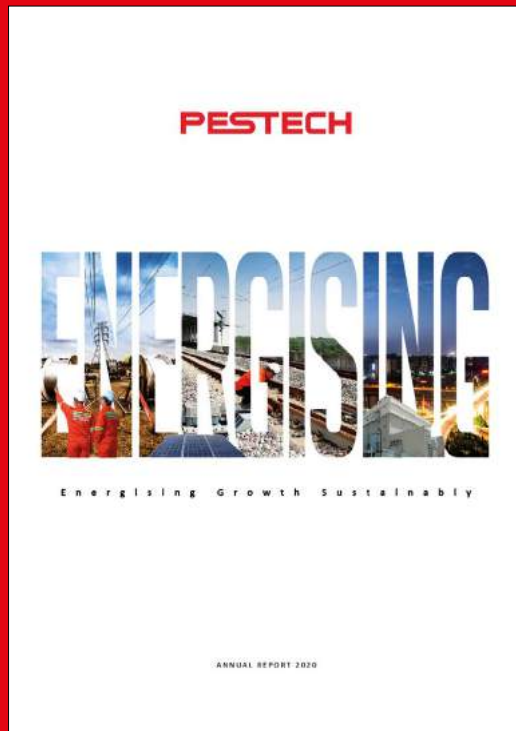


PESTECH



E n e r g i s i n g G r o w t h S u s t a i n a b l y

ANNUAL REPORT 2020



ENERGISING GROWTH SUSTAINABLY

Being at the forefront of the industry, putting people first has always been our utmost priority.

Our successful track record of performance is driven by our employees as we consistently deliver safe, secure, reliable and efficient service and intelligent energy solutions that are environmentally friendly and economically viable. We focus on growth opportunities and positioning while not forgetting the need to maintain commitment towards sustainable development strategy.

Our commitment to the communities we serve and our belief in vision are sustaining us in the market. We care about impact of our works to the environment, balancing the needs of our customers, the communities we serve, our investors and our business associates against the need to provide electrical infrastructures sustainably.



INSIDE THIS REPORT

01

CORPORATE SECTION

- 02 About PESTECH
- 04 Financial Highlights
- 06 Corporate Information
- 07 Corporate Structure
- 08 Main Business Segments

02

LEADERSHIP

- 16 Board of Directors
- 17 Profile of Directors
- 24 Key Senior Management Team
- 26 Profile of Key Senior Management
- 27 The "POWER" Team

03

PERSPECTIVES

- 29 Executive Chairman/Managing Director cum Group CEO Statement and Management Discussion & Analysis
- 36 Calendar of Activities
- 41 Sustainability Statement
- 64 Corporate Governance Overview Statement
- 76 Audit Committee Report
- 79 Statement on Risk Management and Internal Control
- 83 Directors' Responsibility Statement
- 84 Additional Compliance Information

04

FINANCIAL SECTION

- 87 Corporate Information
- 88 Directors' Report
- 94 Statement by Directors
- 94 Statutory Declaration
- 95 Independent Auditors' Report
- 100 Statements of Financial Position
- 102 Statements of Profit or Loss and Other Comprehensive Income
- 103 Statements of Changes in Equity
- 105 Statements of Cash Flows
- 108 Notes to the Financial Statements

05

ADDITIONAL INFORMATION

- 187 Analysis of Shareholdings
- 190 List of Properties
- 191 Notice of Annual General Meeting
- 197 Statement Accompanying Notice of Annual General Meeting

Form of Proxy

9TH ANNUAL GENERAL MEETING*



Thursday, 26 November 2020



10.00 am



B2-3-01, Block B2,
Meritus @ Oasis Corporate Park,
No. 2, Jalan PUJ 1A/2,
Ara Damansara,
47301 Petaling Jaya,
Selangor Darul Ehsan.

* The 9th Annual General Meeting of PESTECH International Berhad will be conducted fully virtual via remote participation and voting.



ANNUAL REPORT
2020



CIRCULAR &
OTHERS



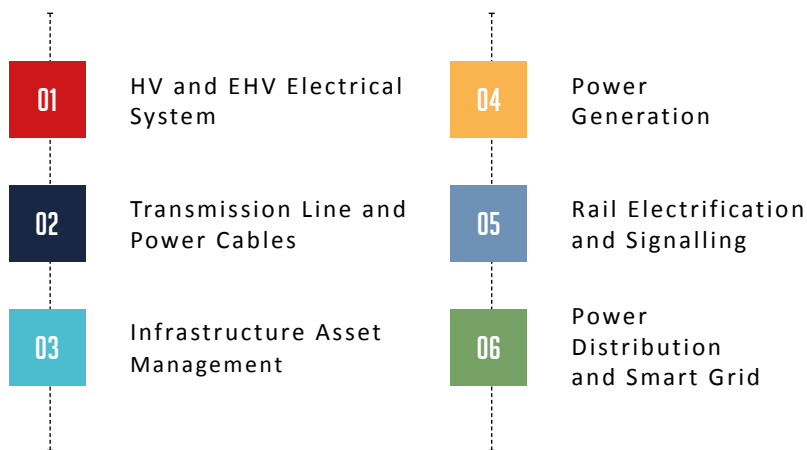
Scan here to download our reports and other documents.

ABOUT PESTECH



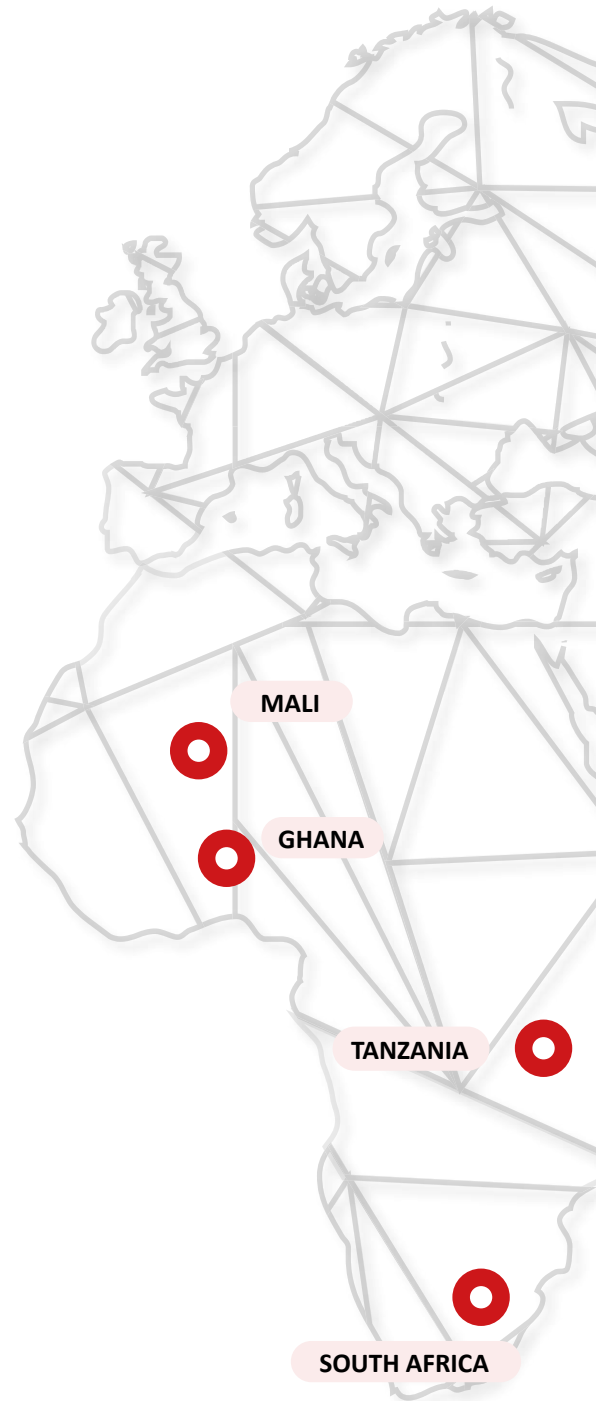
PESTECH International Berhad ("PESTECH" or "the Company") is a Malaysian integrated electrical power technology company listed on the Main Market of Bursa Malaysia Securities Berhad (stock code: PESTECH 5219) since 2012.

The Company derived its' name from "**P**ower **S**ystem **T**echnology" and our core businesses is divided into six segments comprises of:



PESTECH involves in project management, engineering, digitalisation, manufacturing, installation, testing and commissioning of electrical power infrastructures for power grid and rail network. To date, the Company has expanded its market reach into countries in the regions such as Cambodia, Philippines, Thailand, Myanmar and Papua New Guinea with growing number of other countries. Our commitment is to deliver the best to PESTECH clients by investing in talent development as well as state-of-the-art technology. We strive to build a culture of service excellence, create magic moments for our customers to get us noticed, remembered and referred. In PESTECH, we are committed to add value to our clients and shareholders.

Combining our proactive services and competitive products together with the strong uphold of the Company's vision, we are confident that PESTECH will continue to be a sustainable electrical power solution provider of choice.



PESTECH INTE

ABOUT PESTECH



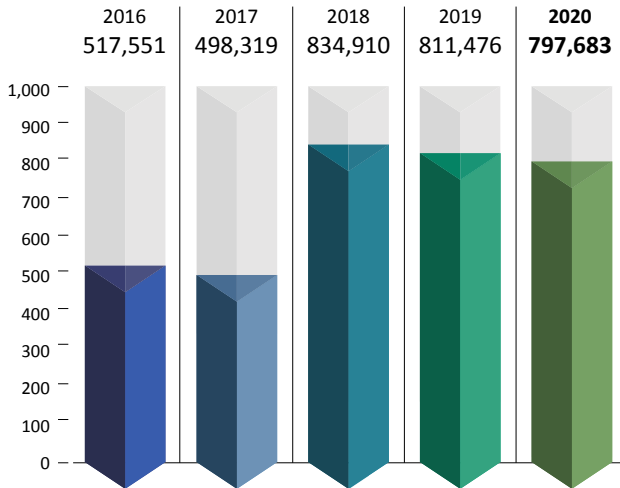
INTERNATIONAL BERHAD

FINANCIAL HIGHLIGHTS

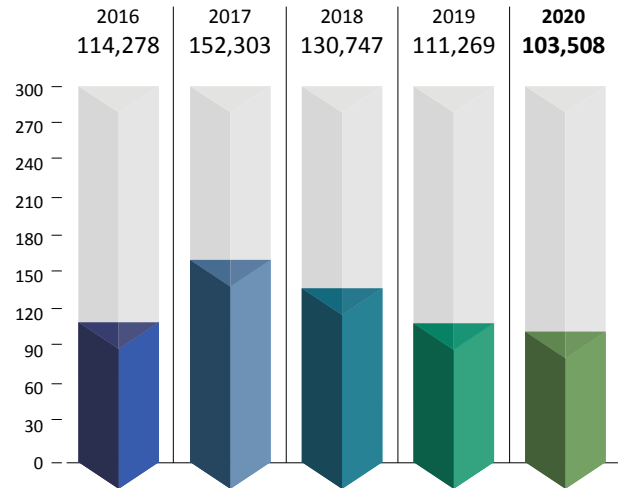
FYE	2016	2017	2018	2019	2020
PROFITABILITY					
Revenue (RM'000)	517,551	498,319	834,910	811,476	797,683
EBIT (RM'000)	114,278	152,303	130,747	111,269	103,508
PBT (RM'000)	104,142	128,302	92,600	98,181	84,186
Profit for the year attributable to equity holder (RM'000)	69,876	94,911	57,970	78,972	51,451
FINANCIAL POSITION					
Total Assets (RM'000)	731,461	1,172,110	1,707,677	2,087,545	2,452,581
Share Capital (RM'000)	93,297	211,265	212,672	212,672	212,672
Shareholders' Equity (RM'000)	342,149	464,366	526,330	560,889	606,131
Total Bank Borrowings (RM'000)	330,623	507,449	736,159	1,029,966	1,200,436
FINANCIAL RATIO					
Return on Equity	28%	27%	14%	14%	8%
Return on Total Assets	16%	13%	5%	4%	2%
Gearing Ratio	0.97	1.09	1.40	1.84	1.98
Interest Cover	11.27	6.35	3.44	2.09	1.62
SHARE INFORMATION					
Total Dividend Payout (RM'000)	5,574	22,470	-	-	-
Earnings per Share (sen)	9.36	12.58	7.59	10.34	6.73
Net Assets per Share (sen)	183.37	60.83	68.86	73.39	79.31
Weighted Average Number of Ordinary					
Share in Issue ('000)	746,252	754,334	764,058	764,294	763,979
Number of Shares ('000)	186,594	763,380	764,294	764,294	764,294

FINANCIAL HIGHLIGHTS

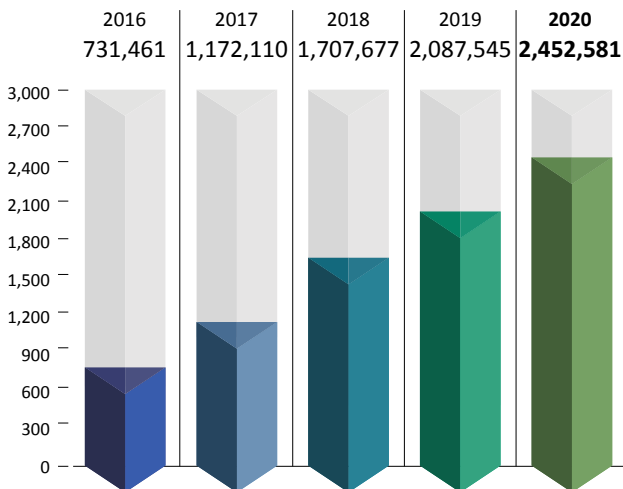
REVENUE (RM'000)



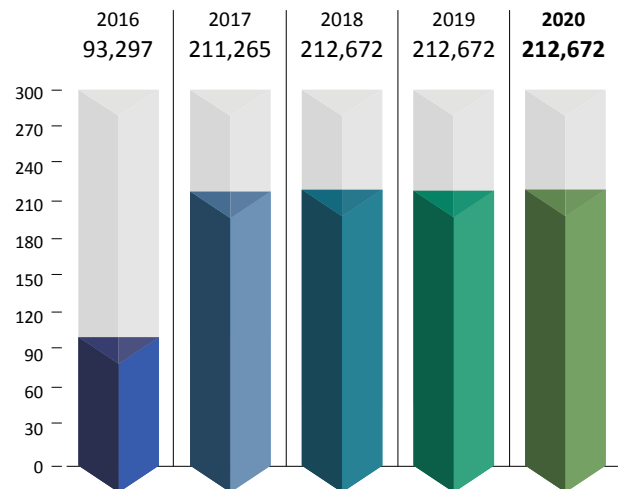
EBIT (RM'000)



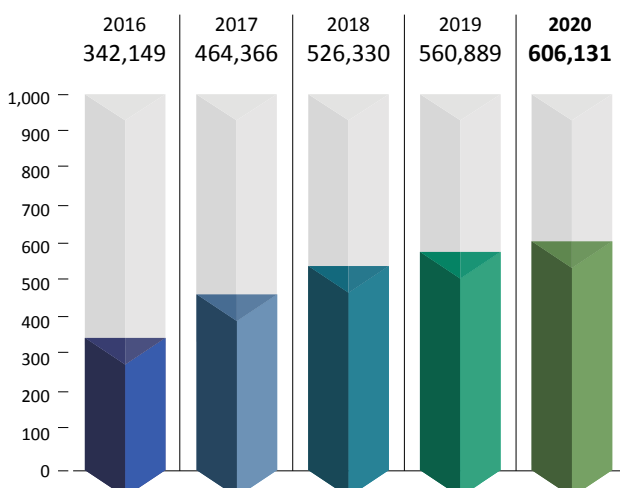
TOTAL ASSETS (RM'000)



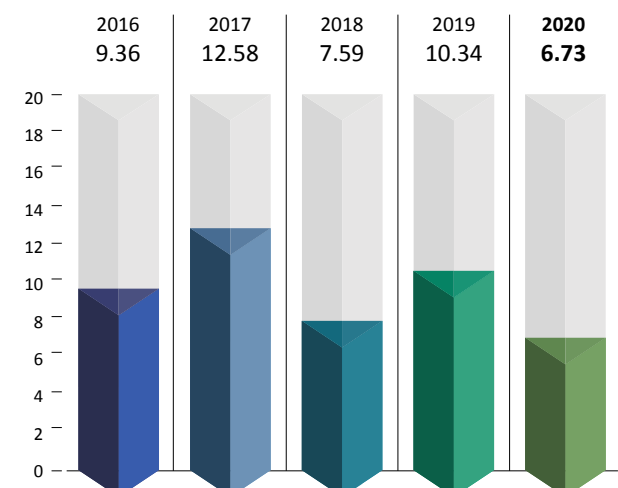
SHARE CAPITAL (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



EARNINGS PER SHARE (sen)



CORPORATE INFORMATION



BOARD OF DIRECTORS

01

Lim Ah Hock
Executive Chairman

02

Paul Lim Pay Chuan
Managing Director cum
Group Chief Executive
Officer

03

Stanley Lim Peir Shenq
Executive Director
(Appointed on 8 October
2020)

04

Lee Ting Kiat
Senior Independent
Non-Executive Director

05

Tan Puay Seng
Independent
Non-Executive Director

06

Ir. Amir Bin Yahya
Independent
Non-Executive Director
(Appointed on 8 October
2020)

07

Ibrahim Bin Talib
Senior Independent
Non-Executive Director
(Resigned on 8 October
2020)

COMPANY SECRETARIES

- **Teh Bee Choo**
(SSM PC No. 202008002493)
(MIA 7562)
- **Chua Siew Chuan**
(SSM PC No. 201908002648)
(MAICSA 0777689)
- **Pan Seng Wee**
(SSM PC No. 202008003688)
(MAICSA 7034299)

AUDITORS

**GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA & AF 0737)**
(Member of Grant Thornton International Ltd)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur.
Tel. No.: +603 2692 4022

REGISTERED OFFICE

No. 26, Jalan Utarid U5/14
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan.
Tel. No.: +603 7845 2186
Website: www.pestech-international.com

HEAD OFFICE

No. 26, Jalan Utarid U5/14
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan.
Tel. No.: +603 7845 2186
Website: www.pestech-international.com

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur.
Tel. No.: +603 2084 9000
Fax. No.: +603 2094 9940

