

# GREEN & SMART

**Admission Document**  
**May 2016**

Generating renewable energy from biogas captured through the treatment of POME



**THIS ADMISSION DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Admission Document, or the action you should take, you are recommended immediately to seek your own financial advice from an independent financial adviser, for example: your stockbroker, bank manager, solicitor, accountant or other financial adviser who specialises in advising on the acquisition of shares and securities and is authorised under the Financial Services and Markets Act 2000 (“FSMA”) (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction). This Admission Document, which comprises an AIM Admission Document, has been prepared in connection with the proposed application for admission of the issued and to be issued share capital of the Company to trading on AIM, a market of London Stock Exchange plc, and has been drawn up in accordance with the AIM Rules for Companies.**

This Admission Document does not constitute a prospectus within the meaning of section 85 of FSMA, and has not been drawn up in accordance with the Prospectus Rules published by the Financial Conduct Authority (“FCA”) and a copy has not been, and will not be, approved by or filed with the FCA. This Admission Document does not constitute, and the Company is not making, an offer of transferable securities to the public within the meaning of section 102B of FSMA or otherwise. However, this Admission Document does constitute a prospectus for the purposes of the Companies (Jersey) Law 1991 (as amended) and the Companies (General Provisions) (Jersey) Order 2002 (as amended).

The Company and each of the Directors, whose names appear on page 7 of this Admission Document, individually and collectively accept full responsibility for the information contained in this Admission Document, including for its compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Application will be made for the Company’s issued and to be issued share capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (the “Official List”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange plc on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange plc has not itself examined or approved the contents of this Admission Document. The AIM Rules are less demanding than those of the Official List. The Shares are not currently traded on any recognised investment exchange and it is emphasised that no application is being made for admission of the Shares to the Official List or any other such exchange, apart from AIM.**

**The whole text of this Admission Document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed “Risk Factors” in Part II of this Admission Document which sets out certain risk factors relating to an investment in the Shares. All statements regarding the Group’s business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this Admission Document.**

It is expected that Admission will become effective and dealings on AIM will commence in the Shares at 8.00 a.m. on 12 May 2016. The Placing Shares will rank *pari passu* in all respects with the Existing Shares and will rank in full for all dividends and other distributions declared, made or paid on the Shares after Admission.

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## **Green & Smart Holdings plc**

*(Incorporated and registered in Jersey with registration number 119200)*

### **Placing of 44,444,445 new Shares at a price of 9 pence per share and Admission to trading on AIM**



***Nominated Adviser & Broker***

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SP Angel Corporate Finance LLP (“SP Angel”), which is authorised and regulated in the UK by the FCA, is acting as nominated adviser and broker to the Company in connection with the Placing and Admission. It will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part of this Admission Document. The responsibilities of SP Angel as the Company’s nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or Shareholder or to any other person, in respect of any decision to acquire Shares in reliance on any part of this Admission Document or otherwise. SP Angel is not making any representation or warranty, express or implied, as to the contents of this Admission Document. No liability whatsoever is accepted by SP Angel for the accuracy of any information or opinions contained in this Admission Document, for which the Directors are solely responsible, or for the omission of any information from this Admission Document, for which it is not responsible.

This Admission Document contains forward-looking statements, including, without limitation, statements containing the words “believes”, “expects”, “estimates”, “intends”, “may”, “plan”, “will” and similar expressions (including the negative of those expressions). Forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by those forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part II of this Admission Document, titled “Risk Factors”. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on those forward-looking statements. The forward-looking statements contained in this Admission Document are made on the date of this Admission Document, and the Company and the Directors are not under any obligation to update those forward-looking statements in this Admission Document to reflect actual future events or developments.

For the purpose of Section 21 of FSMA, this Admission Document constitutes a financial promotion which has been issued by the Company, but the content of which is exempt by virtue of article 67 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”). Use of this Admission Document other than in accordance with this restriction is not permitted and may contravene FSMA. No representation or warranty, express or implied, is made by the Company or SP Angel to prospective purchasers of Shares as to the contents of this Admission Document, (without limiting the statutory rights of any person to whom this Admission Document is issued). The information contained in this Admission Document is not intended to inform or be relied upon by any subsequent purchasers of Shares (whether on or off exchange) and accordingly, to the extent permitted by law, no duty of care is accepted by the Company or SP Angel in relation to any of them.

A copy of this Admission Document has been delivered to the registrar of companies in Jersey in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 (as amended), and the registrar has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of securities in the Company. It must be distinctly understood that, in giving these consents, neither the registrar of companies in Jersey nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed, with regard to it. The Directors of the Company have taken all reasonable care to ensure that the facts stated in this Admission Document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in this document, whether of facts or of opinion. All the Directors accept responsibility accordingly.

## IMPORTANT INFORMATION

No legal, business, tax or other advice is provided in this Admission Document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Shares under the laws of their country and/or state of citizenship, domicile or residence. This Admission Document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, this Admission Document is not for distribution in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. The distribution of this Admission Document in other jurisdictions may be restricted by law. The Shares have not been and will not be registered under the applicable securities laws of the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered, sold, re-sold, renounced, taken up or delivered, directly or indirectly, in, into or from the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan or to any national of the United States of America, Canada, Australia, the Republic of Ireland, South Africa or Japan. This Admission Document should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, in, and in particular, should not be distributed to persons with addresses in, the United States of America of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. No action has been taken by the Company or SP Angel that would permit an offer of Shares or possession or distributions of this Admission Document where action for that purpose is required. Persons into whose possession this Admission Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law or other laws of any such jurisdictions.

In making any investment decision in respect of Admission or the Placing, no information or representation should be relied upon in relation to Admission or in relation to the Shares other than as contained in this Admission Document. No person has been authorised to give any information or make any representation other than that contained in this Admission Document and, if given or made, such information or representation must not be relied upon as having been authorised.

It should be remembered that the price of securities and the income from them can go down as well as up and this Admission Document contains references to past performance of the Company and its subsidiaries. Past performance is not a reliable indicator of future results.

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any prospective investor. The price of the Shares and any income from Shares can go down as well as up and prospective investors may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under "Part II: Risk Factors").

Prospective investors contemplating an investment in the Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that prospective investors will receive back the amount of their investment in the Shares.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption, conversion or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Shares that they might encounter; and (c) the income and other tax consequences that may apply

in their own countries as a result of the purchase, holding, transfer or other disposal of Shares. Prospective Investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales, Malaysia or Jersey, as applicable, and are subject to changes therein.

This Admission Document should be read in its entirety before making any investment in the Company.

Certain information in this Admission Document is derived from independent market research commissioned by the Group and carried out by Smith Zander International Sdn Bhd, but should not be relied upon in making, or refraining from making, any investment decision.

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## KEY STATISTICS

Number of Existing Shares as at the date of this Admission Document	232,222,222
Number of Placing Shares to be issued pursuant to the Placing	44,444,445
Gross proceeds of the Placing	£4.0m
Proceeds used to repay expenses	£0.7m
Estimated net proceeds of the Placing receivable by the Company	£3.3m
Enlarged Share Capital on Admission	276,666,667
Percentage of Enlarged Share Capital represented by the Placing Shares	16.1%
Approximate market capitalisation of the Company on Admission	£24.9m
TIDM	GSH
ISIN Number	JE00BYTQ7945
SEDOL	BYTQ794

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2016</i>
Publication of this Admission Document	6 May
Admission and commencement of dealings in the Enlarged Share Capital on AIM	12 May
CREST accounts credited (where applicable)	12 May
Latest date for dispatch of definitive share certificates for Placing Shares in certificated form	26 May

### Notes

1. References to time in this document are to London (GMT+1) time.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.

## EXCHANGE RATES

The following illustrative exchange rates are set out to assist the understanding of this Admission Document:

GBP:RM – 1:5.79

GBP:€ – 1:1.27

*source: Bloomberg*

## MARKET INFORMATION AND STATISTICS

The information and statistics in this Admission Document have, in part, been derived from various official government publications and a report commissioned by the Group and prepared by Smith Zander (the “source materials”). Whilst reasonable care has been taken by the Directors in the extraction, compilation and reproduction of such information, the Group, the Directors, their respective advisers or any party involved in the publication of this Admission Document have not independently verified such information and statistics derived from the source materials and such parties do not make any representation as to their accuracy. The information and statistics contained in this section of the Admission Document may or may not be consistent with other information and statistics within or outside Malaysia. In addition, the information reproduced from the IMR Report has been accurately reproduced and, so far as the Directors are aware and are able to ascertain from information reproduced from the IMR Report, no facts have been omitted which would render the reproduced information inaccurate or misleading.



**DIRECTORS, PROPOSED DIRECTORS, SECRETARY,  
REGISTERED OFFICE AND ADVISERS**

<b>Directors</b>	<u>Saravanan</u> A/L Rasaratnam, <i>Group Managing Director</i> <u>Navindran</u> A/L Balakrishnan, <i>Group Executive Director</i> <u>Sivadas</u> A/L PES Kumar, <i>Group CEO/Finance Director</i>
<b>Proposed Directors</b>	Datuk Haji <u>Radzali</u> Bin Hassan, <i>Non-Executive Chairman</i> <u>Martin</u> David Howard Bloom, <i>Non-Executive Director</i> Dato' Dr. <u>Sivamohan</u> S Namasivayam, <i>Non-Executive Director</i>
<b>Registered Office</b>	12 Castle Street St Helier Jersey Channel Islands JE2 3RT
<b>Website</b>	<a href="http://greenandsmart.net/">http://greenandsmart.net/</a>
<b>Nominated Adviser &amp; Broker</b>	<b>SP Angel Corporate Finance LLP</b> Prince Frederick House 35-39 Maddox Street London W1S 2PP
<b>Financial Adviser to the Company</b>	<b>AG Capital Worldwide Ltd</b> 3A – 2, 3rd Mile Square No. 151 Jalan Kelang Lama Batu 3½, 58100 Kuala Lumpur Malaysia
<b>Legal Advisers to the Company (as to English law)</b>	<b>DMH Stallard LLP</b> 6 New Street Square New Fetter Lane London EC4A 3BF
<b>Legal Advisers to the Company (as to Malaysian Law)</b>	<b>Cheang &amp; Ariff</b> 39 Court, Loke Mansion 273A, Jalan Medan Tuanku 50300 Kuala Lumpur Malaysia
<b>Legal Advisers to the Company (as to Jersey Law)</b>	<b>Collas Crill (Singapore) Pte. Limited</b> 3 Church Street Level 8 Samsung Hub Singapore 049483
<b>Legal Advisers to the Nominated Adviser and Broker (as to English law)</b>	<b>Olswang LLP</b> 90 High Holborn London WC1V 6XX



<b>Auditors to the Company and Reporting Accountants</b>	<b>Crowe Clark Whitehill LLP</b> St Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Independent Market Research Provider</b>	<b>Smith Zander International Sdn Bhd</b> Suite 23-3, Level 23, Office Suite Menara 1 MK No.1, Jalan Kiara Mont' Kiara 50480 Kuala Lumpur Malaysia
<b>Registrar</b>	<b>Capita Registrars (Jersey) Limited</b> 12 Castle Street St Helier JE2 3RT Jersey Channel Islands
<b>Company Secretary</b>	<b>Capita Secretaries Limited</b> 12 Castle Street St Helier Jersey Channel Islands JE2 3RT
<b>Public Relations Adviser to the Company</b>	<b>Luther Pendragon</b> Priory Court Pilgrim St London EC4V 6DE
<b>Principal Bankers</b>	<b>Malayan Banking Berhad</b> 74 Coleman Street London EC2R 5BN  <b>HSBC Bank plc</b> PO Box 14 Green Street St Helier Jersey JE4 8NJ

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Admission Document:

<b>“Act”</b>	the UK Companies Act 2006 (as amended);
<b>“Admission”</b>	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies;
<b>“Admission Document”</b>	this document;
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange;
<b>“AIM Rules”</b>	together, the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
<b>“AIM Rules Compliance Committee”</b>	the AIM Rules Compliance Committee of the Board, the function and composition of which are as set out in paragraph 18 of Part 1 of this Admission Document;
<b>“AIM Rules for Companies”</b>	the rules for AIM companies published by the London Stock Exchange from time to time;
<b>“AIM Rules for Nominated Advisers”</b>	the rules for nominated advisers to AIM companies published by the London Stock Exchange from time to time;
<b>“Articles”</b>	the articles of association of the Company adopted with effect from Admission, a summary of the provisions of which is set out in paragraph 4 of Part VI of this Admission Document;
<b>“Associated Companies”</b>	Concord Green Energy and Megagreen;
<b>“Audit Committee”</b>	the audit committee of the Board, the function and composition of which are set out in paragraph 18 of Part I of this Admission Document;
<b>“Board”</b>	the board of directors of the Company, as at the date of this Admission Document;
<b>“BOOA” or “Build Own Operate Agreement”</b>	the agreement with a Palm Oil Mill owner to build, own and operate a Biogas Power Plant on the mill site;
<b>“Broker”</b>	SP Angel;
<b>“Business Day”</b>	a day (other than Saturdays or Sundays or public holidays) on which the banks are open for business in London and Jersey;
<b>“certificated” or “in certificated form”</b>	the description of a share or other security that is not in uncertificated form (that is, not in CREST);
<b>“City Code”</b>	the UK City Code on Takeovers and Mergers, issued and administered by the Panel;
<b>“Companies Law”</b>	Companies (Jersey) Law 1991 (as amended);
<b>“Company”</b>	Green & Smart Holdings plc, a company incorporated in Jersey with company registration number 119200;
<b>“Concord Green Energy” or “CGE” or “Concord”</b>	Concord Green Energy Sdn Bhd, a company incorporated in Malaysia with company number 973168-H, in which G&S has a 25 per cent. equity interest;

<b>“Continuing Lock-in Agreement”</b>	the agreement between the Company, SP Angel and K2MV, a Malaysian Shareholder, restricting the ability of such Shareholder to dispose of its Shares, further details of which are set out in paragraph 12.6 of Part VI of this Admission Document;
<b>“Controlling Shareholders”</b>	Navindran Balakrishnan, Saravanan Rasaratnam and K2MV, which are the parties, with SP Angel and the Company, to the Relationship Agreement, further details of which are set out in paragraph 12.4 of Part VI of this Admission Document;
<b>“Covenantors”</b>	Saravanan Rasaratnam, Navindran Balakrishnan, Sivadas Kumar, K2MV, AG Capital Worldwide Ltd, Eresos Corporation Sdn Bhd, Thannimalai Renganathan, Punitha Perumal, Syarela Erin, Padmini KP Balakrishnan, Chan Foong Ping and Mohamad Farhat AB Khapwor;
<b>“CREST”</b>	the computerised settlement system and procedures to facilitate the holding and transfer of title of shares in uncertificated form operated by Euroclear UK & Ireland Limited;
<b>“CREST Regulations”</b>	Companies (Uncertificated Securities) (Jersey) Order 1999;
<b>“Directors”</b>	the directors of the Company described as such and the persons described as Proposed Directors (who have been appointed directors of the Company with effect from Admission) on page 7 of this Admission Document;
<b>“Disclosure and Transparency Rules”</b>	the Disclosure Rules and Transparency Rules made by the FCA under section 73A of FSMA;
<b>“DTR 5”</b>	Chapter 5 of the Disclosure and Transparency Rules;
<b>“Enlarged Share Capital”</b>	the 276,666,667 Shares in issue on Admission, being the Existing Shares and the Placing Shares;
<b>“EPI”</b>	Enviropack International Sdn Bhd;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited;
<b>“Euros” or “€”</b>	Euros, the lawful currency of the European Union;
<b>“Excluded Territory”</b>	means the United States of America, Canada, Australia, Japan and the Republic of South Africa and any other jurisdiction where the extension or availability of the Placing would breach any applicable law;
<b>“Existing Shares”</b>	the 232,222,222 Shares in issue immediately prior to completion of the Placing;
<b>“Felcra Berhad”</b>	Felcra Berhad, a company registered in Malaysia with registered number 432483-U;
<b>“FGV “ or “Felda Global Ventures”</b>	Felda Global Ventures Holdings Berhad, an agricultural and agri-commodities company registered in Malaysia with registered number 800165-P;
<b>“Financial Conduct Authority” or “FCA”</b>	the Financial Conduct Authority of the United Kingdom;
<b>“Former G&amp;S Shareholders”</b>	Saravanan Rasaratnam, Navindran Balakrishnan, K2MV, Ausscar Capital Limited, Eresos Corporation Sdn Bhd, Simon Peter and Kaminy Velayudhan;

<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000 (as amended);
<b>“G&amp;S”</b>	Green & Smart Sdn Bhd, a company incorporated in Malaysia with company number 56037-T, which is wholly owned by G&S Ventures;
<b>“G&amp;S Ventures” or “GSV”</b>	Green & Smart Ventures Sdn Bhd, a company incorporated in Malaysia with company number 1160927-X, which is wholly owned by the Company;
<b>“GDP”</b>	Gross Domestic Product;
<b>“Group”</b>	the Company, G&S Ventures, G&S and OEG, or any or some of them, as context requires;
<b>“IFRS”</b>	International Financial Reporting Standards, as adopted for use in the European Union and promulgated by the International Accounting Standards Board from time to time;
<b>“IMR Report”</b>	independent market research report by Smith Zander International Sdn Bhd, which has been commissioned by the Group on the Biogas, EPCC and Palm Oil industries in Malaysia, dated 6 May 2016, which is set out in Part III of this Admission Document;
<b>“ISIN”</b>	International Securities Identification Number;
<b>“K2MV”</b>	K2M Ventures Sdn Bhd, a company incorporated in Malaysia with company number 854981-U (in which each of Saravanan Rasaratnam and Navindran Balakrishnan, directors of the Company, have a 50 per cent. shareholding);
<b>“Lock in Agreement”</b>	the lock in and orderly market agreement between the Company, SP Angel and the Covenantors restricting the ability of such Covenantors to dispose of their Shares, further details of which are set out in paragraph 12.5 of Part VI of this Admission Document;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Megagreen” or “MGE”</b>	Megagreen Energy Sdn Bhd, a company incorporated in Malaysia with company number 1088580-X, in which G&S has a 15 per cent. equity interest;
<b>“Memorandum of Association”</b>	the memorandum of association of the Company as amended and/or restated from time to time;
<b>“MTDC”</b>	Malaysian Technology Development Corporation Sdn Bhd, a company incorporated in Malaysia with company number 235796-U;
<b>“Nomination Committee”</b>	the nomination committee of the Board, the function and composition of which are as set out in paragraph 18 of Part I of this Admission Document;
<b>“Official List”</b>	the Official List of the UK Listing Authority;
<b>“Orderly Market Agreement”</b>	the orderly market agreement between the Company, SP Angel and MTDC, Simon Peter and Kaminy Velayudhan restricting the ability of such covenantors to dispose of their Shares, further details of which are set out in paragraph 12.5 of Part VI of this Admission Document;
<b>“Our Energy Group” or “OEG”</b>	Our Energy Group (M) Sdn Bhd, a company incorporated in Malaysia with company number 1091691-W, which is a 51 per cent. owned subsidiary of G&S Ventures;

<b>“Panel”</b>	the UK Panel on Takeovers and Mergers;
<b>“Placee”</b>	any person subscribing for Placing Shares pursuant to the Placing;
<b>“Placing”</b>	the conditional placing of the Placing Shares at the Placing Price by SP Angel as agent for and on behalf of the Company pursuant to and on the terms and conditions set out in the Placing Agreement;
<b>“Placing Agreement”</b>	the conditional agreement dated 6 May 2016 relating to the Placing and Admission made between (1) the Company, (2) the Directors and (3) SP Angel, further details of which are set out in paragraph 12.1 of Part VI of this Admission Document;
<b>“Placing Price”</b>	9 pence per Placing Share;
<b>“Placing Shares”</b>	the 44,444,445 Shares to be issued by the Company pursuant to the Placing;
<b>“Proposed Directors”</b>	the following persons, who have been appointed to the following positions, with effect from Admission: Datuk Haji Radzali Bin Hassan, <i>Non-Executive Chairman</i> ; Martin David Howard Bloom, <i>Non-executive Director</i> ; and Dato’ Dr. Sivamohan S Namasivayam, <i>Non-Executive Director</i> ;
<b>“Prospectus Rules”</b>	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No 809/2004 and published by the FCA pursuant to section 73A of FSMA;
<b>“QCA”</b>	the Quoted Companies Alliance;
<b>“QCA Guidelines”</b>	the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA in May 2013;
<b>“Registrar”</b>	Capita Registrars (Jersey) Limited incorporated in Jersey under company number 64502;
<b>“Regulatory Information Service” or “RIS”</b>	a regulatory information service provider that is approved by the FCA;
<b>“Relationship Agreement”</b>	the relationship agreement dated 6 May 2016 between (1) the Company, (2) the Controlling Shareholders and (3) SP Angel, further details of which are set out in paragraph 12.4 of Part VI of this Admission Document;
<b>“Remuneration Committee”</b>	the remuneration committee of the Board, the function and composition of which are as set out in paragraph 18 of Part I of this Admission Document;
<b>“Renewable Energy Act” or “REA”</b>	the Renewable Energy Act 2011 Act 725 of Malaysia;
<b>“Renewable Energy Rules”</b>	the Renewable Energy (Feed-in Approval and Feed-in Tariff Rate) Rules 2011 issued under the Renewable Energy Act, as amended, extended or re-enacted from time to time;
<b>“SDRT”</b>	UK stamp duty reserve tax;
<b>“SEB”</b>	Sarawak Energy Berhad, a Malaysian electricity company owned by the Sarawak State Government with company number 07199-D;
<b>“Securities Act”</b>	the United States Securities Act of 1933, (as amended);
<b>“SEDA”</b>	Sustainable Energy Development Authority of Malaysia;
<b>“SESB”</b>	Sabah Electricity Sdn Bhd, a Malaysian electricity utility company with company number 462872-W;

<b>“Shareholders”</b>	holders of Shares, from time to time;
<b>“Shares”</b>	shares of no par value each in the capital of the Company;
<b>“Share Swap Agreements”</b>	the agreements: (i) between the Company, the Former G&S Shareholders and GSV, providing for GSV to acquire all the shares in G&S held by those shareholders and 51 per cent. of the shares in OEG held by some of them in consideration for the issue of 223,507,120 Shares to such shareholders and (ii) between the Company, MTDC and GSV providing for GSV to acquire the ordinary shares in G&S resulting from the conversion of the preference shares in G&S held by MTDC in consideration for the issue to MTDC of 8,715,000 Shares;
<b>“Smith Zander”</b>	Smith Zander International Sdn Bhd, a company incorporated in Malaysia with company number 1058128-V;
<b>“SP Angel”</b>	SP Angel Corporate Finance LLP, a limited liability partnership incorporated in England and Wales under number OC317049 and authorised and regulated by the FCA;
<b>“Sterling” or “£” or “Pence” or “GBP”</b>	means pounds sterling or pence, as appropriate, the lawful currency of the United Kingdom;
<b>“Subsidiaries”</b>	GSV, G&S and OEG;
<b>“TNB”</b>	Tenaga Nasional Berhad, a company incorporated in Malaysia with company number 200866-W, which is the largest electric utility company in Malaysia and also the largest power company in Southeast Asia and is controlled by the Government of Malaysia;
<b>“UK Corporate Governance Code”</b>	UK Corporate Governance Code on the principles of good corporate governance published by the Financial Reporting Council in September 2014;
<b>“UK Listing Authority” or “UKLA”</b>	the United Kingdom Listing Authority of the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
<b>“uncertificated” or “in uncertificated form”</b>	Shares held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“US”</b>	the United States of America;
<b>“US\$” or “US Dollars” or “USD”</b>	United States Dollars, the lawful currency of the United States;
<b>“US Person”</b>	has the meaning given to it in Regulation S under the Securities Act;
<b>“VAT”</b>	UK Value Added Tax;
<b>“Warrants”</b>	the warrants to subscribe shares to be issued to SP Angel at the Placing Price pursuant to the Warrant Instrument;
<b>“Warrant Instrument”</b>	the instrument constituting the Warrants , further details of which are set out in paragraph 12.2 of Part VI of this Admission Document; and
<b>“90 per cent. special resolution”</b>	a resolution passed by a majority of not less than 90 per cent. of the votes cast by Shareholders who (being entitled to do so) vote, in person or by proxy at a general meeting of the Company or at a separate meeting of a class of Shareholders.

## GLOSSARY OF TECHNICAL TERMS

In this Admission Document, the following words or expressions shall have the following meanings except where the context otherwise requires:

<b>Biofuel</b>	A fuel made from biological materials (e.g. biodiesel, ethanol, Biogas etc)
<b>Biogas</b>	Gases produced during the biological breakdown of Palm Oil Mill effluent
<b>Biogas Power Plant</b>	A power plant that treats POME and captures Biogas which is then used as a fuel for a combustion engine to generate electricity
<b>Biomass</b>	Any organic material used as a fuel or energy source
<b>BioMethane</b>	A renewable gas source derived from Biogas
<b>BioNexus Status</b>	BioNexus Status is a special status awarded to qualified international and Malaysian biotechnology companies. The status endows fiscal incentives, grants and other guarantees to assist growth
<b>BOD</b>	Biological Oxygen Demand
<b>COD</b>	Chemical Oxygen Demand
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>CPO</b>	Crude Palm Oil
<b>Distribution Licensee</b>	Utility companies able to purchase the electricity under the FiT regime in Malaysia
<b>EPCC</b>	Engineering, procurement, construction and commissioning
<b>EPP</b>	Entry point projects
<b>FiA</b>	Feed-in approval
<b>Feed-in-Tariff or FiT</b>	The system whereby Distribution Licensees are obliged to buy from FiT holders the electricity produced from renewable resources at a specific rate
<b>FFA</b>	Free Fatty Acid
<b>FFB</b>	Fresh Fruit Bunch
<b>GHG</b>	Greenhouse gas
<b>Government Linked Company</b>	A company in which the Malaysian Government has an interest, or which is otherwise linked to it
<b>H<sub>2</sub>S</b>	Hydrogen sulphide
<b>IBS</b>	Integrated Biogas System for processing of POME into Biogas
<b>IPP</b>	Independent Power Producer being an owner/operator of facilities to generate electric power which is not a public utility
<b>KWhr</b>	Kilowatt hour
<b>MPOB</b>	Malaysian Palm Oil Board
<b>MPOC</b>	Malaysian Palm Oil Council



<b>Mt</b>	Metric tonne
<b>MW</b>	Megawatt
<b>MWhr</b>	Megawatt Hour
<b>National Grid</b>	The high-voltage electric power transmission network in the Peninsular Malaysia
<b>NKEA</b>	National Key Economic Area
<b>OPM</b>	Open Pond Microalgae system to produce Biofuel
<b>O&amp;M</b>	Operations and Maintenance
<b>OPP-BRU System</b>	Oil Palm Products & Biomass Residue Utilization System
<b>Palm Oil</b>	A type of edible vegetable oil that is derived from the fruit of oil palms
<b>Palm Oil Mill</b>	A plant which processes palm fruits to obtain CPO
<b>PEMANDU</b>	Performance Management & Delivery Unit, Prime Minister's Department of Malaysia
<b>POME</b>	Palm Oil Mill effluent
<b>R&amp;D</b>	Research and Development
<b>RE</b>	Renewable Energy
<b>REPPA</b>	Renewable Energy Power Purchase Agreement
<b>SREP</b>	Small renewable energy power producers

# PART I

## INFORMATION ON THE GROUP

### 1 Introduction and Summary

Green & Smart Holdings plc is the holding company of the Group, which is engaged in the Malaysian renewable energy sector.

The Company is seeking to take advantage of Malaysian governmental policy towards increasing the production of electricity through renewable energy sources, by participating in the production of electricity through Biogas Power Plants which convert the waste produced by Palm Oil Mills. Key regulatory measures introduced by the Malaysian government include the establishment of a Feed-in-Tariff regime in Malaysia, under which power produced from Biogas and other renewable energy sources attracts a premium to market price over a long term contract (typically 16 years in the case of Biogas), along with the requirement for certain Palm Oil Mills to provide for the capture of methane and other waste gases.

The principal operating company in the Group, G&S, has an established track record in delivering waste water solutions to the Palm Oil industry. Over the last thirty years, G&S has undertaken and completed numerous projects in Asia, including the construction and delivery of four Biogas capture facilities for Felda Palm Industries Sdn Bhd, a subsidiary of Felda Global Ventures, which is the world's largest crude Palm Oil producer, and the world's largest oil palm plantation operator based on planted hectares.

The Company, through its Subsidiaries and Associated Companies, is positioning itself as an IPP through the construction, operation and ownership of Biogas Power Plants providing electricity to the Malaysian National Grid through the Feed-in-Tariff mechanism.

In addition to its status as an IPP, the Group has also established itself as an EPCC contractor of Biogas Power Plants, offering Palm Oil Mill owners the Group's expertise to construct and manage these plants at their sites.

As well as the Biogas Power Plants the Group intends to build, own and operate, the Group has taken minority equity stakes in the Associated Companies, which have been established to own Biogas Power Plants at Palm Oil Mills owned by large Palm Oil businesses. This will provide an ongoing interest in the performance of the plants for the Group, in addition to revenue from the initial EPCC contracts for building the Biogas Power Plants to be owned by these Associated Companies.

The Associated Companies are Megagreen Energy Sdn Bhd and Concord Green Energy Sdn Bhd, in which G&S has a 15 per cent. and 25 per cent. equity stake respectively.

The Company has developed a strong pipeline of opportunities, both in the building and ownership of Biogas Power Plants to produce electricity through the process of treating POME, as well as in contracting to develop Biogas Power Plants for the Associated Companies, and has built relationships with some of Malaysia's largest Palm Oil businesses.

Going forward, the Company will also seek to contract to develop Biogas plants or Biogas Power Plants and waste water solutions for third parties where it considers it attractive to do so.

Further information on the Company's pipeline is included later in this Part I.

The Group's first fully owned plant, in Kahang, is currently under construction and is due to be completed in May 2016. The Group is also currently earning EPCC revenue from the construction of plants owned by Megagreen.

The proceeds of the Placing will raise approximately £4.0 million (before expenses), the net proceeds of which will be used, amongst other things, to provide funding towards the construction of two Biogas Power Plants to be owned and operated by the Group and for general working capital purposes.

## **2 Key Strengths**

### ***Track record***

The Group has established a strong track record of delivering waste water solutions to the Palm Oil industry and rubber industry in Malaysia and overseas for over thirty years, including a World Bank funded project.

### ***Strong pipeline***

As at the date of this Admission Document, the Group and its Associated Companies have developed a pipeline of 26 contracted projects at various stages of completion to be developed following Admission, which will either be owned in full or in part by the Group. As at October 2015 the Group and its Associated Companies had already secured approximately 25 per cent. of the currently available Malaysia Government FiT allocation for Biogas Power Plants, placing them in a leading position in the Biogas power generation industry in Malaysia.

### ***Compelling business model***

Through the FiT mechanism the Group will be able to benefit from long term power off-take agreements (typically over a 16 year period) at preferential rates (approximately 96 per cent. higher than commercial fossil fuel rates). In the near term the Group is able to generate revenue through the provision of EPCC services to its Associated Companies and possibly third parties in the future should the opportunity arise.

### ***Attractive proposition to commercial partners***

The Group believes it presents an attractive proposition to Palm Oil Mill owners by constructing Biogas Power Plants on their mill sites at no cost to the Palm Oil Mill owners, thereby providing the mill owners with a new source of revenue through their share of revenue from the sale of power produced from Biogas and other renewable energy sources.

### ***Important relationships***

The Directors believe that the Group's established relationships with large Palm Oil businesses such as FGV and Felcra Berhad advantageously position the Group for future growth.

FGV is a company listed on the Malaysian Stock Exchange. FGV was originally established as a private limited company operating as the commercial arm of FELDA, a government agency established to develop land and relocation with the objective of reducing poverty through the cultivation of oil palm and rubber plantations. FGV is the world's third largest oil palm estate operator, managing more than 450,000 hectares across Malaysia and Kalimantan, Indonesia.

Felcra Berhad is a company engaged in a number of business sectors, including the agricultural, industrial and service sectors. The company is principally a plantation manager and mill operator in the palm oil industry, owning oil palm plantations as well as Palm Oil Mills. Felcra Berhad originates from the Federal Land Consolidation and Rehabilitation Authority ("FELCRA"), which was established in 1966 with an objective to develop the rural sector by helping its communities to participate in national economic activities, thus improving their standard of living.

In addition to these business relationships with FGV and Felcra, and its established EPCC market position, the Group hopes to take advantage of the attractive FiT regime in Malaysia by building, owning and operating its own Biogas Power Plants.

### ***Regulatory drivers***

Following increasing governmental focus on the reduction of environmental pollution coupled with the initiative to reduce Malaysia's reliance on non-renewable energy, the Group aims to take advantage of the upfront revenues associated with EPCC construction, as well as long term, recurring, fixed-tariff revenues from the sale of power through the FiT regime.

### ***IP***

The Group has an established portfolio of intellectual property comprising of two registered patents and one patent application pending approval. The technology, process and method enabling the capture, cleaning and processing of POME into methane and carbon dioxide for subsequent compression into

tanks for storage, transport and power generation is collectively described by the Group as an Integrated Biogas System (“IBS”), which is described in more detail later in this Part I. Further information on the patents held by the Group can be found in paragraph 13 of Part VI of this Admission Document.

### ***Tax treatment***

The Group has been recognised by the Malaysian government for its work in the bio-technology area and G&S was granted BioNexus status, which allows G&S to enjoy income tax exemption on profits earned from qualifying activities and exemption from duties on imported materials. The exemptions are available until the end of the financial year ending 30 September 2018, providing a favourable tax treatment. Following the end of this tax exemption period, G&S will be subject to a concessionary tax rate of 20 per cent. for ten years as compared with the current tax rate of 25 per cent. for Malaysian companies with profits exceeding RM0.5 million per annum.

## **3 Business History & Structure**

### **3.1 *History of the business***

The Group’s principal operating subsidiary, G&S, is a Malaysian registered company established under the Malaysian Companies Act 1965 on 11 March 1980 as Mardec Engineering Sdn Bhd. It was primarily involved in waste water treatment for the rubber industry before venturing into waste treatment for the Palm Oil sector as this became an increasingly important market in Malaysia and Indonesia.

G&S’s business experience for providing waste water treatment solutions includes: design, development, engineering, procurement, construction, consultation and the provision of ancillary services.

Over the years, G&S has undertaken and completed numerous waste water treatment projects in Asia, including:

- a World Bank project and;
- 4 BioGas Capture facilities owned by Felda Palm Industries Sdn Bhd, a subsidiary of FGV.

As a result of the work of G&S in the waste water treatment industry, it has received a number of awards and accolades including:

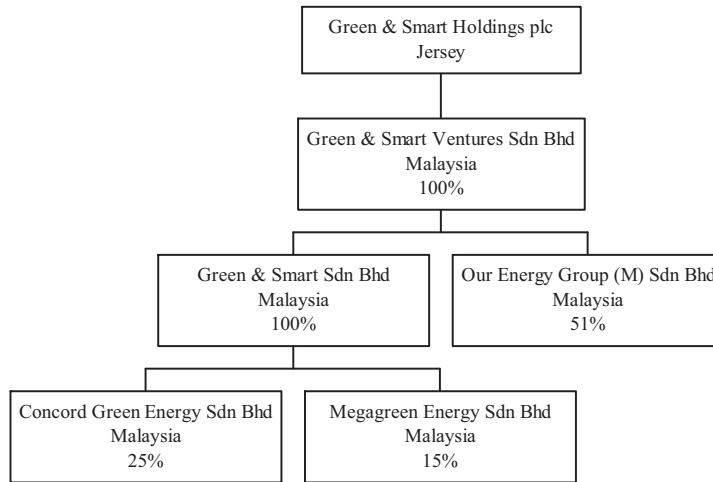
- Industrial Excellence Award from the Ministry Of International Trade & Industry, Malaysia, in 1998;
- Innovation in Technology Award from the Ministry Of Science Technology And Innovation, Malaysia, in 2006;
- The BioNexus Status Certification from the Malaysian Biotechnology Corporation Sdn Bhd, in 2008. This award recognizes G&S as a “Biotech Company” and as a result it was granted pioneer status and enjoys the tax and duty exemptions described above;
- SME Recognition Award from the Small & Medium Enterprise Corporation, Malaysia, in 2009;
- Bio Industry Excellence Award from the Malaysian BioTechnology Corporation, Malaysia, in 2013;
- Panel Of Judges Merit Award from the Malaysian BioTechnology Corporation, Malaysia, in 2013; and
- BioNexus BioIndustrial Emerging Entrepreneur Award from the Ministry Of Science Technology And Innovation, Malaysia, in 2015.

In 2013, following the retirement of G&S’s founder and the appointment of a new board of directors, G&S repositioned itself as an IPP and EPCC contractor in the renewable energy sector capitalising on its established experience in waste water treatment. The Company believes that the

recent governmental impetus in reducing the over-reliance on non-renewable energy sources has assisted G&S in expanding upon its services of treating waste water into the capturing of Biogas from treating POME to generate electricity.

### 3.2 **Group Structure**

The following diagram shows the structure of the Company and its operating Subsidiaries and Associated Companies on Admission:



Further details of the Group members are set out in paragraph 2.7 of Part VI of this Admission Document.

## 4 **Business Description**

The Group's operations are split across three complementary areas:

### 4.1 **Build-Own-Operate**

G&S and OEG have established a pipeline of Build, Own and Operate projects, which will involve the construction and operation of seven Biogas Power Plants capable of generating 15.4 MW of power being built over the next three years. Five of these plants are expected to be constructed in the near term.

Through this Build-Own-Operate structure, the Group builds, owns and operates Biogas Power Plants situated on land in close proximity to Palm Oil Mills. Under this model, the Group contracts with mill owners to finance and build plants for the generation and sale of electricity to TNB or SESB under the Feed-in-Tariff regime using waste from the mills made available by the mill owners.

This is attractive to owners of Palm Oil Mills as they are not financially liable for the construction of the Biogas Power Plant; however, they benefit from additional revenue created from the sale of power through the FiT regime pursuant to an agreement with the Group.

A summary of the various steps required to develop a project which will benefit from the FiT regime is set out in Paragraph 8 of this Part 1.

Details in relation to these projects are set out below:

<i>Project</i>	<i>Party</i>	<i>Capacity (MW)<sup>1</sup></i>	<i>Scheduled FiT commencement Date<sup>2</sup></i>	<i>Expected Cost RM million<sup>3</sup></i>	<i>Expected completion date</i>	<i>Status</i>
Felda Palm Industries Sdn Bhd in Kahang, Johor	G&S	2.0	Apr-2016	13.5	May-2016	Financed and construction in progress
Malpom Industries Sdn Bhd in Nibong Tebal, Penang	G&S	2.0	Jul-2016	13.5	Aug-2016	Loan application progressing and initial contract works in progress
Syarikat Peladang Dan Perusahaan Minyak in Teluk Intan, Perak	G&S	2.7	Jan-2017	16.5	Aug-2016	To be financed from the Placing and construction due to start in May 2016
Liziz Plantation Sdn Bhd in Nenggiri, Kelantan	G&S	2.8	Jun-2017	16.5	Aug-2016	To be financed from the Placing and construction due to start in May 2016
Dupont & Leosk Enterprises Sdn Bhd in Gemencheh, Negeri Sembilan	G&S	1.0	Dec-2017	14.5	May-2017	Expected to be financed from cashflow and construction due to start in Aug 2016
Milik Mestika Sdn Bhd in Ledang, Johor	G&S	2.9	Dec-2017	16.5	Dec-2017	Financing letter of support received from RHB Islamic Bank
Veetar Oil Palm Mill Sdn Bhd in Kinabatangan, Sabah <sup>4</sup>	OEG	2.0	Jul-2016	14.0	Oct-2017	Financing letter of support received from RHB Islamic Bank
<b>Total</b>		<b>15.4</b>		<b>105.0</b>		

1 Plant capacity and FiT approved capacity

2 FiT commencement dates are as currently agreed with SEDA (generally at the time of original application). The Group will apply to SEDA for an extension to the commencement date, as required, once financing and construction timelines have firmed up. (Please read the paragraph headed "Commencement date of FiTs" in Part II (Risk Factors) for an explanation of the procedure). The Directors do not anticipate any issues with extending any commencement date should such be required.

3 As estimated by the Directors based on experience and quotations where applicable.

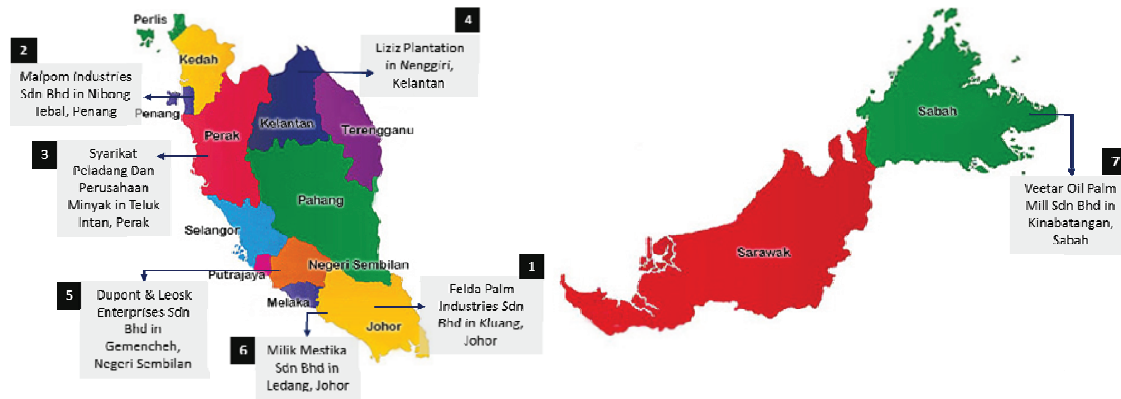
4 All the projects are owned by G&S except the project at Kinabatangan, Sabah, which is undertaken by Our Energy Group. This plant is based in Sabah state on the Island of Borneo. G&S holds a 51 per cent. stake in OEG in partnership with the relevant mill owner.

The Company's first fully owned project, Felda Kahang, has undergone the vast majority of construction works. The Company is currently awaiting final construction work to be completed along with the delivery of the gas engines which are now in Malaysia. The Company expects to commission the plant and connect to the grid in May 2016.

Each of the above projects involves contracting with different mill owners, creating a portfolio approach to the Company's project order book and diversifying risk. The Felda mill in Kahang, Johor is owned by FGV, the key counterparty to projects undertaken by Concord Green Energy, as described in paragraph 4.2 of this Part I.



There is a wide geographic spread of projects as set out below:



In addition to the above contracted order book, the Group has secured letters of intent with owners of a further two Palm Oil Mills, with capacity to produce up to an aggregated 5MW approximately. The Company expects to expand further its pipeline of opportunities following Admission.

#### 4.2 **Build-Partially Own-Operate**

##### *Build and operate projects of Associated Companies*

In addition to its Build Own Operate projects, G&S has taken minority equity stakes in two companies which have been established as IPP's in renewable energy themselves.

The Associated Companies are Megagreen and Concord Green Energy, in which G&S has 15 per cent. and 25 per cent. equity stakes respectively.

G&S has three sources of revenue from these projects:

##### *EPCC contract revenue and profit:*

G&S is the EPCC contractor for the construction of five Biogas Power Plants to be built for Megagreen and fourteen Biogas Power Plants to be built or refurbished (in the case of existing infrastructure) for Concord Green Energy. The potential total project values for G&S are RM73.5m for Megagreen and RM88.0m for Concord Green Energy. G&S expects to earn a profit margin of between 10 per cent. and 20 per cent. on the relevant EPCC contracts. Further details of the projects are given below.

##### *Licence fee revenue from O&M subcontractor:*

G&S has agreed to assign and transfer its rights and obligations under the O&M contracts it has entered into with Megagreen and Concord Green Energy to a third party sub-contractor, EPI. To enable EPI to carry out the work delegated to it, G&S has licensed EPI to use the technology to which the patents described in paragraph 13.2 of Part VI of this Admission Document relate. In return, G&S is entitled to a licence fee from EPI in the amount of 30 per cent. of the gross operating revenue derived from the utilisation of the patents in the first year of commercial operation of each Biogas project undertaken by G&S under those O&M contracts. Licence fee revenues are exempted from tax under the G&S's BioNexus tax status.

##### *Share of Profits via equity participation:*

G&S will be entitled to a 15 per cent. and 25 per cent. respective equity share in the profits, and accordingly dividends when paid, of Megagreen and Concord Green Energy.

#### **Megagreen**

G&S owns a 15 per cent. equity interest in Megagreen. The other shareholders are Felcra Berhad (a Company wholly owned by the Malaysian Government and described above), 15 per cent., and Mega Hijau Makmur Sdn Bhd with 70 per cent. Mega Hijau Makmur is a company operating in the renewable energy market. Further details of the shareholders' agreement are set out in paragraph 12.9 of Part VI of this Admission Document.



The Group has contracted with Megagreen to provide EPCC services in respect of Megagreen's pipeline of five FiT approved Biogas Power Plants to be installed alongside mills owned by Felcra Berhad with a total installed capacity of 6.0MW and an expected construction cost of RM73.5m. The plants are being constructed in two phases.

### Megagreen Projects

<i>Project</i>	<i>Capacity MW<sup>5</sup></i>	<i>Scheduled FiT commencement date<sup>6</sup></i>	<i>Expected Cost RM million<sup>7</sup></i>	<i>Expected completion date</i>	<i>Status</i>
<b>Phase 1</b>					
Kilang Sawit Nasaruddin, Bota, Perak	1.0	Mar 2016	14.0	June 2016	Construction in progress
Kilang Sawit Seberang Perak, Perak	2.0	Mar 2016	19.5	June 2016	Construction in progress
Kilang Sawit Sg Melikai, Mersing, Johor	1.0	Mar 2016	16.0	June 2016	Construction in progress
<b>Sub total</b>	<b>4.0</b>		<b>49.5</b>		
<b>Phase 2</b>					
Kilang Sawit Maran, Pahang	1.0	Dec 2015	12.0	Sept 2016	Financing discussions ongoing
Kilang Sawit Bukit Kepong, Labis, Johor	1.0	Dec 2015	12.0	Sept 2016	Financing discussions ongoing
<b>Sub total</b>	<b>2.0</b>		<b>24.0</b>		
<b>Total</b>	<b>6.0</b>		<b>73.5</b>		

5 Plant capacity and FiT approved capacity.

6 FiT commencement dates are as currently agreed with SEDA (generally at the time of original application). The Company understands that MGE will apply to SEDA for extensions to the commencement dates once financing and construction timelines have firmed up. (Please read the paragraph headed "Commencement Date of FiTs" in Part II (Risk Factors) for an explanation of the procedure). The Directors do not anticipate any issues with MGE extending the commencement dates.

7 As estimated by the Megagreen management based on experience and quotations where applicable.

#### Phase 1

The first phase covers three plants with an aggregate installed capacity of 4.0MW and an expected aggregate construction cost of RM49.5m. These projects are being financed through a bank loan from RHB Islamic Bank Berhad ("RHB") of RM35.25m and a loan from Malaysian Biotechnology Corporation Sdn Bhd of RM7.4m, managed by Malaysia Debt Ventures Berhad ("MDV"). Shareholder funding is expected to provide the balance of the funds required for the Phase 1 projects.

All three of these projects are currently under construction (commenced in July 2015) with G&S acting as EPCC contractor. In the year to 30 September 2015, G&S recognised EPCC revenue of RM19.4m from these contracts. These projects are expected to be completed, connected to the National Grid and generating revenue for Megagreen by June 2016.

#### Phase 2

Megagreen is currently in discussions for the provision of financing of the Phase 2 projects relating to two plants. The Directors understand that the financing framework is expected to follow that agreed for Phase 1 which includes financing from RHB. It is currently anticipated that construction under the Phase 2 projects will commence in 2016. Phase 2 is also anticipated to be financed from the above loan of RM7.4m from MDV (on behalf of Malaysian Biotechnology Corporation Sdn Bhd), and shareholder funding expected to provide the balance of the funds required, with the Group's contribution in part being funded out of the proceeds of the Placing.

## Concord Green Energy

G&S owns a 25 per cent. equity stake in Concord Green Energy. The other shareholder is Concord Alliance Sdn Bhd, an investment holding company with a 75 per cent. interest. Further details of the relevant shareholders' agreement are set out in paragraph 12.9 of Part VI of this Admission Document.

Concord Green Energy has executed a Master Build Own Operate and Transfer Agreement (“BOOTA”) with Felda Global Ventures and Felda Palm Industries Sdn Bhd (“Felda Palm Industries”) to take over 14 project sites identified for power production. These 14 sites consist of a mix of new plants to be built (4 units of 6.6MWs in aggregate), plants already constructed (3 units of 4.4MWs in aggregate), plants semi-built (5 units of 10.8MWs in aggregate) and plants generating power for captive mill use (2 units of 2.4MWs in aggregate). The FiAs for these sites were granted in the name of Felda Palm Industries. Recently four of these FiAs were transferred successfully to Concord, whilst the remaining approvals are in the process of transfer.

Concord Green Energy has secured a loan offer letter from Malaysia Debt Ventures Berhad dated 28 October 2015 for a sum of RM67.5m to purchase six project sites and complete these first phase projects. Additionally, Concord has applied for a loan from Malaysian Biotechnology Corporation of RM10.0m. Financing agreements have yet to be executed.

The Group's EPCC contract value for these initial six projects (Concord Phase I) is valued at approximately RM31.5 million, against the total EPCC contract value of some RM88.0m for all 14 sites.

A valuation has been commissioned by Felda Palm Industries, which provides an indicative price which will form the basis on which Felda Palm Industries is to dispose of the 10 existing facilities to Concord Green Energy. Negotiations in relation to Concord Green Energy's purchase of the sites remain ongoing.

The Group has entered into an EPCC contract with Concord Green Energy in respect of the new plants to be built and prospective projects to be acquired by Concord Green Energy from Felda Palm Industries. The EPCC contract value to G&S across all 14 projects is expected to be RM88.0m in aggregate. The gross margin retained by G&S on the EPCC contract is expected to be lower than for other EPCC contracts, reflecting the remedial nature of some of such work as opposed to the building of new plants.

### Concord Green Energy projects

<i>Project</i>	<i>Capacity MW</i>	<i>FiT Capacity MW<sup>8</sup></i>	<i>Scheduled FiT commencement Date<sup>9</sup></i>	<i>Expected EPCC Cost RM million<sup>10</sup></i>	<i>Expected construction dates</i>	<i>Status</i>
<b>New build projects</b>						
Kilang Sawit Adela in Kota Tinggi, Johor	1.6	1.3	Jan-2017	12.5	Subject to financing	To be built by G&S as EPCC contractor. FiT transferred to Concord. Dependent on further financing.
Kilang Sawit Lok Heng in Kota Tinggi, Johor	1.6	1.3	Dec-2016	12.5	Subject to financing	To be built by G&S as EPCC contractor. FiT transferred to Concord. Dependent on further financing.
Kilang Sawit Keratong 2 in Kota Bahagia, Pahang	2.3	2.0	Dec-2016	16.5	Jul 2016 – Apr-2017	To be built by G&S as EPCC contractor. FiT transferred to Concord. Concord Phase 1 project.

<i>Project</i>	<i>Capacity MW</i>	<i>FiT Capacity MW<sup>8</sup></i>	<i>Scheduled FiT commencement Date<sup>9</sup></i>	<i>Expected EPCC Cost RM million<sup>10</sup></i>	<i>Expected construction dates</i>	<i>Status</i>
Kilang Sawit Lepar Hilir in Kuantan, Pahang	1.2	1.0	Dec-2016	12.5	Subject to financing	To be built by G&S as EPCC contractor. FiT transferred to Concord. Dependent on further financing.
<b>Sub total</b>	<b>6.7</b>	<b>5.6</b>		<b>54.0</b>		
<b>Projects being acquired from Felda Palm Industries</b>						
Kilang Sawit Nitar in Mersing, Johor	2.0	1.5	Subject to transfer from Felda Palm Industries Sdn Bhd	1.0	Jun 16 – Nov 16	Refurbishing existing plant. Concord Phase 1 project.
Kilang Sawit Tenggaraoh in Kota Tinggi, Johor	1.2	1.0	Subject to transfer from Felda Palm Industries Sdn Bhd	1.0	Jun 16 – Nov 16	Refurbishing existing plant. Concord Phase 1 project.
Kilang Sawit Maokil in Labis, Johor	1.2	1.0	Subject to transfer from Felda Palm Industries Sdn Bhd	1.0	Jun 16 – Nov 16	Refurbishing existing plant. Concord Phase 1 project.
Kilang Sawit Bukit Sagu in Kuantan, Pahang	2.4	2.0	Subject to transfer from Felda Palm Industries Sdn Bhd	6.0	Subject to financing	Partially built. To be completed by G&S as EPCC contractor. Dependent on further financing.
Kilang Sawit Keratong 9 in Rompin, Pahang	2.4	2.0	Subject to transfer from Felda Palm Industries Sdn Bhd	6.0	Jun 16 – Nov 16	Partially built. To be completed by G&S as EPCC contractor. Concord Phase 1 project.
Kilang Sawit Pasoh in Bandar Seri Jempol, Negeri Sembilan	1.2	1.0	Subject to transfer from Felda Palm Industries Sdn Bhd	6.0	Subject to financing	Partially built. To be completed by G&S as EPCC contractor. Dependent on further financing.
Kilang Sawit Semenchu in Kota Tinggi, Johor	2.4	2.0	Subject to transfer from Felda Palm Industries Sdn Bhd	6.0	Subject to financing	Partially built. To be completed by G&S as EPCC contractor. Dependent on further financing.

<i>Project</i>	<i>Capacity MW</i>	<i>FiT Capacity MW<sup>8</sup></i>	<i>Scheduled FiT commencement Date<sup>9</sup></i>	<i>Expected EPCC Cost RM million<sup>10</sup></i>	<i>Expected construction dates</i>	<i>Status</i>
Kilang Sawit Triang in Bera, Pahang	2.4	2.0	Subject to transfer from Felda Palm Industries Sdn Bhd	6.0	Jun 16 – Nov 16	Partially built. To be completed by G&S as EPCC contractor. Concord Phase 1 project.
Kilang Sawit Umas	1.2	n/a	n/a	1.0	TBD*	Not under the FiT regime, but with an existing Power Purchase Agreement between Felda Engineering Services Sdn Bhd and Felda Palm Industries Sdn Bhd. CGE to take over from Felda Engineering Services.
Kilang Sawit Mercu	1.2	n/a	n/a	TBD*	TBD*	Not under the FiT regime, but with an existing Power Purchase Agreement between Felda Engineering Services Sdn Bhd and Felda Palm Industries Sdn Bhd. CGE to take over from Felda Engineering Services.
<b>Sub total</b>	<b>17.6</b>	<b>12.5</b>		<b>34.0/TBD*</b>		
<b>Total</b>	<b>24.2</b>	<b>18.1</b>		<b>88.0/TBD*</b>		

8 Plant capacity and FiT approved capacity.

9 FiT commencement dates are as currently agreed with SEDA (generally at the time of original application). The Company understand that CGE will apply to SEDA for amendments to the commencement date once financing and construction timelines have firmed up. (Please read the paragraph headed “Commencement Date of FiTs” in Part II (Risk Factors) for an explanation of the procedure). The Directors do not anticipate any issues with CGE extending the commencement date.

10 As estimated by the Directors based on experience and quotations where applicable.

\* To be determined

As described above, on 28 October 2015 Concord Green Energy received an offer letter for a loan of RM67.5m to finance the first six projects from MDV. Concord Green Energy has also applied for a loan from Malaysian Biotechnology Corporation of RM10.0m with shareholder funding making up the balance of the funding of those projects and the Group’s contribution in part being met out of the proceeds of the Placing.

Funding of further project development will be subject to additional financing being put in place, although the Directors understand that Concord Green Energy would look to finance them on a similar basis to that for the first six projects.

## 5 Strategy

Capitalising on its expertise of having been operational in the waste water treatment industry for the last 30 years, and now as an IPP in the RE sector, the Group is embarking on the construction and management of its own Biogas Power Plants and has secured or is in the process of securing additional power quotas from SEDA and executing contracts with Palm Oil Mill owners for the supply of feedstock (POME) and land.

Because of the Group's reputation of having successfully delivered Biogas facilities and waste water treatment projects, the Group was approached to become EPCC contractors to, and subsequently invited to invest in, two companies, namely Megagreen, a Government Linked Company, and a private company, namely Concord Green Energy. G&S constructs and manages Biogas Power Plants on behalf of these Associated Companies for the duration of the REPPA's entered into with TNB, which is 16 years per plant.

In the near term the Group will look to achieve the following key objectives:

- construct existing FiT permitted Biogas Power Plants in the Group's order book;
- progress the FiT permitting and approval process for other pipeline opportunities; and
- further develop the Group's pipeline of opportunities by demonstrating the Group's value proposition for Palm Oil Mill owners.

In the medium term the Group may seek to expand on its services to the Palm Oil industry through complementary business opportunities, which could include:

- a. producing POME Biogas (BioMethane) for supply as a substitute for petroleum gas;
- b. enabling mills located away from the National Grid to use POME Biogas in gas generators to supply power directly to smaller rural communities or indigenous communities (Sabah & Sarawak) located in the outer reaches of city centers, as a replacement for diesel fuel which is far more expensive and a pollutant. The Group has the technical capacity and capability for establishing such power supply networks to provide electricity;
- c. producing aviation fuel additive from microalgae that is cultivated, grown and harvested from disused ponds previously used as holding ponds for POME. The Group has the technical capacity and capability to explore this area in the future and has had initial exploratory discussions in relation to carrying out development activity with a US based partner in this regard;
- d. producing high grade compost from Palm Oil based Biomass. The Group has the technical capacity and capability to undertake this venture, and members of the Group's management team have previously worked in this area;
- e. gasification or power generation from Palm Oil based Biomass using EFB (Empty Fruit Bunches), leveraging on a technology collaboration with a company based in India. The Group has the capability to expand its expertise into construction of Biomass power plants based on its existing experience of building Biogas facilities; and
- f. developing a bio-polisher – waste water treatment system for water purification in Palm Oil Mills. The treated POME, once purified, can be supplied back to the mills. The technology could also be licensed for a fee.

## **6 Illustrative financial model for an operating Biogas Power Plant**

The following example illustrates operating characteristics of a Biogas Power Plant based on certain assumptions. The Group is expected to benefit from an enhanced FiT rate of RM0.4669 per kWh as per the FiT rates granted to date.

## Illustrative Financial Model of a 2 MW Biogas Power Plant\*

### ANNUAL REVENUE

Revenue from sale of power RM6,953,075  
RM0.4669 x 2,000 kW x 7,446 hours/year

### ANNUAL COST OF SALES

The mill owner's share of the Revenue RM(1,182,023)  
RM6.95m x 17 per cent.

O&M expense RM(1,460,146)  
RM6.95mil x 21 per cent.

### GROSS PROFIT PER ANNUM

RM4,310,906

### INVESTMENT PAYBACK PERIOD

**3.3 years**

\* Assumptions used:

- 1) Plant operates 7,446 hours per annum
- 2) An indicative range of 7 per cent. – 17 per cent. of revenue is shared with mill owner. For the illustrative model 17 per cent. revenue share has been assumed.
- 3) O&M cost per annum estimated at 21 per cent. of revenue
- 4) Average construction cost of a Biogas plant is RM14.0m – construction of a new Biogas Power Plant estimated to cost between RM12.5m to RM16.5m SPAC on page 29 it is 11–16.5m RM
- 5) Investment payback period is based on illustrative gross profit excluding allocation of overheads.

## 7 Reasons for Placing and use of proceeds

The estimated gross proceeds of the Placing are approximately £4.0 million, of which approximately £0.7 million will be used by the Group to pay the fees & expenses relating to the Placing, and the balance will be used as follows:

	£
Provide finance towards the construction and operation of two wholly owned Biogas Power Plants	3.3m

## 8 Overview of the Malaysian Palm Oil & Biogas industry, the Group's Integrated Biogas System and the Regulatory Framework

### *The Palm Oil industry in Malaysia*

The Palm Oil industry in Malaysia has been identified as a key economic contributor to the Malaysian economy.

According to the Performance Management & Delivery Unit (“PEMANDU”) in the 10th Malaysian Plan published in 2010, the Palm Oil industry is the nation's fourth largest economic contributor and accounted for a gross national income (“GNI”) of RM53 billion. In 2013, the Palm Oil industry formed 2.6 per cent. of Malaysia's GDP with a contribution of RM20.5 billion. Palm Oil and Palm Oil-based products are the largest export income generator for Malaysia in the agricultural products segment. In 2014, the exports of Palm Oil and palm kernel oil (“PKO”) totalled an estimated RM48.7 billion, with India, China and the Netherlands emerging as principal importers of Malaysia's Palm Oil.

According to the MPOC, Malaysia is currently responsible for approximately 39 per cent. of all Palm Oil production in the world. Furthermore, Malaysia is responsible for 44.4 per cent. of global exports of Palm Oil.

The Palm Oil industry in Malaysia has grown substantially from 2000 to 2014: according to the MPOB the total planted area of Palm Oil plantation as at December 2014 was estimated to be approximately 5.4 million hectares and, as at December 2014, it has been estimated that there was a total of 4.7 million hectares taken up by mature Palm Oil plantations in Malaysia\*. Oil palm is largely cultivated in countries in Asia, Africa, Central America and South America, as well as certain parts of the Oceania region.

\* Smith Zander Market research report, Chapter 5, *Analysis of the Biogas industry in Malaysia*, as set out in Part III of this Admission Document



The value chain of the Palm Oil industry focuses on the activities of planting and cultivating oil palm crops, processing of FFB and the processing/refining of refined, bleached and deodorised (“RBD”) Palm Oil and Palm Kernel Oil into edible oils and fats, oleochemicals and biodiesel.

For further information on the Palm Oil industry in Malaysia, please refer to Smith & Zander’s independent market research report located in Part III, of this Admission Document.

Increased production of Palm Oil in Malaysia has led to a corresponding increase in the production of waste water resources in the form of POME. This is a substantial by-product of the Palm Oil production process that requires to be effectively treated in order for it to be disposed of without polluting the environment.

### ***The Biogas Industry in Malaysia***

As a result of a wider drive by the Malaysian government to combat greenhouse gas emissions and environmental pollution in the country, there has been an increased focus on the treatment of POME and the subsequent capture of Biogas as a by-product of the Palm Oil production process.

The Biogases produced during POME treatment are methane (62.5 per cent. of Biogas composition) and carbon dioxide (37.0 per cent. of Biogas composition). According to the International Journal of Science, Environment and Technology (2013), in Malaysia, Palm Oil Mills were the second largest generator of methane (38 per cent.), after landfills (53 per cent.).

Methane is a greenhouse gas which is 21 times more potent than carbon dioxide in trapping heat, leading to the Palm Oil industry being seen as an environmentally unfriendly industry and a major contributor to pollution. As a result of this, the Malaysian government is actively taking steps to improve the reputation of the Palm Oil industry as it forms such an integral part of the Malaysian economy.

One of the measures that the Government has taken is encouraging Palm Oil Mill owners to build Biogas Power Plants, which are processing facilities that are designed to trap Biogas released from POME and harness it to generate renewable energy. POME is treated in a covered pond or a closed tank to facilitate anaerobic digestion and the Biogas that is produced is trapped in a storage tank. The Biogas is put through a gas scrubber to enhance the content and quality of methane. To produce renewable energy, Biogas is combusted in a gas engine. The resultant electricity that is generated can be used to power the mill, and/or sold to the National Grid as renewable energy.

### ***The Biogas production process***

#### ***Integrated Biogas System (“IBS”)***

IBS is a term used by the Group to describe the stand alone integrated facility which it has developed for processing POME to capture Biogas using the mesophilic anaerobic system (a microbial digester) utilising bio-based purification technology to produce optimal levels of clean fuel gas for power generation or compression of Biogas while addressing waste water treatment.

The Group’s use of the IBS has a tested and proven efficiency in achieving good levels of Biogas capture and reduction of COD and BOD, thus enabling optimum results in waste water treatment and power production.

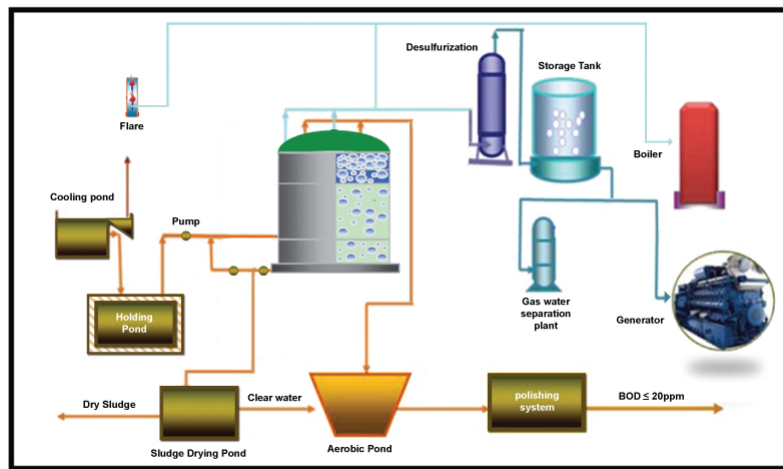
The generation of POME-Biogas has increased in the Malaysian Palm Oil industry due to the potential in methane recovery for clean renewable fuel as well as the mitigation of greenhouse gas emissions which is eligible for Certified Emission Reduction (CER) credits by the Clean Development Mechanism (CDM) under the Kyoto Protocol.



The generation of POME-Biogas is carried out using the mesophilic anaerobic system for Biogas capture.

The Biogas captured is led through the Biogas piping system from the top of the anaerobic digester tank to the Biogas storage tank. The gas is then first run through the splitter of gas and water to remove the condensate water, and then directed to the gas engine for electricity generation after desulphurisation.

#### IBS Process



*Source; the Company*

Anaerobic digestion is the most suitable method for the treatment of effluents containing a high concentration of organic carbon. IBS produced Biogas would comprise 60-70 per cent. methane, 30-40 per cent. carbon dioxide, 0-0.1 per cent. hydrogen sulphide, and 0-10 per cent. hydrogen.

A typical Biogas system would generate 75-80 per cent. of the Biogas obtainable from POME. The Directors estimate that the Group's IBS could generate as much as 89-95 per cent. of Biogas available. The system has a specially engineered design which provides an ideal environment for the selected microbial concoction which is vital for POME treatment and Biogas generation.

The Group's IBS has the potential capacity for producing between 500m<sup>3</sup> to 600 m<sup>3</sup> per hour of Biogas from a Palm Oil Mill with a 40 ton per hour processing capacity (depending on the effluent quality). Each IBS should be able to produce up to 4.5 million m<sup>3</sup> of Biogas per annum. This should yield clean compressed methane totaling 2.7 million m<sup>3</sup> per year and 1.8 million m<sup>3</sup> of CO<sub>2</sub> per year. The integrated system can be installed and put into operation on a commercial scale in about 8 months depending on the remoteness of the location. Also, it requires lower set up costs as compared to a conventional Biogas Production Plant.

The complete set up and installation of the IBS is estimated to be between RM 11 million to RM16.5 million per operating system with capacity of 2 MW, and would be expected to generate some 2 MWhr of equivalent electricity.

The IBS is designed to be located near the Palm Oil Mill to resolve the issue of POME treatment and effluent supply. The capacity and the specification of the system would depend on the amount of effluent available in-place.

#### *Benefits of the IBS design*

- Expected life span of materials used i.e. steel concrete or enamel tank is more than 30 years;
- High loading factor 6 to 8 kg Chemical Oxygen Demand /m<sup>3</sup>, this implies:
  - a) Shorter retention time compared to conventional systems (e.g. Continuous Stirred Tank Reactor system: Chemical Oxygen Demand loading factor 3 to 4 kg Chemical Oxygen Demand /m<sup>3</sup>); and

- b) Smaller volume of digester tank required to treat POME than for a conventional system, and hence a lower construction cost.
- Chemical Oxygen Demand and Biological Oxygen Demand reduction rate of 90 to 95 per cent. (assessment by MPOB)
- The system, with comparatively few moving parts is easier to operate at a stable level; reinforced concrete and steel or enamel sheet are efficient corrosion resisting materials, thus reducing the maintenance costs.

