Sdn Bhd (BPC). DES supplies electricity throughout the country, which is generated from its four power stations. These four power stations have a combined installed capacity of approximately 425 MW. BPC owns a total installed generation capacity of approximately 260 MW, generated from its three power stations. BPC is a state-owned utility firm and sells generated electricity to DES for eventual distribution to residential, commercial and industrial consumers.

Brunei Darussalam's electricity transmission network extends throughout the country, with approximately 99.7% of its population having access to electricity, while the remaining 0.3% of the population in remote communities is largely being electrified by generators. DES and BPC operate the three main electricity transmission networks in the country. This nation is dependent on gas turbine power plants for approximately 98% of its power needs and the remaining 2% of electricity is generated by diesel solely for the Temburong district.

Electricity Transmission Networks (Brunei Darussalam), 2010

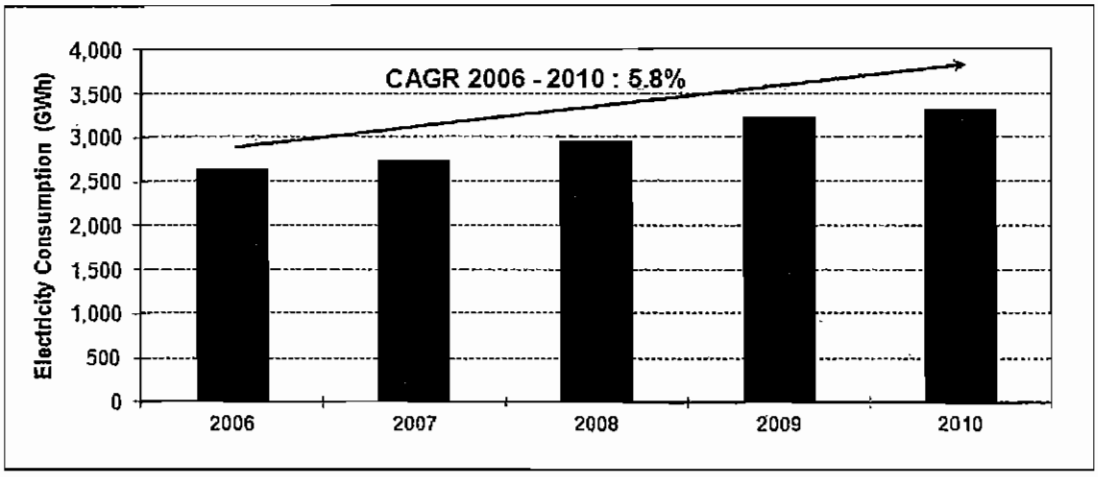
Network	Districts	Power Stations	Utility Owner / Operator
1	Brunei Muara, Tutong and Belait	• Gadong 1 • Gadong 2 • Lumut Co-generation Plant	DES
2	Temburong	• Belingus	DES
3	Selected addresses within Brunei Muara	• Gadong 3 • Jerudong • Berakas	BPC

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

Brunei Darussalam's demand for electricity is driven by its expanding population and economic activities. The country's installed generation capacity increased from 2,948.2 GWh in 2006 to 3,611.5 GWh in 2010 at a CAGR of 5.2% during this period, while its electricity consumption depicted a similar trend, having increased from 2,655.8 GWh in 2006 to 3,327.6 GWh in 2010

at a CAGR of 5.8%. The nation's largest electricity consumer between 2006 and 2010 has consistently been the domestic lighting and power segment, which consumed 1,181.4 GWh or 35.5% of total consumed electricity in 2010.

Historical Electricity Consumption (Brunei Darussalam), 2006 – 2010



Year	Electricity Consumption (GWh)	Growth Rate (%)
2006	2,655.8	-
2007	2,757.9	3.8
2008	2,980.3	8.1
2009	3,243.0	8.8
2010	3,327.6	2.6
CAGR 2006 – 2010		**5.8**

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

1.5.2 Industry Outlook

The demand for electricity in Brunei Darussalam is expected to increase in line with the growth in the nation's population and economic development. Presently, the nation's electricity generation is presently dependent on fossil fuels. However the Government aims to diversify this by including other energy sources in the generation mix. The Government is considering solar, wind, hydropower, biomass and geothermal as sources of energy for power generation.

A national efficiency study is being prepared by the Government as part of Wawasan 2035 (Vision 2035) plan, the nation's long term national development plan.

Brunei Darussalam's National Development Plan (2007 – 2012) includes a plan to integrate the existing three main electricity transmission networks in the country by 2012 in forming a national grid. This plan also aims to further explore the potential of the Temburong Basin formation through the construction of a hydroelectric dam. In meeting the anticipated future increase in electricity consumption, the Government is considering the option to link its existing transmission grid to Sarawak's grid, which would enable the channelling of surplus electricity from the Bakun Hydroelectric Project to Brunei Darussalam's population. To this end, DES signed a Memorandum of Understanding (MoU) with SEB(based in Malaysia) in May 2009, to study the feasibility of expanding power generation capacity for Brunei Darussalam. This feasibility study was completed and handed over to Brunei Darussalam's Energy Minister in early 2010.

Details of this feasibility study include the proposal of developing an integrated Brunei Darussalam – Sabah – Sarawak regional grid connecting Sarawak to Brunei Darussalam and Sabah. SEB has proposed two phases of implementation for this grid linkage:

Proposed Brunei Darussalam – Sabah – Sarawak Regional Grid, 2010

Phase	Description
1	• 275 kV transmission line of 13 km connecting Tudan, Miri, Sarawak and Sungai Tujuh, Brunei Darussalam. • 18km transmission line connecting Sungai Tujuh to Kuala Beliat where a 275 kV / 66 kV substation will be erected. • 275 kV transmission backbone connecting Sungai Tujuh – Kuala Beliat – Spark – Bukit Panggal – Katok.
2	• Connection via Limbang, Sarawak, likely in conjunction with the proposed erection of the Limbang hydroelectric project which is targeted to be completed in 2015. • Electricity generated by this dam will be channelled to Brunei Darussalam via the town of Limau Manis, Sarawak.

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

The construction of a power transmission line beginning from Miri and extending to Brunei Darussalam could be completed in an estimated 18 months. With this grid connection, Sarawak has the potential of exporting 100 MW to Brunei Darussalam in 2012, an additional 50 MW in 2013 and a further 50 MW in the following years.

Additionally, the Government of Brunei Darussalam is promoting energy efficiency and energy conservation nationwide, across various economic sectors. In doing so, the Government is organizing public awareness campaigns and talks, publishing articles on energy efficiency and conservation and encouraging the energy labeling for air-conditioners. The Government also sees the need for building and enhancing human talent via conducting seminars and workshop on energy management, energy auditing and energy educational programs in schools.

The prospects for electricity transmission and distribution in Brunei Darussalam appear positive as the Government takes steps to ensure sufficient and reliable electricity for the country over the long term via the construction of the Brunei Darussalam – Sabah – Sarawak regional grid. The construction of this grid will serve to further benefit system design, engineering and infrastructure companies such as PESTECH.

1.6 OVERVIEW OF THE ELECTRICITY SUPPLY INDUSTRY IN THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA (SRI LANKA)

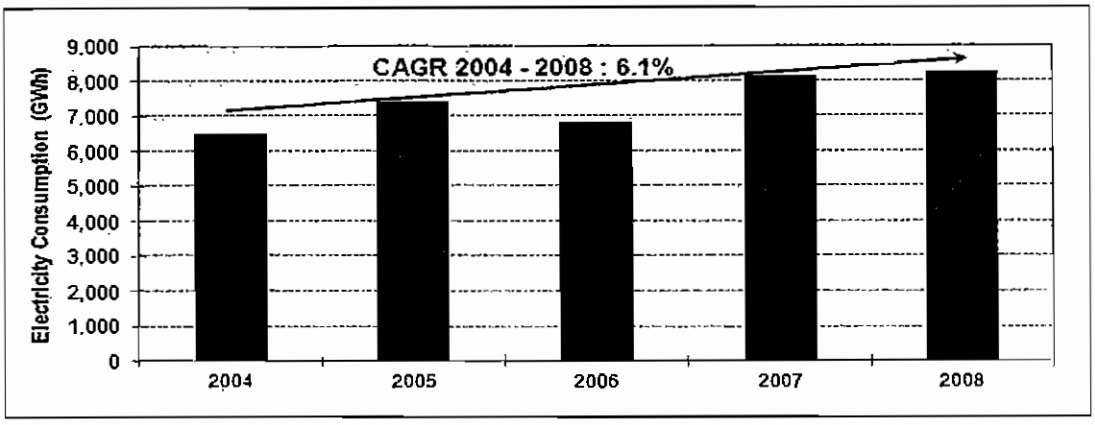
1.6.1 Electricity Consumption and Growth Trends

The Democratic Socialist Republic of Sri Lanka (Sri Lanka) electricity supply industry is regulated by the Public Utilities Commission of Sri Lanka. The state-owned Ceylon Electricity Board (CEB) has been mandated with the generation, transmission and distribution of electricity nationwide. CEB generates approximately 60% of the electricity in the country while the remaining 40% is generated by IPPs, with both utility firms depending largely on hydropower and petroleum fuels in generating electricity. Sri Lanka has also commissioned 87 non-conventional renewable energy (NCRE) projects to date, consisting of mini hydropower, biomass and solar power, which sell energy to the national grid and constitute approximately 185 MW of the total installed capacity nationwide. Sri Lanka had an estimated total installed generation capacity of 2,644 MW in 2008. The transmission system in Sri Lanka is wholly owned and operated by CEB while both CEB and Lanka Electricity Company (Private) Limited (LECO) are responsible for electricity distribution.

Electricity consumption in Sri Lanka increased from 6,523 GWh in 2004 to 8,272 GWh in 2008 at a CAGR of 6.1%. As at 2007, a total of 4.5 million domestic, industrial and commercial consumers have access to electricity, and the country had household electrification rates of approximately 77% in that year. The challenges for rural electrification include high capital investment and operational cost as well as difficulties in extending grid connected transmission

lines to remote areas. In addressing this issue, the Government is looking towards the implementation of renewable energy options such as solar and small scale hydropower to promote medium term electricity generation.

Historical Electricity Consumption (Sri Lanka), 2004 – 2008*



Year	Electricity Consumption (GWh)	Growth Rate (%)
2004	6,523	-
2005	7,435	14.0
2006	6,862	(7.7)
2007	8,139	18.6
2008*	8,272	1.6
CAGR 2004 – 2008		**6.1**

** Latest available data*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

1.6.2 Industry Outlook

Sri Lanka's national energy policy aims to ensure that the population of the country has access to basic energy needs and ensuring the security of energy, among others through the promotion of energy efficiency and energy conservation. The Government aims to ensure that 10% of electricity channelled to the national grid is generated through non-conventional renewable energy sources by 2015. The Government has also developed a 10-year development framework (2007 – 2016) which details the sustainable development of energy sources and its respective delivery systems at competitive pricing to the population. This

framework promotes fuel diversity and its security through the investment in conventional and non-conventional renewable energy. Sri Lanka's Government has targeted to ensure that 98% of its households have access to electricity by 2016.

Key Issues, Strategies and Targets (Sri Lanka), 2007 and 2016

Issue	Strategy	Indicator	Status in 2007	Target for 2016
Access to electricity	Invest in grid extensions and off-grid energy systems.	Households electrified.	Grid: 75% Off-grid: 4%	Grid: 85% Off-grid: 10%
Fuel diversity and energy security in bulk power energy	Moratorium on oil/oil-related fuel burning power plants, diversification to coal and non-conventional renewable energy (NCRE).	Resource diversity, average production cost of electricity, share of indigenous energy for electricity production.	Hydro: 37.7% Oil: 58.2% NCRE: 4.1%	Hydro:19.9% Oil: 2.2% Coal: 67.3% NCRE: 10.7%
Renewable energy for electricity generation	Relieve grid constraints and arrange finances to accelerate NCRE development.	Share of NCRE on the grid, impact on average generation cost.	NCRE share: 4.1%	NCRE share: 10.7%
Transmission and distribution network development	Invest in transmission and distribution to ensure safety, quality and reliability of supply.	Compliance with reliability indices, optimum network losses. Statutory limits on quality of supply.	Widespread violations of reliability criteria.	Endeavour to reach international norms of reliability and supply quality.
Supply-side energy efficiency	Accelerate investments and management efforts to reduce technical and non-technical losses.	Technical loss in transmission, technical loss in distribution, non-technical losses.	Total T&D loss 16.7% of net generation.	Total T& D loss 12.0% of net generation.

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

In February 2011, Sri Lanka received a USD120 million loan from ADB for the expansion and improvement of the country's power network in anticipation for the future increase in electricity demand and to meet its household electrification rate of 98%. The Government will also invest an additional USD42 million in this project. Sri Lanka will also be receiving a technical assistance grant amounting to USD1.85 million from Japan's Asian Clean Energy Fund. This funding will be used to build transmission lines across the country, strengthen distribution networks in rural areas and to electrify 12,000 households in remote areas, and will be largely spent in provinces such as Eastern and Uva where electricity supply is unreliable and electrification rates are below the national average. The targeted completion date for this project is in April 2014.

Such improvements in the electricity generation, transmission and distribution infrastructure in Sri Lanka will benefit system design, engineering and infrastructure companies such as PESTECH.