STOCK EXCHANGE

**Main Market of Bursa Malaysia
Securities Berhad**
Stock Name: PESTECH
Stock Code: 5219

Audit Committee

Tan Puay Seng (Chairman)
Lee Ting Kiat
Ir. Amir Bin Yahya

Nominating Committee

Lee Ting Kiat (Chairman)
Tan Puay Seng
Ir. Amir Bin Yahya

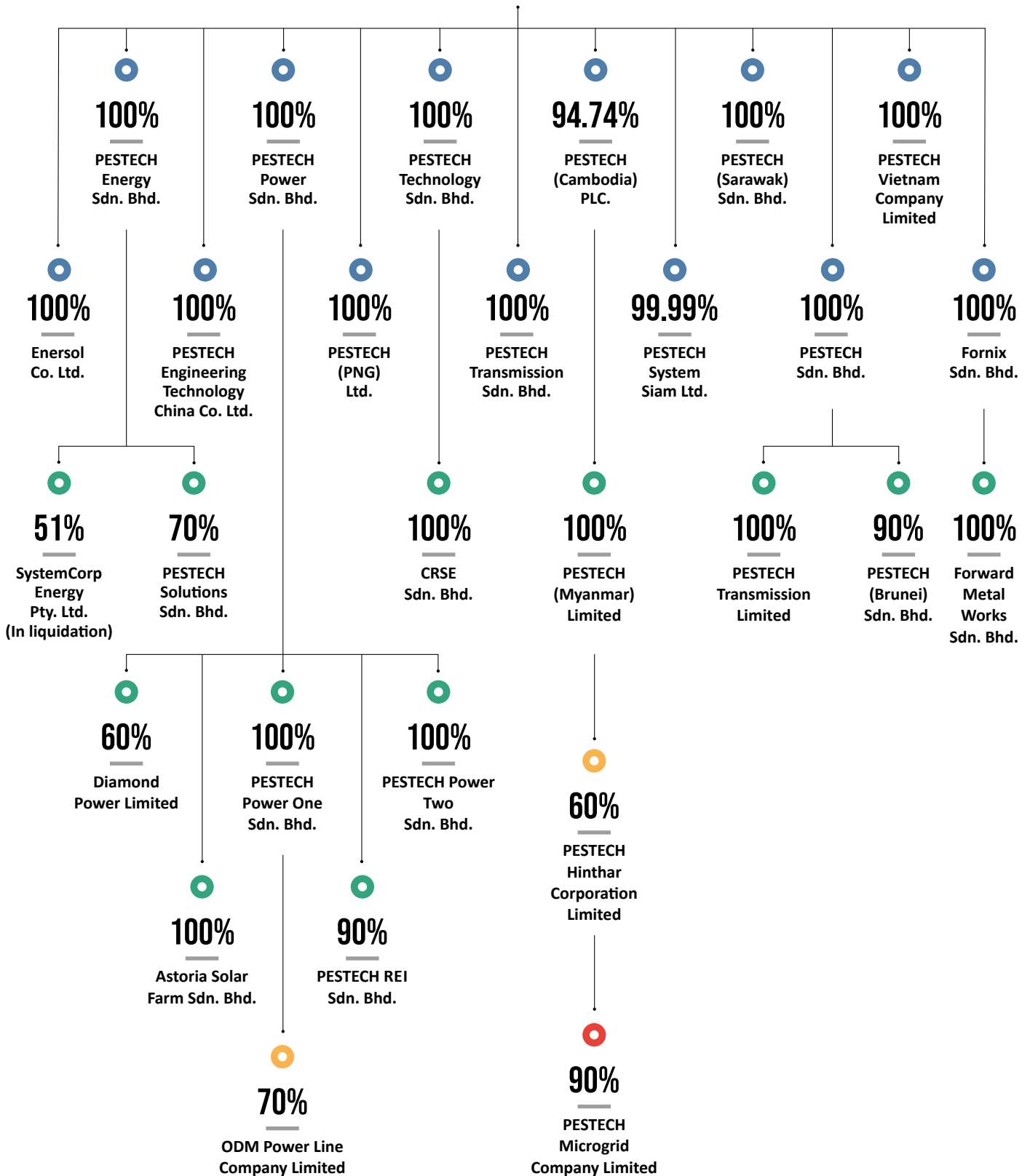
Remuneration Committee

Ir. Amir Bin Yahya (Chairman)
Lee Ting Kiat
Tan Puay Seng

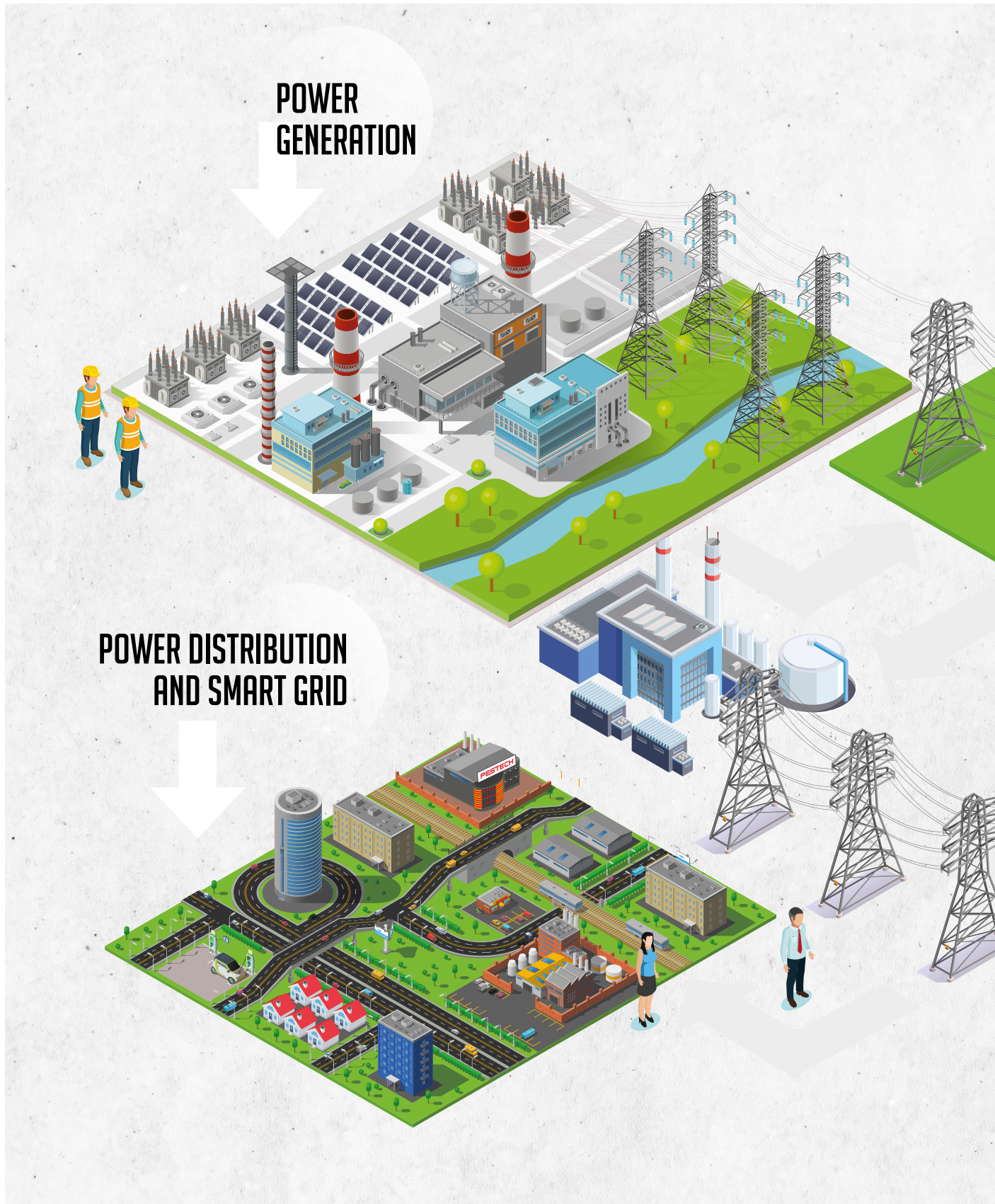
CORPORATE STRUCTURE

PESTECH

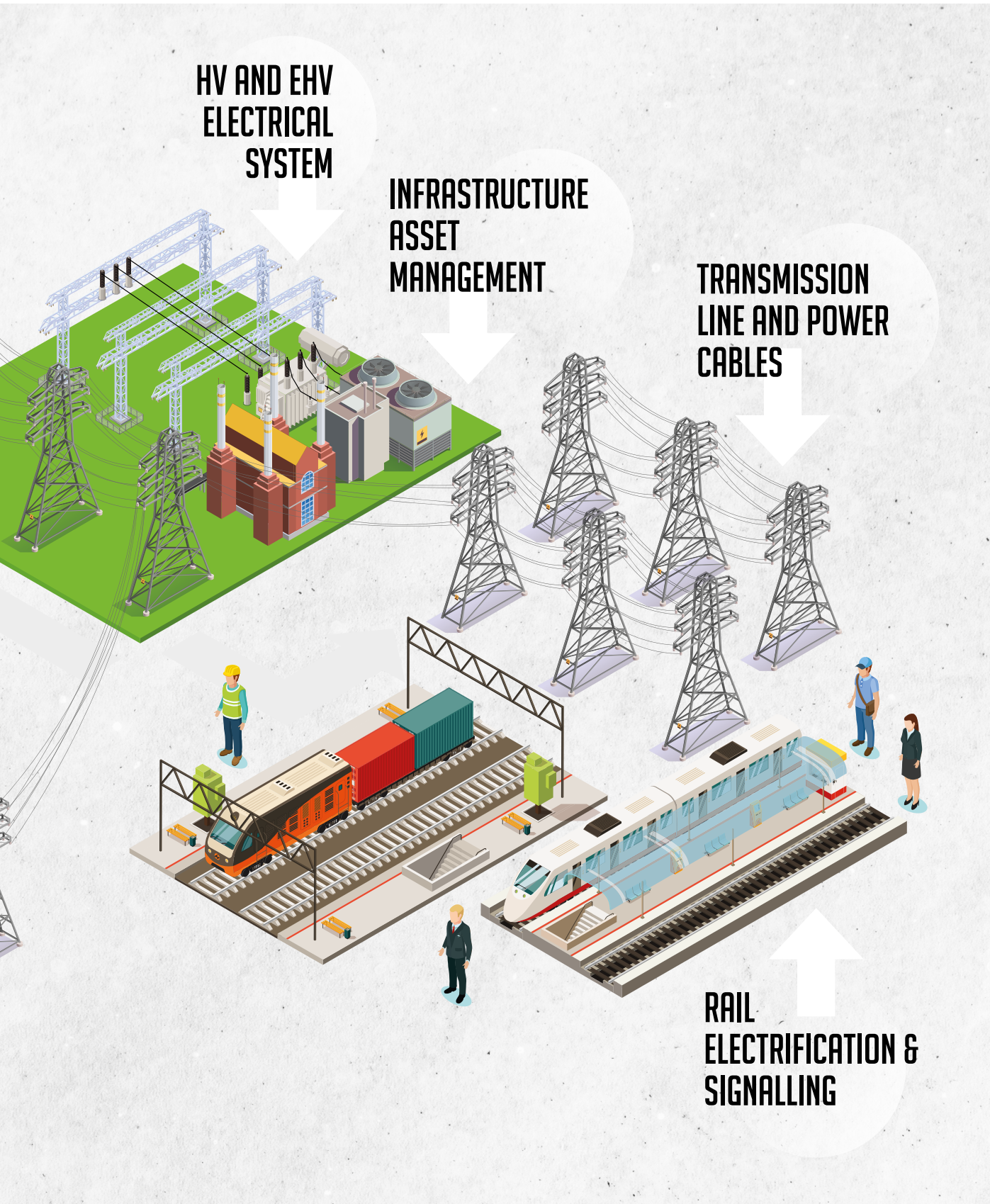
PESTECH INTERNATIONAL BERHAD



MAIN BUSINESS SEGMENTS



MAIN BUSINESS SEGMENTS



MAIN BUSINESS SEGMENTS

01

02

03

04

05

06



HV AND EHV ELECTRICAL SYSTEM



PESTECH is competent in the provision of design, engineering, manufacturing, installation, testing and commissioning of high voltage ("HV") and extra high voltage ("EHV") substations and equipment required in the building of a fully integrated electricity system. Our track records range from 11kV to 500kV substations in all kind of terrain and conditions across the regions.

We offer a wide range of tested solutions, led by highly skilled experts with extensive experience in handling diverse projects to safely bring electricity to fuel social and industrial growth of communities. This wealth of collective knowledge and skill fuels PESTECH's drive and passion to excel in the electrical industry.

To ensure that our delivery meets customers' requirements and expectations, PESTECH's project execution is helmed by an in-house engineering, construction and commissioning team. Our team is fully equipped with competencies such as design optimisation, multidisciplinary engineering coordination and interfacing in compliance with relevant international standards and electrical safety requirements.

MAIN BUSINESS SEGMENTS

01

02

03

04

05

06



TRANSMISSION LINE AND POWER CABLES



PESTECH services include the design, engineering, installation, testing and commissioning of power transmission lines and underground cables. To date, we have commissioned a total of 565km of electric transmission lines and cables ranging from 33kV to 500kV.

We have the necessary tools and turnkey capabilities to handle all project requirements for this sector; from route survey, design and profiling, optimising tower spotting, tower design and testing, material and equipment procurement, wire stringing, power cable termination and jointing works to overall project management. Our engineering team also has the capabilities to coordinate, design, manage and construct the civil foundation aspects of projects undertaken while ensuring that all requirements are adhered to during project execution.

With a strong project management team spread across various countries, we are poised to play an active role in this sector.

MAIN BUSINESS SEGMENTS

01

02

03

04

05

06



INFRASTRUCTURE ASSET MANAGEMENT



With the experience and know-how in building electrical infrastructures on a turnkey basis, PESTECH also invest into build-up of electrical infrastructure under the Build-Operate-Transfer ("BOT"), Build-Own-Operate ("BOO") and Build-Transfer ("BT") models.

In this segment, we also establish in-house operation and maintenance service team to operate and maintain the asset under management for our client. We normally engaged in a concession agreement with the utility to build assets and subsequently operate and maintain the assets with a certain availability commitment.

The engagement with the electric utility in the asset management responsibility transform the Group from a pure EPCC contractor into a services provider with long-term responsibility. The knowledge learned in the process further enables us to deliver reliable and secured electrical infrastructure project. The recurring income to the Group and the availability of assets performance to the utility provide a WIN-WIN collaboration for both parties.

We currently have one (1) BOT and two (2) BT assets completely built up and provide maintenance services for two (2) substations and a total of 315km of transmission lines.

MAIN BUSINESS SEGMENTS

01

02

03

04

05

06



POWER GENERATION



PESTECH delivers power plant electrification and automation services for various type of plants such as thermal, hydro, solar farm, waste-to-energy and etc. Our expertise includes power plant automation systems, distributed control systems, turbine governing systems, burner management systems, boiler and turbines protection systems, power plant operator training systems, performance optimisation systems, information management systems, enterprise asset information management, generator protection, excitation and synchronising systems and electrification of power plants. Our focus is to improve efficiency of the power generation plant as well as to invest into technology for the development of sustainable electricity generation through the use of renewable energy.

We undertake full electrical system integration that encompasses engineering, procurement, construction and commissioning.

The need to shift towards sustainable electric generation created opportunity for the Group to work together with technology partners to explore into efficient establishment of Solar Energy farm and waste-to-energy solution.

Particularly on the solar energy sector, we have invested and established know-how and tools in the EPCC of solar power establishment for Large Scale Solar farm connected to the Utility grid. Our HV and EHV system know-how enable us to offer a one-stop solution for Large Scale Solar farm implementation.

With various power generation projects successfully completed, PESTECH assures a high-quality deliverable in the power generation sector.

MAIN BUSINESS SEGMENTS

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RAIL ELECTRIFICATION AND SIGNALLING



PESTECH's participation in railway sector includes offering of power system simulation and modelling, design and engineering, BIM for railway, procurement, construction, commissioning, system interface and integration and maintenance of railways electrification, signalling and communication system.

Having thoroughly equipped ourselves with a full fleet of rail electrification plants and machineries, PESTECH is poised to become a formidable rail electrification contractor in the region to undertake both mainline and metro projects. To date, we have secured power system package on a turnkey basis for mainland in Malaysia and Thailand for a total route length of 273km of Overhead Catenary System ("OCS") and a Metro line for MRT2 in Malaysia.

With the full fleet of plant and machineries, we are a reliable partner to support railway operators in normalisation works during emergencies and derailments.

Our turnkey capabilities as a competitive system works contractor for various type of railway projects, makes us an ideal partner as EPC contractor for main contractors undertaking interstate, metro and high-speed rail projects.

MAIN BUSINESS SEGMENTS

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POWER DISTRIBUTION AND SMART GRID



PESTECH excels in providing holistic and technically viable solutions in connecting grids, building nations through seamless in-house technologies and expertise.

We provide a high level of competence in design and engineering for solutions in Distribution and Transmission network. Our expertise ranges from providing end-to-end solutions, namely in Protection and Control systems, SCADA and last but not least, Tele-communications equipment for power system.

Extensive investments in R&D has enhanced our development of a reputable portfolio in Distribution Grids ranging from Air insulated switchgears, Gas insulated switchgears, Ring Main Units and more. The complete portfolio comes with international accreditation from independent laboratories.

With Smart Grid, we provide a tailor made solution towards achieving end-to-end Energy 4.0 capabilities. Our portfolio consisting of Digital substations, Microgrid, EV charging and Advanced Metering Infrastructure solutions comply to International standards example IEC 61850, OCPP, protocols that are designed and developed within the Company.

With our smart meters currently being deployed by Tenaga Nasional Berhad, this positions PESTECH as a key player in TNB SMART GRID initiative.

We invested into working with technology partner to provide sustainable Smart Microgrid solutions for remote and rural areas. This Microgrid utilises combination of solar system, storage and fuel-cell technology provide round-the-clock power for remote areas. Combining with our IIOT technology application, SCADA and Smart meters distribution network, PESTECH have a microgrid power distribution system that can fuel the social developments of remote and rural villages in a sustainable manner. Our "Super Capacitor" storage solution is also useful for powering remote mobile telecommunication towers.

PESTECH will further invest in enhancing and developing more Energy 4.0 applications through collaboration and technical transfer of knowledge with international partners.

BOARD OF DIRECTORS



Lim Ah Hock



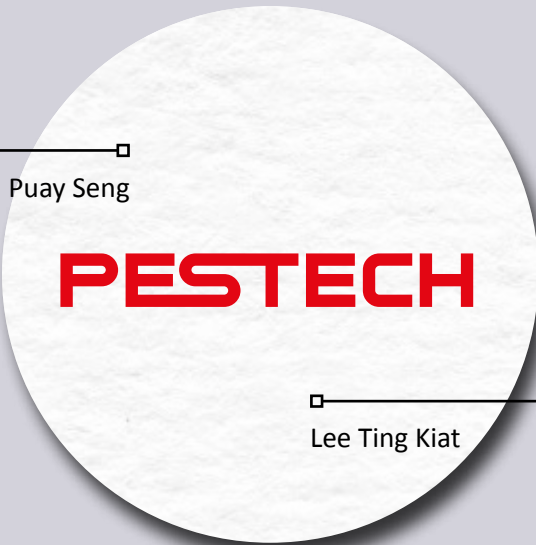
Paul
Lim Pay Chuan



Stanley
Lim Peir Sheng



Tan Puay Seng



Lee Ting Kiat



Ir. Amir Bin Yahya



Ibrahim Bin Talib

PROFILE OF DIRECTORS

LIM AH HOCK

Executive Chairman



' Aged 68



' Malaysian

In 1978, he graduated from the University of Strathclyde in Glasgow, United Kingdom with a Bachelor of Science Degree majoring in Mechanical Engineering (First Class Honours). He is a member of the Institute of Engineers, Malaysia ("IEM") since 1981.