### ***Regulatory framework***

The Economic Transformation Programme (“ETP”) which was launched in 2010 by the Malaysian government with the aim of transitioning Malaysia into a high income economy by 2020, identifies Biogas in two of the 12 National Key Economic Areas (“NKEA”), namely the Oil, Gas and Energy area as well as the Palm Oil area.

The Oil, Gas and Energy NKEA emphasises the importance of increasing the installed capacity of renewable energy sources in Malaysia, with Biogas being targeted as key to the overall supply of electricity to the National Grid, and highlights the role of the FiT mechanism in increasing the share of renewable energy in Malaysia’s total energy mix.

The Palm Oil NKEA underlines the importance of enhancing the sustainability of the industry through the treatment of POME, and its potential for electricity generation and as a source of an additional revenue stream when connected to the National Grid under the FiT scheme.

As part of a wider effort to reduce carbon emissions generated by the Palm Oil industry, the Government, through the MPOB, has imposed a new licence condition since 1 January 2014 that makes it mandatory for all applicants for new Palm Oil Mills as well as those applying for throughput expansion for existing mills to have plans that involve the installation of a Biogas capture or methane avoidance facility for the treatment of POME.

The electricity supply industry in Malaysia comprises electricity generation, transmission and distribution activities. Electricity generation is carried out by utility companies and IPPs (including Small Renewable Energy Power (“SREP”) producers).

Both public and private companies participate in the electricity supply industry in Malaysia. The Government participates in this industry via utility companies, which are, TNB in Peninsular Malaysia, SESB in Sabah and Sarawak State Government-owned SEB in Sarawak.

In Malaysia, power generation for transmission over the National Grid is generated by the utility companies themselves and by private participants that mainly consist of IPPs and SREP producers. IPPs are private firms which have been awarded concessions to develop, finance, build, own and operate power plants.

IPP’s generate electricity which is sold to utility companies and selected large end users. IPPs are only involved in the electricity generation phase of the electricity supply value chain. Under Malaysia’s SREP programme, small power generation plants utilising renewable energy can apply to sell their electricity to the utility companies through the National Grid. The SREP programme identifies Biomass, Biogas, solar PhotoVoltaic and small hydro as approved sources of renewable energy under the FiT system.

### ***The FiT System***

In 2011, the Government brought into force the Renewable Energy Act 2011 (“Renewable Energy Act”) which focuses on renewable energy development in Malaysia under the purview of SEDA, which was established to oversee the implementation and management of renewable energy including the FiT mechanism.

The Renewable Energy Act provides a FiT mechanism for qualified communities, individuals and non-individuals to sell electricity (up to 30 megawatts, “MW”) generated from renewable energy resources to power utility companies at a fixed premium usually for a term of 16 years from the FiT commencement date.

The fixed premium price, also known as the FiT rate, differs for various renewable resources and installed capacities. Under the FiT mechanism, four renewable resources have been identified as eligible for FiT; namely Biogas, Biomass, small hydropower and solar PhotoVoltaic.

Payments to SREP producers which are FiT approval holders are guaranteed from the Renewable Energy Fund for a period of 21 years for solar PhotoVoltaic and small hydropower, and 16 years for Biogas and Biomass. Power utility companies such as TNB and SESB are committed to sign a renewable energy power purchase agreement (“REPPA”) with FiT approved holders for the effective period. For further information on the FiT regime, please refer to the Smith Zander independent market research report set out in Part III of this Admission Document.

#### *Approval process for completing a Biogas project*

A company with a renewable energy installation business must meet the eligibility criteria for renewable resources, and technical and operational requirements as may be prescribed by SEDA and seek advance consultation with SEDA on eligibility.

Once SEDA is satisfied that an applicant is eligible, the applicant can then proceed to make a submission for approval under the FiT scheme. The documents which are required to be submitted to SEDA for FiT approval include: a letter of intent from, or a Build Own Operate Agreement with, the site owner as evidence that the applicant has secured legal rights to occupy the site of the RE installation; the design layout containing technical details and capacity of the RE installation; work plans and major milestones; a connectivity confirmation check; and a power systems study conducted by the relevant Distribution Licensee.

The applicant is also required to check with the relevant local authorities and on other governmental requirements in respect of its RE installation. In the case of the Group, the construction of Biogas Power Plants requires approvals from, amongst others, the relevant State Department of Occupational Safety and Health and State Department of Environment.

The applicant is also required to demonstrate that it has sufficient funds to finance the construction of the RE installation, usually by way of a letter of offer or term sheet from a financier. In the case of the Group, G&S has secured financing from Malaysia Debt Ventures Berhad for its Felda Kahang Project and secured a Letter Of Support from RHB Islamic Bank Berhad for certain other projects.

A REPPA with the relevant Distribution Licensee will be executed after obtaining the FiT approval and has to be registered with SEDA. Upon the receipt of the FiT approval, the applicant will need to apply for a public general (provisional) license from the Energy Commission to enable it to operate the electrical installation to be constructed on the relevant site.

The applicant can then commence construction of its RE installation at the relevant site, which includes the installation of interconnection facilities and FiT meters. 90 days prior to the RE installation initial operation date (i.e. the date where the plant is ready for operation), the applicant has to apply for a public general (permanent) license from the Energy Commission, which is necessary for the generation and supply of electricity to a third party. On the initial operation date, the Distribution Licensee will carry out an acceptance and reliability test to assess whether the gas engines and installation meet their prescribed standards.

The RE installation should be in full operation, generating electricity, on the FiT commencement date specified by SEDA. It is the experience of the Directors that in practice SEDA will grant an extension of the FiT commencement date as long as the project complies with the relevant requirements. Although the Renewable Energy Act provides that the allocated FiT rates shall be subject to reduction in the event that the FiT commencement date occurs later than 31 December of the calendar year of the scheduled FiT commencement date, G&S has in the past successfully secured a FiT commencement date extension to a date later than 31 December of the calendar year of such FiT commencement date without any reduction in FiT rates and, based on this, the Directors are confident that such a request for an extension without a reduction in FiT rates will not be unreasonably withheld.

## 9 Operations and outsourcing

The Group has established a strong central management team in order to source, deliver and monitor its pipeline of Biogas projects:

- ***Sourcing mill relationships***

The identification of Palm Oil Mills is undertaken by the Group directly or through collaboration with a business development partner. The Group's business development partner has an extensive network and access within the Palm Oil industry and is engaged to help source Palm Oil Mills keen to put in place Biogas capture solutions, particularly those operating a single or small number of plants. With the proposed enforcement of a recent directive of the Malaysian Palm Oil Board in relation to the incorporation of methane capture / methane avoidance facilities within Palm Oil Mill sites, G&S envisions that its market reputation moving forward will eventually drive business its way without the need for significant further marketing of its services.

The Group operates a revenue sharing agreement with its business development partner under which it shares a proportion of power sales with the partner and mill owner as described in paragraph 12.15 of Part VI of this Admission Document.

- ***Completing applications and approvals***

All applications for approvals are undertaken by the Group as project owner/main contractor

- ***Assembly of plant***

For all in-house projects, all parts and equipment are assembled by the subcontractors.

- ***Purchase of engines***

The Group purchases engines from MTU Services (Malaysia) Sdn Bhd through EPI, a systems integrator. The manufacturer of these MTU gas engines is MTU Onsite Energy GmbH, owned by Rolls Royce Limited.

EPI was previously owned by Sivadas Kumar and Thannimalai Renganathan, respectively Chief Executive Officer and Chief Operating Officer of the Group, but was sold to a third party on 25 August 2015, whereupon Sivadas Kumar and Thannimalai Renganathan ceased to have an involvement with EPI, other than dealing with it on behalf of the Group. All transactions with EPI are carried out on an arm's length basis.

- ***On-site construction***

Construction is undertaken by the Group either as the main contractor or project owner through sub-contractors with experience in the Biogas sector. Due to the number of projects to be undertaken by the Group within the specified timelines set by SEDA, the Group as project owner will be managing/supervising the contracts awarded to sub-contractors in accordance with the Group's in-house designed parameters.

- ***Electrical integration and conditioning***

Electrical work is to be undertaken by a qualified person as defined under the Malaysian Renewable Energy (Technical and Operational Requirement) Rules 2011.

- ***Ongoing maintenance***

The daily O&M operations of each complete Biogas Power Plant are expected to be undertaken by EPI. The Company receives license fees from EPI for the use of the Company's technology.

## 10 Directors, Proposed Directors and Senior Management

### ***Directors***

#### ***Saravanan Rasaratnam (aged 40) Group Managing Director***

Mr. Saravanan, aged 40, has a BA in Business Administration from the National University of Malaysia. He has over 18 years of management experience in various fields including technology, commercialisation and business strategy. He was formerly the co-founder and executive director of Biofusion Sdn Bhd, a

BioNexus Status company involved in bio-composting activities, which was named the Most Innovative Biotechnology Company in 2011 in Malaysia by the Ministry of Industry and International Trade under a government initiative and was subsequently sold by Mr. Saravanan.

Prior to this, he was the Vice President for Strategy & Planning for Lestari Pasifik Berhad, a company involved in the production of biofuel derived using locally available Biomass from oil palm plantations.

He was also the Vice President, Business Development, of Malaysian Biotechnology Corporation Sdn Bhd, a local Government Linked Company which was mandated to promote biotechnology commercialization activities in Malaysia.

*Navindran Balakrishnan (aged 32) Group Executive Director*

Mr. Navindran, aged 32, holds a Bachelor of Science (Microbiology) from the University of Malaya and has over 9 years of management experience in technology management. He was formerly the co-founder and Executive Director of Biofusion Sdn Bhd, a BioNexus Status company, which is involved in bio-composting. He was also the Vice President (Business Development) for Lestari Pasifik Berhad, a company involved in the production of biofuel from oil palm plantations. Mr. Navindran was also the Senior Manager at IBG Manufacturing Sdn Bhd a BioNexus Status company involved in the production of bio-fertilizers for Palm Oil plantations. Mr. Navindran also worked as a microbiologist in the research and development unit at CCM Duopharma Biotech Berhad, a Malaysian listed Pharmaceutical company.

*Sivadas Kumar (aged 53) Group CEO & Finance Director*

Mr. Sivadas has over 25 years of corporate experience with varied industries including audit, transportation, engineering, textile, palm oil specialty fats, rubber and bio technology. He is a Fellow with the Association of Chartered Certified Accountants UK, a Chartered Accountant with the Malaysian Institute of Accountants and with an MBA (Marketing Major) from the University of New England, New South Wales, Australia.

Mr. Sivadas played a significant role in the public listing of his previous employer Premium Nutrients Berhad onto the Kuala Lumpur Stock Exchange in 2003, where as Chief Accountant he was responsible for all aspects of banking, finance, accounting, commercial-warehousing-port operations, Board papers and eventually the public listing. Mr. Sivadas was subsequently head hunted by Rubberflex (M) Sdn Bhd, the world's largest manufacturer of rubber threads as Group General Manager. Two months into employment, Mr. Sivadas was made a Director of the Group.

Upon leaving Rubberflex and after a short business sabbatical in Vietnam where he was invited to help establish a new business venture with a Vietnamese Conglomerate and just prior to joining Green & Smart Sdn Bhd, Mr. Sivadas was engaged with a company in the green packaging business as its Chief Financial Officer, where his principle role was advising on all matters of finance, banking, cost accounting, factory operations, management and human resource.

***Proposed Directors***

*Datuk Haji Radzali Bin Hassan (aged 59) Non-Executive Chairman*

Datuk Haji Radzali Bin Hassan, was conferred the Kestaria Setia DiRaja Award by DYMM Paduka Baginda Yang DiPertuan Agong in 1997 and Darjah Mulia Seri Melaka by TYT Yang Di Pertua Negeri Melaka.

Datuk Radzali is currently on the board of Suiwah Corporation Bhd, ("Suiwah"), which has been listed on the Kuala Lumpur Stock Exchange since 1995. Suiwah is primarily engaged in three business segments, which are retail, manufacturing, and property investment and development.

Datuk Radzali, is also an Environmental Entrepreneur, serving as Chairman/Group Managing Director of Harta Maintenance Sdn Bhd and Harta Group of Companies since 1984, primarily involved in Facilities Management providing green solutions.

*Martin David Howard Bloom (aged 64) Non-Executive Director*

Mr. Bloom has a wealth of experience in the Renewable Energy Sector and has significant listed company experience. Mr Bloom has worked with Asian Institutions and government organizations as well as with global corporations throughout his career. Mr Bloom has over 40 years of experience in providing



strategic advice to a number of businesses in a wide range of sectors. Mr Bloom has focussed particularly on commercialisation of technology. Mr Bloom has built a number of successful businesses in Asia, Europe and North America and currently serves on the board of a number of listed companies as detailed below:

- Director and former Chairman of Renesola Ltd. Assisted with the AIM admission in 2006 of Renesola and its listing on the New York Stock Exchange in 2008. Revenues grew from \$5m to over \$1 billion in 5 years.
- Group Chairman of AIM listed Malaysian Company, MayAir Group plc, the second largest air purification company in China, which was admitted to trading on 7 May 2015.
- Director of Intelligent Energy plc, a British hydrogen fuel cell company listed on the Main Market of the London Stock Exchange in July 2014.

*Dato' Dr. Sivamohan S Namasivayam (aged 60) Non-Executive Director*

Dato' Dr Sivamohan is currently the PIC/Medical Director of KPJ Klang Specialist Hospital which is part of KPJ Healthcare Berhad, the largest healthcare group of Malaysia. He sits on the board of KPJ Klang Specialist Hospital. In addition, for the past five years, he has also served as a board member of the Association of Private Hospitals Malaysia (APHM).

Dato' Dr Sivamohan qualified as a doctor (MBBS) from University of Mysore in 1981 and obtained his post graduate degree (MRCOG) from Royal College of Obstetricians & Gynaecologists, in 1999. He then went on to sub-specialise in Gynae-Oncology under the Commonwealth Fellowship Foundation Scholarship in the UK. Dato' Dr Sivamohan's keen interest in hospital management led him to obtain a M.Sc. in Healthcare Management from the University of Wales in 2000 focussing on Healthcare Financing in Malaysia.

***Senior Management***

*Punitha Perumal (aged 42) Chief Finance Officer*

Ms. Punitha graduated with a BA (Hons) in Accounting & Finance from UCSI University in Malaysia and obtained the ACCA (Association of Chartered and Certified Accountants, UK) qualification.

She started her career as an Audit Assistant with Ernst & Young and later moved on to join several corporate and multinational companies. Prior to joining Green & Smart as Chief Financial Officer, Ms. Punitha was with a public listed conglomerate as a Head of Finance.

She has been successful in developing and executing transformational strategy and leading large finance functions. She brings with her over 20 years of experience in the areas of finance and business management inclusive of over 10 years of holding senior prominent positions.

*Thannimalai Renganathan (aged 33) Chief Operations Officer*

Mr. Thannimalai Renganathan graduated with a Bachelor of Science (Biotechnology) from the University of Malaya in Malaysia.

He started his career with Sime Plantation Sdn Bhd in 2007 as an agronomist, and since then advanced in his career namely in agro-waste management and green technology fields.

He was involved in managing and setting up a co-composting Palm Oil Mill waste plant in Woodland Plantation Bintulu Sarawak during his tenure with Biofusion Sdn Bhd.

He also took the lead in setting up a new biotech department at Satang Holding Berhad. Under his management the department ventured successfully into both industrial and agro related waste management sectors.

## 11 Summary Financial Information

The financial information set out below is extracted from the audited non statutory financial statements of the Group's principal operating company, Green & Smart Sdn Bhd, for the three years ended 30 September 2013, 2014 and 2015, which are set out in Part IV of this Admission Document and which should be read in their entirety. The financial information for the other Subsidiaries is also presented in Part IV.

	Years ended 30 September		
	2013 RM'000	2014 RM'000	2015 RM'000
<b>Revenue</b>	67	4,050	19,423
Cost of sales	(102)	(1,312)	(13,632)
<b>Gross profit/(loss)</b>	(35)	2,738	5,791
Other income	166	34	13
Administrative expenses	(191)	(1,220)	(1,275)
Other operating expenses	(35)	(301)	(16)
<b>Operating profit/(loss)</b>	(95)	1,251	4,513
Share of profits/(loss) of equity accounted associates	—	—	(37)
<b>Profit/(loss) on ordinary activities before taxation</b>	(95)	1,251	4,476
Income tax refund	3	—	—
<b>Profit/(loss) after taxation</b>	(92)	1,251	4,476
Gross margins	(52)%	68%	30%
Net margins	(137)%	31%	23%

G&S derived historical revenues from consulting and EPCC contracts. In 2014, G&S generated RM 2.2 million from consultancy services rendered to MGE to obtain FIT agreements with SEDA and REPPA agreements with TNB for 5 Biogas plants. Similar consulting services were provided to OEG in the financial year to 30 September 2015 for a 2 MW Biogas plant at Telupid Sabah.

In addition to providing consulting and EPCC services, G&S began to transition to become an IPP through the construction, operation and ownership of Biogas Power Plants. Total project costs capitalised to 30 September 2015 were RM16.9 million primarily relating to the Kahang, Malpom and Minyak projects.

Further financial information on the historical trading performance of the Group is set out in Part IV of this Admission Document.

## 12 Current trading update to 29 February 2016

The Group has entered into an EPCC agreement with Megagreen to construct 5 Biogas Power Plants with a total installed capacity of 6MW. The project consists of 2 stages. The 1st phase of the EPCC contract is to build 3 Biogas Power Plants at a contract value of RM49.5m with work already under way. The second phase of the project worth RM24.0m, is expected to commence in Q2 in the calendar year 2016.

The Group generated further unaudited revenues of RM21.9m in the five months to 29 February 2016 solely from EPCC contracts.

As at 29 February 2016 the Group had unaudited cash balances of RM1.3m.

The Group has capitalised certain construction progress costs relating to the Group's first wholly owned project during the period.



### **13 Share Plans**

While the Company has no present plans to adopt any employee incentive arrangements, such as an employee share ownership plan, it will keep potential employee incentive arrangements under review. However, the Directors are of the view that it will be several years before it will be appropriate to implement an employee share ownership plan or equivalent arrangement.

### **14 The Placing**

The Placing comprises the issue of 44,444,445 Placing Shares by the Company at the Placing Price, representing 16.1 per cent. of the Enlarged Share Capital. It is anticipated that the Placing will raise £4 million for the Company, before expenses.

Application will be made to the London Stock Exchange for the admission of the Enlarged Share Capital to trading on AIM. It is expected that Admission will become effective, the Placing Shares will be issued and dealings in the Enlarged Share Capital will commence on 12 May 2016.

The Placing, which has not been underwritten or guaranteed, is conditional on Admission. The Placing Shares will rank on issue *pari passu* with the Existing Shares in all respects including, without limitation, in relation to any dividends and other distributions declared, paid or made following Admission.

The Placing Shares will be issued free from all liens, charges and encumbrances. Further details of the Placing Agreement are set out in paragraph 12.1 of Part VI of this Admission Document.

For Placing Shares in uncertificated form, it is expected that the CREST accounts of Placees will be credited on or around 8.00 a.m. on 12 May 2016. In the case of Placees requesting Placing Shares in certificated form, it is expected that the certificates in respect of such Placing Shares will be dispatched by post within fourteen days of the date of Admission.

### **15 Taxation**

Information regarding United Kingdom and Jersey taxation is set out in paragraph 6 of Part VI of this Admission Document. These details are only intended as a general guide to the current tax position in the UK and Jersey. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser immediately.

### **16 Lock-in and orderly market arrangements**

Pursuant to the Lock-in Agreement the Covenantors have undertaken not to dispose of any interest in the Shares which they hold on Admission (or subsequently acquire) for the period of one year following Admission with certain usual exceptions. In addition, they have each further agreed that for an additional 12 month period following the first anniversary of Admission they shall only dispose of any interest in Shares, with certain usual exceptions, in accordance with orderly market principles whereby SP Angel must consent to such disposal and the disposal must be effected through SP Angel or the Company's appointed AIM broker (if different at the time). These restrictions will apply in respect of 202,397,324 Shares representing 73.2 per cent. of the Enlarged Share Capital immediately following Admission.

Pursuant to the Orderly Market Agreement MTDC, Simon Peter and Kaminy Velayudhan have undertaken that, save in certain usual circumstances, for the period of one year following Admission, they shall only dispose of any interest in the Shares which they hold on Admission (or subsequently acquire) in accordance with orderly market principles whereby SP Angel must consent to such disposal and the disposal must be effected through SP Angel or the Company's appointed AIM broker (if different at the time). These restrictions will apply in respect of 29,824,898 Shares representing 10.8 per cent. of the Enlarged Share Capital immediately following Admission.

Pursuant to the terms of the Continuing Lock-in Agreement between SP Angel, the Company, K2MV (in which each of Saravanan Rasaratnam and Navindran Balakrishnan hold a 50 per cent. interest), Saravanan Rasaratnam and Navindran Balakrishnan K2MV has agreed, except that it may accept, or irrevocably undertake to accept, a general offer for shares, not to dispose or agree to dispose of any interest in any Shares or transfer any Shares held by it for the period commencing on the date of Admission and ending

on the date that the Company obtains a legal opinion from its Malaysian Lawyers in terms satisfactory to the Company and SP Angel that no member of the Group is subject to any restriction on foreign ownership under the Renewable Energy Rules, including without limitation a requirement that no foreign person or persons should hold, directly or indirectly, more than 49 per cent. of the voting power or issued share capital (excluding preference shares) of a Malaysian incorporated company qualifying as an eligible producer under the Renewable Energy Rules. Saravanan Rasaratnam and Navindran Balakrishnan undertake to procure compliance by K2MV with the terms of the agreement and not to dispose of their shares in K2MV while the agreement is continuing in force.

Further details of lock-in and orderly market arrangements are set out in paragraphs 12.5 and 12.6 of Part VI of this Admission Document.

## **17 Relationship Agreement**

On Admission, Saravanan Rasaratnam, Navindran Balakrishnan and K2MV, in which Saravanan Rasaratnam and Navindran Balakrishnan are the shareholders, (collectively the “Controlling Shareholders”) will in aggregate hold or be interested in approximately 61.6 per cent. of the Enlarged Share Capital and would, collectively, control the Company.

The Company, SP Angel and the Controlling Shareholders have entered into the Relationship Agreement to regulate aspects of the continuing relationship between the Group and the Controlling Shareholders, with a view to ensuring that the Group is capable at all times of carrying on its business independently of the Controlling Shareholders and that future transactions between the Group and the Controlling Shareholders are on arm’s length terms and on a normal commercial basis. The Relationship Agreement will remain in force for as long as any one of the Controlling Shareholders remains, together with any Associates and/or Connected Persons (as defined therein), interested in shares in the Company which carry the right to exercise or control the exercise of 25 per cent. or more of the voting rights at general meetings of the Company (whether on account of his legally or beneficially held interest(s) in the Company) and the share capital of the Company remains admitted to trading on AIM.

## **18 Corporate Governance**

The Corporate Governance Code, which was updated in September 2014 (with effect for financial years commencing on or after 1 October 2014), applies to companies on the premium segment of the Official List and companies whose shares are admitted to trading on AIM are not required to comply with it. In addition, there is no applicable regime of corporate governance to which the directors of a Jersey company must adhere, over and above the general fiduciary duties and duties of care, skill and diligence imposed on such directors under Jersey law. However, the Directors recognise the importance of sound corporate governance and intend that the Group will comply with the provisions of the QCA Guidelines, insofar as they are appropriate given the Group’s size, stage of development, and resources. As the Company grows, the Directors intend that it should develop policies and procedures which further reflect the Corporate Governance Code, so far as it is practicable taking into account the size and nature of the Company.

The Board is responsible for formulating, reviewing and approving the Group’s strategy, budgets and corporate actions. Following Admission, the Group intends to hold Board meetings at least six times each financial year, and at other times as and when required.

The Group has established properly constituted audit, remuneration, nomination and AIM Rules compliance committees of the Board with formally delegated duties and responsibilities.

Following Admission, the Board will comprise of Directors reflecting a blend of different experiences and backgrounds. The proposed Board will contain “independent” non-executive Directors under the criteria identified in the QCA Guidelines.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors will receive appropriate and timely information. Briefing papers will be distributed to all Directors in advance of Board meetings. All Directors will have access to the advice and services of the Chief Executive Officer, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company’s expense.

### ***Board Committees***

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than twice in each financial year and will have unrestricted access to the Group's auditors. Members of the Audit Committee are Martin David Howard Bloom, who will act as chairman of the committee, and Datuk Haji Radzali Bin Hassan and Dato' Dr. Sivamohan S Namasivayam.

The Remuneration Committee will review the performance of the executive Directors and make recommendations to the Board on matters relating to their remuneration packages and terms of employment. The committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. Members of the Remuneration Committee are Dato' Dr. Sivamohan S Namasivayam, who will act as chairman of the committee, and Martin David Howard Bloom and Datuk Radzali Bin Hassan. No Director may be involved in any discussions as to his own remuneration.

The AIM Rules Compliance Committee will, following Admission, ensure that procedures, resources and controls are in place to ensure AIM Rules compliance by the Company is operating effectively at all times and that the executive Directors are communicating as necessary with the Company's nominated adviser regarding ongoing compliance with the AIM Rules for Companies, in particular Rules 11, 17, 18 and 19, including without limitation in relation to all announcements and notifications and proposed or potential transactions. The committee will work closely with the Board to ensure that the Company's nominated adviser is provided with any information it reasonably requests or requires in order for it to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers. The members of the committee are Martin David Howard Bloom, who will act as Chairman of the Committee, Datuk Haji Radzali Bin Hassan and Dato' Dr. Sivamohan S Namasivayam.

The Nomination Committee is responsible for identifying and nominating directors and recommending directors to be appointed to each committee of the Board and the chair of each such committee. The committee will also arrange for evaluation of the Directors. The committee will initially comprise Datuk Haji Radzali Bin Hassan, who will act as chairman and Martin David Howard Bloom and Dato' Dr. Sivamohan S Namasivayam. The committee will meet at least twice a year and otherwise as required.

### **19 Dividend Policy**

The Directors' current intention is that for the foreseeable future, the earnings of the Company will be reinvested in the business in order to fund the Company's ongoing growth strategy. In the future, if it is commercially prudent to do so, the Board may consider the payment of a dividend.

### **20 Share Dealing Code**

The Company has adopted, with effect from Admission, a share dealing code for the Directors and certain senior employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to the restrictions on dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees with such code.

### **21 Warrants**

The Company has committed to issue the Warrants which are exercisable into 1,383,333 Shares representing 0.5 per cent. of the Enlarged Share Capital. The Warrants are capable of being exercised immediately upon Admission for a period of five years from the date of Admission or upon a Disposal (as defined in the Warrant Instrument), if earlier. Further details of the Warrants are set out in paragraph 12.2 of Part VI of this Admission Document.

## **22 Settlement and CREST**

To be traded on AIM, securities must be able to be transferred and settled through the CREST system, which is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations.

The Shares will be eligible for CREST settlement. Accordingly, following Admission settlement of transactions in the Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear at 33 Canon Street, London EC4M 5SB or by telephone on +44 (0)207 849 0000.

## **23 Companies Law**

There are a number of differences between company law in England and Wales and company law in Jersey, which may impact upon the Shareholders. However, where permitted by the Companies Law and considered to be appropriate, rights and protections similar to those provided to shareholders under English law have been conferred on Shareholders by the Articles, including as described in the summary of certain provisions of the Articles set out in paragraph 4 of Part VI of this Admission Document. A summary of the key differences between company law in England and Wales and company law in Jersey is set out in paragraph 5 of Part VI of this Admission Document.

## **24 Shareholder notification and disclosure requirements**

As a company incorporated in Jersey whose shares are traded on AIM, the Company is not subject to the provisions of the UK Disclosure and Transparency Rules. However, the Company has incorporated the provisions of DTR 5 in its Articles as if the Company was deemed to be an “issuer”, as such term is defined in DTR 5 (and not, for the avoidance of doubt, a “non-UK issuer” (as defined in DTR 5)). Consequently, Shareholders are required to disclose to the Company the level of their interests in Shares in accordance with the Articles.

Further details of these notification and disclosure requirements are summarised in paragraph 4.10 and paragraph 5 of Part VI of this Admission Document. Shareholders should consider their notification and disclosure obligations carefully as a failure to make a disclosure to the Company may result in disenfranchisement.

## **25 The City Code**

The Company is a public company incorporated in Jersey, Channel Islands, and application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. The City Code applies to all companies which have their registered office in the UK, Channel Islands or Isle of Man and whose securities are traded on AIM. Accordingly, the City Code applies to the Company.

The City Code governs, *inter alia*, transactions which may result in a change of control of a public company to which the City Code applies.

Under Rule 9 of the City Code any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the City Code) in shares which (taken together with shares in which that person is already interested or in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the City Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry 30 percent or more of the voting rights of such company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired which increases the percentage of shares carrying voting rights in which he, together with persons acting in concert with him, are interested.

Rule 9 of the City Code further provides, among other things, that where a group of persons acting in concert holds over 50 per cent. of the voting rights of a company, no obligations normally arise from acquisitions of shares carrying voting rights by any member of the group, in which case they will not be required to make a general offer to the other shareholders to acquire their shares. However, in certain circumstances, as described in Note 4 on Rule 9.1 of the City Code, the Panel may regard the acquisition by a single member of the group which increases their percentage interest in the voting rights of such company through or between Rule 9 thresholds as giving rise to an obligation to make a general offer under Rule 9 of the City Code.

The Panel has confirmed that K2MV, Saravanan Rasaratnam, Navindran Balakrishnan and Sivadas Kumar are considered to be acting in concert following Admission, and they will together hold more than 50 per cent. of the Enlarged Share Capital (in aggregate they will hold on Admission 64.4 per cent. of the Enlarged Share Capital).

Accordingly, for as long as a concert party group remains in existence and its continuing members collectively hold Shares that carry over 50 per cent. of the voting rights in the Company, then, subject to Note 4 on Rule 9.1 of the City Code, no acquisition by any single member of the group of an interest in Shares in the Company will normally give rise to an obligation to make an offer pursuant to Rule 9 of the City Code.

## **26 Anti-Bribery policy**

The Company is bound by the Corruption (Jersey) Law 2006 (as amended), in respect of its conduct in Jersey and elsewhere, and the Group will observe the provisions of the UK Bribery Act 2010 and other laws relating to anti-corruption in other jurisdiction in which it operates. The Board has adopted an anti-bribery and corruption policy to implement the Company's commitment to carrying on its business fairly, openly and honestly and to prevent bribery and corruption by persons associated with the Group. This policy is in response to risks of corruption and bribery the Group faces in its business and all employees and officers of the Group are required to comply with this policy. Management at all levels in the Group are responsible for ensuring those reporting to them are made aware of and understand the policy and, if necessary, are given adequate and regular training on it. Procedures will be put in place to allow for reporting and communication by the employees and the Board of any matters which may or may not be relevant in ensuring that the daily operations are maintained in light of such policy

## **27 Data Protection**

For the purposes of the Data Protection (Jersey) Law 2005 (as amended), the data controller in respect of any personal information provided by or for Shareholders shall be the Company.

The personal information provided to the Company by Shareholders may be used for a number of different purposes, including to manage and administer accounts, to contact Shareholders in connection with holdings of Shares, to comply with legal or regulatory requirements in Jersey or elsewhere (including verifying identity to prevent fraud or other financial crime) and to identify Shareholders who contact the Company.

## **28 Risk Factors**

Your attention is drawn to the risk factors set out in Part II of this Admission Document and to the section entitled "Forward-looking statements" therein. In addition to all other information set out in this Admission Document, potential investors should carefully consider the risks described in Part II before making a decision to invest in the Company.

## **29 Additional Information**

You should read the whole of this Admission Document and not just rely on the information contained in this Part I. Your attention is drawn to the information set out in Parts II to VI (inclusive) of this Admission Document which contains further information on the Company.



## PART II

### RISK FACTORS

Before making any investment decision, prospective investors should carefully consider all the information contained in this Admission Document including, in particular, the risk factors described below. Shares may not be a suitable investment for all recipients of this Admission Document. If you are in any doubt about the Shares and their suitability for you as an investment, you should consult a person authorised under FSMA (or a suitably qualified financial adviser in your jurisdiction, if outside the UK) who specializes in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a company, the Directors consider that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this Admission Document, prior to making any investment decision in respect of the Shares. The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company, nor are the risks set out in any order of priority.

It should be noted that the risks described below are not the only risks faced by the Company and the rest of its Group and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware. The Shares should be regarded as a highly speculative investment and an investment in Shares should only be made by those with the necessary expertise to fully evaluate the investment.

If any of the events described in the following risk factors actually occur, the Groups's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Shares could decline and investors could lose all or part of their investment. The information set out below is not set out in any order of priority. The Group's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it operates or intends to operate as well as overall global financial conditions.

#### **Early stage business**

The Group's transition to an IPP is still at an early stage with the Group's first fully owned Biogas Power Plants currently under construction.

There are a number of operational, strategic and financial risks associated with such early stage companies.

In particular, the Group's future growth and prospects will depend on its ability to develop its pipeline of Biogas power projects in a timely manner and also to continue to enter into additional agreements with Palm Oil Mill owners.

The Group is currently profitable however there can be no certainty that the Group will achieve increased or sustained revenues, continuing profitability or positive cash flow from its operating activities in line with the expectations of the Board or at all.

The development of the Group's revenues will depend on its ability to fund its own future Biogas power projects and the times at which appropriate power connections are made in respect of its own projects and in the case of EPCC revenue will depend on the ability of its customers (including the Associated Companies) to source, commission and fund Biogas power projects. The Group has a limited operating history under its current business model upon which its performance and prospects can be evaluated.

#### **Risks in relation to Associated Companies**

Concord Green Energy and Megagreen, in which the Group owns a 25 per cent. equity stake and 15 per cent. equity stake respectively, each carries on the business of owning Biogas Power Plants providing electricity to the Malaysian National Grid through the FiT mechanism. Accordingly, the risk factors described in this Part II as being applicable to the Group will also apply for the most part to each of Concord Green Energy and Megagreen, as the context requires. However, as the Group has only a

minority interest in each of these companies, it has little or no ability to influence their operation with a view to limiting the risks to which they are exposed. Also, the shareholders' agreements in relation to Concord Green Energy and Megagreen to which G&S is party, which are described in paragraph 12.9 of Part VI of this Admission Document, do not contain usual minority shareholder protections in favour of G&S, for instance information rights and the right to veto material business decisions, other than the right to appoint a director of the company in the case of Megagreen and up to two directors in the case of Concord Green Energy. The risk factors set out in this Part II should be considered as applying to Concord Green Energy and Megagreen accordingly.

In addition, on 9 June 2015 G&S executed a guarantee in favour of RHB Islamic Bank Berhad under which G&S guaranteed the performance by Megagreen, and indemnified RHB Islamic Bank Berhad against breach, of Megagreen's obligations under a facility obtained by Megagreen from RHB Islamic Bank Berhad of an amount of up to RM35.25 million. As the Group has only a 15 per cent. interest in Megagreen, it has no effective control over whether any claim may be made under this guarantee. Credit Guarantee Corporation Malaysia Berhad has confirmed that repayment of 60 per cent. of the amount borrowed by Megagreen under the facility is guaranteed by Credit Guarantee Corporation Malaysia Berhad up to 18 June 2025 pursuant to the Green Technology Financing Scheme-i established by the Malaysian government. On that basis, the Directors expect the exposure of G&S under the guarantee to be limited to approximately RM14.1 million, provided that Credit Guarantee Corporation Malaysia Berhad complies with its guarantee, but G&S has no ability to enforce such compliance.

### **Commercialisation of the Businesses**

The Group is relying on its ability to commercialise the production of Biogas including the construction and maintenance of Biogas Power Plants. While the businesses have shown excellent results in producing Biogas from POME for third party clients, there is no guarantee that similar results will be achieved in every plant.

### **Approvals and registrations**

In order to complete its projects and carry on business, the Group needs to obtain from the relevant authorities, maintain and in some instances register with the relevant authorities, certain rights, permits, licences, consents and approvals in relation to its projects and business. The obtaining, maintaining and registration of these rights, permits, licences, consents and approvals are subject to several conditions. Failure to fulfil these conditions may result in the Group not being able to obtain, maintain and register such rights, permits, licences, consents and approvals as appropriate and may result in the possible loss of all or some of them with the result that the Group may not be able to carry on the projects or its business and may not be able to execute transactions in respect of such projects and business. Any failure to obtain, maintain or register, or loss of such rights, permits, licences, consents and approvals could have a material adverse effect on the Group's business, financial condition and prospects and the results of its operations.

### **Foreign ownership restrictions under the Renewable Energy Rules**

The validity of each of the Group's FiT approvals granted by SEDA is subject to the Renewable Energy Rules. Under these rules, only a Malaysian company in which non-Malaysians have no more than a 49 per cent. direct and indirect ownership interest are considered an eligible producer, which may be granted a FiT approval and continue to have the benefit of the FiT rates. The Group has obtained confirmation from SEDA that the Subsidiaries will be eligible for FiT approval and have the benefit of the FiT rates as long as no more than 49 per cent. of the Shares are owned by non-Malaysians. As such, the completion of the Placing and Admission will not result in a loss of the FiT approval for any of the Subsidiaries, which will remain eligible to obtain FiT approval, as long as at least 51 per cent. of the issued share capital of the Company is owned by Malaysians, which will be the case on Admission. However, if at any time in the future more than 49 per cent. of the issued shares of the Company are owned by non-Malaysian persons, this would result in the revocation of the FiT approvals granted to the Group by SEDA, which would have a serious detrimental effect for the business of the Group.



K2MV which will be interested in 53.1 per cent. of the Enlarged Share Capital, and its owners Navindran Balakrishnan and Saravanan Rasaratnam, have entered into the Continuing Lock-in Agreement, under which K2MV agrees (and Navindran Balakrishnan and Saravanan Rasaratnam agree to procure its compliance and not to dispose of their shares in K2MV while the agreement is in force) to hold its Shares in certificated form and only to transfer any of its Shares, with the consent of the Company and SP Angel, to Malaysian persons who enter into a similar Continuing Lock-in Agreement. In addition, the Articles contain provisions requiring such transfers to be subject to the Continuing Lock-in Agreement and also prohibiting the Company from issuing new shares or otherwise changing its share capital, if as a result any member of the Group would lose its eligible producer status under the Renewable Energy Rules.

Notwithstanding these measures, there is no guarantee that at some time in the future, (whilst the relevant part of the Renewable Energy Rules remains unchanged and in force) more than 49 per cent. of the issued Shares in the Company will not be owned by non-Malaysians.

### **Commencement Date of FiTs**

As a pre-condition to the Group entering into a REPPA with a power producer, the Group has to apply to SEDA for FiA and to be allocated FiT rates. A number of the pipeline projects of the Group and the Associated Companies have been allocated FiT commencement dates that are now in the past and in others are not considered achievable based on planned construction timelines. Further details are contained in section 4 of Part I of this Admission Document. The Renewable Energy Act provides that the allocated FiT rates shall be subject to reduction in the event that the FiT commencement date occurs later than the 31 December of the calendar year of the scheduled FiT commencement date. Notwithstanding the expired timeline for the above mentioned projects, G&S has in the past successfully secured a FiT commencement date extension to a date later than 31 December of the calendar year of such FiT commencement date without any reduction in FiT rates and, based on this, the Directors are confident that similar requests in the future for such an extension without a reduction in the FiT rates will not be unreasonably withheld.

Should the Group not be able to obtain approval for the extension of one or more FiT commencement dates where necessary, or obtains an extension but at reduced FiT rates, and/or otherwise loses one or more FiT allocations for a pipeline project, the Group may be able to develop only a limited number of projects with a consequential impact on the Company's prospects and financial results.

### **Intellectual Property Rights**

Although the Company is not aware of any third party interests in relation to its methods of production of Biogas, and the Group has taken reasonable steps to protect and confirm the ownership of its intellectual property and/or licenses, there is always a risk of third parties claiming an interest in the intellectual property used by the Group in the production of Biogas. If any disputes arise, this could adversely affect the Group.

Although the Company will use all reasonable endeavours to protect the Group's interest in the intellectual property related to the production of Biogas, there can be no assurance that these measures have been, or will be sufficient.

In addition, competitors with the Group will develop their own technologies in relation to the production of Biogas.

### **Additional Requirements for Funding**

Following the first 12 months after Admission, the Group may need additional working capital as it implements its strategy. Such funds may not be available on acceptable terms or at all when required.

The Directors expect that the proceeds from the Placing and its existing borrowing from banks will provide sufficient capital resources to enable the Group to achieve its initial business objectives. However, the Directors can give no assurances that the Group's funding requirements will, in fact, be met without future borrowings or further capital raisings and if such borrowings or capital raisings are required, that they can be obtained on terms favorable to the Group.

Further equity financing by the Company may be dilutive to the Shareholders or result in an issuance of securities whose rights, preferences and privileges are senior to the holders of Shares. The Directors may seek debt finance to fund all or part of any future development. There can be no assurance that the Company will be able to raise those debt funds, whether on attractive terms (including acceptable covenants) or at all.

Without additional funds, the Company may not be able to effectively execute its growth strategy, take advantage of future opportunities, and respond to competitive pressures or unanticipated requirements.

### **Operating Risks**

The Biogas Power Plants which are being and it is proposed to be built, owned and operated by the Group, or in respect of which it will provide services, may be affected by various factors, including failure to identify a suitable location; failure to achieve the predicted yield for production of Biogas; operational and technical difficulties encountered in scaling up production; failure to achieve agreed specifications; difficulties in commissioning and operating plant and equipment; mechanical failure, power disruption or plant breakdown; unanticipated bioreactor problems which may affect production costs; adverse weather conditions; industrial and environmental accidents; fire breakout, extraordinary events and industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. Certain BOOA's to which the Group is party provide for the Group to be subject to penalties if it fails to meet certain pre-determined specifications.

Previous projects undertaken by the Group have related to Biogas capture and waste water treatment facilities and while energy generation facilities have in certain instances been integrated by the owners for third party clients, the Group has not to date been responsible for this work. The Group may therefore be exposed to certain technical risks in the additional work required to include power producing facilities. The Directors believe that this risk will be in part mitigated through the use of experienced subcontractors.

### **Research and Development**

The Group makes no representation that any of the Group's research or development of condensing Biogas and production of saleable power will successfully meet the development milestones to achieve the desired production yield.

There are many risks inherent in the development of saleable power. Projects can be delayed or fail to demonstrate sufficient benefit, or research may cease to be viable for a range of scientific and commercial reasons.

### **Maintenance of BioNexus status**

G&S was granted a BioNexus status by Malaysian Biotechnology Corporation Sdn Bhd in 2008, which allows G&S to enjoy tax exemption benefits on qualifying activities until the end of the financial year ending 30 September 2018 and to benefit from tax exemption from duty on imported materials and machinery as long as its BioNexus status is maintained. Following the end of this tax exemption period, G&S will be subject to a concessionary tax rate of 20 per cent. for ten years as compared with the current tax rate of 25 per cent. for Malaysian companies with profits exceeding RM0.5 million per annum.

In the event G&S loses its BioNexus status and therefore its continuing exemption from duty payable on imported materials, G&S will incur tax on all imported materials which may affect its financial performance.

### **Contracts with Government Linked Companies**

The Group and its Associated Companies are reliant on Government Linked Companies in Malaysia such as Felda Global Ventures and Felcra Berhad for contracts such as lease sub-licences, BOOAs and master BOOAs and transfer agreements. The contracts with Government Linked Companies often contain unfavorable terms for the Group such as broad and general indemnity and penalty clauses and unilateral termination with notice clauses.

The revenues of the Group may be adversely affected in the event such contracts with Government Linked Companies in Malaysia are terminated and/or in the event any of the indemnity or penalty clauses are enforced due to the default of the Group.

### **Political, social and economic risk**

The Group's main subsidiary and associated companies are incorporated in Malaysia, and historically have derived and will continue to derive their revenues from Malaysia. Accordingly, the Group's business is highly dependent on socio-economic factors in Malaysia.

Demand for electricity is directly related to the performance of the Malaysian economy (including overall growth and income levels) and the overall business activity in Malaysia. For example, the Malaysian economy was affected by the global economic crisis in 2007, as evidenced by the 1.5 per cent. decline in Malaysia's GDP in 2009 and the decline in growth rate of Malaysia's GDP to 4.8 per cent. in 2008, compared to 6.3 per cent. in 2007. However, the economy recovered in 2011 with a 5.1 per cent. GDP growth rate, which continued to increase to 5.6 per cent. in 2012. The GDP growth declined to 4.7 per cent. in 2013 but subsequently increased to 6.0 per cent. in 2014. Hence, there is no assurance that the Malaysian economy will continue to grow or that Malaysia's GDP will not decrease.

Factors that may adversely affect the Malaysian economy include, amongst others:

- (i) Decrease in business, industrial, manufacturing or financial activities in Malaysia;
- (ii) Scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in Malaysia;
- (iii) Exchange rate fluctuations;
- (iv) Prolonged periods of inflation or increase in interest rates;
- (v) Changes in Government's taxation policies;
- (vi) Natural disaster, including landslides, tropical storms etc;
- (vii) Political instability, terrorism or military conflict in Malaysia, other countries in the South East Asia region or globally; and
- (viii) Other regulatory, political, economic or social developments affecting Malaysia.

### **Competition**

The Group's current and future potential competitors include companies with substantially greater resources than the Group. There is no assurance that competitors will not succeed in developing products and technologies that are more effective and economical for mill owners.

In addition, the Group may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share, for example in relation to revenue share with mill owners. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Group's future business, operating results and financial position.

### **Forward Looking Information**

Certain information in this document constitutes forward looking information that is subject to risks and uncertainties and a number of assumptions, which may cause the actual expenditure of the Group to be materially different from the expectations expressed or implied in this document.

### **Management of Growth**

Expansion of the business of the Group may place additional demands on the Group's management, administrative and technological resources and marketing capabilities, and may require additional capital expenditures. If the Group is unable to manage any such expansion effectively, then this may adversely impact the business, development, financial condition, results of operations, prospects, profits, cashflow and reputation of the Group.

Future growth and prospects for the Group will depend on its management's ability to manage the business of the Group and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

To date, the Group's business has primarily grown through organic growth. The Group may consider acquisition opportunities in the future and if the Group is unable to integrate successfully an acquired company or business, the acquisition could lead to disruptions to the business. However, the Group is not currently pursuing any further acquisitions. If the operation or assimilation of an acquired business does not accord with the Group's expectations, the Group may have to decrease the value afforded to the acquired business or realign the Group's structure.

Operations and practices adopted at earlier stages of the Group's current development may be considered to be inappropriate for the proposed scale of business being embarked upon. However, the Board will continue to monitor actively its systems and practices and respond to maintain systems and practices that are appropriate for the operations and scale of the Group.

The Group may need to expand and enhance its infrastructure and technology, and improve its operational and financial systems and procedures and controls from time to time in order to be able to match the expected expansion. The Group may face challenges in matching the pace of its expansion with corresponding improvements and enhancements in its controls and procedures in the future. It will also need to expand, train and manage its growing employee base. There can be no assurance that the Group's current and planned personnel, infrastructure, systems, procedures and controls will be adequate to support its expanding operations in the future. If the Group fails to manage its expansion effectively, its business, operations and prospects may be materially and adversely affected.

### **Risks relating to the Palm Oil industry**

The Group's customers and partners operate in the Palm Oil industry which is considered to be of national importance for Malaysia and accordingly the Group is exposed to various risks associated with the Palm Oil market. In particular, due to the long term nature of the Group's projects, the Group is exposed to any impact on the commerciality of Palm Oil production and plantations that could cause Palm Oil Mills to reduce their output: this could include a fall in demand for CPO worldwide, or more localised factors such as disease or natural disaster.

The Group's projects are reliant on the performance and continued output of the Palm Oil Mills with which they are or may become associated and from which they receive or may receive POME. Any disruption to an individual Palm Oil Mill will impact on the Group's power plant operations at that mill and could potentially impact on the Group's ability to meet debt servicing or other costs.

The Group has a diversified spread of mill owners with whom it partners as well as a geographical spread of projects. This diversification is anticipated to mitigate the risk of poor performance from any one given Biogas Power Plant.

### **Risk of termination of sub leases**

The Biogas Power Plants to be built and operated by the Group (and Associated Companies) will be situated on land leased to them by the relevant Palm Oil Mill owners, which are either the registered owner of the land or a lessee under a head lease with the registered owner of the land. Where the Palm Oil Mill owners are lessees, the terms of their head leases are confidential and not known to the Group and the Directors are advised by the Palm Oil Mill owners that the head leases are not registered under the National Land Code 1965 of Malaysia ("**Land Code**"). Where the Palm Oil Mill owner holds the land under an unregistered head lease, the sub lease granted to the Group is not capable of registration under the Land Code, because the head lease is not registered. As the sub leases are not registered under the Land Code, they are treated as void under the Land Code, but are recognised as an agreement for a lease, which means they are contractually binding on the Palm Oil Mill owner as lessor. However, if the owner were to dispose of the plantation or mill, a third party purchaser would not be bound to recognise

the sub lease and the Group could be required to dismantle and remove the plant at its own expense, resulting in a consequential loss of revenue for the Group. This would also be the consequence of the head lease terminating, although the Directors understand (without having sight of the head lease) that in each case the term of the head lease is at least as long as that of the relevant sub lease.

The position is the same where the Palm Oil Mill owner is the registered owner of the land, as in each such case the Group is prohibited from registering the sub lease, as registration of the lease would effectively serve as a notice to third parties purchasers of G&S's interest on the leased area. This is not desirable for the land owners as it would hamper the chances of it disposing the land, because if the lease is registered the prospective purchaser is bound to purchase the land subject to G&S' interest as registered in the land title. Accordingly, these sub leases are subject to the risks described above.

The Directors believe that if a Palm Oil plantation on which one of its Biogas Power Plants is situated is sold by the owner to a third party which intends to carry on the business of Palm Oil production, it is unlikely that the new owner would seek to terminate the sub lease, in view of the Malaysian Government's aim of achieving the installation of Biogas facilities in all Palm Oil Mills in Malaysia by 2020. However, if a plantation is purchased with a view to the operation of the Palm Oil Mill being discontinued, this would result in the termination of the operation of the Group's Biogas Power Plant on the site.

The Group has obtained undertakings from Syarikat Peladang dan Perusahaan Minyak Sdn Bhd, Liziz Plantation Sdn Bhd, Veetar Oil Palm Mill Sdn Bhd and Malpom Industries Berhad, which are the owners of Palm Oil Mills with which the Group has entered into BOOAs, that if they intend to sell their property, they will give the Group the right of first refusal to acquire the property. If this right is not exercised then the owners further undertake to ensure that it is a term of the sale and purchase agreement of the property that the prospective purchaser will continue to honour and uphold and be bound by the terms of the sub lease and the relevant BOOA. However, these undertakings do not relate to all of the Palm Oil Mills in respect of which the Group has entered into BOOAs. The Directors will endeavour to include such undertakings in future BOOAs entered into by the Group, if the relevant sublease is not registered, although there is no guarantee this will be achieved.

### **Contractual and Cross Default risks**

The business of the Group is dependent upon its performance, and the performance of its counterparties, under the contractual arrangements to which it is a party. These include the BOOAs entered into with Palm Oil Mill owners, as described in section 4 of Part 1 of this Admission Document, the REPPAs with power utility companies, as described in section 8 of Part I of this Admission Document, the agreements to provide EPCC services described in section 4 of Part 1 of this Admission Document, and other agreements for the provision of services by and to the Group. The Group is also reliant on entering into agreements with third party funders for the provision of finance for each of the Biogas Power Plant projects it undertakes. In each case, the revenues which the Group derives from these projects and from the provision of its services is dependent on the Group performing under the relevant contracts and in certain cases the performance of its counterparties. If one of the counterparties fails to perform or is in default under a contract, this may result in a direct loss for the Group or, where the Group has sub-contracted its services, a claim by its customer. For example, where the Group provides EPCC services, these agreements are subject to maximum contract values with the Group responsible for costs in excess of the agreed maximums.

In addition, if the Company or its counterparty fails to perform or is otherwise in breach under a contract, this may give rise to a default and/or cross default under the Group's financing arrangements, with the result that its financing could be withdrawn across the Group. Accordingly, a default or breach by a member of the Group or its counterparty under one contract may not only result in the Group suffering loss in relation to that contract, but also result in a cross default under a number of other contracts to which the Group is party, which could have a significant adverse impact upon the Group, its business, development, financial condition, operating results or prospects. Insurance policies expected to be held by the Group are not expected to cover this cross default risk.



In addition, the Build–Own–Operate and Build-Partially Own–Operate projects described in section 4 of Part I of this Admission Document require a number of contracts to be put in place in each case to be fully effective. These are principally the BOOA entered into with the Palm Oil Mill owner, as described in section 4 of Part 1 of this Admission Document, and the REPPA with the power utility company, as described in section 8 of Part I of this Admission Document. In each case funding also has to be arranged and appropriate financing agreements entered into. In relation to the projects described in section 4 of Part I of this Admission Document, in most cases the requisite agreements have not all been entered into, and in some case have not been entered into at all. There is accordingly a risk that certain of these projects may never become operational, because the Group, Concord Green Energy or Megagreen are unable to enter into the requisite agreements, with the consequential loss of anticipated revenue for the Group.

### **Loss of Key Business Relationships**

The Group will rely significantly on maintaining good relationships with other entities (including with its clients and suppliers and sub-contractors) and also on good relationships with Malaysian regulatory and government (including regional government) departments and bodies. There can be no assurance that the Group's existing relationships will continue or that new ones will be successfully formed and the Group could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance which causes the early termination or non-renewal of one of these key business relationships could adversely impact upon the Group, its business, development, financial condition, operating results or prospects.

### **Insurance Risks**

The Group intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Group's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Group.

Further, the Group is exposed to the risk of catastrophic loss to a Biogas Power Plant, computer equipment or other facilities which would have a serious impact on the Group's operations, and does not currently maintain business interruption insurance.

Through its intended business of building, owning and operating Biogas Power Plants and providing services in relation to Biogas Power Plants owned by third parties, the Group is exposed to potential product liability and other risks which are inherent in the research and development, manufacturing, marketing and use of its plants, products and services. It will be necessary for the Group to secure appropriate levels of insurance to cover various product liability and other risks in the course of maintaining its business, and is obliged to do in relation to the Biogas Power Plants in accordance with the terms of the BOOAs.

However, there can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient amounts, if at all, or that product liability or other claims would not materially and adversely affect the business or financial condition of the Group.

Insurance against all risks associated with Biogas is not always available and where available the costs may be prohibitive.

Although the Group endeavors to work in conformity with rigorous standards there is still the potential for the products to contain defects which may result in system failures not fully covered by insurance.

### **Economic Risks**

General economic conditions, and movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Group's financial situation and operating activities, as well as on its ability to fund those activities.

## **Regulatory Risk**

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Group's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Group and its shares. This could be the case, in particular, where there are any changes to the FiT regime, including the availability of quotas for Biogas power production.

The price available for existing or future FiT eligible projects and incentives available to competing sources of power may have a material adverse effect on either the Group's revenues and profits or its ability to grow its business going forward. There have been previous instances in global renewable energy markets, of tariff or rate mechanisms similar to FiT being changed retrospectively, and while the Directors do not currently anticipate that this will be the case for Malaysia, such an eventuality would have serious impact on the Group's operations.

## **Technological Changes**

Unless the Group is able to respond to technological advances, it may not be able to effectively respond to competition which may have a material adverse effect on the Group's business, financial condition and results of operations.

## **Litigation**

Whilst the Group has taken, and intends to continue to take, such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Company, the Directors cannot preclude the possibility of litigation being brought against the Group.

There can be no assurance that claimants in any litigation proceedings will not be able to devote substantially greater financial resources to any litigation proceedings or that the Group will prevail in any such litigation. Any litigation, whether or not determined in the Group's favor or settled by the Group, may be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations.

## **Dependence on Key Personnel**

The Group's ability to commercialise the production of Biogas is dependent on retaining the services of its technical personnel.

The Group has a relatively small key management team and the loss of any key individual or the inability to attract appropriate personnel could impact upon the Group's future performance.

The Group does not have in place or intend to implement a key man insurance policy or similar.

While employment agreements are in place with all employees, these agreements do not prevent employees from terminating their employment at any time and there can be no certainty that any restrictive covenants designed to prevent them competing against the Group will be enforceable.

In addition, as the Group's business expands, it may need to add new technology/technical personnel to maintain, expand and service the Group's increased customer base. The Group may experience difficulties in attracting and retaining appropriately experienced and qualified employees. Should the Group fail to retain or attract qualified and experienced personnel, it may not be able to compete successfully.

## **Foreign Currency Risk**

The Group's operations are currently all located in Malaysia. Should the Group in future look to expand outside Malaysia, the Group may both generate revenues and incur costs in foreign currencies. As a result, the Group may be exposed to the risk that adverse exchange rate movements cause the value (relative to its reporting currency) of its revenues to decrease, or costs to increase, resulting in reduced profitability.



The Group's management will explore the option of putting in place hedging arrangements to reduce exposure to currency risk including the hiring of an experienced foreign exchange and treasury manager to mitigate this risk, however these may not always be entirely effective, and residual currency risk may exist.

### **Future Strategy**

There can be no certainty that the Group will be able to implement successfully the strategy set out in this document. The ability of the Group to implement its strategy in a competitive market will require effective management planning and operational controls.

### **Data Security and its Reliability**

The Group does not presently have a comprehensive disaster recovery plan in effect but it is proposed to put a plan of this nature into place. Business recovery plans are in place which have been designed to minimize the impact of damage.

### **Operational Costs**

Any change in the costs of operating the Group could impact on the Group's profitability. Such cost increases could result from increments in supplier costs (including, amongst other things, raw materials or exchange rates) or increases in costs to be incurred due to regulatory change, e.g. following introduction of auto-enrolment in respect of employee participation in pension schemes, with an obligation on employers to make contributions to employee pension schemes. Although such costs are accounted for, where these can be estimated, in future budgets for the Group, not all cost increases are capable of being estimated adequately in advance. However, it is expected competitors would be subject to similar commercial or regulatory cost increases.

### **Estimates in financial statements**

Preparation of consolidated financial statements requires management to make certain estimates and assumptions as to future events and circumstances. However, the actual amounts could differ from those based on estimates and assumptions. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, the Group could be required to write down the value of certain assets.

### **Risks Relating to Malaysia**

#### ***Risks generally associated with the Malaysian economy***

Malaysia is governed by a coalition, namely the National Front Coalition, which has been the country's federal ruling political force since its formation. As with other companies having operations in Malaysia, the operations of the Malaysian Subsidiaries are closely linked to the economic fundamentals and political stability of Malaysia.

Any adverse developments or uncertainties in the political, economic and regulatory conditions in Malaysia could materially affect the financial position and business prospects of the Group. Political, economic and regulatory uncertainties that may develop include, but are not limited to, changes in the political leadership, nationalisation measures, methods of taxation and unfavourable changes in government policies such as the introduction of new regulations, import duties and tariffs and currency exchange controls.

Although the Group seeks to limit such risks through prudent financial management and efficient operating procedures, there can be no assurance that any change to these conditions will not materially affect the Company's business and financial performance.

#### ***Investing in Malaysia***

Investors in emerging markets such as Malaysia should be aware that these markets are subject to greater legal, economic and political risks than mature markets and are subject to rapid change. In general, investing in the securities of issuers with substantial operations in emerging markets like Malaysia involves a higher degree of risk than investing in the securities of issuers with substantial operations in

the United States, the countries of the European Union or other similar jurisdictions. As is the case for the equity securities of many emerging market issuers, the market value of the Shares may be subject to significant fluctuation, which may not necessarily be related to the Group's financial performance. In addition, changes in the economic and political situations in one emerging market country may have a negative consequential impact on the economic and political situation in other emerging market countries. Accordingly, investors should exercise particular care in evaluating the risks involved in making this investment. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisers before making such an investment.

#### ***Judicial, administrative and regulatory issues***

The Malaysian legal system has adopted the common law system, in which decided legal cases have relatively significant precedential value. Adverse developments in the judicial, administrative and regulatory conditions in Malaysia such as unfavourable changes in governmental policies or introduction of new regulations could adversely affect the financial position and business prospects of the Group.

Local and foreign investors are subject to Foreign Exchange Administration Rules in Malaysia. The rules are reviewed regularly by Bank Negara Malaysia (the Central Bank of Malaysia) in line with the changing environment. Foreign investors are usually free to repatriate divestment proceeds, profits, dividends or any income arising from investments in Malaysia. However, there can be no assurance that the legislation and regulations will not change and any changes may adversely affect the Group.

#### ***Withdrawal or variation of loan facilities***

Each of the two project financing facilities provided by Malaysia Debt Ventures Berhad ("MDV") to G&S, which are described in paragraphs 12.13 and 12.14 of Part VI of this Admission Document, contain provisions whereby MDV is entitled to review the facility at any time, and upon such review, even though there has been no event of default, may unilaterally vary, impose additional terms or conditions under, or suspend or cancel the whole or any part of, the facility. It is also anticipated that similar provisions will be imposed in loan facilities obtained in the future by the Group and Associated Companies, in accordance with usual practice in Malaysia. If either facility provided by MDV to G&S is varied or additional terms or conditions are imposed by MDV, this may result in G&S suffering a material financial detriment and/or it may be unable to repay or make interest payments under the revised terms of the facility, which may result in its being in breach of the facility. If G&S is in breach of the facility, or if MDV suspends or cancels the whole or any part of the facility, so that G&S is obliged to repay the facility in whole or in part on short notice, this could have a significant adverse impact upon the Group, its business, development, financial condition, operating results or prospects. If a member of the Group is in breach of one loan facility or it is suspended or cancelled at a time when the Group has other loan facilities outstanding, this may give rise to a cross default under the Group's financing arrangements, with the result that its financing could be withdrawn across the Group. Similar considerations would apply in relation to loan facilities taken out by Megagreen and Concord Green Energy, in which the Group has a 15 per cent. and 25 per cent. shareholding respectively, and in the case of Megagreen G&S has provided a guarantee as described above. Similarly, if a member of the Group is in breach of its loan facility or it is suspended or cancelled, the Group would not have sufficient funds to fund its projects, and this could potentially result in the Group not being able to fulfil its obligations under the BOOAs and REPPAs to which the Group is a party.

However, while these unilateral provisions are usual in loan facilities provided in Malaysia, the Directors do not believe that is common practice for providers of finance to take such unilateral action, and in particular to suspend or cancel a facility without cause, other than in exceptional circumstances. The Directors also consider it relevant that the two project financing facilities are provided by MDV under the Green Technology Financing Scheme and the BioEconomy Transformation Programme respectively which are aimed at supporting the growth of Malaysian green technology companies. Accordingly, the Directors are confident that there is limited risk in practice that MDV or any other provider of finance would seek unilaterally to vary the terms of a facility in a manner which is prejudicial to the Group or the Associated Companies or to suspend or cancel a facility, in the absence of an event of default.

## **Risks Relating to the Ordinary Shares**

### ***Trading market for the Shares***

The share price of emerging companies can be highly volatile and shareholdings illiquid. The market price of the Shares may be subject to wide fluctuations in response to many factors, some specific to the Company and its operations and others to the AIM market in general including, but not limited to, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in the Group's sector. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Shares. The trading of the Shares on AIM should not be taken as implying that there will be a liquid market for the Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

### ***Dividends***

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements, availability of profits, as well as provisions of relevant laws or generally accepted accounting principles from time to time.

Limitations on the ability of the Company's operating Subsidiaries to pay dividends or make other distributions on equity to the Company may prevent the Company from obtaining sufficient funds from its operating Subsidiaries to satisfy the Company's cash or financing requirements, if such requirements arise in the future.

### ***Dilution of shareholders' interests as a result of additional equity fundraising***

As mentioned above, the Company may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Shares.

### ***Concentration of ownership***

As at the date of Admission, Saravanan Rasaratnam and Navindran Balakrishnan, who are executive Directors, and K2MV which is jointly owned by those Directors, ("Controlling Shareholders") will be interested indirectly and directly in approximately 61.6 per cent. of the Enlarged Share Capital. This means that those executive Directors have the power to exercise significant influence over all matters requiring Shareholder approval, including the election and removal of the Directors, an amendment to the Articles, and approval of dividends and share buybacks, compromises and schemes of arrangement under Jersey law and mergers. This could have the effect of preventing the Company from entering into transactions that could be beneficial to it or its other Shareholders. The Relationship Agreement regulates aspects of the continuing relationship between the Group and the Controlling Shareholders to ensure that the Group is capable at all times of carrying on its business independently of the Controlling Shareholders and that future transactions between the Group and the Controlling Shareholders are on arm's length terms and on a normal commercial basis. The Relationship Agreement is described in more detail in paragraph 12.4 of Part VI of this Admission Document.

## **Risks Relating to Laws and Regulations**

### ***General restrictions on foreign ownership/foreign exchange control***

As broad restrictions over foreign ownership of companies in Malaysia existed until 2009, there is a risk that restrictions could be introduced in the future. In the event of any restrictions being introduced again and to the extent that the Malaysian incorporated members of the Group may not be able to rely on any exemption, there is a risk that the Group may be required to comply with such requirements.

As described above under the heading “Foreign ownership restrictions under the Renewable Energy Rules”, Malaysian companies benefitting from the Feed-In-Tariff regime may not be directly or indirectly foreign owned.

Under the Foreign Exchange Administration Rules in Malaysia, as at the date of the publication of this Admission Document, foreign investors are free to repatriate capital, divestment proceeds, profits, dividends, fees and interest arising from investments in Malaysia. However, there can be no certainty that the legislation and regulations will not change and adversely affect their ability to do these things.

#### ***Differing rules governing corporate governance***

There is no applicable regime of corporate governance to which directors of a Jersey company must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Jersey law. The Directors, however, recognise the importance of good corporate governance and confirm that following Admission, they will comply with the provisions of the QCA Guidelines to the extent practicable and commensurate with the size, operations and stage of development of the Group. The Group has also adopted a share dealing code for directors’ and applicable employees’ dealings in securities of the Group.

#### ***Laws and regulations***

The Group will be subject to laws in various jurisdictions, including the United Kingdom, Malaysia, and Jersey. Existing and future legislation, regulation and actions could cause additional expense, capital expenditure and restrictions and delays in the activities of the Group, the extent of which cannot be predicted. No assurance can be given that new laws, rules and regulations will not be enacted or existing laws, rules and regulations will not be applied in a manner which could limit or curtail certain of the Group’s activities or services. In addition, the Group may have to defend itself against legal proceedings which could have an adverse effect on trading performance and, in turn, future profits.

#### ***Jersey company law***

The Company is a company incorporated in Jersey. Accordingly, UK legislation regulating the operations of companies does not generally apply to the Company. In addition, the laws of Jersey apply with respect to the Company and these laws provide rights, obligations, mechanisms and procedures that do not apply to companies incorporated in the United Kingdom. As the rights of Shareholders are governed by Jersey law and the Memorandum of Association and Articles, these rights differ in certain respects from the rights of shareholders in the UK and other jurisdictions. A summary of the key differences between company law in England and Wales and company law in Jersey is set out in paragraph 5 of Part VI of this Admission Document.

### **General Risk Factors**

#### ***Investment in AIM securities and liquidity of the Group’s Shares***

Following Admission, the market price of the Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts’ expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group’s sector and other events and factors outside of the Group’s control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Shares in the Company may be influenced by a number of factors, some of which may pertain to the Group and others which are extraneous. These factors could include the performance of the Group’s business, changes in the values of its investments, changes in the amount of distributions or dividends, changes in the Group’s operating expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Group encounters competition, large purchases or sales of Shares, liquidity (or absence of liquidity) in the Shares, legislative or regulatory or taxation changes and general economic conditions.

The value of the Shares will therefore fluctuate and may not reflect their underlying value. Investors may realize less than the original amount invested.