1.7 OVERVIEW OF THE MINING INDUSTRY IN WEST AFRICA

1.7.1 Production and Growth Trends

Countries which fall under the West Africa region include Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo. These countries, with the exception of Mauritania are part of the Economic Community of West African States (ECOWAS), which was established in May 1975 to promote regional economic cooperation among member countries. Mauritania was previously part of ECOWAS, but since 2001 had withdrawn its membership to join the Arab Magreb Union.

Countries in West Africa are heavily dependent on the mining and minerals sector. According to World Bank, the mining and minerals sector accounts for approximately 54% of total exports and 25% of the GDP for this region.

In the past, civil unrest and unfavourable investment legislation have hampered exploration and mining activities on a commercial scale. However, nations in West Africa have begun achieving political stability in recent years and revised investment legislation to welcome foreign participation in the mining sector. Many large foreign companies have penetrated the mining industry in West Africa with exploration rights or concession for the mining of minerals. This includes companies such as Newmont Mining Corporation, Ashanti Goldfield Co. Ltd, Vale Limited, Rio Tinto Group, ArcelorMittal Group, Aluminium Corporation of China and BHP Billiton Group.

West Africa is rich with minerals such as bauxite, coal, diamond, gold, crude petroleum, and uranium. Between 2005 and 2008, the production of gold, bauxite, coal and diamond was on an upward trend, while production levels of minerals such as iron ore, crude petroleum, manganese, phosphate, uranium and steel depicted a fluctuating trend.

The production of gold increased from 133.1 metric tons to 157.4 metric tons between 2005 to 2008 owing to the opening of new mines as a result of the increasing global prices of this commodity between the same period. There are presently approximately 30 active gold mines in West Africa with capacities exceeding 18 metric tons a year. These gold mines are primarily located in Ghana and managed by mining companies such as Newmont Mining Corporation and Ashanti Goldfield Co. Ltd. Ghana is the largest producer of gold in West Africa and this country also has the largest amount of gold reserves in the region amounting to 1,400 metric tons in 2010. Ghana's gold reserves dipped in 2010 as a subsequent result of the opening of new gold mines in the country since 2007. Other major gold producers are Mali and Guinea.

Countries such as Guinea, Sierra Leone and Ghana are also bauxite rich. Between 2005 and 2008, the production of bauxite in these countries increased from 15.9 million metric tons to 18.9 million metric tons. Bauxite is an aluminium ore and the increasing global demand for aluminium during this period has led to increased production levels of bauxite. Compagnie des Bauxites de Guinée and Compagnie des Bauxites de Kindia increased production in their mines between these years to meet global demand. In 2008, Guinea's production of bauxite contributed to 91.0% of West Africa's total bauxite production. Guinea still sits on large volumes of untapped bauxite reserves. In 2010, the nation reported bauxite reserves amounting to 7.4 billion metric tons.

While the production of coal has exhibited a positive growth trend between 2005 and 2008, its potential has yet to be fully tapped. To date, Nigeria is the only country in West Africa to have discovered and ventured into coal mining on a commercial scale. In Nigeria, coal is primarily mined for power generation as the Government diversifies its dependence on petroleum and gas for this purpose. Additionally, Nigeria is also the largest producer of petroleum in West Africa, having produced 768.8 million barrels of oil or 97.2% of West Africa's total production of oil in 2008. Nigeria's petroleum reserves are centered around the Niger Delta Basin in the Niger Delta.

Regional Production of Selected Minerals (West Africa), 2005 – 2008*

Mineral	Unit	2005	2006	2007	2008*
Bauxite	Thousand metric tons	15,926	18,870	18,017	18,892
Coal	Thousand metric tons	192	186	1529	683
Diamond	Thousand carats	2,592	2,357	2,253	4,482
Gold	Kilograms	133,141	142,550	144,044	157,400
Lead	Thousand metric tons	3	3	17,500	0
Manganese	Thousand metric tons	600	560	410	76
Crude petroleum	Thousand barrels	940,264	836,238	820,727	790,800
Phosphate rock	Thousand metric tons	2,476	1,652	1,443	1,489
Uranium	Thousand metric tons	3,647	4,049	3,718	3,575
Zinc	Thousand metric tons	0	0	8,700	0
Iron Ore	Thousand metric tons	11,000	11,155	11,910	10,950

** Latest available data*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

Annual Production of Selected Minerals (West Africa), 2008*

Mineral	Unit	Country	Production
Gold	Kilograms	Benin	20
		Burkina Faso	7,633
		Cote d'Ivoire	4,205
		Ghana	80,503
		Guinea	19,945
		Liberia	624
		Mali	41,160
		Niger	2,314
		Nigeria	200
		Senegal	600
		Sierra Leone	196
		Total	**157,400**
Bauxite	Thousand metric tons	Ghana	738
		Guinea	17,200
		Sierra Leone	954
		Total	**18,892**
Crude Petroleum	Thousand barrels	Cote d'Ivoire	22,000
		Nigeria	768,800
		Total	**790,800**

** Latest available data*

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

The economies of Liberia, Sierra Leone, Guinea and Cote d'Ivoire particularly are highly dependent on the mining and minerals sectors. Collectively these 3 countries form the Mano River Union (MRU) countries. The MRU region is rich with significant geological resources including key commodities such as iron ore, bauxite, gold and diamond. Additionally Sierra Leone has heavy minerals and platinum group mineral deposits within its borders.

Revenue gained from the mining and export of bauxite has contributed to an estimated 20.0% of Guinea's GDP in recent years. Sierra Leone's export earning from bauxite and rutile was approximately 29.0% and 22.5% of the nation's annual mineral and total export earnings. The

minerals and mining sector also provides ample employment opportunities for the local workforce and this contributes to lowering poverty in the region.

To date, infrastructure development for the mining industry in the MRU region has been slow and is insufficient to meet the increasing needs of mining companies and other users. With the exception of dedicated rail lines and ports constructed by individual companies, infrastructure in potential mining areas have yet to be fully developed. This shortage of infrastructure includes electricity supply infrastructure, where in many cases, electricity substations and transmission lines are erected to supply electricity to power mining operations. This infrastructure is typically erected by mining companies at their respective sites.

1.7.2 Industry Outlook

The outlook for the mining industry in West Africa is closely tied to the level of mineral reserves in the region. Reserves are mineral deposits that are valuable, and economically and technically feasible for commercial scale extraction. West Africa has high reserves for gold, bauxite and crude petroleum. In 2010, the region had an estimated 1,400 metric tons of gold, 7.4 billion metric tons of bauxite and 37.2 million barrels of petroleum in reserves with the potential to be mined on a commercial scale. It is anticipated that these high volumes of reserves will boost future mining activities in the region. Mining activities in West Africa are also expected to be led by multinational mining companies with presence in the region. Further growth in the minerals and mining industry will lead to growth in the electricity supply industry as power infrastructure is erected to support mining operations.

Annual Reserves of Selected Minerals (West Africa), 2007 – 2010

Mineral	Unit	Country	2007	2008	2009	2010
Gold	Metric tons	Ghana	1,600	1,600	1,600	1,400
Bauxite	Thousand metric tons	Guinea	7,400,000	7,400,000	7,400,000	7,400,000
Crude petroleum	Thousand barrels	Nigeria	36,220	36,220	36,220	37,200

Source: Extracted from the Independent Market Research Report prepared by Frost & Sullivan

The World Bank carried out an environmental and social strategic assessment for the development of the minerals sector in MRU countries. Findings from the assessment were published in the West Africa Mineral Sector Strategic Assessment (WAMSSA) in 2010. WAMSSA's objectives included:

- Identifying regional policies, institutional and regulatory policies required to integrate social and environmental considerations in developing the minerals sector
- Propose recommendations to promote environmental and social benefits from the development of the mining sector through regional infrastructure building and economic diversification

Upon completion of the assessment, various national and regional mineral clusters were identified, which would benefit from the development of infrastructure for the mining sector. Several mineral sector projects as part of national development plans in order to eradicate poverty in the region were also identified. Additionally key issues for this sector were also addressed in reducing deforestation, loss of biodiversity, water pollution and land degradation caused by the mining sector, and well as increasing the reclamation of mining land.

The commodity prospects for iron and bauxite are promising as key minerals to be further pursued for mining on a commercial scale. West Africa is rich with high quality iron ore deposits. Coupled with high global iron prices, iron ore should be mined on a commercial scale, and with the development of additional infrastructure, further downstream processing of this mineral can be explored. The prospects for bauxite are closely related to the demand for aluminium. Long term prospects for bauxite appear positive as global demand for aluminium is expected to increase in the medium to long term. Gold is also a key mineral to this region and is a strong investment commodity especially in times of financial downturn. Therefore investments in gold mining appear promising. The minerals and mining sector has potential to be a key economic driver for the region and a driver for infrastructure development in the electricity supply industry as its diverse mineral wealth is beginning to be realized.

1.8 FUTURE OUTLOOK AND PROSPECTS FOR PESTECH INTERNATIONAL BERHAD

1.8.1 Malaysia

The consumption of electricity is a key driver for the electricity supply industry. Electricity consumption is projected to grow from an estimated 101,496 GWh in 2011 to 119,086 GWh in 2015 at a CAGR of 4.1%. Further developments in the electricity supply industry are necessary in meeting this anticipated increase in electricity consumption. The industry can develop further by increasing its current electricity installed generation capacity and strengthening the nationwide transmission and distribution network.

As the Government strives to transform Malaysia into high income economy, further infrastructure development is necessary to support the nation's development. Further infrastructure development in the electricity supply industry is vital in attracting new investments in addition to encouraging existing industries to expand into value-added activities. Under the 10MP, the Government has announced its intention to further reform and grow the electricity supply industry by introducing the New Energy Policy (2011 – 2015).

The Government announced its intention to bring reforms to the electricity supply industry in 10MP with the aim of ensuring continuous security of electricity supply within the country. The 10MP highlights several efforts to create a sustainable industry despite volatile global energy pricing and depleting gas resources especially in Peninsular Malaysia. The New Energy Policy (2011 – 2015) was introduced in the 10MP, and it targets to:

- Increase and diversify generation capacity
- Strengthen transmission and distribution networks
- Improve customer service delivery
- Restructure the electricity supply industry

The 10MP aims to implement new transmission projects, including new overhead lines in Peninsular Malaysia, from Bentong South to Kampung Pandan via Ampang East, from the Bakun Hydroelectric Project to Similajau in Sarawak and other similar transmission projects in Sabah. In order to minimize loss, reduce cost and increase reliability, the implementation of a Smart Grid system will be considered.

The Government has outlined plans for the strengthening and expansion of the transmission and distribution network in the country in minimizing loss, reducing cost and increasing the reliability of electricity. To this end, the Government also intends to increase and diversify the generation capacity domestically. These initiatives are expected to create a demand for the services of companies specializing in system design, engineering and infrastructure of the power transmission and distribution works. Companies such as PESTECH are expected to benefit from these investments by the Government of Malaysia.

1.8.2 Cambodia

Cambodia has emerged as a fast developing nation since the 1990s and as the country experiences high economic growth rates, there is a need for the country to meet the growing demand for electricity. While the nation's power facilities have significantly improved since the civil unrest period with aid from international bodies and foreign funded private sector projects,

there is still much room for improvement within the electricity supply industry in meeting electricity demand and improving the standards of living within the country. The Government has announced its intention to strengthen the transmission system in Cambodia during the 2001 to 2020 period, by a factor of over 20 times from 120 km in 2001 to 2,582 km by 2020.

The RETP, launched by the Government of Cambodia with the support of World Bank, aims to deliver affordable, reliable, and clean power to the population. In doing so, the Government hopes to raise the standards of living in the country while enhancing rural economic growth. To this end, the Government also intends to reduce poverty via providing electricity to rural areas in Cambodia. The Government of Cambodia has established specific goals to be achieved in the next 2 decades. The first goal is to ensure that all villages have access to electricity by 2020 and that 70% of households will have electricity by 2030.

To date the success of RETP has resulted in

- 23km of 115 kV high voltage transmission lines have been erected in and around capital city Phnom Penh in meeting additional demand and improving the quality and reliability of electricity supply
- The upgrading of 3 substations which have been operational since August 2009
- 560km of medium voltage and 278 km of low voltage lines have been erected to supply electricity to rural Cambodia
- Approximately 30,400 new households from a total of 50,000 identified households under the on-grid project have electricity
- Approximately 268 Rural Electrification Enterprises (REE) have been given licenses to operate and expand off-grid connections throughout Cambodia

These achievements emphasize the commitment by the Government in improving the standards and quality of the electricity supply industry in Cambodia. In addition to the targeted USD1.7 billion of private investments between 2010 and 2014 intended for improving generation, transmission and distribution industry in Cambodia, the Government has also announced its intention to invest USD500 million over the next 5 years to further develop the power distribution network in the country. Further developments in improving the electricity transmission and distribution network in the country are expected to create a demand for qualified companies offering system and design services such as PESTECH, which have a track record in executing similar projects.

1.8.3 Papua New Guinea (PNG)

A large percentage of the rural population in PNG does not have access to electricity. In areas where electricity is available, the supply is often unreliable. The DPE has been tasked to draft the Electricity Industry Policy. The national Government owned PPL presently undertakes infrastructure planning and investment for the power sector.

The PNG Government is working hand in hand with the ADB to address the issue of the availability and reliability of electricity supply in the country. TEIP (2011 – 2015) was approved by ADB in late 2010 with the goal of improving electricity supply in urban areas, erecting key transmission links along major corridors to boost connectivity outside main provincial locations, and providing financial funding to the Government in improving the quality and reliability of the electricity supply industry. The ADB estimates a total investment of USD150 million, of which USD57.3 million was approved in the form of loan to PPL in February 2011. This loan will fund renewable energy efforts, including run-of-the-river hydropower plants and the erection of transmission systems in urban areas.