He began his career in 1979 as a Lecturer in Ngee Ann Technical College in Singapore (renamed to Ngee Ann Polytechnic in 1982) lecturing in thermodynamics and fluid mechanics. In 1980, he joined Mechmar Kejuruteraan Sdn Bhd ("Mechmar") as a Service Engineer where he managed the service division and was involved in the provision of after-sales service and major boiler repairs. Subsequently, he left Mechmar in 1984 and joined Sing Mah Pressure Vessels Co. as a Branch Manager during the period of 1984 to 1989 where he was in charge of the Southern branch's overall sales to the oil palm refineries, food and timber industries as well as other existing industries in Southern Peninsular, Sabah and Sarawak. In 1989, he became a Director of VESTECH Engineering Sdn Bhd, a position he holds until today.

In 1991, he set up PESTECH Sdn. Bhd. in Johor Bahru. To-date, his responsibilities in the Group include charting major corporate development plans, steering macro business growth direction together with the stewardship of the Managing Director ("MD") cum Group Chief Executive Officer ("Group CEO"), monitor the overall financial well-being and activities of the Group which includes providing management guidance and direction to our staff.

He is the uncle to Mr. Paul Lim Pay Chuan, the MD cum GCEO and substantial shareholder of the Company. He is also the father to Mr. Stanley Lim Peir Sheng, the Executive Director ("ED") of the Company. Apart from that, he has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH except as disclosed in the financial statements and Circular to Shareholders dated 28 October 2020.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2020.



LIM AH HOCK, A MALAYSIAN, AGED 68, MALE, IS THE EXECUTIVE CHAIRMAN ("EC") OF PESTECH. HE WAS APPOINTED TO THE BOARD ON 18 AUGUST 2011.

PROFILE OF DIRECTORS



PAUL LIM PAY CHUAN, A MALAYSIAN, AGED 50, MALE, IS THE MD CUM GCEO OF PESTECH. HE WAS APPOINTED TO THE BOARD ON 18 AUGUST 2011 AS AN EXECUTIVE DIRECTOR ("ED") CUM CEO AND RE-DESIGNATED TO MD CUM GCEO ON 8 OCTOBER 2020.

PAUL LIM PAY CHUAN

Managing Director cum Group Chief Executive Officer



' Aged 50



' Malaysian

He graduated from the University of Mississippi, USA with a Bachelor of Science in Electrical Engineering (Summa Cum Laude) in 1993. Subsequently, he obtained his Master of Engineering (Electrical) from Cornell University, USA in 1994. He is currently registered as a Fellow Member of the Institute of Engineers Malaysia and a Professional Engineer with the Board of Engineers Malaysia since 2007 in the field of electrical engineering. Since 2011, he is also a certified Project Management Professional® with the Project Management Institute, a global professional association that certifies project management expertise which is based in the US with regional offices worldwide. He is registered as an ASEAN Chartered Professional Engineer since 2016. In 2017, he was registered under The Asia Pacific Economic Co-Operation Register and The International Register of Professional Engineer and the ASEAN Engineering Register.

In 1994, he began his career with Motorola Malaysia Sdn Bhd as a Product Engineer. He then joined Toprank Corporation Sdn Bhd (now known as Toshiba Transmission & Distribution Systems Asia Sdn Bhd) in 1995 as a Project Engineer, where he was promoted to Project Manager in 1997, and subsequently

promoted to Assistant General Manager in 1998, a position he held for two (2) years. In 2000, he joined the Group as a General Manager and was promoted to CEO in 2008.

He has been playing an instrumental role in the growth and development of PESTECH from a small player primarily involved in trading, to an established homegrown integrated electric power technology company in the power transmission and distribution business with operations locally and abroad.

In 2010, he was awarded the Outstanding Entrepreneurship Award 2010 by Enterprise Asia, for his dedication and leadership in guiding the Group to being an important player in the power transmission and distribution business locally and abroad.

He is the nephew of Mr. Lim Ah Hock, the EC and substantial shareholder of the Company. He is also the cousin of Mr. Stanley Lim Peir Shenq, the ED of the Company. Apart from that, he has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH except as disclosed in the financial statements and Circular to Shareholders dated 28 October 2020.

He has attended four (4) out of five (5) Board of Directors' meetings held in the financial year ended 30 June 2020.

PROFILE OF DIRECTORS

STANLEY LIM PEIR SHENQ

Executive Director

(Appointed on 8 October 2020)



' Aged 35



' Malaysian



STANLEY LIM PEIR SHENQ, A MALAYSIAN, AGED 35, MALE, IS THE ED OF PESTECH. HE WAS APPOINTED TO THE BOARD ON 8 OCTOBER 2020.

He graduated from the Royal Melbourne Institute of Technology with a Bachelor of Engineering in Automotive Engineering (First Class Honours) in 2006. Subsequently, he took on the post-graduate program with the CFA Institute. He became a Chartered Financial Analyst (CFA) charterholder in 2013.

He started his financial career with a multi-family investment firm in Singapore in 2013 as an equity analyst. In his job, he researched Asian equity markets for his clients. He moved on to join The Motley Fool Singapore as employee #4 when the US financial firm expanded into Singapore in 2014. He was a key equity analyst in the company and helped built the company to be one of the largest financial portals in Singapore within two years. In his job, he helped research businesses across Asian markets and advising clients with their equity investment.

He then took some time off to co-write an investment book, "Value Investing In Asia" published by Wiley, a major financial publisher, back in 2017. The book continues to be a key investment guide book for investors interested in the Asian markets.

In 2017, he started his own financial publishing business in Singapore. Over the course of his career, he has published more than 2000 articles online and interviewed many business leaders across Asia for his publication. Today, his online publishing website has audience globally and gather more than a million views a year.

He is also a regular investment speaker in Singapore and Malaysia, having spoken for Bursa Malaysia, the Singapore Exchange and brokerages across the two countries. He has also been interviewed by public media outlets in Singapore like MoneyFM, CapitalFM and Channel News Asia.

He is the son of Mr. Lim Ah Hock, the EC and substantial shareholder of the Company. He is also the cousin of Mr. Paul Lim Pay Chuan, the MD cum GCEO and substantial shareholder of the Company. Apart from that, he has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH except as disclosed in the financial statements and Circular to Shareholders dated 28 October 2020.

He did not attend any Board of Directors' meetings held in the financial year ended 30 June 2020 as he was appointed to the Board on 8 October 2020.

PROFILE OF DIRECTORS



LEE TING KIAT, A MALAYSIAN, AGED 52, MALE, IS THE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR OF PESTECH. HE WAS APPOINTED TO THE BOARD ON 26 MAY 2017 AND RE-DESIGNATED AS SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR ON 8 OCTOBER 2020.

LEE TING KIAT

Senior Independent Non-Executive Director



' Aged 52



' Malaysian

He is currently the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

He graduated with a Bachelor of Laws from the University of Malaya in 1991 and was admitted as an advocate and solicitor of the High Court of Malaya in May 1992. Currently, he is a practising lawyer and the Managing Partner of Messrs. Lee & Tengku Azrina, a firm set up by him and Tengku Azrina since 2005. Prior to the current firm, he was a partner in Messrs. Zaid Ibrahim & Co. from 2000 to 2005, at that time and presently the largest legal firm in Malaysia. He was also a partner in Messrs. Andrew Wong & Co. from 1995 to 1999. He did his pupillage and started his early days of practice in Messrs. Azim, Tunku Farik & Wong (previously known as Azim, Ong & Krishnan) from 1991 to 1994.

In his extensive career as a lawyer, he has wide experience in various areas of law, ranging from corporate and commercial, financing and property matters. He advises on matters relating to mergers and acquisitions, various corporate exercises, restructuring of corporations, foreign direct investment, financing matters, property development, joint venture agreements and other commercial matters. His legal firm represents a large number of local and foreign corporations, developers and banks in Malaysia on various deals.

He is also an Executive Committee Member of the Malaysian International Chamber of Commerce & Industry, Southern Region.

He is currently acting as an Independent Non-Executive Chairman of MTAG Group Berhad and also an Independent Non-Executive Director of SIG Gases Berhad. Other than that, he does not hold any other directorship in other public companies.

He does not have any family relationship with any Director and/or major shareholder of PESTECH. He does not have any conflict of interest with PESTECH.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2020.

PROFILE OF DIRECTORS

TAN PUAY SENG

Independent Non-Executive Director



' Aged 68



' Malaysian

He has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2020.

He is currently the Chairman of Audit Committee and member of the Nominating Committee and Remuneration Committee.

He graduated from Nanyang University in Singapore with a Bachelor of Commerce in 1975. He was attached with Kershen, Fairfax & Co, a five (5) partners firm of Chartered Accountants based in London in 1977 and qualified as an accountant in 1982. After returning from London in 1984, he joined Tan Toh Hua & Partners as Audit Senior for a short period before moving on to Ong Boon Bah & Co. as a Branch Manager where he was responsible for the management and control of branch day-to-day operation covering clients in Melaka and Johor. He is a fellow member of the Association of Chartered Certified Accountants' since 1988 and a member of the Malaysian Institute of Accountants since 1984. He has been involved in professional accountant practice for over 30 years and is currently practising under the name of P. S. Tan & Co as a Chartered Accountant based in Melaka, an audit firm set up by him since 1986.



TAN PUAY SENG, A MALAYSIAN, AGED 68, MALE, IS THE INDEPENDENT NON-EXECUTIVE DIRECTOR OF PESTECH. HE WAS APPOINTED TO THE BOARD ON 22 FEBRUARY 2012.

PROFILE OF DIRECTORS



AMIR BIN YAHYA, A MALAYSIAN, AGED 67, MALE, IS THE INDEPENDENT NON-EXECUTIVE DIRECTOR OF PESTECH. HE WAS APPOINTED TO THE BOARD ON 8 OCTOBER 2020.

IR. AMIR BIN YAHYA

Independent Non-Executive Director

(Appointed on 8 October 2020)



' Aged 67



' Malaysian

He is currently the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

In 1997, he graduated from Universiti Teknologi Malaysia with a Bachelor of Engineering majoring in Mechanical Engineering (Honours). Subsequently, he obtained his Master of Science (Non-Destructive Testing of Materials) from University of Brunel, Middlesex, United Kingdom in 1992. He is registered as a Professional Engineering with the Institution of Engineers Malaysia ("IEM") since 2000.

He is a professional technical consultant in occupational, safety and health with over 40 years of working experience in government departments, private sectors and institutions. In 1977, he began his career with The Factories & Machinery Department (now known as Department of Occupational Safety and Health ("DOSHS") under the Ministry of Human Resource) as an Inspector.

He held various management positions in DOSHS between 1978 to 2007. He then was seconded to the National Institute for Safety and Health ("NIOSH") as an Executive Director before being transferred back to DOSHS Selangor in 2009 as the Director. In 2011, he retired from civil service and joined the private sector and provides engineering lectures to various institutions.

He is currently a Technical Consultant in Kejuruteraan Jayagas Sdn. Bhd. and a member of the Panel of Interview for Professional Engineers of the Board of Engineers Malaysia. He is also one of the panel lectures for the Steam Engineer and Internal Combustion Engine Courses in Institut Teknologi Petroleum Petronas Batu Rakit, Kuala Terengganu.

He has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH.

He did not attend any Board of Directors' meetings held in the financial year ended 30 June 2020 as he was appointed to the Board on 8 October 2020.

PROFILE OF DIRECTORS

IBRAHIM BIN TALIB

Senior Independent Non-Executive Director

(Resigned on 8 October 2020)



' Aged 72



' Malaysian

He was the Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.

He graduated from Brighton University (formerly known as Brighton College of Technology) in Sussex, England with a Bachelor of Science (Honours) in Electrical Engineering in 1972. He is a member of the Institution of Engineers Malaysia since 1978, Board of Engineers Malaysia since 1979 and Council of Engineering Institution of England since 1980.

He has been involved for over 30 years in the power supply industry with Lembaga Elektrik Nasional ("LLN") [presently known as Tenaga Nasional Berhad ("TNB")]. He started his career in the industry as a pupil engineer with TNB from 1972 to 1974. Subsequently, he rose through the ranks throughout his career

in TNB and held his last position as the Head of Transmission Project under the Project Services Division of TNB in 2003 before retiring in 2004. During his tenure with TNB, he has worked with a number of divisions within TNB amongst others, engineering and design, procurement and contracts, tender and design, distribution of projects and head of district offices in Seremban and Melaka.

He has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH.

He has attended four (4) out of five (5) Board of Directors' meetings held in the financial year ended 30 June 2020.



IBRAHIM BIN TALIB, A MALAYSIAN, AGED 72, MALE, WAS THE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR OF PESTECH. HE WAS APPOINTED TO THE BOARD ON 22 FEBRUARY 2012.

Save as disclosed above, none of the Directors have:

1. any other directorship in public companies and listed issuers;
2. any conviction for offences within the past five (5) years other than traffic offences, if any; and
3. any public sanction or penalty imported by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT TEAM

From Left
To Right:



1.
Han Fatt Juan
Head of
Transmission Line
and Power Cables

2.
**Paismanathan
Govindasamy**
Head of Power
Generation and Rail
Electrification

3.
Teh Bee Choo
Chief Financial
Officer



KEY SENIOR MANAGEMENT TEAM



4.
Chang Mei Lun
Chief Operating
Officer

5.
Lee Kong Tee
Head of HV and
EHV Electrical
System

6.
Vind Sidhu
Head of Power
Distribution and
Smart Grid



PROFILE OF KEY SENIOR MANAGEMENT

TEH BEE CHOO

*Chief Financial
Officer*

Age 57
Malaysian

Teh Bee Choo, a Malaysian, is the Chief Financial Officer of PESTECH. She graduated from Swinburne Institute of Technology in 1986 with a Bachelor of Business in Accounting with Data Processing. She is a member of the Malaysian Institute of Accountants since 1993 and the Institute of Chartered Accountants Australia since 1990.

She began her career in 1986 as a Junior Audit cum Tax Executive at Shrapnel Accountants & Advisory Pty. Ltd. in Australia, and was later promoted to Manager before leaving the firm in 1993 and joined Samsung Corning (Malaysia) Sdn. Bhd. as an Accountant. She then joined A&L Corporate Management Sdn. Bhd., a company secretarial and taxation company as Manager in the same year and left the Company in 1995. Thereafter, she moved on to Toprank Corporation Sdn. Bhd. (now known as Toshiba Transmission & Distribution Systems Asia Sdn. Bhd.) as a Group Accountant, where she worked for eight (8) years. In 2003, she formed her own company, named BCT Advisory Sdn Bhd, which offered corporate management services, which she managed for four (4) years. In 2007, she joined Multi Purpose Holding Bhd as a Senior Manager of Finance. Subsequently, she joined our Group as Chief Financial Officer in 2008, a position she holds until to date.

She does not hold any directorship in any public companies and listed issuers.

Further, she does not have any family relationship with any Director and/or major shareholders nor have any conflict of interest with the Company. She has not been convicted of any offence within the last five (5) years other than traffic offences, if any nor any public sanction or penalty imposed by the regulatory bodies during the financial year.

CHANG MEI LUN

*Chief Operating
Officer*

Age 49
Malaysian

Chang Mei Lun, a Malaysian, is the Chief Operating Officer of PESTECH. She graduated with a Diploma in Accounting from the London Chamber of Commerce and Industry in 1991. She also holds a Diploma in Business Administration from the Association of Business Executives, which she obtained in 1996.

She began her career with Dollarquest Sdn. Bhd. in 1992 as a Shipping Officer, where she dealt with the documentation and operational procedures for the import and export of goods. From 1995 to 1997 she joined Federal Furniture Holdings (M) Bhd as a Purchasing Executive, procuring raw materials from local and overseas suppliers for use in the production process, with other job functions. Subsequently, she joined Toprank Corporation Sdn Bhd (now known as Toshiba Transmission & Distribution Systems Asia Sdn Bhd), as a Purchasing Executive until 2000, where she involved in the company's certification of ISO 9002. In 2003, she joined our Group as an Operations Manager, and was promoted to Chief Operating Officer in 2010.

She does not hold any directorship in the public companies and listed issuers.

Further, she does not have any family relationship with any Director and/or major shareholders nor have any conflict of interest with the Company. She has not been convicted of any offence within the last five (5) years other than traffic offences, if any nor any public sanction or penalty imposed by the regulatory bodies during the financial year.

THE "POWER" TEAM

HEAD OF POWER GENERATION AND RAIL ELECTRIFICATION

PAISMANATHAN GOVINDASAMY

Age 50
Malaysian

Paismanathan Govindasamy is responsible for two (2) main sectors of PESTECH business segments that are Power Generation and Railway Electrification, Signalling and Communication System.

He graduated from University of Malaya with a Bachelor Degree in Electrical and Electronics Engineering in 1994. He holds a Masters in Electrical Engineering from University of Bath United Kingdom where his area of research is on small signal stability of grid systems. He is a Graduate Member of Board of Engineers Malaysia, Institute of Engineers Malaysia and Member of Institute of Electrical and Electronics Engineers. Currently, he is an Industrial Advisory Panel board member for University of Malaya Electrical Department. He is also a Committee Member of the Malaysian Rail Industry Consortium ("MARIC") where he is responsible for Human Capital Development in Railway Sector.

He started his career in ABB (A Swiss and Swedish Power & Automation Company) after graduating in 1994 and was the Vice President of ABB Malaysia before joining our Group. He gained diverse experience and international exposure through his various roles in ABB throughout the region that includes commissioning of thermal power plants, design and engineering management and project and construction management.

HEAD OF HV AND EHV ELECTRICAL SYSTEM

LEE KONG TEE

Age 48
Malaysian

Lee Kong Tee is pioneering the portfolio of HV and EHV electrical system segment for more than 15 years in the Company. He and his team provide engineering, procurement, construction and commissioning ("EPCC") solutions with the capability to design and manage multidisciplinary HV and EHV electrical transmission substations. He also plays an instrumental role in establishing solar power generation team in line with the Group's direction to undertake more renewable energy initiatives.

He graduated from Universiti Malaya in 1997 with a Bachelor of Engineering (First Class Honours). Subsequently, he advanced himself by obtaining a Master in Business Administration from the same university. He is Corporate Member of the Institute of Engineers Malaysia since 2003. He is also registered as a Professional Engineer with the Board of Engineers Malaysia in 2004.

He began his career in 1997 when he joined KTA Energy Sdn. Bhd. as an Electrical Engineer, where he gained experience in various electrical projects, and was promoted to Consultant in 2002. He then joined Modern Power Network Sdn. Bhd. the same year as a Project Manager. In 2004, he joined PESTECH Sdn. Bhd. as a Project Manager. Over the years, he has a demonstrated history of working in the EHV industry with proven track records in delivery of electrical assets for major utility providers, locally and abroad.

THE "POWER" TEAM

HEAD OF TRANSMISSION LINE AND POWER CABLES

HAN FATT JUAN

Age 55
Malaysian

Led by Han Fatt Juan, his focus are mainly on transmission lines and underground cables. He is also the Chief Executive Officer of PESTECH (Cambodia) PLC. ("PCL") where he is responsible for the business growth and development of PCL. Together with his team, Han is responsible for EPCC contracts, which cover project management process, procurement of materials and equipment, implementation of site construction and installation for power transmission lines and underground cables. He plays a pivotal role in the Group's penetration into the Indochina region and has successfully executed major transmission lines and substations projects in Cambodia.