Admission should not be taken as implying that there will be a liquid market for the Shares. It may be more difficult for an investor to realize an investment in the Company than in a company whose shares are quoted on the Official List. In addition, the market price of the Shares may not reflect the underlying value of the Group's net assets.

### ***Legislation and tax status***

This Admission Document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation and in particular in tax status or tax residence of the Company or other member of the Group or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

### ***Economic, political, judicial, administrative, taxation, environmental or other regulatory matters***

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters. The Group may not have been and may not be at all times in complete compliance with environmental laws, regulations and permits, and the nature of the Group's operations expose it to the risk of liabilities or claims with respect to environmental, regulatory and worker health and safety matters. If the Group violates or fails to comply with environmental or other laws, regulations and permits, it could be subject to penalties, fines, restrictions on operations or other sanctions, and the Group's operations could be interrupted or suspended.

### ***Areas of investment risk***

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to the Company.

The Shares will not be listed on the Official List of the UK Listing Authority and although the Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Shares may be difficult to realize and the price of the Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Shares cannot be guaranteed. Investors should be aware that the value of the Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The price at which investors may dispose of their Shares may be influenced by a number of factors, some of which may pertain to the Company and others which are extraneous. On any disposal of their Shares, investors may realize less than the original amount invested.

### ***Taxation***

Tax laws and regulations are under constant development and often subject to change as a result of changing government policy. Such changes may occur without sufficient warning. Implementation of various taxes may affect consumption in certain product sectors. There is a risk that changes in tax policy and regulations may adversely affect the demand for certain products or services of the Group.

Any change in the Company's tax status or in taxation legislation or its interpretation could affect the value of the investments held in the Company or the Group's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change.

Current and potential investors are strongly recommended to consult an independent financial adviser authorized under FSMA who specializes in investments of this nature before making any investment decision in respect of Shares.



The Company was incorporated on 7 August 2015 in Jersey, and is subject to the zero/ten taxation regime of Jersey under which the general rate of income tax charged on a company's taxable profits will be 0 per cent. unless the company is a financial services company, to which the corporate rate of tax of 10 per cent. will apply, a utility company (20 per cent) or the company derives income from ownership or disposal of land in Jersey (20 per cent). As the Company is not a financial services company, a utility company or a company that will so derive income from land in Jersey, it will be subject to a corporate tax rate of 0 per cent.

Nevertheless, changes in the Subsidiaries' tax status or in tax legislation in Malaysia, or any country in which the Group invests or operates or in which its interests are managed, could result in significant additional tax liabilities. Such changes could affect the value of assets held by it or affect its ability to achieve its investment objectives or provide favorable returns to Shareholders. Any such changes could adversely affect the net amount of any dividends payable to Shareholders.

Currently in Jersey there is the statutory requirement for the Company to deduct income tax from dividends paid to Jersey resident Shareholders and to account for such income tax deducted to the Comptroller of Income Tax. Furthermore, the Company is required to make a return to the Comptroller, on request, of the names, addresses and shareholdings of all Jersey resident Shareholders. A Jersey resident Shareholder may be able to reclaim the Jersey tax suffered by the Company to the extent that their personal tax liability in respect of the dividend is exceeded by the Jersey tax credit associated with the dividend.

Besides, under current Jersey law there are no death duties, gift, wealth, inheritance or capital transfer taxes. No stamp duty is levied in Jersey on the issue, transfer, conversion or redemption of shares. In the event of the death of a sole holder of Shares probate duty at a rate of up to 0.75 per cent of the value of the Shares at the time of death is levied in Jersey on grants of probate and letters of administration, save where the conditions for small estates exemption (not exceeding £10,000) are satisfied.

The attention of Shareholders who are resident in Jersey is drawn to the provisions of Article 134A of the Income Tax (Jersey) Law 1961, under which the Comptroller may, in certain circumstances, make an assessment or additional assessment on that person as the Comptroller considers appropriate to counteract avoidance or reduction of tax liability. However, non Jersey Shareholders should note that under Article 118B of the Income Tax (Jersey) Law 1961 distributions made by the Company to Shareholders not resident in Jersey are exempt from income tax under Schedule D.

It is the responsibility of all persons interested in purchasing the Shares to inform themselves as to any income or other tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of the Shares.

It is intended that the Group will maximise returns for Shareholders, in as fiscally efficient a manner as is practicable. The Group has made certain assumptions regarding tax. However, if these assumptions are not borne out in practice, taxes may be imposed with respect to any of the Group's assets, or the Group may be subject to tax on its income, profits, gains or distributions in a particular jurisdiction or jurisdictions in excess of taxes that were anticipated. This could alter the post-tax returns to Shareholders (or Shareholders in certain jurisdictions). The level of return to Shareholders may also be adversely affected. Any change in laws or tax authority practices could also adversely affect any post-tax returns of capital to Shareholders or payments of dividends (if any). In addition, the Group may incur costs in taking steps to mitigate any such adverse effect on the post-tax returns to Shareholders.

#### ***Forward-looking statements***

This Admission Document includes "forward-looking statements" which include all statements other than statements of historical facts including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "plan", "project",

“believes”, “estimates”, “aims”, “intends”, “can”, “may”, “expects”, “forecasts”, “anticipates”, “would”, “should”, “could” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Group's actual results, performance or achievements to differ materially from those in forward-looking statements include factors in this Part II entitled “Risk Factors” and elsewhere in this Admission Document. These forward-looking statements speak only as at the date of this Admission Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions in relation to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this Admission Document may not occur. Prospective investors should be aware that these statements are estimates, reflecting only the judgement of the Company's management and prospective investors should not rely on any forward-looking statements.

**Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.**



**PART III**  
**INDEPENDENT MARKET RESEARCH REPORT**

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SMITH ZANDER

6 May 2016

The Board of Directors  
**GREEN & SMART HOLDINGS PLC**  
12 Castle Street  
St Helier  
Jersey  
Channel Islands  
JE2 3RT

The Partners  
S.P. Angel Corporate Finance LLP  
Prince Frederick House  
35-39 Maddox Street  
London W1S 2PP  
UNITED KINGDOM

Dear Sirs,

**Independent Market Research Report on the Biogas Industry in Malaysia in relation to the proposed listing of GREEN & SMART HOLDINGS PLC on the AIM Market of the London Stock Exchange**

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This Independent Market Research Report on the Biogas Industry in Malaysia has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") in relation to the proposed listing of GREEN & SMART HOLDINGS PLC on the AIM Market of the London Stock Exchange.

For and on behalf of SMITH ZANDER:

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DENNIS TAN  
MANAGING PARTNER

# 1 DEFINITIONS AND SEGMENTATION

*The independent market research report on the biogas industry Malaysia was carried out October 2015. All data referenced in this report is sourced as at October 2015 unless otherwise specified.*

Electricity is generated from primary energy, comprising non-renewable energy and renewable energy. The selection of electricity production sources and their economic viability can differ based on demand and geography. Both non-renewable energy and renewable energy have their advantages, and can be used in combination to generate and supply electricity to the power grid, and selection is based upon local power requirements, availability of resources and variations in demand.

Non-renewable energy is generated from resources that can be extracted from the earth and are finite in nature. These resources primarily comprise hydrocarbon resources such as oil, gas and coal. These resources are used as combustion fuel for power plants that convert their potential energy into heat and steam that is then used to generate electricity through the use of turbines and generators. Energy harnessed from these fuel sources has been the primary driver of industry and global growth in the past and continues to be a key pillar of the global energy strategy in the immediate to medium term as the world remains heavily reliant on these fuel sources in the absence of suitable alternatives on that scale. Non-renewable resources include, but are not limited to, the following:

- **Oil**

Oil is a form of hydrocarbon resource that is extracted from beneath the surface of the earth. It exists in reservoirs beneath the surface of the earth and in many cases, in the presence of natural gas. Upon extraction, oil is then refined to produce various products with various chemical and physical qualities. The relatively lighter less viscous hydrocarbons tend to be suitable for combustion and are used as fuel in combustion engines for various applications across industries. Diesel and fuel oil are the primary fuels extracted from crude oil that are used for electricity generation.

- **Gas**

Natural gas is a hydrocarbon resource that exists in reservoirs or gas fields beneath the surface of the earth, and in many cases, together with crude oil. Natural gas, which consists mostly of methane and ethane, is a highly efficient energy source owing to its shorter hydrocarbon chain that makes it lighter and thereby makes for cleaner and more efficient combustion. Natural gas is used as fuel in many industries and upon processing, can be transported in gaseous form as well as in liquid form. Owing to its efficiency as a combustion fuel, gas power generators are used across the world for electricity generation and is a key fuel in both the short and medium term.

- **Coal**

Coal is a form of fossil fuel consisting of bituminous sedimentary rock that resides in the crust of the earth that is combustible in nature. These rocks that contain potential energy are processed and used as fuel primarily in the electricity generation industry. Coal is one (1) of the largest sources of energy worldwide and this conversion is made by coal fired power plants. Given the importance of coal to global energy generation, many strides have been made to making it a cleaner burning fossil fuel.

Renewable energy refers to energy that is generated from natural resources such as sunlight, wind, rain, tides and geothermal heat which are naturally replenished. Renewable energy technologies include solar power, wind power, hydro, biomass and biofuels. Rapid depletion of fossil fuel reserves as well as climate

change has driven the further development of renewable energy sources which are widely available, untapped, and environmentally friendly. The various forms of renewable energy include, but are not limited to, the following:

- **Solar**

Solar energy is harnessed from the sun's radiant light and heat through technologies such as solar heating, solar photovoltaics ("PV"), solar thermal energy, solar architecture and artificial photosynthesis. These technologies can be either active or passive depending on how they capture and distribute solar energy or how they convert this energy into solar power. Active solar technologies include the use of PV systems, concentrated solar power and solar water heating to harness this energy. Passive solar technologies include orienting buildings in the direction of the sun, and selecting materials with favourable thermal mass or light dispersing properties.

- **Biogas**

Biogas is primarily made up of methane, carbon dioxide and may contain nitrogen and trace elements of hydrogen sulphide and water vapour that is produced by the decomposition of agricultural waste, plant material, manure, sewage sludge, municipal solid waste, food waste, and other biodegradable waste under specific conditions. The gas is then funnelled into a gas engine where it is combusted to produce heat and mechanical motion that is turned into electricity by a generator.

- **Biomass**

Biological matter derived from living, or recently living organisms, is known as biomass, and typically refers to plants or plant-derived materials. Biomass can be used directly via combustion to produce heat, or indirectly after converting it to various forms of biofuels. The conversion of biomass to biofuels are possible through thermal, chemical, and biochemical methods. Wood is a significant form of biomass feedstock.

- **Hydro**

Energy harnessed from falling and running water is categorised as hydropower. The most common type of hydroelectric power plant uses a dam on a river to store water in a reservoir. Water released from the reservoir flows through a turbine, spinning it, which in turn activates a generator to produce electricity.

- **Wind**

Airflows are used to run wind turbines. The power available from the wind is a function of the cube of the wind speed. Thus, as wind speed increases, power output also increases up to the maximum output for the particular turbine. Areas where winds are stronger and more constant, such as offshore and high altitude sites, are preferred locations for wind farms. Wind power is typically used in large-scale wind farms for national electrical grids as well as in small individual turbines for providing electricity to rural residences or locations that are isolated from power grids.

- **Geothermal**

Thermal energy generated and stored in the earth's core is known as geothermal energy. Geothermal energy is produced when groundwater from the earth's surface comes into contact with molten magma. Most of this groundwater remains deep underground, trapped in cracks and porous rock while some water escapes to the surface, forming hot springs and geysers. The portion that remains underground exists as geothermal reservoirs close to the surface and can be tapped for power generation.

- **Others**

Energy from tides, oceans and hot hydrogen fusion are other forms that can be used to generate electricity.

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## 2 OVERVIEW OF GLOBAL RENEWABLE ENERGY

Renewable energy consists of electricity produced from renewable natural resources such as solar power, wind power, geothermal energy, hydropower, biomass and biogas. These resources are classified as renewable as they are abundant and/or are not finite in nature and are naturally replenished on a human timescale, as opposed to non-renewable resources or conventional fuels that are finite in nature given the gestation period necessary for organic matter to fossilise and develop potential energy. Renewable energy is able to replace conventional fuels in four (4) distinct areas, namely electricity generation, air and water heating as well as cooling, motor fuels, and rural/off-grid energy services.

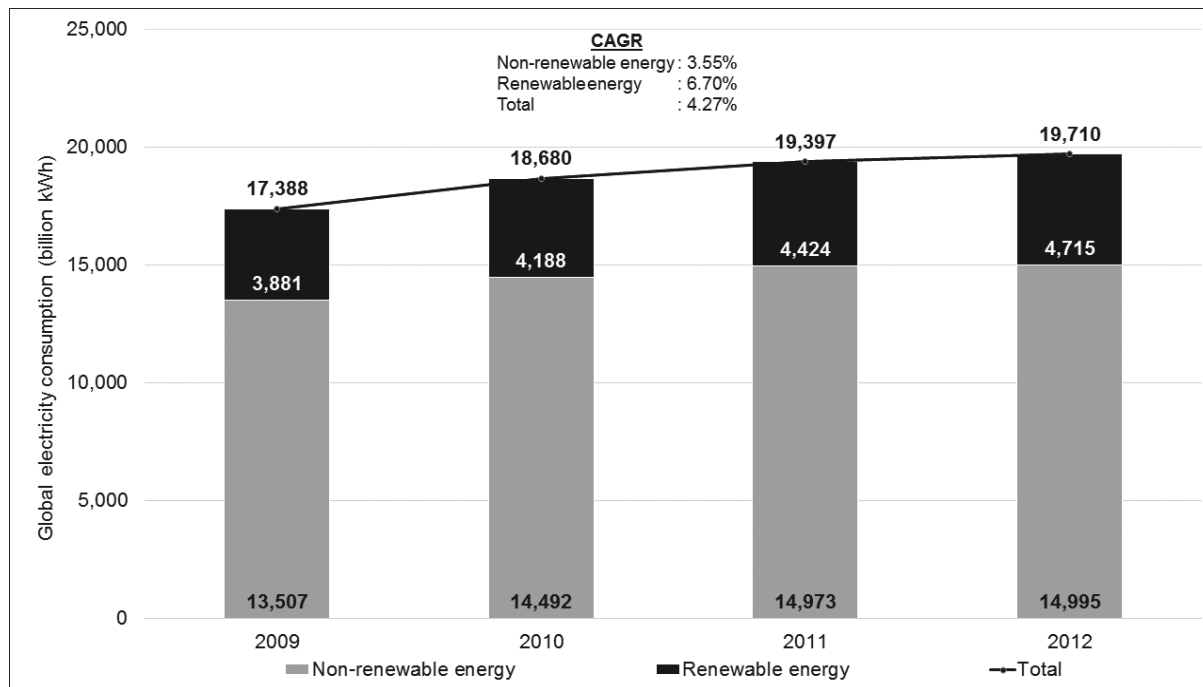
There has been a rising awareness worldwide surrounding the importance of renewable energy and energy efficiency as a means of addressing climate change and the depletion of natural resources caused by an exponential rise in global demand for energy to fuel economic development. This realisation has resulted in increased investments in the development of renewable energy solutions worldwide as well as the adoption of renewable energy-centric strategies and policies by various levels of governments globally. The past decade has seen a rapid development of renewable energy systems that have produced technological advances and cost reductions that are largely the result of policy support which has attracted investments in these technologies and which have subsequently driven down costs through economies of scale.

The demand for energy is a driver for the generation of electricity. Global reliance on electrical power to facilitate economic and social activity has increased demand for energy over the course of the last century amid the rise of industrial automation and mechanisation as well as the central role computers and control instruments play across various industries. The ubiquity of electrical and electronic equipment in everyday life has also given rise to a new thirst for electrical power in order to operate the various devices and peripherals that have become staple in many developed economies and urban areas.

The development of the technology and infrastructure involved in the harnessing of renewable energy for electrical power has driven the installation of renewable energy infrastructure across the globe. Government programmes that promote the development of renewable energy through feed-in-tariffs, electric utility quota obligations, net metering, and tradeable renewable energy credits in addition to providing fiscal incentives and public financing for the generation of electricity from renewable sources have also boosted the development of renewable energy infrastructure.

The increased demand for electricity has caused a resultant increase in demand for electrical generation from both renewable and non-renewable sources. Total global electricity consumption increased from 17,388 billion kWh in 2009 to 19,710 billion kWh in 2012 at a compound annual growth rate ("CAGR") of 4.27%. Of this, total global consumption of electricity from non-renewable energy sources increased from 13,507 billion kilowatt-hours ("kWh") to 14,995 billion kWh at a CAGR of 3.55% while total global consumption of electricity from renewable energy sources increased from 3,881 billion kWh to 4,715 billion kWh at a stronger CAGR of 6.70% over the same period.

### Global renewable energy – growth in global electricity consumption <sup>a</sup>



<sup>a</sup> Data for 2013 and 2014 is not publicly available as at the publication of this report

Source: United States Energy Information Administration, SMITH ZANDER analysis

Total installed capacity of renewable energy installations globally increased from 800.00 gigawatt (“GW”) to 1,712.20 GW at a CAGR of 7.91% between 2004 and 2014. In the last ten (10) years, solar PV experienced the strongest growth rate globally among all renewable energy fuel types as it grew from 2.60 GW to 177.00 GW at an impressive CAGR of 52.51%. Onshore and offshore wind power installations also registered strong growth as global wind power installed capacity grew from 48.00 GW in 2004 to 370.00 GW in 2014. Hydropower, however, has maintained the largest share of installed capacity globally over the same period as it grew from 715.00 GW to 1055.00 GW at a CAGR of 3.97%. Global installed capacity for bioenergy, comprising biogas and biomass, grew at a CAGR of 13.99% over the same period, from 25.10 GW to 93.00 GW.

### Global renewable energy – growth in global renewable energy installed capacity

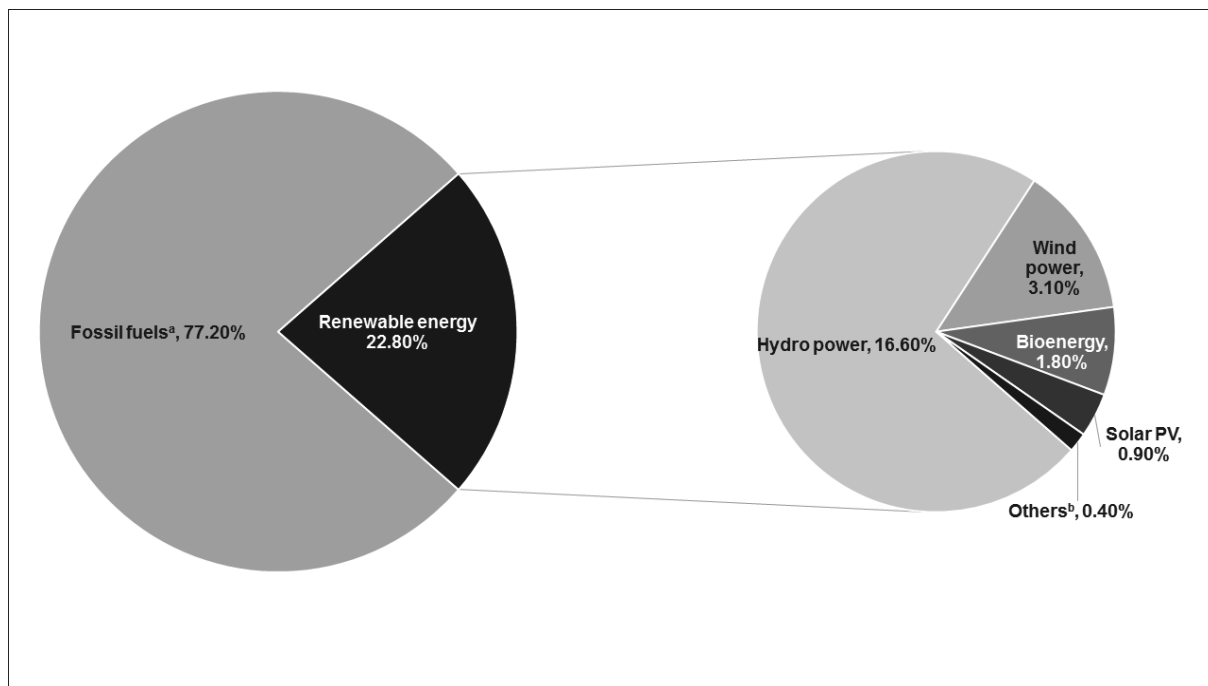
Fuel type	Growth in installed capacity (GW)		CAGR (%)
	2004	2014	
Hydropower	715.00	1,055.00	3.97%
Wind power	48.00	370.00	22.66%
Bioenergy (comprising biogas and biomass)	25.10	93.00	13.99%
Geothermal	8.90	12.80	3.70%
Solar PV	2.60	177.00	52.51%
Solar thermal	0.40	4.40	27.10%
<b>Total</b>	<b>800.00</b>	<b>1,712.20</b>	<b>7.91%</b>

Source: Renewable Energy Policy Network for the 21<sup>st</sup> Century Global Status Report 2015, SMITH ZANDER analysis



In 2014, electricity generation from renewable resources accounted for 22.80% of global generated electricity. Of the renewable energy fuel types, hydropower formed the largest component of electricity generation mix at 16.60% while wind power accounted for 3.10%. Bioenergy, comprising biogas and biomass installations, comprised 1.80% of global electricity generation mix in 2014, while solar PV installations produced 0.90% of globally generated power. Other renewable resources that include geothermal power and wave power combined produced 0.40% of total power generated globally in 2014.

#### Global renewable energy – composition of generation mix by fuel type in year 2014



<sup>a</sup> Fossil fuels include fuels derived from coal, oil and natural gas

<sup>b</sup> Others include geothermal and solar thermal

Source: Renewable Energy Policy Network for the 21<sup>st</sup> Century Global Status Report 2015, SMITH ZANDER analysis

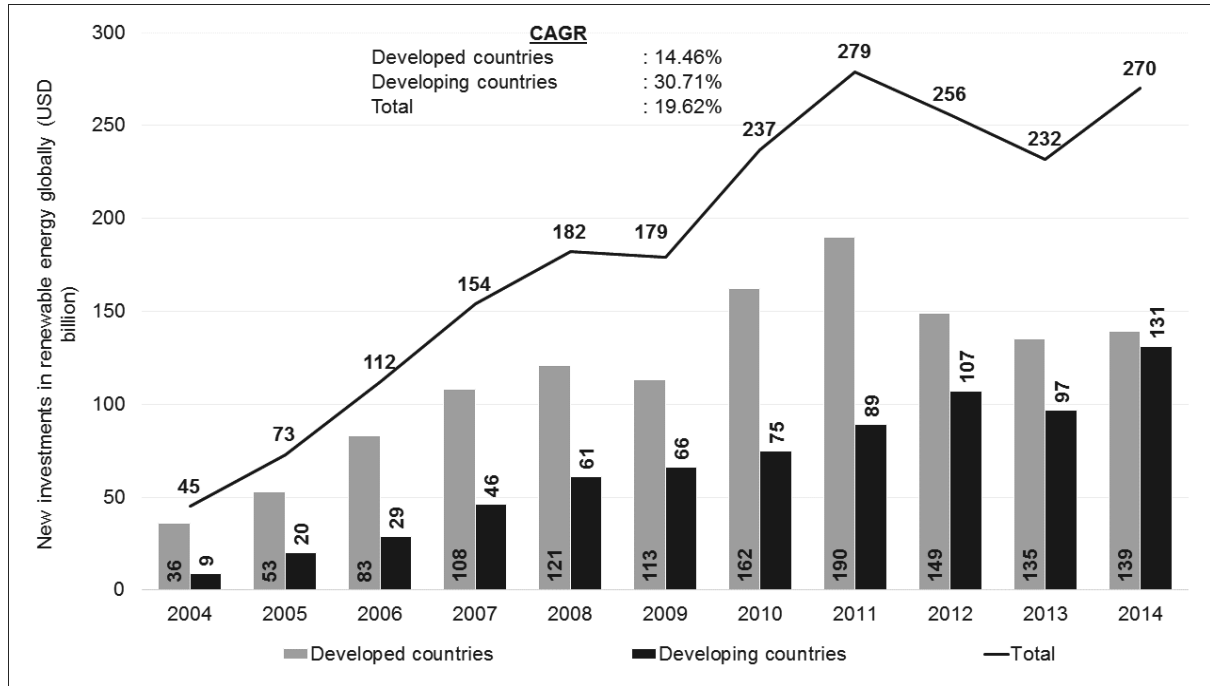
The encouraging growth trajectory of the global renewable energy sector and government initiatives around the world have made investing in renewable energy an attractive proposition. Increased global awareness of potential climatic changes and the depletion of conventional fossil fuels such as natural gas, oil and coal have fuelled developments in technology and infrastructure in the renewable energy space. These factors combine to provide a suitable environment for investments in the renewable energy sector.

Total investments in renewable energy between 2004 and 2014 grew from USD45.00 billion to USD270.00 billion at a CAGR of 19.62%. Global new investments in renewable energy in developed countries grew from USD36.00 billion in 2004 to USD139.00 billion in 2014 at a CAGR of 14.46%. Global new investments in renewable energy in developing countries on the other hand grew from USD9.00 billion to USD131.00 billion in 2014 at an impressive CAGR of 30.71%.

This trend indicates that while global investments in renewable energy are growing at a rapid rate, the portion of these investments flowing into developing countries is increasing at more than double the rate of the increase in developed countries. This reflects the scope for development of the electricity supply

industries in developing countries where electricity generation infrastructure is not as efficient as those in developed countries, and there is room for growth in the electricity supply industries within these countries.

**Global renewable energy – new investments in renewable energy**



Source: United Nations Environment Programme, Bloomberg New Energy Finance, SMITH ZANDER analysis

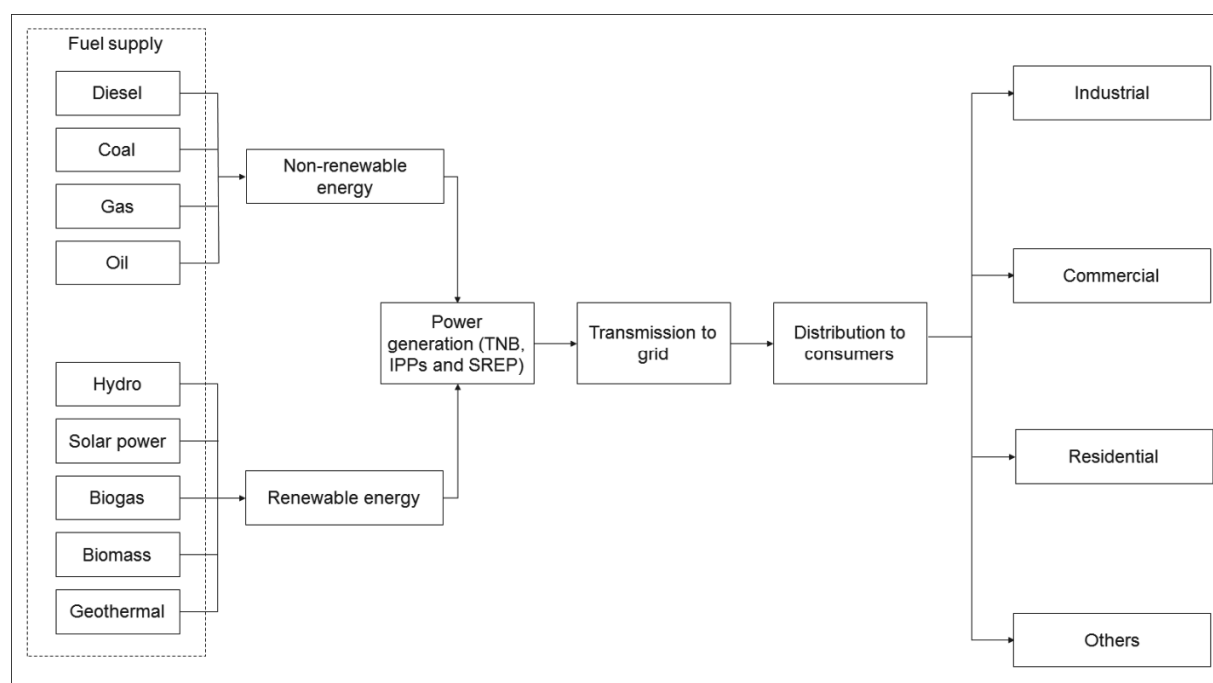
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### 3 OVERVIEW OF THE ELECTRICAL SUPPLY INDUSTRY IN MALAYSIA

The electricity supply industry in Malaysia comprises electricity generation, transmission and distribution activities. Electricity generation is carried out by utility companies, independent power producers (“IPPs”) and Small Renewable Energy Power (“SREP”) producers. Utility companies in Malaysia are companies that generate, transmit and distribute power from various energy sources to consumers via the National Power Grid (“National Grid”). IPPs are companies that are licensed to produce power from various energy sources and sell the generated power to the National Grid for distribution. SREP producers are power generators that are licensed to produce power using pre-specified renewable resources from those available under the Renewable Energy Act 2011 [Act 725]; comprising biogas, biomass, solar power and small hydro; and sell the generated power to the National Grid at pre-determined rates that are subject to variation on a year-to-year basis.

Both public and private players participate in the electricity supply industry in Malaysia. The Government participates in this industry via utility companies which are Tenaga Nasional Berhad (“TNB”) in Peninsular Malaysia, Sabah Electricity Sdn Bhd (“SESB”) in Sabah and Sarawak State Government-owned Sarawak Energy Berhad (“SEB”) in Sarawak. The Government’s golden share ownership gives it veto power in major decisions of TNB and the SESB in Sabah. In Sarawak, power generation, transmission and distribution are under the control of SEB via Syarikat SESCO Bhd (“SESCO”). The Government of Malaysia’s interest in this industry is driven by its need to safeguard welfare across economic groups and ensure that the population has access to affordable electricity.

#### Electrical supply industry in Malaysia – industry segmentation



Source: SMITH ZANDER analysis

TNB is an integrated utility company with its core business in power generation, transmission and distribution. TNB also manages and operates the National Grid, granting it monopoly power over electricity transmission and distribution activities in Peninsular Malaysia. SESB and SESCO, likewise, has monopoly over electricity transmission and distribution activities in the states of Sabah and Sarawak in East Malaysia respectively. Private sector participation in power generation began in 1992 through the appointment of IPPs.

The electricity supply industry value chain comprises fuel supply, power generation and transmission to the National Grid.

- **Fuel supply**

Fuel is a key raw material in the generation of electricity as it provides the prime mover with potential energy that can be harnessed. Malaysia predominantly utilises natural gas, followed by coal and to a lesser extent hydro, diesel, solar and biomass for the generation of electricity. The generated electricity is distributed to end users via the National Grid.

- **Power generation**

In Malaysia, power generation for transmission over the National Grid is generated by the utility companies themselves and by private participants that mainly consist of IPPs and SREP producers.

IPPs are private firms which have been awarded concessions to develop, finance, build, own and operate power plants. IPPs generate electricity which is sold to utility companies and selected large end users. IPPs are only involved in the electricity generation phase of the electricity supply value chain. These firms are not licensed by the Government of Malaysia to transmit or distribute electricity to the population at large. Utility companies will issue an indicative generation schedule to IPP and non-IPP power plants that detail the volumes of electricity required from the respective power plants. These power plants will then be able to plan operations in order to meet their demand. In Peninsular Malaysia and Sabah, companies enter into long-term power purchase agreements (“PPA”) with the Federal Government in order to operate as IPPs. Meanwhile, IPPs in Sarawak sign PPAs with the State Government of Sarawak.

Under Malaysia’s SREP programme, small power generation plants utilising renewable energy can apply to sell their electricity to the utility companies through the National Grid. The SREP programme identifies biomass, biogas, solar PV and small hydro as approved sources of renewable energy under the feed-in tariff (“FIT”) mechanism. Please refer to Chapter 4 for further details of renewable energy and SREP producers in Malaysia.

- **Transmission to grid**

Transmission refers to the transfer of large volumes of electricity from power plants to electrical substations across high voltage transmission lines. TNB, SESB and SESCO are involved in the transmission of electricity in Malaysia. TNB transmits electricity throughout Peninsular Malaysia while SESB operates the electricity transmission network in the state of Sabah and SESCO serves the state of Sarawak.

- **Distribution to consumers**

Electricity distribution is the final phase of the value chain whereby electricity is distributed over a distribution system network to consumers, primarily in the industrial, commercial and residential segment by distribution licensees, namely TNB, SESB and SESCO. In Peninsular Malaysia, TNB has monopoly over large scale electricity distribution via the National Grid. SESB and SESCO are responsible for electricity distribution in Sabah and Sarawak respectively.

## 4 ANALYSIS OF THE RENEWABLE ENERGY INDUSTRY IN MALAYSIA

Malaysia has a good mix of energy resources that comprise renewable and non-renewable sources. Malaysia's non-renewable fossil fuel sources are oil, natural gas and coal, while its renewable energy sources include biomass, biogas, solar and hydro. While Malaysia is a net energy exporter, concerns about energy security, fluctuations in crude oil prices and climate change are driving significant changes in how energy and electricity is generated, transmitted and consumed in Malaysia. Thus, renewable energy resources are becoming attractive for sustainable energy development in Malaysia as these renewable sources of energy are abundant in Malaysia.

In the Eighth Malaysia Plan (2001 – 2005) ("8MP"), the Government of Malaysia announced renewable energy as the fifth fuel in the new Five Fuel Strategy in Malaysia's energy supply mix, with an aim to guide the country's national mix towards five (5) fuels, namely oil, gas, coal, hydro and renewable energy. Initiatives by the Government under the 8MP to promote renewable energy include the SREP Programme, Biomass Power Generation and Demonstration ("BioGen") Project, Malaysia Building Integrated Photovoltaic Technology Application ("MBIPV") and Centre for Education and Training in Renewable Energy and Energy Efficiency ("CETREE") to promote renewable energy utilisation. The Five Fuel Strategy was extended into the Ninth Malaysia Plan (2006 – 2010) ("9MP").

In 2011, the Government enforced the Renewable Energy Act 2011 [Act 725] and Sustainable Energy Development Authority Act 2011 [Act 726], in line with the National Renewable Energy Policy and Action Plan. The National Renewable Energy Policy and Action Plan is Malaysia's renewable energy roadmap. The Renewable Energy Act 2011 [Act 725] focuses on renewable energy development in Malaysia under the purview of Sustainable Energy Development Authority ("SEDA") Malaysia, a statutory body mandated under the Sustainable Energy Development Authority Act 2011 [Act 726] to oversee the implementation and management of renewable energy including the FiT mechanism.

The Renewable Energy Act 2011 [Act 725] provides a FiT mechanism for qualified communities, individuals and non-individuals to sell electricity (up to 30 megawatts, "MW") generated from renewable energy resources to distribution licensees at a fixed premium price for a specific time. The fixed premium price, also known as the FiT rate, differs for various renewable resources and installed capacities. Under the FiT mechanism, four (4) renewable resources have been identified as eligible for FiT, namely biogas, biomass, small hydropower and solar PV. Payments to feed-in approval holders, also known as SREP producers, are supported by the Renewable Energy Fund for a period of 21 years for solar PV and small hydropower, and 16 years for biogas and biomass. Distribution licensees, namely TNB and SESB are committed to sign a renewable energy power purchase agreement ("REPPA") with feed-in approval holders for the effective period. Key features of the FiT mechanism are:

- access to the National Grid is guaranteed whereby distribution licensees are legally obliged to accept all electricity generated by feed-in approval holders;
- FiT rate is contractually fixed for the effective period; and
- provides adequate "degression" to promote cost reduction to achieve grid parity.<sup>1</sup>

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<sup>1</sup> The feed-in tariff system in Malaysia is designed with the main objective of achieving grid parity. This will happen when fossil fuel subsidies are gradually removed and/or when all external costs of fossil fuel power generation are taken into consideration and/or when the generation of renewable energy becomes cheaper. Grid parity occurs when the cost of generating renewable energy is equivalent (or lower) than the cost of generating electricity from conventional fossil fuels. Once grid parity is achieved, feed-in approval holders will be paid based on the prevailing displaced cost for the remaining effective period i.e. the remaining duration of their renewable energy power purchase agreements

The rationale for selecting biogas, biomass, small hydropower and solar PV as renewable energy sources under the FiT mechanism is a result of their proven technologies and technical potential under the local environment in Malaysia. All eligible renewable energy installations are subject to a maximum installed capacity of 30 MW unless special approval is sought from the Minister.<sup>2</sup> The FiT rate lowers as installed capacities increase as feed-in approval holders will be able to realise cost optimisation from economies of scale. Nevertheless, additional FiT rates will be given for installations that meet the criteria for bonus FiT rate entitlements.

### Renewable energy industry in Malaysia – key terminologies under FiT mechanism

Terminology	Definition
Distribution licensees	Companies holding the licence to distribute electricity (e.g. TNB, SESB and SESCO)
Feed-in approval holder	An individual or company who holds a feed-in approval certificate issued by SEDA Malaysia. The holder is eligible to sell renewable energy at the FiT rate and is also known as a SREP producer.
FiT rate	Fixed premium rate payable for each unit of renewable energy sold to distribution licensees. The FiT rate differs for different renewable resources and installed capacities. Bonus FiT rate applies when the criteria for bonus conditions are met
Indigenous	Renewable resources must be from within Malaysia and are not imported from other countries
Duration	Period of which the renewable electricity can be sold to distribution licensees and paid with the FiT rate. The duration is based on the characteristics of the renewable resources and technologies. The duration is 16 years for biomass and biogas resources, and 21 years for small hydropower and solar PV technologies
Plants in progress	Biogas processing plants that have been granted FiT approval by SEDA Malaysia with FiT commencement dates but are yet to be operational
Available capacity	Power generation capacity available from SEDA Malaysia for biogas processing plants for a particular period, having adjusted for total generation capacities of plants in progress and quota/capacities allocated, thereby resulting in remaining quota/capacities available for application

Source: SEDA Malaysia, SMITH ZANDER analysis

A key component of FiT is the Renewable Energy Fund. Managed and supervised by SEDA Malaysia, monies from the Renewable Energy Fund can only be used for the purpose of disbursing FiT payment claims made by distribution licensees for power purchased from feed-in approval holders and to cover administrative expenses relating to the implementation of the FiT mechanism. The Renewable Energy Fund is currently supported by an initial funding of RM300 million from Treasury Malaysia and a 1% surcharge imposed on all consumer electricity bills except residential consumers that consume less than 300 kWh per month or residential consumers that are currently paying electricity bills below RM77 per month. This surcharge was imposed in Peninsular Malaysia commencing December 2011, and subsequently on 1 January 2014, the surcharge was raised to 1.6%. In Sabah, the surcharge was first introduced on 1 January 2014 at a rate of 1.6%. The increased surcharge rate from 1.0% to 1.6% and its extension to include Sabah is projected to increase annual collections for the Renewable Energy Fund from approximately RM300 million to approximately RM625 million.<sup>3</sup> Please refer to **Appendix I** for a sample TNB bill with the surcharge depicted.

<sup>2</sup> Source: Minister of Energy, Green Technology and Water, Malaysia

<sup>3</sup> Source: Chief Executive Officer, SEDA Malaysia

The Renewable Energy Fund is made up of monies collected from customers of distribution licensees in Peninsular Malaysia and Sabah (TNB and SESB respectively) who consume above the 300 kWh threshold via a surcharge on electricity bills. The Renewable Energy Fund shall also consist of sums that may be provided by Parliament from time to time as well as from interest and monies derived from investments made by the Renewable Energy Fund. Distribution licensees shall be entitled to recover from the Renewable Energy Fund a sum equivalent to the difference between the amounts paid by the distribution licensee to feed-in approval holders and the cost the distribution licensee would have otherwise had to incur to generate the same amount of electricity based on prevailing displaced cost. In Malaysia, distribution licensees are Government-linked monopolies and are integral to the continued reliable provision of power nationwide. Please refer to **Appendix II** for further information on feed-in approval application guidelines under SEDA Malaysia.

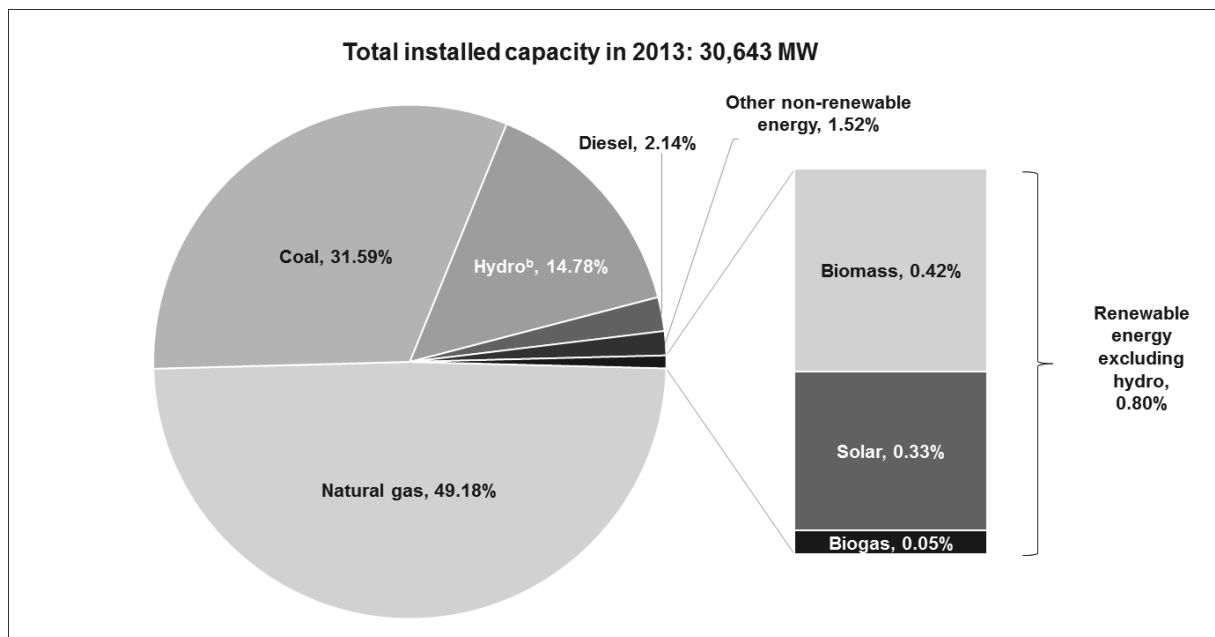
Non-renewable resources remain a key source of energy for power generation in Malaysia. In terms of installed capacity in Malaysia, in 2013, 25,868 MW was geared towards the conversion of non-renewable energy sources into electrical power or 84.42% of total installed capacity in Malaysia. Gas-fired power plants represent the largest share of installed capacity in Malaysia in 2013 with 15,070 MW or 49.18% of total installed capacity in Malaysia. Other important non-renewable fuel sources in terms of installed capacity in 2013 include coal with 9,680 MW or 31.59% of total installed capacity and diesel with 656 MW or 2.14% of total installed capacity.

In 2013, the total installed capacity from renewable energy, including large hydropower, amounted to 4,774 MW and accounted for 15.58% of total installed capacity for electricity generation in Malaysia. Of the total capacity of facilities equipped to convert renewable resources into electricity in 2013, 4,529 MW or 14.78% of total installed capacity in Malaysia were hydropower generators that include small hydro as well as conventional large scale hydroelectric installations. Of the remaining non-renewable installed capacity, biomass, solar and biogas accounted for 0.42%, 0.33% and 0.05% of total installed capacity respectively.

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### Renewable energy industry in Malaysia – composition of installed capacity by fuel type <sup>a</sup>



<sup>a</sup> Data for 2014 is not publicly available as at 31 October 2015; installed capacity for renewable energy comprises renewable energy installations that are both under FiT mechanism as well as those that are not under FiT mechanism

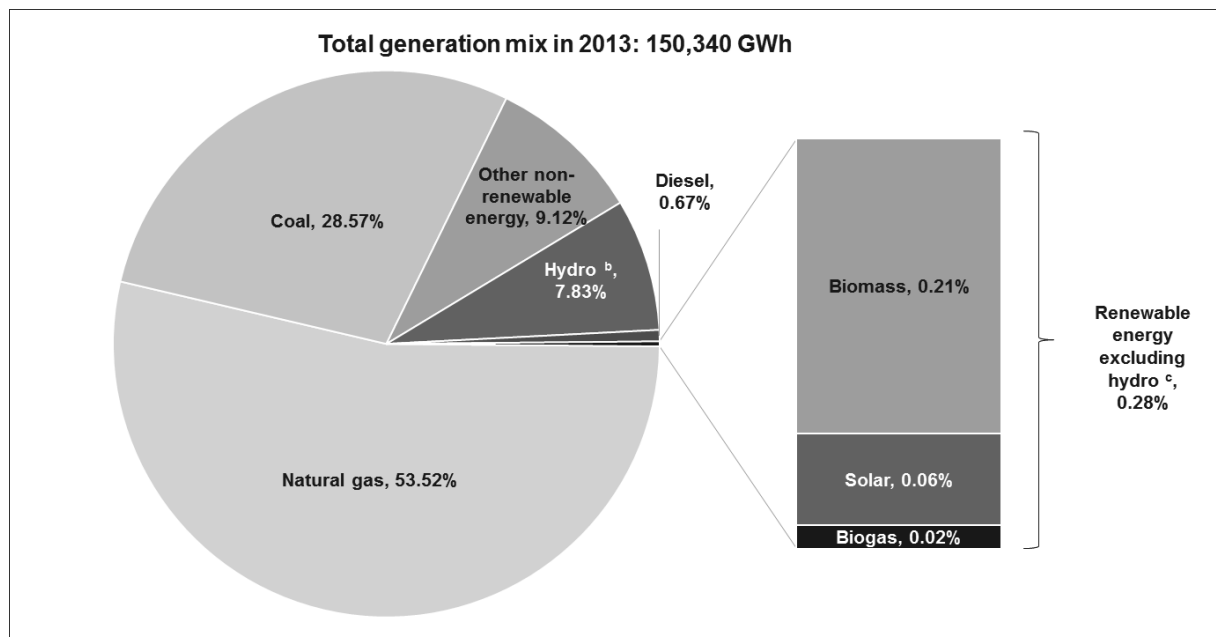
<sup>b</sup> Hydropower includes both small hydro and conventional large hydro installations

Source: Energy Commission Malaysia, SMITH ZANDER analysis

In 2013, the total generation mix from renewable energy amounted to 12,202 GWh and accounted for 8.12% of total generation mix in Malaysia. Of the total electricity generated by renewable resources in 2013, 11,767 GWh or 7.83% of total generation mix in Malaysia were hydropower generators that include small hydro as well as conventional large scale hydroelectric installations. Of the remaining non-renewable generation mix, biomass, solar and biogas accounted for 0.21%, 0.06% and 0.02% respectively of total power generated.

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### Renewable energy industry in Malaysia – composition of generation mix by fuel type <sup>a</sup>



<sup>a</sup> Data for 2014 is not publicly available as at 31 October 2015

<sup>b</sup> Hydropower includes both small hydro and conventional large hydro installations

<sup>c</sup> Generation mix for renewable energy comprises renewable energy installations that are both under FIT mechanism as well as those that are not under FIT mechanism

Source: Energy Commission Malaysia, SMITH ZANDER analysis

Renewable energy was announced as the fifth fuel in the 8MP, and subsequently in the Tenth Malaysia Plan (2011 – 2015) (“10MP”), it was targeted that renewable energy, excluding large hydropower, shall contribute to 5.5% of Malaysia’s total electricity generated by 2015. The Renewable Energy Act 2011 [Act 725] was ratified to promote investments in renewable energy, as well as provide a structured approach via the FiT mechanism to encourage individuals and companies to actively participate in supplying renewable energy to Malaysia’s National Grid.

A well planned management and monitoring of renewable energy adoption in Malaysia began in 2012, post the enforcement of the Renewable Energy Act 2011 [Act 725] and Sustainable Energy Development Authority Act 2011 [Act 726]. Total installed capacity for commissioned renewable energy installations under the FiT mechanism, as a measure of total supply of renewable power, increased from 100.71 MW in 2012 to 281.48 MW in 2014 at an impressive CAGR of 67.18%. Biogas installations grew from 5.16 MW in 2012 to 12.84 MW in 2014 at a CAGR of 57.75%, representing the second highest growth rate in renewable energy installations behind solar PV that recorded a CAGR of 146.78%, having grown from 31.55 MW in 2012 to 192.14 MW in 2014. As at 31 October 2015, an additional 4.40 MW of installed capacity in the form of biogas installations were added in 2015.

### Renewable energy industry in Malaysia – installed capacities for commissioned renewable energy installations under FiT mechanism <sup>a</sup>

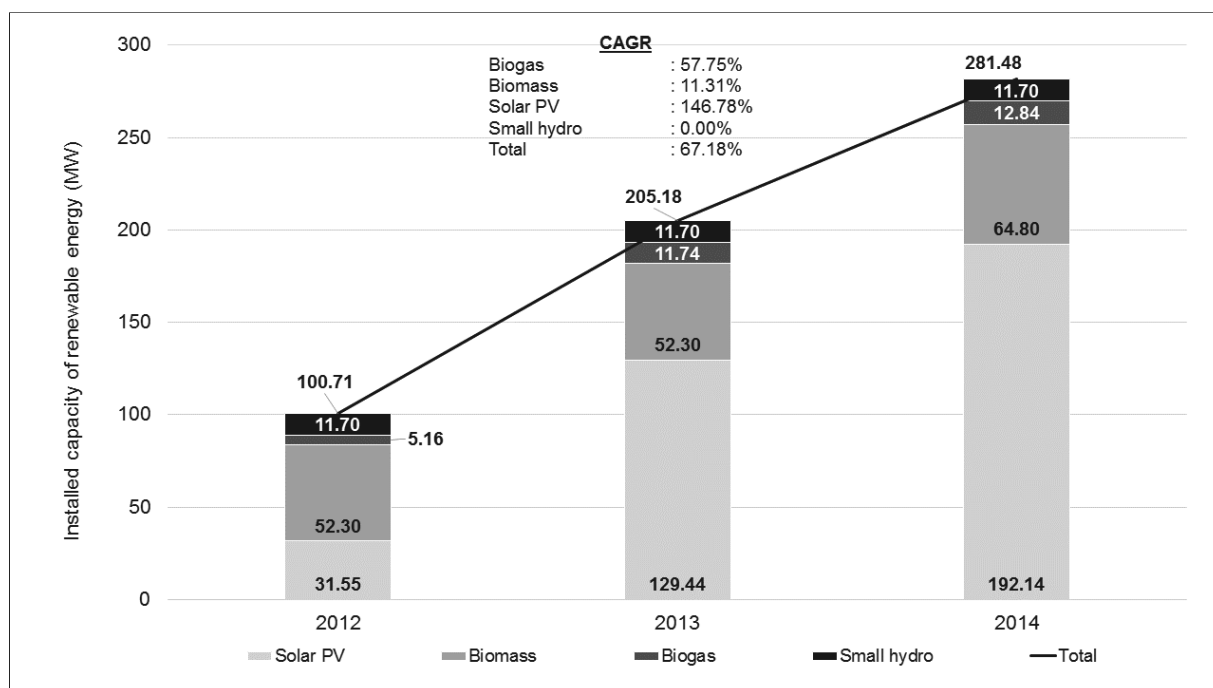
Year	Annual installed capacity (MW)				
	Solar PV	Biogas <sup>b</sup>	Biomass	Small hydro	Total
2012	31.55	5.16	52.30	11.70	100.71
2013	129.44	11.74	52.30	11.70	205.18
2014	192.14	12.84	64.80	11.70	281.48

<sup>a</sup> Data sourced as at 31 October 2015

<sup>b</sup> As at 31 October 2015, biogas installations commissioned in 2015 stood at 4.40 MW

Source: SEDA Malaysia, SMITH ZANDER analysis

### Renewable energy industry in Malaysia – growth in installed capacities for commissioned renewable energy installations of all types under FiT mechanism <sup>a</sup>



<sup>a</sup> Data sourced as at 31 October 2015

Source: SEDA Malaysia, SMITH ZANDER analysis

Total power generation for renewable energy is a measure of total generated power using renewable resources. Total power generation for commissioned renewable energy installations under the FiT mechanism increased from 142.44 GWh in 2012 to 525.04 GWh in 2014 at an impressive CAGR of 91.99%. Total power generation by biogas installations grew from 7.56 GWh in 2012 to 51.62 GWh in 2014 at a CAGR of 161.31%, thereby representing the third largest growth rate in power generation for renewable energy installations behind solar PV that grew from 4.71 GWh to 178.33 GWh during the same period at a CAGR of 515.32% and small hydro that recorded a CAGR of 58.70% as it grew from 25.63 MW in 2012 to 64.55 MW in 2014.

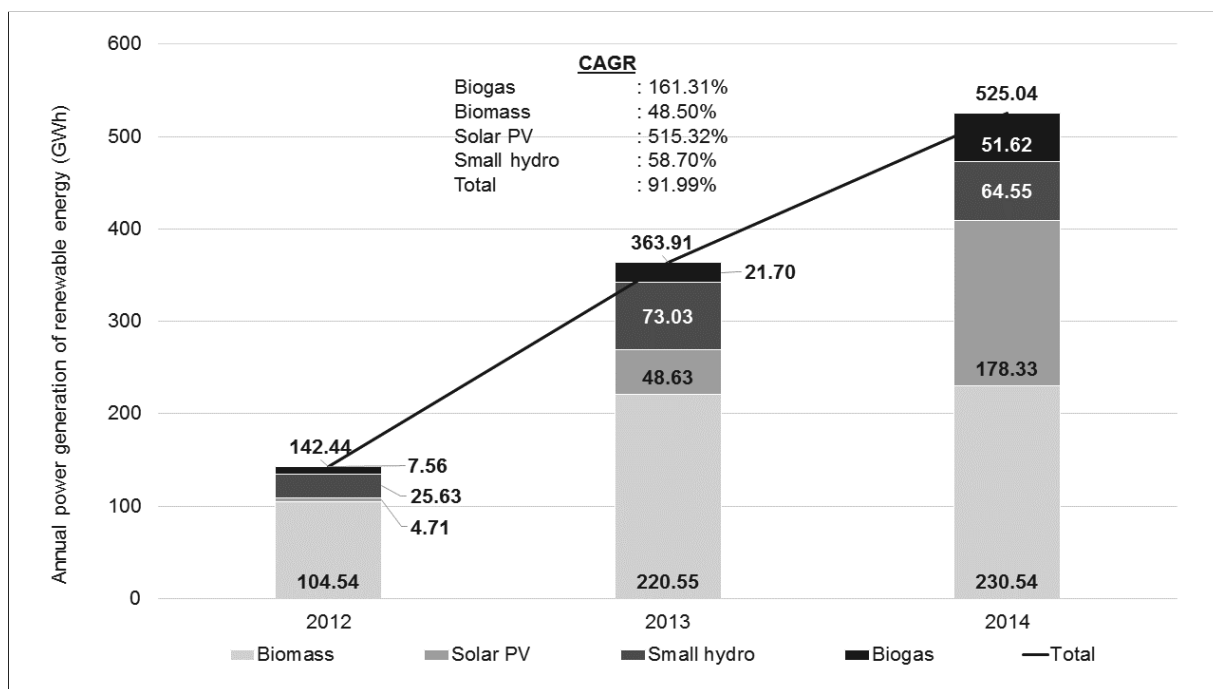
**Renewable energy in Malaysia – annual power generation for commissioned renewable energy installations under FiT mechanism <sup>a</sup>**

Year	Annual power generation (GWh)				
	Solar PV	Biogas	Biomass	Small hydro	Total
2012	4.71	7.56	104.54	25.63	142.44
2013	48.63	21.70	220.55	73.03	363.91
2014	178.33	51.62	230.54	64.55	525.04

<sup>a</sup> Data sourced as at 31 October 2015

Source: SEDA Malaysia, SMITH ZANDER analysis

**Renewable energy industry in Malaysia – growth in annual power generation for commissioned renewable energy installations of all types under FiT mechanism <sup>a</sup>**



<sup>a</sup> Data sourced as at 31 October 2015

Source: SEDA Malaysia, SMITH ZANDER analysis

SEDA Malaysia assigns available capacity quotas to each of the individual renewable energy sources under the FiT mechanism with varying horizons for each source depending on lead time and gestation periods involved in the planning and installation of the different power generation facilities. Biogas available capacity quotas are released three (3) years in advance of their commencement dates to enable the completion of planning and application processes in an efficient and timely manner. Nevertheless, it is noted that SEDA Malaysia reserves the right to change the available capacity quotas earmarked for a period based on a set of considerations that include, but are not limited to, Renewable Energy Fund status, demand for power, and as a result of stakeholder engagements. Details pertaining to these factors as well as SEDA Malaysia’s strategy with regards to assigning available capacity quotas are not publicly available.

The Energy, Green Technology and Water Ministry forecasts the share of renewable energy sources in the electricity generation sector to reach 5.50% of total national installed capacity, or 985 MW in 2015, comprising biomass (38.00%), solid water (17.00%), small hydro (24.00%), biogas (12.00%) and solar energy (9.00%).<sup>4</sup>

The growth in renewable energy installations is largely driven by attractive FiT rates, the falling prices of equipment related to selected technologies that have resulted in attractive returns, shorter construction periods, and a payment duration that spans 21 years for solar PV and small hydro, and 16 years for biogas and biomass supported by the Renewable Energy Fund.

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<sup>4</sup> Source: *Datuk Seri Dr Maximus Ongkili, Minister for the Ministry of Energy, Green Technology and Water Ministry, "Ministry: Renewable energy to reach 5.5% market share", The Star, 10 September 2015*

## 5 ANALYSIS OF THE BIOGAS INDUSTRY IN MALAYSIA

### Introduction

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Biogas is defined as a mixture of different gases produced by the breakdown of organic matter in the absence of oxygen. Biogas can be produced by the anaerobic digestion or fermentation of indigenous organic matter by anaerobic bacteria within a closed system under suitable conditions, including but not limited to, raw materials such as agricultural waste (e.g.: plant material and manure), sewage sludge, municipal solid waste, food waste, and other biodegradable waste. Biogas primarily consists of methane and carbon dioxide, and may contain nitrogen and trace amounts of hydrogen sulphide, water vapour, and siloxanes. The compositions of biogas vary from one (1) source to another and also depend on conditions of the digester or landfill.

The palm oil industry is one (1) of the leading agricultural industries in Malaysia. The milling process of palm oil generates large quantities of wastewater resources in the form of palm oil mill effluent ("POME") that need to be effectively treated and processed in order for it to be sustainably managed and disposed of. The treatment of POME creates methane, a form of greenhouse gas that causes environmental pollution. Please refer to Chapter 7 – Analysis of the Palm Oil industry in Malaysia for further information on the by-products and waste produced in the milling process of palm oil. Methane produced from the treatment of POME can be managed and treated either through the methane capture method or the methane avoidance method. The former involves the capture of methane produced by the anaerobic digestion of POME which is then scrubbed of its impurities and funnelled into a gas engine within the biogas processing plant. Combustion of methane within the gas engine then results in the generation of electricity which can then be sold to the National Grid in accordance to terms stipulated under the feed-in approval certificate. Methane avoidance is the treatment of POME that produces minimal levels of methane.

POME is an oily liquid waste that is a by-product of the palm oil milling process. Research indicates that one (1) tonne of oil palm fresh fruit bunch ("FFB") can create approximately 0.65 cubic meters ("m<sup>3</sup>") of POME in addition to solid waste such as shells, fibre and empty fruit bunch ("EFB").<sup>5</sup> POME poses an environmental threat if released untreated into waterways. Alternatively, it is estimated that for every tonne of crude palm oil ("CPO") produced, 5.0 tonnes to 7.5 tonnes of water is required, and approximately 3.5 m<sup>3</sup> of POME is generated. Malaysia produced 19.7 million tonnes of CPO in 2014, generating almost 69.0 million m<sup>3</sup> of POME.<sup>6</sup>

Conventionally, POME is released into open lagoons where anaerobic bacteria consume the organic matter in POME and convert it into methane, carbon dioxide and sludge in order to meet regulations enforced by Malaysia's Department of Environment before it is discharged into rivers. This ponding system is an industry standard, with a majority of 85.0% of mills in Malaysia adopting this method as it is relatively economical in terms of capital investments and operating costs. However, the process of treating POME in an open lagoon is time-consuming as POME has to be retained in anaerobic, facultative and aerobic ponds for a hydraulic retention time of approximately 90 days before it is safe to be released into waterways. At the same time, these ponds take up substantial land space, emit bad odours and produce significant volumes of greenhouse gases as methane and carbon dioxide are released into the atmosphere.

Biogas is essentially a mixture of gases that are produced as a result of the decomposition of organic matter in the absence of oxygen. The biogases produced during POME treatment are methane (62.5% of biogas

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<sup>5</sup> Source: MPOB

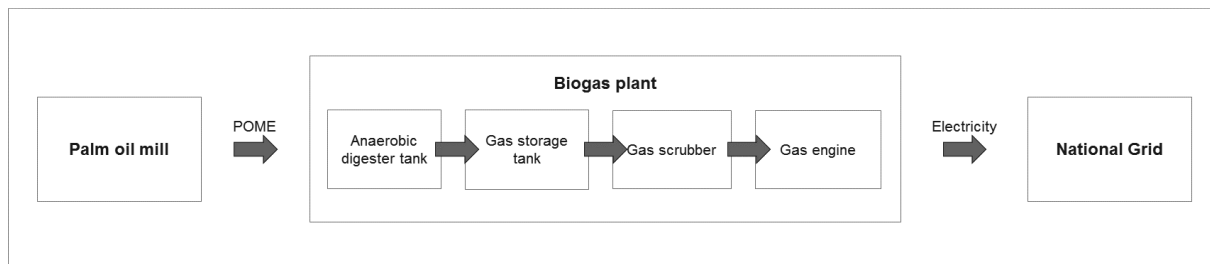
<sup>6</sup> Source: *Experimental Study of Palm Oil Mill Effluent and Oil Palm Frond Waste Mixture as an Alternative Biomass Fuel*, S.Hassan, L.S. Kee, Hussain H. Al-Kayeim, Universiti Teknologi Petronas, Malaysia



composition) and carbon dioxide (37.0% of biogas composition). In Malaysia, palm oil mills are the second largest generator of methane (38.0%), after landfills (53.0%).<sup>7</sup> Methane is a greenhouse gas which is 21 times more potent than carbon dioxide in trapping heat, resulting in the palm oil industry often being perceived as an environmentally unfriendly industry. As such, the Government of Malaysia is actively taking approaches to improve the reputation of the palm oil industry as it is one (1) of the largest contributors to national GDP.

One (1) of the measures that the Government has taken is encouraging palm oil mills to build biogas processing plants, which are treatment facilities that are designed to trap biogas released from POME and harness it to generate renewable energy. POME is treated in a covered pond or a closed tank to facilitate anaerobic digestion and biogas that is produced is trapped in a storage tank. The biogas is put through a gas scrubber to enhance the content and quality of methane. To produce renewable energy, biogas is combusted in a gas engine. The resultant electricity that is generated can be used to power the mill, or sold to the National Grid as renewable energy.

### Biogas industry in Malaysia – process flow of electricity generation in a typical biogas processing plant



Source: SMITH ZANDER analysis

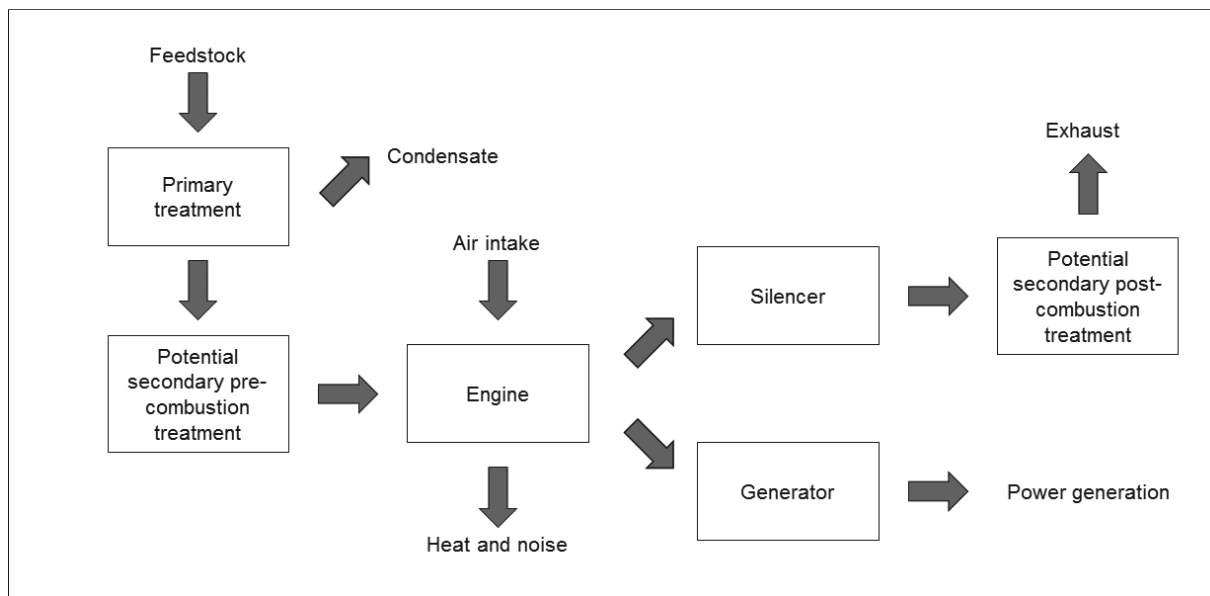
Biogas technology refers to systems designed to turn organic waste products into usable energy. The primary fractions of biogas, namely methane and carbon dioxide, make biogas a combustible fuel with potential energy that can be harnessed for heating and to power vehicles using variations of internal combustion engines. Biogas is produced by biogas processing plants that are supplied with feedstock comprising waste from energy crops (such as POME), municipal solid waste and biodegradable organic matter, and stored in an airtight tank containing specific anaerobic microbes under specific conditions in a process that facilitates the eventual production of biogas. Biogas is a clean form of fuel with properties comparable to that of natural gas when treated and scrubbed of its impurities. Biogas is seen as a promising renewable fuel source that optimises polluting greenhouse gases released from decomposing organic matter.

The most common approach to electricity production from biogas is through an internal combustion gas engine that either uses a spark ignition or compression ignition mechanism. Gas-powered reciprocating engines or piston engines are engines that use one (1) or more reciprocating pistons to convert pressure into a rotating motion. These engines represent a matured technology, in terms of equipment supply and maintenance that are more tolerant to biogas impurities and minimise initial costs compared with other technologies. In a reciprocating engine, the combustion occurs in an enclosed combustion chamber into which biogas and air are introduced. Combustion within this chamber, either under pressure or through ignition, results in the expansion of the air within the chamber, thereby generating thermal energy which is

<sup>7</sup> Source: *International Journal of Science, Environment and Technology*

converted into mechanical energy by way of a rotating crankshaft which is coupled with a generator that produces electricity.

### Biogas industry in Malaysia – electricity generation in a typical gas engine unit with generator set



Source: SEDA Malaysia, SMITH ZANDER analysis

The biogas industry in Malaysia is driven by several growth drivers that support the production and utilisation of biogas for the generation of electricity for end-user consumption. These factors include:

- Government mandates on the development of biogas as a renewable energy source;
- attractive FiT rates for biogas power generators;
- availability of feedstock from the palm oil industry; and
- marketability of palm oil with the implementation of biogas capture facilities.

## Key Industry Growth Drivers, Developments and Trends

### Strong Government mandate drives the development of biogas as a renewable energy source

Biogas is an important component in the renewable energy sector where the vast majority of biogas in Malaysia is produced by the palm oil industry, as waste products in the production of palm oil provide feedstock for biogas generation. Given that Malaysia is the world's second largest producer of palm oil, the Government has put measures in place to improve the sustainability of the palm oil industry and to further promote renewable energy as a fifth fuel for power generation by utilising biogas generated from POME for power generation.