The Government believes that ADB's support will be crucial in creating an export driven economy, increasing rural development and reducing poverty within the country. The various power transmission and distribution projects under TEIP are expected to create demand for system design, engineering and infrastructure providers, enabling companies such as PESTECH which have experience in this area to contribute to the development of the electricity supply industry in PNG.

In addition to the USD150 million in TEIP, the Government of PNG and ADB have committed to investing approximately an additional USD204 million for the improvement of the electricity generation, transmission and distribution infrastructure in PNG, which will ultimately benefit system design, engineering and infrastructure companies such as PESTECH.

1.8.4 West Africa

The prospects of the electricity supply industry in West Africa will be driven by the developments in its mining industry and overall electrification initiatives by the various Governments in this region. The minerals and mining industry is an important pillar of the economies in West Africa. The various Governments in this region have plans to further improve related infrastructure to boost foreign investment in the minerals and mining industry. This includes improving transportation infrastructure, including roads, rail and sea ports, and availability and reliability of electricity and energy.

The outlook for the mining industry in West Africa is closely tied to the level of mineral reserves in the region. Reserves are mineral deposits that are valuable, and economically and technically feasible for commercial scale extraction. West Africa has high reserves for gold, bauxite and crude petroleum. In 2010, the region had an estimated 1,400 metric tons of gold, 7.4 billion metric tons of bauxite and 37.2 million barrels of petroleum in reserves with the potential to be mined on a commercial scale. It is anticipated that these high volumes of reserves will boost future mining activities in the region. Mining activities in West Africa are also expected to be led by multinational mining companies with presence in the region. Further growth in the minerals and mining industry will lead to growth in the electricity supply industry as power infrastructure is erected to support mining operations.

Presently, less than 10% of the population in MRU countries have access to reliable electricity. There is also very limited grid infrastructure in this region. Electricity access is largely only available in mining sites or municipal areas. Power facilities at mining sites are typically constructed by mining companies operating at their respective sites. The electricity supply to rural areas in West Africa is limited.

To address the issue to power supply, World Bank and the respective Governments have plans to:

- Install 3 units of 7.56 MW diesel generating units at Blackhall Road, Sierra Leone to generate 22.68 MW of electricity
- Construct the King Tom Generating Station, a thermal plant with 10 MW capacity
- Increase the generation capacity of the Bumbuna Hydroelectric Project from an initial 20 MW to 50 MW to provide electricity to the main hospital, prison and Government agencies in Sierra Leone

Additionally, there are plans to create a regional West African Electricity Exchanges (WAEE), an effort to integrate national power systems operations into a unified regional electricity market. This power pooling mechanism will include Cote d'Ivoire, Liberia, Sierra Leone and Guinea. The plans to increase electricity under WAEE will include:

- Rehabilitating the Mount Coffee Hydropower facility which experienced damages during the civil unrest
- Develop several run-of-the river hydropower opportunities along the St Paul River in Liberia
- Studying thermal supply options available to mining operators in Liberia
- Studying supply options from renewable sources

Efforts at improving power generation are expected to result in a similar improvement in the transmission and distribution network. As the generation capacity and reliability of electricity supply improves in mining sites, it is anticipated that the respective Governments will plan to channel excess capacity to nearby towns enabling its households to have access to electricity. System design, engineering and infrastructure companies such as PESTECH will be able to contribute to the expansion of the power transmission and distribution in the respective countries in meeting the respective national agendas of providing the population with access to electricity.

[The rest of this page is intentionally left blank]

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

7.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

7.1.1 Promoters and substantial shareholders' shareholdings

The details of our promoters and substantial shareholders and their shareholdings in our Company before (based on the Register of Members and Register of Substantial Shareholders as at the LPD) and after the IPO are as follows:-

		Before the IPO				After the IPO			
		<----------Direct---------->		<----------Indirect---------->		<----------Direct---------->		<----------Indirect---------->	
Promoters and substantial shareholders	**Nationality**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Lim Ah Hock	Malaysian	41,924,800	57.43	-	-	36,700,800	42.73	-	-
Paul Lim	Malaysian	26,997,700	36.98	-	-	23,633,700	27.52	-	-
Promoter									
Lim Pay Chin	Malaysian	157,900	0.22	-	-	793,100*	0.92	-	-

Note:-

* *Assuming all pink form share allocation is fully taken up.*

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

7.1.2 Profile of Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders, who are also our directors and key management, are set out in Section 7.2.2 and Section 7.4.2 of this Prospectus.

The following is the profile of our Company's Promoter who is not our director or key management:-

Lim Pay Chin, aged 39, obtained his Bachelor's Degree in Engineering, majoring in Mechanical and Production from Nanyang Technology University of Singapore in 1994. He started his working career in 1995 as a Design Engineer with Yamada Dobby Pte Lte in Singapore. Subsequently in 1997, he was promoted to Assistant Marketing Manager for the company's representative office in Malaysia for two (2) years. In 1999, he then joined IC Equipment Pte Ltd in Singapore as a Sales and Service Engineer. The following year, he returned to Malaysia to join Xcell as a Sales and Marketing Manager. In 2003, he was appointed as Sales and Marketing Manager for our Group. Presently, he is our Senior Manager of Sales and Marketing Department and is responsible in overseeing and developing the market, business and sales strategic planning for our Group.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

7.1.3 Changes in our Promoters' and substantial shareholders' shareholdings

The changes in our Promoters' and substantial shareholders' shareholdings in our Company since incorporation to the LPD are as follows:-

	As at 10 June 2011 (Date of incorporation)				As at the LPD			
	<----------Direct---------->		<----------Indirect---------->		<----------Direct---------->		<----------Indirect---------->	
	No. Of Shares	%	No. Of Shares	%	No. Of Shares	%	No. Of Shares	%
Promoters and substantial shareholders								
Lim Ah Hock	-	-	-	-	41,924,800	57.43	-	-
Paul Lim	-	-	-	-	26,997,700	36.98	-	-
Promoter								
Lim Pay Chin	-	-	-	-	157,900	0.22	-	-

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.2 DIRECTORS

7.2.1 Our Board comprises the following members:-

Name	Age	Nationality	Date of Appointment	Designation
Lim Ah Hock	60	Malaysian	18 August 2011	Executive Chairman
Paul Lim	42	Malaysian	18 August 2011	Executive Director / CEO
Detlef Raddatz	51	Australian	22 February 2012	Non-Independent Non-Executive Director
Tan Puay Seng	60	Malaysian	22 February 2012	Independent Non-Executive Director
Ibrahim Bin Talib	64	Malaysian	22 February 2012	Independent Non-Executive Director

7.2.2 Profiles

The profiles of the Directors of our Group are as follows:-

Lim Ah Hock, aged 60, is our Executive Chairman. He was appointed to our Board on 18 August 2011.

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

He began his career in 1979 as a Lecturer in Ngee Ann Technical College in Singapore (renamed to Ngee Ann Polytechnic in 1982) lecturing in thermodynamics and fluid mechanics. In 1980, he joined Mechmar Kejuruteraan Sdn Bhd ("Mechmar") as a Service Engineer where he managed the service division and was involved in the provision of after-sales service and major boiler repairs. He was also responsible for the sales of pressure vessels in the southern part of Malaysia as well as obtaining approval for major boiler repairs from the Factory and Machinery Department of Malaysia. Subsequently, he left Mechmar in 1984 and joined Sing Mah Pressure Vessels Co. as a Branch Manager during the period of 1984 to 1989 where he was in charge of the southern branch's overall sales to the oil palm, refinery, food and timber industries as well as other existing industries in Southern Peninsular, Sabah and Sarawak. In 1989, he became a Director of VESTECH Engineering Sdn Bhd, a position he holds until today.

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

Paul Lim, aged 42, is our Executive Director and CEO. He was appointed to our Board on 18 August 2011.

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

In 1994, he began his career with Motorola Malaysia Sdn Bhd as a Product Engineer. He then joined Toprank Corporation Sdn Bhd (now known as Toshiba Transmission & Distribution Systems Asia Sdn Bhd) in 1995 as a Project Engineer, where he was promoted

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

to Project Manager in 1997, and subsequently promoted to Assistant GM in 1998, a position held for two (2) years. In 2000, he joined our Group as a GM and was promoted to CEO in 2008.

He has been playing an instrumental role in the growth and development of our business from a small player primarily involved in trading, to an established home-grown integrated electric power technology company in the power transmission and distribution business with operations locally and abroad. In particular, he has led our Group in establishing our presence in Brunei, PNG, Cambodia and Sri Lanka, and continues to actively seek new business ventures in both local and overseas markets. In addition, under his leadership, we were one of the recipients of Enterprise 50 Award for the years 2009, 2010 and 2011 by SME Corp and Deloitte Consulting (M) Sdn Bhd. He is pivotal in establishing product development and engineering know-how in our Group to be competent in handling design in the field of tele-communication, SCADA, protection and control, primary system design, transmission line and underground cable construction.

In 2010, he was awarded with the Outstanding Entrepreneurship Award 2010 by Enterprise Asia, for his dedication and leadership in guiding our Group to being an important player in the power transmission and distribution business locally and abroad. He also sits on the board of directors of private limited companies.

Detlef Raddatz, aged 51, is our Non-Independent Non-Executive Director. He was appointed to our Board on 22 February 2012.

He graduated with a Bachelor of Engineering (Honours) majoring in Power Electronics from Technical University, Heilbronn Germany in 1988. He also has technical trade certificate which certifies him a professional degree as Telecommunication Technician which was obtained in 1979 from Deutsche Telekom AG with several years of work experience in the telecommunications sector. He is a member of the Institute of Electrical and Electronics Engineer Power & Energy Society since 2010. Currently, he is the Managing Director of SystemCORP Embedded Technology Pty Ltd in Australia.

In 1988, he started his career as an Embedded Design Engineer with the Technical Transfer Center Heilbronn of the Frauenhofer Institute in Germany, responsible for consulting small electronic companies regarding new product design and commercialisation. After two (2) years with Technical Transfer Center, he then joined Westronic Limited in Perth, Australia as a software and hardware engineer from 1991 to 1993. After Westronic Limited was acquired by Harris Controls Limited in 1993, he then joined Harris Controls Limited in 1993 as Marketing Support and Customer Services Manager, responsible for providing technical solutions to the marketing and sales department during the tender process, maintaining customer relationship and after-sales services through presentation, site-visits and official visits. In the same year, he was subsequently promoted as System Engineering Manager of Harris Controls Limited. As a System Engineering Manager, a position he held for two (2) years, his roles and responsibilities relates to the management of the engineering group, executing substation automation and control projects worth up to AUD25 million.

In 1995, he established SystemCORP Pty Ltd with the aim of providing substation control and automation products and services in the Australian and Asian markets. Under his stewardship, SystemCORP Pty Ltd has successfully amongst others, executed substation controls projects in the region such as Malaysia, Taiwan, Singapore, Thailand and North Korea in partnership with multinational companies such as Siemens and ABB. In 2000, SystemCORP Pty Ltd was acquired by Microsol Limited, Ireland. He remained Managing Director until 2003. In 2003, he established a new company under the previous name of SystemCORP Pty Ltd, which now focuses on software and hardware product design for the electrical power utility industry. SystemCORP Pty Ltd then expanded its activities to become an Original Equipment Manufacturer in the emerging SMART GRID market. Substation control and new communication products were added progressively until 2010.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

In 2010, he restructured SystemCORP Pty Ltd to the new name of SystemCORP Embedded Technology Pty Ltd to focus even more on the SMART GRID market, concentrating on developing SystemCORP Embedded Technology Pty Ltd into a leading software solution provider for SMART GRID applications.

Tan Puay Seng, aged 60, is our Independent Non-Executive Director. He was appointed to our Board on 22 February 2012.

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

Ibrahim Bin Talib, aged 64, is our Independent Non-Executive Director. He was appointed to our Board on 22 February 2012.