He graduated with a Bachelor of Science in Civil Engineering degree from South Dakota State University, USA in 1990. He later obtained a Master of Science in Management degree in 1992 from the same university.

He began his career in 1984 with Metral Villar Sdn. Bhd. as a Site Supervisor where he was responsible for supervising and coordinating activities of workers engaged in transporting and mixing ingredients to make concrete. He left in 1988 to pursue his Master's degree at South Dakota State University, USA, where he concurrently held a Teaching Assistant post. In 1992, he joined Zafas Sdn. Bhd. as a Site Engineer and stayed on for 17 years up to 2009, where he last held the position of Project Director. During his tenure, he was involved in various projects, including transmission line and underground cable installation works, across Malaysia as well as Brunei.

HEAD OF POWER DISTRIBUTION AND SMART GRID

VIND SIDHU

Age 54
Malaysian

Vind Sidhu leads a young and dynamic team to drive Industry 4.0 implementation in the Malaysian and overseas energy markets. The team aims to introduce revolutionary technology for the power distribution side and engage in projects at the forefront of smart grid transformation. The team designs and delivers tailored electrical solutions to meet client requirements to internationally recognised standards.

Vind Sidhu graduated from Queen's University Belfast with a bachelor's degree in Electrical and Electronics Engineering in 1990. His career journey since then has taken him through various well known multinational companies where he gained experience both at the local and international level.

He spent more than 20 years with the Siemens group, where he progressed from Sales & Marketing Head in Malaysia to Sales Director of Business Development for Asia Pacific, in Nuremberg, Germany. He was then promoted to heading the Technical Sales in Energy Automation in Nanjing, Republic of China. Prior to returning to Malaysia, he led and facilitated the integration of Reyrolle & Co located at Hepburn, UK into the Siemens group.

Upon his return to Malaysia, he was appointed Senior Vice President of Siemens Malaysia Sdn. Bhd. heading the Energy Distribution (i.e. Medium Voltage, Energy Automation Services) division for the ASEAN region.

After a year, his role was expanded to include Division Cluster Lead for Low and Medium voltage division and Smart Grid division (both part of Siemens Infrastructure and Cities Sector) for the ASEAN, Korean and Pacific region. From September 2012, his portfolio was expanded to include Division lead for Building Technology in Malaysia. This latter role enhanced the cross divisional synergies between the three divisions within Infrastructure and Cities Sector in Siemens.

In 2014, he was appointed the CEO of the Energy Management Division of Siemens Malaysia Sdn. Bhd. This portfolio consisted of seven (7) Business Units, i.e., Energy Automation, Smart Grid, Medium Voltage Systems, Transmission Solutions, Transformers, High Voltage products and Low Voltage products in the ASEAN region and South Korea.

In 2018, having spent many years with multinationals, he took up his current position as CEO of PESTECH Energy Sdn. Bhd. to further develop this home grown energy solutions provider.

PESTECH International Berhad

EXECUTIVE CHAIRMAN/MANAGING DIRECTOR CUM GROUP CEO STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

DEAR FELLOW SHAREHOLDERS,

>> It is with great pleasure that we are presenting to you this annual report for financial year ended 2019/2020. A year that began full of vigor but ended, unanticipatedly, depressed by the manifestation of worldwide COVID-19 pandemic ("Pandemic") phenomenon.

Amidst the general concerns about the impact of Pandemic on businesses, we take this opportunity to address those concerns, discuss the past performance of the Group, and also share the strategies and actions that the Group has engaged as we brave this global challenging time heads on.



Year 2020

REVENUE—
RM797 million

Year 2020

CORE OPERATING INCOME—
RM98 million

Year 2020

PROFIT AFTER TAX—
RM64 million

EXECUTIVE CHAIRMAN/MANAGING DIRECTOR CUM GROUP CEO STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

**POWER NETWORK
MADE UP OF
59% WHILST RAIL
ELECTRIFICATION
MADE UP OF
38% OF THE
TOTAL BUSINESS
VOLUME**



OVERVIEW

Our overall business volume contracted slightly from about RM811 million to RM797 million, a 2% drop, mildly affected by the Pandemic as compared to financial year ("FY") ended 2019. The impact was mainly derived from the last two (2) quarters of FY 2020 as movement control and inter-country traveling were imposed. At the initial stage of the movement curtailment, certain project sites were not accessible, and hence the slowing down of execution works cum billing activities. As we moved into the end of FY 2020, affected project sites were gradually being reopened, and the trend is continuing accordingly as we moved into FY 2021.

In parallel to the above, our net income were not as robust as the previous financial year, no doubt we were able to still record a Profit for the Year of more than RM64 million.

The management is, by no means, deterred as the Group is sustainably backed by an outstanding order book of RM1.67 billion as at 30 June 2020. During this trying period globally, we noticed that the pace of power infrastructure build up has not been dampened. Regionally, tender activities remain abundance, and local government of regional countries is persistently steadfast in carrying out power transmission and distribution improvement exercises, especially in the effort of enhancement of social living standards in their country.

As such, the management continues to empower its local team in their respective country in order to ensure independency in carrying out each of their operative activity, with guidance from the parent company, and in accordance to the overall direction of the Group.

FINANCIAL PERFORMANCE

The Group strived through FY 2020 amidst the Pandemic with Revenue of RM797 million as compared to RM811 million in the preceding FY. The rationale was explained in the earlier section of this report. We should also highlight that the management was able to contain the operating expenses to around 88% of the Revenue, toeing the 89% recorded during FY 2019.

The two (2) main segments of business that contributed towards the top line were Power Network and Rail Electrification. Power Network made up of 59% whilst Rail Electrification made up of 38% of the total business volume of the Group in FY 2020.

The Operating Profit was a tad lower from FY 2019, registering a 7% decrease, mainly due to the impact of lower Other Operating Income, and Other Gain. However, should we exclude the impact of these two (2) elements, the core operating income actually improved from RM89 million to RM98 million, a 10% advancement.

During the FY, we incurred higher amount of financing for the execution of various projects. The Finance Cost expanded from RM53 million to RM64 million, which was about 21%. This had partly contributed towards the lowering of 14% in Profit Before Tax to about RM84 million. Nonetheless, the overall Profit Before Tax margin was being maintained at 11%, which closely mimicked the FY 2019 figure of 12%. With a higher income tax impact in FY 2020, due to different tax rate in various jurisdictions the Group operates in, Profit After Tax went down 26% to about RM64 million as compared to RM86 million in FY 2019. The overall net income margin was at 8% instead of the normal anticipated 9% - 11% target envisaged by the management.

Despite this temporary weakening of full year result, the management persistently maintain its long term positive view of the development of the Group, supported by the ample order book of RM1.67 billion as at 30 June 2020. The strength and sustainability of the Group were evidenced by its capacity and capability in replenishing its order book year after year. As we moved into FY 2021, we are confident in amassing new project orders, in line with the

PESTECH International Berhad

EXECUTIVE CHAIRMAN/MANAGING DIRECTOR CUM GROUP CEO STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

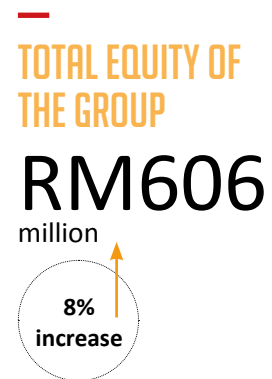
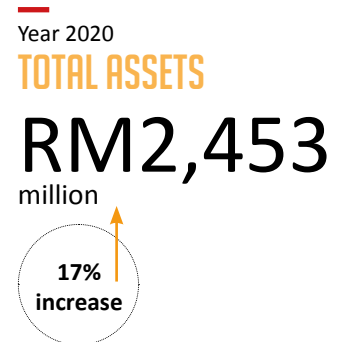
prospective tender book in hand, which may help build business development visibility amid this turbulent time in global economy.

Our Total Assets continued to expand by 17% or RM365 million, during the year under review vis-à-vis 22% growth in the prior FY. There was a significant increase in Non-Current Assets, particularly Contract Assets, attributable to the projects in Cambodia. Non-Current Contract Assets enlarged to RM1.05 billion during the FY under review from RM462 million in the previous FY. This trend is expected to continue so long as there are subsisting and new build transfer or build operate transfer projects contributing from Cambodia.

As the Contract Assets grew, we also observed a gradual reinforcement of Retained Earnings of 17% as compared to FY 2019. Again, this positive trend is expected to maintain its momentum into FY 2021. Full year results showed that Total Equity of the Group advanced 8% to RM606 million, a RM45 million improvement.

As the growth in Total Assets was partly supported by the growth in Equity, our Total Liabilities helped sustaining the Total Asset growth by incurring an additional RM320 million, or an incremental 21% in FY 2020. As we explained during the last annual report, the Group's debt funding has always been mainly allocated towards the execution of various projects, particularly for those contracts with extended payment terms, including those concession in nature.

The management has begun to address the gearing situation by engaging in the Perpetual Islamic Notes ("PERPS") issuance programme in FY 2021, which will help in paring down some of the debts, and improving the gearing ratio simultaneously. The PERPS programme shall be implemented by stages throughout FY 2021.



EXECUTIVE CHAIRMAN/MANAGING DIRECTOR CUM GROUP CEO STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS



**WE
SUCCESSFULLY
BROUGHT TO
COMMERCIAL
OPERATION TWO
(2) SIGNIFICANT
PROJECTS
BUILD-TRANSFER
ARRANGEMENT IN
CAMBODIA.**

OPERATION PERFORMANCE

FY 2020 was an important year for the Group, as we successfully brought to commercial operation two (2) significant projects build-transfer arrangement in Cambodia. These included the Sihanoukville – Bekchan 230kV/500kV transmission line system ("SHV Bekchan Project"), which was completed in January 2020, and the Siem Reap – Oddor Meanchey 115kV transmission system together with a 115/22kV Oddor Meanchey substation, and a 230/22kV Bekchan (Porsenchey) substation project ("Siem Reap Oddor Meanchey Project"), which was completed in December 2019.

With the completion of these two (2) major projects in Cambodia, PESTECH started to receive cashflow payments in a monthly basis from Electricite du Cambodge ("EDC"). Adding these payments to the existing monthly payments for our Kampong Cham – Kratie concession, in the next seven (7) FY, we can expect a total receipts of approximately RM1.08 billion, which comfortably offsetting the total debt to be repaid for these three (3) projects in the next seven (7) years of roughly RM498 million. As such, the Group is ascertained of a surplus cashflow situation moving forward, as a result of successful completion of these projects.

Apart from the power network projects above, during the FY, we had also successfully carried out power generation retrofitting projects, in particular, the Tenaga Nasional Berhad's ("TNB") hydro power plant new control system, turbine governor system and auxiliary upgrades, Kenyir power station, Cameron Highlands power station and the Sungai Piah power station.

PESTECH had also took further steps into promoting green energy initiatives by implementation of electric vehicles ("EV") charging solution, where we deploy, operate and maintain EV chargers modules in various locations in Klang Valley. Currently, eighteen (18) units of such EV chargers are available, and we are continuing the effort to gradually increase the numbers, especially in Klang Valley.

PESTECH International Berhad

EXECUTIVE CHAIRMAN/MANAGING DIRECTOR CUM GROUP CEO STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS



Relatively to last FY, where we added about RM946 million to the outstanding order book, the team managed to dash through FY 2020 by amassing RM974 million of new orders, to close the order book at RM1.67 billion. We, again, take this opportunity to thank all hardworking colleagues who stive on incessantly as a formidable team, and also not forgetting the firm support and trust given to us by our customers.

Looking back, the second half of the FY 2020 brought along the most unexpected influence towards the operation of the Group, which we believe was experienced by many industry players around the region. The onset of unprecedented Pandemic forced a majority of the regional countries to shut down their borders, and restrict internal movement, and business activities in an effort attempting to contain the rapid spreading of the deadly virus.

Certain closure of access to project sites both domestically, and in some countries that we worked on, had dampened the ability of our project team in work execution. In that respect, a portion of the site works were delayed whilst desktop design, engineering, and procurement activities resumed. We are glad to report that extension of time was provided in view of this unanticipated turn of event, which gave us sufficient time to complete the affected projects. We do expect this cycle to continue should further lock down and full movement control order were activated again in the future. This will, however, not bring macro overall impact to the Group, but may affect its performance reporting from quarter to quarter.

Internally, the Group had implemented strict standard operating procedure ("SOP") in each of the countries it operated in, as recommended by the local government. We emphasised the importance of social distancing hygiene and transparency to all our stakeholders. At PESTECH, and all our project sites, our staff had been and will continue to follow the SOPs of daily temperature checks, wearing of facial masks, social distancing, and sanitisation of surfaces. As much as we can, with the adherence to the SOPs, we strive to ensure that business operations were carried out as normal possible.

—
**THE TEAM
MANAGED TO
DASH THROUGH
FY 2020 BY
AMASSING RM974
MILLION OF NEW
ORDERS, TO
CLOSE THE ORDER
BOOK AT RM1.67
BILLION**

EXECUTIVE CHAIRMAN/MANAGING DIRECTOR CUM GROUP CEO STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS



RISK FACTORS AND CHALLENGES

First to be on the list would naturally be the prolonged Pandemic impact on overall business operation, and also the challenge of maintaining the pace of growth of the Group.

A prolonged Pandemic situation globally may have certain impact on the logistic flows, which brings about supply chain disruption. Should this unfortunate vicious cycle persist, certain amount of delays would be expected in the execution of projects due to late delivery of ordered equipment, tools, and materials. That being said, most of our major equipment are procured with a lead time of about six (6) months, which in most circumstances, would be sufficient to cushion impacts of certain amount of delays. Undeniably, should a total lock down is being implemented again, the on-site execution activities would be affected that could lead to a subsequent more sluggish billing cycle. At this juncture, we noticed that utilities in the region are eager to maintain the accessibility to project sites, with strict SOP implementation, to ensure works are carried out accordingly by adapting into the new norms of project execution. As such, we foresee no critical Pandemic impact going forward, but scattered operational disruptions are unavoidable in our effort to acclimatise ourselves in accordance to this new world phenomenon.

A point of comfort we can be proud of, is the capable team we are having in most of the countries we are operating in, which include Cambodia, Myanmar, Papua New Guinea, and the Philippines, apart from the core team in Malaysia. The readiness of all these team members in their respective country enables us to continue executing our projects amidst this restriction in traveling around the region. Definitely, guidance and direction are still being consigned to the respective team from the senior management at the head office in Malaysia. This will enable the subsidiaries and business units to operate in line with the long term mission and vision of the Group, whilst providing certain flexibility for each of the entities to operate in accordance to the local needs and requirements.

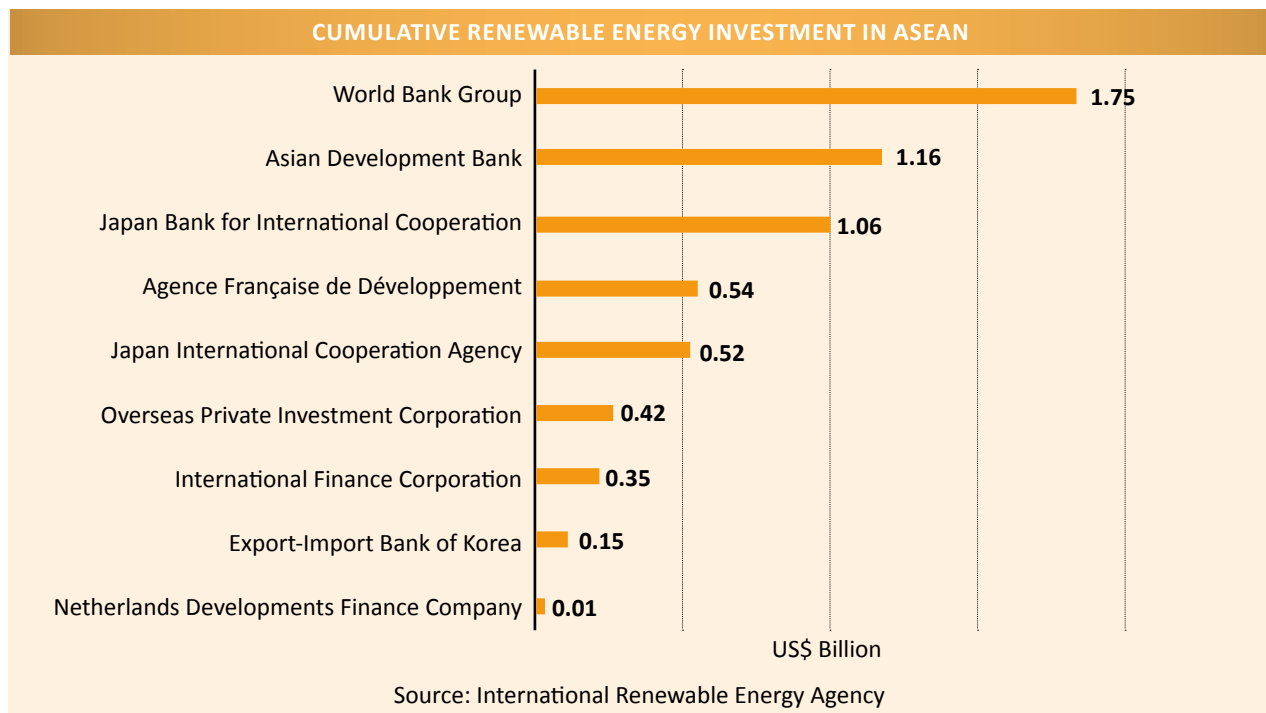
FUTURE PROSPECTS AND OPPORTUNITIES

PESTECH remains steadfast on its foray into the ASEAN market. We strongly believe that the future growth will be generated from this region, with emphasis on the IndoChina, and the Philippines markets.

Since the inception of the Pandemic, there have been various measures in limiting mobility of people in the regional countries in ASEAN. These measures compel utilities and authorities in the region to hasten the process of social power infrastructure improvement, to ensure the much needed energy is able to be channeled to the households more effectively and efficiently as more people are spending time at home, particularly in the underdeveloped and developing countries. The situation now induces utilities to further adopt modern, digital, decentralised, and transactive technologies and processes for better remote control, operation and maintenance capability.

PESTECH International Berhad

EXECUTIVE CHAIRMAN/MANAGING DIRECTOR CUM GROUP CEO STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS



"The proliferation of distributed technologies (solar, storage, electric vehicles, dispatchable load, and others) is challenging traditional utility ratemaking and customer service practices. The pandemic and consequent economic fallout could give utilities, regulators, and policymakers the opportunity to begin implementing measures to modernise the traditional model." (Source: *COVID-19 and The Power Sector in Southeast Asia: Impacts and Opportunities*, Travis Lowder and Nathan Lee, Ph.D. National Renewable Energy Laboratory, Jennifer E. Leisch, Ph.D., Two Degrees Group, June 2020)

The demand for rural electrification will also see an increase, in countries such as Cambodia and Myanmar, as respective government encourages implementation of the offgrid power supply solution to serve the remote community. PESTECH, with the local team in Myanmar, has started the effort to propose our green and sustainable offgrid power supply system to several villages in Myanmar, with the expectation of implementation of the projects in FY 2021.