The 9MP identified the palm oil industry as a potential contributor to renewable energy in various forms including biomass, biogas and biofuels such as biodiesel. The 10MP further sets out several policies that bolstered the initiatives outlined in the 9MP, in line with increasing investments in renewable energy which involved the introduction of the FiT mechanism and the Renewable Energy Fund to be administered by

SEDA Malaysia to support the development of the renewable energy sector. Under the 10MP, biogas is identified as a key renewable energy source for both grid-connected capacity contribution as well as off-grid electricity generation by owners of palm oil mills.

The Economic Transformation Plan (“ETP”) which was launched in 2010 as an initiative by the Government of Malaysia to turn Malaysia into a high income economy by 2020 identifies biogas in two (2) of the 12 National Key Economic Areas (“NKEA”), namely the Oil, Gas and Energy, as well as the Palm Oil NKEAs. The Oil, Gas and Energy NKEA emphasises the importance of increasing the installed capacity of renewable energy sources supplying electricity to the National Grid and highlights the role of the FiT mechanism in increasing the share of renewable energy in Malaysia’s total energy mix. The Palm Oil NKEA underlines the importance of enhancing sustainability of the industry through the treatment of POME, and its potential for electricity generation and as a source of additional revenue stream when connected to the National Grid under the FiT mechanism. This NKEA also targets the construction of ten (10) biogas plants to be connected to the National Grid as well as for external users as part of the identified key performance indicators.

As part of a wider effort to reduce carbon emissions generated by the palm oil industry, the Government, through the Malaysian Palm Oil Board (“MPOB”), the agency responsible for the promotion and development of the palm oil industry in Malaysia, has imposed a new license condition effective 1<sup>st</sup> January 2014 that makes it mandatory for all applicants for new palm oil mills as well as those applying for throughput expansion for existing mills to have plans that involve the installation of a biogas capture or methane avoidance facility for the treatment of POME. Biogas capture entails the capture of biogas for flaring, gasification or power generation, while methane avoidance is the treatment of POME to minimise the production of methane gas. While methane avoidance is an alternative to biogas capture, it is not a competing solution, as a methane avoidance facility does not provide palm oil mills with the option to capitalise on power generation as an additional revenue stream. The granting of this licence is subject to the installation of an operational biogas capture or methane avoidance facility in the biogas processing plant before the commencement of production under the new licence. The MPOB has also proposed a regulation to be enacted on 1<sup>st</sup> January 2017 that would make it mandatory for all existing palm oil mills to have biogas capture or methane avoidance facilities installed and operational by 1<sup>st</sup> January 2020. As at October 2015, this proposal is still being deliberated where inputs are being sought from palm oil industry players. No further details on the status of this proposal are available, nor are there any indications as to whether this will be formalised into a directive at the present time.

In an effort to meet its targets, the Government has introduced a set of fiscal incentives to promote the harnessing of biogas from POME in the palm oil industry. These incentives include:

- pioneer status that provides income tax exemptions for ten (10) years;
- investment tax allowance that allows for the qualifying capital expenditure income to be utilised against statutory income; and
- import duty and sales tax exemption on imported machinery, equipment, materials, spare parts, and consumables used directly in the generation process as well as exemption of tax on revenue from sale of certified emission reductions.

The capture of biogas for power generation is an attractive investment option for palm oil mills as it utilises mill waste and creates an additional revenue stream for the mill. Revenue generated by a mill from the sale of generated power through the FiT mechanism supplements the mill’s primary income stream while utilising waste management for financial gain. In addition to this, the construction of biogas processing and power generation infrastructure requires a smaller amount of space than sump ponds that would otherwise have to be in place to contain POME, thereby allowing mill owners to optimise space. These factors create

financial and operational incentives for palm oil mills to consider integrating biogas power generation installations within their facilities. While MPOB mandated legislation pertaining to compulsory biogas installations currently only applies to proposed new palm oil mills and mills seeking throughput expansion, the commitment of the Government towards the long term sustainability of the palm oil industry suggests that additional controls could be forthcoming.

The general trend towards environmental sustainability is gaining traction as governments and consumers become more environmentally aware and are more discerning about the environmental impact of the supply chain of products that are traded and consumed, which incentivises palm oil mills to adopt more environmentally friendly processing approaches in order to remain competitive.

### **Attractive FiT rates for biogas power generators promote the adoption of biogas capture facilities in the palm oil industry in Malaysia**

The introduction of the FiT mechanism by SEDA Malaysia has enabled producers of renewable energy with a feed-in approval certificate to invest in renewable energy with an arrangement in place from SEDA Malaysia for the purchase of generated electricity by utility companies at predetermined rates. This eases concerns that producers of renewable energy may have with regards to the viability of renewable energy in the longer term. The FiT mechanism presents SREP producers with the option for the capture of biogas for power generation to generate revenue when sold to the National Grid.

The FiT mechanism requires an operator of a biogas power generation facility to be a feed-in approval holder in order to be able to sell the power it generates to the National Grid at the predetermined rates. The application process for the feed-in approval holder requires the applicant to meet certain criteria set out by SEDA Malaysia and for the applicant to complete tests and attain approvals that the application process entails. The general application process for feed-in approval and the steps to be pursued by the applicant includes, but are not limited to:

- compliance with the Renewable Energy Rules 2011 with respect to feed-in approval and tariff rate, criteria for renewable resources, technical and operational requirements, and renewable energy purchase agreements set out by SEDA Malaysia;
- availability of biogas quota based on the scheduled FiT commencement date of the installation;
- securing legal rights to the site of the installation or a letter of intent from the site owner;
- connectivity confirmation checks and power systems study for the installation to be conducted by the relevant distribution licensee;
- attaining approvals and ensuring compliance with local authorities and other governmental requirements;
- obtaining financing offer letter and/or term sheet;
- signing REPPA with the relevant distribution licensee and registering the agreement with SEDA Malaysia; and
- conducting a reliability run and acceptance tests to be verified and certified by a SEDA Malaysia-recognised qualified party prior to FiT commencement date.

Biogas installations in palm oil mills that are within access to the National Grid are able to take advantage of the FiT mechanism by selling electricity generated to the National Grid at the prevailing FiT rate as per the REPPA. This rate remains fixed for the specific agreement period once the REPPA is executed. The

FiT mechanism makes special concessions for biogas electricity generators and offers bonus FiT rates in addition to the basic FiT rates for generators that meet certain criteria which include:

- use of gas engine technology with electrical efficiency of above 40%;
- use of locally manufactured or assembled gas engine technology; and
- use of landfill or sewage gas as fuel source (including biogas derived from POME).

Biogas processing plants installed in mills that are isolated and/or those that do not have access to the National Grid can either store the trapped biogas for use as fuel, generate power from biogas for internal consumption, or opt to flare the produced gas using a flare stack. The financial incentive from biogas power generation, however, remains the more attractive option from the perspective of mills if such an installation is feasible.

The growth in biogas installations is largely driven by attractive FiT rates, stringent licensing requirements for palm oil mills, shorter construction periods and a payment duration that spans 16 years for biogas supported by the Renewable Energy Fund. This arrangement provides a secured revenue stream for developers of renewable energy infrastructure that encourages the development and increases the attractiveness of biogas ventures. Biogas is divided into two (2) categories for regulatory purposes by SEDA Malaysia, namely biogas from landfill or agriculture waste which consists of biogas captured from landfill and agricultural waste processing systems, and a general biogas category which encompasses all other forms of biogas capture.

#### **Biogas industry in Malaysia – FiT rates for biogas (landfill/agriculture waste) and biogas installations as at 1 January 2015**

Description of qualifying biogas installations		FiT rates (RM per kWh)	
		Biogas (landfill/ agriculture waste)	Biogas
<b>a) Basic FiT rates having installed capacity of:</b>			
i	up to and including 4 MW	0.3184	0.3184
ii	above 4 MW and up to and including 10 MW	0.2985	0.2985
iii	above 10 MW and up to and including 30 MW	0.2786	0.2786
<b>b) Bonus FiT rates having met the following criteria (one or more)</b>			
i	use of gas engine technology with electrical efficiency of 40% and above	+0.0199	+0.0199
ii	use of locally manufactured or assembled gas engine technology	+0.0500	+0.0500
iii	use of landfill, sewage gas or agricultural waste including animal waste as fuel source (includes POME)	+0.0786	Not applicable

*Source: SEDA Malaysia, SMITH ZANDER analysis*

The FiT mechanism allows palm oil mill owners and/or SREP producers to realise returns on investments for biogas processing facilities as there is guaranteed captive demand for generated electricity by utility companies over a period of 16 years.

Green & Smart Holdings plc is expected to benefit from an enhanced FiT rate of RM0.4669 per kWh due to the use of locally manufactured gas engines.<sup>8</sup>

### **Availability of biogas feedstock from the palm oil industry**

The milling process of palm oil generates large volumes of wastewater in the form of POME that need to be effectively treated and processed in order for it to be sustainably managed and disposed. POME can be managed and treated either through the methane capture method or the methane avoidance method. The former involves the capture of methane produced by the anaerobic digestion of POME which is then scrubbed of its impurities and funnelled into a gas engine within a biogas processing plant.

The palm oil sector is an important component in the renewable energy sector where a significant amount of biogas in Malaysia is produced by the palm oil industry, as waste products in the production of palm oil provide feedstock for biogas generation. Given that Malaysia is the world's second largest producer of palm oil, the palm oil industry provides a reliable supply of feedstock for the generation of biogas which can be in turn, optimised for power production.

As at 2014, total planted area for oil palm totalled 5.4 million ("Ha"), having grown from 3.4 million Ha in 2000 at a CAGR of 3.4% over this period. Over the period between 2012 and 2014, total planted area for oil palm increased from 5.1 million Ha to 5.4 million Ha. FFB processed by mills in 2014 stood at 95.4 million metric tonnes ("MT"), an increase from 57.5 million MT in 2000 at a CAGR of 3.7%, while there were 443 mills in operation and 24 under planning and construction in 2014.<sup>9</sup> These trends illustrate the robust growth of Malaysia's palm oil industry. The by-products from the processing mills include solid wastes from EFB, mesocarp fibres, palm kernel shells and POME. Please refer to Chapter 7 – Analysis of the Palm Oil Industry in Malaysia for further information on the growth potential of the palm oil industry in Malaysia, and as a result, the availability of reliable feedstock for the biogas industry in Malaysia.

### **Greater marketability of Malaysia's palm oil upon the implementation of biogas capture facilities**

Refined palm oil has been adopted for various uses including edible oils, palm biodiesel and oleochemicals. The relative lower cost of CPO and its high oxidative stability makes it an attractive option compared to other alternative edible oils. The negative environmental effects associated with the production and processing of palm oil, however, has created a negative perception associated with the consumption of palm oil in its various forms globally.

Methane in biogas emitted into the atmosphere is a pollutant and contributes to the global warming phenomenon. Combined with carbon dioxide, water vapour and nitrogen oxide, methane traps heat within the globe's atmosphere, thereby causing temperatures to rise. As a result, biogas from POME has negative effects on the environment, leading to a negative image for the palm oil industry and its products. Certain countries that import palm oil products have imposed sustainability standards to address the concerns surrounding the sustainability aspects of the processing of palm oil and its negative environmental effects.

Biogas capture reduces the negative effects caused by the release of methane from POME. By harnessing biogas from POME, palm oil products may become favourable for the export market with regards to certain developed markets that have imposed stringent environmental emissions criteria on the importation of goods, thereby further expanding the global footprint of palm oil products.

<sup>8</sup> Source: Green & Smart Holdings plc

<sup>9</sup> Source: Malaysian Palm Oil Statistics 2014, MPOB



## Industry Performance and Growth

Total installed capacity for renewable energy is a measure of total supply of renewable power. Total installed capacity for commissioned renewable energy installations under the FiT mechanism increased from 100.71 MW in 2012 to 281.48 MW in 2014 at an impressive CAGR of 67.18%. Commissioned biogas installations grew from 5.16 MW in 2012 to 12.84 MW in 2014 at a strong CAGR of 57.75%. Other renewable energy installations grew from 95.55 MW in 2012 to 268.64 MW in 2014 at a CAGR of 67.68%. Biogas installations accounted for 12.84 MW or 4.56% of total installed capacity for renewable energy installations in 2014. As at 31 October 2015, an additional 4.40 MW of installed capacity in the form of biogas installations were added in 2015.

### Biogas industry in Malaysia – installed capacities for commissioned biogas installations under FiT mechanism <sup>a</sup>

Year	Annual installed capacity (MW)		
	Biogas	Other renewable energy (solar PV, biomass, small hydropower)	Total
2012	5.16	95.55	100.71
2013	11.74	193.44	205.18
2014	12.84	268.64	281.48
<b>Percentage contribution in 2014</b>	<b>4.56%</b>	<b>95.44%</b>	Not applicable

<sup>a</sup> Data sourced as at 31 October 2015

<sup>b</sup> As at 31 October 2015, biogas installations commissioned in 2015 stood at 4.40 MW

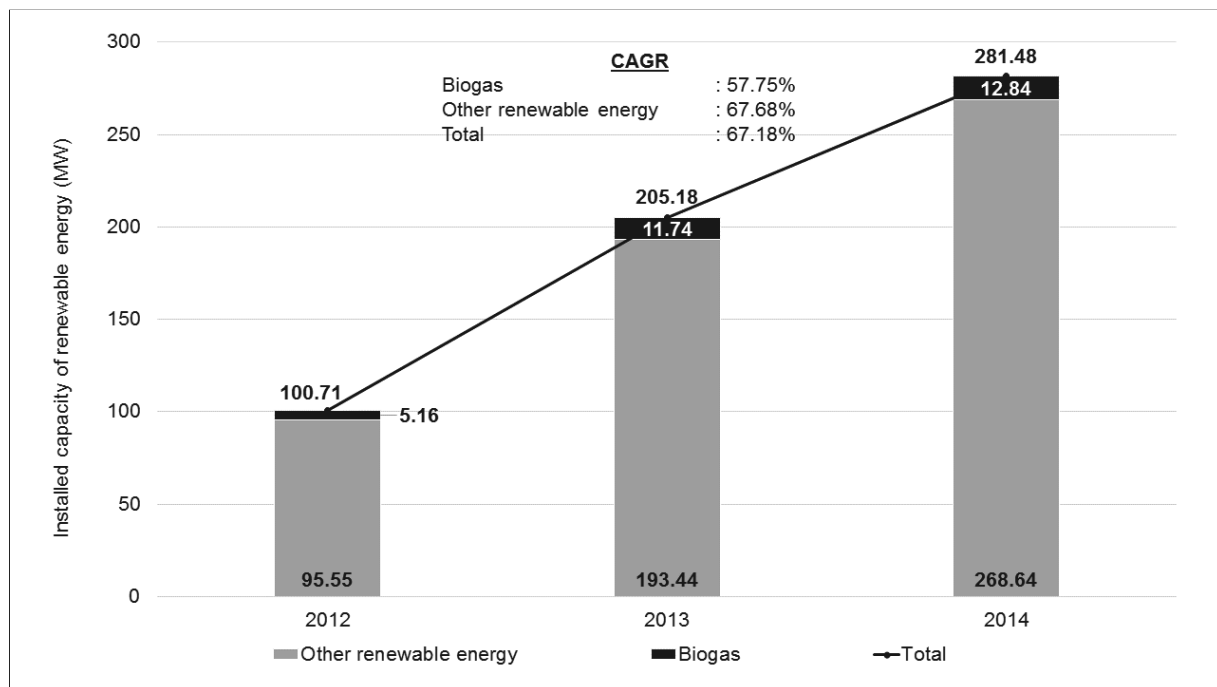
Source: SEDA Malaysia, SMITH ZANDER analysis

There were 75 palm oil mills in Malaysia equipped with biogas processing plants as at 10 June 2015. Biogas power generation installations in Malaysia in 2014 accounted for 12.84 MW of installed capacity. Please refer to Chapter 9 – Analysis of the Biogas Engineering, Procurement, Construction and Commissioning Industry in Malaysia – Industry Performance, Outlook and Prospects for further information on biogas processing plants in the palm oil industry. SMITH ZANDER notes that not all biogas processing plants at palm oil mills are grid-connected facilities that fall under SEDA Malaysia's FiT mechanism; a number of such non-grid-connected mills employ the capture of biogas for captive use as well as flaring the trapped gas for efficient disposal.

Prior to the establishment of SEDA Malaysia and the FiT mechanism, a number of palm oil mills had constructed biogas processing plants to participate in the emission trading scheme under the Clean Development Mechanism as outlined by the Kyoto Protocol. These mills can be retrofitted for the purpose of power production aimed at participation in the FiT mechanism should mill owners decide that such a venture is feasible from both a technical and financial perspective. In addition to this, there are a number of mills that have installed biogas processing and power generation infrastructure with the sole aim of generating power for internal mill consumption.

Mills that intend to connect their biogas capture installations to the National Grid face challenges such as proximity of their facilities to a National Grid connection and sufficiency of allocation for biogas power generation.

### Biogas industry in Malaysia – growth in installed capacities for commissioned biogas installations under FiT mechanism <sup>a</sup>



<sup>a</sup> Data sourced as at 31 October 2015

Source: SEDA Malaysia, SMITH ZANDER analysis

More notably, the annual power generation for commissioned biogas installations increased from 7.56 GWh in 2012 to 51.62 GWh in 2014 at a CAGR of 161.31%. Comparatively, power generation from other renewable energy sources increased from 134.88 GWh in 2012 to 473.42 GWh at a CAGR of 87.35%, while total annual power generated by commissioned renewable energy installations increased from 142.44 GWh to 525.04 GWh over the same period at a CAGR of 91.99%.

In terms of contribution to total annual power generation for commissioned renewable energy installations, the annual power generation for commissioned biogas installations has risen from 5.31% in 2012 to 9.83% in 2014, in tandem with the increase in commissioned biogas installations, marking the increasing prospects of biogas as a source of renewable energy.

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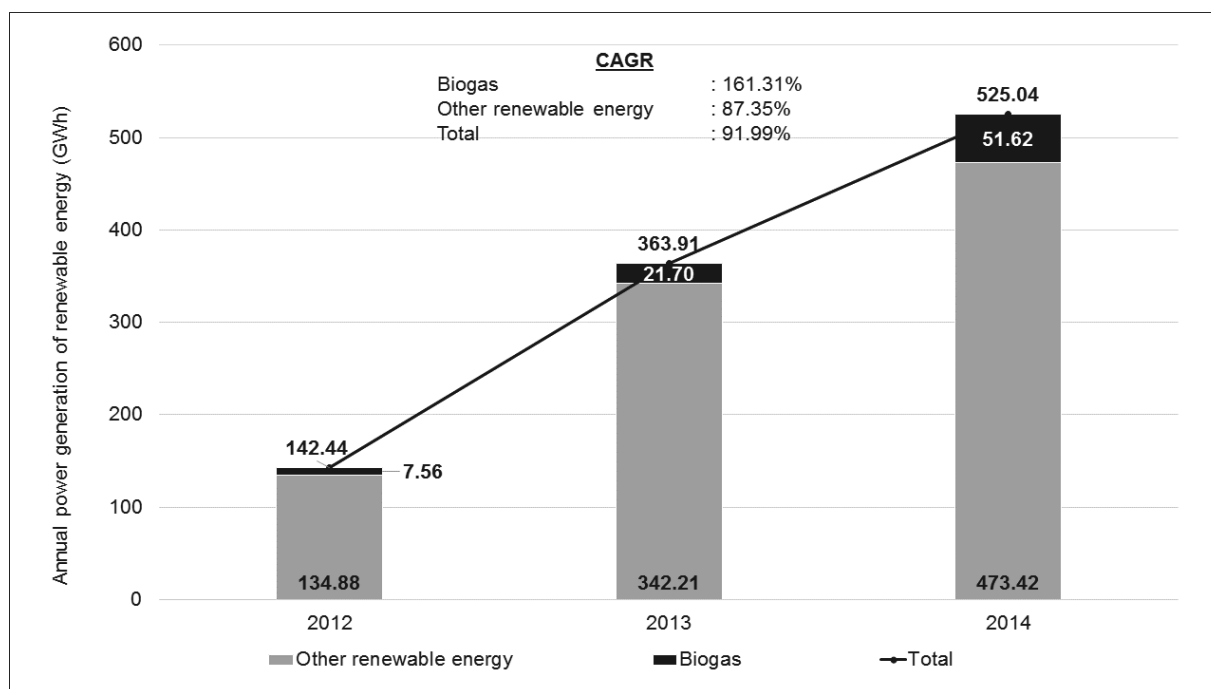
### Biogas industry in Malaysia – annual power generation for commissioned biogas installations under FiT mechanism <sup>a</sup>

Year	Annual power generation (GWh)		
	Biogas	Other renewable energy (solar PV, biomass, small hydropower)	Total
2012	7.56	134.88	142.44
2013	21.70	342.21	363.91
2014	51.62	473.42	525.04
<b>Percentage contribution in 2014</b>	<b>9.83%</b>	<b>90.17%</b>	Not applicable

<sup>a</sup> Data sourced as at 31 October 2015

Source: SEDA Malaysia, SMITH ZANDER analysis

### Biogas industry in Malaysia – growth in annual power generation for commissioned biogas installations under FiT mechanism <sup>a</sup>



<sup>a</sup> Data sourced as at 31 October 2015

Source: SEDA Malaysia, SMITH ZANDER analysis

## Competitive Landscape

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The biogas power generation industry in Malaysia is a regulated market. The barriers to entry for this industry include:

- stringent licensing and regulatory compliance, as the installation and operations of biogas power generation installations are subject to Government regulation;
- availability of POME as a source of feedstock for the biogas processing plant, as a steady and reliable source of feedstock is essential for reliable and efficient power output in a biogas power generation installation;
- capital investment, either sourced publicly or privately to fund the construction and operations of a biogas power generation installation; and
- availability of location-specific electricity transmission and distribution infrastructure that determines location-specific competition in relation to other renewable energy sources under the FiT mechanism as well as other industry players, which are key considerations from a regulatory perspective in terms of assessing the suitability of applicants under the FiT mechanism.

Applicants are required to abide by regulations outlined by SEDA Malaysia and Energy Commission Malaysia, as well as operating guidelines and practices determined by distribution licensees, namely TNB in Peninsular Malaysia and SESB in Sabah, in order to qualify as feed-in approval holders.

The generation of power from biogas requires a steady supply of POME as feedstock for the production of biogas. It is critical for these installations to be within close proximity to or share premises with a palm oil mill in order to optimise on cost and logistical efficiencies, and ensure constant and uninterrupted supply of waste from palm oil mills.

As at 31 October 2015, there were 35 feed-in approval holders for biogas processing plants in Peninsular Malaysia and Sabah comprising mill owners and non-mill owners. These feed-in approval holders are designated operators of a total of 71 commissioned plants and plants in progress, collectively accounting for a total of 129.69 MW in installed/generation capacity. Of this total, 17.24 MW represented installed capacity, while the remaining 112.45 MW represents generation capacity of plants in progress as at 31 October 2015. Of the 35 feed-in approval holders, 14 are mill owners with 28 commissioned plants and plants in progress that account for a total of 53.57 MW in generation capacity, while the remaining 21 are non-mill owners with 43 commissioned plants and plants in progress that account for 76.12 MW of generation capacity.

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**Biogas industry in Malaysia – feed-in approval holders for biogas processing plants in Peninsular Malaysia and Sabah (includes commissioned installations and plants in progress as at 31 October 2015 <sup>a</sup>**

<b>Feed-in approval holder</b>	<b>Biogas processing plant/biogas installation location</b>	<b>Individual biogas processing plant/biogas installation installed capacity (MW)</b>	<b>Total installed/generation capacities (MW)</b>
<b>Mill owners <sup>b</sup></b>			
Felda Palm Industries Sdn Bhd	<ol style="list-style-type: none"> <li>1. Kilang Sawit Pasoh in Bandar Seri Jempol, Negeri Sembilan <sup>c</sup></li> <li>2. Kilang Sawit Triang in Bera, Pahang <sup>c</sup></li> <li>3. Bera, Pahang</li> <li>4. Bera, Pahang</li> <li>5. Kilang Sawit Semenchu in Kota Tinggi, Johor <sup>c</sup></li> <li>6. Kilang Sawit Tenggara in Kota Tinggi, Johor <sup>c</sup></li> <li>7. Kilang Sawit Bukit Sagu in Kuantan, Pahang <sup>c</sup></li> <li>8. Kilang Sawit Maokil in Labis, Johor <sup>c</sup></li> <li>9. Kilang Sawit Nitar in Mersing, Johor <sup>c</sup></li> <li>10. Kilang Sawit Keratong 9 in Rompin, Pahang <sup>c</sup></li> <li>11. Rompin, Pahang</li> <li>12. Jempol, Negeri Sembilan</li> </ol>	<p>1.2000</p> <p>2.4000</p> <p>2.4000</p> <p>2.4000</p> <p>2.4000</p> <p>1.2000</p> <p>2.4000</p> <p>1.2000</p> <p>2.0000</p> <p>2.4000</p> <p>2.4000</p> <p>1.1000</p>	23.5000
Gan Teng Siew Realty Sdn Berhad	<ol style="list-style-type: none"> <li>1. Rantau, Negeri Sembilan</li> <li>2. Rantau, Negeri Sembilan</li> </ol>	<p>2.4000</p> <p>1.5600</p>	3.9600
Mistral Engineering Sdn Bhd	<ol style="list-style-type: none"> <li>1. Sandakan, Sabah</li> </ol>	3.8000	3.8000
Sime Darby TNBES Renewable Energy Sdn Bhd	<ol style="list-style-type: none"> <li>1. Kulai, Johor</li> <li>2. Teluk Intan, Perak</li> </ol>	<p>1.6000</p> <p>1.6000</p>	3.2000
TSH Bio-Gas Sdn Bhd	<ol style="list-style-type: none"> <li>1. Tawau, Sabah</li> </ol>	3.1950	3.1950
Sungei Kahang Power Sdn Bhd	<ol style="list-style-type: none"> <li>1. Kluang, Johor</li> </ol>	3.0000	3.0000
QL Tawau Biogas Sdn Bhd	<ol style="list-style-type: none"> <li>1. Tawau, Sabah</li> </ol>	2.4000	2.4000
Kim Loong Power Sdn Bhd	<ol style="list-style-type: none"> <li>1. Kota Tinggi, Johor</li> </ol>	2.2620	2.2620
United Plantations Berhad	<ol style="list-style-type: none"> <li>1. Pantai Remis, Perak</li> <li>2. Ulu Bernam, Perak</li> </ol>	<p>1.1900</p> <p>1.0000</p>	2.1900

Feed-in approval holder	Biogas processing plant/biogas installation location	Individual biogas processing plant/biogas installation installed capacity (MW)	Total installed/generation capacities (MW)
Beta Technic Sdn Bhd	1. Bahau, Negeri Sembilan	1.2000	1.2000
Jeng Huat (Bahau) Realty Sdn Bhd	1. Bera, Pahang	1.2000	1.2000
Metro Havana Sdn Bhd	1. Pekan, Pahang	1.4130	1.4130
Achi Jaya Plantations Sdn Bhd	1. Chaah, Johor	1.2500	1.2500
Kilang Kelapa Sawit Lekir Sdn Bhd	1. Lekir, Perak	1.0000	1.0000
<b>Total mill owners</b>			<b>53.5700</b>
<b>Non-mill owners <sup>d</sup></b>			
<b>Green &amp; Smart Holdings plc <sup>e</sup></b>			28.0270
Green & Smart Sdn Bhd		13.4000	
	1. Dupont & Leosk Enterprises Sdn Bhd in Gemencheh, Negeri Sembilan	1.0000	
	2. Felda Palm Industries Sdn Bhd in Kluang, Johor	2.0000	
	3. Milik Mestika Sdn Bhd in Ledang, Johor	2.9000	
	4. Liziz Plantation Sdn Bhd in Nenggiri, Kelantan	2.8000	
	5. Malpom Industries Berhad in Nibong Tebal, Penang	2.0000	
	6. Syarikat Peladang dan Pengusahaan Minyak Sdn Bhd in Teluk Intan, Perak	2.7000	
Our Energy Group (M) Sdn Bhd		2.0000	
	1. Veetar Palm Oil Sdn Bhd in Kinabatangan, Sabah	2.0000	
Concord Green Energy Sdn Bhd		6.6270	
	1. Kilang Sawit Keratong 2 in Kota Bahagia, Pahang <sup>c</sup>	2.3380	
	2. Kilang Sawit Adela in Kota Tinggi, Johor <sup>c</sup>	1.5600	
	3. Kilang Sawit Lok Heng in Kota Tinggi, Johor <sup>c</sup>	1.5600	
	4. Kilang Sawit Lepar Hilir in Kuantan, Pahang <sup>c</sup>	1.1690	
Megagreen Energy Sdn Bhd		6.0000	
	1. Kilang Sawit Nasaruddin in Bota, Perak	1.0000	
	2. Kilang Sawit Bukit Kepong in Labis, Johor	1.0000	
	3. Kilang Sawit Maran in Pahang	1.0000	



<b>Feed-in approval holder</b>	<b>Biogas processing plant/biogas installation location</b>	<b>Individual biogas processing plant/biogas installation installed capacity (MW)</b>	<b>Total installed/generation capacities (MW)</b>
	4. <i>Kilang Sawit Sungai Melikai in Mersing, Johor</i> 5. <i>Kilang Sawit Seberang Perak in Perak Tengah, Perak</i>	1.0000 2.0000	
Kub-Berjaya Energy Sdn Bhd	1. <i>Hulu Selangor, Selangor</i> 2. <i>Hulu Selangor, Selangor</i> 3. <i>Hulu Selangor, Selangor</i>	3.2000 2.0000 1.2000	6.4000
Cypark Smart Technology Sdn Bhd	1. <i>Port Dickson, Negeri Sembilan</i> 2. <i>Port Dickson, Negeri Sembilan</i> 3. <i>Port Dickson, Negeri Sembilan</i> 4. <i>Port Dickson, Negeri Sembilan</i> 5. <i>Port Dickson, Negeri Sembilan</i>	1.0000 1.0000 1.0000 1.0000 1.0000	5.0000
GLT Energy Sdn Bhd	1. <i>Bera, Pahang</i> 2. <i>Rompin, Pahang</i> 3. <i>Rompin, Perak</i>	1.1310 2.1957 1.1310	4.4577
Bell RE Power Sdn Bhd	1. <i>Yong Peng, Johor</i>	4.0000	4.0000
Cahaya Bumijasa Sdn Bhd	1. <i>Tawau, Sabah</i>	3.8000	3.8000
Jana Landfill Sdn Bhd	1. <i>Kuala Selangor, Selangor</i> 2. <i>Puchong, Selangor</i>	1.0000 1.9572	2.9572
Biogas Sulpom Sdn Bhd	1. <i>Dengkil, Selangor</i>	2.5000	2.5000
Advance Project Management Sdn Bhd	1. <i>Rompin, Pahang</i>	2.4000	2.4000
Eng Hong Biogas Sdn Bhd	1. <i>Banting, Selangor</i>	2.4000	2.4000
Future Biomass Gasification Sdn Bhd	1. <i>Baling, Kedah</i>	2.4000	2.4000
Magenko Renewables (Penang) Sdn Bhd	1. <i>Nibong Tebal, Penang</i>	2.4000	2.4000

Feed-in approval holder	Biogas processing plant/biogas installation location	Individual biogas processing plant/biogas installation installed capacity (MW)	Total installed/generation capacities (MW)
Biopower Climate Care Sdn Bhd	1. Bera, Pahang	2.1260	2.1260
Selekta Spektra Sdn Bhd	1. Kinta, Perak	2.0500	2.0500
Bell Eco Power Sdn Bhd	1. Batu Pahat, Johor	2.0000	2.0000
Magenko Renewables (Ipoh) Sdn Bhd	1. Bercham, Perak	1.2000	1.2000
Cypark Suria (Pajam) Sdn Bhd	1. Pajam, Negeri Sembilan	1.0000	1.0000
Gaya Dunia Sdn Bhd	1. Port Dickson, Negeri Sembilan 2. Port Dickson, Negeri Sembilan	0.5000 0.5000	1.0000
<b>Total non-mill owners</b>			<b>76.1179</b>
<b>Total mill owners and non-mill owners</b>			<b>129.6879<sup>f</sup></b>

<sup>a</sup> Plants in progress refer to installations that have been granted feed-in approvals under the FiT mechanism but have yet to achieve the FiT commencement date

<sup>b</sup> Mill owners may include companies that may be subsidiaries of a parent company under which mill ownership resides

<sup>c</sup> Concord Green Energy Sdn Bhd has in place a Master Build, Own, Operate and Transfer ("BOOT") agreement with Felda Palm Industries Sdn Bhd for the construction and retrofitting of 14 biogas power plants, of which 12 are under the FiT mechanism and two (2) are for captive mill use. Of the 12 plants under the FiT mechanism, four (4) have been transferred to Concord Green Energy Sdn Bhd; the remaining eight (8) (shown here), as at October 2015, is in the process of being transferred to Concord Green Energy Sdn Bhd

<sup>d</sup> Non-mill owners may include companies that may be directly or indirectly associated with mill owner

<sup>e</sup> Green & Smart Holdings plc operates biogas processing plants through its subsidiaries, Green & Smart Sdn Bhd (100% equity holding) and Our Energy Group (M) Sdn Bhd (51% equity holding), and its associated companies, Concord Green Energy Sdn Bhd (25% equity holding) and Megagreen Energy Sdn Bhd (15% equity holding)

<sup>f</sup> Total may not match commissioned installed capacities and total generation capacities for plants in progress are shown separately in this Report due to rounding

Source: Green & Smart Holdings plc, SEDA Malaysia, SMITH ZANDER analysis

As at 31 October 2015, installed capacity of commissioned plants and plants in progress in Peninsular Malaysia and Sabah stood at 129.69 MW. Of this total, commissioned plants accounted for 17.24 MW while plants in progress that are due to be commissioned between 2015 and 2017 accounted for 112.45 MW.

#### Biogas industry in Malaysia – total installed capacity and plants in progress as at 31 October 2015 (MW)

<b>Total commissioned plants and plants in progress</b>	<b>129.69</b>
of which:	
Total commissioned plants	17.24
Total plants in progress	112.45

Source: Green & Smart Holdings plc, SEDA Malaysia, SMITH ZANDER analysis

Green & Smart Holdings plc is involved in the biogas power generation industry in Malaysia, whereby through its subsidiaries Green & Smart Sdn Bhd and Our Energy Group (M) Sdn Bhd, as well as its associated companies, Concord Green Energy Sdn Bhd and Megagreen Energy Sdn Bhd, Green & Smart Holdings plc operates biogas processing plants.

Green & Smart Holdings plc's subsidiaries and associated companies are feed-in approval holders for 16 biogas processing plants in Peninsular Malaysia and Sabah with a total generation capacity of 28.03 MW. As at 31 October 2015, these 16 biogas processing plants are at various stages of completion and will commence generating electricity for the National Grid over the period of late 2015 through to 2017.

In addition to this, Green & Smart Holdings plc through Concord Green Energy Sdn Bhd has eight (8) biogas processing plants that are pending FiT approval. These plants are presently owned by Felda Palm Industries Sdn Bhd and whose feed-in approvals are in the process of being transferred to Concord Green Energy Sdn Bhd, via a Master Build, Own, Operate and Transfer ("BOOT") agreement between Felda Palm Industries Sdn Bhd and Concord Green Energy Sdn Bhd. These eight (8) biogas processing plants would have a total generation capacity of 15.20 MW and is expected to receive FiT commencement dates upon completion of the feed-in approval transfers.

#### **Biogas industry in Malaysia – biogas processing plants and capacities in progress for Green & Smart Holdings plc through its subsidiaries and associated companies**

	Green & Smart Holdings plc				Total
	Subsidiaries		Associated companies		
	Green & Smart Sdn Bhd	Our Energy Group (M) Sdn Bhd	Concord Green Energy Sdn Bhd	Megagreen Energy Sdn Bhd	
<b>FiT approved plants</b>					
Number of plants	6	1	4	5	16
Generation capacity (MW)	13.40	2.00	6.63	6.00	28.03
<b>Plants pending FiT approval transfer (via Master BOOT between Felda Palm Industries Sdn Bhd and Concord Green Energy Sdn Bhd)</b>					
Number of plants			8		8
Generation capacity (MW)			15.20		15.20
<b>Total number of plants</b>	<b>6</b>	<b>1</b>	<b>12</b>	<b>5</b>	<b>24</b>
<b>Total installed capacity (MW)</b>	<b>13.40</b>	<b>2.00</b>	<b>22.00</b>	<b>6.00</b>	<b>43.23</b>

*Source: Green & Smart Sdn Bhd, SEDA Malaysia, SMITH ZANDER analysis*

As such, following the completion of the feed-in approval transfer of the eight (8) plants owned by Felda Palm Industries Sdn Bhd to Concord Green Energy Sdn Bhd, Green & Smart Holdings plc through its subsidiaries and associated companies, would have a total of 24 biogas plants in the pipeline in Peninsular Malaysia with a combined generation capacity of 43.23 MW.

**Biogas industry in Malaysia – status of Green & Smart Holdings plc’s biogas processing plants in Peninsular Malaysia and Sabah <sup>a</sup>**

<b>Feed-in approval holder/ applicant</b>	<b>Biogas processing plant and location</b>	<b>Scheduled FiT commencement date <sup>b</sup></b>	<b>Generation capacity (MW)</b>
<b>FiT approved plants</b>			
Green & Smart Sdn Bhd	Dupont & Leosk Enterprises Sdn Bhd in Gemencheh, Negeri Sembilan	7 December 2017	1.0000
	Felda Palm Industries Sdn Bhd in Kluang, Johor	30 April 2016	2.0000
	Liziz Plantation Sdn Bhd in Nenggeri, Kelantan	1 June 2017	2.8000
	Malpom Industries Berhad in Nibong Tebal, Penang	1 July 2016	2.0000
	Milik Mestika Sdn Bhd in Ledang, Johor	7 December 2017	2.9000
	Syarikat Peladang and Pengusahaan Minyak Sdn Bhd in Teluk Intan, Perak	18 January 2017	2.7000
Our Energy Group (M) Sdn Bhd <sup>c</sup>	Veetar Palm Oil Sdn Bhd in Kinabatangan, Sabah	29 July 2016	2.0000
Megagreen Energy Sdn Bhd	Kilang Sawit Bukit Kepong in Labis, Johor	9 December 2015	1.0000
	Kilang Sawit Maran in Pahang	9 December 2015	1.0000
	Kilang Sawit Nasaruddin in Bota, Perak	5 March 2016	1.0000
	Kilang Sawit Seberang Perak in Perak Tengah, Perak	29 March 2016	2.0000
	Kilang Sawit Sungai Melikai in Mersing, Johor	29 March 2016	1.0000
Concord Green Energy Sdn Bhd	Kilang Sawit Keratong 2 in Kota Bahagia, Pahang	29 December 2016	2.3380
	Kilang Sawit Adela in Kota Tinggi, Johor	4 January 2017	1.5600
	Kilang Sawit Lok Heng in Kota Tinggi, Johor	13 December 2016	1.5600
	Kilang Sawit Lepar Hilir in Kuantan, Pahang	13 December 2016	1.1690
<b>Sub-total</b>			<b>28.0270</b>
<b>Plants pending FiT approval transfer (via Master BOOT between Felda Palm Industries Sdn Bhd and Concord Green Energy Sdn Bhd)</b>			
Concord Green Energy Sdn Bhd	Kilang Sawit Bukit Sagu in Kuantan, Pahang <sup>d</sup>	In progress	2.4000
	Kilang Sawit Keratong 9 in Rompin, Pahang <sup>d</sup>	In progress	2.4000
	Kilang Sawit Maokil in Labis, Johor <sup>d</sup>	In progress	1.2000
	Kilang Sawit Nitar in Mersing, Johor <sup>d</sup>	In progress	2.0000
	Kilang Sawit Pasoh in Bandar Seri Jempol, Negeri Sembilan <sup>d</sup>	In progress	1.2000
	Kilang Sawit Semenchu in Kota Tinggi, Johor <sup>d</sup>	In progress	2.4000

Feed-in approval holder/ applicant	Biogas processing plant and location	Scheduled FiT commencement date <sup>b</sup>	Generation capacity (MW)
	Kilang Sawit Tenggaroh in Kota Tinggi, Johor <sup>d</sup>	In progress	1.2000
	Kilang Sawit Triang in Bera, Pahang <sup>d</sup>	In progress	2.4000
<b>Sub-total</b>			<b>15.2000</b>
<b>Total</b>			<b>43.23</b>

<sup>a</sup> Scheduled FiT dates and generation capacity data for all plants sourced as at 31 October 2015, save for the scheduled FiT date for Felda Palm Industries Sdn Bhd in Kluang, Johor that was updated from 29 December 2015 to 30 April 2016 on 20 April 2016

<sup>b</sup> Scheduled FiT commencement dates may differ in instances where feed-in approval holders apply to SEDA Malaysia and receive approval for extensions arising from factors such as financing and technical delays

<sup>c</sup> Pending approval from SEDA Malaysia on its status as a feed-in approval holder

<sup>d</sup> In the application stage for feed-in approval holder status and in the process of being transferred to Concord Green Energy Sdn Bhd, via a Master BOOT agreement between Felda Palm Industries Sdn Bhd and Concord Green Energy Sdn Bhd.

Source: Green & Smart Holdings plc, SMITH ZANDER analysis

As at 31 October 2015, a total of 112.45 MW of plants in progress capacity is expected to be commissioned in Peninsular Malaysia and Sabah between late 2015 and 2017. Green & Smart Holdings plc, through its subsidiaries and associated companies, expects to commission a total of 28.03 MW in generation capacity of biogas processing plants that are FiT approved by the end of 2017, thereby resulting in a market share of 24.93% for plants in progress, which upon commissioning, will make Green & Smart Holdings plc the largest biogas player in Malaysia.

When Concord Green Energy Sdn Bhd receives FiT commencement year(s) for its plants and upon conclusion of the proposed transfer of eight (8) FiT-approved biogas plants by Felda Palm Industries Sdn Bhd to Concord Green Energy, Green & Smart Holdings plc, through its subsidiaries and associated companies, will have a total generation capacity of 43.23 MW in terms of plants in progress that are made up of plants that are FiT approved and pending FiT approval between late 2015 and 2017, giving it a market share of 38.44% for plants in progress in Malaysia, which upon commissioning, will strengthen Green & Smart Holdings plc's market leadership position in the biogas industry in Malaysia.

#### **Biogas industry in Malaysia – total generation capacities of biogas processing plants in progress of Green & Smart Holdings plc in comparison with biogas processing plants in progress in Malaysia**

<sup>a</sup>

Total plants in progress, Malaysia (MW)	112.45
Green & Smart Holdings plc, based on approved FiT plants <sup>b</sup> (MW)	28.03
<b>Market share for Green &amp; Smart Holdings plc, through its subsidiaries and associated companies <sup>b</sup></b>	<b>24.93%</b>
Green & Smart Holdings plc, based on approved FiT plants and pending FiT plants <sup>c</sup> (MW)	43.23
<b>Market share of Green &amp; Smart Holdings plc, through its subsidiaries and associated companies <sup>c</sup></b>	<b>38.44%</b>

<sup>a</sup> Data sourced as at 31 October 2015

<sup>b</sup> Comprising 16 FiT approved plants in progress under Green & Smart Sdn Bhd, Our Energy Group (M) Sdn Bhd, Megagreen Energy Sdn Bhd and Concord Green Energy

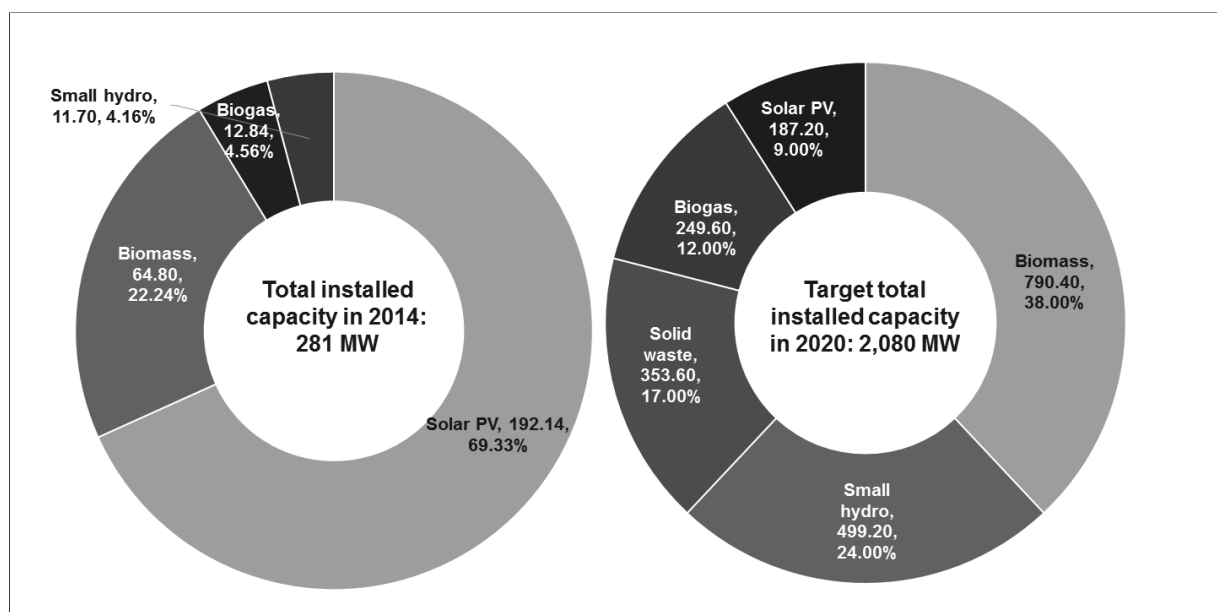
<sup>c</sup> Comprising 16 FiT approved plants in progress under Green & Smart Sdn Bhd, Our Energy Group (M) Sdn Bhd, Megagreen Energy Sdn Bhd and Concord Green Energy Sdn Bhd, as well as eight (8) plants in progress pending FiT approval transfers from Felda Palm Industries Sdn Bhd to Concord Green Energy Sdn Bhd

Source: Green & Smart Holdings plc, SEDA Malaysia, SMITH ZANDER analysis

## Industry Outlook and Prospects

The Eleventh Malaysia Plan (“11MP”), Malaysia’s national development blueprint that identifies critical growth areas and allocates federal resources for the period 2016 to 2020, underlines the importance of increasing the share of renewable energy in the national energy mix. Total installed capacity for renewable energy in 2014 amounted to approximately 281.48 MW, of which biogas accounted for 4.56% or 12.84 MW. The 11MP targets to increase total installed capacity for renewable energy to 2,080.00 MW in 2020, of which biogas is targeted to account for 12.0% or 249.60 MW.

### Biogas industry in Malaysia – total installed capacity of renewable energy in 2014 and targeted total installed capacity in 2020 (MW) <sup>a</sup>



<sup>a</sup> Data sourced as at 31 October 2015

Source: SEDA Malaysia, 11MP, SMITH ZANDER analysis

Anticipating greater demand for electricity following the Government’s target to achieve the status of high income nation by 2020, a total of over 9,000.00 MW of generation capacity comprising renewable and non-renewable energy sources is expected to become operational between 2015 and 2020.

SEDA Malaysia reserves the right to change the allocated and available capacities based on a set of considerations that include, but are not limited to, Renewable Energy Fund status, demand for power, and as a result of stakeholder engagements. SEDA Malaysia undertakes a three (3) year planning horizon with regards to the release of available capacity for biogas power generation installations. Hence, available capacity earmarked for 2019 and 2020 can be expected to be announced in 2016 and 2017 respectively.

**Biogas industry in Malaysia – available generation capacity under FiT mechanism <sup>a</sup>**

Year	Available capacity (MW)		
	Biogas	Biogas (landfill/ agriculture waste)	Total
2015			
January – June	0.00	0.00	0.00
July – December	0.00	0.00	0.00
2016			
January – June	0.00	0.00	0.00
July – December	0.00	0.33	0.33
2017			
January – June	0.00	0.99	0.99
July – December	0.00	1.38	1.38
2018			
January – June	0.00	5.00	5.00
July – December	To be announced	To be announced	To be announced
<b>Total</b>	<b>0.00</b>	<b>7.70</b>	<b>7.70</b>

<sup>a</sup> Data sourced as at 31 October 2015

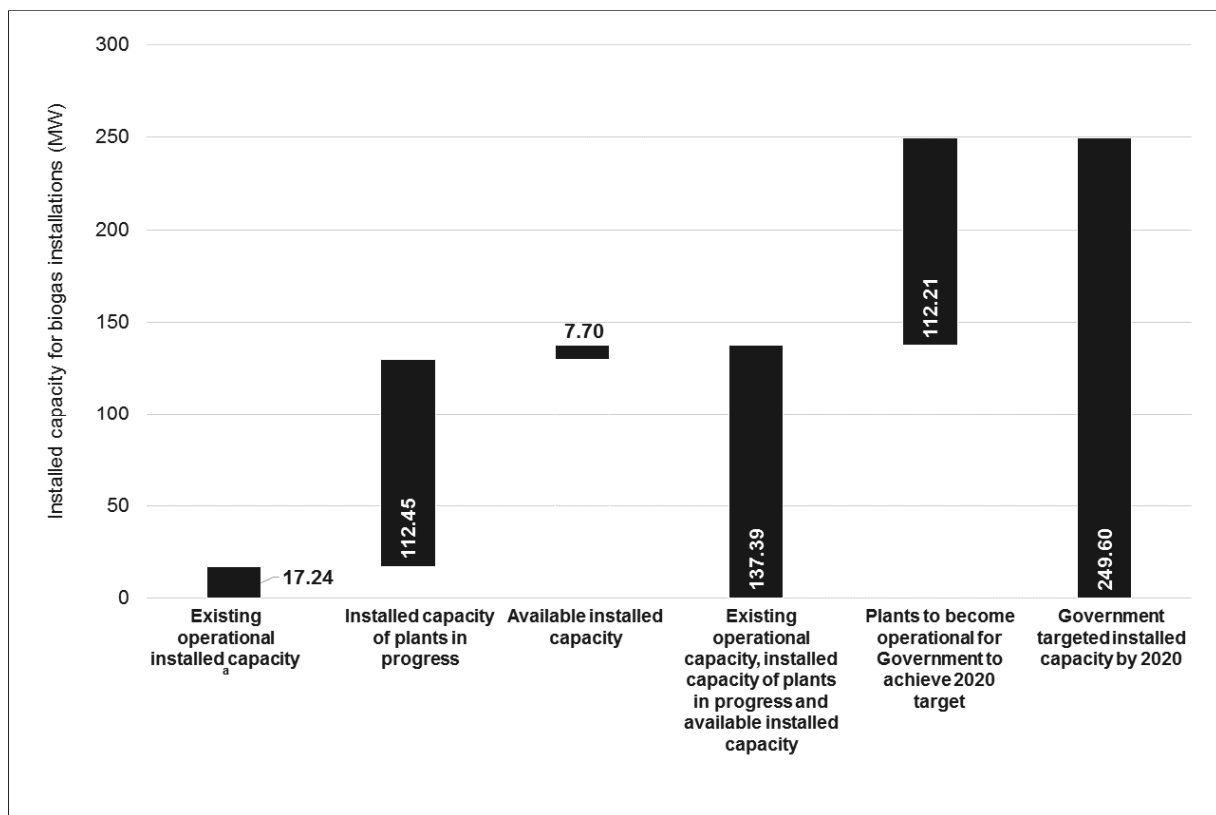
Source: SEDA Malaysia, SMITH ZANDER analysis

With this, the capacities for commissioned plants (17.24 MW), total generation capacities of plants in progress (112.45 MW), and available capacity (7.70 MW), if achieved, would total 137.39 MW, leaving 112.21 MW required in installed capacity to be constructed between 2018 and 2020 in order for the Government to achieve its target of 249.60 MW in installed capacity for biogas under the 11MP. The FiT mechanism has created an environment suitable for existing biogas power generators to expand their footprint and for potential generators to enter the market, where growth illustrates the significant prospects of the biogas industry with regards to power generation and underlines the potential upside it holds moving forward.

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### Biogas industry in Malaysia – status of biogas installation target by 2020 under 11MP <sup>a</sup>



<sup>a</sup> Data sourced as at 31 October 2015

<sup>b</sup> Installed capacity for biogas installations as at 2014 amounted to 12.84 MW. As at 31 October 2015, an additional 4.40 MW in installed capacity was added in 2015

Source: SEDA Malaysia, 11MP, SMITH ZANDER analysis

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## 6 DEMAND ANALYSIS FOR THE ELECTRICITY SUPPLY INDUSTRY IN MALAYSIA

### Industry Performance, Outlook and Prospects

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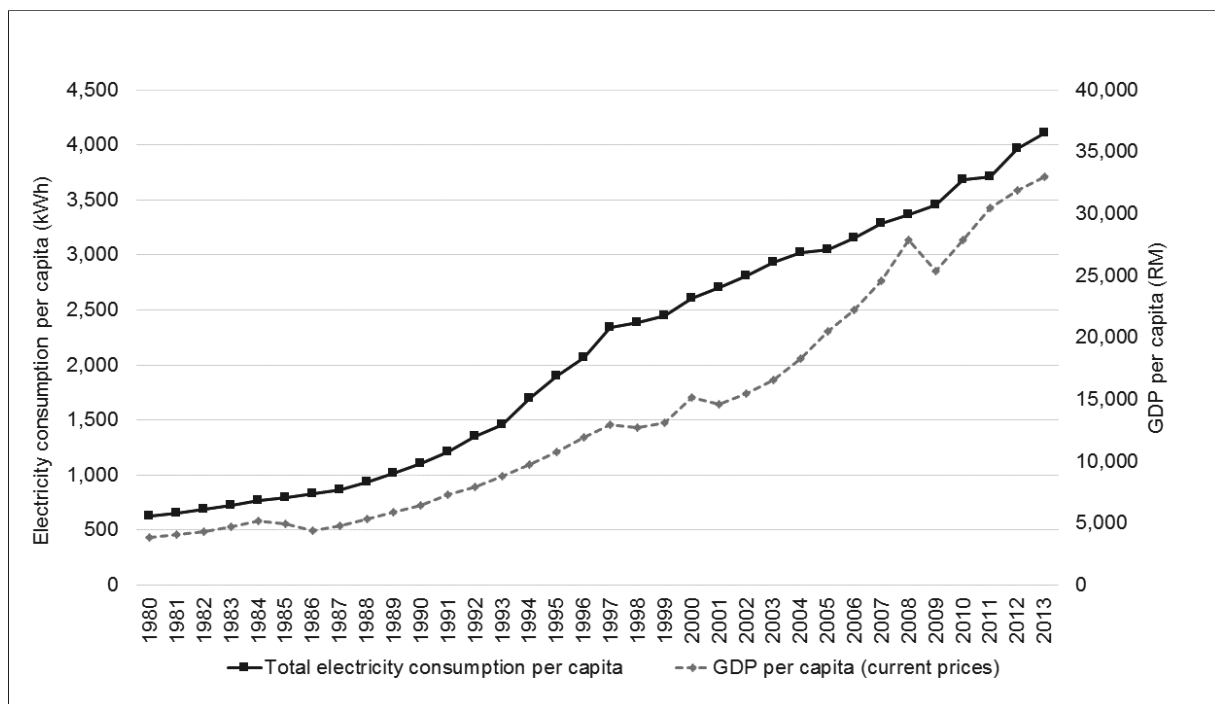
Electricity is an integral infrastructural element for economic growth and a main input for production activities. Electricity underpins a wide range of products and services that improve the quality of life, increases productivity and promotes entrepreneurial activity. Thus electricity consumption is positively and highly correlated with per capita gross domestic production (“GDP”). Further economic development in a nation leads to higher electricity consumption per capita.

Over the period of 1980 to 2013, Malaysia’s per capita demand for electricity increased from 626 kWh to 4,110 kWh as a result of population growth, progressive urbanisation and globalisation trends. Over the same period, Malaysia’s per capita GDP increased from RM3,851 to RM32,948. Despite recent economic challenges, Malaysia’s economy has rebounded since 2008 to post an admirable GDP growth rate of 6.0% in 2014.

Malaysia’s growth trajectory is outlined in the ETP and 11MP which strive to transform the country into a high income nation by 2020. The ETP in particular, focuses on 12 NKEAs, namely oil, gas and energy, palm oil and rubber, healthcare, business services, communications content and infrastructure, agriculture, wholesale and retail, financial services, tourism, electronics and electrical, education and Greater Kuala Lumpur/Klang Valley that will drive economic growth for the nation. The Government of Malaysia has also committed to the establishment of five (5) economic growth corridors to promote free trade. These corridors are the Iskandar Development Region in South Johor (“Iskandar Malaysia”), Northern Corridor Economic Region (“NCER”), East Coast Economic Region (“ECER”), Sabah Development Corridor (“SDC”) and Sarawak Corridor of Renewable Energy (“SCORE”).

The ETP and 11MP respectively put in place a number of strategies and areas identified for development that span across various sectors of the economy and identify key growth areas that would add value to the economy. The demand for electricity is anticipated to expand in tandem with the development of these sectors. Given the fact that electricity plays a key role in powering growth, 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.

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Demand for electricity in Malaysia – electricity consumption per capita and GDP per capita <sup>a</sup>

<sup>a</sup> Data for 2014 is not publicly available as at the publication of this report

Source: Energy Commission Malaysia, International Monetary Fund, SMITH ZANDER analysis

For the period between 2010 and 2013, electricity demand in Malaysia, as measured by the sales of electricity, grew from 99,485 GWh to 116,104 GWh at a CAGR of 5.28%. The growth in regional energy demand correlates to the number of users in each region. Electricity demand was highest in Peninsular Malaysia, which witnessed a growth from 89,631 GWh to 101,015 GWh at a CAGR of 4.07% over the same period.

During this period, consumers in Peninsular Malaysia comprising residential, commercial, industrial and other users remained consistently the largest, and increased from 7,431,655 consumers to 7,928,869 consumers. Sarawak was the second largest consuming region and registered an impressive CAGR of 22.08% as demand increased from 5,727 GWh in 2010 to 10,420 GWh in 2013. Consumers in Sarawak increased from 505,205 consumers to 573,950 consumers over this period. Sabah witnessed moderate growth over 2010 and 2013 as demand increased from 4,127 GWh to 4,669 GWh at a CAGR of 4.20%, and registered a growth in consumers from 440,526 consumers to 510,217 consumers.

**Demand for electricity in Malaysia – regional consumption of electricity <sup>a</sup>**

Region	2010	2011	2012	2013	CAGR
Peninsular Malaysia	89,631	93,713	97,256	101,015	4.07%
Sabah	4,127	4,276	4,456	4,669	4.20%
Sarawak	5,727	6,486	7,587	10,420	22.08%
<b>Malaysia</b>	<b>99,485</b>	<b>104,475</b>	<b>109,299</b>	<b>116,104</b>	<b>5.28%</b>

<sup>a</sup> Data for 2014 is not publicly available as at the publication of this report

Source: Energy Commission Performance and Statistical Information on Electricity Supply in Malaysia 2013, SMITH ZANDER analysis

**Demand for electricity in Malaysia – total consumers by region <sup>a</sup>**

Region	2010	2011	2012	2013	CAGR
Peninsular Malaysia	7,431,655	7,652,117	7,878,866	7,928,869	2.18%
Sabah	440,526	464,053	486,485	510,217	5.02%
Sarawak	505,205	528,551	549,053	573,950	4.34%
<b>Malaysia</b>	<b>8,377,386</b>	<b>8,644,721</b>	<b>8,914,404</b>	<b>9,013,036</b>	<b>2.47%</b>

<sup>a</sup> Data for 2014 is not publicly available as at the publication of this report

Source: Energy Commission Performance and Statistical Information on Electricity Supply in Malaysia 2013, SMITH ZANDER analysis

**Demand for electricity in Malaysia – total consumption by sector <sup>a</sup>**

Region	2010	2011	2012	2013	CAGR
Residential	20,847	21,671	23,321	24,853	6.03%
Commercial	33,209	35,343	37,167	39,065	5.56%
Industrial	43,842	45,746	46,989	50,239	4.64%
Others comprising agriculture, mining, public lighting and exports	1,587	1,715	1,822	1,947	7.05%

<sup>a</sup> Data for 2014 is not publicly available as at the publication of this report

Source: Energy Commission Performance and Statistical Information on Electricity Supply in Malaysia 2013, SMITH ZANDER analysis

Electricity consumption per capita in Malaysia remains significantly lower than that in developed economies in Asia such as Hong Kong and Singapore. In 2012, Malaysia's electricity consumption per capita stood at 3,966 kWh compared to Hong Kong's 6,026 kWh and Singapore's 8,690 kWh. As Malaysia progresses towards high income status and achieves greater economic wealth, the demand for electricity will continue to grow in tandem, signifying the substantial growth potential for Malaysia's electricity supply industry.

**Demand for electricity in Malaysia – electricity consumption per capita (kWh) in selected economies<sup>a</sup>**

Year	Electricity consumption per capita (kWh)		
	Malaysia	Hong Kong	Singapore
2009	3,452	5,951	8,125
2010	3,700	5,974	8,686
2011	3,706	5,960	8,657
2012	3,966	6,026	8,690
<b>CAGR</b>	<b>4.74%</b>	<b>0.42%</b>	<b>2.27%</b>

<sup>a</sup> Electricity consumption per capita data for Hong Kong and Singapore for the period of 2013 and 2014 are not available as at 31 October 2015

Source: Energy Commission Malaysia, The World Bank, SMITH ZANDER analysis

SMITH ZANDER projects electricity demand in Malaysia to increase from 116,104 GWh in 2013 to 145,500 GWh in 2017 at a CAGR of 5.80% on the back of population and economic growth. This growth in demand is expected to lead to increased installed capacity in renewable energy sources as the Government continues to strive towards a more sustainable energy solution. Biogas is perfectly poised to benefit from this trend as the ready supply of feedstock from the palm oil industry provides opportunity for growth.

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## 7 ANALYSIS OF THE PALM OIL INDUSTRY IN MALAYSIA

### Definitions and Segmentation

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According to the Performance Management & Delivery Unit (“PEMANDU”) in the 10<sup>th</sup> Malaysian Plan, the palm oil industry is the nation’s fourth largest economic contributor and accounted for a gross national income (“GNI”) of RM53.0 billion. In the year 2013, the palm oil industry formed 2.6% of Malaysia’s GDP with a contribution of RM20.5 billion. Palm oil and palm oil-based products are the largest export income generator in the agricultural products segment. In 2014, the exports of palm oil and palm kernel oil (“PKO”) totalled an estimated RM48.7 billion, with India, China and Netherlands emerging as principal importers of Malaysia’s palm oil.

The value chain of the palm oil industry focuses on the activities of cultivating oil palm crops, processing of FFBs and processing/refining of refined, bleached and deodorised (“RBD”) palm oil and PKO into edible oils and fats, oleochemicals and biodiesel.

- **Cultivation of oil palm crops**

The commercial cultivation of oil palm bears FFBs of oilseeds. FFBs are harvested from crops which mature approximately three (3) years from planting, and mature crops typically remain economically productive for up to 25 to 30 years. This crop thrives in tropical climate countries within 10° to 20° off the equator, where there is little seasonal variation and constant temperature, humidity, rainfall and sunlight. As a result, oil palm is largely cultivated in countries in Asia, Africa, Central America and South America, as well as certain parts of the Oceania region. Malaysia’s first commercial oil palm plantation was the Tenamaram Estate in Selangor and this plantation was established and operated by British plantation owners. The increasing demand for palm oil products and supporting Government initiatives spurred the growth of plantation development in Malaysia.

- **Processing of FFBs**

Harvested FFBs are processed in a mill where these oilseeds undergo processes such as sterilisation, threshing and pressing. These processes lead to the extraction of CPO from the mesocarp and palm kernel from nut shells. Crude palm kernel oil (“CPKO”) is produced from crushed and refined palm kernel. The by-product of these processes results in EFBs which are typically used as feedstock for biomass boilers to power mill operations and as compost in the production of biofertilisers for plantations.

Refining and fractionation of CPO are required to produce RBD palm oil, liquid RBD palm olein and solid RBD palm stearin in refineries, which are collectively referred to as palm oil. Further refining and fractionation of CPKO produces RBD PKO, liquid RBD palm kernel olein and solid RBD palm kernel stearin, which are collectively referred to as PKO.

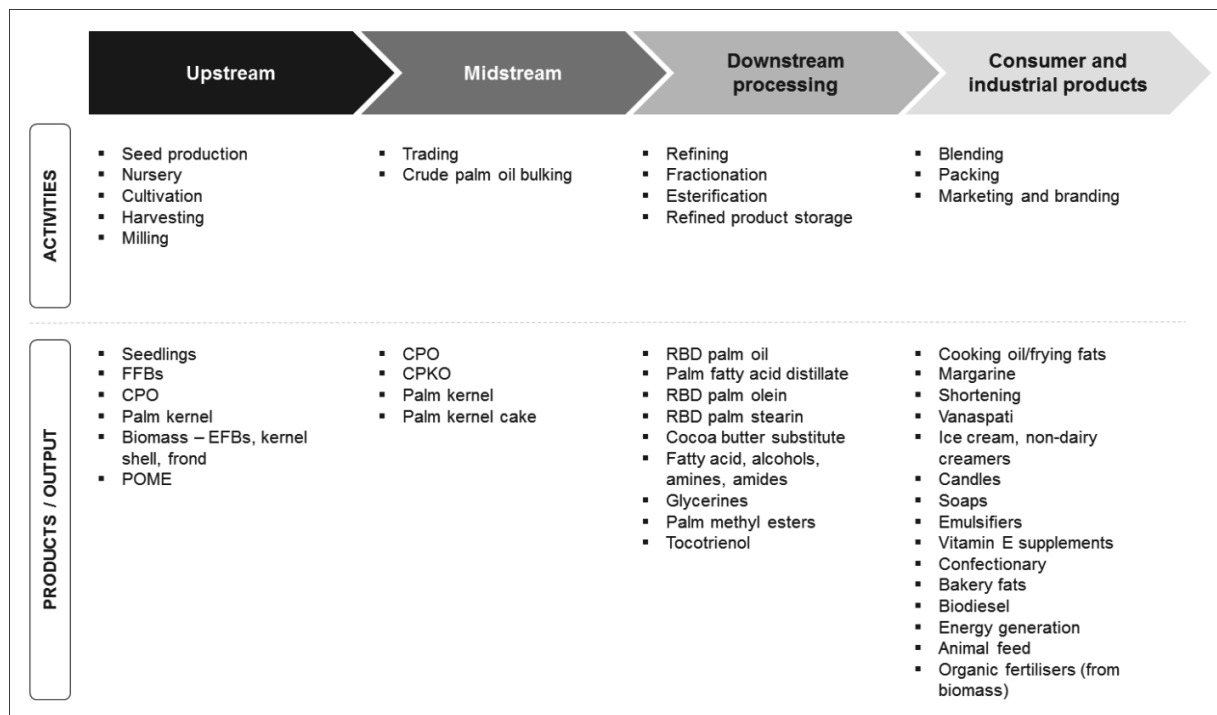
- **Processing/refining of RBD palm oil and PKO into edible oils and fats, oleochemicals and biodiesel**

Palm oil and PKO products are used in different end-user industry applications due to their differing physical and chemical properties. While palm oil products are largely used in various food applications, PKO products which naturally have high contents of lauric acid are more typically used as intermediary raw materials in the production of oleochemicals. Palm oil is also used as feedstock for biodiesel in fueling automobiles.

▪ **Value-added processing, packing and marketing of downstream consumer and industrial products**

This segment of the value chain has industry players involved in the value-added processing, packing and marketing of palm oil-based consumer and industrial finished products. This segment plays an important role in national economies as it complements the palm oil processors and refiners in delivering oils and oil-based products to end consumers. It is also critical in terms of generating income via the trade of various finished and intermediary derivatives for multiple food and non-food applications for domestic and export markets, creating employment and providing basic needs to communities at large.