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

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

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.2.3 Directors' shareholdings

The direct and indirect shareholdings of our Directors before (based on the Register of Directors' Shareholdings as at the LPD) and after the IPO are as follows:-

		Before the IPO				After the IPO			
		<----------Direct---------->		<----------Indirect---------->		<----------Direct---------->		<----------Indirect---------->	
Directors	**Nationality**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Lim Ah Hock	Malaysian	41,924,800	57.43	-	-	36,700,800	42.73	-	-
Paul Lim	Malaysian	26,997,700	36.98	-	-	23,633,700	27.52	-	-
Detlef Raddatz	Australian	-	-	-	-	-	-	-	-
Tan Puay Seng	Malaysian	-	-	-	-	100,000*	0.12	-	-
Ibrahim Bin Talib	Malaysian	2,131,600	2.92	-	-	2,131,600	2.48	-	-

Note:-

* *Assuming all pink form share allocations are fully taken up.*

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.2.4 Principal business activities and directorships in other corporations for the past five (5) years

Save as disclosed below, none of our Directors have any principal business activities and directorship in any other corporations for the past five (5) years preceding the LPD:-

Directors	Company	Position Held	Date Resigned	Principal Activities
Lim Ah Hock	G-Performance Auto House Sdn Bhd	Substantial shareholder	21.10.2011	Provision of repair and maintenance services of motor vehicles and sales of auto parts and accessories
	Tuneacademy Dot Com Sdn Bhd	Substantial shareholder	21.10.2011	Dormant
	Fornix Capital Sdn Bhd	Director / Substantial shareholder	-	Investment holding
	G-Origins Sdn Bhd	Substantial shareholder	21.10.2011	Supply of agriculture products
	3E Tech Pty Ltd	Substantial shareholder	21.10.2011	Project management advisory
	Merit Power Engineering Ltd	-	19.03.2012	General trading and engineering consultancy
	VESTECH Engineering Sdn Bhd	Director / Substantial shareholder	-	Manufacture of pressure vessel, heat exchanger and general engineering fabrication
	Batu Sawar Sdn Bhd	Director / Substantial shareholder	-	Investment holding
	Mercula Sdn Bhd	Substantial shareholder	-	Provision of company secretarial services and investment holding
	VESTECH Projects Sdn Bhd	Substantial shareholder	-	Civil engineering and construction work
	SystemCORP Embedded Technology Pty Ltd	Director / Substantial shareholder	-	General trading and embedded system design
Paul Lim	Imbiss Sdn Bhd	Substantial shareholder	21.10.2011	Dormant
	Wylis Corporation Sdn Bhd	Substantial shareholder	18.10.2011	Provision of engineering and management services
	Wylis Sdn Bhd	Director / Substantial shareholder	-	Investment holding
	Fornix Capital Sdn Bhd	Director / Substantial shareholder	-	Investment holding
	G-Origins Sdn Bhd	Substantial shareholder	21.10.2011	Supply of agriculture products

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Directors	Company	Position Held	Date Resigned	Principal Activities
	Mercula Sdn Bhd	Substantial shareholder	21.10.2011	Provision of company secretarial services and investment holding
	Mercula Systems Sdn Bhd	Substantial shareholder	17.12.2007	Trading of electrical equipment and related accessories
	VESTECH Projects Sdn Bhd	Substantial shareholder	-	Civil engineering and construction work
	SystemCORP Embedded Technology Pty Ltd	Director / Substantial shareholder	-	General trading and embedded system design
	PESTECH International Ltd	Director / Substantial shareholder	-	Dormant
	Merit Power Engineering Ltd.	Substantial shareholder	19.03.2012	General trading and engineering consultancy
Detlef Raddatz	SystemCORP Embedded Technology Pty Ltd	Director / Substantial shareholder	-	General trading and embedded system design
	SystemCORP Pty Ltd	Director / Substantial shareholder	-	General trading and embedded system design
	Richon Estate Family Trust	Substantial shareholder	-	Family trust
Tan Puay Seng	P.S.Tan & Co.	Partner / Chartered Accountant	-	Provision of auditing and tax services
Ibrahim Bin Talib	Asal Power System Sdn Bhd	-	28.10.2011	Electrical contractor for power transmission project mainly for power utilities

7.2.5 Involvement of our Executive Directors in other business/corporations

Saved as disclosed in Section 7.2.4 of this Prospectus, our Executive Directors are not involved in other businesses / corporations. The involvements of our Executive Directors in other businesses / corporations are not expected to affect the operations of our Group as they are principally involved in the day-to-day operations of our Group. Their involvements in the aforesaid companies are minimal and they do not hold any key management positions which involve day-to-day operations in these companies, hence this would not be expected to affect their performance in our Group.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.2.6 Directors' remuneration and benefits

The aggregate remuneration and benefits paid and proposed to be paid to our Directors for services rendered to our Group in all capacities for the FYE 31 December 2011 and 2012 are as follows:-

	Remuneration Band (RM)	
	FYE 31 December 2011	Proposed for FYE 31 December 2012
Lim Ah Hock	300,000 – 350,000	950,000 – 1,000,000
Paul Lim	500,000 – 550,000	800,000 – 850,000
Detlef Raddatz	-	50,000 – 100,000
Tan Puay Seng	-	50,000 – 100,000
Ibrahim Bin Talib	-	50,000 – 100,000

Save as disclosed above, the consideration paid pursuant to the Acquisition of PSB and Acquisition of Xcell (where applicable) and dividends paid to our shareholders, no other amounts or benefits has been paid or intended to be paid to our Promoters, substantial shareholders or Directors within two (2) years preceding the date of this Prospectus. The remuneration which includes our Directors' salaries, bonuses, fees and allowances as well as other benefits of our Directors, must be considered and recommended by the Remuneration Committee and subsequently, be approved by our Board. Our Directors' fees must be further approved by our shareholders at a general meeting.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.3 BOARD PRACTICES

7.3.1 Directorship

As at the LPD, the details of the date of expiration of the current term of office for each of the Directors and the period for which the Directors have served in that office are as follows:-

Name	Designation	Date of expiration of the current term of office	Period served
Lim Ah Hock	Executive Chairman	At the first annual general meeting	Since 18 August 2011
Paul Lim	Executive Director / CEO	At the first annual general meeting	Since 18 August 2011
Detlef Raddatz	Non-Independent Non-Executive Director	At the first annual general meeting	Since 22 February 2012
Tan Puay Seng	Independent Non-Executive Director	At the first annual general meeting	Since 22 February 2012
Ibrahim Bin Talib	Independent Non-Executive Director	At the first annual general meeting	Since 22 February 2012

At the first Annual General Meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, one third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires. Notwithstanding any provision to the contrary contained in the Memorandum and Articles of Association, an election of the Directors of the Company shall take place every year and all the Directors shall retire from office once at least in every three (3) years. A retiring Director shall be eligible for re-election.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.3.2 Audit Committee

Our Audit Committee was established on 22 February 2012 and its members are appointed by our Board. Our Audit Committee comprises the following members:-

Name	Designation	Directorship
Ibrahim Bin Talib	Chairman	Independent Non-Executive Director
Tan Puay Seng	Member	Independent Non-Executive Director
Detlef Raddatz	Member	Non-Independent Non-Executive Director

The main functions of the Audit Committee include inter-alia, the review of audit plans and audit reports with our external auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope, functions, competency and resources of the internal audit procedures, review of the financial statements, nomination of the external auditors and review of related party transactions.

7.3.3 Remuneration Committee

Our Remuneration Committee was established on 22 February 2012 and its members are appointed by our Board. Our Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Detlef Raddatz	Chairman	Non-Independent Non-Executive Director
Tan Puay Seng	Member	Independent Non-Executive Director
Paul Lim	Member	Executive Director / CEO

The main functions of the Remuneration Committee include inter-alia, the recommendation to our Board the remuneration and terms of employment of the Executive Directors, assisting our Board in assessing the responsibility and commitment undertaken by our Board members and assisting our Board in ensuring the remuneration of the Executive Directors are reflective of the responsibility and commitment of the Directors concerned.

7.3.4 Nomination Committee

Our Nomination Committee was established on 22 February 2012 and its members are appointed by our Board. Our Nomination Committee comprises the following members:-

Name	Designation	Directorship
Tan Puay Seng	Chairman	Independent Non-Executive Director
Detlef Raddatz	Member	Non-Independent Non-Executive Director
Ibrahim Bin Talib	Member	Independent Non-Executive Director

The main functions of the Nomination Committee include inter-alia, the review of all nominations for the appointment or re-appointment of members of our Board and to determine the selection criteria thereof, review of the structure, size and composition of our Board, and to ensure that all our Directors undergo appropriate introduction and training programmes.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.4 KEY MANAGEMENT

7.4.1 Key management shareholdings

The details of our key management and their direct and indirect shareholdings in our Company before (based on the Register of Members as at the LPD) and after the IPO are as follows:-

Key management	Designation	Nationality	Before the IPO				After the IPO ^			
			<----------Direct---------->		<----------Indirect---------->		<----------Direct---------->		<----------Indirect---------->	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Ah Hock	Executive Chairman	Malaysian	41,924,800	57.43	-	-	36,700,800	42.73	-	-
Paul Lim	Executive Director / CEO	Malaysian	26,997,700	36.98	-	-	23,633,700	27.52	-	-
Teh Bee Choo	Chief Financial Officer	Malaysian	52,700	0.07	-	-	562,700	0.66	-	-
Chang Mei Lun	Chief Operating Officer	Malaysian	52,700	0.07	-	-	702,700	0.82	-	-
Lim Hon Seng	GM of Sales and Marketing	Malaysian	105,300	0.14	-	-	1,005,300*	1.17	-	-
Lee Kong Tee	GM of P&P	Malaysian	105,300	0.14	-	-	455,300	0.53	-	-
Chong Kuen Wai	GM of D&D	Malaysian	52,700	0.07	-	-	252,700	0.29	-	-
Han Fatt Juan	GM of Strategic Planning	Malaysian	105,300	0.14	-	-	505,300	0.59	-	-

Note:-

^ *Assuming all pink form share allocations are fully taken up.*

* *Inclusive of 250,000 PESTECH Shares under the portion of IPO Shares earmarked for placement to identified investors.*

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.4.2 Profiles

The profiles of the key management of our Group are as follows:-

Lim Ah Hock

Please refer to Section 7.2.2 of this Prospectus for his profile.

Paul Lim

Please refer to Section 7.2.2 of this Prospectus for his profile.

Teh Bee Choo, aged 49, is the Chief Financial Officer of our Group. She graduated from Swinburne Institute of Technology in 1986 with a Bachelor of Business in Accounting with Data Processing. She is a member of the Malaysian Institute of Accountants since 1993 and the Institute of Chartered Accountants Australia since 1990.

She began her career in 1986 as a Junior Audit cum Tax Executive at Shrapnel Accountants & Advisory Pty Ltd in Australia, and was later promoted to Manager before leaving the firm in 1993. She joined Samsung Corning (Malaysia) Sdn Bhd as an Accountant in 1993. She then joined A&L Corporate Management Sdn Bhd, a company secretarial and taxation company in 1993 until 1995 as Manager. In 1995, she moved on to Toprank Corporation Sdn Bhd (now known as Toshiba Transmission & Distribution Systems Asia Sdn Bhd) as a Group Accountant, where she worked for eight (8) years. She left in 2003 and formed her own company, named BCT Advisory Sdn Bhd, which offered corporate management services, which she managed for four (4) years. In 2007, she joined Multi Purpose Holdings Bhd as a Senior Manager of Finance. She joined our Group in 2008 as the Chief Financial Officer, a position she holds until to date.

Chang Mei Lun, aged 41, is the Chief Operating Officer of our Group. She graduated with a Diploma in Accounting from the London Chamber of Commerce and Industry in 1991. She also holds a Diploma in Business Administration from The Association of Business Executives, which she obtained in 1996.

She began her career with Dollarquest Sdn Bhd in 1992 until 1995 as a Shipping Officer, where she dealt with the documentation and operational procedures for the importation and exportation of goods. From 1995 to 1997, she worked as a Purchasing Executive at Federal Furniture Holdings (M) Bhd, procuring raw materials from local and overseas suppliers for use in the production process, among other job functions. Subsequently, she joined Toprank Corporation Sdn Bhd (now known as Toshiba Transmission & Distribution Systems Asia Sdn Bhd) in 1997, as a Purchasing Executive until 2000, where she was involved in the company's certification of ISO 9002. In 2003, she joined our Group as an Operations Manager, and was promoted to Chief Operating Officer in 2010.

Lim Hon Seng, aged 56, is the GM of Sales & Marketing of our Group. He graduated with a Bachelor of Electrical & Electronic Engineering from Universiti Malaya in 1981.

He joined ABB Malaysia in 1981 and stayed on for 18 years until 1999 where his last position held was as a GM. During his tenure with ABB Malaysia, his experiences and responsibilities were in the areas of engineering design, project management, sales and marketing support, procurement and logistics. In addition, he had managed various turnkey substation projects in Malaysia, Indonesia and Sri Lanka for utility companies such as TNB, PT PLN in Indonesia, Ceylon Electricity Board in Sri Lanka and Sarawak Electricity Supply Corporation. From 1999 to 2002, he was working as a remisier with AmSecurities Sdn Bhd under the AmBank Group Malaysia in Kuala Lumpur. In 2002, he was engaged as a design consultant by ABB Malaysia for an independent power plant project undertaken by Powertek Bhd at Teluk Panglima, Negeri Sembilan. He joined our Group in 2003 as the GM of Sales & Marketing.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

He joined our Group in 2003 working on tender sales proposal in the Sales & Marketing Department. During his tenure with our Group, we had secured some key projects in Malaysia and successfully expanded to countries like Brunei, PNG, Cambodia and Sri Lanka. Presently, he is working on new market frontiers in other countries such as Laos, and Vietnam.

Lee Kong Tee, aged 40, is the GM of P&P of our Group. He graduated from Universiti Malaya in 1997 with a Bachelor of Engineering (First Class Honours). In 2002, he obtained a Master in Business Administration from the same university. He is a Corporate Member of the Institute of Engineers Malaysia since 2003. He is also registered as a Professional Engineer with the Board of Engineers Malaysia since 2004.

He began his career in 1997 when he joined KTA Tenaga Sdn Bhd as an Electrical Engineer, where he gained experience in various electrical projects, and was promoted to Consultant in 2002. He then joined Modern Power Network Sdn Bhd the same year as a Project Manager. In 2004, he was made the Senior Manager of Engineering & Design Division. He joined our Group later that year as a Senior Manager of P&P department. He was then promoted to Senior Project Manager of P&P in 2008 and became our GM of P&P in 2011.

Chong Kuen Wai, aged 32, is the GM of D&D of our Group. He graduated from Universiti Teknologi Malaysia in 2002 with a Bachelor of Engineering (Electrical) majoring in High Voltage Engineering.