Opportunities also are opened for renewable and sustainable energy projects in the region, in line with assertive effort from World Bank Group, Asian Development Bank, and Japan Bank for International Cooperation, in particular.

"For energy resiliency in a post-COVID-19 world, quality energy infrastructure will need to be promoted and adopted in ASEAN as it will ensure inclusive growth that will bring harmony to people, development, and environment sustainability." (Source: *The ASEAN Post, ASEAN's Future Energy Landscape Post COVID-19*, by Han Phoumin, 26 September 2020)

The decarbonisation endeavour will remain an important target for regional countries and major corporates. In this regard, PESTECH is determined to the implementation, promotion of higher energy efficiency, and sustainable power infrastructure development. This effort is able to carry the long term development of the Group whilst being socially responsible in its path of growth.

In the mean time, we are not forgetting the bread and butter that have been the historical key contributor towards the development of the Group. We continue to engage the opportunities in the power network segment, maintaining our focus in the high voltage and extra high voltage transmission system build up in the region. We also remain keen in the rail electrification prospects, both locally and overseas, to preserve our momentum in this segment of the business following the existing implementation of Mass Rapid Transit 2 and Southern Double Track projects.

The Group is confident on the future prospects and sustainability of the business opportunity going forward. The key aspects of long term development are the level of tenacity and flexibility of the Group in adapting itself under this new world phenomenon, whilst maintaining strong knowledge based foundation. And, in this respect, we are firm that the management and supporting team in PESTECH is ready in terms of adaptability and has the passion in the pursuit of position evolution of the Group. In that respect, we look forward for a positive year through this uncertain time ahead.

Thank you.

CALENDAR OF ACTIVITIES

AUGUST '19

4 Aug 2019

IEM Engineering Week 2019
(PESTECH as a Gold Sponsor)



28 Aug 2019

Exclusive Review Session in Shangri-La Hotel Kuala Lumpur



7 Aug 2019

Signing of Memorandum of Understanding with Huainan Sungrow Floating Module Sci and Tech Co., Ltd ("Sungrow") for a Collaboration on Exploring Floating Solar System Solution and Other Possible Co-operations in South East Asia



30 Aug 2019

Merdeka Celebration at PESTECH Section U5 & Bukit Beruntung



SEPTEMBER '19

3 Sept 2019

Signing of Collaboration Agreement between PESTECH Energy Sdn. Bhd. and MAEVI Sdn. Bhd. for a Collaboration on Exploring Project Related to Smart Metering, Smart Building, Billing Application and Smart Home



4 Sept 2019

Sharing Session with Kenanga Research Institute



CALENDAR OF ACTIVITIES

OCTOBER '19

14 - 15 Oct 2019

International Automation and Control Enhancing Innovation Competition ("ACEiC") 2019

(PESTECH as a Platinum Sponsor)



23 Oct 2019

Signing of Memorandum of Understanding with Port Klang Free Zone ("PKFZ") for a Collaboration on Exploring Opportunity of Providing Roof Top Solar Power Solutions and Establishing Green Renewable Energy Initiative Programme



14 Oct 2019

Donation of School Bags to Schools in Sarawak



NOVEMBER '19

14 Nov 2019

Bursa Bull Charge 2019 (PESTECH as an Ongole Sponsor)



14 Nov 2019

PESTECH in AEC Business Forum, Bangkok



27 Nov 2019

8th PESTECH International Berhad Annual General Meeting ("AGM")



CALENDAR OF ACTIVITIES

JANUARY '20

6 Jan 2020

Contract Signing for Port Moresby 11kV Distribution Upgrade



17 Jan 2020

PESTECH Annual Dinner 2020 in Concorde Hotel Shah Alam



FEBRUARY '20

24 Feb 2020

Exclusive Review Session at Shangri-La Hotel Kuala Lumpur



27 Feb 2020

Sponsor Melaka State Government for Chinese New Year's Street Decoration



CALENDAR OF ACTIVITIES

MAR-APR '20

The world is facing unprecedented COVID-19 Pandemic and Malaysia and Philippines were locked down since mid March 2020. However, the Group's operation was unaffected in Cambodia and Papua New Guinea.



MAY '20

13 May 2020

COVID-19 Donation to Selangor State Government



14 May 2020

COVID-19 Donation to Union of Youth Federation of Cambodia



20 May 2020

COVID-19 Donation to Malaysia Government via National Disaster Management Agency ("NADMA")



JUNE '20

23 June 2020

Donation of Merbau Trees to Malaysia Nature Society



CALENDAR OF ACTIVITIES

JULY '20

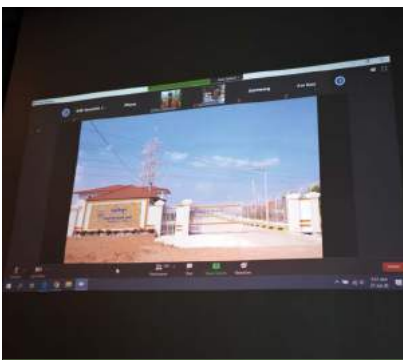
1 July 2020

PESTECH International Berhad
Extraordinary General Meeting



27 July 2020

Roadshow for Initial Public Offering
of PESTECH (Cambodia) PLC. on
Cambodia Securities Exchange



AUGUST '20

12 Aug 2020

Official Listing of PESTECH Cambodia PLC. on Cambodia Securities Exchange



28 Aug 2020

Exclusive Review Session
(Virtual Review Session)



SUSTAINABILITY STATEMENT



OUR
EES



ECONOMIC ENVIRONMENT SOCIAL

PESTECH International Berhad (“**PESTECH**” or “**the Group**”) established that its Sustainable Development Goal is to develop and create solutions and technology towards sustainable development of electric power generation and construction of electrical infrastructure in bringing power for the sustainable development of community all around the globe.

SUSTAINABILITY GOVERNANCE

The Board of Directors (“**the Board**”) determines PESTECH’s strategic direction and ensures our compliance to laws, internal regulations, risk management and control. The Board commits to drive change through innovation and drive from the top to reinforce sustainability in the operations and management of natural resources, energy, utilities, environment, biodiversity, waste management, greenhouse gas emissions and use of alternative resources to systematically and sustainably maximise system efficiency.

The Board discusses and assesses PESTECH’s progress on economic, environmental and social issues as well as the degree to which sustainability principles have been integrated into the various divisions, decisions on the long-term sustainable development strategy and sustainability-related areas of action are to be endorsed at Board level.

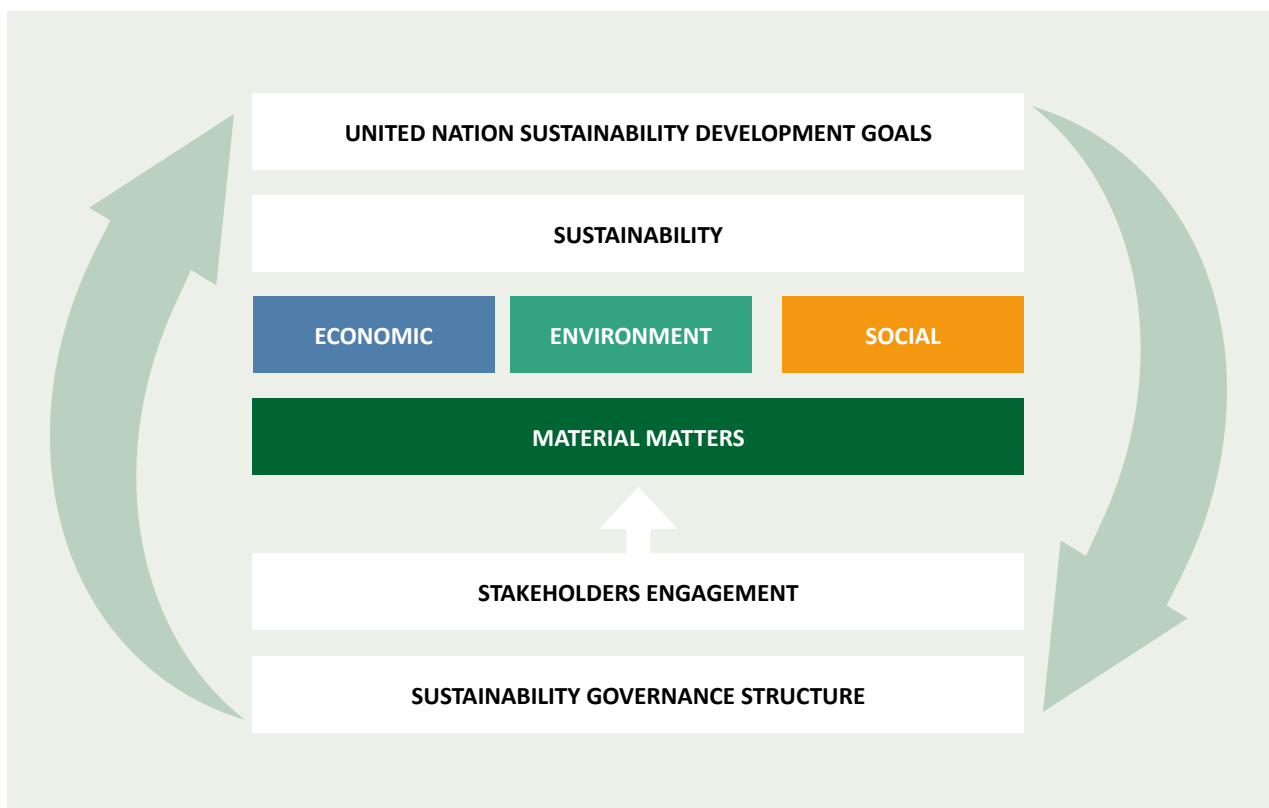
SUSTAINABILITY STATEMENT

The Sustainability Working Group assists the Board in fulfilling its responsibility for oversight of relevant sustainability's strategies and programs of the Company, the appropriateness of the Group's health, safety, environment and social performance and the Group's overall performance in sustainability matters.

SUSTAINABILITY FRAMEWORK

Our sustainability framework focuses on meeting the 17 Sustainable Development Goals called by the United Nations Member States, recognising the urgent need to end poverty and other deprivations, to improve health and education, reduce inequality, and spur economic growth all while tackling climate change and working to preserve oceans and forests.

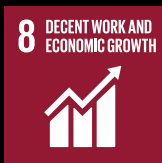
Aligned to the above, the Group develops Sustainability framework with assessment of environment, economic and social factors that revolve around the business environment, industry, countries and various stakeholders that we are operating and working with, to address our sustainability agenda and align our business focus towards driving sustainability growth. We hold onto our framework as a tool to lead us to an effective long-term sustainability journey.



PESTECH has never neglected the needs to evolve and bring innovations to the business to keep abreast with the developments in the power system infrastructure and energy sectors, with sustainable practices underpins our approach to business. Whilst we constantly engage in new energy initiatives with various stakeholders and keep innovation at the heart of our ongoing development, formalising and improvising the business processes and structures for sustainably growth have seemingly embedded into our working culture without us realising it. Sustainability matters coupled with detailed presentations of green renewable businesses were constantly deliberated at the Board level and Management meetings, to address and consider the new ways of doing things and drive change within Group to build a sustainable business fit for the future. Nonetheless, we reckon that development of and constant review of a structured sustainability framework for the Group on a cohesive manner is necessitated as the Group keeps extending its reach to conduct its businesses in a sustainable way in the region.

SUSTAINABILITY STATEMENT

ECONOMIC



“Solar rooftop installed at our premise provides affordable and clean energy.”

“We establish in-house solar team to cater the needs for NEM and expansion into renewable energy market.”

“We partner with regional players, Sungrow China and Maschinenfabrik Reinhausen to accelerate our presence in the decarbonisation and digitalisation scene.”

“Over 160,000 units of smart meters will be supplied by PESTECH to TNB for consumers to access their electricity consumption digitally.”

“We power up 24 houses at the rural area in Tapah through our state-of-the-art renewal-based microgrid solution.”

SUSTAINABILITY STATEMENT

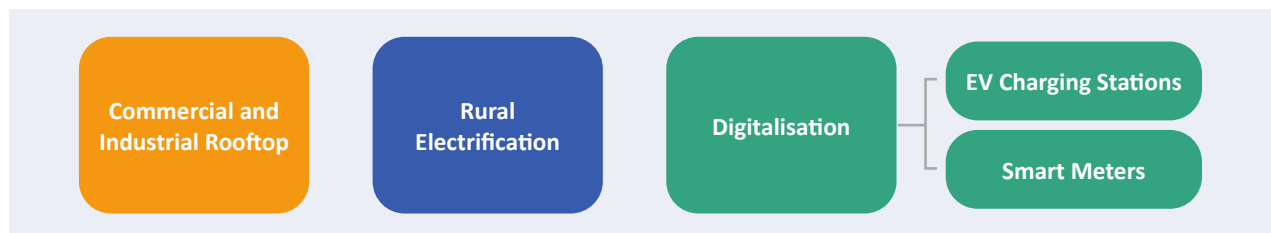
Energy is the foundation that supports and spurs the socio-economic development of a country. Development is not possible without energy and sustainable development is not possible without sustainable sources of energy.

New technologies and increased use of renewables such as biomass, solar energy, hydro and geothermal and wind power will introduce a considerable number of diversified systems into the power grid, in addition to traditional large scale power plants. This paradigm shift will bring about emergence to new technologies and concepts where energy efficiency and savings can be better addressed through integrated distribution networks.

While PESTECH remains steadfast in its foray into ASEAN market for its power system transmission and distribution network, we are vigilant towards transformative global megatrends towards decarbonisation and digitalisation are the future pathway for sustainably growth. We are to ready ourselves in place to take on new opportunities and challenges.

Renewable Energy has becoming the centre of the transition to a less carbon-intensive and more sustainable energy system. Harnessing the renewable energy forces in an age which is very conscious of the environmental effects of burning fossil fuels, and where sustainability is an ethical norm, has becoming more attractive.

The gradual but rapid shift in the landscape we are operating in requires us to engage, deliver and adapt renewable energy initiatives into our business strategically to promote sustainable business development responsibly. Over the years, the Group has been exploring into the following areas to encroach into renewable energy market as well as bringing more green initiatives to our clients:-



ENERGISING GROWTH SUSTAINABLY

Shah Alam Office

Under the Net Energy Metering (“NEM”) implemented by Sustainable Energy Development Authority (“SEDA”), the concept of NEM is that the energy produced from the installed solar PV system will be consumed first, and any excess solar PV generated energy will be exported back to the grid on a “one-on-one” offset basis.

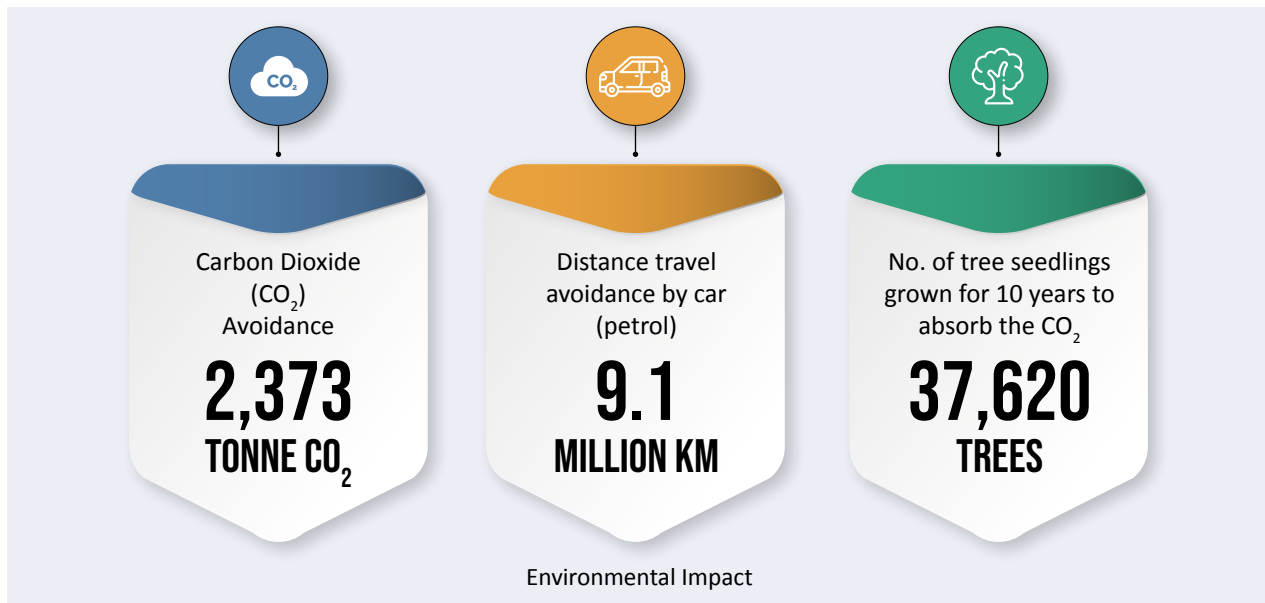
To demonstrate our commitment towards driving green initiatives sustainably, we had developed and installed 114kWp rooftop solar PV system at our head office in Shah Alam under the NEM scheme. Solar PV captures the light energy emitted by the sun and convert it into electrical energy producing clean, eco-friendly form of energy. It is an indefinite and sustainable source of energy which does not produce any health hazards, pollution or harmful gases.



SUSTAINABILITY STATEMENT

Beside seeing immediate reduction in electricity bill since installation, the rooftop solar installed at our Shah Alam's head office, at a size of 114kWp:-

- is installed with 340 pieces solar panels that are able to produce approximately 152,100kWh per year, bringing down the electricity importing from power grid by 70%;
- will be able to serve the needs of 416.7kWh per day for about 119 staff in our Shah Alam's office;
- assuming the solar PV system's life span of 25 years, the electricity generated by solar amounting to 3,551,300kWh for 25 years; and
- this will bring about **reduction in carbon footprint by 94.92 tonne CO₂ per year or 2,373 tonne CO₂ over the life lifespan of a solar PV system of 25 years.**



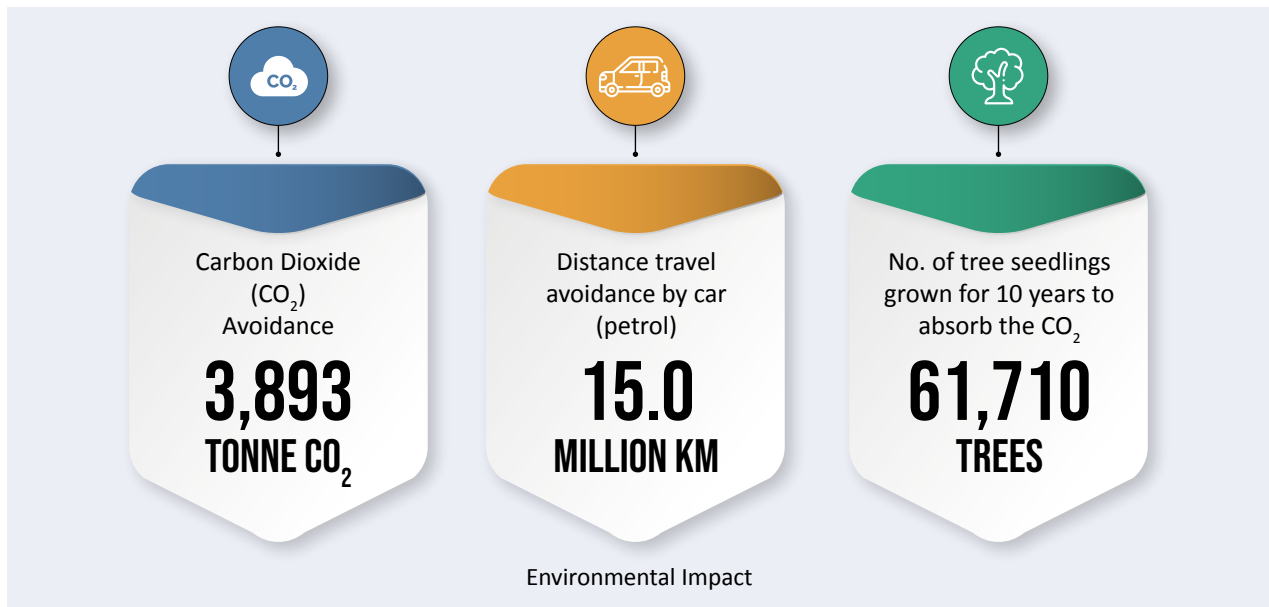
Bukit Beruntung Office

Our upcoming project is to construct a 190kWp rooftop solar PV system at our office in Bukit Beruntung. Currently, we are in the planning stage of conducting site feasibility as well as planning and designing of the PV system. Upon installation, the solar PV system will become a sustainable and cost-effective energy alternative for PESTECH in Bukit Beruntung.