**Palm oil industry in Malaysia – industry value chain**



Source: SMITH ZANDER analysis

The upstream palm oil industry in Malaysia is mature owing to its long history of cultivation and processing of palm oil and PKO. Nevertheless, growth opportunities are present as replanting is regularly carried out to replace mature crops to ensure the sustainability of supply of palm oil and PKO to the refineries. The downstream segment of the palm oil industry is robust as a result of the constant supply of oilseeds from the plantation sector and strong consumer demand. This strong demand from retail and industrial consumers is expected to secure the sustainability of Malaysia’s palm oil industry over the long term.



## Industry Performance, Outlook and Prospects

### Supply (i.e. Production) Analysis

The palm oil industry in Malaysia has performed positively over the years between 2000 and 2014. Total planted area in Malaysia, comprising both mature and immature planted area, grew at a CAGR of 3.4% between 2000 and 2014. In 2014, total planted area in Malaysia was 5.4 million Ha. Mature oil palm plantations in Malaysia are located both in Peninsular Malaysia and East Malaysia. Mature oil palm plantations grew at a faster pace in East Malaysia (CAGR 5.7%) compared to Peninsular Malaysia (CAGR 1.6%) between the years 2000 and 2014 as a result of the higher availability of arable land for agricultural purposes in the East Malaysia states of Sabah and Sarawak. As at end December 2014, Malaysia had a total of 4.7 million Ha of mature oil palm plantations, of which 2.3 million Ha were located in Peninsular Malaysia.

### Palm oil industry in Malaysia – key supply statistics

Year	Mature planted area ('000 Ha)			Immature planted area ('000 Ha)			Total planted area ('000 Ha)
	Peninsular Malaysia	East Malaysia	Total	Peninsular Malaysia	East Malaysia	Total	
2000	1,832	1,109	2,941	213	222	435	3,376
2001	1,841	1,164	3,005	256	238	494	3,499
2002	1,927	1,262	3,189	261	221	482	3,671
2003	1,923	1,380	3,303	279	220	499	3,802
2004	1,964	1,487	3,451	238	187	425	3,876
2005	2,069	1,563	3,632	230	190	420	4,052
2006	2,093	1,611	3,704	242	220	462	4,166
2007	2,099	1,665	3,764	263	278	541	4,305
2008	2,150	1,766	3,916	261	311	572	4,488
2009	2,197	1,879	4,076	293	322	615	4,691
2010	2,224	1,978	4,202	300	351	651	4,853
2011	2,200	2,064	4,264	346	373	719	5,001
2012	2,186	2,167	4,353	372	352	724	5,077
2013	2,234	2,292	4,526	360	344	704	5,230
2014	2,275	2,414	4,689	342	361	703	5,392
<b>CAGR</b>	<b>1.6%</b>	<b>5.7%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.4%</b>

Source: MPOB, SMITH ZANDER analysis

Malaysia's processing levels of FFBs, measured by the volume of FFBs processed by mills in the country, grew at a CAGR of 3.7% between 2000 and 2014. FFB volume increased from 57.5 million MT to 95.4 million MT during the said years. The nation's average annual FFB yield in 2014 was recorded at 18.6 MT per Ha, whereby annual FFB yield in Peninsular Malaysia was 18.2 MT per Ha and annual FFB yield in East Malaysia was 19.0 MT per Ha.

In line with the growth in mature plantation area leading to higher FFB yield, CPO production in Malaysia grew at a CAGR of 4.4% from 10.8 million MT in 2000 to 19.7 million MT in 2014. CPO production volume

is cyclical and correlates closely to the volumes of FFB received by mills as a result of factors such as replanting cycles, weather conditions and market forces, specifically pricing and availability of other vegetable oils. Malaysia is the world's second largest producer of CPO after Indonesia, with 19.7 million MT produced in 2014, compared to Indonesia's production of approximately 30 million MT in the same year. The production of CPO generates large volumes of POME that can be effectively treated and processed to harness biogas for producing electricity, and as such, Malaysia is well-positioned to utilise POME as the main feedstock for biogas installations.

CPKO production in Malaysia also grew positively between the years 2000 and 2014, from 1.4 million MT to 2.3 million MT at a CAGR of 3.6%. With a production volume of 2.3 million MT of CPKO, Malaysia was the world's second largest producer of CPKO after Indonesia in 2014. Similar to CPO, the production of CPKO is also dependent on the volumes of FFB received by mills, which are impacted by factors such as replanting cycles, weather conditions and market forces, specifically pricing and availability of other vegetable oils. The production of palm kernel, which is influenced by the volume of processed FFBs, increased from 3.2 million MT in 2000 to 4.9 million MT in 2014 at a CAGR 3.1%.

#### Palm oil industry in Malaysia – upstream and midstream supply statistics

Year	FFBs processed (million MT)	Palm kernel production (million MT)	CPO production (million MT)	CPKO production (million MT)
2000	57.5	3.2	10.8	1.4
2001	61.4	3.4	11.8	1.5
2002	59.8	3.3	11.9	1.5
2003	67.6	3.6	13.4	1.6
2004	69.8	3.7	14.0	1.6
2005	74.2	4.0	15.0	1.8
2006	79.3	4.1	15.9	2.0
2007	78.6	4.1	15.8	1.9
2008	87.8	4.6	17.7	2.1
2009	85.7	4.5	17.6	2.1
2010	83.1	4.3	17.0	2.0
2011	92.9	4.7	18.9	2.2
2012	92.3	4.7	18.8	2.2
2013	94.9	4.9	19.2	2.3
2014	95.4	4.9	19.7	2.3
<b>CAGR</b>	<b>3.7%</b>	<b>3.1%</b>	<b>4.4%</b>	<b>3.6%</b>

Source: MPOB, SMITH ZANDER analysis

In 2014, there were 443 mills and 44 palm kernel crushers in operation which accounted for a milling and crushing capacity of 106,708,400 MT per annum and 6,899,800 MT per annum respectively. As at 2014, there are 24 mills and one (1) kernel crusher under planning and construction with a combined capacity of 4,023,000 MT per annum and 60,000 MT per annum respectively.

### Palm oil industry in Malaysia – upstream and midstream processing performance

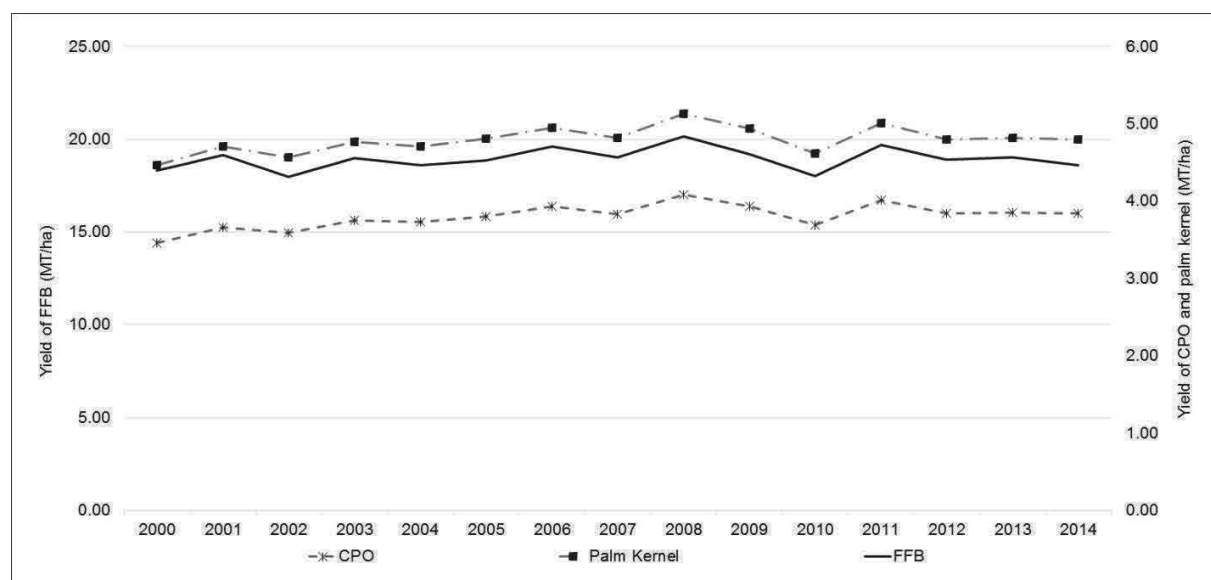
Year	Type of facility	Existing in operation		Existing not in operation		Under planning and construction	
		Units	Capacity (MT per annum)	Units	Capacity (MT per annum)	Units	Capacity (MT per annum)
2014	Mills	443	106,708,400	5	612,000	24	4,023,000
	Palm kernel crushers	44	6,899,800	8	655,500	1	60,000

Source: MPOB, SMITH ZANDER analysis

The palm oil industry is a key supply industry to the production of biogas for the purpose of power generation in Malaysia. Biogas power generation installations in Malaysia are reliant on POME as feedstock to power gas engines that produce electricity which is then sold to the National Grid under the FiT mechanism by oil palm mills as a means of generating additional revenue through milling operations.

Growth in demand and supply conditions for oil palm facilitates the release of biogas from POME produced in the milling process which creates a need for new biogas trapping and power generation installations to supplement the new mills required to process the increased FFB produced. Increased yields per hectare of oil palm planted area increases the amount of FFB processed per hectare which creates a need for mills to be able to process increased throughput. Both these factors necessitate millers to have biogas trapping installations in place for new mills and mill expansions to be sanctioned by the MPOB. These factors serve as a proxy for growth in the biogas industry in Malaysia and creates upside for biogas power generation activities in Malaysia.

### Palm oil industry in Malaysia – yield performance for FFB, CPO and palm kernel



Source: MPOB, SMITH ZANDER analysis

The importance of biogas capture is underlined by its inclusion under the ETP. Under EPP5, one (1) of several entry point projects outlined by the ETP, all palm oil mills must be equipped with biogas capture facilities by 2020. Through the ETP initiatives, the industry has recorded an encouraging private initiative moving into biogas capture with a cumulative 68 biogas plants in operation in 2014.

#### Palm oil industry in Malaysia – upstream and midstream mills with biogas installations in 2014

Upstream and midstream oil palm mills	Units
<b>Mills in operation and in progress</b>	<b>467</b>
of which:	
<i>Number of mills in operation</i>	443
<i>Number of mills in progress</i>	24
<b>Mills in operation and in progress</b>	<b>467</b>
of which:	
<i>Number of mills with biogas processing plants <sup>a</sup></i>	68
<i>Number of mills without biogas processing plants</i>	399

<sup>a</sup> As at 10 June 2015, total number of mills with biogas processing plants stood at 75

Source: MPOB, SMITH ZANDER analysis

#### Demand (i.e. Consumption) Analysis

Malaysia's exports of palm oil stood at 17.3 million MT in 2014, with the top three (3) importing countries, India (3.3 million MT, 18.8%), China (2.8 million MT, 16.4%) and Netherlands (1.6 million MT, 9.2%) accounting for approximately 44.4% of total export volume. Palm oil export volumes stood at 9.1 million MT in 2000, with the top three (3) importers, India (2.0 million MT, 22.4%), Pakistan (1.1 million MT, 12.1%) and China (1.0 million MT, 11.3%) accounting for 45.8% of total export volume.

Malaysia's exports of PKO increased from 520.3 thousand MT in 2000 to 1.1 million MT in 2014. Top importers in 2014 were Netherlands (216.5 thousand MT, 19.4%), China (207.9 thousand MT, 18.6%) and United States of America ("United States") (185.2 thousand MT, 16.6%) which collectively accounted for 54.6% of total PKO exports. Top importers in 2000 were United States (121.4 thousand MT, 23.3%), Netherlands (49.7 thousand MT, 9.6%) and Japan (47.3 thousand MT, 9.1%), collectively importing 42.0% of total PKO export volume.

Collectively, Malaysia's exports of crude and refined palm oil products increased from RM14.9 billion (12.4 million MT) in year 2000 to RM63.6 billion (25.1 million MT) in year 2014.

#### Palm oil industry in Malaysia – key external trade statistics

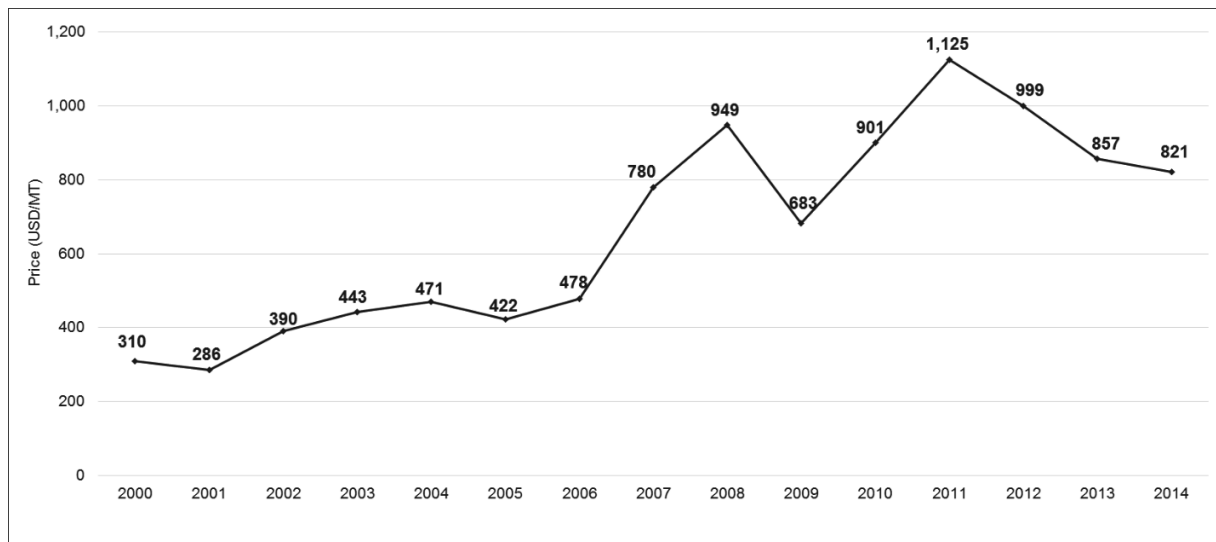
Year 2000			Year 2014		
Export partner	Export volume ('000 MT)	Percentage of export volume (%)	Export partner	Export volume ('000 MT)	Percentage of export volume (%)
<b>Palm oil</b>					
India	2,035.0	22.4	India	3,251.6	18.8
Pakistan	1,102.0	12.1	China	2,839.3	16.4
China	1,022.0	11.3	Netherlands	1,598.5	9.2
Others	4,923.0	54.2	Others	9,616.9	55.6
<b>Total palm oil</b>	<b>9,082.0</b>	<b>100.0</b>	<b>Total palm oil</b>	<b>17,306.3</b>	<b>100.0</b>

Year 2000			Year 2014		
Export partner	Export volume ('000 MT)	Percentage of export volume (%)	Export partner	Export volume ('000 MT)	Percentage of export volume (%)
<b>PKO</b>					
United States	121.4	23.3	Netherlands	216.5	19.4
Netherlands	49.7	9.6	China	207.9	18.6
Japan	47.3	9.1	United States	185.2	16.6
Others	301.9	58.0	Others	507.1	45.4
<b>Total PKO</b>	<b>520.3</b>	<b>100.0</b>	<b>Total PKO</b>	<b>1,116.7</b>	<b>100.0</b>

Source: MPOB, SMITH ZANDER analysis

CPO market price is influenced by the market price of its comparable edible oils due to their similar physical properties and applications. The market price of CPO also largely follows that of crude oil, particularly from 2007 onwards, due to their use as feedstock in the production of biodiesel and hence serving as a substitute for crude oil. In the last 14 years, crude oil has risen from USD310 in 2000 to USD821 in 2014.

#### Palm oil industry in Malaysia – global price performance of CPO



Source: World Bank, SMITH ZANDER analysis

## Key Industry Growth Drivers, Developments and Trends

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### **Growing demand for food creates corresponding demand for edible oils and specifically, palm oil**

The demand for palm oil is directly driven by the growing demand for food as a result of the overall global population and economic growth.

- **Population growth**

World population in 2014 was approximately 7.2 billion, having grown by 35.8% from 5.3 billion in 1990. Higher population growth rates were especially witnessed in developing countries, pressuring the agricultural industry to produce sufficient food and fibres to feed and clothe an increasing world population, as well as to increase the daily food intake of the existing undernourished population in underdeveloped countries. As a result, the agricultural industry has seen a general uptrend in all major crop production within the last decade, and demand for food will increase significantly over the long term despite the slower population growth rate in order to meet this demand.

- **Economic growth**

The global economy has continually witnessed positive growth trends in recent decades, with the exception of the periods of economic slowdown in 1997/98 and 2008/09. In line with global economic growth, there continues to be strong demand and higher prices for energy, primary commodities and food. The growth in per capita income worldwide has led to a shift in dietary intake, which has moved away from staple products such as cereals, roots and tubers and pulses towards livestock, vegetable oils, fruits and vegetables.

In 2014, the average world urbanisation rate, which is used here as an indicator for wealth, was estimated to be approximately 54%. The forecast average world urbanisation rate in 2050 is 66%, an increase of approximately 12 percentage points from 2014.

The increased demand for palm oil is driven in part by the edible oils and fats market, of which palm oil is a key contributor. The suitability and low cost of palm oil makes it an attractive option when compared to other available alternatives globally. Please refer to Chapter 8 – Overview of the Global Edible Oils and Fats Market for further details on the growth in edible oils and fats consumption.

### **Wide range of applications of palm oil and its derivatives increase the popularity of palm oil**

The versatility and fat content in palm oil which extends shelf life, shortens cooking time, and contributes to texture as well as flavour makes it a popular base ingredient that is utilised in a wide range of food and non-food applications. Palm oil can be used for a multitude of food applications, including the production of cooking oil, margarine, bakery shortening and confectionery fats, as well as non-food applications such as soaps, detergents, toiletries and cosmetics.

The application of palm oil in the production of polyols has also recently been discovered. Polyols is used to make polyurethane, a plastic material with multiple applications in various industries such as building and construction, automotive, furniture and electrical and electronics. Additionally, palm oil is also used as a feedstock in the generation of renewable energy such as biofuels (biodiesel) and biomass, which are increasingly gaining popularity as they are renewable and widely available, with environmentally friendly processing techniques which do not emit large amounts of greenhouse gases.

**Strong Government support strengthens the palm oil industry**

As the second largest producer of CPO and CPKO globally, Malaysia's palm oil industry has great economic potential and reach globally, contributing to fulfilling the growing global demand for palm oil and its derivatives as well as employing a large number of workers in plantations locally. Malaysia's competitiveness in the palm oil industry is evident as the country has a long history of experience and strong market leadership in terms of productivity and research and development.

The Government of Malaysia, via the ETP, aims to increase the GNI contribution of the palm oil industry from RM52.7 billion in 2009 to RM178.0 billion by 2020. This will be made possible through a series of concentrated efforts spanning across the palm oil industry's value chain which are aimed at capturing the growing demand for palm oil. Efforts to improve upstream productivity include accelerating the replanting of oil palm, improving FFB yield and worker productivity, increasing oil extraction rate and developing biogas at palm oil mills. Downstream expansion of the palm oil industry will focus on developing oleo derivatives, commercialising second generation biofuels and expediting growth in food and health-based downstream segments.

**Increase in use of biodiesel creates demand for palm oil**

Depleting crude oil reserves have spurred the use of biodiesel as a source of energy in various parts of the world. As biodiesel is derived from edible oils and fats, it possesses several benefits over fossil fuel such as it being renewable, less harmful to the environment and biodegradable. Thus, many Governments have legislated the use of biodiesel in vehicles, usually in a blend with diesel, to reduce dependence on crude oil as well as to reduce carbon emissions. The United States, member countries of the European Union, Australia and Brazil as well as countries in Asia including Malaysia, Indonesia, Philippines and Thailand have introduced legislations regarding biodiesel. These legislations mandate a minimum percentage of biodiesel to replace diesel or petroleum for use in automobiles.

Biodiesel reduces the release of harmful emissions such as unburned hydrocarbons, carbon monoxide and particulate matter into the air and contains almost no amount of sulphur or aromatics. Furthermore, biodiesel yields a positive energy balance ratio of 4.5 to 1, in which for every unit of energy required in its production, 4.5 units of biodiesel energy points are gained. This is due to the fact that plants are efficient carriers of solar energy.

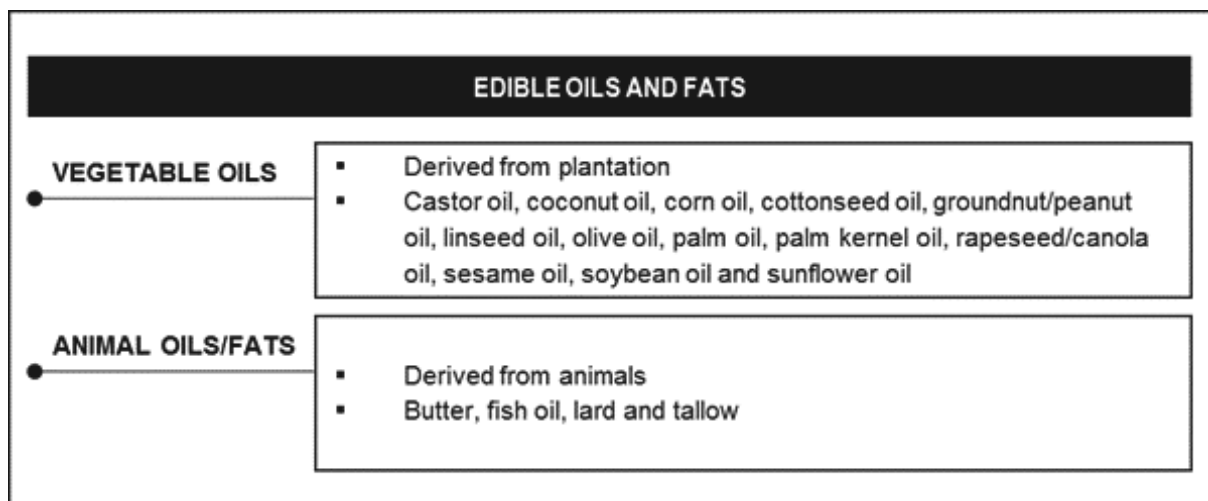
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## 8 OVERVIEW OF THE GLOBAL EDIBLE OILS AND FATS MARKET

### Definitions and Segmentation

The edible oils and fats market comprises 17 widely recognised and globally traded vegetable oils and animal oils/fats. These edible oils and fats can be broadly categorised into two (2), namely vegetable oils and animal oils/fats. The term 'oil' largely refers to liquid substances while 'fat' refers to solid substances. Oils and fats are insoluble in water, but are soluble in most organic solvents. Edible oils and fats are made of triglycerides, a molecule that combines one (1) unit of glycerol (or glycerine) with three (3) units of fatty acids. Edible oils and fats can be found in either liquid, semisolid or solid form at room temperature.

#### Edible oils and fats – market segmentation



Source: SMITH ZANDER analysis

Edible oils and fats are primarily utilised for food applications and largely in the manufacturing of cooking and salad oils, margarines and spreads, food dressings, shortenings and substitutes for hard butter and cocoa butter. The main processes required to produce these food products are:

- extraction of oil from the oil-bearing source
- degumming to remove a minor component of crude vegetable oil, namely the phosphatides
- refining or neutralisation of free fatty acids
- bleaching to remove colour-producing compounds
- deodorisation to remove undesirable flavors, colours and odours

Several further processes are additionally required to obtain margarines and shortenings, including fractionation, hydrogenation and/or interesterification. Edible oils and fats are also utilised in non-food applications as raw materials for the production of oleochemicals, in which they are used in the manufacturing of a wide range of goods such as soaps, lubricants, paints, candles and biodiesel.



## Market Performance, Outlook and Prospects

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### Supply (i.e. Production) Analysis

Global production of edible oils and fats displayed steady positive growth since 2000, increasing from 114.9 million MT in 2000 to 200.0 million MT in 2014 and registering a CAGR of 4.0% over this period.

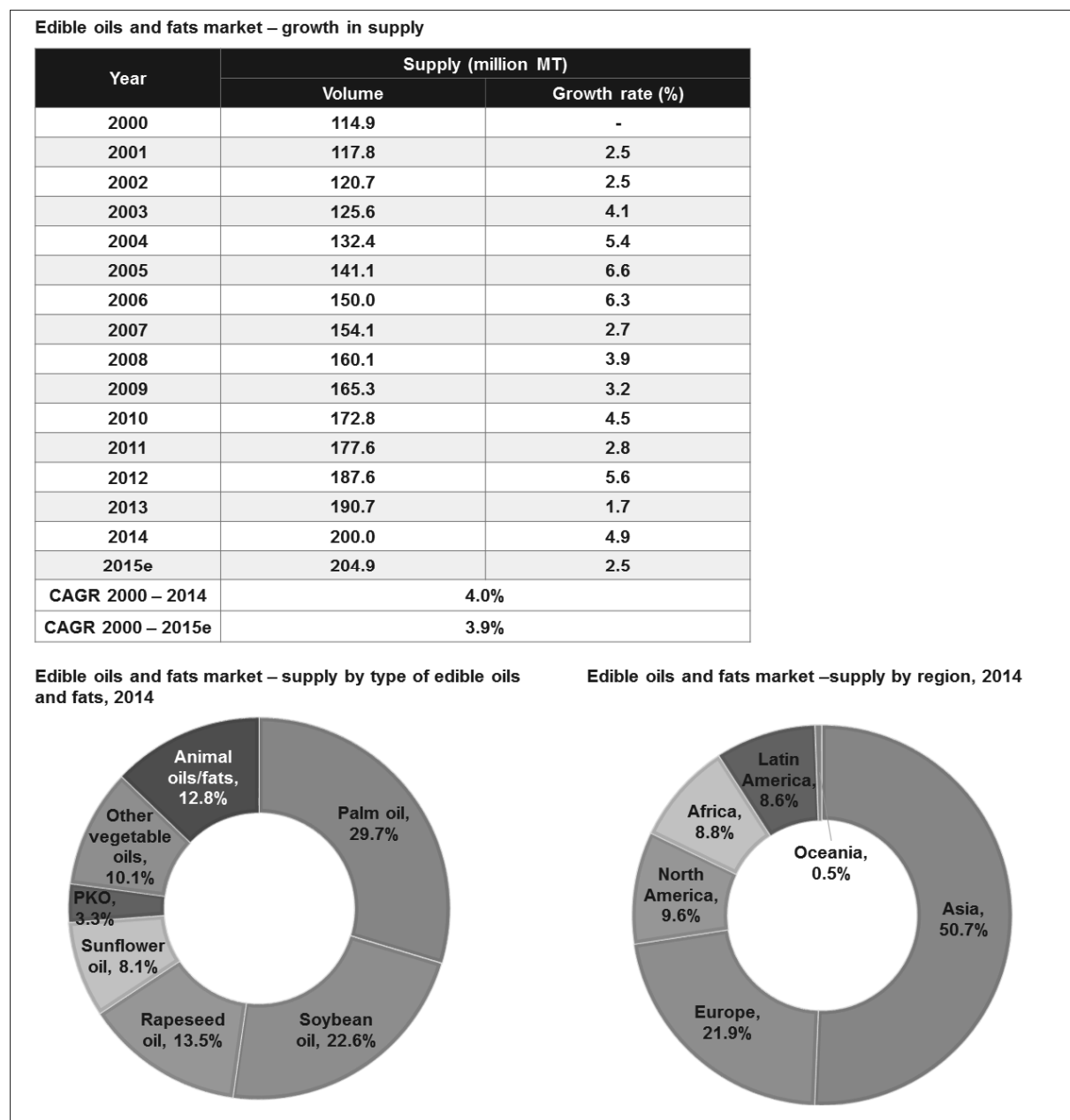
Globally, palm oil and soybean oil are the most produced edible oils, far outstripping the supply of other edible oils and fats. The market share of palm oil and soybean oil, compared against other edible oils and fats, in 2014 was recorded at 29.7% and 22.6% respectively, with palm oil being the edible oil of choice in developing nations in Asia and Africa, where supplies are abundant, and soybean oil being preferred in the advanced economies of North America and Europe. Rapeseed oil was the third most produced edible oil globally in 2013 and accounted for 13.5% of the global edible oils and fats supply market. PKO was the fifth most produced vegetable oil globally in 2014 and accounted for 3.3% of the edible oils and fats supply market in that year.

In terms of suppliers, the key producers of edible oils and fats globally in 2014 were Indonesia (accounted for 17.5% of global production), China (accounted for 13.2% of global production), Malaysia (accounted for 11.2% of global production), the United States (accounted for 8.6% of global production) and Commonwealth of Independent States (accounted for 6.3% of global production). Member countries of the European Union, such as Germany, France and Spain, were also notable producers of edible oils and fats, and this region collectively accounted for 12.0% of global production in 2014. Indonesia and Malaysia mainly produced palm oil and PKO, while China was a producer of a variety of edible oils including cottonseed oil, groundnut/peanut oil, sesame seed oil and soybean oil. The United States is a key producer of corn oil, as well as cottonseed oil and soybean oil. India meanwhile produced coconut oil, cottonseed oil, groundnut/peanut oil and sesame seed oil.

Weather conditions play a crucial role in determining production trends each year, with various parts of the world generally experiencing different weather patterns that will in turn affect the production of each oil and fat in a different manner. For instance, the El Nino phenomenon that occurred in 2009 resulted in dry conditions in Southeast Asia and Central America, but in contrast led to wet conditions in South America. Nevertheless, global production of edible oils and fats registered a lower albeit positive growth rate that year by 3.2%, from 160.1 million MT in 2008 to 165.3 million MT in 2009, compared to a growth rate of 3.9% the previous year. Production levels rebounded in 2010, growing by 4.5% to 172.8 million MT.

Global production of edible oils and fats is expected to grow further to 204.9 million MT by 2015, registering a CAGR of 3.9% between the years 2000 and 2015. Palm oil and soybean oil will continue to feature prominently as the most produced edible oils during the forecast period. Indonesia, China, Malaysia and the United States are expected to remain as key supply nations of edible oils and fats globally, owing to the large oil palm and soybean oil crop plantations in these countries and various Government efforts which encourage replanting.

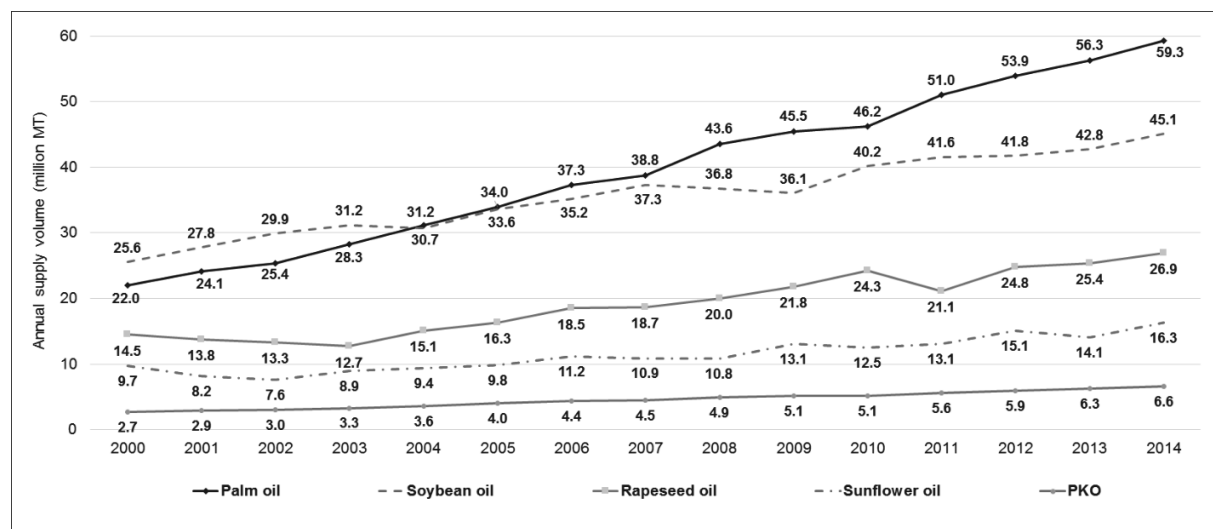
## Global edible oils and fats market – supply by type of edible oils and fats and region



Source: MPOB, OIL WORLD, The United Nations Food and Agriculture Organization Corporate Statistical Database (“FAOSTAT”), SMITH ZANDER analysis

Palm oil and PKO recorded the highest production growth over this period, with global production of palm oil increasing from 22.0 million MT in 2000 to 59.3 million MT in 2014 at a strong CAGR of 7.3%. Similarly, PKO grew from 2.7 million MT to 6.6 million MT over the same period at a CAGR of 6.6%. Over the period of 2000 to 2014, other major vegetable oils including rapeseed oil (CAGR of 4.5%), soybean oil (CAGR of 4.1%) and sunflower oil (CAGR of 3.8%) also registered positive growths.

## Global edible oils and fats market – comparative performance in the supply of major edible oils



Source: MPOB, OIL WORLD, FAOSTAT, SMITH ZANDER analysis

### Demand (i.e. Consumption) Analysis

Consumption of vegetable-based edible oils is commonly measured by the volume of processed and refined oil consumed as opposed to consumption of its crude form. Global consumption of edible oils and fats increased from 113.5 million MT in 2000 to 199.9 million MT in 2014 at a CAGR of 4.1%. Consumption is largely affected by market prices, production volume, availability of product substitutes and demand from end-user industries. Edible oils and fats are consumed by four (4) main industries, i.e. food, energy (biofuels), oleochemicals and animal feed.

The trend in consumption of edible oils and fats largely reflects a trend similar to their production patterns, with most of the edible oils and fats recording positive increases in consumption over the period between 2000 and 2014.

Palm oil is now the world's most consumed edible oil, having surpassed soybean oil in global consumption in 2005, whereby palm oil consumption accounted for 29.6% of total consumption of edible oils and fats in 2014. Soybean oil was the next highest of the vegetable oils consumed in 2014 and accounted for 22.8% of total consumption, followed by rapeseed/canola oil (13.4%), sunflower oil (8.0%) as well as PKO (3.2%).

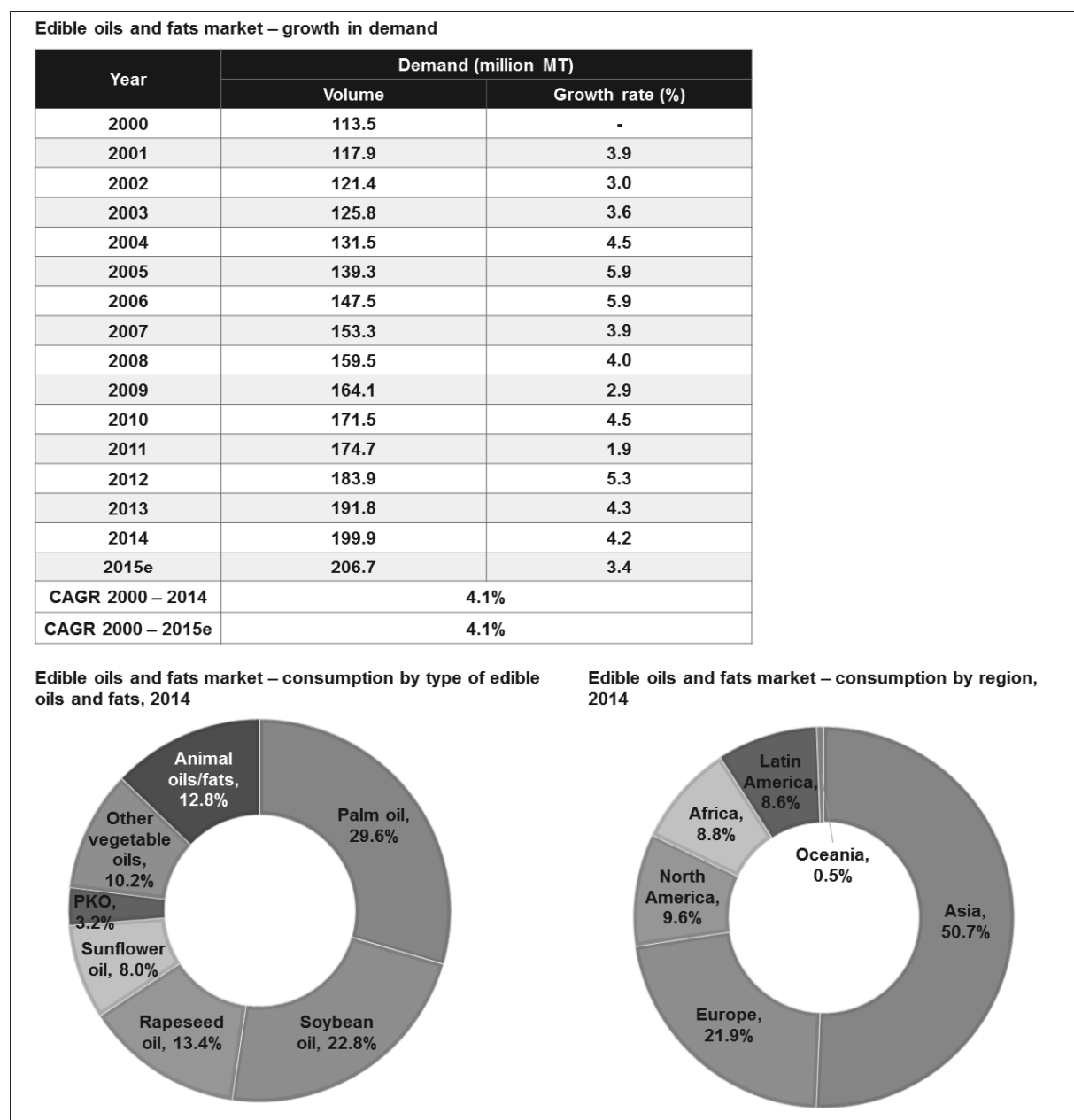
As with other commodities, consumption patterns of edible oils and fats are subject to fluctuations in market prices, which are determined by supply and demand dynamics as well as external macro forces. Additionally, several edible oils and fats, such as palm oil and soybean oil, are commodities that are traded in global markets, and as such are also influenced by economic conditions that affect speculative tradings.

China represents the largest market for edible oils and fats, whereby in 2014 the nation's consumption was registered at approximately 36.2 million MT, thereby accounting for 18.1% of total consumption of edible oils and fats worldwide. Other key consumers in 2014 included the European Union (16.0% of global consumption), India (10.3% of global consumption), the United States (9.5% of global consumption), Indonesia (5.4% of global consumption), Brazil (4.4% of global consumption), Commonwealth of Independent States (3.7% of global consumption), Malaysia (2.3% of global consumption), Pakistan (2.1% of global consumption) and Japan (1.4% of global consumption).

Global demand for edible oils and fats is expected to grow to 206.7 million MT by 2015, registering a CAGR of 4.1% between the years 2000 and 2015. The trend in demand will reflect the trend in supply, with palm

oil and soybean oil being the most consumed edible oils over the forecast period. Global demand for edible oils and fats over the forecast period will be driven by factors such as the growing demand for food, wide range of applications of edible oils and fats, increasing demand from key consuming countries such as China and India and key consuming regions such as Africa and Middle East and increase in the use of biodiesel.

### Global edible oils and fats market – consumption by type of edible oils and fats and region

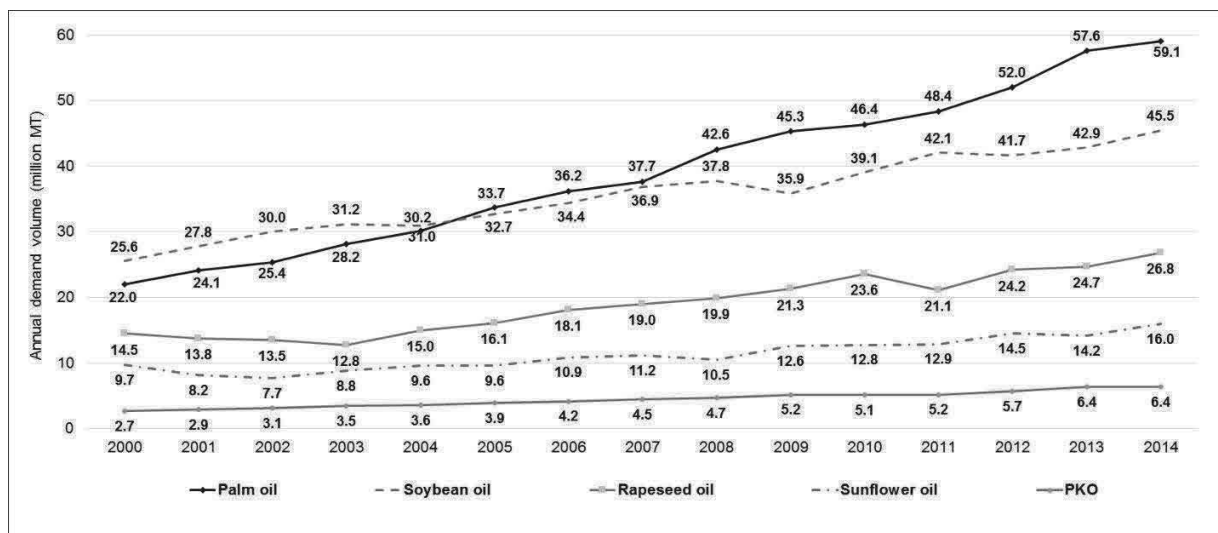


Source: MPOB, OIL WORLD, FAOSTAT, SMITH ZANDER analysis

Not only is palm oil now the most consumed edible oil, it is also the fastest growing. Palm oil registered the highest growth in consumption during the years 2000 to 2013, increasing from 22.0 million MT in 2000 to 59.1 million MT in 2014 at an impressive CAGR of 7.3%. PKO recorded the second highest growth rate over the same period, with global consumption levels increasing from 2.7 million MT to 6.4 million MT at a CAGR of 6.4% during the same period. Soybean oil also registered positive growth trends, growing at a CAGR of 4.2% over the same period, along with rapeseed oil (CAGR of 4.5%) and sunflower oil (CAGR of 3.6%).

While other substitute vegetable oils are available for palm oil and PKO, these two (2) vegetable oils remain the preferred choice among consumers due to their availability in large volumes which surpass other vegetable oils such as soybean oil, rapeseed oil, sunflower oil and coconut oil. Palm oil and PKO are also cost competitive in comparison to other major vegetable oils.

**Global edible oils and fats market – comparative performance in the consumption of major edible oils**



Source: MPOB, OIL WORLD, FAOSTAT, SMITH ZANDER analysis

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## 9 ANALYSIS OF THE BIOGAS ENGINEERING, PROCUREMENT, CONSTRUCTION AND COMMISSIONING (“EPCC”) INDUSTRY IN MALAYSIA

### Definitions and Segmentation

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Engineering, procurement, construction and commissioning (“EPCC”) are key activities in the construction industry, typically for the construction of facilities on a turnkey project basis. EPCC activities may be carried out either by construction project owners or third-party EPCC firms, with the latter undertaking these activities under an EPCC contract.

The EPCC contract delivery model has much in common with the design and build contract where under both contracts, third-party firms are responsible for delivering a completed project from the phase of design. Nonetheless, it is key to note that EPCC contracts are typically associated with the development of operating facilities such as oil and gas production modules, mining facilities, mills and factories, power plants and biogas processing plants, as opposed to buildings which are not typically constructed for the purpose of housing production operations and/or processes. An EPCC contract will typically contain performance specifications which outline performance standards that the completed facility is expected to achieve. An EPCC contract functions as a turnkey contract where the third party EPCC firm will undertake to commission the facility, and thus upon completion of the commissioning phase, the facility owner would only need to “turn the key” to commence operations of the facility.

Key features of the EPCC contract include:

- **Single point of responsibility**

Under an EPCC contract, the EPCC firm is generally responsible to the project owner for all design, engineering, procurement, construction and commissioning of the facility. Thus, the EPCC firm generally assumes time, cost and quality risk for the project.

- **Time**

The EPCC firm contractor will typically agree to deliver a fully operational facility within a fixed period of time or by a fixed date (being fixed at the time of entering into the EPCC contract and subject to any extension of time and suspension rights set out in the contract). Time certainty of delivery may be important to project owners in instances where, for example, the project owner has future obligations to provide products from the facility by way of off-take arrangements. Also, where a project is debt financed, a financier may consider an EPCC contract more “bankable” if there are contractual mechanisms surrounding timing of delivery. One (1) such mechanism typically found in an EPCC contract is a liquidated damages regime for delays in handover of the completed facility.

- **Contract price**

An EPCC contract is typically performed on a fixed price basis (being fixed at the time of entering into the EPCC contract and subject to the terms of the contract, such as rights to variation costs and delay costs). Thus, the EPCC firm is able to enjoy the benefit of any cost savings and consequently, bear the risk of cost overruns. Given that the EPCC firm typically assumes time, cost and quality risk in delivering the facility, the contract price under an EPCC contract may include a risk premium. However, the fixed price nature of an EPCC contract provides the owner, and its financier, with some degree of comfort in terms of “price certainty” of project delivery.

- **Procurement**

An EPCC firm generally takes responsibility for the procurement of the necessary building materials as well as facility equipment and/or machinery.

- **Quality/performance guarantees**

An EPCC firm will typically guarantee that the completed facility will achieve certain performance standards, usually focusing on the output, efficiency and reliability of the facility. The EPCC contract may also contain a liquidated damages regime to address the EPCC firm's liability for failure to meet these performance guarantees. These performance liquidated damages are in addition to the delay liquidated damages referred to above.

- **Project owner's involvement**

Given the risks assumed by an EPCC firm, the EPCC contract is usually structured so as to provide an EPCC firm latitude in terms of facility design and/or methods and/or means of construction.

- **Defective works/services**

The EPCC firm is responsible for rectifying defective work and re-performing defective services. Under the typical EPCC contract, the risk of any suppliers or subcontractors failing to meet their warranty or contractual obligations lies with the EPCC firm.

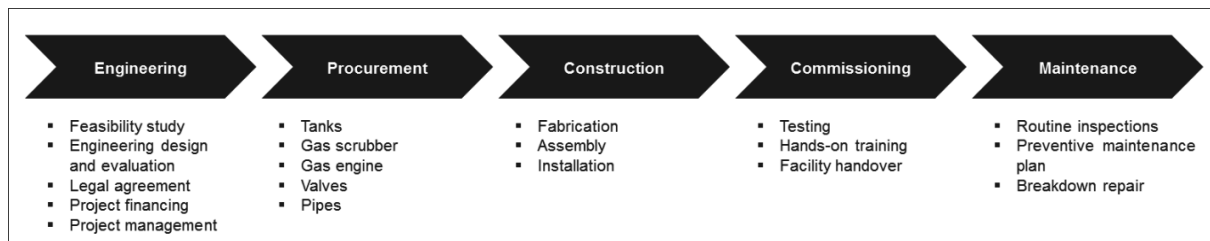
In Malaysia, the construction of biogas processing plants may be either undertaken by project owners or third party EPCC firms. Preliminary engineering evaluation is conducted in the engineering phase, along with a study of project feasibility in terms of viability, scope, cost and time. Design is a key activity in the engineering phase that is influenced by process technology. Detailed design is based upon the process equipment selected and purchased, and equipment requirements must be reflected in the areas of structural loading, electrical loads, water and wastewater quality and quantity. In many cases, air pollution requirements and permitting must be addressed. Corresponding legal agreements as well as project financing are negotiated in this phase prior to commencement of procurement and construction activities. While in this phase, performance requirements are set, major equipment items are evaluated and selected, conceptual design is prepared, schedule is established, and guaranteed maximum cost may be determined. At the completion of this phase, project owners and EPCC firms will enter into an EPCC contract, if design is sufficiently complete. Project management commences in the engineering phase and extends across the EPCC value chain to the commissioning phase.

In the procurement phase, careful coordination among equipment vendors is required, as usually there is no single vendor for all of the critical process equipment. For biogas processing plant projects, key equipment and process equipment that are purchased include tanks, gas scrubbers, gas engines, valves and pipes, in addition to building materials. Procurement of building materials, as well as equipment and/or machinery may extend into the construction phase for items that do not require long lead time. Construction is typically the most time-consuming phase of the project lifecycle as this is the stage where fabrication, assembly and installation take place.

Equipment and system commissioning comprising startup and testing are more demanding in an EPCC environment. Equipment startup and testing includes factory acceptance testing and site acceptance testing. For an entire process system, startup and commissioning begins after mechanical completion (defined as all physical elements installed and statically tested) is achieved and continue until commercial operations (meaning specified production performance) is achieved. Mechanical completion, commercial operations and intermediate performance milestones which are defined in EPCC contracts, will represent triggers for liquidated damages, and often milestone payments. Facility handover will take place after a

period of hands-on training for facility staff. In selected cases, EPC firms may also be appointed for facility maintenance contracts, which involves routine inspections of the facility, preventive maintenance programmes and repairs.

### Biogas EPC industry in Malaysia – industry value chain



Source: SMITH ZANDER analysis

The choice of technology for biogas capture is key as it impacts the facility design, procurement of process equipment, facility construction as well as testing and commissioning. Technologies for capturing biogas have improved as the conventional open ponding system does not allow for potential economic returns through the harnessing of biogas to generate renewable energy. New biogas capturing technologies have been designed to maximise the amount of biogas released from POME, as well as to capture it efficiently for other purposes. Selected biogas capturing technologies adopted in Malaysia include, but are not limited to, the following:

#### ▪ AnaEG™

This technology is a collaboration between Ronser Bio-Tech Sdn Bhd and Shanghai Jiaotong University utilising a combination of Up-flow Anaerobic Sludge Blanket and Expanded Granular Sludge Blanket technologies. The system consists of anaerobic and aerobic treatment of POME, followed by a biological treatment and ultra-filtration and reverse osmosis. The biogas that has been harnessed is purified and passed through a gas engine to generate electricity. The main benefit of this zero-discharge system is that there is no waste as the filtrate that has been purified by ultra-filtration combined with reverse osmosis will be reused in the boiler. Dried sludge can also be used as fertiliser. The hydraulic retention time is only nine (9) days, with 28 m<sup>3</sup> of biogas produced per tonne of POME.

Source: MPOB, Ronser Bio-Tech Berhad

#### ▪ Covered Lagoon Biodigester

This technology is offered by Biotec International Asia Sdn Bhd. The POME goes through a cooling system before it is mixed in a lagoon and sludge is removed. The biogas that is generated is captured by the membrane that covers the lagoon, before being directed to the biogas utilisation system. This system has a large gas storage and efficient operations, with lower maintenance and operating costs. The hydraulic retention time is between 27 and 30 days, and the average biogas production is 30 m<sup>3</sup> to 34 m<sup>3</sup> per tonne of POME.

Source: MPOB, Biotec International Asia Sdn Bhd



- **Gas Releasing Anaerobic Suspended Sludge (“GRASS™”) Reactor**

Green & Smart Holdings plc have patented the GRASS™ Reactor technology. This system treats wastewater anaerobically and requires less space and energy compared to aerobic treatment. This system produces less sludge and saves space. In addition, Malaysia’s climate provides an ideal temperature range for these anaerobic bacteria.

*Source: Green & Smart Holdings plc*

- **GREENPAK™**

The GREENPAK™ Reactor technology was developed and patented by Green & Smart Holdings plc, and treats wastewater in two (2) phases: anaerobic biological treatment followed by aerobic biological treatment. Sludge builds up slower and desludging intervals can be extended. This system was primarily invented to deal with sewage, but can also be used to treat other kinds of wastewater.

*Source: Green & Smart Holdings plc*

- **High Efficiency Fermentation**

MPOB, in collaboration with Biogas Environmental Engineering Sdn Bhd, developed a biogas system using special microorganisms with guaranteed higher biological durability, renewal and survival. These microorganisms assist with the anaerobic fermentation of POME in a reinforced concrete enclosed digester tank, which has a floating roof that is a cost-effective method of trapping biogas. The generated biogas is then piped to a gas storage tank before being sent to gas engines to generate electricity. The benefits of this system are a long lifespan of the digester tank, low cost of construction with prediction of cost recovery in two (2) years and a short fermentation period. The total hydraulic retention time for this system is nine (9) days with a yield of 25 to 30 m<sup>3</sup> of biogas per tonne of POME.

*Source: MPOB, Biogas Environmental Engineering Sdn Bhd*

- **Majurutera Biogas Technology**

The technology from Majurutera Engineering and Management Sdn Bhd comprises a closed anaerobic digester tank with a completely stirred tank reactor that functions to ensure the POME is well mixed. The resulted biogas is directed to an outlet using a gas compressor with high jet-spray nozzle, before being converted into electricity using the diesel-cum-generator engine. The benefits of this system are that it can be operated at mesophilic or thermophilic temperatures, and has even and constant feed rates for the POME to ensure minimal temperature fluctuations. It only requires 20% of an anaerobic pond area. The hydraulic retention time for this technology is ten (10) days and the output of biogas is 20 m<sup>3</sup> for every tonne of POME.

*Source: MPOB, Majurutera Engineering and Management Sdn Bhd*

- **Novaviro-Keck Seng Anaerobic Digester Technology**

The first biogas capturing plant in Malaysia was constructed at Keck Seng Palm Oil Mill in Masai, Johor, in 1984. This technology is licensed to Novaviro Technology Sdn Bhd and consists of a closed tank anaerobic digester system with a continuous flow stirred tank reactor which includes a mechanical-cum-gas lifting dual function mixing system, thereby enabling efficient generation and capture of biogas. This system has low power consumption with minimal servicing and maintenance required. It takes a hydraulic retention time of 18 days and is able to generate 28 m<sup>3</sup> of biogas per tonne of POME.

*Source: MPOB, Navaviro Technology Sdn Bhd*

- **Palm Oil Mill Effluent – Mesophilic Anaerobic System (“POME-MAS™”)**

This technology was developed by Green & Smart Holdings plc and involves POME being taken from the last cooling pond and pumped into a holding tank where it is well homogenised. Next, the POME is pumped into closed anaerobic reactor tanks with mesophilic organisms to assist in the digestion of organic matter. This technology provides a high chemical oxygen demand reduction rate of between 89% and 95%, which leads to higher biogas production and therefore higher rates of return. The process takes 14 days of hydraulic retention time and generates 24 m<sup>3</sup> of biogas per tonne of POME.

*Source: MPOB, Green & Smart Holdings plc*

- **Reversible Flow Anaerobic Baffled Reactor**

The Reversible Flow Anaerobic Baffled Reactor technology was used by SIRIM Berhad in a pilot project and consists of a baffled reactor which switches from forward flow to backward flow at several hydraulic retention time intervals, as well as a complete mix system followed by plug flow in the subsequent reactors. The benefits of this system are that this technology can treat fresh POME without the pre-treatment of cooling and de-oiling, and the minimisation of wash-out of active biomass by optimising the flow direction. The hydraulic retention time is between ten (10) days and 15 days. The recovery rate of methane is 16 normal cubic meters (“Nm<sup>3</sup>”) of methane per m<sup>3</sup> of POME.<sup>10</sup>

*Source: MPOB, SIRIM Berhad*

- **Semi-commercial Closed Anaerobic Digester**

This is the result of a joint research and development project between University Putra Malaysia, Kyushu Institute of Technology and FELDA Palm Industries Sdn Bhd, using a design from Sumitomo Heavy Industries Ltd, Japan. POME is homogenised in a holding tank before being pumped into the anaerobic digester. The strength of this system lies in the unique shape of the digester tank which eliminates dead zones and improves mixing efficiency. The hydraulic retention time is 10 days and biogas produced is 20m<sup>3</sup> per m<sup>3</sup> of POME.

*Source: MPOB, Felda Palm Industries Sdn Bhd*

## Industry Performance, Outlook and Prospects

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The biogas EPCC industry in Malaysia is in its growth stage, as a strong regulatory framework from the Government regulates the management of waste from the palm oil industry and the identification of biogas as a source of renewable energy fuel under the FiT mechanism.

Biogas has been identified as an important source of renewable energy in Malaysia. The palm oil industry is a major contributor to the production of biogas as palm oil waste provides most of the feedstock for biogas generation in the country. The Government, recognising Malaysia’s status as the second largest producer of palm oil in the world, has taken steps to promote the utilisation of biogas generated from POME for power generation. In addition to improving the sustainability of the palm oil industry, this also promotes renewable energy as a fifth fuel in accordance with the Government’s long term energy strategy.

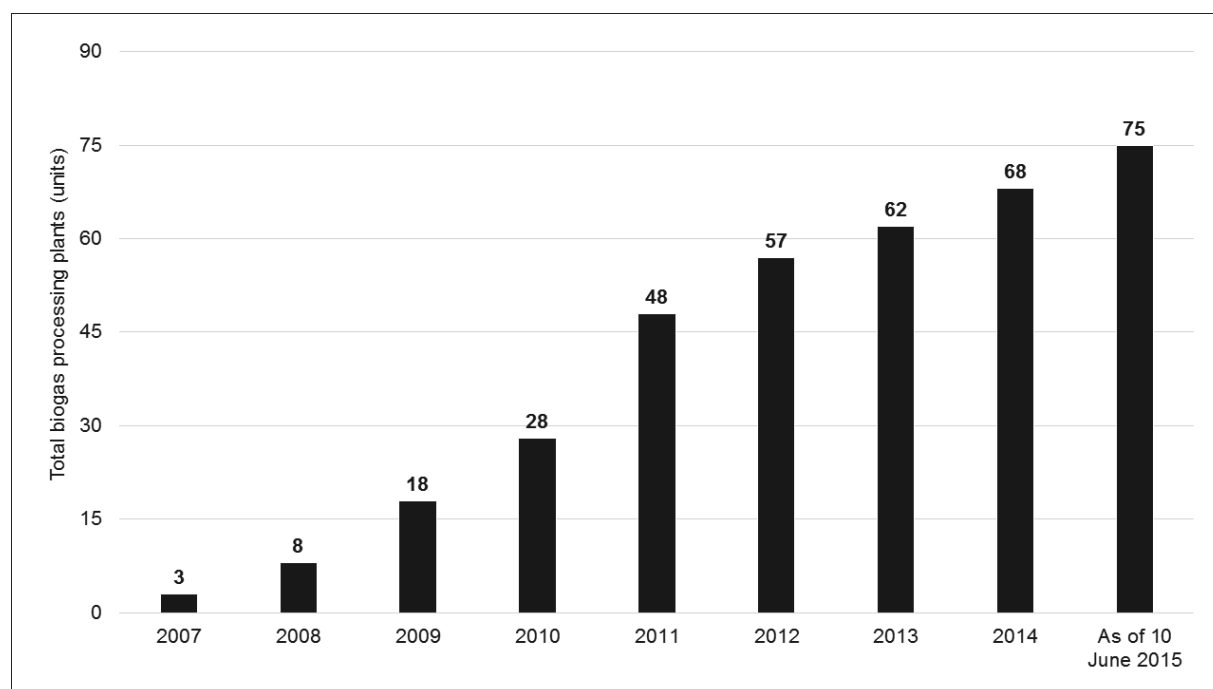
Investments in the construction of biogas processing plants in palm oil mills are dependent on factors such as capital and operational costing, risks, grid connection and lack of technological knowledge. Nevertheless, the Government has imposed a new license condition effective 1<sup>st</sup> January 2014 that makes it mandatory for all

<sup>10</sup> Equivalent to 16m<sup>3</sup> of methane per m<sup>3</sup> POME under normal conditions.

applicants for new palm oil mills as well as those applying for throughput expansion for existing mills to have plans that involve the installation of a biogas capture or methane avoidance facility for the treatment of POME. The granting of this licence is subject to the installation of an operational biogas capture or methane avoidance facility in the biogas processing plant before the commencement of production under the new licence. MPOB also has proposed a regulation to be enacted on 1<sup>st</sup> January 2017 that would make it mandatory for all existing palm oil mills to have biogas capture or methane avoidance facilities installed and operational by 1<sup>st</sup> January 2020. As at October 2015, this proposal is being deliberated where input is being sought from palm oil industry players before mandatory regulations are enacted and enforced. With these measures in place, there is potential growth opportunities for players in the biogas EPCC industry.

As at end 2014, there were 443 existing palm oil mills in Malaysia that were operational, with another 24 palm oil mills being planned and under construction. From these mills, there were 68 operational biogas processing plants in the country compared to three (3) plants in 2007, registering a CAGR of 56.18% during this period. By 10 June 2015, the number of biogas processing plants increased to 75 plants, with another 12 biogas processing plants being under construction and a further 145 biogas processing plants in the planning stage.

#### Biogas EPCC industry in Malaysia – growth in biogas processing plants



Source: MPOB, SMITH ZANDER analysis

To encourage palm oil mills to comply with MPOB's ruling, electricity that is generated in these biogas processing plants can be sold to utility companies at attractive FiT rates. This would be an additional source of revenue for the mills, while utilising a waste by-product which is typically of little use. However, palm oil mills may not have the knowledge and expertise to build their own biogas plants. One (1) of the solutions for this situation is to employ the services of a third-party company that is experienced in the engineering and construction of biogas processing plants under the EPCC business model.

There is significant potential for growth in the biogas EPCC industry in Malaysia as Malaysia is one (1) of the world's top producers of palm oil. POME consists of approximately 62.50% methane. FFBs processed by mills in 2014 stood at 95.40 million MT, an increase from 57.50 million MT in 2000. Thus, this means that the 95.40 million MT of FFBs processed by palm oil mills have the potential of generating 59.63 million m<sup>3</sup> of POME, indicating vast potential for the production of biogas from the operational palm oil mills in Malaysia.

The biogas plant project under the ETP is estimated to contribute RM2.93 billion to the national GNI by 2020, and thus there is great potential for the demand for biogas EPCC services to grow further. Implementing biogas plants would also free up valuable land space which would have been used for open lagoons, allowing mill owners to plant more oil palm trees. Furthermore, greater adoption of renewable energy reduces the nation's carbon footprint, resulting in a more sustainable palm oil industry.

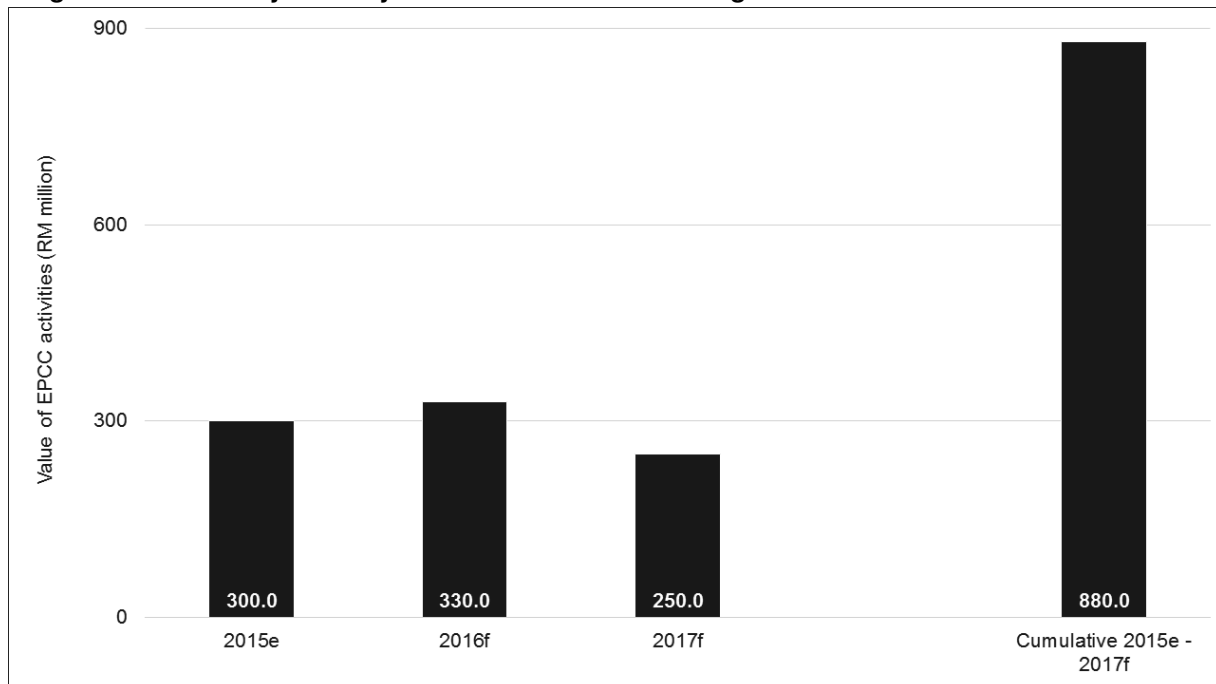
The intensity of EPCC activities over the period of 2015 and 2017 will be driven by the volume of generation capacities of biogas plants in progress as well as allocated and available capacities under the FiT mechanism. The value of EPCC activities carried out is also dependent on capital investment for the construction of biogas processing plants. Based on research carried out by SMITH ZANDER, the capital investment for a one (1) MW biogas processing plant is estimated to range between RM8.00 million and RM10.00 million, while capital investment for a two (2) MW biogas processing plant is approximately RM12.00 million to RM14.00 million. Capital investment for biogas processing plants is dependent on factors such as plant location, biogas processing plant design and capacity, technology used as well as equipment and materials purchased.

Under the FiT mechanism, a total of 112.45 MW of biogas installations are plants in progress for the period of 2015 and 2017 under SEDA Malaysia's three (3) year horizon for biogas installations. Further, as at 31 October 2015, a total of 7.70 MW of installed capacity has been made available by SEDA Malaysia for installations between 2015 and 2017, where these capacities have yet to be allocated to prospective feed-in approval holders.

Based on the assumption of equal ratio between 1 MW and 2 MW plants for biogas processing plants that are in progress, using an average EPCC contract value of RM9.00 million and RM13.00 million for 1 MW and 2 MW biogas processing plants respectively, the EPCC industry for biogas processing plants, measured by the value of EPCC activities carried out for the construction of plants in progress, is estimated to be valued at RM300.00 million in 2015. SMITH ZANDER forecasts cumulative EPCC activities for biogas processing plants in progress to reach an estimated RM880.00 million over the period of 2015 and 2017.

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### Biogas EPCC industry in Malaysia – estimated value of biogas EPCC activities <sup>a b</sup>



<sup>a</sup> Data sourced as at 31 October 2015

<sup>b</sup> Based on the assumption that EPCC contracts commence and complete in the same year as when they are designated generation capacities of plants in progress

Source: SEDA Malaysia, SMITH ZANDER analysis

## Competitive Landscape

The provision of EPCC services for biogas processing plants is a niche industry in Malaysia where expertise and technical skills in mechanical and electrical engineering, as well as understanding and application of biogas capture technology, are key for the effective delivery of biogas processing plants. The choice of technology for biogas capture is key as it impacts the facility design, procurement of process equipment, facility construction as well as testing and commissioning.

As at 31 October 2015, there were approximately 23 industry players comprising biogas technology providers, pure play EPCC players, as well as technology providers who also provide EPCC services. Biogas technology providers are firms that offer systems for the capturing of biogas from POME using local or foreign technologies. Pure play EPCC players are industry players that are involved solely in the provision of EPCC services for the construction of biogas processing plants and hold a Construction Industry Development Board (“CIDB”) license for civil engineering as well as building and/or mechanical and electrical. Nonetheless, there are technology providers who, as CIDB-licensed companies, also provide EPCC services.

There is significant potential for the growth of the biogas EPCC industry due to the mandatory installation of methane capture or avoidance facilities in new oil palm mills as well as existing mills applying for throughput expansion. As the Government is striving to have biogas plants set up at all palm oil mills as one (1) of the projects under the Palm Oil NKEA of the ETP by 1<sup>st</sup> January 2020, MPOB has also proposed for this ruling to apply to all existing palm oil mills. To this end, the Government is providing competitive FIT rates as well as financial assistance through the Green Technology Financing Scheme.

The Government has underlined its commitment to reducing the intensity of greenhouse gas emissions by including a number of provisions in Budget 2016 aimed at encouraging sustainable practices. These provisions include:

- the allocation of RM 45.0 million for the implementation of an Electricity Mobility Action Plan incorporating energy audit processes in order to identify opportunities for energy conservation;
- SEDA Malaysia will offer a quota of 100 MW for solar PV installations per year under the Net Energy Metering Scheme to encourage the use of renewable energy; and
- the extension of the implementation period of the Green Technology Financing Scheme until 31 December 2017 with RM 1.2 billion in available funding.