Upon graduation in 2002, he started his career in our Group as an Engineer in the D&D department. Within seven (7) years, he was promoted to Senior Engineer, Associate Manager and Manager of the team, where his responsibilities included circuitry design of substation control and protection system, handling of turnkey substation projects, substation engineering and design work, as well as management roles that included project management and departmental management. In 2011, he was appointed as the GM of D&D, a position he holds until to date.

Han Fatt Juan, aged 47, is the GM of Strategic Planning (Business Development) of our Group. He graduated with a Bachelor of Science in Civil Engineering degree from South Dakota State University, USA in 1990. He later obtained a Master of Science in Management degree in 1992 from the same university.

He began his career in 1984 with Metral Villar Sdn Bhd as a Site Supervisor and left in 1988 to further pursue his studies. While pursuing for his Master's degree, he held a Teaching Assistant post in South Dakota State University, USA in 1990. He joined Zafas Sdn Bhd in 1992 as a Site Engineer and stayed on for 17 years up to 2009, where he last held the position of Project Director. During his tenure, he was involved in various projects, including transmission line and underground cable installation works, across Malaysia as well as Brunei. He joined our Group in 2009 as a Project Manager, and was promoted to GM of Strategic Planning (Business Development) in 2011, a position he holds until to date.

7.4.3 Involvement of our key management in other business/corporations

As at the LPD, save as disclosed in Section 7.2.4 of this Prospectus and disclosed below, none of our key management is involved in the operation of other businesses or corporations besides our Group:-

Key Management	Company	Position Held	Principal Activities
Teh Bee Choo	A & L Corporate Management Sdn. Bhd	Director / Substantial shareholder	Provision of secretarial services
	B.T. Teh Tax Services Sdn. Bhd.	Director / Substantial shareholder	Provision of tax services

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Key Management	Company	Position Held	Principal Activities
	Bohlasia Steels Sdn. Bhd.	Director	Trading of special steels
	Mercula Systems Sdn Bhd	Director	Trading of electrical equipment and related accessories
	Mercula Sdn Bhd	Substantial shareholder	Provision of company secretarial services and investment holding
	Xin Chuan Heng Holdings Sdn. Bhd.	Director	Investment holding
Chang Mei Lun	Itech Marketing & Services	Sole proprietor	General trading
	Mercula Sdn Bhd	Director / Substantial shareholder	Provision of company secretarial services and investment holding
	Imbiss Sdn Bhd	Director / Substantial shareholder	Dormant
Lee Kong Tee	Mercula Sdn Bhd	Substantial shareholder	Provision of company secretarial services and investment holding
Lim Hon Seng	Silver Mountain Engineering Sdn Bhd	Sole proprietor	Engineering consultancy
	Mercula Sdn Bhd	Substantial shareholder	Provision of company secretarial services and investment holding
Chong Kuen Wai	Petplant Enterprise	Sole proprietor	Dormant
	Mercula Sdn Bhd	Director / Substantial shareholder	Provision of company secretarial services and investment holding
Han Fatt Juan	Ground Drill Sdn Bhd	Substantial Shareholder	Dormant
	Infinite Grow Sdn Bhd	Director / Substantial shareholder	Dormant
	STC Civil Construction Sdn Bhd	Director / Substantial shareholder	Dormant
	Imbiss Sdn Bhd	Director	Dormant

Save as disclosed in Section 7.2.4 and Section 7.4.3 of this Prospectus, our key management are not involved in other businesses / corporations. The involvements of our key management in other businesses / corporations are not expected to affect the operations of our Group as they are principally involved in the day-to-day operations of our Group. Their involvements in the aforesaid companies are minimal and they do not hold any key management positions which involve day-to-day operations in these companies, hence this would not be expected to affect their performance in our Group.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.5 DECLARATIONS FROM OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT

None of our Promoters, Directors and key management is or was involved in any of the following events, whether within or outside Malaysia:-

(i) A petition under any bankruptcy or insolvency law was filed (and not struck out) against such person or any partnership in which he was a partner, or any corporation of which he was a director or key management;

(ii) Disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of the corporation;

(iii) Charged and/or convicted in criminal proceeding, or is a named subject of pending criminal proceedings;

(iv) Any judgment entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) The subject of any order, judgment or ruling of any court, government or regulatory authority or body, permanently or temporarily enjoining him from engaging in any type of business practice or activity.

7.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no other family relationships (as defined under Section 122A of the Act) and associations between or amongst our Directors, Promoters, substantial shareholders and key management:-

(i) Paul Lim is the nephew of Lim Ah Hock and brother to Lim Pay Chin; and

(ii) Lim Pay Chin is the nephew of Lim Ah Hock and brother to Paul Lim.

7.7 SERVICE AGREEMENTS

As at the LPD, none of our Directors and/or key management has any existing or proposed service agreements with our Group.

7.8 MANAGEMENT AND EMPLOYEES

As at the LPD, our total workforce is 172 employees, of which 159 are permanent employees and 13 are contractual employees. The functional distribution of our total number of employees at the end of the past three (3) financial years is as follows:-

	<----------No. of employees---------->		
	As at 31 December		
Category of employee	**2009**	**2010**	**2011**
Director	2	2	2
Operations	18	36	39
Corporate service	4	4	6
Sales & marketing	6	9	11
Strategic planning	5	3	17
D&D	24	34	39
P&P	40	56	60
Total	**99**	**144**	**174**

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

For the FYE 31 December 2010, our Group's total employees have increased from 99 employees to 144 employees. The increase was mainly across the whole categories of employees except for strategic planning and corporate service categories. The increase in our Group's total employees for the FYE 31 December 2010 is both driven by increase in projects procured by our Group and to meet the demand for our Products both domestically and abroad.

For the FYE 31 December 2011, our total employees have increased from 144 employees to 174 employees. The increase was mainly due to an increase in our strategic planning category from three (3) employees to 17 employees. This is in line with our extension of engineering responsibility for overseas project to include civil engineering. The increase in total employees for the past three (3) financial years was also in tandem with our Group's vision to increase our presence in the power transmission and distribution business locally, and especially in the international market.

None of our employees are members of any union nor have there been any major industrial disputes in the past.

Our Group recognises the importance of human resource which plays a pivotal role in our continuous growth and we view sound human resource management as one of our critical success factors. We continuously and proactively cultivate positive working culture by having good working relationships with our employees and place great emphasis on creating a conducive and comfortable working environment for our employees as we believe that a well-motivated and well-managed workforce is essential for efficient operations and the success of our business as a whole.

Our Group will endeavour to attract and retain our existing Directors and management and other category of employees through the implementation of human resource strategies and developing a human resource plan that includes suitable compensation packages, career development and human resource training and development for our management employees. In order to enhance productivity and operational efficiencies and as part of our continuous training and development process, we also encourage our employees to attend in house training provided by the management or supervisor to upgrade their skills and knowledge of the technology involved in the business operation. New recruits are provided on-the-job training to equip themselves with the requisite skills for performing their specific functions. Our training regime aims to equip our staff with knowledge pertaining to quality assurance, the mechanics of the production and services processes and safety awareness.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

8. APPROVALS AND CONDITIONS

8.1 APPROVALS FROM RELEVANT AUTHORITIES

Our Listing Scheme is subject to the following approvals being obtained:-

(a) The approval of the SC, pursuant to Section 212(5) of the CMSA and the equity requirement for public companies, which was obtained vide its letter dated 20 January 2012;

(b) The MITI, which was obtained vide its letter dated 15 November 2011 and 20 December 2011. In the letter dated 20 December 2011, the MITI had recognised our existing Bumiputera shareholder as follows:-

Shareholder	No. of Shares
Ibrahim Bin Talib	2,131,600

(c) Bursa Securities vide its letter dated 13 April 2012, for the admission to the Official List and listing of and quotation for our entire enlarged issued and paid-up share capital of PESTECH, and any Share(s) to be issued pursuant to the SGP, on the Main Market of Bursa Securities.

Our Company has voluntarily submitted an application to the SC for a Shariah compliance review to be carried out by the SAC as part of the process of determining our Shariah status. The SAC had, vide its letter dated 17 November 2011, classified our Company's Shares as Shariah-compliant.

8.2 CONDITIONS ON APPROVALS

The conditions imposed by the SC, MITI and Bursa Securities vide their letters dated 20 January 2012, 15 November 2011 and 13 April 2012 respectively in respect of the Listing are as follows:-

Details of conditions imposed	Status of compliance
By the SC	
i. PESTECH to allocate 12.5% of its enlarged issued and paid-up share capital to Bumiputera investors at the point of listing. This includes the shares offered under the balloted public offer portion, of which 50% are to be offered to Bumiputera investors. In the event that PESTECH/MITI is unable to allocate the shares of Bumiputera investors, the unsubscribed shares shall be offered to the Bumiputera public investors via balloting;	To be met.
ii. Bank Islam and PESTECH to inform the SC of the status of compliance with the equity requirement upon completion of the proposal; and	To be met.
iii. Bank Islam and PESTECH to fully comply with the relevant requirements pertaining to the implementation of the Proposal under the SC's Equity Guidelines and Prospectus Guidelines.	To be met.

8. APPROVALS AND CONDITIONS (Cont'd)

Details of conditions imposed	Status of compliance
By the MITI	
i. To obtain the SC's approval on the listing scheme	Complied. The approval from the SC was obtained vide the SC's letter dated 20 January 2012 subject to certain conditions. Please refer to the above for the conditions imposed by the SC.
By Bursa Securities	
i. Make the relevant announcement pursuant the paragraph 8.1 and 8.2 of Practice Note 21 of the Listing Requirement; and	To be met.
ii. Furnish the Bursa Securities a copy of the schedule of distribution showing compliance to the public share spread requirements based on the entire issued and paid up share capital of PESTECH on the first day of listing.	To be met.

The SC via its letter dated 20 January 2012 has noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the implementation of the proposal as follows:-

Shareholders	Before proposal (%)	After the proposal (%)
Bumiputera	2.92	13.49[1]
Non-Bumiputera	97.08	86.51
Foreign	-	-
	100.00	100.00

Note:-

1. *Inclusive of 7.52% of our enlarged issued and paid-up share capital upon listing to be offered/ issued to Bumiputera investors nominated by us and/or approved by the MITI and 3.49% of our enlarged issued and paid-up share capital set aside for Bumiputera investors through the Public Issue.*

In addition, Bursa Securities has also via its letter dated 13 April 2012 approved the listing of such number of additional new PESTECH Shares, representing up to 15% of the issued and paid-up share capital of PESTECH at any time to be issued pursuant to the SGP, subject to following:-

Condition imposed by Bursa Securities	Status of compliance
i. PESTECH and Bank Islam must comply with the relevant provision under the Listing Requirement pertaining to the implementation of the SGP, including compliance with the Paragraph 8.19 of the Listing Requirement;	To be met.
ii. Bank Islam required to submit a confirmation to Bursa Securities a full compliance of the SGP pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of the implementation together with the following documents:- a. A copy of the approval letter from Bursa Depository for the transfer of shares from the trustee to the participant of SGP; and b. PESTECH is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the SGP as at the end of each quarter together with detailed computation of listing fees payable.	To be met.

8. APPROVALS AND CONDITIONS (Cont'd)

8.3 MORATORIUM ON SALE OF SHARES

In accordance with the SC's Equity Guidelines, a moratorium shall be imposed on the entire shareholdings held by our Promoters comprising 61,127,600 Shares, representing approximately 71.2% of the enlarged issued and paid-up share capital of PESTECH. Our Promoters are not allowed to sell, transfer or assign their respective shareholdings in our Group within six (6) months from the date of our admission to the Official List.

Details of our Company's Shares held by our Promoters which will be subject to moratorium are as follows:-

	Direct shareholdings after the IPO	
Shareholders	**No. of Shares**	**% of enlarged issued and paid-up share capital**
Lim Ah Hock	36,700,800	42.7
Paul Lim	23,633,700	27.5
Lim Pay Chin	793,100*	1.0
Total	**61,127,600**	**71.2**

Note:-

* *Assuming all pink form share allocation is fully taken up.*

The restriction, which is fully acknowledged by the aforesaid shareholders, is specifically endorsed on the share certificates representing the respective shareholdings of the shareholders which are under moratorium as follows:-

"The shares comprised herein are not capable of being sold, transferred or assigned for a period determined by the SC ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of Bursa Securities during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

9. OTHER INFORMATION

9.1 INFORMATION ON MATERIAL LAND AND BUILDINGS

A summary of the material land and buildings owned or occupied by our Group as at the LPD is as follows:-

Registered and Beneficial Owner	Property Address/ Title Details	Description and Existing Use	Category of Land Use / Tenure of Property	Date of Issuance of Certificate of Completion and Compliance	Land Area / Gross Built-Up Area	NCA as at 31 December 2011 (RM'000)
Fornix	No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam Selangor Darul Ehsan Malaysia/ Lot No 69874, Title No PN 11423, Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan	Single-storey detached factory with an annexed three-storey office building (office) and other ancillary buildings, currently being used as our Group's corporate office, factory and warehouse	Industry / Leasehold of 99 years, expiring on 10.1.2102	25.11.2009	4,027.0 square meters / 2,896.7 square meters	7,069

To the best of our Directors' knowledge and belief, there is no breach of any property or land use conditions and/or non-compliance with any regulatory requirement, land rules, building regulations and environmental issue which may materially affect our Group's operation and utilisation of assets in respect of the property owned by our Group as set out above.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

9. OTHER INFORMATION (Cont'd)

9.2 PROPERTY, PLANT AND EQUIPMENT

The information on property, plant and equipment utilised by us at our factory and warehouse is as follows:-

Description	NCA as at 31 December 2011 RM'000
Building	5,516
Long-term leasehold land	1,554
Office equipment	1,513
Motor vehicles	593
Factory equipment *	631
Renovation	337
Total property, plant and equipment	**10,144**

Note:-

* *Factory equipment mainly comprises testing machines such as Omicron CMC 356 3-Phase Relay Test Set (universal test set for all generations and types of protection relays), Udeyraj high voltage test set (testing for high voltage equipment) and Fluke 1625 (earth ground tester).*

Our production/ operating capacities and output is set out in Section 5.7.5 of this Prospectus.