Subject to finalisation of the power system study and choice of solar PV panels for our office in Bukit Beruntung's office, we estimate that:-

- installation of approximately 400 pieces of solar panels (assuming 465Wp panel) to generate 247,000kWh per year, is expected to reduce importation of electricity from power grid by 37%;
- assuming the solar PV system's life span of 25 years, the electricity generated by solar amounting to 5,786,100kWh for 25 years; and
- this will bring about reduction in carbon footprint by **155.72 tonne CO₂ per year or 3,893 tonne CO₂ over the life lifespan of a solar PV system of 25 years.**

SUSTAINABILITY STATEMENT



During the year, our in-house solar team, has vastly equipped themselves with engineering, procurement and construction and operation and maintenance know-how, to serve the renewable energy segment that PESTECH is venturing into. The team was provided with constant solar technical trainings to understand the power flow of the distribution network, voltage requirements and how to determine and improve the integration capacity of PV power rationally.

To accelerate our growth in this segment of business, we have been working with solar players in the region on collaboration basis to draw their technical expertise and experience that they have. In 7 August 2019, we had inked a Memorandum of Understanding with a Chinese inverter manufacturer, Huainan Sungrow Floating Module SCI. & Tech Co., Ltd for collaboration to explore the possibility of complementing each other's core competencies, technical capabilities and references to co-operate jointly on exploring floating solar system solution, localisation of parts and other possible co-operations in the region of Southeast Asia.

On the local front, as the quota allocation for NEM is 500MW up to year 2020, the Group is actively pursuing opportunities for roof top solar to bring clean energy to the country.

LIGHTING UP RURAL COMMUNITIES

Electricity is a necessity and an important sector for the economic development of any country. Provision of affordable and reliable electricity to the rural villages would empower these communities to lead a more productive lifestyle.

For underdeveloped and developing countries, there are many rural villages which do not have access to electricity. In ASEAN region, around 120 million people still do not have access to reliable electricity supply, this is due to there were no grid-tied connectivity that allows the remote areas to be served with electricity supply. Challenges of bringing electricity grid to the remote undeveloped areas include, range of capital investment considerations versus its cost and benefit as well as impact to the environment.

The least expensive way to bring electricity to remote rural areas which are still deprived of electricity access is by way of stand-alone sustainable microgrid solution with renewable energy sources.

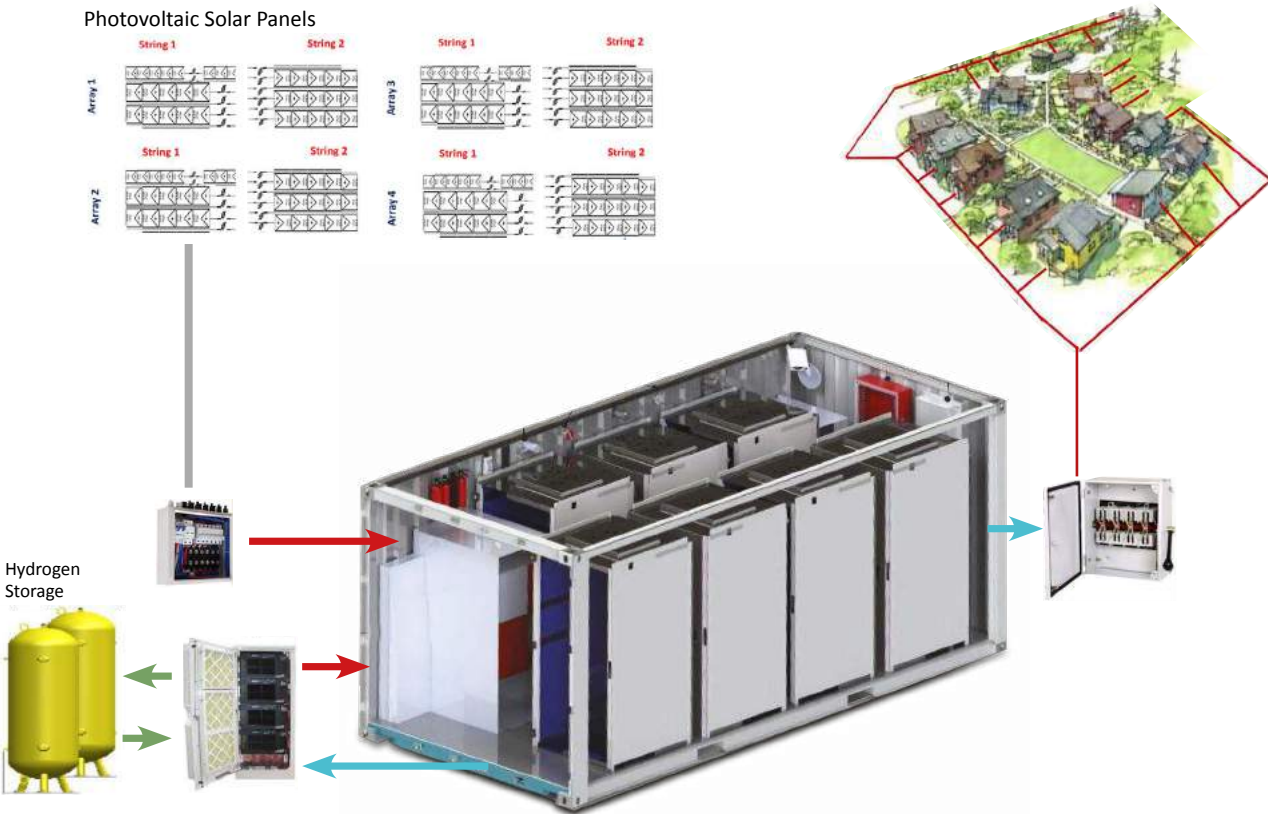
SUSTAINABILITY STATEMENT

Following our foray into the renewable energy scene, our team continues to explore new solar portfolios to be able to provide round-the-clock electricity supply to rural areas by offering Renewable-Based Microgrid Solutions using Super Capacitor Energy Storage and Hydrogen Self Recharging Fuel Cells (“**Hydrogen SRFC**”). Integrating Super Capacitor Energy Storage with a Hydrogen SRFC solution appear to be the cleanest and most sustainable energy solution that PESTECH can offer to any part of the world to provide electricity access to the local communities.

Super Capacitor Energy Storage does not contain any chemical electrolytes, and together with the Hydrogen SRFC which only uses water as its fuel via electrolysis, it is a zero-emissions solution to produce electricity. The complete solution brings power to remote and rural areas that are off-grid, using renewable energy as a source. It is a sustainable solution as opposed to diesel generators which are detrimental to the environment.

We have the capability to offer single End-to-End solution to deliver sustainable and customised solutions from planning, design and implementation, according to clients’ technical requirements and standards.

CONTAINERISED SOLUTION



Self Recharging Fuel Cells

SUSTAINABILITY STATEMENT

Below are some of the projects that we have successfully implemented and secured during the financial year in support of promoting sustainable electricity supply to remote areas, giving the communities access to better quality of living.

MALAYSIA

Tapah

In our efforts to expand in this area, we have implemented a Renewable-Based Microgrid Solution at Kampung Batu 23, Tapah where we bring round-the-clock electricity supply to **24** families of Orang Asli who had never have access to electricity in their village for more than 20 years. Our solution consists of 3.4kW solar panels and Super Capacitor Energy Storage with Hydrogen SRFC. It is a sustainable and cost-efficient solution due to its high durability and low maintenance cost, with a storage life cycle of 45 years at minimal replacement and disposal costs. In addition, the equipment is environmentally friendly as the Super Capacitor storage is non-toxic and has no risk of thermal runaway.



PAPUA NEW GUINEA

Papua New Guinea (“PNG”) has, in fact, one of the most acute energy access challenges in the world. Only 13% of the population of over 8 million people are connected to the electricity grid.

PNG’s challenging geography and demography adds complexity to infrastructure and business development. Steep mountains stretch across the main island of PNG, reaching elevations of over 4,000 meters. In addition, the country encompasses more than 600 smaller islands. Most are not easily accessible. Dense forests and rivers contribute to the isolation of individual populations. With grid electrification efforts being pursued by the Government of Papua New Guinea, it is believed that off-grid energy will remain a cornerstone of the country’s energy supply strategy.

(Source: Going the Distance: Off-Grid Lighting Market Dynamics in Papua New Guinea, published by International Finance Corporation in partnership with Australian Aid)

Nokon Village and Namatani Hospital, Namatanai District, New Ireland, PNG

In view of the above electricity requirement in PNG, we were offered to provide the same Renewable-Based Microgrid Solution to Nokon Village, Namatanai District in the island of New Ireland at PNG.

The microgrid solution will be powering **24** families in the Nokon Village. The PV Solar generates 34kWp from the sun producing 100kWh of energy available for use per day. The Hydrogen SRFC Solution provides energy storage for 24 hours and self-recharging fuel cells for 12 hours. The Nokon Village microgrid will generate a total of approximately 36,500kWh electrical energy per year. The clean energy microgrid assures reliable and sustainable electricity supply.

Similar microgrid solution will also be provided to Namatanai Hospital to replace the existing diesel gensets, that serves a community of approximately **80,000** people in the Namatanai District. The PV Solar generates 40kWp from the sun producing 150kWh of energy available for use per day. The Hydrogen SRFC Solution provides energy storage for 24 hours and self-recharging fuel cells for 6 hours. Upon installation, the Namatanai hospital microgrid will generate a total of approximately 54,750kWh per year.

No Diesel fuel or Diesel Generator is required for Hydrogen SRFC Solution in the event the solar PV does not provide the energy due to weather conditions. The only “fuel” that the community needs is the use of water for electrolysis of hydrogen fuel cell.

SUSTAINABILITY STATEMENT

In short, during the last financial year, the Group had invested and created revenue totalling approximately **RM8 million** in sustainable renewable energy business. Our effort enables a production of an estimated **499,894kWh** of new renewable energy per year in the pursuit of promoting sustainable development of electric power generation.

With the ASEAN Plan of Action for Energy Cooperation for 2016-2025 sets actions to increase renewable energy to 23% of ASEAN's energy mix by 2025, we ride on our current power know-how and competencies and poise our readiness steadily as we embark into new power energy business.

DIGITALISATION AT YOUR DOORSTEP

Excerpted from an article from Sustainable Development Impact Summit, the three (3) trends that will transform the energy sector are:-

- As energy use falls, electrification and renewable energy will keep expanding.
- A distributed energy network will replace the traditional utility business model.
- Digital transformation is critical to the success of this new model.

Started since 2018, our digitalisation offers great potential in improving process efficiency and competitiveness in engineering and services sectors. Supporting technologies such as artificial intelligence, Internet of Things and blockchain are critical to analysing demand and adjusting how much power is drawn from where across the distributed grid. Keeping abreast with global trend, our digitalisation segment is accelerating their growth in technical and know-how for development of state-of-the-art data-based solutions.

Our technologies such as smart meters are able to record power usage and communicates automatically to the utility company via radio-frequency waves for monitoring and billing. Through direct monitoring, the smart meter is able to read power usage and can provide a more accurate reading for billing and energy efficiency.

Our other digitalisation technology includes the electric vehicle ("EV") charging infrastructure where we aim to provide reliable EV charging infrastructure in order to meet the rapid development of EV. Our EV Charging infrastructure is able to model charging process, quantify electrical demand as well as assessing impact on the distribution network and optimising the charging infrastructure.

In conjunction with the above, PESTECH had entered into a collaboration with Maschinenfabrik Reinhausen ("MR"), a German-based manufacturer of electrical and electronic equipment as well as solution provider in the field of power quality solutions, to explore the possibility of complementing each other's core competencies and technical capabilities in the offering of digitalisation systems, solutions and applications.

With technical collaboration with MR, we are able to offer remote performance monitoring of our transmission assets and provide better grid performance monitoring to the utility on real time basis, thus enabling the utility to have preventive and protective measures in providing reliable power supply.

1. EV CHARGING STATIONS

The growth of EV charging infrastructure is an exciting chapter in the vehicle electrification process. EVs can reduce the emissions that contribute to climate change and smog, improving public health and reducing ecological damage. Charging the EV car on renewable energy such as solar or wind minimises these emissions even more.

Malaysia is one of the countries in ASEAN that has deployed a number of EV chargers, while applying different models or concepts for charging. PESTECH is well placed and experienced in developing grid and electrical networks from high voltage to distribution network. Our aim is to not only develop standalone EV chargers, but also to develop EV Grid in order to provide Charging as a Service ("Caas"). We have the capabilities in modelling of the charging process, quantifying the electrical demand, assessing impact on the distribution network and optimising the charging infrastructure.

SUSTAINABILITY STATEMENT

As of the date of this Statement, we have delivered and developing charging stations at the following areas mainly in Klang Valley:-

a) EV Charging Station at Wisma Tenaga Nasional, Jalan Timur, Kuala Lumpur

PESTECH have installed 7kW and 3.7kW EV Chargers at Wisma Tenaga Nasional located at Jalan Timur, Kuala Lumpur. These EV Chargers facilitate the authorised VIP users to charge their Battery Electric Vehicles ("BEVs") and Plug-in Hybrid Electric Vehicles ("PHEVs") with charging authentication via holistic myEVC Mobile Application solution.



c) EV Charging Station at Shaftsbury Square, Cyberjaya

PESTECH has installed EV Charging Stations consists of 2 units of 22kW EV Charger at Shaftsbury Square, Cyberjaya. The installation is essential for the Malaysia's first EV ride-sharing platform with Malaysia's leading car sharing network, SOCAR. The EV Chargers are tethered with predominantly used Type 2 Gun supplying a resilient charge of 22kW for the primarily used Battery Electric Vehicle, Renault Zoe.



b) EV Charging Station at Kompleks Perbadanan Putrajaya

PESTECH has installed a 7kW EV Charger at Putrajaya Corporation Complex as to showcase our expertise in digitalisation during the Digital Putrajaya Conference with TNB Smart City. The EV Charger can be used by any of EV users in Putrajaya.



d) EV Charging Station at DPulse Shopping Mall

PESTECH's 22kW EV Chargers were installed at DPulse Shopping Mall, Cyberjaya. The EV Chargers are tethered with predominantly used Type 2 Gun supplying a resilient charge of 22kW for the primarily used Battery Electric Vehicle Renault Zoe.



SUSTAINABILITY STATEMENT

e) EV Charging Station at Atria Shopping Gallery

PESTECH is in the midst of completing the installation of 7kW EV Chargers in Atria Shopping Mall at Damansara Jaya, Selangor. This is in partnership with Park Easy, a local parking bay reservation service provider. PESTECH will deploy, operate and maintain 3 units of the EV Chargers in the mall.



As of the date of this Statement, our EV chargers have supplied around 4,285kWh of energy, assuming an average electric car consumes approximately 0.20kWh/km, this has generated 21,425km of fuel saved.

2. SMART METERS

The Energy Market has vastly evolved over the last few decades and the shift towards sustainability is driven further through the adoption of digitalisation. PESTECH advocates the large-scale adoption of Smart Meters and Advance Metering Infrastructure. We are able to provide integrated solution of smart meter, communication technology and meter data management system, specialising in using power line communication and wireless protocols to provide an end-to-end platform from hardware to communication.

With Tenaga Nasional Berhad's ("TNB") plans to install 9.1 million smart meters by 2026, where almost every household in Peninsular Malaysia will be able to track their power usage and patterns through the Advance Metering Infrastructure, or simply known as the smart meter.

PESTECH was awarded a contract for the supply and delivery of over 160,000 units of Smart Meters for Klang Valley consumers. The Smart Meters will allow records consumption of electricity and communicates the information to TNB for monitoring and billing through radio frequency powerline or GSM. Transition to smart meters may help TNB to balance the load on the system and provide better energy efficiency.

Smart meters aren't just deployed for billing purposes and to keep track of energy consumption. Utility also use them to monitor power quality and enhance the power flow, improve service, and intervene faster in case of issues such as outages.

For TNB customers, they are able to control and monitor electricity usage while getting educated on energy savings. Smart meter can significantly benefit the environment by reducing consumption of fossil fuel resources, thereby reducing emission of greenhouse gases and other air pollutants. Given the ability to monitor energy usage in greater detail, customers may begin turning off unneeded appliances, change to more efficient lighting, adjust thermostats and make other energy-saving changes. Conserving energy brings down production of power, thereby reduce emissions from decreased power generation.

PESTECH will continue investing in our smart meter capability and market the product to the utility in the regions, for them to derive better management on energy efficiency and avoid unnecessary power wastage and consumption. As of the date of this Statement, we are pursuing smart meter opportunities with utility in PNG and Bali, Indonesia.

SUSTAINABILITY STATEMENT

STRENGTHENING OUR MARKET PRESENCE

Southeast Asia is well on the way to achieving universal access to electricity by 2030 and overall energy demand grows by 60% to 2040. The growth in electricity demand, at an average of 6% per year, has been among the fastest in the world. The region's economy more than doubles in size over this period, and a rise of 120 million in the population is concentrated in urban areas. Steering the region on to a healthier and more sustainable path would require concerted action across all parts of the energy sector, driven by a major increase in investment that includes significantly higher private sector financing.

(Source : <https://www.iea.org/reports/southeast-asia-energy-outlook-2019>)

PESTECH has grown to becoming one of the key market leaders in the region since our inception in the power infrastructure industry 28 years ago. With track records of international projects across 23 countries such as Cambodia, Philippines, Papua New Guinea, Thailand, Kyrgyzstan and etc, demand for energy is expected to increase significantly driven by increases in prosperity in the developing world. Building of power infrastructure are necessitate for a sustainable development path and shaping new economic development to the countries meaningfully. While ASEAN remains our main target market, we do not limit our boundaries to where we are operating and are ready to create our presence wherever there are opportunities in any part of the world.