These measures are to be implemented in an effort to achieve the Government-targeted 40% reduction in greenhouse gas emissions by 2020, based on the greenhouse gas intensity per GDP level in 2005.

### Biogas industry in Malaysia – selected key industry players providing EPCC services for biogas processing plants

<b>EPCC and biogas technology providers</b>	Green & Smart Sdn Bhd Tenaga Tiub Sdn Bhd Watermech Engineering Sdn Bhd
<b>Pure play EPCC players</b>	Choon Hin Engineering Works Sdn Bhd <sup>a</sup> KONPRO Energy Sdn Bhd SP Multitech Sdn Bhd <sup>b</sup> Weida Resources Sdn Bhd <sup>c</sup> Weida Works Sdn Bhd <sup>c</sup>
<b>Biogas technology providers</b>	ALT Energy (M) Sdn Bhd Biogas Environmental Engineering Sdn Bhd Biotec International Asia Sdn Bhd Cenergi SEA Sdn Bhd Choon Hin Environmental Sdn Bhd <sup>a</sup> Green Energy Resources (M) Sdn Bhd Kim Loong Power Sdn Bhd Knowledge Integration Services (Malaysia) Sdn Bhd Konzen Clean Energy Sdn Bhd Majurutera Engineering & Management Sdn Bhd Oiltek Novaviro Bioenergy Sdn Bhd Ronser Bio-Tech Sdn Bhd SP Multitech Corporation Berhad <sup>b</sup> VATA VM Synergy (M) Sdn Bhd Veolia Water Solutions & Technologies Sdn Bhd

<sup>a</sup> Choon Hin Engineering Works Sdn Bhd and Choon Hin Environmental Sdn Bhd are part of the Choon Hin Group

<sup>b</sup> SP Multitech Sdn Bhd is a subsidiary of SP Multitech Corporation Berhad

<sup>c</sup> Weida Resources Sdn Bhd and Weida Works Sdn Bhd are wholly owned subsidiaries of Weida (M) Sdn Bhd

Source: SEDA Malaysia, various company websites, MPOB, CIDB, SMITH ZANDER analysis

According to SMITH ZANDER, the potential value of EPCC activities in Malaysia is valued at RM880.00 million based on EPCC activities carried out for the construction of plants in progress for a total of 112.45 MW over the period of 2015 and 2017.

In order for EPCC players to carry out works pertaining to the construction of biogas processing plants, they would require a CIDB license for civil engineering as well as building and/or mechanical and electrical.

As at 31 October 2015, there are eight (8) EPCC players, including Green & Smart Sdn Bhd, who fulfil this criteria with the required CIDB licenses allowing them to undertake civil construction of biogas plants. There is an additional 15 technology providers who operate in this space, but until/unless these players attain the relevant CIDB licenses, they are required to engage licensed EPCC players to carry out construction works of biogas processing plants.

Given the potential value of EPCC activities in Malaysia, the biogas EPCC industry is expected to expand arising from the growth in biogas installations. The licensed EPCC players, in particular those who are also technology providers, will be well-positioned to benefit from these opportunities.

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## 10 PROSPECTS AND OUTLOOK FOR GREEN & SMART HOLDINGS PLC

Malaysia has a good mix of energy resources that comprise renewable and non-renewable sources. Malaysia's non-renewable fossil fuel sources are oil, natural gas and coal, while its renewable energy sources include biomass, biogas, solar and hydro. While Malaysia is a net energy exporter, concerns about energy security, fluctuations in crude oil prices and climate change are driving significant changes in how energy and electricity is generated, transmitted and consumed in Malaysia. Thus, renewable energy resources are becoming attractive for sustainable energy development in Malaysia as these renewable sources of energy are abundant in Malaysia.

Biogas is an important component in the renewable energy sector where the vast majority of biogas in Malaysia is produced by the palm oil industry, as waste products in the production of palm oil provide feedstock for biogas generation. Given that Malaysia is the world's second largest producer of palm oil, the Government has put measures in place to improve the sustainability of the palm oil industry and to further its promotion of renewable energy as a fifth fuel in its long term energy strategy by utilising biogas generated from POME for power generation.

As part of a wider effort to reduce carbon emissions generated by the palm oil industry, the Government, through the MPOB, has imposed a new license condition effective 1<sup>st</sup> January 2014 that makes it mandatory for all applicants for new palm oil mills as well as those applying for throughput expansion for existing mills to have plans that involve the installation of a biogas capture or methane avoidance facility for the treatment of POME. The granting of this licence is subject to the installation of an operational biogas capture or methane avoidance facility in the biogas processing plant before the commencement of production under the new licence.

Total power generation for renewable energy is a measure of total generated power using renewable resources. Total power generation for commissioned renewable energy installations under the FiT mechanism has increased from 142.44 GWh in 2012 to 525.04 GWh in 2014 at a CAGR of 91.99%. Total power generation by biogas installations grew from 7.56 GWh in 2012 to 51.62 GWh in 2014 at a CAGR of 161.31%, representing the third largest growth rate in power generation for renewable energy installations behind solar PV and small hydro. In terms of contribution to total annual power generation for commissioned renewable energy installations, the annual power generation for commissioned biogas installations has risen from 5.31% in 2012 to 9.83% in 2014, in tandem with the increase in commissioned biogas installations, marking the increasing prospects in biogas as a source of renewable energy.

Under the FiT mechanism, a total of 112.45 MW of biogas power generation capacity is expected to become operational by 2017 through the commissioning of plants in progress. Plants in progress refers to installations that have been granted with feed-in approvals under the FiT mechanism but have yet to achieve the FiT commencement date.

The 11MP, the latest in a series of national development blueprints that identifies critical growth areas and allocates Federal resources for the period 2016 – 2020, underlines the importance of increasing the share of renewable energy in the national energy mix. The 11MP states that the Government aims to achieve 2,080 MW in renewable energy generation capacity in the national power generation mix by 2020, of which biogas is targeted to account for 249.60 MW. In Malaysia, there is 17.24 MW in installed capacity operational as at 2015; 112.45 MW total generation capacity of plants in progress earmarked to become operational between 2015 and 2017; and 7.70 MW of available capacity, which if achieved, would total 137.39 MW, leaving 112.21 MW required in installed capacity for biogas to be constructed between 2018 and 2020 in order for the Government achieve its target of 249.60 MW in installed capacity for biogas. The FiT mechanism has created an environment suitable for existing biogas power generators to expand their footprint and for potential generators to enter the market, where growth illustrates the significant prospects



of the biogas industry with regards to power generation and underlines the potential upside it holds moving forward.

The growth in renewable energy installations is largely driven by attractive FiT rates, the falling prices of equipment related to selected technologies that have resulted in attractive returns, shorter construction periods, and a payment duration that spans 16 years for biogas supported by the Renewable Energy Fund.

Green & Smart Holdings plc is involved in the biogas power generation industry in Malaysia, whereby through its subsidiaries Green & Smart Sdn Bhd and Our Energy Group (M) Sdn Bhd, as well as its associated companies, Concord Green Energy Sdn Bhd and Megagreen Energy Sdn Bhd, Green & Smart Holdings plc operates biogas processing plants. Green & Smart Holdings plc through its subsidiaries and associated companies are feed-in approval holders for 16 biogas processing plants in Peninsular Malaysia and Sabah with a total generation capacity of 28.03 MW. As at 31 October 2015, these 16 biogas processing plants are at various stages of completion and will commence generating electricity for the National Grid over the period of late 2015 through to 2017. In addition to this, Green & Smart Holdings plc through Concord Green Energy Sdn Bhd has eight (8) biogas processing plants that are pending FiT approval. These plants are presently owned by Felda Palm Industries Sdn Bhd and whose feed-in approvals are in the process of being transferred to Concord Green Energy Sdn Bhd, via a Master BOOT agreement between Felda Palm Industries Sdn Bhd and Concord Green Energy Sdn Bhd. These eight (8) biogas processing plants would have a total generation capacity of 15.20 MW. Upon completion of the feed-in approval transfer of the eight (8) plants, Green & Smart Holdings plc through its subsidiaries and associated companies, would have a total of 24 biogas plants in the pipeline in Peninsular Malaysia with a combined generation capacity of 43.23 MW.

As at 31 October 2015, a total of 112.45 MW of plants in progress capacity is expected to be commissioned in Peninsular Malaysia and Sabah between late 2015 and 2017. Green & Smart Holdings plc, through its subsidiaries and associated companies, expects to commission a total of 28.03 MW in generation capacity of biogas processing plants that are FiT approved by the end of 2017, thereby resulting in a market share of 24.93% for plants in progress, which upon commissioning, will make Green & Smart Holdings plc largest biogas player in Malaysia.

When Concord Green Energy Sdn Bhd receives FiT commencement year(s) for its plants and upon conclusion of the proposed transfer of eight (8) FiT-approved biogas plants by Felda Palm Industries Sdn Bhd to Concord Green Energy, Green & Smart Holdings plc, through its subsidiaries and associated companies, will have a total generation capacity of 43.23 MW in terms of plants in progress that are made up of plants that are FiT approved and pending FiT approval between late 2015 and 2017, giving it a market share of 38.44% for plants in progress in Malaysia, which upon commissioning, will strengthen Green & Smart Holdings plc's market leadership position in the biogas industry in Malaysia.

The EPCC industry for biogas processing plants, measured by the value of EPCC activities carried out for the construction of plants in progress, is estimated to be valued at RM300.00 million in 2015. SMITH ZANDER forecasts cumulative EPCC activities for biogas processing plants in progress to reach an estimated RM880.00 billion over the period of 2015 and 2017. The intensity of EPCC activities over the period of 2015 and 2017 is driven by the volume of generation capacities of biogas plants in progress as well as available capacities under the FiT mechanism.

Premised on the above, the prospects and outlook for Green & Smart Holdings plc appear fundamentally strong, with the rising growth rates in commissioned biogas installations and corresponding annual power generation, backed by the robust generation capacities of plants in progress and allocated capacities for biogas processing plants over the period 2015 to 2017, as well as opportunities from EPCC activities arising from the growth in biogas installations. Further, Green & Smart Holdings plc's strong projected market share in terms of generation capacities of plants in progress over this same period positions the Group among


the key players in the biogas industry in Malaysia, and will provide the Group with the platform to pursue and capitalise on future growth opportunities in the industry.

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## APPENDIX I – SAMPLE ELECTRICITY BILL WITH RENEWABLE ENERGY FUND SURCHARGE

**BIL ELEKTRIK DAN INVOIS CUKAI**

No. Akaun : 01800003373701  
 No. Kontrak : 8882429  
 Deposit : RM 280.00  
 No. Invois Cukai : 5662887



**TNB CareLine**  
 1 20 81 534 (Persewaan Bil & Akaun)  
 1344 (Gedung Bekalan)  
 11612/017412181.com.my  
 www.tnb.com.my  
 www.facebook.com/tnbcareline

**Jumlah Perlu Dibayar RM 238.30**      Tarikh Bil: **25 Mei 2015**

	Amaun	Bayar Sebelum
Hungkekkan	RM -15.00	Tarikh Kematian
Caj Semasa	RM 255.12	24.06.2015
Penggunaan	RM -0.02	
<b>Jumlah Bil</b>	<b>RM 238.30</b>	
Bil Terdahulu	Amaun	Tarikh
Bayaran Akhir	RM 233.20	24.04.2015
	RM 250.00	26.04.2015
Jenis Bacaan	Bacaan	Sebenar

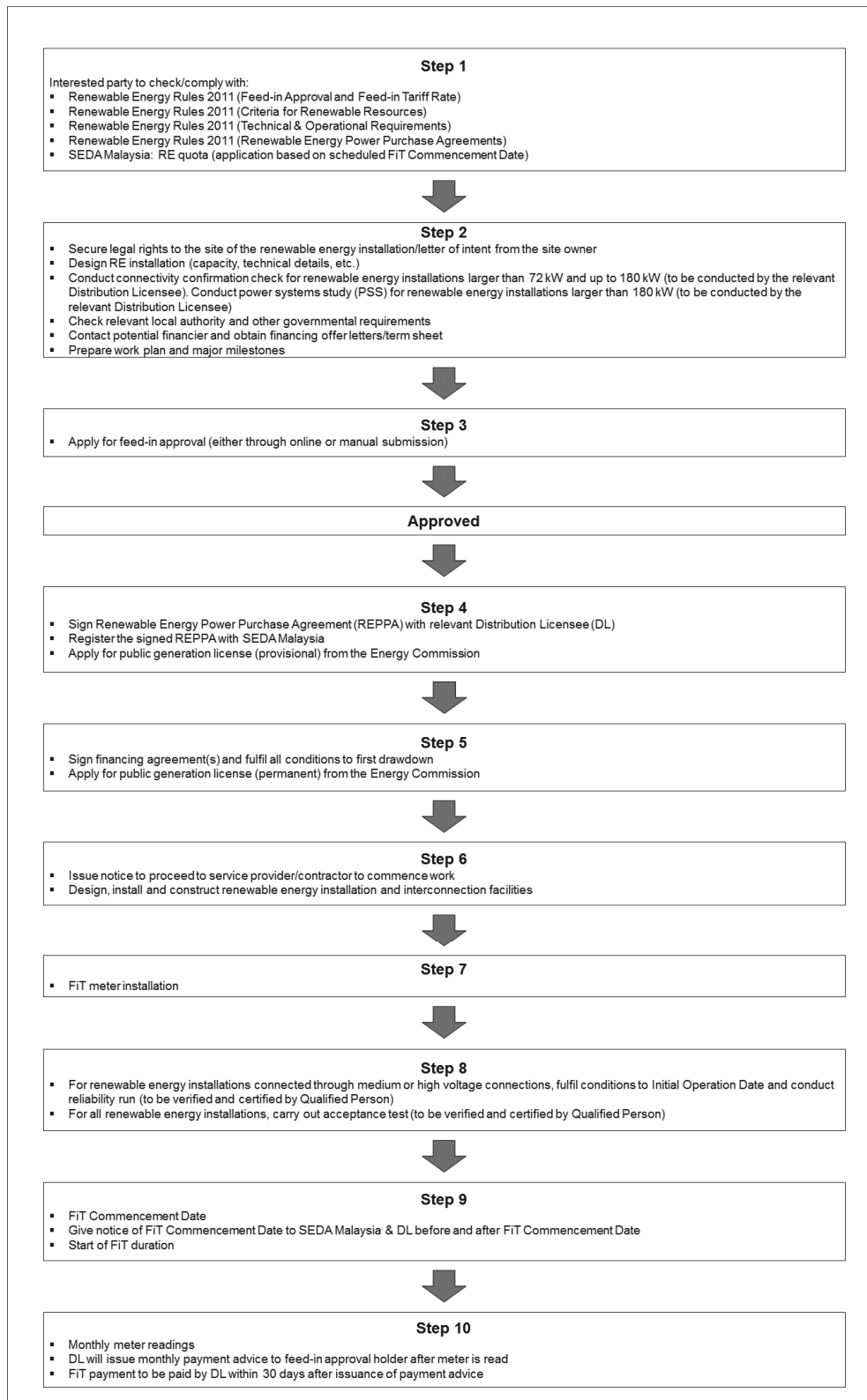
Temp. Bil	24.04.2015 - 25.05.2015 (31 hari)	Faktor Prorata
JST	H = 613 (Domeestik)	1.00

Blok Tarif (kWh)	Blok Prorata (kWh)	Kadar (RM)	Amaun (RM)
200	200	0.218	43.60
100	100	0.334	33.40
300	300	0.516	154.80
300	43	0.546	23.48
<b>Jumlah</b>	<b>643</b>		<b>255.28</b>

Keterangan	Tidak Kena GST	Kena GST	Jumlah
Kegunaan kWh	kWh	300	243
Kegunaan	RM	77.00	170.20
JCPT (RM -0.0225)	RM	-6.75	-7.72
<b>Kegunaan Bulan Semasa</b>	<b>RM</b>	<b>70.25</b>	<b>170.56</b>
<b>Ex GST (16% x RM 170.56)</b>	<b>RM</b>		<b>26.88</b>
<b>KWTBB (1.6%)</b>	<b>RM</b>		<b>4.08</b>

**Surcharge on electricity bills for Renewable Energy Fund** ←

## APPENDIX II – FEED-IN APPROVAL APPLICATION PROCESS



**PART IV**  
**FINANCIAL INFORMATION**

**PART A: ACCOUNTANTS' REPORT ON GREEN & SMART HOLDINGS PLC**



6 May 2016

The Directors  
Green & Smart Holdings plc  
12 Castle Street, St Helier  
Jersey JE2 3RT,  
Channel Islands

S.P. Angel Corporate Finance LLP  
Prince Frederick House  
35-39 Maddox Street  
London W1S 2PP

Dear Sirs

**Introduction**

We report on the audited financial information set out below of Green & Smart Holdings Plc (the “**Company**”). This financial information has been prepared for inclusion in Part IV of the AIM Admission Document dated 6 May 2016 of the Company (the “**Document**”), on the basis of the accounting policies set out in Note 2 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the “**AIM Rules**”) and is given for the purposes of complying with the AIM Rules and for no other purpose.

**Responsibilities**

The Directors are responsible for preparing the financial information on the basis of preparation set out in Note 2 below and in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”).

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

**Basis of Opinion**

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the underlying financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed. We planned and performed our work so as to obtain all the information

and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated and of the results, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in Note 2 to the financial information and has been prepared in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

### **Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully

**Crowe Clark Whitehill LLP**  
*Chartered Accountants*

**Statement of Financial Position**

The statement of financial position of the Company as at 30 September 2015 is stated below:

*RM'000*

<b>Assets</b>	
<i>Current assets</i>	
Trade and other receivables	—
<b>Total assets</b>	<u>—</u>
Equity and liabilities	
<i>Capital and reserves</i>	
Share capital	—
<b>Total equity attributable to equity holders</b>	<u>—</u>
<b>Total liabilities</b>	<u>—</u>
<b>Total equity and liabilities</b>	<u><u>—</u></u>

**Statement of Comprehensive Income**

The statement of comprehensive income of the Company for the period from incorporation on 7 August 2015 to 30 September 2015 is stated below:

	<i>RM'000</i>
<b>Total comprehensive income attributable to equity owner</b>	— <hr/> <hr/>
<b>Earnings per share</b>	
Basic and diluted (RM per share)	— <hr/> <hr/>



**Statement of Changes in Equity**

The statement of changes in equity of the Company for period from incorporation on 7 August 2015 to 30 September 2015 is set out below:

	<i>Share capital</i> <i>RM'000</i>
On incorporation*	—
Result for the period	—
As at 30 September 2015	—

\* issued share capital was 2 fully paid shares with £1 par value per share.

**Statement of Cash Flows**

The statement of cash flows of the Company for the period from incorporation on 7 August 2015 to 30 September 2015 is as follows:

	<i>RM'000</i>
<b>Financing activities</b>	
Proceeds from issue of share capital	—
<b>Net cash from financing activities</b>	—
	<hr/>
<b>Net increase in cash and cash equivalents</b>	—
<b>Cash and cash equivalents at end of period</b>	—
	<hr/> <hr/>

## Notes to the Financial Information

### 1. General information

The Company was incorporated in Jersey on 7 August 2015 and did not trade during the period under review. On 25 November 2015 the Company was reregistered as a public limited company. The registered office of the Company is 12 Castle Street, St Helier, Jersey, JE2 3RT, Channel Islands. The Company's nature of operations is to act as the holding company of a group involved in the construction operation and maintenance of renewable energy power plants.

### 2. Accounting policies

#### *Basis of preparation*

This financial information of the Company has been prepared on a historical basis as varied by the use of fair value in accordance with IFRS, International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

The financial information of the Company is presented in Malaysian Ringgits (RM).

#### *Standards and interpretations issued but not yet applied*

At the date of authorisation of this financial information, the directors have reviewed the Standards in issue by the International Accounting Standards Board ("IASB") and IFRIC, which are effective for annual accounting periods ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial reporting of the Company.

#### *Comparative figures*

No comparative figures have been presented as the financial information covers the period from incorporation on 7 August 2015 to 30 September 2015.

#### *Cash and cash equivalents*

The Company considers any cash on short-term deposits and other short term investments to be cash equivalents.

### 3. Earnings per share

The calculation for earnings per share (basic and diluted) for the relevant period is based on the profit after income tax attributable to equity holder for the period from incorporation on 7 August 2015 to 30 September 2015 and is as follows:

	<i>RM</i>
Profit/(loss) attributable to equity holders	—
Weighted average number of shares	2
Earnings/(loss) per share	—

### 4. Share capital

On incorporation on 7 August 2015, the Company issued 2 shares with nominal value of £1 per share, designated as Ordinary Shares.

### 5. Subsequent events

On 12 January 2016, the entire issued share capital of G&S Ventures was acquired by the Company by the issue of 100 Shares.

#### *Share Swap Agreements*

Pursuant to a share sale and purchase agreement dated 6 May 2016, the Former G&S Shareholders agreed to sell their shares in G&S (comprising the entire issued share capital apart from the shares held by MTDC) and in OEG (comprising 51 per cent. of the issued share capital) to GSV, in consideration for

the Company issuing the respective numbers of Shares (including to nominees of the Former G&S Shareholders) described in paragraph 3.2 (c) of Part VI of the Admission Document. In addition, GSV agreed to allot and issue additional shares to the Company in consideration for the Company allotting and issuing such Shares. The selling shareholders gave warranties in favour of the Company and GSV confirming they had unencumbered title to the shares they were selling.

Pursuant to a share sale and purchase agreement dated 6 May 2016, MTDC agreed to sell its shares in G&S in consideration for the Company issuing to it the number of Shares described in paragraph 3.2 (c) of Part VI of the Admission Document. In addition, GSV agreed to allot and issue additional shares to the Company in consideration for the Company allotting and issuing such Shares. MTDC gave warranties in favour of the Company and GSV confirming it had unencumbered title to the shares it was selling.

Both of these agreements were completed on 6 May 2016.

#### **6. Nature of financial information**

The financial information presented above does not constitute statutory accounts for the period under review.

## PART B: ACCOUNTANTS' REPORT ON G&S VENTURES SDN BHD



6 May 2016

The Directors  
Green & Smart Holdings plc  
12 Castle Street, St Helier  
Jersey JE2 3RT,  
Channel Islands

The Partners  
S.P. Angel Corporate Finance LLP  
Prince Frederick House  
35-39 Maddox Street  
London W1S 2PP

Dear Sirs

### Introduction

We report on the audited financial information set out below of Green & Smart Ventures Sdn Bhd (“**G&S Ventures**”). This financial information has been prepared for inclusion in Part IV of the Admission Document dated 6 May 2016 of Green and Smart Holdings plc (the “**Company**”) (the “**Document**”), on the basis of the accounting policies set out in Note 2 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the “**AIM Rules**”) and is given for the purposes of complying with the AIM Rules and for no other purpose.

### Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 2 below and in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”).

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

### Basis of Opinion

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the underlying financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of G&S Ventures as at the date stated and of the results, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in Note 2 to the financial information and has been prepared in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully

**Crowe Clark Whitehill LLP**  
*Chartered Accountants*

**Statement of Financial Position**

The statement of financial position of G&S Ventures as at 31 October 2015 is stated below:

*RM'000*

<b>Assets</b>	
<i>Current assets</i>	
Trade and other receivables	—
<b>Total assets</b>	—
Equity and liabilities	
<i>Capital and reserves</i>	
Share capital	—
<b>Total equity attributable to equity holders</b>	—
<b>Total liabilities</b>	—
<b>Total equity and liabilities</b>	—

**Statement of Comprehensive Income**

The statement of comprehensive income of G&S Ventures for the period from incorporation on 2 October 2015 to 31 October 2015 is stated below:

	<i>RM'000</i>
<b>Total comprehensive income attributable to equity owner</b>	— <hr/> <hr/>
<b>Earnings per share</b>	
Basic and diluted (RM per share)	— <hr/> <hr/>



**Statement of Changes in Equity**

The statement of changes in equity of G&S Ventures for period from incorporation on 2 October 2015 to 31 October 2015 is set out below:

	<i>Share capital</i> <i>RM'000</i>
On incorporation*	—
Result for the period	—
As at 31 October 2015	—

\* issued share capital was 100 shares with RM 1 par value per share.

**Statement of Cash Flows**

The statement of cash flows of G&S Ventures for the period from incorporation on 2 October 2015 to 31 October 2015 is as follows:

	<i>RM'000</i>
<b>Financing activities</b>	
Proceeds from issue of share capital	—
<b>Net cash from financing activities</b>	—
	<hr/>
<b>Net increase in cash and cash equivalents</b>	—
<b>Cash and cash equivalents at end of period</b>	—
	<hr/> <hr/>

## Notes to the Financial Information

### 1. General information

G&S Ventures was incorporated under the Companies Act 1965 in Malaysia on 2 October 2015 and did not trade during the period under review. The registered office of G&S Ventures is 3-2, 3rd Mile Square, No. 151 Jalan Kelang Lama, Batu 3 1/2, 58100 Kuala Lumpur, Malaysia. The nature of G&S Venture's operations is to act as the intermediate holding company of a group involved in the operation and maintenance of power plants in the Palm Oil Industry cluster.

### 2. Accounting policies

#### *Basis of preparation*

This financial information of G&S Ventures has been prepared on a historical basis as varied by the use of fair value in accordance with IFRS, International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

The financial information is presented in Malaysian Ringgits (RM).

#### *Standards and interpretations issued but not yet applied*

At the date of authorisation of this financial information, the directors have reviewed the Standards in issue by the International Accounting Standards Board ("IASB") and IFRIC, which are effective for annual accounting periods ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial reporting of G&S Ventures.

#### *Comparative figures*

No comparative figures have been presented as the financial information covers the period from incorporation on 2 October 2015 to 31 October 2015.

#### *Cash and cash equivalents*

G&S Ventures considers any cash on short-term deposits and other short term investments to be cash equivalents.

### 3. Earnings per share

The calculation for earnings per share (basic and diluted) for the relevant period is based on the profit after income tax attributable to equity holder for the period from incorporation on 2 October 2015 to 31 October 2015 and is as follows:

	<i>RM</i>
Profit/(loss) attributable to equity holders	—
Weighted average number of shares	100
Earnings/(loss) per share	—

### 4. Share capital

On incorporation on 2 October 2015, G&S Ventures issued 100 shares with nominal value of RM1 per share, designated as Ordinary Shares.

### 5. Subsequent events

On 12 January 2016, the entire issued share capital of G&S Ventures was acquired by the Company by the issue of 100 Shares.

#### *Share Swap Agreements*

Pursuant to a share sale and purchase agreement dated 6 May 2016, the Former G&S Shareholders agreed to sell their shares in G&S (comprising the entire issued share capital apart from the shares held by MTDC) and in OEG (comprising 51 per cent. of the issued share capital) to GSV, in consideration for

the Company issuing the respective numbers of Shares (including to nominees of the Former G&S Shareholders) described in paragraph 3.2 (c) of Part VI of the Document. In addition, GSV agreed to allot and issue additional shares to the Company in consideration for the Company allotting and issuing such Shares. The selling shareholders gave warranties in favour of the Company and GSV confirming they had unencumbered title to the shares they were selling.

Pursuant to a share sale and purchase agreement dated 6 May 2016, MTDC agreed to sell its shares in G&S in consideration for the Company issuing to it the number of Shares described in paragraph 3.2 (c) of Part VI of the Document. In addition, GSV agreed to allot and issue additional shares to the Company in consideration for the Company allotting and issuing such Shares. MTDC gave warranties in favour of the Company and GSV confirming it had unencumbered title to the shares it was selling.

Both of these agreements were completed on 6 May 2016.

#### **6. Ultimate parent company**

At the date of this report the ultimate controlling party of G&S Ventures is considered to be the Company, which is incorporated in Jersey.

#### **7. Nature of financial information**

The financial information presented above does not constitute statutory accounts for the period under review.

## PART C: ACCOUNTANTS' REPORT ON G&S SDN BHD



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6 May 2016

The Directors  
Green & Smart Holdings Plc  
12 Castle Street  
St Helier  
Jersey JE2 3RT  
Channel Islands

The Partners  
S P Angel Corporate Finance  
Prince Frederick House  
35-39 Maddox Street  
London W1S 2PP

Dear Sirs

We report on the audited financial information set out below on Green & Smart Sdn Bhd (“G&S”). This Financial Information has been prepared for inclusion in the Admission Document (the “Document”) dated 6 May 2016 of Green & Smart Holdings plc (the “Company”) on the basis of the principal accounting policies set out in Note 4 to the Financial Information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

### **Responsibilities**

The Directors of the Company are responsible for preparing the Financial Information on the basis set out below and in accordance with applicable International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information underlying the financial statements and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of G&S as at the date stated and of the results, financial position, cash flows and changes in equity for the period then ended in accordance with International Financial Reporting Standards (“IFRS”) and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

### **Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Crowe Clark Whitehill LLP**  
*Chartered Accountants*

## PART D: FINANCIAL INFORMATION ON G&S SDN BHD

### Statements of Financial Position

The statements of financial position of G&S as at 30 September 2013, 2014, and 2015 are set out below:

	<i>Note</i>	<i>2013</i> <i>RM'000</i>	<i>2014</i> <i>RM'000</i>	<i>2015</i> <i>RM'000</i>
<b>Non-current assets</b>				
Investment in associates	6	—	—	400
Property, plant and equipment	7	1	14	11,694
Intangible assets	8	1,024	1,005	1,009
Other investment	9	—	150	—
		<u>1,025</u>	<u>1,169</u>	<u>13,103</u>
<b>Current assets</b>				
Trade receivables	10	—	556	—
Other receivables, deposit and prepayment	11	304	3,027	14,797
Cash and bank balances		—	511	12,163
		<u>304</u>	<u>4,094</u>	<u>26,960</u>
<b>Total Assets</b>		<u><u>1,329</u></u>	<u><u>5,263</u></u>	<u><u>40,063</u></u>
<b>Equity</b>				
Share capital	12	2,400	5,000	5,000
Accumulated (losses)/retained profits		(1,699)	(448)	4,028
		<u>701</u>	<u>4,552</u>	<u>9,028</u>
<b>Non-current liabilities</b>				
Deferred grant income	13	174	161	148
Term loan	14	—	—	8,496
Amount owing to directors	15	—	—	544
		<u>174</u>	<u>161</u>	<u>9,188</u>
<b>Current liabilities</b>				
Amount due to directors	15	12	15	—
Trade payables	16	44	—	10,786
Other payables and accruals	17	369	535	11,061
Bank overdraft (unsecured)	18	29	—	—
		<u>454</u>	<u>550</u>	<u>21,847</u>
<b>Total Liabilities</b>		<u>628</u>	<u>711</u>	<u>31,035</u>
<b>Total Equity and Liabilities</b>		<u><u>1,329</u></u>	<u><u>5,263</u></u>	<u><u>40,063</u></u>

## Statements of Comprehensive Income

The statements of comprehensive income of G&S for each of the three years ended 30 September 2015, are set out below:

	Note	2013 RM'000	2014 RM'000	2015 RM'000
<b>Revenue</b>	19	67	4,050	19,423
Cost of sales		(102)	(1,312)	(13,632)
<b>Gross profit/(loss)</b>		(35)	2,738	5,791
Other income		166	34	13
Administrative expenses		(191)	(1,220)	(1,275)
Other operating expenses		(35)	(301)	(16)
<b>Operating profit/(loss)</b>		(95)	1,251	4,513
Finance costs		—	—	—
Share of profits of equity accounted associates		—	—	(37)
<b>Profit/(loss) on ordinary activities before taxation</b>		(95)	1,251	4,476
Income tax	22	3	—	—
Profit/(loss) after taxation		(92)	1,251	4,476
<b>Profit/(loss) after taxation brought forward</b>				
Other comprehensive income		—	—	—
<b>Total comprehensive income /(loss) attributable to owners of the parent</b>		(92)	1,251	4,476
Earnings (loss) per share:				
Basic	21	(0.09)	0.25	0.90
Diluted		(0.09)	0.25	0.90



## Statements of Changes in Equity

The statements of changes in equity of G&S for each of the three years ended 30 September 2015 are set out below:

	<i>Non- Distributable share capital RM'000</i>	<i>Distributable retained profits/ (accumulated losses) RM'000</i>	<i>Total equity RM'000</i>
<b>Brought forward at 1 October 2012</b>	2,400	(1,607)	793
Loss after taxation for the financial year	—	(92)	(92)
Other comprehensive income	—	—	—
Total comprehensive income	—	(92)	(92)
<b>Balance at 30 September 2013 and brought forward at 1 October 2013</b>	2,400	(1,699)	701
Profit after taxation for the financial year	—	1,251	1,251
Issuance of new shares	2,600	—	2,600
Other comprehensive income	—	—	—
Total comprehensive income	2,600	1,251	3,851
<b>Balance at 30 September 2014 and brought forward at 1 October 2014</b>	5,000	(448)	4,552
Profit after taxation for the financial year	—	4,476	4,476
Other comprehensive income	—	—	—
Total comprehensive income	—	4,476	4,476
<b>Balance at 30 September 2015</b>	<u>5,000</u>	<u>4,028</u>	<u>9,028</u>

## Statements of Cash Flows

The statements of cash flow of G&S for each of the three years ended 30 September 2013, 2014, and 2015, are set out below:

	2013	2014	2015
Note	RM'000	RM'000	RM'000
<b>Cash Flow from Operating Activities</b>			
Profit/(loss) for the period before taxation	(95)	1,251	4,476
<i>Adjustment for:</i>			
Amortisation of intangible assets	55	55	55
Depreciation of property, plant and equipment	1	2	7
Impairment losses on trade receivables	2	—	—
Impairment loss on other receivables	—	300	—
Government grant income	(13)	(13)	(13)
Property, plant and equipment written off	1	—	—
Interest expenses	—	—	7
	<hr/>	<hr/>	<hr/>
<b><i>Operating cash flows before movements in working capital</i></b>	(49)	1,595	4,532
Increase in trade and other receivables	(143)	(3,582)	(11,193)
Increase in trade and other payables	176	119	18,926
Amounts owing to contract customers	—	—	1,671
	<hr/>	<hr/>	<hr/>
Cash generated from/(used in) operating activities	(16)	(1,868)	13,936
Income tax paid	—	—	—
Income tax refund	2	3	—
Interest paid	—	—	(7)
	<hr/>	<hr/>	<hr/>
<b><i>Net cash generated from/(used in) operating activities</i></b>	(14)	(1,865)	13,929
	<hr/>	<hr/>	<hr/>
<b>Cash Flows For Investing Activities</b>			
Additional development expenditure for intangible assets	(62)	(35)	(59)
Investment in unquoted shares	—	(150)	(250)
Purchase of property, plant and equipment	—	(15)	(10,969)
	<hr/>	<hr/>	<hr/>
<b><i>Net cash used in investing activities</i></b>	(62)	(200)	(11,278)
	<hr/>	<hr/>	<hr/>
<b>Cash Flows (For)/Form Financing Activities</b>			
Issuance of share capital	—	2,600	—
Advances (to)/from K2M Ventures	—	2	(25)
Advances from director	11	3	530
Drawdown of term loan	—	—	8,496
	<hr/>	<hr/>	<hr/>
<b><i>Net cash generated from/(used in) financing activities</i></b>	11	2,605	11,652
	<hr/>	<hr/>	<hr/>
Cash and equivalent at beginning of period	36	(29)	511
	<hr/>	<hr/>	<hr/>
<b><i>Cash and equivalent at end of period</i></b>	23	(29)	511
	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>

## Notes to the Financial Information

### 1. General information

G&S is a private company limited by shares and is incorporated under the Companies Act, 1965 in Malaysia. G&S is domiciled in Malaysia. The registered office and principal place of business are as follows:

Registered office :	3-2, 3 <sup>rd</sup> Mile Square No. 151, Jalan Kelang Lama Batu 3 ½ 58100 Kuala Lumpur
Principal place of business:	73-M, Jalan Medan Setia 1 Plaza Damansara, Bukit Damansara 50490 Kuala Lumpur

The Directors present their report and non-statutory financial information of G&S for each of the years ended 30 September 2013, 2014 and 2015.

### 2. Principal activities

G&S is principally engaged in research and development, provision of professional engineering consultancy, and process design services in the area of industrial biotechnology, pollution control and renewable energy; and engineering, procurement and construction of various waste treatment plants/systems; and development, commercialization, operation and maintenance of renewable energy power plants. There have been no significant changes in the nature of these principal activities during the financial year/period.

### 3. Holding company

On 6 November 2013, K2M Ventures Sdn Bhd (“K2MV”) a company incorporated in Malaysia became the Holding Company of G&S through the acquisition of an 80 per cent. equity interest. Prior to this, G&S was a wholly owned subsidiary of VV Smart Sdn Bhd, a company incorporated in Malaysia.

### 4. Basis of preparation

The financial information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with International financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU). The Financial information has been prepared under the historical cost convention. A summary of the more important company accounting policies is set out below.

Certain changes to IFRS will be applicable for G&S’s financial information in future periods. To the extent that these have not been adopted these early in the preparation of the financial information, they will not affect the company’s reported profit or equity but they may affect disclosures.

The directors have considered those standards and interpretations, which have not yet been applied in the financial information but are relevant to the company’s operations, that are in issue but not yet effective and do not consider that any will have a material impact on the future results of G&S. Numerous other minor amendments to standards have been made as a result of the IASB’s annual improvement project. The only one of these considered potentially material to G&S’s operation is IFRS 15 ‘Revenue from Contracts with Customers’ the details of which are as follows:

#### ***IFRS 15: Revenue from contracts with customers***

IFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretation when it becomes effective. Under IFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

In addition, extensive disclosure are required by IFRS 15, The Company anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impact on IFRS 15 until G&S performs a detailed review.

## **5. Significant accounting policies**

### **5.1 Critical accounting estimates and judgements**

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

(a) *Depreciation of property, plant and equipment*

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

(b) *Income taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. G&S recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(c) *Impairment of Non-financial assets*

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

(d) *Impairment of trade and other receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(e) *Impairment of intangible assets*

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

(f) *Amortisation of intangible assets*

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

5.2 **Functional and foreign currencies**

(a) *Functional and Presentation Currency*

The Financial Information is presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The Financial Information is presented in Malaysian Ringgit (“RM”), which is the Company’s functional currency and the presentation currency.

(b) *Transactions and Balances*

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

5.3 **Financial instruments**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when G&S has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

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

(a) *Financial Assets*

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

(i) *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets.

(ii) *Available-for-sale financial assets*

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

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair

value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

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

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

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

(b) *Financial Liabilities*

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

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

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

(c) *Equity Instruments*

Instrument classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary shares

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

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

(ii) Redeemable convertible preference shares ("RCPS")

As G&S generated insufficient profits during the period in which the redeemable non-cumulative convertible preference shares were in issue, the 5 per cent. dividend was not payable. This was in-line with expectations as at the date of issue.

As such, the redeemable convertible preference shares were accounted for 100 per cent. as equity and no liability component was recognised in the statements of financial position.

(d) *Derecognition*

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

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

#### 5.4 *Investment in an associate*

An associate is an entity in which G&S has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

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

#### 5.5 *Property, plant and equipment*

##### (a) *Owned Assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use.

##### (b) *Depreciation*

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line basis to write off the depreciable amount of the assets net of the estimated residual values over their estimated useful lives. Capital work in progress is depreciated from the date it is ready to use. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

	<i>Estimated Useful Lives</i>
Office equipment	5 – 10 years
Furniture and fittings	5 – 10 years
Renovation	5 – 10 years

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

##### (c) *Cost*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

#### 5.6 *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses (Note 5.1(G)). The useful lives of intangible assets are assessed to be either finite or indefinite.



Intangible assets with finite lives are amortised on straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end/period.

The amortisation expense on intangible assets with finite useful lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

(i) *Trademark*

Trademarks are stated at cost less accumulated amortisation any impairment losses (Note 5.1(h)). Trademarks are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash generating unit level.

(ii) *Research and development expenditure*

Research expenditure is recognised as an expense when it is incurred.

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

- (a) its ability to measure reliably the expenditure attributable to the asset under development;
- (b) the product or process is technically and commercially feasible;
- (c) its future economic benefits are probable;
- (d) its intention to complete and the ability to use or sell the developed assets; and
- (e) the availability of adequate technical, financial and other resources to complete the asset under development

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

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

## 5.7 *Impairment*

(a) *Impairment of Financial Assets*

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



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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) *Impairment of Non-Financial Assets*

The carrying values of assets, other than those to which IFRS 136 (IAS 36): Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

## 5.8 **Income taxes**

Income tax for the year/period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is

included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

#### 5.9 **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

#### 5.10 **Employee benefits**

##### (a) *Short-term benefits*

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of G&S.

##### (b) *Defined contribution plans*

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

#### 5.11 **Related parties**

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

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

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

### 5.12 *Fair value measurement*

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

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

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

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

### 5.13 *Revenue and other income*

(i) *Contract revenue*

Contract revenue is recognised on the percentage of completion method based on works performed. The stage of completion is measured by reference to the actual cost incurred to date to estimated total cost for each contract.

(ii) *Amount due from/(to) customer for contract work*

Amount due from/(to) customer for contract work is the net amount of cost incurred for construction and contracts-in-progress plus profit attributable to contract-in-progress less foreseeable losses, if any, and progress billings. Contract costs incurred to-date includes costs directly related to the contract or attributable to contract activities in general and costs specifically chargeable to the customers under the terms of the contract.

(iii) *Sales of goods*

Revenue from sale of goods sold is recognised upon delivery of products and customers' acceptance, if any.

(iv) *Revenue from services rendered*

Revenue from services is recognised upon performance of services.

(v) *Government grants*

Grants that compensate G&S for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related costs which they are intended to compensate for.

Grants that compensate G&S for the costs of assets are recognised in profit or loss on a systematic basis over the expected life of the related asset.

### 5.14 *Borrowing costs*

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

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

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

#### 5.15 *Contingent liabilities*

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

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

### 6. Investment in an associate

	<i>30.09.2013</i> <i>RM'000</i>	<i>30.09.2014</i> <i>RM'000</i>	<i>30.09.2015</i> <i>RM'000</i>
<b>At Cost</b>			
CGE	—	—	250
MGE	—	—	150
	<u>—</u>	<u>—</u>	<u>400</u>

The details of the associates are as follows:

<i>Name of associate</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Equity interest 30 September 2015</i>
Concord Green Energy Sdn Bhd (CGE)	Bio-gas plants	Malaysia	25%
Megagreen Energy Sdn. Bhd. (MGE)	Bio-gas plants	Malaysia	15%

On 11 November 2014, G&S entered into a Shareholder's Agreement with MGE which entitled a director of G&S to be appointed to the Board of MGE. As a result it is deemed that from this point G&S can exert significant influence on the financial and operating policies of MGE, and therefore MGE has been accounted for as an associate despite an interest of less than 20 per cent. A G&S director is also on the board of CGE.

The summarised unaudited financial information for the associate that is material to G&S is as follows:

	<i>MGE</i> <i>RM'000</i>	<i>CGE</i> <i>RM'000</i>
<b>At 30 September 2015</b>		
Non-current assets	29,212	173
Current assets	3,314	680
Current liabilities	(32,426)	(192)
Net assets	<u>100</u>	<u>661</u>
<b>Financial year ended 30 September 2015</b>		
Revenue	—	—
Loss for the financial period	(900)	(330)
Total comprehensive income	(900)	(330)
G&S's share of loss for the financial period	<u>(135)</u>	<u>(83)</u>
<b>Reconciliation of net assets to carrying amount</b>		
G&S's share of net assets above	15	165
Goodwill	—	2
Carrying amount of G&S's interest in this associate	<u>15</u>	<u>167</u>

## 7. Property, plant and equipment

	<i>At</i> 1.10.2012 RM'000	<i>Additions</i> RM'000	<i>Written off/ disposals</i> RM'000	<i>Depreciation charge</i> RM'000	<i>At</i> 30.09.2013 RM'000
Net book value					
Plant and machinery	1	—	(1)	—	—
Office equipment	3	—	(1)	(1)	1
Furniture and fittings	—	—	—	—	—
Renovation	—	—	—	—	—
	<u>4</u>	<u>—</u>	<u>(2)</u>	<u>(1)</u>	<u>1</u>
	<i>At</i> 1.10.2013 RM'000	<i>Additions</i> RM'000	<i>Written off/ disposals</i> RM'000	<i>Depreciation charge</i> RM'000	<i>At</i> 30.09.2014 RM'000
Net book value					
Office equipment	1	—	—	(1)	—
Furniture and fittings	—	10	—	(1)	9
Renovation	—	5	—	—	5
	<u>1</u>	<u>15</u>	<u>—</u>	<u>(2)</u>	<u>14</u>
	<i>At</i> 1.10.2014 RM'000	<i>Additions</i> RM'000	<i>Disposal</i> RM'000	<i>Depreciation charge</i> RM'000	<i>At</i> 30.09.2015 RM'000
Net book value					
Office equipment	—	16	—	(1)	15
Furniture and fittings	9	66	—	(2)	73
Renovation	5	118	—	(4)	119
Capital work-in-progress	—	11,487	—	—	11,487
	<u>14</u>	<u>11,687</u>	<u>—</u>	<u>(7)</u>	<u>11,694</u>

- (a) The capital work-in-progress with carrying amount of RM 11,487,209 (30 September 2014: NIL) is pledged against banking facilities (Note 14).
- (b) Capital work-in-progress will only be subject to depreciation when completed.
- (c) Total loan interest capitalised in the capital work-in-progress amounting to RM 277,067 (30 September 2014: NIL)
- (d) Purchase of property, plant and equipment:

	30.9.2014 RM'000	30.9.2015 RM'000
Aggregate cost of property, plant and equipment	15	11,687
Unpaid balance included in other payables (Note 16)	—	(718)
Cash paid to acquire property, plant and equipment	<u>15</u>	<u>10,969</u>

	<i>At Cost RM'000</i>	<i>Opening accumulated depreciation RM'000</i>	<i>Depreciation charge RM'000</i>	<i>Net book value RM'000</i>
<b>30.09.2013</b>				
Plant and machinery	—	—	—	—
Office equipment	8	(6)	(1)	1
Furniture and fittings	—	—	—	—
Renovation	—	—	—	—
	<u>8</u>	<u>(6)</u>	<u>(1)</u>	<u>1</u>
<b>30.09.2014</b>				
Plant and machinery	—	—	—	—
Office equipment	8	(7)	(1)	—
Furniture and fittings	10	—	(1)	9
Renovation	5	—	—	5
	<u>23</u>	<u>(7)</u>	<u>(2)</u>	<u>14</u>
<b>30.09.2015</b>				
Plant and machinery	—	—	—	—
Office equipment	24	(8)	(1)	15
Furniture and fittings	75	(1)	(2)	72
Renovation	124	—	(4)	120
Capital work-in-progress	11,487	—	—	11,487
	<u>11,710</u>	<u>(9)</u>	<u>(7)</u>	<u>11,694</u>

## 8. Intangible assets

	<i>At 1.10.2012 RM'000</i>	<i>Additions RM'000</i>	<i>Disposal RM'000</i>	<i>Amortisation charge RM'000</i>	<i>At 30.9.2013 RM'000</i>
Net book value	2	5	—	—	7
Trademarks	1,015	57	—	(55)	1,017
Patents	<u>1,017</u>	<u>62</u>	<u>—</u>	<u>(55)</u>	<u>1,024</u>
	<i>At 1.10.2013 RM'000</i>	<i>Additions RM'000</i>	<i>Disposal RM'000</i>	<i>Amortisation charge RM'000</i>	<i>At 30.9.2014 RM'000</i>
Net book value	7	—	—	(1)	6
Trademarks	1,017	36	—	(54)	999
Patents	<u>1,024</u>	<u>36</u>	<u>—</u>	<u>(55)</u>	<u>1,005</u>
	<i>At 1.10.2014 RM'000</i>	<i>Additions RM'000</i>	<i>Disposal RM'000</i>	<i>Amortisation charge RM'000</i>	<i>At 30.9.2015 RM'000</i>
Net book value	6	—	—	(1)	5
Trademarks	999	59	—	(54)	1,004
Patents	<u>1,005</u>	<u>59</u>	<u>—</u>	<u>(55)</u>	<u>1,009</u>

	<i>At Cost RM'000</i>	<i>Opening accumulated amortisation RM'000</i>	<i>Amortisation RM'000</i>	<i>Net book value RM'000</i>
<b>30.09.2013</b>				
Trademarks	7	—	(1)	6
Patents	1,226	(152)	(55)	1,019
	<u>1,233</u>	<u>(152)</u>	<u>(56)</u>	<u>1,025</u>
<b>30.09.2014</b>				
Trademarks	7	(1)	(1)	5
Patents	1,260	(207)	(54)	999
	<u>1,267</u>	<u>(208)</u>	<u>(55)</u>	<u>1,004</u>
<b>31.09.2015</b>				
Trademarks	8	(2)	(1)	5
Patents	1,319	(261)	(54)	1,004
	<u>1,327</u>	<u>(263)</u>	<u>(55)</u>	<u>1,009</u>

(a) ***Trademark***

The trademarks “GRASS”, “POME-MAS” and “GREENPAK” are registered in Malaysia in respect of patented wastewater and bio-waste treatment technologies. These trademarks have been granted for an indefinite period, however, they are being amortised over ten (10) years in line with Management’s best estimate of their expected useful life.

(b) ***Patent and/or Product/Technology development expenditure***

G&S has a continuous program of development initiatives for wastewater and bio-waste treatment systems/technologies. Development expenditure are capitalised as patent and amortised over a twenty (20) year period which commensurate with the availability of the sales or use of the developed. products/technologies.

G&S’s capitalisation policy for patents and any other development expenditure requires the periodic review of the carrying values to determine if there has been impairment in value-based expected future cash flows. If it is determined that the carrying value exceeds the recoverable amount, the carrying value of the asset is written down to the recoverable amount.

(c) ***Impairment test***

Intangible assets are tested for impairment on an annual basis by comparing their carrying amounts with the recoverable amounts of the cash-generating units (“CGU”) based on value-in-use. Value-in-use is determined by discounting the future cash flows to be generated from the continuous use of the CGU based on the following assumptions:

- (i) Cash flows are projected based on the management’s five-year business plan.
- (ii) An interest rate of 8 per cent. has been used for the purposes of discounting cash flows as this represents management’s best estimate of G&S’s cost of capital plus a reasonable risk premium at the date of assessment of the CGU.
- (iii) Growth rate for the CGU is determined based on the management’s estimate of the industry trends and past performances of the CGU.
- (iv) Profit margins are projected based on the industry trends and historical profit margin achieved.

The management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amounts of the CGU to materially exceed their recoverable amounts.



## 9. Other investment

This represents a 15 per cent. investment in MGE, which are unquoted shares stated at cost.

As at 11 November 2014, G&S executed a Shareholders' Agreement which gave G&S representation on the Board of Directors and therefore significance influence over the financial and operating policy decisions relating to MGE.

Therefore, as at 30 September 2015, MGE was accounted for as an associate. Refer to Note 6.

## 10. Trade receivables

	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2015 RM'000
<b>Trade receivable</b>	2	558	2
Less: allowance for impairment losses	(2)	(2)	(2)
Net trade receivables	—	556	—
<b>Allowance for impairment losses</b>			
Opening balance	—	(2)	(2)
Addition during the year/period	(2)	—	—
Closing balance	(2)	(2)	(2)

(a) G&S's normal credit terms range from 90 to 120 days (30 September 2014 and 2013: 90 to 120 days). Other credit terms are assessed and varied on a case-by-case basis.

(b) Trade receivables that are individually determined to be impaired relate to customers that have defaulted on payments.

## 11. Other receivables, deposit and prepayment

	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2015 RM'000
Amount due from an investee company	—	1,321	12,075
Amount due from an affiliated company	—	—	721
Amount due from K2MV	—	—	22
Advance to supplier	—	1,430	60
Other receivables	301	563	480
Less: Allowance for impairment loss	—	(300)	(300)
	301	3,014	13,058
Deposits	—	13	277
Prepayments	—	—	1,462
Tax recoverable	3	—	—
	304	3,027	14,797
<b>Allowance for impairment losses:</b>			
Opening balance	—	—	(300)
Addition during the year/period	—	(300)	—
Closing balance	—	(300)	(300)

The amount due from K2MV is unsecured, interest free and repayable on demand.

## 12. Share capital

The movements in the registered capital of G&S are as follows:

	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2015 RM'000
<b>Authorised:</b>			
<b>Ordinary shares of RM1 each</b>			
At 1 October	3,000	3,000	5,000
Reclassification from redeemable convertible preference shares	—	2,000	—
30 September 2013, 2014 & 2015	<u>3,000</u>	<u>5,000</u>	<u>5,000</u>
<b>Redeemable convertible preference shares of RM1 each</b>			
At 1 October	2,000	2,000	—
Reclassification to ordinary shares	—	(2,000)	—
30 September 2013, 2014 & 2015	<u>2,000</u>	<u>—</u>	<u>—</u>
<b>Issued and paid up:</b>			
<b>Ordinary shares of RM1 each</b>			
At 1 October	1,000	1,000	5,000
Issuance of new shares	—	2,600	—
Conversion of preference shares	—	1,400	—
30 September 2013, 2014 & 2015	<u>1,000</u>	<u>5,000</u>	<u>5,000</u>
<b>Redeemable convertible preference shares of RM1 each</b>			
At 1 October	1,400	1,400	—
Reclassification to ordinary shares	—	(1,400)	—
30 September 2013, 2014 & 2015	<u>1,400</u>	<u>—</u>	<u>—</u>

On 13 April 2012, 1,400,000 5 per cent. redeemable convertible preference shares were issued which were subsequently converted on 13 August 2014. No dividend was payable in respect of these shares during the period of issue as G&S was not, nor was expected to be, sufficiently profitable. As such, the redeemable convertible preference shares have been accounted 100 per cent. as equity and as such no liability component has been reflected in respect of them in these financial statements.

## 13. Deferred grant income

G&S received a government grant in financial years 2007 and 2008 which was provided for the project “Greenpak”, to develop a new individual septic tank using Upflow Anaerobic Sludge Blanket principle. The grant income is amortised on a systematic basis over the useful life of the related patent.

During the financial year ended 30 September 2015, an amortised amount of RM 12,500 was recognised (2014 and 2013: RM 12,500) as other income in profit or loss.

## 14. Term loan

(a) The term loan is secured against:

- (i) Capital work-in-progress with carrying amount of RM 11,487,209 (30 September 2014: RM NIL) (Note 7(a));
- (ii) Fixed and floating charge over present and future assets;
- (iii) A guarantee by Credit Guarantee Corporation Berhad (“CGC”);

- (iv) Corporate guarantee from shareholder; and
  - (v) Joint and several guarantees by the directors.
- (b) The effective interest rate for term loan at the end of the reporting period 30 September 2015 was 5 – 8.00 per cent. (30 September 2014: NIL) per annum.
- (c) The term loan is repayable by 84 equal monthly installments with the first installment due in January 2016. It was partially released during the financial period.

#### 15. Amount due to director

The amount owing to directors is unsecured, interest free and repayable on 31 October 2018 (2014: repayable on demand).

#### 16. Trade payables

The normal credit terms granted to G&S by the suppliers are 90 days (2014 : NIL) from invoice date.

#### 17. Other payables and accruals

	<i>30.09.2013</i> <i>RM'000</i>	<i>30.09.2014</i> <i>RM'000</i>	<i>30.09.2015</i> <i>RM'000</i>
Amount due to K2MV	—	3	—
Amount due to an associate	—	—	1
Amount owing to contract customers	—	—	1,671
Other payables	369	532	9,389
	<u>369</u>	<u>535</u>	<u>11,061</u>

- (a) The amount due to K2MV is unsecured, interest free and repayable on demand.
- (b) Included in other payables of G&S at 31 March 2015 is the amount of RM 718,000 (30 September 2014: RM NIL) for purchase of property, plant and equipment (Note 7 (c)).

#### 18. Bank overdraft

G&S's interest-bearing bank borrowings were guaranteed by a director of the company and a related party.

#### 19. Revenue

Revenue represents contract revenue recognised based on percentage of completion method and the net invoiced value of goods sold, after allowances for returns and trade discounts.

	<i>01.10.2012 to</i> <i>30.9.2013</i> <i>RM'000</i>	<i>01.10.2013 to</i> <i>30.09.2014</i> <i>RM'000</i>	<i>01.10.2014 to</i> <i>30.09.2015</i> <i>RM'000</i>
Contract revenue recognised based on percentage of completion method	19	—	18,703
Invoice value of services rendered	48	4,050	720
	<u>67</u>	<u>4,050</u>	<u>19,423</u>

**20. Profit/(loss) before taxation**

	<i>01.10.2012 to 30.09.2013 RM'000</i>	<i>01.10.2013 to 30.09.2014 RM'000</i>	<i>01.10.2014 to 30.09.2015 RM'000</i>
Profit/(loss) before taxation is arrived at after charging:			
Audit fee			
– current period	3	9	21
– (over)provision previous year	—	—	—
Amortisation of intangible asset	54	56	55
Depreciation of property, plant and equipment	1	2	7
Directors' remuneration	15	400	268
Directors fees	—	500	86
Impairment losses on trade receivable	2	—	—
Impairment losses on other receivable	—	300	—
Property, plant and equipment written off	1	—	—
Rental	17	32	51
Sundry deposit written off	1	—	—
Staff costs:			
– defined contribution plans	19	15	66
– salaries and other benefits	76	74	503
And crediting:–			
Government grant income	(13)	(13)	(13)

**21. Earnings (loss) per share**

	<i>30.09.2013</i>	<i>30.09.2014</i>	<i>30.09.2015</i>
Profit (loss) after taxation (RM'000)	(92)	1,251	4,476
Weighted average number of ordinary shares	1,000,000	5,000,000	5,000,000
Basic earnings per share (RM)	(0.09)	0.25	0.90
Weighted average number of preference shares	1,400,000	—	—
Diluted earnings per share (RM)	(0.09)	0.25	0.90

**22. Income tax expense**

	<i>01.10.2012 to 30.09.2013 RM'000</i>	<i>01.10.2013 to 30.09.2014 RM'000</i>	<i>01.10.2014 to 30.09.2015 RM'000</i>
Current tax expense	—	—	—
(Over) provision in previous year	(3)	—	—
	(3)	—	—

A reconciliation of income tax expense applicable to the profit or loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of G&S is as follows:

	<i>01.10.2012</i> <i>to</i> <i>3.09.2013</i> <i>RM'000</i>	<i>01.10.2013</i> <i>to</i> <i>30.09.2014</i> <i>RM'000</i>	<i>01.10.2014</i> <i>to</i> <i>30.09.2015</i> <i>RM'000</i>
Profit/(loss) before taxation	<u>(95)</u>	<u>1,251</u>	<u>4,476</u>
Tax at the statutory tax rate	(24)	250	1,119
Tax effects of:–			
Non-deductible expenses	17	85	—
Utilisation of deferred tax asset not recognised previously	7	(22)	—
Utilisation of unabsorbed losses	—	—	—
Utilisation of capital allowances	—	—	—
Effect of tax incentives	—	(313)	(1,119)
(Over) provision in previous year	<u>(3)</u>	<u>—</u>	<u>—</u>
	<u>(3)</u>	<u>—</u>	<u>—</u>

- (i) G&S was granted BioNexus status by a government agency, Malaysian Biotechnology Corporation Sdn. Bhd, which entitles it to tax exemption on statutory business income derived from approved activities over five consecutive years of assessment commencing from the first year in which G&S generates statutory income from the relevant approved activities.
- (ii) Subject to the agreement of the Inland Revenue Board in Malaysia, at 30 September 2015, G&S has deferred tax assets not recognised in the financial statements for the following item under the liability method:

	<i>3.09.2013</i> <i>RM'000</i>	<i>30.09.2014</i> <i>RM'000</i>	<i>30.09.2015</i> <i>RM'000</i>
Unabsorbed tax losses	<u>1,351</u>	<u>1,260</u>	<u>1,260</u>

Deferred tax assets are not recognised in the financial statements where it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. The unused tax losses do not expire under current tax legislation. However, the availability of unused tax losses for offsetting against future taxable profits are subject to no substantial changes in shareholdings of the Company under the Income Tax Act 1967 and guidelines issued by the tax authority.

### 23. Cash and cash equivalent

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	<i>30.09.2013</i> <i>RM'000</i>	<i>30.09.2014</i> <i>RM'000</i>	<i>30.09.2015</i> <i>RM'000</i>
Cash and bank balances	—	511	12,163
Bank overdraft (unsecured)	(29)	—	—
	<u>(29)</u>	<u>511</u>	<u>12,163</u>

## 24. Related party disclosure

### (a) Identities of related parties

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

### (b) G&S also carried out the following transactions with the related parties as disclosed below:-

	<i>01.10.2012</i> <i>to</i> <i>30.09.2013</i> <i>RM'000</i>	<i>01.10.2013</i> <i>to</i> <i>30.09.2014</i> <i>RM'000</i>	<i>01.10.2014</i> <i>to</i> <i>30.09.2015</i> <i>RM'000</i>
Holding company, K2M Ventures Sdn Bhd			
– Management fee	—	1,000	—
Investee company, Megagreen Energy Sdn Bhd			
– Sales	—	2,205	—
– Progress billings	—	—	28,413
– Rental	—	—	9
Affiliated company, Our Energy Group Sdn Bhd			
– Sales	—	—	763

Our Energy Group (M) Sdn Bhd represents a company in which certain directors of G&S have financial interest.

K2MV, a corporate shareholder of G&S is an entity owned and controlled by G&S directors.

### (c) The amounts due from/(to) the above related parties were as follows:

	<i>As at</i> <i>30.09.2013</i> <i>RM'000</i>	<i>As at</i> <i>30.09.2014</i> <i>RM'000</i>	<i>As at</i> <i>30.09.2015</i> <i>RM'000</i>
Entity controlled by certain key management personnel and directors	—	—	22
Associates	—	1,321	12,075
Shareholder Directors	—	(15)	(545)

### (d) Compensation of key management personnel

The remuneration of directors during the financial years below were as follows :

	<i>01.10.2012</i> <i>to</i> <i>30.09.2013</i> <i>RM'000</i>	<i>01.10.2013</i> <i>to</i> <i>30.09.2014</i> <i>RM'000</i>	<i>01.10.2014</i> <i>to</i> <i>30.09.2015</i> <i>RM'000</i>
Director's remuneration:			
– short-term employee benefits	15	900	323
– defined contribution plans	2	—	30
	<u>17</u>	<u>900</u>	<u>353</u>

## 25. Operating segments

### (a) *Operating segments*

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance. Currently G&S operates under one operating segment providing consulting and contract services to customers in the renewable energy sector and those requiring waste water treatment.

Information on geographical segments is not presented as G&S operates wholly in Malaysia where all of its assets and liabilities are located.

The information provided to management for the reportable segments during each year is as follows:-

#### *Business Segments*

	<i>01.10.2012</i> <i>to</i> <i>30.09.2013</i> <i>RM'000</i>	<i>01.10.2013</i> <i>to</i> <i>30.09.2014</i> <i>RM'000</i>	<i>01.10.2014</i> <i>to</i> <i>30.09.2015</i> <i>RM'000</i>
Consulting and contract revenues	67	4,049	19,423
Group revenues	<u>67</u>	<u>4,049</u>	<u>19,423</u>
Gross Profit/(Loss)	(35)	2,738	5,791
Net Profits/(Loss)	(95)	1,251	4,476
Segment Assets	1,329	5,263	40,063
Segment Liabilities	628	711	31,035
Investment in associates	—	150	400
Capital Expenditure	62	50	11,746
Depreciation and amortisation	56	57	62

### (b) *Information about major customers*

During the financial year ended 30 September 2013, customer A and customer B, accounted for RM 37,000 and RM 29,000 respectively of total sales.

During the financial year ended 30 September 2014, customer C customer D accounted and customer E accounted for RM 1,167,000, RM 360,000 and RM 2,205,000 respectively of total sales.

During the financial year ended 30 September 2015, customer F accounted for RM 18,702,350 of total sales.

## 26. Financial instruments

G&S activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. G&S's overall financial risk management policy focuses on the unpredictability of finance market and seek to minimise potential adverse effects on G&S's financial performance by having in place adequate financial resources for the development of the G&S's business whilst managing its market risk, credit risk and liquidity risk.

### 26.1 *Financial risk management policies*

G&S's policies in respect of the major areas of treasury activity are as follows:-

#### (a) *Market risk*

##### (i) Foreign currency risk

G&S is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than functional currency. The currencies giving rise to this risk are primarily the United States Dollar ("USD") and Great British Pound

(“GBP”). Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level. At the end of the reporting period, G&S does not have any derivative financial instruments used to hedge foreign currency risk.

G&S exposure to foreign currency risk, based on the carrying amounts at the reporting date is as follows:

	<i>USD</i> <i>RM'000</i>	<i>GBP</i> <i>RM'000</i>	<i>RM</i> <i>RM'000</i>	<i>Total</i> <i>RM'000</i>
<b>At 30 September 2015</b>				
<b>Financial assets</b>				
Other receivables	—	—	240	240
Amount due from holding company	—	—	22	22
Amount due from associate	—	—	12,075	12,075
Amount due from affiliated company	—	—	721	721
Cash and bank balances	—	—	12,163	12,163
	<u>—</u>	<u>—</u>	<u>25,221</u>	<u>25,221</u>
<b>Financial liabilities</b>				
Trade payables	2,696	—	8,090	10,786
Other payables and accruals	—	400	8,989	9,389
Amounts due to contract customers	—	—	1,671	1,671
Amount due to an associate	—	—	1	1
Amount due to directors	—	—	545	545
Term loan	—	—	8,496	8,496
	<u>2,696</u>	<u>400</u>	<u>27,792</u>	<u>30,888</u>
Net financial (liabilities)/assets	(2,696)	(400)	(2,571)	(5,667)
Less: Net financial (liabilities) denominated in the entity's functional currency	—	—	2,571	2,571
<b>Currency exposure</b>	<u>(2,696)</u>	<u>(400)</u>	<u>—</u>	<u>(3,096)</u>
<b>At 30 September 2014</b>				
<b>Financial assets</b>				
Trade receivables	—	—	556	556
Other receivables	—	—	1,693	1,693
Amounts due from associate	—	—	1,321	1,321
Cash and bank balances	—	—	512	512
	<u>—</u>	<u>—</u>	<u>4,082</u>	<u>4,082</u>
<b>Financial liabilities</b>				
Other payables and accruals	—	—	532	532
Amounts due to holding company	—	—	4	4
Amount due to directors	—	—	15	15
	<u>—</u>	<u>—</u>	<u>551</u>	<u>551</u>
Net financial assets	—	—	3,531	3,531
Less: Net financial (liabilities) denominated in the entity's functional currency	—	—	(3,531)	(3,531)
<b>Currency exposure</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>



The following details the sensitivity analysis of G&S's profit after tax to a reasonably possible change in the foreign currencies at the end of the reporting period with all other variables held constant:

	<i>Increase/(decrease)</i>		
	<i>30.09.2013</i> <i>RM'000</i>	<i>30.09.2014</i> <i>RM'000</i>	<i>30.09.2015</i> <i>RM'000</i>
<b>Effects on profit after tax</b>			
USD/RM			
– strengthened by 1%	—	—	22
GBP/RM			
– strengthened by 1%	—	—	3
	<u>          </u>	<u>          </u>	<u>          </u>

A weakening of the above currencies against Ringgit Malaysia at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, with all other variables held constant.

(ii) Interest rate risk

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

The sensitivity analysis is not presented as the sensitivity impact is immaterial because the loan has a fixed interest rate which is subsequently rolled-up into the principal.

(iii) Equity price risk

G&S does not have any quoted investments and hence is not exposed to equity price risk.

(b) *Credit risk*

G&S's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. G&S manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an on-going basis.

Credit risk concentration profile

G&S's major concentration of credit risk relates to the amounts owing by 1 (30 September 2014: 1) customer which constituted approximately 94 per cent. (30 September 2014: 70 per cent.) of its trade receivables as at the end of the reporting period.