Our Board is of the opinion that our Group has sufficient capacity to meet the current and anticipated level of demand for our products and services, and will continue to monitor the capacity requirements to ensure that our Group's operations run smoothly.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Pursuant to the Listing Requirements, subject to certain exemptions, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiaries, which involves the interest, direct or indirect, of a related party. A "related party" is defined as a director, major shareholder or person connected with such director or major shareholder (including a director or major shareholder within the preceding six (6) months before the transaction was entered into). "Major shareholder" means a shareholder with a shareholding of ten percent (10%) or more (or five percent (5%) or more where such person is the largest shareholder in the company) of all the voting shares in the company.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolution(s) pertaining to the respective transaction. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12 month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation/asset or of various parcels of land contiguous to each other.

10.1 NON-RECURRENT RELATED PARTY TRANSACTIONS

Pursuant to our Group's internal restructuring, we have undertaken the following related party transaction:-

Transacting parties	Nature of transaction	Total value of consideration (RM)	Interested related parties
PSB and Fornix	Acquisition by PSB of the entire issued and paid-up capital of Fornix comprising 40,000 ordinary shares of RM1.00 each in Fornix from Lim Ah Hock and Paul Lim which was completed on 11 August 2011	2	Lim Ah Hock:- • Director and substantial shareholder of PSB and Fornix. Paul Lim:- • Director and substantial shareholder of PSB and Fornix.
PSB and PSSB	Acquisition by PSB of the entire issued and paid-up capital of PSSB comprising two (2) ordinary shares of RM1.00 each in PSSB from Lim Ah Hock and Paul Lim which was completed on 2 April 2012	2	Lim Ah Hock:- • Director and substantial shareholder of PSB and PSSB. Paul Lim:- • Director and substantial shareholder of PSB and PSSB.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

The following table sets out the material transactions which have been entered into by our Group in respect of the three (3) most recent completed financial years:-

Transacting Parties	Nature of Transaction	Actual value for the FYE 31 December			Interested related parties
		2009 RM'000	2010 RM'000	2011 RM'000	
PSB and VESTECH Projects Sdn Bhd ("VPSB")	Services rendered by PSB for electrical and electronic installation in PESTECH's corporate office	1,233	-	-	Lim Ah Hock: • Director and substantial shareholder of Fornix Capital Sdn Bhd which is a substantial shareholder of VPSB. • Brother of Lim Kok Siang. • Uncle of Paul Lim and Lim Pay Chin. Paul Lim: • Director and substantial shareholder of Fornix Capital Sdn Bhd which is a substantial shareholder of VPSB. • Brother of Lim Pay Chin and nephew of Lim Ah Hock and Lim Kok Siang. • Substantial shareholder of Mercula Sdn Bhd which is a substantial shareholder of VPSB. Lim Pay Chin: • Director and substantial shareholder of VPSB. • Brother of Paul Lim and nephew of Lim Ah Hock and Lim Kok Siang. • Management personnel and shareholder of PSB. Lim Kok Siang: • Director and substantial shareholder of VPSB. • Brother of Lim Ah Hock and uncle of Paul Lim and Lim Pay Chin.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Transacting Parties	Nature of Transaction	Actual value for the FYE 31 December			Interested related parties
		2009 RM'000	2010 RM'000	2011 RM'000	
PSB and Wylis Corporation Sdn Bhd ("WCSB")	Sales by PSB of electrical equipment and related accessories	1,065	-	-	Paul Lim: • Director* and substantial shareholder of PSB and WCSB. • Brother of Lim Pay Chin and Lim Pay Horng. Lim Pay Chin: • Director and substantial shareholder of WCSB. • Brother of Paul Lim and Lim Pay Horng. • Management personnel and shareholder of PSB. Lim Pay Horng: • Director and substantial shareholder of WCSB. • Brother of Paul Lim and Lim Pay Chin.

Note:-

* *Subsequently resigned on 18 October 2011.*

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

10.2 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/OR TRADING NATURE

Details of the recurrent related party transactions which, when aggregated are material to our Group in accordance with the Listing Requirements, entered into in respect of the three (3) most recently completed financial years are as follows:-

Transacting Parties	Nature of Transaction	Actual value for the FYE 31 December			Interested related parties
		2009 RM'000	2010 RM'000	2011 RM'000	
PSB and MSSB	Purchase by PSB of ancillary components for CRP and related accessories	643	780	283	Paul Lim: • Director and substantial shareholder of PSB. • Substantial shareholder of MSSB.
PSB and Merit Power Engineering Limited ("MPL")	Purchase by PSB of electrical equipment, components and related accessories	4,552	1,562	4,062	Lim Ah Hock: • Director and substantial shareholder of PSB. • Director# of MPL Paul Lim: • Director and substantial shareholder of PSB. • Director# and substantial shareholder of MPL.
	Sales by PSB of electrical equipment, components and related accessories	4,262	-	-	

Note:-

\# *Subsequently resigned on 19 March 2012.*

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Transacting Parties	Nature of Transaction	Actual value for the FYE 31 December			Interested related parties
		2009 RM'000	2010 RM'000	2011 RM'000	
PSB and VPSB	Service rendered by VPSB for civil construction works	2,211	6,032	3,243	Lim Ah Hock: • Director and substantial shareholder of Fornix Capital Sdn Bhd which is a substantial shareholder of VPSB. • Brother of Lim Kok Siang. • Uncle of Paul Lim and Lim Pay Chin. Paul Lim: • Director and substantial shareholder of Fornix Capital Sdn Bhd which is a substantial shareholder of VPSB. • Substantial shareholder of Mercula Sdn Bhd which is a substantial shareholder of VPSB. • Brother of Lim Pay Chin and nephew of Lim Ah Hock and Lim Kok Siang. Lim Pay Chin: • Director and substantial shareholder of VPSB. • Brother of Paul Lim and nephew of Lim Ah Hock and Lim Kok Siang. • Management personnel and shareholder of PSB. Lim Kok Siang: • Director and substantial shareholder of VPSB. • Brother of Lim Ah Hock and uncle of Paul Lim and Lim Pay Chin.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Transacting Parties	Nature of Transaction	Actual value for the FYE 31 December			Interested related parties
		2009 RM'000	2010 RM'000	2011 RM'000	
PSB and WCSB	Purchase by PSB of electrical equipment, components, related accessories and general items	1,556	421	-	Paul Lim: • Director* and substantial shareholder of PSB and WCSB. • Brother of Lim Pay Chin and Lim Pay Horng. Lim Pay Chin: • Director and substantial shareholder of WCSB. • Brother of Paul Lim and Lim Pay Horng. • Management personnel and shareholder of PSB. Lim Pay Horng: • Director and substantial shareholder of WCSB. • Brother of Paul Lim and Lim Pay Chin.
PSB and Perunding CPM Services Sdn Bhd ("**CPM**")	Risk management services rendered by CPM for Projects	-	1,021	1,741	Lim Kok Shen: • Director and substantial shareholder of CPM. • Brother of Lim Ah Hock. • Uncle of Paul Lim.

Note:-

* *Subsequently resigned on 18 October 2011.*

The Directors of our Company are of the opinion that all the above transactions under Section 10.1 and Section 10.2 are conducted in the ordinary course of business, carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties and are not detrimental to our minority shareholders. The Audit Committee will supervise the terms of any related party transactions moving forward.

We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

10.3 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

Save as disclosed in Section 10.1 and Section 10.2 of this Prospectus above, our Directors have confirmed that to the best of their knowledge, there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the past three (3) FYE 31 December 2011.

10.4 OUTSTANDING LOANS MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES

Save as disclosed below, there are no outstanding loans (including guarantees of any kind) made by us to or for the benefit of the related parties for the past three (3) FYE 31 December 2011 and as at the LPD:-

	<----------As at 31 December---------->			
	2009 RM'000	**2010 RM'000**	**2011 RM'000**	**As at the LPD**
Corporate guarantee given to suppliers by the Company for supply of goods to a related party (namely VPSB)	200	-	-	-

The above transaction was carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties and will not be detrimental to our minority shareholders. Our Group does not intend to grant any loans (including guarantees of any kind) to or for the benefit of related parties in the future.

10.5 INTERESTS IN A SIMILAR BUSINESS / CONFLICT OF INTEREST

As at the LPD, none of our Directors or substantial shareholders has any interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group.

Save as disclosed in Section 10.1 and Section 10.2 of this Prospectus above, none of our other Directors or substantial shareholders has any interest, whether direct or indirect, in any businesses or corporations which are customers and/or suppliers of our Group. Their interests in these other businesses or corporations which are customers and/or suppliers of our Group do not give rise to a situation of conflict of interest with our Group's business. All the above transactions were conducted in the ordinary course of business, carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties and will not be detrimental to our minority shareholders.

10.6 PROMOTIONS OF ANY MATERIAL ASSETS ACQUIRED / TO BE ACQUIRED WITHIN THREE (3) YEARS PRECEEDING THE DATE OF THIS PROSPECTUS

Save for the Acquisition of PSB, Acquisition of Xcell and the acquisitions as disclosed in Section 10.1 of this Prospectus above, there is no other material assets acquired/ to be acquired within three (3) years preceding the date of this Prospectus.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

10.7 DECLARATION BY ADVISERS

10.7.1 Principal Adviser, Sole Underwriter and Placement Agent

Bank Islam has confirmed that there is no conflict of interest in its capacity as the Principal Adviser, Sole Underwriter and Placement Agent to our Group in relation to the IPO. The Underwriting Agreement, which certain details are set out in Section 3.10.2 and Section 3.10.4 of this Prospectus, was entered into on arms-length basis and on market terms.

Bank Islam wishes to disclose that on 28 November 2007 and 26 May 2008, Bank Islam has granted PESTECH Group, financing facilities for its projects amounting to RM30.573 million. As at the LPD, the outstanding financing facilities were approximately RM2.021 million in respect of a bank guarantee. Bank Islam is of the opinion that the above does not give rise to a conflict of interest situation due to the following reasons:-

(i) The financing facilities granted to PESTECH Group is part of the ordinary course of business of Bank Islam; and

(ii) The conduct of Bank Islam is strictly regulated by the Islamic Banking Act, 1983 and Bank Islam's own internal controls and checks.

10.7.2 Solicitors for the Listing

Wong Beh & Toh has confirmed that there is no conflict of interest in its capacity as the Solicitors to our Group in relation to the IPO.

10.7.3 External Auditors and Reporting Accountants

SJ Grant Thornton has confirmed that there is no conflict of interest in its capacity as the External Auditors and Reporting Accountants to our Group in relation to the IPO.

10.7.4 Independent Market Researcher

Frost & Sullivan Malaysia Sdn Bhd has confirmed that there is no conflict of interest in its capacity as the Independent Market Researcher to our Group in relation to the IPO.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

11. FINANCIAL INFORMATION

11.1 HISTORICAL PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF OUR GROUP

The following historical Proforma Consolidated Statements of Comprehensive Income for the past five (5) FYE 31 December 2007 to 2011 are provided for illustrative purposes and have been extracted from the audited financial statements of PESTECH, our subsidiary companies and jointly-controlled entity (not applicable for PSSB and PTL which were incorporated in 2012) assuming that our Group has been in existence throughout the financial years under review. The Proforma Consolidated Statements of Comprehensive Income should be read in conjunction with our management's discussion and analysis of financial conditions, results of operations and prospects set out in Section 11.4 of this Prospectus and the Reporting Accountants' Letter on the Proforma Consolidated Financial Information together with the basis of assumption as set out in the accompanying notes in Section 11.2 of this Prospectus.

There has been no exceptional or extraordinary item on all the audited financial statements of our Group for the financial years under review.