SUSTAINABILITY STATEMENT

ENVIRONMENT



“We established the Environmental Policy in line with ISO 14001:2015 Environmental Management System and Environmental Quality Act 1974.”

“Reduction, recycling and reuse for the general waste from production and consumption.”

“We seek for waste-to-energy opportunities with identified partner to provide state-of-art automation solutions for all types of industrial, municipal and wood waste.”

ENVIRONMENTAL ASPECT IDENTIFICATION AND IMPACT ASSESSMENT (“EAIA”)

PESTECH is committed to protect the environment and comply with applicable environmental laws and regulations. We have established the Environmental Policy in line with ISO 14001:2015 Environmental Management System (“EMS”) and Environmental Quality Act 1974 (“EQA”) to enable the Group to practice environmental control and improve its environmental performance. We continue to put in place relevant measures to monitor, protect and conserve the environment as well as implementing EAIA to achieve sustainability in the working environment that we are operating in.

SUSTAINABILITY STATEMENT

We have implemented the Environmental Aspect Identification and Impact Assessment (“EAIA”) to identify and evaluate the environmental aspect and impact related to organisation activities, products and services respectively.

The environmental aspects that most likely lead to significant impact are identified proactively from the Group activities, products and services. The associated impact from the identified environmental aspect such as air pollution, water pollution, soil pollution and erosion, resource depletion and etc. are being studied, analysed and reviewed. PESTECH has established EAIA procedure as a reference for employees when performing the assessment.

During the impact assessment, PESTECH has taken into consideration the prevailing environment laws and regulations, consequences and severity of the issue and possibility of occurrence. The assessment on the significance of the impact is then evaluated based on the established criteria, i.e. scale of severity/risk, duration of the impact, probability of occurrence and etc. From the outcome of the assessment, PESTECH will establish effective action plans and control to mitigate the significant impacts.

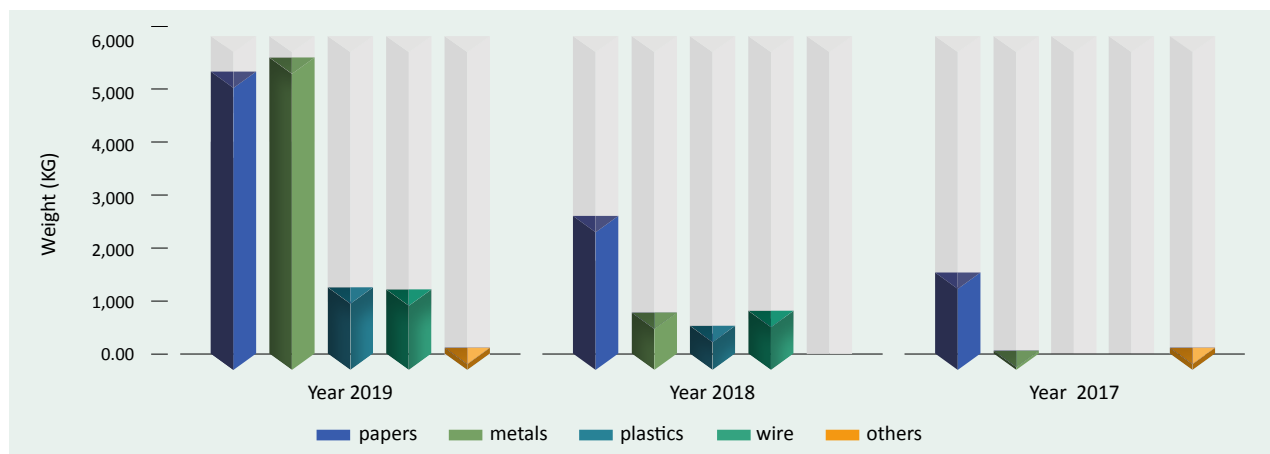
At PESTECH, we ensure that EAIA is performed before the commencement of new projects to find out the impact before the development will occur.

WASTE MANAGEMENT

We always maintain a comprehensive waste management procedure that is applicable to all aspects of our business operating activities, products and services, to meet the UN target to substantially reduce waste generation with the aim to decrease the amount of waste production.

PESTECH is making every effort through prevention, reduction, recycling and reuse for the general waste from production and consumption. It calls for an increase in the ratio of recyclable materials, further reusing of raw materials and manufacturing wastes, and overall reduction in resources and energy used. We always ensure that the Group diligently adheres to all rules and regulations, and follows the guidelines pertaining the waste management.

By recycling, reusing and reducing waste, the amount of waste that is sent to the landfills is minimised, thus protecting the dwindling resources, reducing emissions, pollution and contamination, generating savings by selling salvaged resources and contributing to the waste reduction targets for the community.



We have also developed a scheduled waste procedure that is applicable to all aspects of our business activities, in line with the Environment Quality (Scheduled Wastes) Regulations 2005 to define a method for handling scheduled waste generated in the corporate offices and project sites.

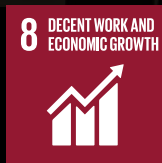
WASTE-TO-ENERGY

In addition to our targets to provide the clean and affordable energy, we are also committed to protect the environment. Indiscriminate disposal of waste has caused environmental degradation such as flooding, draining obstruction, widespread of infectious disease and other plagues.

Aligned with our renewable energy initiatives that PESTECH has taken on, PESTECH has always been in the look out for sustainable waste-to-energy opportunities with identified partner to provide state-of-art automation solutions for all types of industrial, municipal and wood waste.

SUSTAINABILITY STATEMENT

SOCIAL



“PESTECH Group’s Total Manhours in project execution without Loss Time Injury since year 2010 until Sept 2020 amounted to 10,755,517 hours.”

“We do not discriminate on the basis of ethnicity, age, gender, nationality, political affiliation, religious affiliation, marital status, education background or physical ability.”

“We offer PESTECH CARE Undergraduate/ Postgraduate Scholarship Programme to support tertiary education and attract talents.”

“Our completed projects in Cambodia provide access to reliable and affordable electricity that has increased their productivity and allow Cambodian communities to enjoy better income and living.”

“Our CSR activities revolve with the underlying principles of C.A.R.E. have contributed back to the society through many ways we can.”

SUSTAINABILITY STATEMENT

HEALTH AND SAFETY AT THE WORKPLACE

It is our priority to look after the wellbeing of our employees. We are committed to protect the occupational health and safety (“OHS”) of our employees and stakeholders wherever they work. An OHS policy and procedures in accordance of ISO 45001:2018 Occupational Health and Safety Management System (“OHSMS”) has been established to monitor OHS aspects of our workplace.

PESTECH Sdn. Bhd. (“PSB”) has adopted ISO 9001:2000 management system since 2002 (now being upgraded to ISO 9001:2015), OHSAS 18001:2007 management system since 2010 (subsequently changed to ISO 45001:2018 management system since 2019) and ISO 14001: 2004 since 2013 (now being upgraded to ISO 14001: 2015).

PESTECH Energy Sdn. Bhd. has adopted ISO 9001:2000 management system since 2002.

Since 2017, PESTECH Technology Sdn. Bhd. (“PTE”) has adopted ISO 9001:2015 management system and OHSAS 18001:2007 (now being upgraded to ISO 45001:2018 OHSMS). In year 2019, PTE obtained ISO 14001:2015 EMS certification since in 2019.



PESTECH Group implements high quality standard in its day-to-day operations, where the importance of traceability, consistency and reliability are emphasised throughout the organisation.

As part of our safety and health requirements, Hazard Identification Risk Assessment and Determining Control process is imposed in our business operations and has been executed and recorded systematically. This process helps to identify the potential hazard in our working environment in order to provide applicable and suitable control measures.

We instil a strong preventive culture that integrates safety, health and well-being at work, our Quality, Health, Safety and Environment (“QHSE”) team engages and educates our employees on regular basis. Trainings and awareness programmes are conducted to equip our employees and subcontractors (if necessary) with relevant and updated information to meet safety and health requirements.

PESTECH Group’s **Total Manhours in project execution without Loss Time Injury** since year 2010 (when PSB was certified for OHSAS 18001:2007) until Sept 2020 amounted to **10,755,517 hours**.

SUSTAINABILITY STATEMENT



EMPLOYEE MANAGEMENT

Our employees are the most important asset in our Group that drive our long-term growth and success. Through skilful employee management, we create a functional and efficient workplace by capitalising on the strengths of our employees and motivate them to contribute effectively to the Group performance.

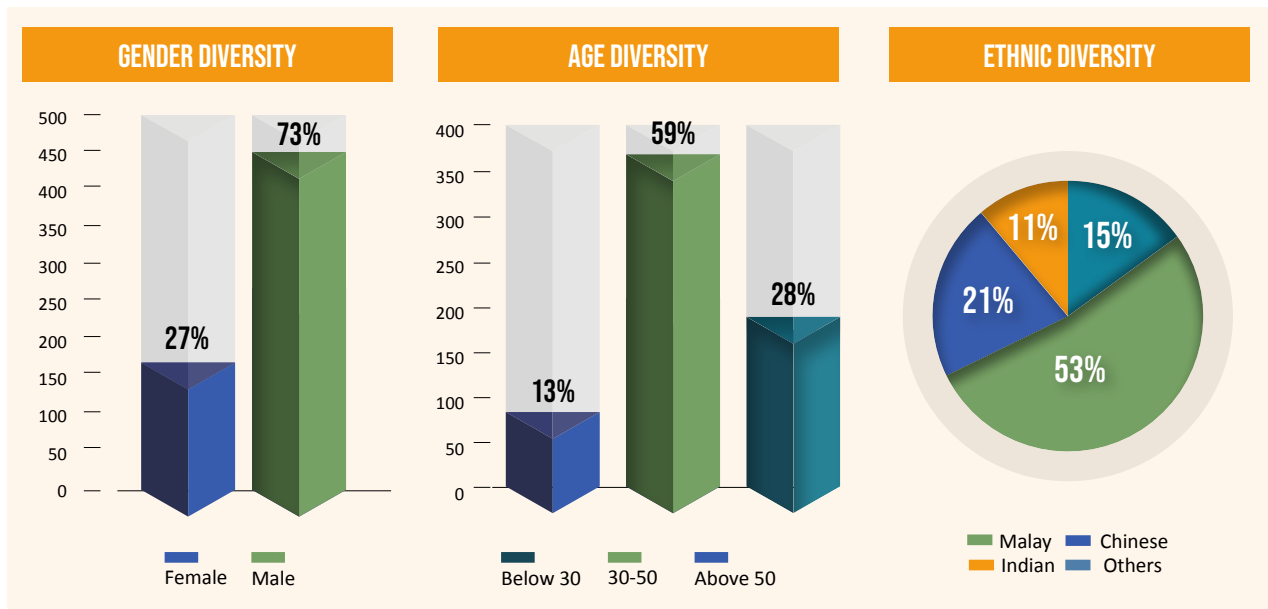
The Group creates a healthy competitive workplace that embraces diversity and mutual respect in order to attract and build loyalty in the employees. By hiring employees with diverse background and proficiency, it helps to boost creativity as employees can offer a range of perspectives and ideas.

In PESTECH, we do not discriminate on the basis of ethnicity, age, gender, nationality, political affiliation, religious affiliation, marital status, education background or physical ability.

We adopt the practice of equal employment opportunities to realise and respect the actual worth of the individual based on his knowledge, skills, abilities and merit. Fair access is given to all employees for development opportunities, available jobs, training, promotional opportunities, benefits and services.

As our business is expanding, the number of employees has increased from 507 employees in year 2019 to 615 employees in year 2020. Among these, there are 73% male employees and 27% female employees in various sectors.

SUSTAINABILITY STATEMENT



TALENT BUILDING

We believe that sustainable talent building is vital to thrive in a volatile and competitive business environment. The talent of our future leaders is critical to our future success.

We always emphasise in enhancing our employee's proficiency by developing their soft skills and technical skills. We also encourage our employees to continuously attend learning and development courses as it is fundamental in creating an efficient and excellent workforce.



PESTECH CARE UNDERGRADUATE/POSTGRADUATE SCHOLARSHIP

In previous financial year, we have developed PESTECH CARE Undergraduate/Postgraduate Scholarship Programme as part of our initiatives to contribute positively towards the nation building. This programme is an opportunity for us to create a vibrant and sustainable pool of talents for the Group in the future. The programme offers financial assistance to talented students to pursue undergraduate/postgraduate studies in any courses such as electrical and electronics, mechanical and civil, business and management, human resources and other courses which meets PESTECH's needs. The scholarship covers all tuition fees, room and board as well as one-time study allowance. The program is rolled out on annual basis for application by qualified candidates, subject to fulfilment of the requirements and criteria set by us.

SUSTAINABILITY STATEMENT

EMPOWERING COMMUNITY

We believe access to electrical power facilities is crucial in breaking the poverty cycle in developing countries such as Cambodia. In Cambodia, power shortages are a common issue in the rural area. The Cambodia Government is making constant effort to establish electrical infrastructure in their country in providing electrical access to the rural communities.

During the year, we have successfully completed another two (2) contracts in Cambodia, i.e. Sihanoukville – Bekchan 230kV/500kV transmission line system and the Siem Reap – Oddor Meanchey 115kV transmission system together with a 115/22kV Oddor Meanchey substation, and a 230/22kV Bekchan (Porsenchey) substation project (“Siem Reap Oddor Meanchey Project”). The Siem Reap Oddor Meanchey project connects East Siem Reap to a new 115kV Oddor Meanchey substation. The substation is the first grid substation in the Oddor Meanchey area to provide electricity supply for the area.

Completion of the aforesaid projects, has allowed electricity be connected to the rural areas where villages are widespread. While monetary donation is commendable, we believe the real core of social responsibility lies in getting behind causes that are meaningful for our business. The feedback we gathered from through our engagement with the villagers below on how electricity connection has brought tremendous changes to their lives, was aspiring and encouraging. We eye to expand our good cause to more communities around the regions whilst doing our business sustainably.

“““

MENG LY

*Aged 65,
Farmer from Kabao Village, Bekchan*

Previously, we do not have access to electricity and always live in the dark. Now, I can live a better life where we can use electrical appliances such as rice cooker for cooking and lights to illuminate our house at night.



“““

EK SOKON

*Aged 45,
Meal Seller from Tropang Po Village, Bekchan*

Previously, there was always power cut-off in my area and I was afraid to use the television and fridge. With the improvement of electrical infrastructure, my life has been improved as electricity became more stable. As a meal seller, I see increase in sales. Now, I can use more electrical appliances such as rice cooker and freezer. I can also install fans at my food stall for my customers' convenience.



SUSTAINABILITY STATEMENT

CORPORATE SOCIAL RESPONSIBILITY

It has always been PESTECH's goal to bring value through our existence by creating a positive impact on our employees and community. We are committed to give back to the society that we serve in the way we can. During the year, we have undertaken the following CSR programmes, revolves with four (4) underlying principles of **Community**, **Advancement**, **Recuperation** and **Environment**.

C – COMMUNITY

- **Sponsorship of the IEM Engineering Week 2019**

PESTECH supported Institute of Engineers Malaysia in actively promoting the engineering industry and creating awareness on the versatility of the engineering profession.



- **Sponsorship of the Bursa Bull Charge 2019**

PESTECH supported Bursa Malaysia's efforts in raising funds for charity organisations, which include various types of causes that are related to women, children, arts and culture.



SUSTAINABILITY STATEMENT

A - ADVANCEMENT

- **Participation in ACEiC 2019**

PESTECH participated as a Platinum Sponsor in the International Automation and Control Enhancing Innovation Competition ("ACEiC") 2019 to support activities that contribute towards nation building. This competition provides an excellent platform for students to share their creative ideas and innovative products from their research and development in automation and control related areas to the industrial players.



- **Contribution to Kriyalakshmi Mandir Shree Sai Gurukul ("KMSSG") Charitable Society Kuala Lumpur**

PESTECH has been supporting KMSSG since 2013 by providing a monthly contribution for them to provide healthy meals for their students who are from the poor urban families. These families are unable to provide extra learning classes for their children such as after-school tuition classes nor any other classes of the children's' interests.

SUSTAINABILITY STATEMENT

A - ADVANCEMENT

- **Donation of 150 School Bags to Students in Sarawak**

In collaboration with Sarawak Energy Berhad, we sponsored and distributed 150 school bags to the underprivileged students of three (3) schools in Sri Aman, Sarawak, namely Sekolah Kebangsaan Selanjan, Sekolah Kebangsaan St. Martin and SJK(C) Chung Hua Bangkong.

SJK(C) Chung Hua Bangkong



SK Selanjan



SK St. Martin



SUSTAINABILITY STATEMENT

R - RECOVERY

- **Donation to Cambodia Red Cross**

Since 2014, we have been contributing to the Cambodian Red Cross to support them in aiding emergency assistance, disaster relief, and disaster preparedness education.

- **Contribution to Persatuan Penjagaan Kanak-Kanak Terencat Akal Johor**

Our contribution to this association since 2014 has helped them to improve the living conditions of the center and provide the underprivileged children with better supporting equipment.

- **Contribution to Hospis Malaysia**

Our contribution to Hospis Malaysia since 2012 has allowed them to provide professional palliative care to patients and families living in this country as well as supporting the nation via palliative care education, training and advocacy initiatives.

- **Contribution for COVID-19**

A total of **5,000** PPE suits and **55,000** face masks were contributed to Selangor State Government, National Disaster Management Agency Malaysia ("NADMA") as well as Union of Youth Federation of Cambodia to protect the medical professionals in their fight with COVID-19.



E - ENVIRONMENT

Our environmental program is an initiative to inspire our employees to care the nature and instil a sense of environmental responsibility within them. We collaborated with Malaysia Nature Society ("MNS") in organising environmental program activities such as beach cleaning, mangrove cleaning and tree planting. Recently, we have donated **100 Merbau Trees** to preserve Bukit Persekutuan in Kuala Lumpur, Malaysia one of the Kuala Lumpur's last remaining green lungs.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**Board**") and management of PESTECH International Berhad ("**PIB**" or "**Company**") recognise the importance of good corporate governance and are committed towards upholding high standards of corporate governance for long-term sustainable business and corporate development, and to continuously protect and enhance shareholders' value.

The Board presents this Corporate Governance Overview Statement ("**Statement**") to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year ended ("**FYE**") 30 June 2020. The overview takes guidance from the key corporate governance principles as set out in the Malaysian Code on Corporate Governance ("**MCCG**").

The Board adopts and applies the principles necessary to ensure good corporate governance as expounded in Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**MMLR**") and shall be read together with the Corporate Governance Report ("**CG Report**") of the Company which provides details on how the Company has applied each practice as set out in the MCCG. The CG Report can be downloaded from the Company's website at www.pestech-international.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

Board of Directors

The Board is explicitly responsible for the stewardship of the Company and in discharging its obligations, the Board assumes responsibility in the following areas:

- retain full and effective control over the Company, and monitor management in implementing Board plans and strategies;
- ensure that a comprehensive system of policies and procedures is operative;
- identify and monitor non-financial aspects relevant to the business;
- ensure ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and the Company's own governing documents and codes of conduct;
- strive to act above and beyond the minimum requirements and benchmark performance against international best practices;
- define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions;
- act responsibly towards the Company's relevant stakeholders; and
- be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principle.

The Board is responsible for the performance and affairs of the Company and its subsidiaries (collectively "**the Group**"). It also provides leadership and guidance for setting the strategic direction of the Group.