Aging analysis

The ageing analysis of trade receivables at the end of the reporting periods is as follows:

	<i>30.09.2013</i> <i>RM'000</i>	<i>30.09.2014</i> <i>RM'000</i>	<i>30.09.2015</i> <i>RM'000</i>
Not past due and not impaired	—	—	—
Past due but not impaired:			
– less than 3 months	—	1	—
– 3 to 6 months	—	122	—
– over 6 months	—	433	—
	<u>          </u>	<u>          </u>	<u>          </u>
	—	556	—
	<u>          </u>	<u>          </u>	<u>          </u>

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

Trade receivables that are past due but not impaired

G&S believes that no impairment allowance is necessary in respect of these trade receivables. They are substantial companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment records with the Company.

None of G&S's trade receivables that are neither past due nor impaired have been renegotiated during the financial period/year.

(c) *Liquidity risk*

Liquidity risk is the risk that G&S will not be able to meet its financial obligations as they fall due. G&S maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure as far as possible, that they will have sufficient liquidity to meet its liabilities when they fall due.

The following table sets out the maturity profile of the financial liabilities at the reporting date based on contractual undiscounted cash flows:

	<i>Weighted average effective rate %</i>	<i>Carrying amount RM'000</i>	<i>Contractual undiscounted cash flows RM'000</i>	<i>Within 1 Year RM'000</i>	<i>1 – 5 Years RM'000</i>	<i>Over 5 Years RM'000</i>
<b>30.09.2013</b>						
Amount due to directors		12	12	12	—	—
Trade payables		44	44	44	—	—
Other payables and accruals		369	369	369	—	—
Bank overdraft (unsecured)		30	30	30	—	—
		<u>455</u>	<u>455</u>	<u>455</u>	<u>—</u>	<u>—</u>
<b>30.09.2014</b>						
Amount due to directors		15	15	15	—	—
Trade payables		—	—	—	—	—
Other payables and accruals		535	535	535	—	—
Bank overdraft (unsecured)		—	—	—	—	—
		<u>550</u>	<u>550</u>	<u>550</u>	<u>—</u>	<u>—</u>
<b>30.09.2015</b>						
Trade payables		10,786	10,786	10,786	—	—
Other payables and accruals		9,389	9,389	9,389	—	—
Amount due to contract customers		1,671	1,671	1,671	—	—
Amount due to an associate		1	1	1	—	—
Amount due to directors		545	545	—	545	—
Term loan	8	8,496	8,496	—	8,496	—
		<u>30,888</u>	<u>30,888</u>	<u>21,847</u>	<u>9,041</u>	<u>—</u>

## 26.2 Capital risk management

G&S manages its capital to ensure that it will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, G&S may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

G&S manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

There was no change in G&S's approach to capital management during the financial year/period.

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

	30.9.2013 RM	30.9.2014 RM	30.09.2015 RM
Term loan	—	—	8,496
Less: Cash and bank balances	—	(512)	(12,163)
Net debt	—	(512)	(3,667)
Total equity	701	4,552	9,028
Debt-to-equity ratio	—	(0.11)	NA

## 26.3 Classification of financial instruments

	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2015 RM'000
<b>Financial Asset</b>			
<b>Available-for-sale financial assets</b>			
Other investments	—	150	—
<u>Loan and receivables financial assets</u>			
Trade receivables	—	556	—
Other receivables	303	1,693	240
Amount due by shareholder	—	—	—
Amount due by holding company	—	—	22
Amount due by an associate	—	1,321	12,075
Amount due by an affiliated company	—	—	721
Cash and bank balances	—	512	12,163
	303	4,082	25,221
<b>Financial Liability</b>			
<u>Financial liabilities measured at amortised cost</u>			
Bank overdraft (unsecured)	29	—	—
Amount due to directors	12	14	545
Amounts due to contract customers	—	—	1,671
Amounts due to an associate	—	—	1
Trade payables	44	—	10,786
Other payables and accruals	369	535	9,389
Term Loan	—	—	8,496
	454	549	30,888

#### 26.4 *Fair values measurements*

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

#### 27. **Commitments**

G&S had the following financial commitments at each year end:

	<i>30.09.2013</i> <i>RM'000</i>	<i>30.09.2014</i> <i>RM'000</i>	<i>30.09.2015</i> <i>RM'000</i>
Property plant and equipment (Approved and contracted for)	—	—	5,140

#### 28. **Contingencies**

	<i>30.09.2013</i> <i>RM'000</i>	<i>30.09.2014</i> <i>RM'000</i>	<i>30.09.2015</i> <i>RM'000</i>
Unsecured Corporate guarantee given to licenced banks for credit facilities granted to associate	—	—	35,250

G&S have provided associate company Megagreen Energy Sdn Bhd a corporate guarantee in support of their RM 35.25 million loan facility.

#### 29. **Subsequent Events**

On 12 January 2016, the entire issued share capital of G&S Ventures was acquired by the Company by the issue of 100 Shares.

Pursuant to a share sale and purchase agreement dated 6 May 2016, the Former G&S Shareholders agreed to sell their shares in G&S (comprising the entire issued share capital apart from the shares held by MTDC) and in OEG (comprising 51 per cent. of the issued share capital) to GSV, in consideration for the Company issuing the respective numbers of Shares (including to nominees of the Former G&S Shareholders) described in paragraph 3.2 (c) of Part VI of the Admission Document. In addition, GSV agreed to allot and issue additional shares to the Company in consideration for the Company allotting and issuing such Shares. The selling shareholders gave warranties in favour of the Company and GSV confirming they had unencumbered title to the shares they were selling.

Pursuant to a share sale and purchase agreement dated 6 May 2016, MTDC agreed to sell its shares in G&S in consideration for the Company issuing to it the number of Shares described in paragraph 3.2 (c) of Part VI of the Admission Document. In addition, GSV agreed to allot and issue additional shares to the Company in consideration for the Company allotting and issuing such Shares. MTDC gave warranties in favour of the Company and GSV confirming it had unencumbered title to the shares it was selling.

Both of these agreements were completed on 6 May 2016.

#### 30. **Ultimate Parent Company**

At the date of this report the ultimate controlling party of the subsidiaries is considered to be the Company, which is incorporated in Jersey.

#### 31. **Nature of Financial Information**

The financial information presented above does not constitute statutory financial statements for the period under review.

## PART E: ACCOUNTANTS' REPORT ON THE FINANCIAL INFORMATION ON OUR ENERGY GROUP (M) SDN BHD



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6 May 2016

The Directors  
Green & Smart Holdings plc  
12 Castle Street, St Helier  
Jersey JE2 3RT,  
Channel Islands

The Partners  
S P Angel Corporate Finance  
Prince Frederick House  
35-39 Maddox Street  
London W1S 2PP

Dear Sirs

We report on the audited pro forma aggregated financial information set out below on Our Energy Group (M) Sdn Bhd (“OEG”). This has been prepared for inclusion in the AIM admission Document (the “Document”) dated 6 May 2016 of Green & Smart Holdings plc (the “Company”) on the basis of the principal accounting policies set out in Note 2 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

### **Responsibilities**

The Directors of the Company are responsible for preparing the Financial Information on the basis set out below and in accordance with applicable International Financial Reporting Standards (“IFRS”) as adopted by the European Commission.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information underlying the financial statements and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion the Financial Information gives, for the purposes of the Admission Document dated 6 May, a true and fair view of the state of affairs of OEG as at the dates stated and of its profits and cash flows for the periods then ended in accordance with the basis of preparation set out below and in accordance with applicable IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

### **Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Crowe Clark Whitehill LLP**  
*Chartered Accountants*

## PART F: FINANCIAL INFORMATION ON OUR ENERGY GROUP (M) SDN BHD

### Statements of Financial Position

The statements of financial position of OEG as at 31 March 2015 are set out below:

		<i>As at 31 March 2015</i>
	<i>Note</i>	<i>RM</i>
<b>Non-current assets</b>		
Property, plant and equipment		—
Capital work in progress	5	824,200
		<u>824,200</u>
<b>Current assets</b>		
Inventories		—
Trade receivables		—
Other receivables, deposit and prepayment		—
Cash and bank balances	15	35,266
		<u>35,266</u>
<b>Total Assets</b>		<u><u>859,466</u></u>
<b>Equity</b>		
Share capital	6	100,000
Reserves		(17,234)
		<u>82,766</u>
<b>Non-current liabilities</b>		
		—
<b>Current liabilities</b>		
Trade payables	7	763,200
Balances due to related parties	8	5,000
Other payables		8,500
		<u>776,700</u>
<b>Total Liabilities</b>		776,700
<b>Total Equity and Liabilities</b>		<u><u>859,466</u></u>

## Statements of Comprehensive Income

The statement of comprehensive income of OEG for the eleven months ended 31 March 2015 are set out below:

	<i>Note</i>	<i>Eleven months ended 31 March RM</i>
<b>Revenue</b>	11	—
Cost of sales		—
		<hr/>
<b>Gross profit</b>		—
Administrative expenses		(17,234)
		<hr/>
<b>Operating loss and loss on ordinary activities before taxation</b>	9	(17,234)
Income tax expense	11	—
		<hr/>
Loss after taxation		(17,234)
		<hr/>
<b>Profit brought forward</b>		—
Other comprehensive income		—
		<hr/>
<b>Total comprehensive loss attributable to owners of the parent</b>		(17,234)
		<hr/> <hr/>
Loss per share:		
Basic	10	(0.17)
		<hr/> <hr/>



## Statements of Changes in Equity

The statement of changes in equity of OEG for the eleven months ended 31 March 2015 are set out below:

	<i>Non-Distributable Share capital</i>	<i>Accumulated losses</i>	<i>Total equity</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>
<b>Balance at 30 April 2014</b>	—	—	—
Issuance of new shares	100,000	—	100,000
Loss after taxation for the eleven-month period	—	(17,234)	(17,234)
<b>Balance at 31 March 2015</b>	<u>100,000</u>	<u>(17,234)</u>	<u>82,766</u>

## Statements of Cash Flows

The statements of cash flow for OEG for the eleven months ended 31 March 2015 is set out below:

	<i>Note</i>	<i>Eleven months ended 31 March 2015</i>
<b>Cash Flow from Operating Activities</b>		
Loss for the period before taxation		(17,234)
<i>Adjustment for:</i>		
Amortisation of intangible assets		—
Depreciation of property, plant and equipment		—
Impairment losses on trade receivables		—
Impairment loss on other receivables		—
Government grant income		—
Property, plant and equipment written off		—
<b><i>Operating cash flows before movements in working capital</i></b>		<b>(17,234)</b>
Increase/ in trade and other payables		776,700
Cash generated from operating activities		759,466
Income tax paid		—
Income tax refund		—
<b><i>Net cash generated from/(used in) operating activities</i></b>		<b>759,466</b>
<b>Cash Flows For Investing Activities</b>		
Capital work in progress		(824,200)
Purchase of property, plant and equipment		—
<b><i>Net cash used in investing activities</i></b>		<b>(824,200)</b>
<b>Cash Flows From Financing Activities</b>		
Issuance of share capital		100,000
<b><i>Net cash generated from financing activities</i></b>		<b>100,000</b>
<b><i>Net Increase in Cash &amp; Cash Equivalents</i></b>		<b>35,266</b>
Cash and equivalent at beginning of period		—
<b><i>Cash and equivalent at end of period</i></b>	<b>15</b>	<b>35,266</b>

## Notes to the Financial Information

### 1. General Information

OEG is a private company limited by shares and is incorporated under the Companies Act, 1965 in Malaysia. The registered office and principal place of business are as follows:

Registered office:	54B, Damai Complex, Jalan Lumut, 50400 Kuala Lumpur,
Principal place of business:	73-M, Jalan Medan Setia 1 Plaza Damansara, Bukit Damansara 50490 Kuala Lumpur

### 2. Principal Activities

OEG is principally engaged in the construction and operation of renewable energy power plants.

### 3. Basis of Preparation

The financial statements of OEG are prepared under the historical cost convention and in compliance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The 2015 accounts are the Company’s first set of financial statements prepared in accordance with MFRS, including MFRS 1: First – time Adoption of Malaysia Financial Reporting Standards

In the preparation of the financial statements, the Company has adopted all the MFRS and IC Interpretations (including the Consequential Amendments), all the IFRS and Interpretations to IFRS that are relevant to its operations and effective for the financial period presented in the financial statements and these include

#### *MFRS and IC Interpretations (including the Consequential Amendments)*

Amendments to MFRS 10: Investment Entities

MFRS 12 and MFRS 127 (2011)

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136: recoverable Amount Disclosures for Non-Financial Assets

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

IC Interpretation 21: Levies

Annual Improvements to MFRSs 2010-2012 Cycle

Annual Improvements to MFRS 2011-2013 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Company’s financial statements

The Company has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period.

<i>MFRS and IC Interpretations (including the Consequential Amendments)</i>		<i>Effective Date</i>
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contract with Customers	1 January 2017
Amendments to MFRS 10 And MFRS 128 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interest In Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011)	Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendment to MFRS 116 And MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 And MFRS 141	Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRS 2012-2014 Cycle		1 January 2016

At the date of authorisation of this financial information, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date.

#### *Standards*

IFRS 14 Regulatory Deferral Accounts  
IFRS 15 Revenue from Contracts with Customers  
IFRS 9 Financial Instruments

#### *Amendments*

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations  
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation  
IAS 16 and IAS 41 Agriculture: Bearer Plants  
IAS 27 Equity Method in Separate Financial Statements  
IAS 1: Disclosure Initiative  
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

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

- (a) MFRS 9 (IFRS 9 issued by IASB in July 2014)  
MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking "expected loss" impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. There will be no material impact on the financial statements of the Company upon their initial application.

(b) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretation when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. In addition, extensive disclosure are required by MFRS 15, The Company anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impact on MFRS 15 until the Company performs a detailed review.

(c) Annual Improvements to MFRS 2012 – 2014 Cycle

The Annual Improvements to MFRSs 2012 – 2014 Cycle contains amendments to MFRS 5, MFRS 7, MFRS 119 and MFRS 134. These amendments are expected to have no material impact on the financial statements of the Company upon their initial application.

#### 4. Significant Accounting Policies

##### 4.1 Critical Accounting Estimates and Judgements

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

(a) *Depreciation of Property, Plant and Equipment*

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

(b) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. OEG recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(c) *Impairment of Non-Financial Assets*

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

(d) *Write-down of Inventories*

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

(e) *Impairment of Trade and Other Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) *Impairment of intangible assets*

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

(g) *Amortisation of intangible assets*

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

(h) *Fair value estimates for certain financial assets and liabilities*

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

#### 4.2 **Functional and Foreign Currencies**

(a) *Functional and Presentation Currency*

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

The financial statements are presented in Malaysian Ringgit (“RM”), which is OEG’s functional currency and the presentation currency.

(b) *Transactions and Balances*

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

#### 4.3 **Financial Instruments**

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

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

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

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

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

(a) *Financial Assets*

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

(i) *Financial Assets at Fair Value through Profit or Loss*

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

Dividend income from this category of financial assets is recognised in profit or loss when OEG's right to receive payment is established.

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) *Held-to-maturity Investments*

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

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) *Loans and Receivables Financial Assets*

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

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

(iv) *Available-for-sale Financial Assets*

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



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

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

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

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months impairment losses, if any.

(b) *Financial Liabilities*

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

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

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

(c) *Equity Instruments*

Instrument classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary shares

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

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

(d) *Derecognition*

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

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



#### 4.4 *Property, Plant and Equipment*

(a) *Owned Assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use.

(b) *Depreciation*

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line basis to write off the depreciable amount of the assets net of the estimated residual values over their estimated useful lives. Capital Work In Progress is not depreciated until it is completed and put into use. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

	<i>Estimated Useful Lives</i>	<i>2013 per annum</i>	<i>2014 per annum</i>
Office equipment	5 – 10 years	15%	10%
Furniture and fittings	5 – 10 years	15%	10%
Renovation	5 – 10 years	15%	10%

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

(c) *Cost*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

#### 4.5 *Impairment*

(a) *Impairment of Financial Assets*

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) *Impairment of Non-Financial Assets*

The carrying values of assets, other than those to which MFRS 136 (IAS 36): Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

#### 4.6 ***Income Taxes***

Income tax for the year/period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

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

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

#### 4.7 **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

#### 4.8 **Employee Benefits**

##### (a) *Short-term benefits*

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of the Company.

#### 4.9 **Related Parties**

A party is related to an entity (referred to as the “reporting entity”) if:

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

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

#### 4.10 **Fair Value Measurement**

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

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

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

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

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

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

#### 4.11 ***Revenue and Other Income***

(i) *Contract revenue*

Contract revenue is recognised on the percentage of completion method based on works performed. The stage of completion is measured by reference to the actual cost incurred to date to estimated total cost for each contract.

(ii) *Amount due from/(to) customer for contract work*

Amount due from/(to) customer for contract work is the net amount of cost incurred for construction and contracts-in-progress plus profit attributable to contract-in-progress less foreseeable losses, if any, and progress billings. Contract costs incurred to-date includes costs directly related to the contract or attributable to contract activities in general and costs specifically chargeable to the customers under the terms of the contract.

(iii) *Sales of goods*

Revenue from sale of goods sold is recognised upon delivery of products and customers' acceptance, if any.

(iv) *Revenue from services rendered*

Revenue from services is recognised upon performance of services.

#### 4.12 ***Borrowing Costs***

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

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

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

#### 4.13 ***Contingent Liabilities***

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

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

## 5. Property, Plant and Equipment

	<i>At</i> <i>30.4.2014</i> <i>RM</i>	<i>Additions</i> <i>RM</i>	<i>Written off/ Disposals</i> <i>RM</i>	<i>Depreciation</i> <i>Charge</i> <i>RM</i>	<i>At</i> <i>31.03.2015</i> <i>RM</i>
Net Book Value:					
Capital work in progress	—	824,200	—	—	824,200
	—	824,200	—	—	824,200

(a) Capital work-in-progress will only be subject to depreciation when completed.

## 6. Share Capital

The movements in the registered capital of OEG are as follows:

	<i>31.03.2015</i> <i>RM</i>
<b>Authorised:</b>	
<b>Ordinary shares of RM1 each</b>	
At 30 April 2014	400,000
31 March 2015	400,000
<b>Issued and paid up:</b>	
<b>Ordinary shares of RM1 each</b>	
At 30 April 2014	—
Issuance of new shares	100,000
31 March 2015	100,000

## 7. Trade Payables

Trade payables relates to an amount of RM 763,200 due to Green & Smart Sdn Bhd.

## 8. Balances Due to Related Parties

	<i>31.03.2015</i> <i>RM</i>
Balances due to related parties	5,000
	5,000

## 9. Loss before Taxation

	<i>30.04.2014</i> <i>to</i> <i>31.03.2015</i> <i>RM</i>
Profit/(loss) before taxation is arrived at after charging:	
Secretarial expenses	7,427
Traveling	1,307
Audit fees	8,500

## 10. Loss per Share

	<i>31.03.2015</i>
Loss after taxation (RM)	(17,234)
Weighted average number of ordinary shares	100,000
Basic loss per share (RM)	(0.17)

## 11. Income Tax

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

	<i>30.04.2014</i> <i>to</i> <i>31.03.2015</i> <i>RM</i>
Loss before taxation	<u>(17,234)</u>
Tax at the statutory tax rate	—
Tax effects of:	
Non-deductible expenses	—
Utilisation of deferred tax asset not recognised previously	—
Utilisation of unabsorbed losses	—
Utilisation of capital allowances	—
Effect of tax incentives	—
(Over) provision in previous year	<u>—</u>

- (i) Subject to the agreement of the Inland Revenue Board of Malaysia, at 31 March 2015, OEG has deferred tax assets not recognised in the financial statements for the following item under the liability method:

	<i>31.03.2015</i> <i>RM</i>
Unabsorbed tax losses	17,234
Unabsorbed capital allowance	<u>—</u>

No deferred tax assets have been recognised in the financial statements for the above item as there is no assurance beyond any reasonable doubt that future taxable profit will be sufficient to allow the deferred tax assets to be realised.

## 12. Cash and Cash Equivalent

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	<i>31.03.2015</i> <i>RM</i>
Cash and bank balances	<u>35,266</u>
	<u>35,266</u>

## 13. Significant Related Party Disclosure

- (a) *Identities of related parties*

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

- (b) OEG also carried out the following significant transactions with the related parties as disclosed below:

	30.04.2014 to 31.03.2015 RM
*Holding Company, K2M Ventures Sdn Bhd	
– Working capital advance	5,000
*Affiliated company, Green & Smart Sdn Bhd	
– Consultancy fees	763,200

\* Affiliated company represents a company in which certain directors of OEG have a financial interest.

#### 14. Operating Segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance.

Information on geographical segments is not presented as OEG operates mainly in Malaysia.

#### 15. Financial Instruments

OEG's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. OEG's overall financial risk management policy focuses on the unpredictability of finance market and seek to minimise potential adverse effects on OEG's financial performance by having in place adequate financial resources for the development of OEG's business whilst managing its market risk, credit risk and liquidity risk.

##### 15.1 *Financial Risk Management Policies*

OEG's policies in respect of the major areas of treasury activity are as follows:

(a) *Market Risk*

(i) Foreign Currency Risk

OEG's is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than functional currency. The currencies giving rise to this risk are primarily the United States Dollar ("USD") and the EURO. Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level. At the end of the reporting period, OEG does not have any derivative financial instruments used to hedge foreign currency risk.

OEG does not have any foreign currency transactions in the period ended 31 March 2015 and hence is not exposed to foreign currency risk.

(ii) Interest Rate Risk

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

OEG does not have any interest bearing balances in the period ended 31 March 2015 and hence is not exposed to interest rate risk.

(iii) Equity Price Risk

OEG does not have any quoted investments and hence is not exposed to equity price risk.

(b) *Credit Risk*

OEG exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. OEG manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an on-going basis.

OEG does not have any receivables and hence is not exposed to credit risk.

(c) *Liquidity Risk*

Liquidity risk is the risk that OEG will not be able to meet its financial obligations as they fall due. OEG seeks to maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure as far as possible, that they will have sufficient liquidity to meet its liabilities when they fall due.

The following table sets out the maturity profile of the financial liabilities at the reporting date based on contractual undiscounted cash flows:

	<i>Weighted average effective rate %</i>	<i>Carrying Amount RM</i>	<i>Contractual undiscounted cash flows RM</i>	<i>Within 1 Year RM</i>	<i>1 – 5 Years RM</i>	<i>Over 5 Years RM</i>
<b>31.03.2015</b>						
Trade payables		763,200	763,200	763,200	—	—
Balance due to related parties		5,000	5,000	5,000	—	—
		<u>768,200</u>	<u>768,200</u>	<u>768,200</u>	<u>—</u>	<u>—</u>

## 15.2 *Capital Risk Management*

OEG manages its capital to ensure that entities within the company will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, OEG may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

OEG manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

There was no change OEG's approach to capital management during the financial period.

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

	<i>31.3.2015 RM</i>
Borrowings	—
Net debt	—
Total equity	<u>82,766</u>
Debt-to-equity ratio	<u>—</u>



### 15.3 *Classification Of Financial Instruments*

31.03.2015

RM

#### **Financial Asset**

##### **Available-for-sale financial assets**

Other investments	—
Loan and receivables financial assets	
Trade receivables	—
Other receivables and deposit	—
Amount due by shareholder	—
Cash and bank balances	35,266

35,266

#### **Financial Liability**

Other financial liabilities	
Trade payables	763,200
Other payables and accruals	13,500

776,700

### 15.4 *Fair Values Measurements*

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

### 16. **Commitments**

At 31 March 2015, OEG had no capital commitments.

### 17. **Subsequent events**

On 12 January 2016, the entire issued share capital of G&S Ventures was acquired by the Company by the issue of 100 Shares.

#### ***Share Swap Agreement***

Pursuant to a share sale and purchase agreement dated 6 May 2016, the Former G&S Shareholders agreed to sell their shares in G&S (comprising the entire issued share capital apart from the shares held by MTDC) and in OEG (comprising 51 per cent. of the issued share capital) to GSV, in consideration for the Company issuing the respective numbers of Shares (including to nominees of the Former G&S Shareholders) described in paragraph 3.2 (c) of Part VI of the Document. In addition, GSV agreed to allot and issue additional shares to the Company in consideration for the Company allotting and issuing such Shares. The selling shareholders gave warranties in favour of the Company and GSV confirming they had unencumbered title to the shares they were selling.

This agreement was completed on 6 May 2016.

### 18. **Ultimate Parent Company**

At the date of this report the ultimate controlling party of OEG is considered to be the Company, which is incorporated in Jersey.

### 19. **Nature of financial information**

The financial information presented above does not constitute statutory financial statements for the period under review.

**PART G: UNAUDITED INTERIM FINANCIAL INFORMATION ON OUR ENERGY GROUP (M) SDN BHD**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

Set out below are the unaudited results of the Our Energy Group (M) Sdn Bhd (“OEG”) for the six months ended 30 September 2015, together with the unaudited comparatives.

**Statements of Consolidated Comprehensive Income**

The statements of consolidated comprehensive income of the OEG for the six months ended 30 September 2015 and the six months ended 30 September 2014 are set out below:

	<i>Six months ended 30 September 2014 RM'000 (Unaudited)</i>	<i>Six months ended 30 September 2015 RM'000 (Unaudited)</i>
<b>Revenue</b>	—	—
Cost of sales	21	—
	<hr/>	<hr/>
<b>Gross profit</b>	(21)	—
Other revenue	—	—
General and administrative expenses	8	2
	<hr/>	<hr/>
<b>Operating loss</b>	(29)	(2)
Finance costs		
<b>Loss on ordinary activities before taxation</b>	—	—
	<hr/>	<hr/>
	(29)	(2)
Income tax expense	—	—
	<hr/>	<hr/>
<b>Loss for the period after taxation</b>	(29)	(2)
Other comprehensive income/(losses)	—	—
	<hr/>	<hr/>
<b>Total comprehensive income attributable to owners of the parent</b>	(29)	(2)
	<hr/>	<hr/>
Earnings per share:		
Basic and diluted	(0.29)	(0.02)
	<hr/>	<hr/>

## Statements of Consolidated Financial Position

The statements of consolidated financial position of OEG as at 30 September 2015 and as at 31 March 2015 are set out below:

	<i>Note</i>	<i>As at 31 March 2015 RM'000 (Audited)</i>	<i>As at 30 September 2015 RM'000 (Unaudited)</i>
<b>Non-current assets</b>			
Intangible asset		—	—
Property, plant and equipment		824	824
Land use rights		—	—
		<u>824</u>	<u>824</u>
<b>Current assets</b>			
Inventories		—	—
Trade and other receivables		—	—
Cash and cash equivalents		35	35
		<u>35</u>	<u>35</u>
<b>Total Assets</b>		<u><u>859</u></u>	<u><u>859</u></u>
<b>Non-current liabilities</b>			
Licence fee payable		—	—
<b>Current liabilities</b>			
Other payables and accruals		777	778
Interest-bearing borrowings		—	—
		<u>777</u>	<u>778</u>
<b>Equity</b>			
Share capital	4	100	100
Exchange reserves		—	—
Share-based payment reserve		—	—
Reserves		(17)	(19)
		<u>83</u>	<u>81</u>
<b>Total Equity and Liabilities</b>		<u><u>859</u></u>	<u><u>859</u></u>

## Statements of Consolidated Changes in Equity

*Attributable to the owners of the parents*

	<i>Share capital RM'000</i>	<i>Share premium RM'000</i>	<i>Accumulated losses RM'000</i>	<i>Share based payment reserves RM'000</i>	<i>Foreign currency translation reserve RM'000</i>	<i>Total RM'000</i>
<b>Balance at 1 April 2014</b>						
Loss for the year			(17)			(17)
Other comprehensive income						
Shares issued during the year	100					100
<b>Balance at 31 March 2015</b>	<u>100</u>		<u>(17)</u>			<u>83</u>
Shares issued during the year						
Other comprehensive income						
Profit/(loss) for the six months ended 30 September 2015			(2)			(2)
<b>Balance at 30 September 2015</b>	<u>100</u>		<u>(19)</u>			<u>81</u>

## Statements of Consolidated Cash Flows

The statements of consolidated cash flows for OEG for the six months ended 30 September 2015 and the six months ended 30 September 2014 are set out below:

	<i>Six months ended 30 September 2014 RM'000 (Unaudited)</i>	<i>Six months ended 30 September 2015 RM'000 (Unaudited)</i>
<b>Cash flow from operating activities</b>		
Loss for the period before taxation	(8)	(2)
<i>Adjustment for:</i>		
Finance costs	—	—
Fund raising fee	—	—
Depreciation and amortisation	—	—
Impairment of receivables	—	—
Reversal of inventories	—	—
	<u>(8)</u>	<u>(2)</u>
<b><i>Operating cash flows before movements in working capital</i></b>		
(Increase)/decrease in inventories	—	—
(Increase)/decrease in trade and other receivables	—	—
(Increase)/decrease in prepayment	—	—
(Decrease)/increase in trade and other payables	5	2
Increase/(decrease) in provisions and accruals	—	—
Increase/(decrease) in other liabilities	—	—
Net foreign exchange gain/(loss)	—	—
Cash generated from operating activities	<u>5</u>	<u>2</u>
<b><i>Net cash generated from operating activities</i></b>	<u><u>(3)</u></u>	<u><u>—</u></u>
<b>Cash flows (for)/from investing activities</b>		
Proceeds from disposal of property, plant and equipment	21	—
Interest (paid)	—	—
<b><i>Net cash from investing activities</i></b>	<u><u>21</u></u>	<u><u>—</u></u>
<b>Cash flows (for)/from financing activities</b>		
Issuance of share capital	100	—
Repayments of borrowings	—	—
Net drawdown/(reduction) of interest-bearing bank borrowings	—	—
<b><i>Net cash from financing activities</i></b>	<u><u>100</u></u>	<u><u>—</u></u>
<b><i>Net increase in cash &amp; cash equivalents</i></b>	<u>118</u>	<u>—</u>
Non-cash adjustments	—	—
Effects of foreign exchange translation	—	—
Cash and equivalent at beginning of period	—	—
<b><i>Cash and equivalent at end of period</i></b>	<u><u>118</u></u>	<u><u>35</u></u>

## Notes to the Interim Financial Information

### 1. Presentation currency

The Financial Information has been presented in Malaysian Ringgit (“RM”) and rounded to the nearest thousand except where otherwise indicated.

### 2. Summary of significant accounting policies

#### *Basis of preparation*

The financial statements of OEG are prepared under the historical cost convention and in compliance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### 3. Income Tax expense

The tax charge on profits assessable has been calculated at the rates of tax prevailing in Malaysia, based on existing legislation, interpretation and practices in respect thereof.

### 4. Share capital

	<i>Number of shares</i>	<i>RM’000</i>	<i>Share premium RM’000</i>
<b>Issued and fully paid</b>			
At 31 March 2015 and 1 April 2015	100,000	100	—
Issued during the period	—	—	—
At 30 September 2015	<u>100,000</u>	<u>100</u>	<u>—</u>

### 5. Nature of financial information

The financial information does not constitute Statutory Accounts for the period under review.

### 6. Related Party disclosure

OEG had related party relationships with its directors, key management personnel and entities of which the director and/or by management have significant financial interests.

Further information on related party transactions is contained in paragraph 14 Part VI of this Admission Document.

### 7. Subsequent Events

On 12 January 2016, the entire issued share capital of G&S Ventures was acquired by the Company by the issue of 100 Shares.

#### *Share Swap Agreements*

Pursuant to a share sale and purchase agreement dated 6 May 2016, the Former G&S Shareholders agreed to sell their shares in G&S (comprising the entire issued share capital apart from the shares held by MTDC) and in OEG (comprising 51 per cent. of the issued share capital) to GSV, in consideration for the Company issuing the respective numbers of Shares (including to nominees of the Former G&S Shareholders) described in paragraph 3.2 (c) of Part VI of the Document. In addition, GSV agreed to allot and issue additional shares to the Company in consideration for the Company allotting and issuing such Shares. The selling shareholders gave warranties in favour of the Company and GSV confirming they had unencumbered title to the shares they were selling.

Pursuant to a share sale and purchase agreement dated 6 May 2016, MTDC agreed to sell its shares in G&S in consideration for the Company issuing to it the number of Shares described in paragraph 3.2 (c) of Part VI of the Document. In addition, GSV agreed to allot and issue additional shares to the Company in consideration for the Company allotting and issuing such Shares. MTDC gave warranties in favour of the Company and GSV confirming it had unencumbered title to the shares it was selling.

Both of these agreements were completed on 6 May 2016.

## PART V

### ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF AGGREGATED NET ASSETS OF THE GROUP



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6 May 2016

The Directors  
Green & Smart Holdings plc  
12 Castle Street, St Helier  
Jersey JE2 3RT, Channel Islands

The Partners  
S.P.Angel Corporate Finance LLP  
Prince Frederick House  
35-39 Maddox Street  
London W1S 2PP

Dear Sirs

#### **Introduction**

We report on the unaudited pro forma financial information of Green & Smart Holdings Plc (the "Company") and its subsidiaries (together, the "Group") set out in Part V of the AIM Admission Document (the "Document") dated 6 May 2016, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Placing and Admission might have affected the net assets presented on the basis of the accounting policies adopted by the Company in preparing the audited financial information for the period ended 30 September 2015 for the Company, 31 October 2015 for G&S Ventures Bhd (G&S Ventures"), and the audited financial information for the period ended 30 September 2015 for Green & Smart Bhd Sdn ("G&S") and Our Energy Group (M) Sdn Bhd ("OEG"). This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that scheduled and for no other purpose.

#### **Responsibilities**

It is the responsibility of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with Schedule Two of the AIM Rules.

It is our responsibility to form an opinion, in accordance with Schedule Two of the AIM Rules, as to the proper compilation of the pro forma financial information and to report that opinion to you.

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 pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.



**Basis of opinion**

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purpose of Paragraph a of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Crowe Clark Whitehill LLP**

**UNAUDITED PRO FORMA STATEMENT OF  
AGGREGATED NET ASSETS OF THE GROUP**

Set out below is an unaudited pro forma statement of aggregated net assets of the Group as adjusted for the Placing proceeds, as set out in the notes below. The unaudited pro forma statement has been prepared for illustrative purposes only and, because of its nature, will not represent the actual consolidated financial position of the Company at the date of Admission.

**Workings**

	<i>The Company</i>	<i>Green &amp; Smart Ventures Bhd</i>	<i>Green &amp; Smart Bhd Sdn Bhd Sdn</i>	<i>Our Energy Group Bhd Sdn</i>	<i>Inter- company Eliminations</i>	<i>Placing adjustments</i>	<i>Unaudited Pro forma net assets of the Group</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	<i>30 September 2015</i>	<i>31 October 2015</i>	<i>30 September 2015</i>	<i>30 September 2015</i>		<i>2015</i>	
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	<i>Note 6</i>	
<b><i>Non-current asset</i></b>							
Investment in equity accounted associate	—	—	400	—	—	—	400
Property, plant and equipment	—	—	11,694	824	—	—	12,158
Intangible assets	—	—	1,009	—	—	—	1,009
	—	—	13,103	824	—	—	13,927
<b><i>Current assets</i></b>							
Trade receivables	—	—	—	—	—	—	—
Other receivables, deposits and prepayments	—	—	14,797	—	(778)	—	14,019
Cash and bank balance	—	—	12,163	35	—	19,106	31,304
	—	—	26,960	35	(778)	19,106	45,323
<b><i>Total assets</i></b>	—	—	40,063	859	(778)	19,106	59,250
<b><i>Current liabilities</i></b>							
Trade payables	—	—	10,786	778	(778)	—	10,786
Other payables and accruals	—	—	11,061	—	—	—	11,061
	—	—	21,847	778	(778)	—	21,847
<b><i>Non-current liabilities</i></b>							
Deferred grant income	—	—	148	—	—	—	148
Term loan	—	—	8,496	—	—	—	8,496
Amounts owing to directors	—	—	544	—	—	—	544
	—	—	9,188	—	—	—	9,188
<b><i>Net assets</i></b>	—	—	9,028	81	—	19,106	28,215

**Notes:**

1. The statement of financial position of the Company as at 30 September 2015 has been extracted without further adjustments from the financial information set out in Part IV of the Admission Document. No account has been taken of the activities of the Company subsequent to 30 September 2015.
2. The statement of financial position of G&S Ventures as at 31 October 2015 has been extracted without further adjustments from the financial information set out in Part IV of the Admission Document. No account has been taken of the activities of G&S Ventures subsequent to 31 October 2015.
3. The statement of financial position of G&S as at 30 September 2015 has been extracted without adjustment from the financial information set out in Part IV of the Admission Document. No account has been taken of the activities of G&S subsequent to 30 September 2015.
4. The statement of financial position of OEG as at 30 September 2015 has been extracted without adjustment from the financial information set out in Part IV of the Admission Document. No account has been taken of the activities of OEG subsequent to 30 September 2015. The 49 per cent. non-controlling interest of OEG is not reflected in the statement above.
5. This pro forma adjustment is an intercompany elimination for amounts owed to G&S from OEG.
6. The Company raised RM 23.159 million from the Placing. Associated costs of the placing were approximately RM 4.053 million.
7. The Directors consider that the substance of the acquisition of the Subsidiaries by the Company is that of a reverse acquisition and that, in order to give a true and fair view, the reverse acquisition accounting method, as permitted by IFRS 3 “Business combinations”, will be adopted as the basis of consolidation in the first published accounts of the Company following completion of the acquisition. Any goodwill arising under reverse acquisition accounting will be accounted for within the Income Statement on consolidation.

## PART VI

### ADDITIONAL INFORMATION

#### 1 Responsibility

The Company, whose registered office address appears below, and each of the Directors, whose names appear on page 7 of this Admission Document, individually and collectively accept full responsibility for the information contained in this Admission Document, including for its compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2 The Company and its subsidiary undertakings

- 2.1 The Company is domiciled, and was incorporated on 7 August 2015, in Jersey under the Companies Law as a private company limited by shares with registration number 119200 with an authorised share capital of £10,000,000 constituting 10,000,000 shares of £1 par value each. On 24 November 2015 the Company converted its share capital into an unlimited number of no par value shares and, with effect from 25 November 2015 changed its status from a private company limited by shares to a public company limited by shares, with the name Green & Smart Holdings plc.
- 2.2 The liability of the members of the Company is limited. The Company has an unlimited life.
- 2.3 The registered office of the Company is at 12 Castle Street, St, Helier, Jersey JE2 3RT. The principal place of business of the Company is 73-M, Jalan Medan Setia 1, Bukit Damansara, 50490 Kuala Lumpur, Malaysia. The telephone number of the Company at its principal place of business is + 603 2095 0024.
- 2.4 The Company and its activities and operations are principally regulated by the Companies Law and the regulations made thereunder and the Company's securities are created under the Companies Law and the Company's articles of association.
- 2.5 The principal activity of the Company is to act as the ultimate holding company of a Group of companies whose main activities are research and development, provision of professional engineering consultancy and process design services in the area of industrial biotechnology, pollution control and renewable energy and procurement and construction of various waste treatment plants / systems; and the development, commercialization operation and maintenance of renewable energy power plants, involving the treatment of POME and the production of electricity from the resultant Biogas, including selling electricity under renewable energy power purchase agreements with utility companies and entering into engineering, procurement, construction and commissioning agreements in relation to such power plants.
- 2.6 The ISIN number of the Shares is JE00BYTQ7945 .
- 2.7 On Admission, the Company will have the following subsidiaries and interests in Associated Companies:

<i>Name:</i>	<i>Country of Incorporation:</i>	<i>Ownership Interest:</i>	<i>Principal Activity:</i>
Green & Smart Ventures Sdn Bhd <b>(G&amp;S Venture)</b>	Malaysia	100%	Intermediate holding company
Green & Smart Sdn Bhd <b>(G&amp;S)</b>	Malaysia	100%	EPCC/IPP/O&M
Our Energy Group (M) Sdn Bhd <b>(Our Energy Group)</b>	Malaysia	51%	IPP
Concord Green Energy Sdn Bhd <b>(Concord Green Energy)</b>	Malaysia	25%	IPP
Megagreen Energy Sdn Bhd <b>(Megagreen)</b>	Malaysia	15%	IPP

- 2.8 The Company's accounting reference date is 30 September.
- 2.9 On 6 May 2016, by special resolution passed by the then Shareholders at an Extraordinary General Meeting of the Company, the adoption of the Articles, a summary of which is set out in Paragraph 4 of this Part VI, was approved with effect from Admission.

### 3 Share Capital

- 3.1 The Company is a public company limited by shares of no par value with no limit on its authorised share capital. Two ordinary shares of £1 par value each were issued on incorporation for consideration of £1 per share to each of Capita Secretaries Limited and Capita Nominees Ltd, both being the subscribers to the original memorandum of association of the Company.
- 3.2 Since the date of incorporation and up to the date of this Admission Document the changes to the issued and paid up share capital of the Company are as follows:
- (a) On 24 November 2015 the 2 subscriber ordinary shares of £1 par value each in the capital of the Company were converted into 2 Shares, and were transferred one each to Saravanan Rasaratnam and Navindran Balakrishnan.
- (b) On 20 January 2016, a further 50 Shares were issued credited as fully paid by the Company to each of Saravanan Rasaratnam and Navindran Balakrishnan as consideration for the acquisition by the Company of the entire issued share capital of GSV, and the board transferred £15 to the stated capital account of the Company in respect of this issue.
- (c) On 6 May 2016, the Board approved the Company entering into the Share Swap Agreements (as further described in paragraph 12.12 of this Part VI), pursuant to which on 6 May 2016 the following Shares were issued credited as fully paid to the following parties:

<i>Name</i>	<i>Number of Shares</i>
K2M Ventures Sdn Bhd	146,857,334
AG Capital Worldwide Ltd	4,842,283
Eresos Corporation Sdn Bhd	7,977,283
Navindran Balakrishnan	11,843,283
Saravanan Rasaratnam	11,843,283
Simon Peter	10,554,949
Kaminy Velayudhan	10,554,949
Thannimalai Renganathan	4,447,505
Punitha Perumal	1,405,394
Sivadas Kumar	7,512,838
MTDC	8,715,000
Syarela Erin	1,405,394
Mohamad Farhat AB Khapwor	2,403,949
Padmini KP Balakrishnan	708,727
Chan Foong Ping	1,149,949

and the board transferred £2,257,156 to the stated capital account of the Company in respect of this issue.

- 3.3 Pursuant to the authority in the Articles, the Board is authorised to allot and issue, with effect from and conditional upon Admission, 44,444,445 Placing Shares at the Placing Price.
- 3.4 There are 232,222,222 fully paid Shares in issue on the date of this Admission Document and immediately following Admission there will be 276,666,667 fully paid Shares in issue, representing a dilution of the aggregate holdings of the holders of the Existing Shares to 83.9 per cent. of the Enlarged Share Capital.
- 3.5 As at the date of this Admission Document, more than 10 per cent. of the Existing Shares have been paid for with consideration other than cash, pursuant to the Share Swap Agreements.

- 3.6 Save as disclosed in this Admission Document, no share or loan capital of the Company or any member of the Group is under option or agreed, conditionally or unconditionally, to be put under option, and there are in issue no securities with warrants, convertible securities or exchangeable securities of the Company other than pursuant to the Warrant Instrument described in more detail in paragraph 12.2 of this Part VI.
- 3.7 There are no shares not representing share capital and there are no shares in the Company held by or on behalf of the Company or by any member of the Group.
- 3.8 There are no acquisition rights and/or obligations over the unissued Shares of the Company and there is no undertaking to increase its share capital, except in relation to the Placing and the Warrant Instrument.
- 3.9 There is no class of shares in issue other than the Shares.
- 3.10 No Shares are issued other than as fully paid.
- 3.11 The Shares are created under the Companies Law and in registered form and following Admission may be held in either certificated or uncertificated form. At Admission, there will be no Shares (or Shareholders) with different voting rights to other Shares (or Shareholders).
- 3.12 The Directors have unlimited authority to allot Shares under the Companies Law, which does not provide for statutory pre-emption rights on new issues of shares. The Company has therefore voluntarily adopted restrictions in the Articles effective from Admission on the ability of the Directors to allot Relevant Securities (as defined in the Articles) and pre-emption rights in relation to the allotment of Equity Securities (as defined in the Articles) for cash in favour of existing Shareholders, which in each case are designed to reflect the equivalent provisions in the UK Companies Act 2006. Such provisions do not apply to Shares allotted pursuant to employee share schemes or, in the case of pre-emption rights, which are to be paid up wholly or partly for non-cash consideration. Details of these restrictions and pre-emption rights are set out at paragraphs 4.1 and 4.6 of this Part VI. By resolutions of the then Shareholders of the Company passed at an Extraordinary General Meeting of the Company held on 6 May 2016, the Directors were authorised, in addition to being authorised to allot Shares under the Placing and the Warrant Instrument, to allot up to 92,222,222 Shares (equal to one third of the Enlarged Share Capital) during the period expiring on the earlier of the date which is 15 months from the date of Admission and the conclusion of the first annual general meeting of the Company. Pursuant to the Articles, pre-emption rights shall not apply in respect of the allotment of Equity Securities for cash up to an amount not exceeding 10 per cent. of the Company's Enlarged Share Capital for the period until the earlier of the date which is 15 months from Admission and the conclusion of the first annual general meeting of the Company following Admission.
- 3.13 There are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.14 None of the Shares have been sold or made available to the public in conjunction with the application for Admission (other than pursuant to an exemption from the obligation to publish a prospectus).
- 3.15 The Shares (including the Placing Shares) are or will be issued pursuant to the Companies Law, the Memorandum of Association and the Articles.

#### **4 Memorandum and Articles of Association**

The Company has unlimited objects under its memorandum of association.

The Articles, in the form which has been adopted by the Company to take effect on Admission, contain provisions to the following effect (*in this paragraph 4 references to "Directors" are to directors of the Company from time to time and references to "shares" are to shares in the Company*):

#### 4.1 *Placing of Shares and share rights*

Subject to the provisions of the Articles, all shares of the Company are under the control of the Board who may allot and issue the same in such manner, at such times and subject to such terms and conditions as they may determine.

The Articles require that, whilst the Company is admitted to trading on AIM, the Board shall not exercise any power of the Company to allot Relevant Securities (as defined in the Articles) unless they are authorised to do so by the Company in a general meeting in accordance with the Articles. The maximum amount of securities that may be allotted under such authority and the date on which the authority will expire must be stated, which date must not be more than five years from the date on which the resolution was passed.

Subject to the provisions of the Companies Law, and without prejudice to any special rights conferred on Shareholders, any share may be issued with such preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Board may determine.

Save as ordered by a court of competent jurisdiction or as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or recognise an interest in any share or (except only as by the Articles or by law otherwise provided) any other right in respect of any share other than an absolute right to the whole of the share in the holder.

The Board may not allot and issue any shares, if such allotment and issue would result in any member of the Group ceasing to be an eligible producer for the purposes of the Renewable Energy Rules, or otherwise ceasing to be eligible for feed-in approval or to participate in the feed-in tariff rates under such Rules, and any allotment and issue of shares in breach of this restriction shall be void. Any amendment to this restriction or the adoption of new articles of association of the Company in substitution for these Articles without a provision in the same terms as this restriction shall require the consent of a 90 per cent. special resolution.

#### 4.2 *Alteration of share capital*

Subject to the Companies Law, the Company may by special resolution: increase or reduce the number of shares which it is authorised to issue; consolidate all or any of its shares (whether issued or not) into fewer shares; divide all or any of its shares (whether issued or not) into more shares; cancel shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person; and alter its share capital in such other manner as may be permitted by the Companies Law.

If at any time any class of the Company's shares is admitted to trading on AIM, the provisions and requirements of Rule 41 of the AIM Rules for Companies (as amended from time to time) shall apply to the cancellation of such admission to trading of such shares and accordingly, under the terms of such Rule as at the date of adoption of these Articles, any such cancellation shall be conditional upon the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

The Company may not alter its share capital in any way if such alteration would result in any member of the Group ceasing to be an eligible producer for the purposes of the Renewable Energy Rules, or otherwise ceasing to be eligible for feed-in approval or to participate in the feed-in tariff rates under such Rules, and any alteration of the Company's share capital in breach of this shall be void. Any amendment to this restriction or the adoption of new articles of association of the Company in substitution for the Articles without a provision in the same terms as this restriction shall require the consent of a 90 per cent. special resolution.



#### 4.3 ***Repurchase of shares***

Subject to the provisions of the Companies Law, and with the sanction of a special resolution, the Company may purchase its own shares, and any shares to be so purchased may be selected in any manner whatsoever.

If the Company purchases any of its own shares it may cancel such shares or hold such shares (or any of them) as treasury shares and deal with any of them, at any time, in accordance with the Companies Law.

The Company may not purchase its own shares if such purchase would result in any member of the Group ceasing to be an eligible producer for the purposes of the Renewable Energy Rules, or otherwise ceasing to be eligible for feed-in approval or to participate in the feed-in tariff rates under such Rules, and any purchase of shares in breach of this restriction shall be void. Any amendment to this restriction or the adoption of new articles of association of the Company in substitution for the Articles without a provision in the same terms as this restriction shall require the consent of a 90 per cent. special resolution.

#### 4.4 ***Redeemable shares***

The Company may, subject to the provisions of the Companies Law, issue or convert any existing non-redeemable shares, whether issued or not, into, shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the shareholder, on such terms and in such manner as may be determined by the Board.

#### 4.5 ***Modifications to share class rights***

Subject to the provisions of the Companies Law, all or any of the rights or privileges attached to any class of shares forming part of the capital for the time being of the Company may (unless otherwise provided in respect of such rights) be varied with the consent in writing of the holders of not less than three quarters in number of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. These conditions are not more significant than is required by law.

#### 4.6 ***Pre-emption rights***

The Articles contain pre-emption rights on the issue of shares whilst the Company is admitted to trading on AIM. These rights are that the Company shall not allot any Equity Securities (as defined in the Articles, and which excludes shares to be allotted pursuant to an employees' share scheme) for cash to a person unless it has made an offer to each person who holds relevant shares or employee shares to allot to him on the same or more favourable terms a proportion of those securities which is, as nearly as is practical, equal to the proportion of the total number of relevant shares and relevant employee shares held by him. The Company may by special resolution give the Board power to allot Equity Securities as if the above pre-emption rights do not apply or as if such rights apply with such modifications as the Board may determine. The Articles provide that the pre-emption rights shall not apply to an allotment of Equity Securities:

4.6.1 wholly or partly paid up otherwise than in cash;

4.6.2 made at the time of or in connection with Admission, or in pursuance of agreements in existence at the time of or in connection with the Admission; or

4.6.3 made for cash at any time between Admission and the earlier of the date which is 15 months following Admission, and the conclusion of the first annual general meeting, up to an amount equal to 10 per cent. of the Enlarged Share Capital.

The Companies Law does not include an equivalent to sections 560 to 571 of the 2006 Act and the purpose of the above-mentioned pre-emption rights provisions of the Articles is to provide similar provisions in favour of Shareholders.



#### 4.7 *Transfers of shares*

Subject as described below:

4.7.1 Any Shareholder may transfer all or any of his uncertificated shares by means of a relevant system authorised by the Board in such manner provided for, and subject as provided, in the Articles and the rules of such relevant system, and accordingly no provision of the Articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the shares to be transferred.

4.7.2 Any Shareholder may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in any other form which the Board may approve, signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

4.7.3 The Board shall not be bound to register more than four persons as joint holders of any share.

Transfers of shares in uncertificated form shall be registered only in accordance with the terms of the CREST Rules. The board of directors of the Company may refuse to register a transfer which would require shares to be held jointly by more than four persons or which is in favour of a **non-qualified person**, where a “**non-qualified person**” is any person to whom a transfer of shares would be a breach of any laws or requirements of any country or governmental authority.

The board may also decline to register a transfer of shares in certificated form unless the instrument of transfer:

4.7.4 is lodged at the Company’s registered office or at such other place as the board may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer;

4.7.5 is in respect of only one class of shares; and

4.7.6 is in favour of not more than four transferees.

In the case of shares in certificated form, the Director may also in their absolute discretion, refuse to register any transfer of any share which is not fully paid (provided that where any such shares are traded via a recognised clearing house or recognised investment exchange, the refusal does not prevent dealings in the shares taking place on an open and proper basis).

The Shares held by Shareholders which are the subject of their lock-in agreements with the Company and SP Angel and may only be transferred or otherwise dealt with in accordance with the terms of those lock-in agreements.

If it comes to the notice of the Board that, without the consent of the Board, a registered holder or beneficial owner of any share is a “**non-qualified person**” (as defined above), the Board may at any time serve a notice on such non-qualified person requiring the transfer of the relevant interest in the relevant shares, and if a stock transfer form effecting the transfer and any relevant share certificate(s) have not been received at the registered office of the Company within 28 days of service of the notice, or the person to whom such notice is addressed does not within such period satisfy the Board that the requirements of the notice have been satisfied, the Company may sell the relevant shares on behalf of the holder of the shares by instructing a stockbroker to sell them in accordance with the best practice then obtaining to a person who is not a non-qualified person.

To give effect to any sale of shares pursuant to the preceding paragraph the Board may authorise some person to transfer the shares in question and an instrument of transfer executed by that person will be as effective as if it had been executed by the holder of, or person entitled by transmission to, the shares. The purchaser will not be bound to see to the application of the purchase monies nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of sale will belong to the Company and, upon their receipt, the Company will become indebted to the former holder of, or person entitled by transmission to, the shares for an amount equal to the net proceeds of transfer. No trust will be created in respect of the

debt, and no interest will be payable in respect of it, and the Company will not be required to account for any monies earned from the net proceeds of transfer. The Company may employ such monies earned in its business or as it thinks fit.

The Board may, at any time, require the registered holder of any shares to provide evidence that the beneficial owner of those shares is not a non-qualified person and that such shares have not been acquired for the account, or for the benefit, of any non-qualified person or with a view to offering or selling the shares to a non-qualified person or in any jurisdiction in which an offer or sale of shares would not be permitted in the manner contemplated.

#### 4.8 *Share warrants*

Subject to the provisions of the Companies Law, the Company may issue share warrants entitling the holders to subscribe for any shares or securities of the Company. The Directors may prescribe and vary the conditions on which share warrants are issued and held, and every holder of a share warrant is subject to the conditions for the time being in force, whether made before or after the issue of the warrant.

#### 4.9 *Dividends and other distributions*

Subject to the provisions of the Companies Law, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the Shareholders, but no dividend shall exceed the amount recommended by the Board. Subject to the provisions of the Companies Law, the Board may pay interim dividends. Save as otherwise provided by the rights attached to the shares, all dividends shall be declared and paid *pro rata* amongst the shares on which the dividend is declared. A general meeting declaring a dividend may, upon the recommendation of the Board, direct that it shall be satisfied wholly or partly by the distribution of assets in the manner prescribed in the Articles.

#### 4.10 *Interests in Shares not disclosed to the Company*

Whilst the Company is admitted to trading on AIM, the provisions of Chapter 5 of the Disclosure and Transparency Rules (“**DTR5**”) are deemed to be incorporated by reference into the Articles as if the Company were an “**issuer**”, as such term is defined in DTR5 (and not, for the avoidance of doubt, a “**non-UK issuer**”, as such term is defined in DTR5) and, accordingly, the vote holder and issuer notification rules set out in DTR5 apply to the Company and each Shareholder. These rules require the Directors and other persons discharging managerial responsibilities, together with substantial Shareholders, to disclose to the Company without delay (and in any event within two business days) certain transactions involving Shares in which they have an interest.

In addition, the Articles expressly provide that for so long as the Company is admitted to AIM and in order to comply with the AIM Rules:

4.10.1 A Significant Member (being a person who has a legal or beneficial interest of 3 per cent. or more in any class of shares) shall, without delay after becoming, or becoming aware that he is, a Significant Member, give notice in writing to the Company, stating certain information as specified in the Articles. Each member is also required, to the extent that he is lawfully able to do so, to notify the Company if any other person acquires or ceases to have a notifiable interest of which he is the registered holder, or, if unable lawfully to provide such notification, to use his reasonable endeavours to procure that such other person makes notification of his interest to the Company.

4.10.2 Where there is a Relevant Change (being an increase or decrease of at least one per cent. in a Significant Member’s interest in shares), a Significant Member shall give notice in writing to the Company without delay (and in any event within two business days), stating certain information as specified in the Articles.

If the Company determines that a Shareholder (a “**Defaulting Holder**”) has not complied with the provisions of DTR5 with respect to some or all of the shares held by that Shareholder (“**DTR Default Shares**”), the Company shall have the right by delivery of notice to the Defaulting Holder (a “**Default Notice**”) to:

- 4.10.3 suspend the right of such Defaulting Holder to vote the DTR Default Shares at any meeting of the Company, with effect from the date the Default Notice is delivered to the Defaulting Holder until a date that is not more than 7 days after the Company has determined that the Defaulting Holder has cured the non-compliance (the Company may at any time by subsequent written notice cancel or suspend the operation of a Default Notice);
- 4.10.4 withhold, without any obligation to pay interest, any dividend or other amount payable with respect to the DTR Default Shares with such amount to be payable only after the Default Notice ceases to have effect;
- 4.10.5 render ineffective any election to receive shares of the Company instead of cash in respect of any dividend or part thereof; and/or
- 4.10.6 prohibit the transfer of any shares of the Company held by the Defaulting Holder except with the consent of the Company or if the Defaulting Holder can provide satisfactory evidence to the Company to the effect that, after due inquiry, such stockholder has determined that the shares to be transferred are not DTR Default Shares.

The Directors may serve notice on any person whom the Company knows or has reasonable cause to believe is (or was at any time in the previous 3 years) interested in the Company's shares requiring that person to disclose to the Company the identity of any person (other than that person) who has an interest in the shares held by that person and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine. Such provisions are equivalent to the powers contained in section 793 of the 2006 Act which would apply to UK companies.

A member who holds less than 0.25 per cent. of the issued shares is obliged to disclose to the Company whether such shares are held legally and beneficially by that member without any other interest (e.g. encumbrances, third party interests, etc.), in what capacity the shares are held and the class of persons for whom they are held (if applicable). However, such member is under no obligation to disclose the actual identity of the persons concerned. A member who holds 0.25 per cent. or more of the issued shares is obliged to disclose the same information to the Company, but is also required to disclose the actual identity of all the persons for whom or on whose behalf the relevant shares are ultimately held.

If any Shareholder is in default in supplying to the Company the information required by the Company within the prescribed period (which is 14 days after service of the notice), the Directors in their absolute discretion may serve a direction notice on the Shareholder. The direction notice may direct that in respect of the shares of which the default has occurred ("**Default Shares**") and any other shares held by such Shareholder, such Shareholder shall not be entitled to vote in general meetings or class meetings. Where the Default Shares represent at least 0.25 per cent. of the shares for the time being in issue, the direction notice may additionally direct that dividends on such Default Shares will be retained by the Company (without interest), and that no transfer of Default Shares (other than a transfer approved under the Articles) shall be registered until the default is rectified.

#### 4.11 *Appointment and removal of Directors*

The Board shall have power at any time to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director. A Director so appointed by the Board shall retire at the next annual general meeting, and he shall not be taken into account in determining the directors to retire by rotation at the meeting.

The Company may by ordinary resolution appoint any person to be a Director, or remove any person from the office of Director. Unless otherwise determined by ordinary resolution, the number of Directors shall not be subject to any maximum but shall not be less than two. A Director may retire from office as a Director by giving notice in writing to that effect to the Company at its registered office.

#### 4.12 *Alternate Directors*

Any Director (other than an alternate director) may appoint any other Director, or any other person willing to act, to be an alternate director and may remove from office an alternate director so appointed by him. An alternate director shall be entitled to attend, be counted towards a quorum and vote at any meeting of the Board (and of any meeting of committees of the Board of which his appointer is a member) at which the Director appointing him is not personally present, and generally to perform all the functions of his appointer as a Director in his absence. An alternate director shall be entitled to such remuneration as may be determined by the Board.

#### 4.13 *Retirement by rotation of Directors*

At each annual general meeting one third of the directors who are subject to retirement by rotation shall retire from office. The Directors subject to retirement by rotation are, firstly, a Director who wishes to retire and not offer himself for reappointment and, secondly, those Directors who have been longest in office since their last appointment or reappointment. A Director who retires at an annual general meeting may, if willing to act, be reappointed. If he is not reappointed (or deemed reappointed by the Company failing to fill the vacancy) he may retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

#### 4.14 *Directors' benefits*

Unless otherwise determined by the Company by ordinary resolution, there shall be paid to the Directors such fees for their services in the office of director as the Board may determine up to an aggregate amount of £250,000 or its equivalent in any financial year of the Company. The Articles contain provisions to allow payment to Directors of additional remuneration for certain roles (such as executive positions or sitting on a committee), reimbursement of reasonable expenses properly incurred in discharging their duties, and other approved gratuities, pensions and/or insurance.

#### 4.15 *Powers and proceedings of the Board*

Subject to the provisions of the Companies Law, the memorandum of association, the Articles and to any directions given by the Company by special resolution, the business of the Company shall be managed by the Board who may exercise all the powers of the Company.

Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes the Chairman shall have a second or casting vote. A Director who is also an alternate director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

The quorum necessary for the transaction of the business of the Board shall be two or such greater number as may be fixed by the Company in general meeting from time to time. A person who is an alternate director shall be counted in the quorum. All or any of the Directors or members of a committee may take part in a meeting of the Board or a committee by way of a conference telephone or any communication machinery.

The continuing Directors (or Director) may act notwithstanding any vacancies in their number, but, if the number of Directors is less than the number fixed as the quorum, the continuing Directors (or Director) may act only for the purpose of filling vacancies or of calling a general meeting to appoint Directors.

A resolution in writing signed by all the Directors entitled to receive notice of a meeting of the Board (or of a committee) shall be as valid and effectual as if it had been passed at a meeting of the Board (or such committee).

#### 4.16 *Directors' interests*

A Director may not vote or be counted in the quorum in respect of any resolution of the Board (or a committee of the Board) relating to any contract, transaction, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest (otherwise than by virtue of his interests, direct or indirect, in shares or debentures or other securities of, or otherwise in or through, the Company), but such prohibition shall not apply to:

- 4.16.1 the giving of any security, guarantee or indemnity in respect of: (a) money lent or obligations incurred by him or by any other person for the benefit of the Company or any of its subsidiaries; or (b) a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- 4.16.2 where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to or may participate;
- 4.16.3 any contract, transaction, arrangement or proposal affecting any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise howsoever, provided that he (together with persons connected with him) does not to his knowledge hold an interest representing one per cent. or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);
- 4.16.4 any act or thing done or to be done in respect of any arrangement for the benefit of the employees of the Company or any of its subsidiaries under which he is not accorded as a Director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; or
- 4.16.5 any matter connected with the purchase or maintenance for any Director of insurance against any liability.

#### 4.17 *Indemnification and insurance of Directors*

To the fullest extent allowed by the Companies Law, every present or former officer of the Company shall be exempted from liability, and shall be indemnified out of the assets of the Company against any loss or liability incurred by him by reason of being or having been such an officer. The Board may, without sanction of the Company in general meeting, authorise the purchase or maintenance by the Company for any officer or former officer of the Company of any such insurance as is permitted by the Companies Law in respect of any liability which would otherwise attach to such officer or former officer.

The Board shall have the power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers or employees of the Company (or any Group or associated company), or who are or were at any time trustees of any pension fund or employees' share scheme in which employees of the Company (or any such other company) are interested.

#### 4.18 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and amounts uncalled on shares and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount for the time being owing to persons outside the Company and its subsidiaries shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to £20,000,000.



#### 4.19 *Meetings of Shareholders and Shareholder Voting*

##### 4.19.1 *General meetings*

The Board shall convene and the Company shall hold general meetings as annual general meetings or extraordinary general meetings in accordance with the requirements of the Companies Law. All Shareholders or their proxies or corporate representatives are entitled to attend.

##### 4.19.2 *Calling of general meetings*

The Board may convene general meetings and, on the requisition of members pursuant to the Companies Law, shall forthwith proceed to convene an extraordinary general meeting for a date not later than two months after receipt of the requisition.

##### 4.19.3 *Length of notice*

All annual general meetings shall be called by at least 21 clear days' notice and all extraordinary general meetings shall be called by at least 14 clear days' notice, but a general meeting may be called by shorter notice if it is so agreed:

4.19.3.1 in the case of an annual general meeting, by all the Shareholders entitled to attend and vote thereat; and

4.19.3.2 in the case of any other meeting, by a majority in number of the Shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. of the total voting rights of the Shareholders who have that right.

##### 4.19.4 *Proceedings at general meetings*

No business shall be transacted at any general meeting unless a quorum is present. Save as otherwise provided in the Articles, two persons entitled to vote upon the business to be transacted, each being a Shareholder (or a proxy or corporate representative for a Shareholder) shall be a quorum.

If within half an hour from the time appointed for the meeting a quorum is not present or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of or by Shareholders, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day and such other time and place as the Board may determine and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the meeting shall be dissolved.

At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless before or on the declaration of the result of the show of hands a poll is demanded. Subject to the provisions of the Companies Law, a poll may be demanded by:

4.19.4.1 the chairman;

4.19.4.2 at least five Shareholders having the right to vote on the resolution;

4.19.4.3 one or more Shareholders representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote on the resolution; or

4.19.4.4 one or more Shareholders holding shares conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

##### 4.19.5 *Votes of Shareholders*

On a show of hands, each Shareholder present in person or by proxy, and each duly authorised representative of a Shareholder that is a corporation present in person or by proxy, has one vote. On a poll each Shareholder present in person or by proxy or (being a corporation) by a duly authorised representative or proxy has one vote for each share held by the Shareholder.

No Shareholder shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy, in respect of any share held by him unless all monies presently payable by him in respect of that share have been paid.

#### 4.19.6 *Shareholder resolutions*

An ordinary resolution of the Company in general meeting is adopted by a simple majority of the votes cast at that meeting and a special resolution of the Company in general meeting or at a separate meeting of a class of members of the Company is passed by a majority of at least three-quarters of the votes cast by members who (being entitled to do so) vote. In certain circumstances a 90 per cent. special resolution is required to be passed.

#### 4.20 ***Change of control***

Other than the Board's power to refuse to register transfers of shares in certain specified circumstances (as described in this paragraph 4, and none of which are specifically directed towards a change of control of the Company), and the rights of pre-emption as described in this paragraph 4, there are no other provisions of the Articles that would have an effect of delaying, deferring, or preventing a change in control of the Company.

#### 4.21 ***Winding up***

If the Company shall be wound up the liquidator (or, where there is no liquidator, the Directors) may, with the sanction of a special resolution and any other sanction required by the Companies Law, (i) divide the whole or any part of the assets of the Company among the Shareholders in specie, and/or (ii) vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as he (or they) may determine, but no Shareholder shall be compelled to accept any assets upon which there is a liability.

#### 4.22 ***Restrictions to avoid loss of eligibility under the Renewable Energy Rules***

The Company shall not purchase its own shares, allot any Shares or alter its share capital in any way, if any such action would result in any member of the Group ceasing to be an eligible producer for the purposes of the Renewable Energy Rules, or otherwise ceasing to be eligible for FiT approval or to participate in the FiT rates under such Rules, and any such action in breach of such restrictions shall be void. Furthermore, the Directors shall refuse to accept a transfer of Shares which are subject to a Continuing Lock-in Agreement, unless such transfer complies with the terms of such agreement and the Registrars shall not register such a transfer, unless they receive confirmation from a Director and the nominated adviser of the Company that such transfer is so compliant, and each certificate representing Shares subject to such an agreement shall bear a legend referring to it.