FYE 31 December	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**
Revenue	43,382	51,596	86,548	114,982	130,947
Cost of sales	(35,965)	(43,452)	(74,866)	(90,328)	(104,383)
Gross profit	7,417	8,144	11,682	24,654	26,564
Other income	69	1,431	278	296	1,852
Administrative expenses	(3,357)	(4,746)	(5,648)	(8,438)	(10,414)
Finance costs	(791)	(692)	(1,098)	(1,057)	(1,319)
PBT	3,338	4,137	5,214	15,455	16,683
Taxation	(978)	(874)	(1,632)	(3,963)	(4,682)
PAT	2,360	3,263	3,582	11,492	12,001
Other comprehensive income:					
Exchange translation difference relating to foreign subsidiaries	-	-	-	(52)	36
Total comprehensive income	2,360	3,263	3,582	11,440	12,037
Assumed no. of Shares in issue[1] ('000)	73,000	73,000	73,000	73,000	73,000
EBITDA (RM'000)	4,463	5,165	6,722	17,228	18,823
Basic EPS[2] (RM)	0.03	0.04	0.05	0.16	0.16
Gross profit margin[3](%)	17.10	15.78	13.50	21.44	20.29
PBT margin[4](%)	7.69	8.02	6.02	13.44	12.74
PAT margin[5](%)	5.44	6.32	4.14	9.99	9.16
Effective tax rate[6](%)	29.30	21.13	31.30	25.64	28.06

11. FINANCIAL INFORMATION (Cont'd)

Notes:-

1) The assumed number of Shares in issue after Acquisition of PSB but before Public Issue.
2) Basic EPS is calculated based on PAT of our Group divided by the assumed number of Shares in issue.
3) Gross profit margin is calculated based on gross profit divided by revenue.
4) PBT margin is calculated based on PBT divided by revenue.
5) PAT margin is calculated based on PAT divided by revenue.
6) Effective tax rate is calculated based on income tax expenses divided by PBT.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

11.2 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)

Grant Thornton

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(Prepared for inclusion in this prospectus)

25 April 2012

SJ Grant Thornton (AF:0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

T +603 2692 4022
F +603 2691 5229
www.gt.com.my

The Board of Directors
Pestech International Berhad
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Dear Sirs,

PESTECH INTERNATIONAL BERHAD
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

We have reviewed the Proforma Consolidated Financial Information of Pestech International Berhad ("PESTECH" or "the Company") and its subsidiaries and jointly-controlled entity (collectively known as "PESTECH Group" or "The Group") for the financial years ended 31 December 2007 to 31 December 2011 together with the notes and assumptions thereto, as set out in this letter which we have stamped for the purpose of identification, in connection with the listing of and quotation for the entire enlarged issued and fully paid-up share capital of PESTECH on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Proforma Consolidated Financial Information has been prepared for illustrative purposes solely for the purpose of inclusion into this prospectus on the basis of assumptions as set out below and after making certain adjustments to show what:-

i) the financial results of the PESTECH Group for the financial years ended 31 December 2007 to 31 December 2011 would have been on the assumption that the group structure had been in place since the beginning of the years being reported on;

ii) the financial position of the PESTECH Group as at 31 December 2011 would have been on the assumption that the group structure had been in place on that date, adjusted for the effects of acquisition and incorporation of subsidiaries, Initial Public Offering ("IPO") and utilisation of proceeds; and

iii) the cash flows of the PESTECH Group for the financial year ended 31 December 2011 would have been on the assumption that the group structure had been in place on that date, adjusted for the effects of acquisition and incorporation of subsidiaries, IPO and utilisation of proceeds.

Grant Thornton

The Proforma Consolidated Financial Information, because of its nature, may not give a true picture of the PESTECH Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial position, results and cash flows.

It is the sole responsibility of the Directors of the PESTECH Group to prepare the Proforma Consolidated Financial Information in accordance with the requirements of the Prospectus Guidelines – Equity and Debt issued by the Securities Commission Malaysia. Our responsibility is to form an opinion as required by the Prospectus Guidelines - Equity and Debt on the Proforma Consolidated Financial Information and our letter is given to you solely for this, and no other purpose.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Proforma Consolidated Financial Information, nor do we accept responsibility for such reports or opinions beyond that is owed to those to whom those reports or opinions were addressed by us at the date of their issue.

Our work, which involved no independent examination of any of the underlying financial information, is primarily comparing the Proforma Consolidated Financial Information with the audited financial statements, considering the evidence supporting the adjustments and discussing the Proforma Consolidated Financial Information with the Directors of the PESTECH Group.

In our opinion, the Proforma Consolidated Financial Information together with the accompanying notes which are provided solely for illustrative purposes only,

(a) has been properly compiled on a basis of preparation as stated in the notes thereto; such basis of which is consistent with the accounting policies adopted by the PESTECH Group;

(b) the adjustments are appropriate for the purposes of the Proforma Consolidated Financial Information; and

(c) the financial statements used in the preparation of the Proforma Consolidated Financial Information were prepared in accordance with the approved Financial Reporting Standards ("FRS") as defined in the Financial Reporting Act 1997 and in manner consistent with both the format of the financial statements and the accounting policies of PESTECH Group.

Grant Thornton

This letter is not to be reproduced, referred to in any other document, or used or relied upon for any other purpose without our prior written consent.

Yours faithfully,

SJ GRANT THORNTON
No. AF: 0737
Chartered Accountants

HOOI KOK MUN
No.: 2207/01/14 (J)
Partner

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. INTRODUCTION

The Proforma Consolidated Financial Information has been prepared based on the audited financial statements of PESTECH for the financial period from 10 June 2011 to 31 December 2011 and the audited financial statements of the subsidiaries and jointly-controlled entity of PESTECH for the financial years ended 31 December 2007 to 31 December 2011 using the bases, the format and the accounting principles consistent with those adopted in the audited financial statements of the PESTECH Group, after giving effect to the proforma adjustments which are considered appropriate.

2. ABBREVIATIONS

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this letter:-

BND	Bruneian Dollar
CHF	Swiss Franc
EPS	Earnings per share
DPJV	Dayen-Pestech JV Ltd.
EURO	Euro
FORNIX	Fornix Sdn. Bhd.
FPE	Financial period ended
FYE	Financial year ended
GHS	Ghanaian Cedi
IPO	Initial Public Offering
JPY	Japanese Yen
MSB	Mercula Sdn. Bhd.
NA	Net assets
PBSB	Pestech (Brunei) Sdn. Bhd.
PESTECH or Company	Pestech International Berhad
PESTECH Group or Group	PESTECH, PSB Group and XCELL, collectively
PESTECH Share(s) or Shares	Ordinary shares of RM0.50 each in PESTECH
PGK	Papua New Guinean Kina
PSB	Pestech Sdn. Bhd.
PSB Group	PSB and its subsidiaries, namely FORNIX, TPJV, PSSB, PTL, PBSB and its jointly-controlled entity, namely TPSB
PSSB	Pestech (Sarawak) Sdn. Bhd.
PTL	Pestech Transmission Limited

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. ABBREVIATIONS (CONT'D)

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (cont'd):-

RM	Ringgit Malaysia
SGD	Singapore Dollar
SGP	Share grant plan
TPJV	Tajri-Pestech JV Ltd.
TPSB	Tajri-Pestech JV Sdn. Bhd.
USD	US Dollar
XCELL	Xcell ATS (M) Sdn. Bhd.

3. BASIS OF PREPARATION

3.1 The Proforma Consolidated Financial Information has been prepared using the bases, the format and the accounting principles consistent with those adopted in the audited financial statements of PESTECH Group, after giving effect to the proforma adjustments which are considered appropriate.

3.2 The Proforma Consolidated Financial Information has been prepared to illustrate what:-

a) the financial results of the PESTECH Group for the FYE 31 December 2007 to 2011 would have been on the assumption that the group structure had been in place since the beginning of the years being reported on;

b) the financial position of the PESTECH Group as at 31 December 2011 would have been on the assumption that the group structure had been in place on that date, adjusted for the effects of acquisition and incorporation of subsidiaries, IPO and utilisation of proceeds; and

c) the cash flows of the PESTECH Group for the FYE 31 December 2011 would have been on the assumption that the group structure had been in place on that date, adjusted for the effects of acquisition and incorporation of subsidiaries, IPO and utilisation of proceeds.

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

3.3 For illustrative purpose, it is assumed that the acquisition of a subsidiary, PSSB and incorporation of a subsidiary, PTL which were completed after the FYE 31 December 2011 took place prior to 1 January 2007 in arriving at the Proforma Consolidated Financial Information for the FYE 31 December 2011.

3.4 For illustrative purpose, it is assumed that the disposals of a subsidiary, DPJV and an associate, MSB which were completed during the FYE 31 December 2011 took place prior to 1 January 2007 in arriving at the Proforma Consolidated Financial Information for the FYE 31 December 2011.

3.5 The Proforma Consolidated Financial Information has been prepared using the merger method to account for the acquisition of subsidiaries. Under the merger method,

(i) If the cost of merger is lower than the nominal value of the share capital of the subsidiaries acquired, a credit balance will arise and be treated as merger reserve under the Proforma Consolidated Statements of Financial Position.

(ii) If the cost of merger exceeds the nominal value of the share capital of the subsidiaries acquired, a debit balance will arise and be treated as merger deficit under the Proforma Consolidated Statements of Financial Position.

3.6 The Proforma Consolidated Financial Information has been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results and cash flows of the PESTECH Group.

3.7 The Proforma Consolidated Financial Information has been prepared in accordance with the Financial Reporting Standards ("FRS") in Malaysia after incorporating adjustments that are appropriate for the preparation of the Proforma Consolidated Financial Information.

3.8 The auditors' report on the respective financial statements included in this letter, where applicable, were not subject to any qualification except for the financial statements of XCELL for the FYE 31 December 2007 to 2009 and the financial statements of FORNIX for the FYE 31 December 2006 which contained modified opinion with an emphasis of matter on the subsidiaries' ability to continue as a going concern in view of their net liabilities position.

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

3.9 There were no exceptional items in all the financial years under review.

3.10 The Proforma Consolidated Statements of Financial Position together with the accompanying notes thereon, have been prepared based on accounting principles and bases consistent with those normally adopted in the preparation of audited financial statements of the PESTECH Group to illustrate the Consolidated Statements of Financial Position of the PESTECH Group assuming that all the transactions mentioned below had taken place on 31 December 2011:-

3.10.1 **Proforma I : Acquisition and incorporation of subsidiaries**

On 2 April 2012, the PSB acquired the entire issued and paid-up share capital of PSSB comprising 2 ordinary shares of RM1 each for a cash consideration of RM2.

On 9 March 2012, PSB incorporated a wholly-owned subsidiary, PTL in Ghana with a total issued and paid up share capital of GHS96,000.

3.10.2 **Proforma II : IPO**

Public Issue

The Company undertakes a public issue of 12,880,000 new PESTECH Shares, representing approximately 15.00% of the enlarged issued and paid-up share capital of PESTECH, at an issue price of RM1.00 per Share, payable in full on application.

The Shares are to be allocated and allotted in the following manner:-

(i) Malaysian Public

6,000,000 new PESTECH Shares, representing approximately 6.99% of the enlarged issued and paid-up share capital, made available for application by the Malaysian Public via balloting, of which at least 50% is to be set aside strictly for Bumiputera investors.

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

3.10 (cont'd):-

3.10.2 **Proforma II : IPO (cont'd)**

Public Issue (cont'd)

The Shares will be allocated and allotted in the following manner (cont'd):-

(ii) Eligible Directors, employees and persons who have contributed to the success of the Group

5,367,000 new PESTECH Shares, representing approximately 6.25% of the enlarged issued and paid-up share capital, reserved for the eligible Directors, employees and persons who have contributed to the success of the Group.

(iii)Private placement to identified investors

1,513,000 new PESTECH Shares, representing approximately 1.76% of the enlarged issued and paid-up share capital, by way of placement to identified investors.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase to RM42,940,000 comprising 85,880,000 PESTECH Shares.

All the new PESTECH Shares shall rank *pari passu* in all respects with the existing issued and paid-up shares of the Company, including the voting rights and rights to all dividends and distributions that may be declared, made or paid subsequent to the date of the allotment thereof.

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

3.10 (cont'd):-

3.10.2 **Proforma II : IPO (cont'd)**

Offer for Sale

The offerrors undertake an offer for sale of existing 8,588,000 PESTECH Shares ("Offer Shares"), representing 10.00% of the enlarged issued and paid-up share capital of PESTECH, at the offer price of RM1.00 per Share, payable in full on application.

The Shares are to be allocated and allotted in the following manner:-

(i) 6,456,400 Offer Shares, representing approximately 7.52% of the enlarged issued and paid-up share capital, by way of placement to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI"); and

(ii) 2,131,600 Offer Shares, representing approximately 2.48% of the enlarged issued and paid-up share capital, by way of placement to identified investors.

The breakdown of the Offer Shares offered by the respective offerors is as follows:-

Name	Material relationship	No. of Offer Shares	% of enlarged issued and paid-up share capital
Lim Ah Hock	Executive Chairman	5,224,000	6.08
Lim Pay Chuan	Executive Director	3,364,000	3.92
Total		8,588,000	10.00

All the Offer Shares shall rank *pari passu* in all respects with the existing issued and paid-up shares of the Company, including the voting rights and rights to all dividends and distributions that may be declared, made or paid subsequent to the date of the transfer thereof.

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

3.10 (cont'd):-

3.10.3 Proforma III : Listing of and Quotation for PESTECH Shares

PESTECH seeks admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of PESTECH of RM42,940,000 comprising 85,880,000 PESTECH Shares, on the Main Market of Bursa Securities.

The gross proceeds arising from the Public Issue are expected to be fully utilised by the PESTECH Group in the following manner:-

Purpose	RM'000	%
Repayment of bank borrowings	6,000	46.6
Product development and market/business expansion	1,800	14.0
Working capital	2,580	20.0
Estimated listing expenses	2,500	19.4
	12,880	100.0

The listing expenses are estimated at RM2,500,000 and will be set off against the share premium account and profit or loss.

3.10.4 SGP

In conjunction with the Listing, PESTECH will also implement a SGP involving up to 15% of the issued and paid-up share capital of PESTECH at any time during the existence of the SGP, to be granted and/or issued to the eligible Directors and executives of the Group.

The SGP will not have an immediate material effect on the Consolidated NA of the Company. However, the potential effect on the consolidated NA of the Company in the future would depend on the number and price of the shares granted and/or issued.

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. HISTORICAL PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Historical Proforma Consolidated Statements of Comprehensive Income of the PESTECH Group for the past five (5) years from FYE 31 December 2007 to 2011 are provided for illustrative purposes, extracted from the audited financial statements of PESTECH Group assuming that the PESTECH Group has been in existence throughout the financial years under review.

FYE	2007 RM	2008 RM	2009 RM	2010 RM	2011 RM
Revenue	43,381,579	51,596,284	86,547,762	114,982,160	130,946,996
Cost of sales	(35,964,482)	(43,451,850)	(74,865,596)	(90,328,475)	(104,382,813)
Gross profits	7,417,097	8,144,434	11,682,166	24,653,685	26,564,183
Other income	69,272	1,430,458	278,184	296,011	1,852,380
Administration expenses	(3,357,526)	(4,745,922)	(5,648,438)	(8,438,097)	(10,414,617)
Finance costs	(791,214)	(692,381)	(1,098,231)	(1,057,357)	(1,318,864)
Profit before taxation ("PBT")	3,337,629	4,136,589	5,213,681	15,454,242	16,683,082
Taxation	(978,030)	(873,967)	(1,631,596)	(3,962,684)	(4,681,693)
Profit after taxation ("PAT")	2,359,599	3,262,622	3,582,085	11,491,558	12,001,389
Other comprehensive income:-					
Foreign currency translation differences relating to foreign subsidiaries	-	-	-	(51,784)	35,980
	2,359,599	3,262,622	3,582,085	11,439,774	12,037,369

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. HISTORICAL PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

FYE	2007 RM	2008 RM	2009 RM	2010 RM	2011 RM
Gross profit margin (%)	17.10	15.78	13.50	21.44	20.29
PBT margin (%)	7.69	8.02	6.02	13.44	12.74
PAT margin (%)	5.44	6.32	4.14	9.99	9.16
Number of Shares in issue #	73,000,000	3,000,000	73,000,000	73,000,000	73,000,000
Basic EPS (RM)	0.03	0.04	0.05	0.16	0.16

Based on the issued and paid-up share capital of 73,000,000 Shares as at 31 December 2011.

(i) The Historical Proforma Consolidated Statements of Comprehensive Income have been prepared based on the audited financial statements of PESTECH for the financial period from 10 June 2011 to 31 December 2011 and the audited financial statements of the subsidiaries and jointly-controlled entity of PESTECH for the financial years ended 31 December 2007 to 31 December 2011.

(ii) PESTECH Group's results have been restated through appropriate consolidation adjustments to eliminate the inter-company transactions under the existing group structure.

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Proforma Consolidated Statements of Financial Position of the PESTECH Group as at 31 December 2011 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3.10 above to the Proforma Consolidated Statements of Financial Position on the assumption that these transactions were completed on 31 December 2011:-

	Note	Audited as at 31.12.2011 RM	Proforma I RM	Proforma II RM	Proforma III RM
ASSETS					
Non-current assets					
Property, plant and equipment	5.1	10,143,504	10,143,504	10,143,504	10,143,504
Investment in jointly-controlled entity	5.2	-	-	-	-
		10,143,504	10,143,504	10,143,504	10,143,504
Current assets					
Inventories	5.3	17,482,824	17,482,824	17,482,824	17,482,824
Trade receivables	5.4	21,087,680	21,087,680	21,087,680	21,087,680
Other receivables, deposits and prepayments	5.5	2,374,688	2,374,688	2,374,688	1,225,153
Amount due from jointly-controlled entity	5.6	11,086	11,086	11,086	11,086
Fixed deposits with licensed banks	5.7	11,152,761	11,152,761	11,152,761	11,152,761
Cash and bank balances	5.8	15,738,080	15,738,080	28,618,080	21,267,615
		67,847,119	67,847,119	80,727,119	72,227,119
Total assets		77,990,623	77,990,623	90,870,623	82,370,623

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Audited as at 31.12.2011 RM	Proforma I RM	Proforma II RM	Proforma III RM
EQUITY AND LIABILITIES					
Equity					
Share capital	5.9	36,500,000	36,500,000	42,940,000	42,940,000
Share premium	5.10	-	-	6,440,000	5,727,664
Merger reserve	5.11	(33,136,979)	(33,136,979)	(33,136,979)	(33,136,979)
Exchange translation reserve	5.12	(15,807)	(15,807)	(15,807)	(15,807)
Retained earnings	5.13	35,493,880	35,493,880	35,493,880	33,706,216
		38,841,094	38,841,094	51,721,094	49,221,094
Non-controlling interest		(3,378)	(3,378)	(3,378)	(3,378)
Total equity		38,837,716	38,837,716	51,717,716	49,217,716
Non-current liabilities					
Finance lease liabilities	5.14	188,327	188,327	188,327	188,327
Borrowings	5.15	2,404,866	2,404,866	2,404,866	2,054,866
Deferred tax liabilities	5.16	221,000	221,000	221,000	221,000
		2,814,193	2,814,193	2,814,193	2,464,193
Current liabilities					
Trade payables	5.17	14,865,582	14,865,582	14,865,582	14,865,582
Other payables	5.18	2,315,092	2,315,092	2,315,092	2,315,092
Amount due to contract customers	5.19	1,577	1,577	1,577	1,577
Amount due to Directors	5.20	2,445,155	2,445,155	2,445,155	2,445,155
Finance lease liabilities	5.14	54,632	54,632	54,632	54,632
Borrowings	5.15	15,358,048	15,358,048	15,358,048	9,708,048
Provision for taxation	5.21	1,298,628	1,298,628	1,298,628	1,298,628
		36,338,714	36,338,714	36,338,714	30,688,714
Total liabilities		39,152,907	39,152,907	39,152,907	33,152,907
Total equity and liabilities		77,990,623	77,990,623	90,870,623	82,370,623

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Audited as at 31.12.2011 RM	Proforma I RM	Proforma II RM	Proforma III RM
NA (RM)	5.22	38,837,716	38,837,716	51,717,716	49,217,716
Number of Shares in issue		73,000,000	73,000,000	85,880,000	85,880,000
NA per Share (RM)		0.53	0.53	0.60	0.57

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

5.1 PROPERTY, PLANT AND EQUIPMENT

The movement of the property, plant and equipment is as follows:-

	Long leasehold land RM	Building RM	Motor vehicles RM	Motor vehicles under finance lease RM	Computers RM	Renovation RM	Office equipment RM	Total RM
Cost								
At 31 December 2011/Proforma I to III	1,657,403	5,745,374	491,301	636,946	921,473	420,882	2,853,200	12,726,579
Accumulated depreciation								
At 31 December 2011/Proforma 1 to III	103,588	229,814	242,061	293,054	290,195	83,864	1,340,499	2,583,075
Net carrying amount								
At 31 December 2011/Proforma I to III	1,553,815	5,515,560	249,240	343,892	631,278	337,018	1,512,701	10,143,504

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.2 INVESTMENT IN JOINTLY-CONTROLLED ENTITY

The movement of investment in jointly-controlled entity is as follows:-

	RM
At 31 December 2011/Proforma I to III	-
Represented by:-	
Cost of investment	12,500
Share of losses	(12,500)
	-

The details of jointly-controlled entity are as follows:-

Name of company	Issued and paid-up share capital	Effective equity interest	Date and place of incorporation	Principal activities
TPSB	RM25,000	50%	13 July 2001, Malaysia	Provision of electrical, mechanical and civil engineering, subcontracting and engineering consultancy. It is currently inactive.

In accordance with paragraph 40 of FRS 131 Interests in Joint Ventures and paragraph 29 of FRS 128 Investments in Associates, the Group has discontinued recognising the share of losses in excess of its investment in TPSB.

5.3 INVENTORIES

The movement of inventories is as follows:-

	RM
At 31 December 2011/Proforma I to III	17,482,824

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.3 INVENTORIES (CONT'D)

The details of the inventories are as follows:-

	RM
At cost:-	
Work-in-progress	15,449,239
General stock	2,033,585
At 31 December 2011/Proforma I to III	17,482,824

5.4 TRADE RECEIVABLES

The movement of trade receivables is as follows:-

	RM
At 31 December 2011/Proforma I to III	21,087,680

The details of the trade receivables are as follows:-

	RM
Trade receivables	7,536,793
Retention sums on contracts	13,550,887
At 31 December 2011/Proforma I to III	21,087,680

Trade receivables are non-interest bearing and are generally on 30 to 60 days term.

The currency analysis of trade receivables is as follows:-

	RM
RM	10,107,577
USD	8,824,781
EURO	1,931,341
LKR	218,495
BND	5,486
	21,087,680

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.5 OTHER RECEIVABLES

The movement of other receivables is as follows:-

	RM
At 31 December 2011/ Proforma I to II	2,374,688
Utilisation of proceeds – Listing expenses	(1,149,535)
Proforma III	1,225,153

The details of other receivables are as follows:-

	RM
Other receivables	657,030
Deposits	431,358
Prepayments	136,765
	1,225,153

The currency analysis of other receivables is as follows:-

	RM
RM	664,986
USD	179,636
BND	53,266
LKR	167,448
PGK	159,817
	1,225,153

5.6 AMOUNT DUE FROM JOINTLY-CONTROLLED ENTITY

The amount due from jointly-controlled entity is unsecured, interest free and repayable on demand.

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.7 FIXED DEPOSITS WITH LICENSED BANKS

The movement of fixed deposits with licensed banks is as follows:-

	RM
At 31 December 2011/Proforma I to III	11,152,761

The fixed deposits interests range from 1.80% to 4.73% per annum.

The fixed deposits are pledged to licensed banks for banking facilities granted to a subsidiary.

5.8 CASH AND BANK BALANCES

The movement of cash and bank balances is as follows:-

	RM
At 31 December 2011/Proforma I	15,738,080
Public issue	12,880,000
Proforma II	28,618,080
Utilisation of proceeds	
- Borrowings	(6,000,000)
- Listing expenses	(1,350,465)
Proforma III	21,267,615

The reconciliation of listing expenses is as follows:-

	RM
Prepayment of listing expenses as at 31 December 2011 (Note 5.5)	1,149,535
Listing expenses payable as at 31 December 2011	1,350,465
Total listing expenses	2,500,000

Bank balances amounting to RM9,379,216 have been pledged to financial institutions for guarantee facilities granted to the Group and hence, are not available for general use.

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.8 CASH AND BANK BALANCES (CONT'D)

The currency analysis of cash and bank balances is as follows:-

	RM
RM	5,717,978
USD	14,557,306
EURO	659,801
LKR	208,100
Others	124,430
	21,267,615

5.9 SHARE CAPITAL

The movement of issued and paid-up share capital is as follows:-

	Number of ordinary shares	RM
At 31 December 2011/Proforma 1	73,000,000	36,500,000
Public Issue	12,880,000	6,440,000
Proforma II to III	85,880,000	42,940,000

5.10 SHARE PREMIUM

The movement of the share premium account is as follows:-

	RM
At 31 December 2011/Proforma I	-
Public Issue	6,440,000
Proforma II	6,440,000
Utilisation of proceeds - Listing expenses	(712,336)
Proforma III	5,727,664

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.10 SHARE PREMIUM (CONT'D)

This is a non-distributable reserve.

The estimated listing expenses for issuance of Shares of **RM712,336** will be written off against the share premium account under Section 60 of the Companies Act, 1965.

The remaining listing expenses of **RM1,787,664** will be expensed off to the Statements of Comprehensive Income and this represents an one-off expenditure pursuant to the IPO.

5.11 MERGER RESERVE

The movement of the merger reserve is as follows:-

	RM
At 31 December 2011/Proforma I to III	(33,136,979)

Merger deficit represents the excess arising from the nominal value of the shares issued over the nominal value of shares acquired.

5.12 EXCHANGE TRANSLATION RESERVE

The movement of the exchange translation reserve is as follows:-

	RM
At 31 December 2011/Proforma I to III	(15,807)

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.13 RETAINED EARNINGS

The movement of the retained earnings is as follows:-

	RM
At 31 December 2011/Proforma I to II	35,493,880
Listing expenses	(1,787,664)
Proforma III	33,706,216

Retained earnings represent a distributable reserve.

5.14 FINANCE LEASE LIABILITIES

The movement and details of the finance lease liabilities are as follows:-

	RM
Minimum lease payments	
- less than 1 year	65,916
- 1 to 2 years	65,916
- 2 to 5 years	137,634
	269,466
Less: Interest-in-suspense	(26,507)
At 31 December 2011/Proforma I to III	242,959

Represented by:-

	RM
Present value of minimum lease payments	
- less than 1 year	54,632
- 1 to 2 years	57,744
- 2 to 5 years	130,583
	242,959

PESTECH INTERNATIONAL BERHAD
Company No: 948035-U
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.15 BORROWINGS

The movement of the borrowings is as follows:-

	RM
Secured:-	
Non-current	
Term loan	2,404,866
Current	
Term loan	297,921
Bankers' acceptance	2,053,000
Trust Receipts	7,883,330
Bank Overdraft	5,123,797
At 31 December 2011/Proforma I to II	17,762,914
Utilisation of proceeds	(6,000,000)
Proforma III	11,762,914

Analysed into:-

	RM
Non-current borrowings	
- less than 1 year	106,074
- 1 to 2 years	357,141
- 2 to 5 years	1,591,651
	2,054,866
Current borrowings	9,708,048
Proforma III	11,762,914

The currency analysis of borrowings is as follows:-

	RM
RM	4,899,005
USD	5,578,488
EURO	559,308
CHF	561,953
Others	164,160
	11,762,914