### **5 Comparison of Jersey Law and English Law**

- 5.1 There are a number of differences between company law in England, for which the principal legislation is the Act, and company law in Jersey, for which the principal legislation is the Companies Law, which may impact upon the holders of Shares. However, where permitted by the Companies Law and considered to be appropriate, rights and protections similar to those provided to shareholders under English law have been conferred on holders of Shares by the Articles, including as described in the summary of certain provisions of the Articles set out in paragraph 4 of this Part VI.
- 5.2 Key differences between company law in England and company law in Jersey include (without limitation) the following:
- 5.2.1 the Companies Law does not confer statutory pre-emption rights on shareholders relating to new share issues; however, pre-emption rights broadly based on the provisions of the Act have been included in the Articles;
  - 5.2.2 under the Companies Law, the directors of a company do not need the sanction of the shareholders to issue and allot shares; however, the requirement to obtain such sanction has been included in the Articles;

- 5.2.3 under the Companies Law, any change to the authorised share capital of the Company requires a special resolution by two-thirds majority unless the Articles specify a greater majority. However, the Articles provide that a special resolution of the Company requires a three quarters majority as described in paragraph 4.19.6 of Part VI of this Admission Document. The concept of authorised share capital no longer applies to English companies incorporated under the Act;
- 5.2.4 under the Companies Law, a special resolution is required to be passed by a majority comprising two-thirds (unless the Articles specify a greater majority) of shareholders present (in person or by proxy) and voting at the relevant meeting, compared with a three-quarters majority required under English law. Thus, for example, a buy-back of shares requiring the sanction of a special resolution will only require a two-thirds majority instead of a three-quarters majority. The Articles provide that in the case of the Company, a special resolution is required to be passed by a majority comprising three quarters of shareholders present (in person or by proxy) and voting at the relevant meeting, which is the same as under English law, and that certain matters require the approval of a 90 per cent. special resolution;
- 5.2.5 the circumstances in which the Companies Law permits a Jersey company to indemnify its directors in respect of liabilities incurred by its directors in carrying out their duties are limited, and differ slightly to the analogous rules under English law. There is, however, no general prohibition on the granting of loans by a company to its directors (but directors remain subject to fiduciary duties when considering the grant of any such loans) and any costs incurred in defending any proceedings which relate to anything done or omitted to be done by that director in carrying out his duties may be funded by way of loans;
- 5.2.6 Jersey law does not require that shareholders approve compensation payments made to directors for loss of office, whereas under English law a payment by a company for loss of office to a director of a company or its holding company must be approved by a resolution of shareholders;
- 5.2.7 unless the articles of association of a public company provide otherwise, proxies are not entitled to vote on a show of hands under Jersey law. The Articles provide that proxies are entitled to vote on a show of hands;
- 5.2.8 any general meeting of a Jersey company may be convened on 14 days' notice, including an Annual General Meeting. The Articles provide for general meetings of the Company to be convened on 14 clear days' notice and Annual General Meetings to be convened on 21 clear days' notice, which is the same as under the Act;
- 5.2.9 the Companies Law does not require the directors of a Jersey company to disclose to the company their beneficial ownership of any shares in the company (although they must disclose to the company the nature and extent of any direct or indirect interest which conflicts, or may conflict to a material extent with, a transaction into which the company or any of its subsidiaries is proposing to enter). As a Jersey company whose shares are admitted to trading on AIM, the Company is not directly bound by the Disclosure and Transparency Rules, but certain provisions of Chapter 5 of the Disclosure and Transparency Rules have been incorporated into the Articles to enable the Company to comply with its obligations under AIM Rule 17 to disclose interests in its Shares;
- 5.2.10 the Companies Law does not grant the directors of a Jersey company a statutory power to request information concerning holders of interests in its shares, but powers based on section 793 of the Act have been incorporated into the Articles entitling the Directors to request information to establish details of interests in shares in the Company;
- 5.2.11 under the Companies Law, shareholders holding not less than one-tenth of the total voting rights of the shareholders of the Company may requisition a meeting of shareholders (whereas under the Act, this right may be exercised by shareholders representing at least 5 per cent. of the paid up voting capital of a company);



- 5.2.12 the Companies Law does not confer on members the right to an independent scrutiny of a poll taken, or to be taken, at a general meeting, nor does it confer rights on members to require a company to circulate resolutions proposed to be moved by members at the next annual general meeting, or to circulate explanatory statements relating to any matter relating to a proposed resolution at a general meeting, or rights for a nominee holder of shares to have information rights granted to the underlying beneficial owner of the shares;
- 5.2.13 there is no restriction on donations by a company to political organisations under Jersey law;
- 5.2.14 under the Companies Law, at a meeting of shareholders a poll may be demanded in respect of any question by:
- 5.2.14.1 no fewer than 5 shareholders having the right to vote on the question; or
  - 5.2.14.2 a shareholder or shareholders representing not less than one tenth of the total voting rights of all shareholders having the right to vote on the question (whereas, under the Act, a shareholder or shareholders representing 10 per cent. of the total sum paid up on all shares giving the right to vote may also demand a poll);
- 5.2.15 Jersey companies are permitted to make distributions to shareholders without reference to distributable reserves. Instead, distributions may be made out of a company's assets (other than its nominal capital account or any capital redemption reserve), provided the directors approving the distribution give the appropriate solvency statement required by the Companies Law (to the effect that the company will be able to continue its business and meet its liabilities as they fall due for the next 12 months);
- 5.2.16 a Jersey company's redeemable shares may be redeemed out of any capital source which, in particular, allows shares to be redeemed in whole or in part out of share capital accounts without the need for capital redemption reserves, provided such shares are fully paid;
- 5.2.17 a Jersey company may, by special resolution, apply a capital redemption reserve in issuing shares to be allotted as fully paid bonus shares;
- 5.2.18 under Jersey law, it is harder for shareholders to bring a derivative claim against a company than is the case under the Act. However, Jersey law includes an equivalent provision relating to protection of shareholders against unfair prejudice (which, in English law, has not changed substantially between the UK Companies Act 1985 and the Act) and Jersey has (subject to certain exceptions) a broadly similar position under customary law to the common law position under English law; and
- 5.2.19 under Jersey law, the two procedures for dissolving a Jersey company are winding up and désastre (bankruptcy). Concepts such as receivership, administration and voluntary arrangements do not exist under Jersey law. The concept of a winding up is broadly similar to that under English law except that, under Jersey law, a winding up may only be commenced by the Jersey company and not by one of its creditors. If the company is solvent, the winding up will be a summary winding up. If the company is insolvent, the winding up will be a creditors' winding up. A creditor wishing to dissolve a Jersey company would seek to have the company's property declared en désastre (literally meaning "in disaster"). If the company's property is declared en désastre, all of the powers and property of the company (whether present or future or situated in Jersey or elsewhere) are vested in the Viscount (an officer of the court). The role of the Viscount is similar to that of a liquidator. The Viscount's principal duty is to act for the benefit of the company's creditors. He is not under an obligation to call any creditors' meetings, although he may do so.

**THE ABOVE LIST IS INTENDED TO BE ILLUSTRATIVE ONLY AND DOES NOT PURPORT TO BE EXHAUSTIVE OR TO CONSTITUTE LEGAL ADVICE. ANY SHAREHOLDER WISHING TO OBTAIN FURTHER INFORMATION REGARDING HIS OR HER RIGHTS AS A HOLDER OF SHARES UNDER JERSEY LAW SHOULD CONSULT HIS OR HER JERSEY LEGAL ADVISERS.**

- 5.3 Following and subject to Admission, the Company will be required to comply with the AIM Rules (including rules relating to related party transactions, significant transactions and provisions similar to certain of the Disclosure and Transparency Rules). In respect of the disclosure of interests in shares, which is regulated by AIM Rule 17, provision has been made in the Articles to apply provisions equivalent to Chapter 5 of the Disclosure and Transparency Rules, as if the Company was a company incorporated in England and Wales.
- 5.4 It should be noted that insider dealing legislation set out in the UK Criminal Justice Act 1993, as well as provisions relating to market abuse, will apply to the Company and dealings with Shares, alongside the relevant provisions of Jersey law.
- 5.5 Under the Companies Law, if, following a takeover offer (which is defined as “an offer to acquire all the shares, or all the shares of any class or classes, in a company (other than shares which at the date of the offer are already held by the offeror), being an offer on terms which are the same in relation to all the shares to which the offer relates”), an offeror has acquired or contracted to acquire not less than nine-tenths in number of the shares to which the offer relates, the offeror may give notice, in accordance with the Companies Law to the holders of those shares to which the offer relates which the offeror has not acquired or contracted to acquire, that it desires to acquire those shares. Subject to the provisions of the Companies Law, upon service of the notice by the offeror, it shall become entitled and be bound to acquire the shares. A minority shareholder also has a right, pursuant to the Companies Law, to be bought out by an offeror. Where a notice is given under the Companies Law to the holder of any shares the Royal Court of Jersey may, on an application made by the shareholder within 6 weeks from the date on which the notice was given, order that the offeror shall not be entitled and bound to acquire the shares or specify terms of acquisition different from those of the offer.

## **6 Taxation**

- 6.1 The following paragraphs include advice received by the Directors regarding taxation in Jersey and the United Kingdom.

Any person who is in any doubt as to his tax position, whether in Jersey or the United Kingdom or in any other jurisdiction in which he may be liable to tax, and any person subject to tax in any other jurisdiction, should consult, and rely upon, the advice of his own professional adviser in respect of the tax consequences of an investment in the Shares.

### ***Jersey Taxation***

#### **6.2 *General***

This summary of Jersey taxation issues can only provide a general overview of this area and it is not a description of all the tax considerations that may be relevant to a decision to invest in the Company. The summary of certain Jersey tax issues is based on the laws and regulations in force as of the date of this document and may be subject to any changes in Jersey law occurring after such date. Legal advice should be taken with regard to individual circumstances. Any person who is in any doubt as to his tax position or where he is resident, or otherwise subject to taxation, in a jurisdiction other than Jersey, should consult his professional adviser.

Shareholders should note that tax law and interpretation can change and that, in particular, the levels and basis of, and reliefs from, taxation may change and may alter the benefits of investment in the Company.

Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than Jersey should consult their own professional adviser.

The information in these paragraphs is intended as a general summary of the Company’s Jersey tax position (without aiming for completeness) and should not be construed as constituting advice.

### 6.3 *Summary – Jersey tax*

Under current Jersey law, there are no capital gains, capital transfer, gift, wealth or inheritance taxes or any death or estate duties. No capital or stamp duty is levied in Jersey on the issue, conversion, redemption or transfer of Shares. On the death of an individual holder of Shares (whether or not such individual was domiciled in Jersey), duty at rates of up to 0.75 per cent., of the value of the relevant Shares may be payable on the registration of any Jersey probate or letters of administration which may be required in order to transfer, convert, redeem or make payments in respect of, Shares held by a deceased individual sole shareholder.

### 6.4 *Income tax – the Company*

Under the Income Tax (Jersey) Law 1961 (as amended) (“**Tax Law**”), from 1 January 2009, the standard rate of income tax on the profits of companies regarded as resident in Jersey or having a permanent establishment in Jersey is 0 per cent. (“**zero tax rating**”). Certain exceptions from zero tax rating apply, namely:

6.4.1 companies which are regulated by the Jersey Financial Services Commission under certain sections of the Financial Services (Jersey) Law 1998 (as amended), the Banking Business (Jersey) Law 1991 (as amended) or the Collective Investment Funds (Jersey) Law 1988 (as amended), shall be subject to income tax at a rate of 10 per cent., (these companies are defined as “financial services companies” in the Tax Law);

6.4.2 specifically identified utility companies shall be subject to income tax at a rate of 20 per cent., (these companies are defined as “utility companies” in the Tax Law); and

6.4.3 any income derived from the ownership or disposal of land in Jersey shall be subject to income tax at a rate of 20 per cent.

It is anticipated that the Company will be subject to a zero tax rating.

### 6.5 *Income tax – Shareholders*

Persons holding Shares who are not resident for taxation purposes in Jersey will only be liable to Jersey tax in respect of the income of the Company to the extent that its share thereof is derived from Jersey source income (other than Jersey bank interest, by concession).

It is not expected that any such Jersey income will arise in relation to the Company. Therefore, such Shareholders would not be subject to taxation in Jersey in respect of any income or gains arising in respect of Shares held by them.

Shareholders who are resident for income tax purposes in Jersey will be subject to income tax in Jersey at the standard rate of 20 per cent., on any dividends paid on Shares held by them or on their behalf and income is required to be withheld by the Company on payment of any such dividends.

Article 134A of the Tax Law contains general anti-avoidance provisions, which may, in certain circumstances, render investors who are resident in Jersey liable to income tax on the undistributed income of the Company.

### 6.6 *Withholding tax – the Company*

For so long as the Company holds zero tax rating, no withholding in respect of Jersey taxation will be required on payments in respect of the Shares to any holder of the Shares not resident in Jersey.

### 6.7 *Goods and Services Tax*

Pursuant to the Goods and Services Tax (Jersey) Law 2007 (as amended) (“**GST Law**”) tax, at a rate which is currently 5 per cent., applies to the supply of goods and services, unless the relevant supplier or recipient of such goods and services is registered as an “international services entity”. The Company is expected to be an “international services entity” within the meaning of the GST Law, as it satisfies the requirements of the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008, as amended. As long as it continues to be such an entity, a supply of goods or of a service made by or to the Company shall not be a taxable supply for the purposes of the GST Law.

## 6.8 *European Union Saving Tax Directive*

Although not a Member State of the European Union, Jersey, in common with certain other jurisdictions, entered into agreements with EU Member States on the taxation of savings income. From 1 January 2015 paying agents in Jersey must automatically report to the Comptroller of Taxes in Jersey any interest payment to individuals resident in the contracting EU Member States which falls within the scope of the EU Savings Directive (2003/48/EC) (“**Directive**”) as applied in Jersey. However, no exchanges of information under the Directive as currently implemented in Jersey are expected to apply to payments of dividends in respect of holdings of shares where such payments are made by a Jersey paying agent. Accordingly, any payments of dividends made by the Company to Shareholders in respect of their holding of Shares will not be subject to reporting obligations pursuant to the agreements with EU Member States to implement the Directive in Jersey.

## 6.9 *Identification of Shareholders*

The Company can be required to make a return to the Comptroller of Income Tax in Jersey, on request, of the names, addresses and shareholdings of Jersey resident shareholders (in practice this return is not required at more frequent intervals than once a year).

## **UK Taxation**

### 6.10 *General*

The following information is based on the tax law currently in force in the United Kingdom, proposals announced in the 16 March Budget and HM Revenue & Customs practice as at the date of this Admission Document. Please note that announcements in the March 2016 Budget are only proposals and have not yet been enacted in UK tax legislation. This information is not exhaustive and potential investors should consult their professional advisers as to the implications of subscribing for, acquiring, holding, redeeming or disposing of Shares under the laws of the jurisdictions in which they may be liable to taxation.

The statements below are intended as a general summary of the position and do not constitute advice to any Shareholder. Persons who are in any doubt as to their tax position should consult their own professional adviser. Investors should note that tax law and interpretation can change and that, in particular, the levels and bases of, and reliefs from, taxation may change and that changes may alter the benefits of investment in the Company.

The information only applies to persons who are resident in (and only in) the UK and only applies to persons who hold their Shares as investments and are the absolute beneficial owners of them.

### 6.11 *The Company*

Provided that the Company is not resident in the UK for taxation purposes and does not carry on any trade in the UK (whether or not through a permanent establishment situated there), the Company should not be liable for UK taxation on its income and gains, other than in respect of interest and other income received by the Company from a UK source (to the extent that it is subject to the withholding of basic rate income tax in the UK).

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company continues to be exercised outside the UK in order that the Company does not become resident in the UK for taxation purposes. The Directors further intend, insofar as this is within their control, that the affairs of the Company are conducted so that the Company is not treated as carrying on a trade in the UK through a permanent establishment.

### 6.12 *Taxation on dividends*

#### 6.12.1 *Individuals*

UK resident individual Shareholders who are domiciled in the UK, and who hold their Shares as investments, will be subject to UK income tax on the gross amount of dividends received from the Company. UK resident individuals who are not domiciled in the UK may be eligible to make a claim to be taxed on the “remittance basis”, the effect of which is that they will generally be subject to UK income tax only if the dividend is remitted, or deemed to be remitted, to the UK, provided that the shares are not UK assets. If the Shares are regarded as UK assets the position is as for those domiciled in the UK.

To the extent that such a dividend is brought within the charge to UK tax, the shareholder may be entitled to a UK tax credit which may be offset against the income tax liability arising on the dividend. If available, the tax credit will be equal to 10 per cent. of the gross dividend (i.e. the tax credit will be one-ninth of the amount of the net cash dividend). A shareholder who is not subject to income tax on the dividend will not be entitled to reclaim any of the tax credit.

For dividend income received before 6 April 2016, Shareholders who are liable to income tax at the basic rate will be liable to income tax at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full that shareholder's liability to income tax.

Shareholders who are liable to income tax at the higher rate will be liable to income tax at the rate of 32.5 per cent. Of the gross dividend but will be able to offset the tax credit against this liability so that the shareholder will have to account for additional income tax equal to 25 per cent. of the net cash dividend received. Shareholders who are liable to income tax at above the additional rate tax band of £150,000 will be subject to income tax at 37.5 per cent. The tax credit will have the effect that such shareholders will have to account for additional UK tax equal to 30.6 per cent. of the net cash dividend received.

For dividend income received after 6 April 2016 the taxation of dividend income has been reformed. The 10 per cent. deemed tax credit is abolished, in its place, UK resident individuals will have a £5,000 dividend tax allowance. Dividend receipts in excess of £5,000 will be taxed at 7.5 per cent., (previously 0 per cent.), 32.5 per cent. (previously 25 per cent.), and 38.1 per cent. (previously 30.6 per cent.).

#### 6.12.2 Companies

Companies that are resident in the UK for tax purposes will generally be exempt from corporation tax on dividends received. There are various exceptions to this exemption, depending on the size of the shareholder, and whether certain anti-avoidance provisions apply. Corporate shareholders should confirm their tax position with a specialist tax adviser.

#### 6.12.3 Non-UK investors

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Shares are connected should not normally be liable to UK taxation on dividends paid by the Company. Such Shareholders should consult their own tax advisers concerning their tax liabilities generally.

### 6.13 *Taxation on chargeable gains*

#### 6.13.1 Individuals

In respect of gains accruing before 6 April 2016 Shareholders who are individuals or otherwise not within the charge to corporation tax and who hold their Shares as investments, subject to certain exemptions and reliefs, capital gains tax may be payable on a disposal of Shares. The rate of capital gains tax is 18 per cent. for basic rate taxpayers and 28 per cent. for higher rate taxpayers.

As announced in the 16 March 2016 Budget it is proposed that for gains accruing after 6 April 2016 the rate of capital gains tax on disposal of Shares by basic rate taxpayers will reduce from 18 per cent. to 10 per cent., and for upper rate and additional rate taxpayers the rate will fall from 28 per cent. to 20 per cent.

#### 6.13.2 Companies

Shareholders within the charge to UK corporation tax may be subject to corporation tax on chargeable gains in respect of any gain arising on a disposal of Shares. Indexation allowance may apply to reduce any chargeable gain arising on a disposal of Shares. Certain reliefs are available to corporate shareholders that could exempt gains where they have substantial shareholdings and other conditions are met. Such shareholders should seek further advice to determine their eligibility.



A UK resident corporate Shareholder who, together with connected or associated persons, is deemed to control the Company, in accordance with the Taxation (International and Other Provisions) (TIOPA) Act 2010 Sections 371RB to 371RE should note the provisions of the controlled foreign companies legislation contained in TIOPA2010 Sections 371AA to 371VJ.

#### 6.13.3 Non-UK investors

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Shares are connected should not normally be liable to UK taxation on capital gains arising on the sale or other disposal of Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities generally.

#### 6.14 *Stamp duty and stamp duty reserve tax*

No liability to stamp duty or stamp duty reserve tax will arise on the issue of Shares by the Company.

Neither UK stamp duty nor SDRT should arise on transfers of Shares on AIM (including instruments transferring Shares and agreements to transfer Shares) based on the following assumptions:

- (a) the Shares are admitted to trading on AIM, but are not listed on any market (with the term “listed” being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and
- (b) AIM continues to be accepted as a “recognised growth market” as construed in accordance with section 99A of the Finance Act 1986).

In the event that either of the above assumptions do not apply, stamp duty or SDRT may apply to transfers of Shares in certain circumstances.

The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

#### 6.15 *Controlled foreign companies/anti-avoidance*

If the Company were controlled by persons resident in the UK, legislation applying to so called “controlled foreign companies” may apply. Under that legislation, income profits accruing to the Company may be apportioned to those UK resident corporate Shareholders who have an interest in the Company, in which case, such Shareholders may be liable to corporation tax on amounts apportioned to them.

#### 6.16 *Section 13 of the Taxation of Chargeable Gains Act 1992*

Shareholders who are resident or, if an individual, domiciled in the UK, and who have more than a one-quarter interest (when aggregated with persons connected with them) in the chargeable gains of the Company may, in the event that the Company would be treated as “close” if it were resident in the UK, be liable to UK tax on a proportion of any chargeable gains realised by the Company. Such Shareholders will be liable to UK capital gains tax on the proportion of the gains of the Company that is equal to their interest in the Company.

#### 6.17 *Transfer of assets abroad*

The attention of individuals resident in the UK is drawn to the provisions of sections 714 to 751 of the income Taxes Act 2007, under which income accruing to the Company may be attributed to such a Shareholder and may (in certain circumstances) be liable to UK income tax in the hands of the Shareholder. However, the provisions should not apply if such a Shareholder can satisfy HM Revenue & Customs that, either:

- (a) it would not be reasonable to draw the conclusion, from all the relevant circumstances, that the purpose of avoiding liability to taxation was the purpose or one of the purposes for which the relevant transactions or any of them were effected; or

- (b) all the relevant transactions were genuine commercial transactions and that it would not be reasonable to draw the conclusion, from all the relevant circumstances, that any one or more of those transactions was more than incidentally designed for the purpose of avoiding liability to taxation.
- 6.18 Any person who is in any doubt as to their tax position is strongly advised to consult an appropriate professional adviser.

## 7 Significant Shareholders

- 7.1 In addition to the interests of the Directors disclosed in paragraph 8.1 below, as at the date of this Admission Document, insofar as is known to the Company, the following persons are, or will at Admission be, directly or indirectly interested (within the meaning of the Disclosure and Transparency Rules) in three per cent. or more of the issued ordinary share capital of the Company:

<i>Name</i>	<i>Number of Shares (as at the date of this Admission Document)</i>	<i>Percentage of Existing Shares (as at the date of this Admission Document)</i>	<i>Number of Shares (on Admission)</i>	<i>Percentage of Enlarged Share Capital (on Admission)</i>
K2MV*	146,857,334	63.24	146,857,334	53.08
Eresos Corporation Sdn Bhd**	7,977,283	3.44	7,977,283	2.88
Simon Peter	10,554,949	4.55	10,554,949	3.82
Kaminy Velayudhan	10,554,949	4.55	10,554,949	3.82
MTDC	8,715,000	3.75	8,715,000	3.15
Innvotec Ltd	—	—	12,777,778	4.62

\* Saravanan Rasaratnam and Navindran Balakrishnan, each of whom is a Director and whose interests in Shares are described in paragraph 8.1 below, each owns 50 per cent. of the entire issued share capital of K2MV.

\*\* Eresos Corporation Sdn Bhd is controlled by Majelis bin Majid (50 per cent.) Omar @ S. Omar Bin Abdul Rahman (48.8 per cent.), and Osmail bin Saät (2.2 per cent.), who are accordingly interested in the Shares held by that company.

- 7.2 Save as disclosed in paragraph 7.1 and paragraph 8.1, so far as the Directors are aware, there are no persons who are, at the date of this Admission Document, or will be at Admission, interested directly or indirectly in three per cent or more of the issued share capital of the Company or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 7.3 The persons referred to in paragraph 7.1 and paragraph 8.1 of this Part VI do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.
- 7.4 Except for the provisions of the City Code, neither the Directors nor the Company are aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## 8 Directors and Other Interests

- 8.1 As at the date of this Admission Document and at Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors and their families (within the meaning set out in the AIM Rules for Companies) in the Existing Shares as at the date of this Admission Document and in the Enlarged Share Capital as at Admission are and will be as follows:

<i>Name</i>	<i>Number of Shares (as at the date of this Admission Document)</i>	<i>Percentage of Existing Shares (as at the date of this Admission Document)</i>	<i>Number of Shares (on Admission)</i>	<i>Percentage of Enlarged Share Capital (on Admission)</i>
Saravanan Rasaratnam*	11,843,334	5.10	—	4.28
Navindran Balakrishnan*	11,843,334	5.10	—	4.28
Sivadas Kumar	7,512,838	3.24	—	2.72
Datuk Haji Radzali Bin Hassan—	—	—	—	—
Martin David Howard Bloom	—	—	—	—
Dato' Dr. Sivamohan S Namasivayam	—	—	55,556	0.02

\* Shares held by each of Saravanan Rasaratnam and Navindran Balakrishnan in their own names. In addition, Saravanan Rasaratnam and Navindran Balakrishnan each owns 50 per cent. of the entire issued share capital of K2MV which is the registered holder and owner of 146,857,334 Shares, in which each is accordingly interested, as described in the table in paragraph 7.1 above.

- 8.2 Save as disclosed above, no Director nor any member of his family (within the meaning set out in the AIM Rules for Companies) holds or is interested, whether beneficially or non-beneficially, directly or indirectly, in any shares, options over shares, voting rights in respect of shares or securities convertible into shares of the Company or any of its Subsidiaries.
- 8.3 Save as set out in paragraph 8.10 and paragraph 14 of this Part VI and in Part IV of this Admission Document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company and were effected during the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed
- 8.4 There are no outstanding loans or guarantees provided by the Company to or for the benefit of any Directors.
- 8.5 None of the Directors has any potential conflicts of interest between their duties to the Company and their private interests and/or other duties they may also have.
- 8.6 No Director, nor any member of his family (within the meaning set out in the AIM Rules), has a related financial product (as defined in the AIM Rules) referenced to the Shares.
- 8.7 The Directors are not required to hold any Shares under the Articles.
- 8.8 Other than the protections afforded to Shareholders in the City Code or as described in paragraph 12.4 below, and subject to protections under Jersey law, there are no controls in place to ensure that any Shareholder having a controlling interest in the Company does not abuse that interest.
- 8.9 Save as disclosed in this Admission Document, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 8.10 Save as disclosed in paragraph 14 of this Part VI and Part IV of this Admission Document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and, save as disclosed in this Admission Document, no contract or arrangement exists in which any Director is materially interested and which is significant in relation to the business of the Group.
- 8.11 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year preceding the date of this Admission Document.



## 9 Further information about the Directors

9.1 The full names, ages, functions and dates of appointment of the Directors are as follows:

<i>Name:</i>	<i>Age:</i>	<i>Function in the Company:</i>	<i>Date of Appointment as Director:</i>
Saravanan Rasaratnam	40	Group Managing Director	24 November 2015
Navindran Balakrishnan	32	Group Executive Director	24 November 2015
Sivadas Kumar	53	Group Chief Executive	24 November 2015
Datuk Haji Radzali Bin Hassan	59	Non-Executive Chairman	on Admission
Martin David Howard Bloom	64	Non-Executive Director	on Admission
Dato' Dr. Sivamohan S Namasivayam	60	Non-Executive Director	on Admission

9.2 The Directors currently hold, and have during the five years preceding the date of this Admission Document held, the following directorships or partnerships in addition to their directorships of the Company:

<i>Name of Director</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships within the last 5 years</i>
Saravanan Rasaratnam	Concord Green Energy Sdn Bhd G-CAP Advisory Sdn Bhd Green & Smart Sdn Bhd K2M Ventures Sdn Bhd Green & Smart Ventures Sdn Bhd Our Energy Group (M) Sdn Bhd	Biofusion Sdn Bhd Free the Seed Sdn Bhd Gemini Green Sdn Bhd Megagreen Energy Sdn Bhd Murvell Resources Sdn Bhd
Navindran Balakrishnan	Green & Smart Sdn Bhd Green & Smart Ventures Sdn Bhd K2M Ventures Sdn Bhd Our Energy Group (M) Sdn Bhd	Biofusion Sdn Bhd Free the Seed Sdn Bhd Gemini Green Sdn Bhd
Sivadas Kumar	Green Millenium International Sdn Bhd Zack Kitchen Sdn Bhd Our Energy Group (M) Sdn Bhd	Enviropack International Sdn Bhd
Datuk Haji Radzali Bin Hassan	Actis Bioventures Corporation Sdn Bhd Allied Occupational Health & Medical Services Sdn Bhd Amsoft (M) Sdn Bhd Artisan Niaga Sdn Bhd Bina Prestasi RR Sdn Bhd Geliga Trak and Machinerics (M) Sdn Bhd Harta Environment Maintenance Services Sdn Bhd Harta Maintenance (Penang) Sdn Bhd Harta Maintenance Sdn Bhd Hozone Sdn Bhd Indera Aviation and Communication Sdn Bhd Konsortium Emerald Capital Sdn Bhd Perfect Binders Sdn Bhd Qdos Flexcircuits Sdn Bhd Qdos Holdings Bhd	Eureka Artisan Sdn Bhd Leading Excellence Sdn Bhd Pengkalan Mesra Sdn Bhd Safeshield Sdn Bhd

<i>Name of Director</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships within the last 5 years</i>
	Qdos Interconnect Sdn Bhd Rtk Corporation (M) Sdn Bhd Setia Aquaculture Industries Sdn Bhd Sinar Bekal (M) Sdn Bhd Sinar Multi Enviro Products Supply & Services Sdn Bhd SR-Two Sdn Bhd Suiwah Corporation Bhd The Gregorian Sdn Bhd Traksons Corporation (M) Sdn Bhd Yayasan Modal Insan Harta	
Martin David Howard Bloom	Bloom & Tse Ltd, CLC Ventures Ltd, Emblem Technology Partners Ltd Emblem Ventures Ltd Enterprise Accelerator Ltd, Eton Court Ltd, Intelligent Energy Holdings plc Lisa Tse Ventures Ltd, Martin Bloom Photography Ltd Mayair Group plc ReneSola Ltd	CAP Partners LLP OLED Power Ltd Starcom plc
Dato' Dr Sivamohan S Namasivayam	Asia Cryo-Cell Malaysia Sdn Bhd Bandar Baru Klang Specialist Hospital Sdn Bhd Biotech Asia Research Centre Sdn Bhd Ciri Mudah Sdn Bhd Coram Deo Management Sdn Bhd Sentosa Silam Sdn Bhd Women Healthcare Sdn Bhd	KJP Education Services Sdn Bhd

9.3 Martin Bloom was a director of Sigtronics Ltd when it was subject to a winding up order dated 27 February 2007 following a winding up petition dated 7 October 2003.

9.4 Save as disclosed in paragraph 9.3 above none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) been declared bankrupt nor been the subject of any form of individual voluntary arrangement;
- (c) been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;
- (d) been a partner in a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or partnership voluntary arrangement;
- (e) had any asset of his subject to a receivership or been a partner in a partnership at the time of or within the 12 months preceding any asset of such partnership being subject to a receivership; or
- (f) been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies) nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **10 Directors' service agreements and letters of appointment**

- 10.1 Navindran Balakrishnan entered into a service agreement with GSV dated 1 May 2016 to act as Group Executive Director from 2 May 2016. Under the service agreement, Mr Navindran's remuneration is RM360,000 per annum. The service agreement can be terminated at any time after the date falling 24 months after Admission by either party giving to the other 6 months' written notice. Mr Navindran shall exercise the powers and functions and perform the duties assigned to him from time to time by or under the authority of the Board in such manner as shall be specified by or under the authority of the Board and as are appropriate to his position. Mr Navindran shall devote the whole of his time, attention and abilities during working hours to the affairs of the Company. Mr Navindran may be paid such discretionary bonus as determined by the Board from time to time. He shall also be entitled to such other benefits as are accorded by the Board from time to time.
- 10.2 Saravanan Rasaratnam entered into a service agreement with GSV dated 1 May 2016 to act as Group Managing Director from 2 May 2016. Under the service agreement, Mr Saravanan's remuneration is RM360,000 per annum. The service agreement can be terminated at any time after the date falling 24 months after Admission by either party giving to the other 6 months' written notice. Mr Saravanan shall exercise the powers and functions and perform the duties assigned to him from time to time by or under the authority of the Board in such manner as shall be specified by or under the authority of the Board and as are appropriate to his position. Mr Saravanan shall devote the whole of his time, attention and abilities during working hours to the affairs of the Company. Mr Saravanan may be paid such discretionary bonus as determined by the Board from time to time. He shall also be entitled to such other benefits as are accorded by the Board from time to time.
- 10.3 Sivadas Kumar entered into a service agreement with GSV dated 1 May 2016 to act as Group Chief Executive Officer from 2 May 2016. Under the service agreement, Mr Sivadas's remuneration is RM240,000 per annum. The service agreement can be terminated at any time after the date falling 24 months after Admission by either party giving to the other 6 months' written notice. Mr Sivadas shall exercise the powers and functions and perform the duties assigned to him from time to time by or under the authority of the Board in such manner as shall be specified by or under the authority of the Board and as are appropriate to his position. Mr Sivadas shall devote the whole of his time, attention and abilities during working hours to the affairs of the Company. Mr Sivadas may be paid such discretionary bonus as determined by the Board from time to time. He shall also be entitled to such other benefits as are accorded by the Board from time to time.
- 10.4 Pursuant to a letter of appointment dated 6 May 2016, the Company has appointed Navindran Balakrishnan to act as Group Executive Director of the Company. Mr Balakrishnan shall receive a director's fee of £30,000 per annum with effect from Admission, payable monthly in arrears. The agreement shall be for an initial term expiring on the date falling 24 months after Admission, and shall continue after that initial term unless terminated by the company or the Director giving the other 6 months' prior written notice (not to expire earlier than the end of the initial term). He was appointed a director of the Company on 24 November 2015.
- 10.5 Pursuant to a letter of appointment dated 6 May 2016, the Company has appointed Saravanan Rasaratnam to act as Group Managing Director of the Company. Mr Rasaratnam shall receive a director's fee of £30,000 per annum with effect from Admission, payable monthly in arrears. The agreement shall be for an initial term expiring on the date falling 24 months after Admission, and shall continue after that initial term unless terminated by the company or the Director giving the other 6 months' prior written notice (not to expire earlier than the end of the initial term). He was appointed a director of the Company on 24 November 2015.
- 10.6 Pursuant to a letter of appointment dated 6 May 2016, the Company has appointed Sivadas Kumar to act as Executive Director of the Company. Mr Sivadas shall receive a director's fee of £30,000 per annum with effect from Admission, payable monthly in arrears. The agreement shall be for an initial term expiring on the date falling 24 months after Admission, and shall continue after that initial term unless terminated by the company or the Director giving the other 6 months' prior written notice (not to expire earlier than the end of the initial term). He was appointed a director of the Company on 24 November 2015.

- 10.7 Pursuant to a letter of appointment dated 6 May 2016, the Company has appointed Datuk Haji Radzali Bin Hassan to act as Non-Executive Chairman of the Company with effect from Admission. Datuk Haji Radzali Bin Hassan shall receive a director's fee of £30,000 per annum, payable monthly in arrears. The agreement shall be for an initial term expiring on the date falling 24 months after Admission, and shall continue after that initial term unless terminated by the Company or Datuk Haji Radzali Bin Hassan giving the other 6 months' prior written notice (not to expire earlier than the end of the initial term).
- 10.8 Pursuant to a letter of appointment dated 6 May 2016, the Company has appointed Martin David Howard Bloom to act as a Non-Executive Director of the Company with effect from Admission. Mr Bloom shall receive a director's fee of £30,000 per annum, payable monthly in arrears. The agreement shall be for an initial term expiring on the date falling 24 months after Admission, and shall continue after that initial term unless terminated by the Company or Mr Bloom giving the other 6 months' prior written notice (not to expire earlier than the end of the initial term).
- 10.9 Pursuant to a letter of appointment dated 6 May 2016, the Company has appointed Dato' Dr. Sivamohans S Namasivayam to act as a Non-Executive Director of the Company with effect from Admission. Dato' Dr. Sivamohan S Namasivayam shall receive a director's fee of £30,000 per annum, payable monthly in arrears. The agreement shall be for an initial term expiring on the date falling 24 months after Admission, and shall continue after that initial term unless terminated by the Company or Dato' Dr. Sivamohan S Namasivayam giving the other 6 months' prior written notice (not to expire earlier than the end of the initial term).
- 10.10 It is the intention that the executive Directors' remuneration will be reviewed following the publication of the Annual Accounts to 30 September 2016.
- 10.11 Save as disclosed above in this paragraph 10, there are no service agreements, existing or proposed, between any Director and the Company or any of the Subsidiaries providing for benefits upon termination of employment.

## 11 Employees

The number of employees employed by the Group in Malaysia for the three financial years ended 30 September 2014 and as at the date of this Admission Document are as follows:

<i>Department/Division</i>	<i>As at 30 September 2013</i>	<i>As at 30 September 2014</i>	<i>As at 30 September 2015</i>	<i>As at the date of this document</i>
Directors	2	2	3	5
Finance		1*	1	1
Project Management		1*	1	1
Human Resources	1	1	1	1
R&D			1	1
Sales & Marketing			1	2
Production			1	2
Operations	1+1*	1+1*	1	4
Internal control and supervision			1	1
Legal and Compliance matters			1	1
Product quality control			1	1
<b>Total</b>	<u>5</u>	<u>7</u>	<u>13</u>	<u>20</u>

\* temporary staff

## 12 Material Contracts

Other than as set out below or in paragraph 14, there are no contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group in the two years immediately preceding the date of this Admission Document which are or may be material or contracts which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Admission Document, save for the Directors' service contracts and letters of appointment (as described in paragraphs 10.1 to 10.9 of this Part VI).

### 12.1 *Placing Agreement*

Pursuant to the terms of the Placing Agreement dated 6 May 2016 between SP Angel, the Company and the Directors, SP Angel has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Placing Shares. All such subscriptions will be at the Placing Price.

The Placing Agreement is conditional, amongst other things, upon:

- (a) the submission of the Admission Document to the London Stock Exchange and its publication;
- (b) delivery to SP Angel of a certificate from the Company confirming satisfaction of all obligations and no breach of warranties; and
- (c) Admission becoming effective on or before 8 a.m. on 12 May 2016 / or such later time as may be agreed between the Company and SP Angel, being not later than 13 June 2016;

Subject to the terms and conditions of the Placing Agreement, the Company will pay to SP Angel the following:

- (a) a corporate finance fee of £180,000 (plus VAT if applicable);
- (b) a commission equal to five per cent. of the aggregate value of the gross monies raised by SP Angel pursuant to the Placing from Placees introduced by SP Angel; and
- (c) a commission equal to 0.5 per cent. of the aggregate value of the gross monies raised pursuant to the Placing from Placees not introduced by SP Angel.

The Placing Agreement provides for the Company to pay all reasonable costs and expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing and distribution charges and the fees payable to the London Stock Exchange.

The Placing Agreement contains certain customary warranties given by the Company and the Directors in favour of SP Angel as to, *inter alia*, the accuracy of information contained in this Admission Document and a customary indemnity from the Company and the Directors in favour of SP Angel and its affiliates.

SP Angel may terminate the Placing Agreement in certain specified circumstances prior to Admission, including in the event that any statement in the Admission Document is untrue, inaccurate or misleading in any material respect or any of the warranties given by the Company and the Directors are untrue, inaccurate or misleading.

### 12.2 *Warrant Instrument*

Pursuant to a warrant instrument dated 6 May 2016 the company granted SP Angel the right to subscribe for such number of Shares as represents 0.5 per cent. of the number of Shares in the Enlarged Share Capital at the Placing Price for a period of five years from Admission or upon a Disposal (as defined in the Warrant Instrument), if earlier.

### 12.3 *Agreement to engage SP Angel as nominated adviser and AIM broker*

Pursuant to an agreement dated 5 June 2015 between SP Angel and G&S, SP Angel has agreed to act as nominated adviser and AIM broker to the Company following Admission as required by the AIM Rules.

Under the terms of that engagement, *inter alia*, SP Angel shall provide, amongst other things (i) advice and guidance to the Directors on their responsibilities and obligations in order to ensure compliance by the Company with the AIM Rules; (ii) advice to the Company on the City Code and AIM Rules, and will liaise where appropriate with the Panel and the AIM regulation team of the London Stock Exchange on the Company's behalf; and (iii) services in relation to its role as the Company's AIM broker. For the provision of its services, SP Angel will receive a fee of £50,000 per annum (plus applicable VAT and disbursements).

Either party is able to terminate the agreement upon giving three months' prior written notice to the other party, such notice not to be given until a date 12 months' from the date of Admission. The agreement also contains provisions for immediate termination in certain circumstances. On 6 May 2016, the Company, SP Angel and G&S entered into a deed of novation pursuant to which the rights and obligations of G&S under the agreement are novated to the Company.

### 12.4 *Relationship Agreement*

On Admission, Saravanan Rasaratnam, Navindran Balakrishnan and K2MV (in which each of Saravanan Rasaratnam and Navindran Balakrishnan hold a 50 per cent. interest) (collectively the "Controlling Shareholders") will in aggregate hold or be interested in approximately 61.6 per cent. of the Enlarged Share Capital and would, collectively, control the Company.

The Company, SP Angel and the Controlling Shareholders entered into a relationship agreement on 6 May 2016 to regulate aspects of the continuing relationship between the Group and the Controlling Shareholders, with a view to ensuring that the Group is capable at all times of carrying on its business independently of the Controlling Shareholders and that future transactions between the Group and the Controlling Shareholders are on arm's length terms and on a normal commercial basis. The Relationship Agreement will remain in force for as long as any one of the Controlling Shareholders remains, together with the other Controlling Shareholders, interested in shares in the Company which carry the right to exercise or control the exercise of 25 per cent. or more of the voting rights at general meetings of the Company (whether on account of his direct or indirect legally or beneficially held interest(s) in the Company) and the share capital of the Company remains admitted to trading on AIM.

### 12.5 *Lock-in and Orderly Market Agreements*

Pursuant to the terms of the lock-in agreement dated 6 May 2016 between SP Angel, the Company and the Covenantors, each of the Covenantors, who will together hold Shares after Admission, representing in aggregate 73.2 per cent. of the Enlarged Share Capital, have agreed, save in certain usual circumstances, not to dispose or agree to dispose of any interest in any Shares held by them at Admission prior to the first anniversary of Admission and, for the 12 month period commencing on the first anniversary of Admission, only to dispose of such Shares with SP Angel's consent and through SP Angel or the Company's appointed AIM broker (if different at the time) so as to maintain an orderly market.

Pursuant to the terms of the orderly market agreement dated 6 May 2016 between SP Angel and the Company and MTDC, Simon Peter and Kaminy Velayudhan, each of MTDC, Simon Peter and Kaminy Velayudhan, who will together hold Shares after Admission representing in aggregate 10.8 per cent. of the Enlarged Share Capital, have agreed, save in certain usual circumstances, for the 12 month period commencing on Admission, only to dispose of such Shares with SP Angel's consent and through SP Angel or the Company's appointed AIM broker (if different at the time) so as to maintain an orderly market.



## 12.6 *Continuing Lock-in Agreement*

Pursuant to the terms of a lock-in agreement dated 6 May 2016 between SP Angel, the Company, K2MV (in which each of Saravanan Rasaratnam and Navindran Balakrishnan hold a 50 per cent. interest), Saravanan Rasaratnam and Navindran Balakrishnan, K2MV has agreed, except that it may accept or irrevocably undertake to accept a general offer for Shares, not to transfer or dispose of any interest in Shares held by it for the period commencing on the date of Admission and ending on the date that the Company obtains a legal opinion from its Malaysian lawyers in terms satisfactory to the Company and SP Angel that no member of the Group is subject to any restriction on foreign ownership under the Renewable Energy Rules, including without limitation a requirement that no foreign person or persons should hold, directly or indirectly, more than 49 per cent. of the voting power or issued share capital (excluding preference shares) of a Malaysian incorporated company qualifying as an eligible producer under the Renewable Energy Rules. Saravanan Rasaratnam and Navindran Balakrishnan undertake to procure compliance by K2MV with the terms of the agreement and not to dispose of their Shares in K2MV while the agreement is continuing in force.

## 12.7 *Registrar Services Agreement*

By an agreement dated 6 May 2016 between (i) the Company and (ii) Capita Registrars (Jersey) Limited (“**Capita**”), the Company appointed Capita as its registrar.

The agreement is effective on the date of Admission and will continue for an initial period of 3 years, after which it will automatically renew for further periods of 12 months unless terminated by either party by giving 6 months’ notice prior to the end of such period. Fees payable by the Company to Capita in respect of the basic services provided by Capita under the agreement include an annual fee for the creation and maintenance of the share register of £1.40 (subject to increase in case of excess transfer activity) per holder of Shares appearing on the register during the fee year, with a minimum charge per annum of £6,000.

## 12.8 *Company Secretarial Services Agreement*

By a services agreement dated 6 May 2016 and side letter dated 4 August 2015, each between (i) the Company and (ii) Capita Secretaries Limited, the Company appointed Capita Secretaries Limited as its company secretary to provide company secretarial services and a registered office in Jersey.

The annual fee for the provision of company secretarial and registered office services is £3,500. Any administrative and other assistance is charged on a time spent basis in accordance with specified hourly charge out rates. Disbursements and third party charges are charged as incurred. Capita Secretaries Limited is appointed on an on-going basis and such appointment may be terminated at any time by either party giving 3 months written notice to the other party.

## 12.9 *Shareholders’ agreements in relation to the Associated Companies*

### *Megagreen*

On 11 November 2014 G&S, Felcra Berhad and Mega Hijau Makmur Sdn Bhd (“**MHMSB**”) entered into a shareholders’ agreement regulating their respective rights as shareholders in Megagreen and entitling G&S to appoint a director of Megagreen. At the time of entering into the agreement MHMSB and G&S were existing shareholders of Megagreen and under the agreement Felcra Berhad agreed to subscribe 150,000 ordinary shares in Megagreen.

### *Concord Green Energy*

On 6 October 2015, G&S and Concord Alliance Sdn Bhd (“**CASB**”) entered into a shareholders’ agreement to regulate their relationship as shareholders of Concord Green Energy, which provides for G&S to have the right to appoint up to two directors of CGE. G&S has subscribed 250,000 ordinary shares in CGE and CASB has subscribed 750,000 ordinary shares. G&S and CASB agreed that they would maintain their respective 25 per cent. and 75 per cent. holdings at all times.

#### 12.10 *Equity Funding by MTDC*

Pursuant to the terms of an offer letter dated 1 April 2015, MTDC agreed to provide G&S with Business Growth Fund funding of RM4,000,000 as an equity subscription of 4,000,000 redeemable convertible preference shares in G&S. The subscription amount of RM4,000,000 is to be utilised to finance G&S's working capital and operational expenditure for the development of a Biogas Power Plant.

On 4 January 2016, MTDC, G&S and the Former G&S Shareholders entered into an investment agreement for the subscription of Redeemable Convertible Preference Shares Series A in G&S ("RCPS A") by MTDC ("Investment Agreement").

Navindran Balakrishnan and Saravanan Rasaratnam, directors of the Company, agreed to irrevocably and unconditionally grant MTDC put option rights in relation to the RCPS A and the ordinary shares allotted and issued to MTDC arising from the conversion of the RCPS A, upon the terms and conditions of a put option agreement dated 4 January 2016. These option rights terminated on completion of the Share Swap Agreements described in paragraph 12.12 below.

The following guarantees and indemnities to secure due performance by G&S of its obligations under the Investment Agreement were also provided pursuant to that agreement: (a) a corporate guarantee by K2MV dated 4 January 2016; and (b) personal guarantees and indemnities by Saravanan Rasaratnam and Navindran Balakrishnan dated 4 January 2016.

#### 12.11 *Shareholders' Agreement between G&S, MTDC, and the Former G&S Shareholders*

On 4 January 2016 G&S, MTDC and the Former G&S Shareholders entered into a shareholders' agreement setting out the terms and conditions for the organisation, management and operation of G&S and to regulate the relationship of the Former G&S Shareholders and MTDC as shareholders of G&S. The agreement contained the same option rights as described in paragraph 12.10 above. This agreement terminated on completion of the Share Swap Agreements described in paragraph 12.12 below.

#### 12.12 *Share Swap Agreements*

Pursuant to a share sale and purchase agreement dated 6 May 2016, the Former G&S Shareholders agreed to sell their shares in G&S (comprising the entire issued share capital apart from the shares held by MTDC) and in OEG (comprising 51 per cent. of the issued share capital) to GSV, in consideration for the Company issuing the respective numbers of Shares (including to nominees of the Former G&S Shareholders) described in paragraph 3.2 (c) of this Part VI. In consideration of the Company allotting and issuing the respective numbers of Shares to the former G&S Shareholders (and/or their nominees) as described in paragraph 3.2(c) of this Part VI, GSV agreed to allot and issue ordinary shares to the Company. The selling shareholders gave warranties in favour of the Company and GSV confirming they had unencumbered title to the shares they were selling.

Pursuant to a share sale and purchase agreement dated 6 May 2016, MTDC agreed to sell its shares in G&S to GSV in consideration for the Company issuing to it the number of Shares described in paragraph 3.2 (c) of this Part VI. In consideration of the Company allotting and issuing Shares to MTDC as described in paragraph 3.2(c) of this Part VI, GSV agreed to allot and issue ordinary shares to the Company. MTDC gave warranties in favour of the Company and GSV confirming it had unencumbered title to the shares it was selling.

Both of these agreements were completed on 6 May 2016.

#### 12.13 *Project financing facility under the Green Technology Financing Scheme*

Pursuant to a letter of offer dated 7 November 2014, a master facility agreement dated 11 December 2014 and supplemental offer letters dated 21 January 2015 and 19 May 2015, G&S has entered into a project financing facility with Malaysia Debt Ventures Berhad ("MDV"). MDV has agreed to provide G&S with a non-revolving secured facility up to a maximum limit of RM10.5m with a sub-limit of RM6,000,000.



The security provided by G&S in relation to the facility includes a debenture dated 11 December 2014 creating a first ranked fixed and floating charge over G&S's assets, present and future, in favour of MDV; deeds of assignment by G&S dated 11 December 2014 providing for the assignment to MDV of (a) all rights, interests and benefits of G&S and the proceeds from the sale of electricity under the REPPA dated 27 August 2014 between G&S and TNB, (b) by way of security, all the rights, benefits interest and title under the sub-licence agreement dated 12 March 2015 between G&S and Felda Palm Industries Sdn Bhd in relation to the construction and operation of a project located in the area of Felda Kahang Timur, District of Kahang in the state of Johor and (c) the benefit of insurance policies in respect of the equipment and machinery purchased by G&S for the project located at the Palm Oil Mill factory at Kahang, Kluang, Johor; and a deed of assignment by G&S dated 25 February 2015 assigning by way of security all of the rights, benefits, interest and title under the BOOA dated 12 March 2015 between G&S, FGV and Felda Palm Industries Sdn Bhd.

The following guarantees in favour of MDV were also provided: (a) a guarantee by Credit Guarantee Corporation Malaysia Berhad under the Green Technology Financing Scheme for the amount of RM5,760,000 for the period from 4 December 2014 until 3 December 2021; (b) a corporate guarantee by K2M Ventures Sdn Bhd dated 11 December 2014 for the whole amount owed under the facility; and (c) joint and several guarantees by Saravanan Rasaratnam and Navindran Balakrishnan dated 11 December 2014 for the whole amount owed under the facility.

The purpose of the facility is to finance up to 80 per cent. of the development and construction cost in relation to the design, build, operation and ownership of a Biogas Power Plant located in Kahang, Johor, Malaysia.

#### **12.14 *Project financing facility under the BioEconomy Transformation Programme.***

By a letter of offer dated 20 April 2015, MDV, on behalf of Malaysian Biotechnology Corporation, offered to G&S a project financing facility of up to RM1,200,000. Subsequent to the letter of offer, the parties executed a master facility agreement on 30 June 2015.

The security provided by G&S in relation to the facility includes a debenture dated 30 June 2015 creating a second ranked fixed and floating charge over G&S's assets, present and future, in favour of MDV and the benefit of the assignments described in paragraph 12.13 above.

The following guarantees in favour of MDV were also provided: (a) a corporate guarantee by K2M Ventures Sdn Bhd dated 30 June 2015 for the whole amount owed under the facility; and (b) joint and several guarantees by Saravanan Rasaratnam and Navindran Balakrishnan dated 30 June 2015 for the whole amount owed under the facility.

The purpose of the facility is to finance 10 per cent. of the development and construction costs in relation to the design, build, operation and ownership of a Biogas Power Plant located in Kahang, Johor, Malaysia.

#### **12.15 *Business Development Agreement***

Pursuant to an agreement dated 25 June 2015, G&S engaged the services of Baik Keang Yu ("BKY") as business development partner, with a specific role of helping to identify Palm Oil Mill owners in Malaysia and elsewhere who are interested in entering into partnership through execution of a BOOA with the Company for development of the "Biogas to power" sector in Malaysia.

In consideration for BKY's introductions, G&S have agreed to pay BKY a fee not exceeding 17 per cent. of the monthly revenue generated from sale of power to TNB from the Biogas power plants located at the Palm Oil Mills introduced by BKY for the duration of the agreement, less certain deductions relating to money payable directly to the Palm Oil Mill owners.

The term of the agreement is 16 years from the execution of the corresponding BOOA, but may be extended for a further period with mutual agreement of the parties.

## 12.16 *Licence Agreement and Assignments of Operations & Maintenance Agreements*

Pursuant to an agreement dated 28 June 2015 (subsequently amended by a supplemental letter dated 17 November 2015), G&S agreed to grant to EPI a global exclusive licence in respect of all rights and interests in the patents described in paragraph 13.2 below, of which G&S is the legal proprietor, without restricting G&S's own use of such patents ("**Licence**"). In consideration of the grant of the Licence, EPI agreed to pay to G&S 30 per cent. of the gross operating revenue derived from the utilisation of the patents in the first year of commercial operation of each Biogas project undertaken by G&S for which EPI is subcontracted. The Licence is renewable every three years commencing on the date of the agreement.

On 28 June 2015 G&S entered into an agreement with EPI and Megagreen (subsequently amended by a supplemental agreement dated 5 November 2015) whereby G&S agreed to assign and transfer all its rights, obligations and interests under an O&M agreement dated 17 November 2014 with Megagreen (described in paragraph 14.2(d) below) to EPI with the consent of Megagreen. G&S agreed to account to EPI for the amounts charged to Megagreen under the O&M agreement subject to retaining 30 per cent. of such amounts in payment of the fees payable to G&S under the above Licence, provided that G&S agrees to pay to EPI a minimum of RM750,000 for each year of the contract (*pro-rata* for part of a year) unless EPI is in default.

On 6 October 2015 G&S entered into an agreement with EPI (subsequently amended by a supplemental letter agreement dated 19 October 2015) whereby G&S agreed to assign and transfer all its rights, obligations and interests under an O&M agreement dated 6 October 2015 with Concord Green Energy (described in paragraph 14.3(b) below) to EPI. G&S agreed to account to EPI for the amounts charged to Concord Green Energy under the O&M agreement subject to retaining 30 per cent. of such amounts in payment of the fees payable to G&S under the above Licence, provided that G&S agrees to pay to EPI a minimum of RM750,000 for each year of the contract (*pro-rata* for part of a year) unless EPI is in default.

## 13 **Intellectual Property Rights**

### 13.1 *Domain Names*

As at the date of this Admission Document, the Group has registered the following domain name:

<i>Domain Name</i>	<i>Renewal Period</i>
greenandsmart.net	On annual subscription

### 13.2 *Patents*

<i>Patent No.</i>	<i>Title of invention</i>	<i>Country</i>	<i>Authority</i>	<i>Effective Period</i>
MY-137222-A	Waste Water treatment and apparatus therefor	Malaysia	Intellectual Property Corporation of Malaysia	Expiry date is 19 October 2025
MY-143156-A	A system for waste water treatment	Malaysia	Intellectual Property Corporation of Malaysia	Expiry date is 6 July 2029.

G&S has also applied for registration of patent for the title of invention "A system for treatment of Organic Waste" with Intellectual Property Corporation of Malaysia (application number PI 2012000740). The application was filed on 17 February 2012. G&S's patent agent by a letter dated 4 August 2015 informed G&S that they have received a substantive examination adverse report from Intellectual Property Corporation of Malaysia. The substantive examination adverse report states that the patent application has met the patentability criteria of industrial applicability requirement but is lacking in novelty and inventive step. It should be noted that the examiner's objection to these claims does not necessarily mean that these claims are unpatentable, but it shifts the burden to the applicant to distinguish the findings of the substantive examination. G&S' patent agent filed a response to the report of the Intellectual Property Corporation of Malaysia on 15 December 2015 and at the date of this Admission Document the patent application is still subject to examination.

### 13.3 **Trademarks**

<i>Trademark No.</i>	<i>Class</i>	<i>Country</i>	<i>Authority</i>	<i>Period</i>
2012001092 (GREENPAK)	7	Malaysia	Intellectual Property Corporation of Malaysia	10 years, from 19 January 2012 to 19 January 2022
2012001093 (POME-MAS)	40	Malaysia	Intellectual Property Corporation of Malaysia	10 years, from 19 January 2012 to 19 January 2022
06012647 (GRASS)	7	Malaysia	Intellectual Property Corporation of Malaysia	10 years, from 19 July 2006 to 19 July 2016

## 14 **Related Party Transactions**

Save as disclosed below, neither the Company nor any other member of the Group has entered into any related party transactions during the period commencing on 1 October 2012 and ending on the date of this Admission Document (the “**Relevant Period**”).

### **G&S and EPI**

14.1 Sivadas Kumar and Thannimalai Renganathan were shareholders and directors of EPI during the Relevant Period and resigned as directors on 24 August 2015. They disposed of their shares in EPI on 25 August 2015.

- (a) During the Relevant Period, G&S and EPI entered into the agreements described in paragraph 12.16 of this Part VI.
- (b) Pursuant to a letter of agreement dated 3 November 2014, G&S purchased 2 units of biogas engines from EPI at a cost (per unit) of €432,920.00. The total cost to G&S under the agreement (inclusive of mechanical, electrical and factory acceptance testing) was €965,840.00.

### **G&S and Megagreen**

14.2 G&S acquired its 15 per cent. equity interest in Megagreen on 28 April 2014. Saravanan Rasaratnam was at the time of entering into the agreements described below a common director of both G&S and Megagreen and resigned as a director of Megagreen on 16 March 2016.

- (a) On 9 June 2015 G&S executed a guarantee in favour of RHB Islamic Bank Berhad under which G&S guaranteed the performance by Megagreen, and indemnified RHB Islamic Bank Berhad against breach, of Megagreen’s obligations under a facility obtained by Megagreen from RHB Islamic Bank Berhad of an amount of up to RM35.25 million. Credit Guarantee Corporation Malaysia Berhad has confirmed that repayment of 60 per cent. of the amount borrowed by Megagreen under the facility is guaranteed by Credit Guarantee Corporation Malaysia Berhad up to 18 June 2025 pursuant to the Green Technology Financing Scheme-i established by the Malaysian government. On that basis, the Directors expect the exposure of G&S under the guarantee to be limited to approximately RM14.1 million, provided that Credit Guarantee Corporation Malaysia Berhad complies with its guarantee, but G&S has no ability to enforce such compliance.
- (b) During its financial year ended 30 September 2014 G&S invoiced Megagreen RM2,205,000 for consultancy services provided by G&S to Megagreen to assist it to enter into REPPAs and obtain FiT approvals in relation to 5 Biogas Power Plant projects.
- (c) Pursuant to an EPCC agreement dated 17 November 2014, Megagreen engaged the services of G&S as general contractor in connection with the design, construction and performance of start-up and testing at Megagreen’s 5 Biogas Power Plant projects.

- (d) Pursuant to an O&M agreement dated 17 November 2014, G&S was appointed by Megagreen to operate, maintain and manage its 5 Biogas Power Plant projects. Under the terms of the agreement, G&S invoices Megagreen on a monthly basis in respect of the services provided by G&S to Megagreen.
- (e) During the six month period to 31 March 2015, Megagreen was recharged RM 1,500 per month for use of G&S's office space. These accrued rent payments remained unpaid as at 31 March 2015.

#### ***G&S and CGE***

14.3 G&S acquired a 25 per cent. equity interest in CGE on 6 March 2015 for RM 250,000. Saravanan Rasaratnam is a common director in both G&S and CGE.

- (a) Pursuant to an EPCC agreement dated 6 October 2015, CGE engaged G&S as general contractor for the design, construction and performance of start-up and testing at CGE's 14 Biogas Power Plant projects.
- (b) Pursuant to an O&M agreement dated 6 October 2015, G&S has been appointed by CGE to operate, maintain and manage the 14 Biogas Power Plants. G&S invoices CGE on a monthly basis in respect of the services provided by G&S to CGE under the agreement.

#### ***G&S and K2MV***

14.4 During the Relevant Period Saravanan Rasaratnam and Navindran Balakrishnan, who are Directors each owned 50 per cent. of the issued shares of K2MV and were its directors. During G&S's financial year ended 30 September 2014, K2MV charged G&S a RM1,000,000 management fee which was subsequently discharged by the issue of 990,000 ordinary shares by G&S. In addition, K2MV provided the guarantees described in paragraphs 12.10, 12.13 and 12.14 of this Part VI.

#### ***G&S and Crystalvale***

14.5 Crystalvale Berhad (trading as Agrofresh) was G&S's parent entity for a period from 13 April 2012 to 31 October 2012. During this period, Crystalvale was re-charged RM 327,000 for various management administrative overheads by G&S, of which RM 27,000 was paid by Crystalvale with the remaining RM 300,000 being provided for as bad debt in financial year 2014.

#### ***Director's loans to G&S and gurantees***

14.6 On 31 March 2015 Saravananan Rasaratnam and Navindran Balakrishnan had cumulatively advanced to G&S the total sum of RM 1,396,753 for working capital purposes. As at 30 September 2015 and at the date of this Admission Document, the outstanding balance owing by G&S to Saravanan Rasaratnam and Navindran Balakrishnan was RM 174,087 and RM 370,826 respectively (**Outstanding Sums**).

On 25 November 2015, each of Saravanan Rasaratnam and Navindran Balakrishnan entered into letters of agreement with G&S in relation to repayment of the Outstanding Sums. The parties agreed that the Outstanding Sums shall be unsecured, interest free and repayable after 31 October 2018.

Saravanan Rasaratnam and Navindran Balakrishnan also provided the guarantees described in paragraphs 12.10, 12.13 and 12.14 of this Part VI.

Pursuant to settlement agreements dated 6 August 2015, G&S agreed to pay to Mr. Lakshmanan RM101,700 and to the estate of Mr Subbiah RM176,409.22 in full and final settlement of the amounts owing by G&S in respect of outstanding loans (being in the case of Mr Subbiah, a loan by a former director of G&S), in six equal monthly instalments commencing on 10 September 2015 which as at the date of this Admission Document have been paid in full.

#### ***G&S and OEG***

14.7 up to 6 May 2016, the date of completion of the Share Swap Agreements, 51 per cent. of the issued share capital of OEG was owned by Navindran Balakrishnan and Saravanan Rasaratnam, Directors, who were during the Relevant Period and remain directors of OEG. G&S provided consulting services to OEG during the six months ended 31 March 2015 to assist it in entering into a REPPA and obtaining FiT approval and charged fees in the amount of RM763,200, which remain unpaid.

## **15 Share Dealing Code**

- 15.1 The Company is required to comply with Rule 21 of the AIM Rules relating to Directors' and applicable employees' dealings in Shares and, to this end, the Company has adopted an appropriate share dealing code which applies to the directors of the Company and its senior management.
- 15.2 Dealings in the Shares will be subject to UK legislation prohibiting market abuse and insider dealing under FSMA and the UK Criminal Justice Act 1993, as well as applicable Jersey laws.

## **16 Working Capital**

The Directors are of the opinion, having made due and careful enquiry and having regard to the net proceeds of the Placing, that the working capital available to the Group will, from Admission, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## **17 Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) which may have or have had in the 12 months preceding the date of this Admission Document a significant effect on the Company's and/or Group's financial position or profitability.

## **18 Environmental Issues**

Except as described elsewhere in this Admission Document, neither the Company nor the Directors are aware of any environmental issues or risks affecting the utilisation of the property, plant or machinery of the Group.

## **19 General**

- 19.1 Save for the Placing, the entering into of the Share Swap Agreements and as otherwise disclosed in this Admission Document, there has been no significant change in the trading or financial position of the Group since 30 September 2015, being the date to which the audited full year results in Part IV have been prepared.
- 19.2 The total costs, charges and expenses of, or incidental to, the Placing and Admission are estimated to amount to approximately £0.7m. The total net proceeds of the Placing are expected to amount to £3.3m.
- 19.3 Crowe Clarke Whitehill LLP (a member of the Institute of Chartered Accountants in England and Wales) of St Brides House, 10 Salisbury Square, London EC4Y 8EH, United Kingdom has given and not withdrawn its written consent to the inclusion in this Admission Document of the reports and financial information contained in Parts IV and V of this Admission Document and of the references to its name in the form and context in which they appear. Crowe Clark Whitehill LLP were appointed the auditors of the Company on 6 May 2016. During the periods covered by the financial information set out in Part IV of this Admission Document, the auditors of G&S were Yee Choon Kong & Co of 30-1 Lorong 6A/91, Taman Shamelin Perkasa, 56100 Kuala Lumpur up to 27 October 2014 and from that date have been and remain Crowe Horwath AF 1018, Chartered Accountants, Muar office, 8 Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor, Malaysia (registered with Malaysia's Audit Oversight Board). The auditors of OEG are Siva & Associates (AF 1197), Chartered Accountants, 50 A Jalan Datuk Sulaiman, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia, which firm was appointed with effect from 8 March 2016. The auditors of GSV have not been appointed.
- 19.4 SP Angel of Prince Frederick House, 35-39 Maddox Street, London W1S 2PP, United Kingdom, a member of the London Stock Exchange and authorised and regulated by the Financial Conduct Authority, has given and not withdrawn its written consent to the inclusion in this Admission Document of references to its name in the form and context in which they appear.



- 19.5 Smith Zander, an independent market researcher, of Suite 23-3, Level 23, Office Suite, Menara 1MK, No. 1, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur, Malaysia, has given and not withdrawn its written consent to the inclusion in this Admission Document of the IMR Report in Part III and to the inclusion of certain statements elsewhere in this Admission Document extracted from the IMR Report and to the inclusion in this Admission Document of references to its name in the form and context in which they appear.
- 19.6 Save as disclosed in this Admission Document, the Group is not dependent on patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 19.7 Save as disclosed in this Admission Document, no person (excluding professional advisers otherwise disclosed in this Admission Document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the date of this Admission Document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
- (a) fees totalling £10,000 or more;
  - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 19.8 Save as disclosed in this Admission Document, the Directors are unaware of exceptional factors which have influenced the Group's activities.
- 19.9 Save for the information set out in paragraph 11 of Part I and Part IV of this Admission Document, no other audited information is included in this Admission Document.
- 19.10 Save as disclosed in this Admission Document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's and the Subsidiaries' prospects for the current financial year.
- 19.11 Save as disclosed in this Admission Document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Company.
- 19.12 Save as set out in this Admission Document, there have been no significant trends in production, sales and inventory, costs and selling prices affecting the Group since 30 September 2015 up to the date of this Admission Document.
- 19.13 The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company nor in particular of the existence of any takeover bid, or any circumstance which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Shares and none has been made.
- 19.14 Save as disclosed in paragraph 5.5 of this Part VI, or pursuant to the City Code, there are no mandatory takeover bids and/or squeeze-out and/or sell-out rules in relation to the Shares.
- 19.15 The Directors are not aware of any other information not included in this Admission Document that they should reasonably consider as necessary to enable investors to form a full understanding of (i) the assets and liabilities, financial position, profits and losses, and prospects of the Company and its Shares; and (ii) the rights attached to the Shares; and (iii) any other matter contained in this Admission Document.

## **20 Third party information**

Where information has been sourced from a third party, the information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **21 Availability of this document**

Copies of this Admission Document are available free of charge for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SP Angel Corporate Finance LLP, Prince Frederick House, 35-39 Maddox Street, London W1S 2PP for at least one month after Admission.

Dated 6 May 2016