The Board has assigned the day-to-day affairs of the Group's businesses within the various divisions to the Management of the main operating companies, who are accountable for the conduct and performance of their businesses within the agreed business strategies.

The Managing Director cum Group Chief Executive Officer ("**MD cum GCEO**") together with the Heads of the main operating companies are involved in leadership roles overseeing the day-to-day operations and management within their specific areas of expertise or assigned responsibilities. They represent the Company at the highest level and are decision makers on matters within their scope to drive the Group forward.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Committees

All Board members take cognisance of their fiduciary duties and responsibilities for the overall corporate governance of PIB. To fulfil its roles, the Board delegates certain responsibilities to the Board Committees, operating within defined terms of reference, to assist the Board in the execution of its duties and responsibilities. These Committees report to the Board on their respective matters and make recommendations to the Board for final decision.

PIB's Board Committees include, Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**").

Sustainability

The Board has adopted a Sustainability Policy that addresses the impact of the Group's businesses on environmental, governance and social elements. Further information on the Group's sustainability initiatives and efforts can be read in the Sustainability Statement.

Executive Chairman ("EC") and MD cum GCEO

As per Practice 1.3 of the MCGG, the positions of the EC and MD cum GCEO are held by two (2) different individuals. The distinct and separate roles of the EC and MD cum GCEO with their clear division of responsibilities ensures that there is a balance of power and authority, such that no one has unfettered decision-making powers.

The EC represents the Board to the shareholders and potential investors, and provides Board leadership on policy formation, decision making and oversight of the management. The EC, though in an executive position, is not involved in the day-to-day management of PIB. Instead, the EC keenly monitors the activities of the management, charting direction along with the MD cum GCEO and provide guidance, where necessary.

Company Secretaries

The Company Secretaries of the Company are Fellow members of the Malaysian Institute of Chartered Secretaries and Administrators ("**MAICSA**") and a member of the Malaysian Institute of Accountant ("**MIA**"). They are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 ("**the Act**").

The Company Secretaries assist the Board and its Committees to function effectively and in accordance with their respective Terms of Reference and best practices and ensuring adherence to the existing Board policies and procedures. The Company Secretaries are responsible to ensure the proper conduct of the meetings according to the rules and regulation. They also ensure that the Board's deliberations at meetings are properly minuted. The Company Secretaries have always supported the Board and played an important role to facilitate the overall compliance with the Act, the MMLR of Bursa Securities and other relevant laws and regulations.

The Company Secretaries had attended the necessary training programmes, conferences, seminars and/or forums organised by the Companies Commission of Malaysia, MAICSA, the Securities Commission ("**SC**") and Bursa Securities to keep themselves abreast with the current regulatory changes in laws and regulatory requirements that are relevant to their profession and to provide the necessary advisory role to the Board.

Supply of Information

The Directors, whether as the entire Board or under their respective individual capacity, have full and unrestricted access to all information and documentations pertaining to the Group's business and affairs to enable them to discharge their duties effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Notices of meetings and meeting papers are targeted to be circulated to the Board members seven (7) working days prior to the scheduled Board meetings to ensure sufficient time for all Board members to review and deliberate on such matters accordingly and, where required, to obtain further information and clarification to facilitate well-informed decision making during the meeting. For matters which require the Board's decision on an urgent basis outside of Board Meetings, board papers along with resolutions in writing will be circulated for the Board's consideration. All circular resolutions approved by the Board are tabled for notation at the next Board Meeting.

The Board is also regularly updated and advised on new regulations, guidelines or directives issued by Bursa Securities, SC and other relevant regulatory authorities.

The Board encourages the attendance of senior management as well as officers of the Group at its Board and Committees meetings to discuss pertinent issues arising from the Group's operations and the Board has unrestricted access to the management at any time.

The Board could conduct or direct any investigation to fulfil its responsibilities and could retain, at the Company's expense (where appropriate), any legal, accounting or other services that it considers necessary to perform its duties.

Board Charter

The Company has established and adopted a Board Charter which serves as a reference point for Board activities. In the Board Charter, the Board has established a formal schedule of matters reserved to the Board for its deliberation and decision in order to enhance the delineation of roles between the Board and Management, as well as to ensure the direction and control of the Group's operations are in the Board's hands. The Board Charter was last reviewed on 8 October 2020 and is publicly available on the Company's website at www.pestech-international.com.

Directors' Code of Conduct and Ethics

PIB's Directors' Code of Conduct and Ethics is to provide guidance to the Board in upholding the confidence of shareholders and other stakeholders in the Company's integrity and to encourage high standards of honesty, probity, ethical and law-abiding behaviour expected of Directors. All Directors are expected to conduct with the highest degree of integrity and professionalism.

The Directors' Code of Conduct and Ethics is publicly available on the Company's website at www.pestech-international.com.

Code of Conduct and Ethics

The Company sets high standards of behaviour and uses those values embedded in the Code of Conduct to build substance in the Company's character, credibility and reputation that are observable through individual behaviour, individually and collectively as a team and as a company.

In serving customers and in dealing with suppliers, vendors and subcontractors, the Company strives to put their interest ahead of other personal interests in order to uphold the Company's reputation and their confidence with PIB. The Company is committed to provide efficient, effective and excellent products and services in an impartial manner.

Whistle-Blowing Policy

The Whistle-Blowing Policy ("**Policy**") allows the management to take appropriate preventive and corrective actions within the Company without the negative effects that come with public disclosure, such as loss of the Company's image or reputation, financial distress, loss of investor confidence or drop in value of share prices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Policy is designed to facilitate any persons to disclose any improper conduct (misconduct or criminal offence) through internal channel. Such misconduct or criminal offences include the following:-

- a) Fraud;
- b) Bribery, illicit and corrupt practice;
- c) Abuse of Power;
- d) Sexual harassment;
- e) Criminal breach of trust;
- f) Theft or embezzlement;
- g) Misappropriation of Company's assets and property;
- h) Misuse of confidential information; or
- i) Acts or omissions which are deemed to be against the interests of the Company, laws, regulations or policies.

The Policy is available on the Company's website at www.pestech-international.com.

As at the date of this Statement, the Company has not received any complaints under this procedure.

2. BOARD COMPOSITION

Composition and Board Balance

PIB's Board comprises individuals with sturdy integrity fostered with extensive knowledge and experience in their respective professional backgrounds, i.e., engineering, public services, occupational, safety and health, financial and equity analysis, accountancy and legal.

The Board currently has six (6) members comprising one (1) EC, one (1) MD cum GCEO, one (1) Executive Director and three (3) Independent Directors. The composition of the Board complies with the requirements of Paragraph 15.02 of the MMLR.

Practice 4.1 of the MCCG states that at least half of the Board shall comprise Independent Directors. The Board currently comprises three (3) Executive Directors and three (3) Independent Non-Executive Directors, where 50% of the Board members are Independent Directors. The Board is of the view that the shareholders are best served by an EC who has great passion in building the Company coupled with an in-depth understanding of the industry that PIB is involved in. Thus, the EC would be able to safeguard the best interest of the shareholders as a whole.

In addition, our Senior Independent Non-Executive Director, Mr. Lee Ting Kiat serves as a sounding board for the EC, act as an intermediary for other directors and the point of contact for shareholders and other stakeholders.

He provides an additional channel for Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in open forum.

The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company. In relation to the call by the Government for female participation in Board and senior management, the NC would ensure that steps will be undertaken to ensure that suitable women candidates who have relevant expertise relative to the Company's businesses are sought from various sources.

Annual Assessment of Independence of Directors

The Board, with the assistance of the NC, is required to review the independence of the Company's Independent Non-Executive Directors on an annual basis. The Board adopts the definition of an 'Independent Non-Executive Director' as provided by the MMLR, and such definition is used as criteria for Directors' independence assessment, which has been carried out at the date of this Statement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Practice 4.2 of the MCGG states that the tenure of an Independent Director should not exceed a cumulative of nine (9) years. Upon completion of the nine (9) years' term, an Independent Non-Executive Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Non-Executive Director or the Board to seek annual shareholders' approval with justification if the Board intends to retain an Independent Non-Executive Director who is beyond nine (9) years' term.

In line with the above recommendation, the Board views that the objectivity of an Independent Director may no longer be remain independent due to the familiarity with the management and corporate affairs of the Company. Encik Ibrahim Bin Talib, whom tenure of service will exceed nine (9) years by year 2021, had resigned as Director of the Company on 8 October 2020.

Other than the aforesaid, the Company does not have any Independent Non-Executive Director who has served more than nine (9) years as at the date of this Statement.

Board Diversity

The Company has adopted a Board Diversity Policy, which sets out the approach to diversity on the Board of Directors and the Senior Management level.

In approaching towards diversity on the Board of Directors, the Board does not discriminate on the basis of ethnicity, age, gender, nationality, political affiliation, religious affiliation, marital status, education background or physical ability nor does it have any in its process to recruit or retain its members or Senior Management. The Board Diversity Policy does not set any specific target on the composition in terms of gender, age or ethnic of its Board members or members of Senior Management. However, the Board is well represented by individuals drawn from distinctly diverse professional backgrounds who have distinguished themselves in the electrical engineering, mechanical engineering, multinational business, occupational health and safety, financial and equity analysis, accounting and auditing arenas. The Board is, thus, capable of manoeuvring the strategic direction of PIB by taking into account inputs from various perspectives and gather ideas from different expertise. Presently, although PIB does not have women representation on the Board, the two (2) Key Senior Management of the Company are female.

Nominating Committee

The NC is entrusted to be responsible for the identification and recommendation of new appointments of Executive and Non-Executive Directors to the Board.

The capabilities and qualities of the candidates to be appointed as Board members as well as Board Committee members will be assessed accordingly taking into account the individual's skills, competencies, knowledge, experience, expertise, professionalism and integrity. The NC has a formal assessment mechanism in place to assess the Board, Board Committees and individual Directors on an annual basis. Such a formal assessment was conducted for the FYE 30 June 2020, and was guided by the Corporate Governance Guide, taking into consideration the following key elements for assessment:

- appropriate size, composition, independence, mix of skills and experience within the Board and the Board Committees;
- clear definition of the Board and Board Committees' roles and responsibilities;
- effectiveness of the Board and Board Committees in carrying out their roles and responsibilities as stipulated in the Board Charter and/or Terms of Reference;
- sufficiency and relevance of knowledge and expertise of individual Directors in their respective capacity as members of the Board and Board Committees.

All assessments and evaluations carried out as well as comments made during the process are properly documented and minuted. The NC also oversees the succession planning of the Senior Management and diversity at Senior Management level is also taken into consideration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The NC comprises exclusively of Independent Non-Executive Directors:-

Chairman	: Mr. Lee Ting Kiat (<i>Senior Independent Non-Executive Director</i>)
Member	: Mr. Tan Puay Seng (<i>Independent Non-Executive Director</i>)
Member	: Ir. Amir Bin Yahya (<i>Independent Non-Executive Director</i>) (<i>Appointed on 8 October 2020</i>)
Member	: Encik Ibrahim Bin Talib (<i>Senior Independent Non-Executive Director</i>) (<i>Resigned on 8 October 2020</i>)

The NC shall meet as and when required, at least once a year. During the financial year under review, the NC held two (2) meetings and carried out the following activities:-

- reviewed on the AC members' Self/Peer Evaluation Form and AC Evaluation Form and evaluated on the AC members;
- conducted the annual assessment on the effectiveness of the Board as a whole and the committees and contribution and performance of each individual director;
- reviewed and recommended on the re-election and re-appointment of the directors who would be retiring at the Eighth Annual General Meeting ("**AGM**"); and
- conducted annual assessment on independence for the independent directors.

In accordance with PIB's Board Charter and in line with its Constitution ("**Constitution**"), all Board members are subject to retirement by rotation and re-election by the shareholders at least once every three (3) years while any Director so appointed shall hold office only until the next following annual general meeting when he shall retire but shall then be eligible for re-election but he shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

At the upcoming AGM, Mr. Lee Ting Kiat will retire by rotation pursuant to Article 118 of the Company's Constitution and being eligible, had offered himself for re-election.

Mr. Stanley Lim Peir Shenq and Ir. Amir Bin Yahya, who were appointed on 8 October 2020 will retire by rotation pursuant to Article 117 of the Company's Constitution and being eligible, had offered themselves for re-election as Directors of the Company.

Board Meetings

The Board meets at least once every quarter and additional meetings are convened when necessary. There were five (5) Board meetings held during the FYE 30 June 2020 and the attendance record of the Directors is as follows:

Directors	Meetings attended
Lim Ah Hock	5/5
Paul Lim Pay Chuan	4/5
Ibrahim bin Talib (<i>resigned on 8 October 2020</i>)	4/5
Tan Puay Seng	5/5
Lee Ting Kiat	5/5
Stanley Lim Peir Shenq (<i>appointed on 8 October 2020</i>)	N/A
Ir. Amir bin Yahya (<i>appointed on 8 October 2020</i>)	N/A

All proceedings of the Board meetings are duly minuted and signed off by the Chairman of the meeting. All Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated by the MMLR.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Each Board member is expected to commit sufficient time to carry out his/her role as Director and/or member of the Board Committees which they are part of. While it is impossible to be specific about the actual or maximum time commitment, all Directors are expected to devote such time as is necessary to attend all Board and committee meetings, AGM/Extraordinary General Meeting ("**EGM**"), Directors' training, Company's events, meetings with various stakeholders and site visits.

A Director is expected to advise the Chairman of the Board, of his intention to join the Board of another public listed company outside the Group. In doing so, the Director is expected to indicate the time commitment with respect to the new appointment. If necessary, the Chairman will consult with the rest of the Board members as to whether the proposed new appointment is likely to impair his role as Director of the Company.

In any given circumstances, in accordance with the provision of the MMLR, members of the Board are expected to serve in not more than five (5) public listed companies.

The EC and MD cum GCEO, do not serve as a Director of other listed companies outside the Group.

The Directors and Committees are being assessed by the NC through the following annual assessments once every year:

- (i) Board Performance Evaluation;
- (ii) Self/Peer Performance Evaluation;
- (iii) AC members' Self/Peer Evaluation; and
- (iv) AC Evaluation.

Directors' Training

All Directors of PIB have attended the Mandatory Accreditation Program ("**MAP**") as prescribed by the MMLR, except for Mr. Stanley Lim Peir Shenq and Ir. Amir Bin Yahya, who were appointed on 8 October 2020, will be attending the MAP within four (4) months from the date of appointment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board members attended the following training programs and seminars to further broaden their perspective, skills, knowledge and to keep abreast with the relevant changes in pertinent rules, guidelines and regulations:

During the financial year ended 30 June 2020, the continuous education programmes attended by Directors comprise the following:-

Name	Training	Date
Lim Ah Hock	1. Global Outlook and Investing in Volatile Market	15 July 2019
	2. Malaysia OSH: Legacy & Future Vision of Excellence	18 – 19 September 2019
	3. Bursa Malaysia Diversity Xperience	2 October 2019
Paul Lim Pay Chuan	1. Corporate Liability Provision and its implications to Directors, Partners and Management of Commercial Organisation by NGL Tricor Governance Sdn Bhd	9 December 2019
	2. Company Performance Updates and Technical Briefing	24 February 2020
	3. HSBC Private Banking Investment Insights Webinar: Into the Unknown	9 April 2020
	4. Outlook of the Era of Vietnam Solar 2.0 – Transformation and Sustainability	10 June 2020
	5. HSBC Private Banking: Mid-Year Investment Outlook 2020 Malaysia	23 June 2020
	6. HSBC Private Banking: Mid-Year Investment Outlook 2020 Thailand	23 June 2020
Ibrahim Bin Talib	1. Bursa Malaysia Diversity Xperience	2 October 2019
Tan Puay Seng	1. AOB Conversation with Audit Committees	8 November 2019
Lee Ting Kiat	1. ICDM International Directors Summit 2019	14 – 15 October 2019
	2. Tax and Business Summit 2019	7 November 2019
	3. AOB Conversation with Audit Committees	8 November 2019
	4. Corporate Liability Provision and its implications to Directors, Partners and Management of Commercial Organisation by NGL Tricor Governance Sdn Bhd	9 December 2019

The Directors will continue to participate in future training programs and seminars from time to time as necessary to enable them to discharge their duties and responsibilities more effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

3. REMUNERATION

Remuneration Committee

The RC comprises exclusively of Independent Non-Executive Directors:-

Chairman	: Ir. Amir Bin Yahya (<i>Independent Non-Executive Director</i>) (Appointed on 8 October 2020)
Member	: Mr. Lee Ting Kiat (<i>Senior Independent Non-Executive Director</i>)
Member	: Mr. Tan Puay Seng (<i>Independent Non-Executive Director</i>)
Member	: Encik Ibrahim Bin Talib (<i>Senior Independent Non-Executive Director</i>) (Resigned on 8 October 2020)

The Board has adopted a Remuneration Policy for Directors and Senior Management, which is clear and transparent, designed to support and drive business strategy and long-term objectives of PIB.

The Board determines the level of remuneration paid to Directors within the limitations imposed by the shareholders. The levels and make-up of the remuneration are designed to be such that it is sufficient to attract and retain experienced and knowledgeable Board members needed to run the Group successfully in order to deliver long-term value to its shareholders.

The remuneration of the Executive Directors is structured at such that it is linked to the corporate and individual performance. The Non-Executive Directors will receive remuneration packages which reflect the relevant experience, expertise and level of responsibilities undertaken by the respective Non-Executive Director. The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director will abstain from the Board's deliberation and decision on his own remuneration.

The RC shall meet as and when required, at least once a year. During the financial year under review, the RC held one (1) meeting and carried out the following activities:-

- reviewed and recommended the proposed remuneration packages of the EC and GCEO for the financial year ended 30 June 2019 and 30 June 2020;
- reviewed and recommended the directors' fees for the financial year ended 30 June 2020;
- reviewed on benefits payable to Directors under Section 230(1) of the Act 2016; and
- discussed and reviewed the Directors and Officers' Liabilities Insurance.

The details of remuneration of Directors who served during the financial year ended 30 June 2020 are as follows:-

	Salaries & other emoluments (RM)	Fees* (RM)	Benefits (RM)	Meeting Allowance (RM)	Total (RM)
Company					
Lim Ah Hock	2,056,143.45	-	34,360.00	-	2,090,503.45
Lim Pay Chuan	1,898,352.45	-	31,398.00	-	1,929,750.45
Ibrahim Bin Talib	-	60,445.00	-	10,500.00	70,945.00
Tan Puay Seng	-	60,445.00	-	18,500.00	78,945.00
Lee Ting Kiat	-	60,445.00	-	16,500.00	76,945.00
Group					
Lim Ah Hock	2,643,687.13	-	34,360.00	-	2,678,047.13
Lim Pay Chuan	2,485,894.86	-	31,398.00	-	2,517,292.86
Ibrahim Bin Talib	-	60,445.00	-	10,500.00	70,945.00
Tan Puay Seng	-	60,445.00	-	18,500.00	78,945.00
Lee Ting Kiat	-	60,445.00	-	16,500.00	76,945.00

* For Company level, payment of Directors' fees is subject to the approval by shareholders at the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The numbers of senior management whose total remuneration fall within the following bands:-

Range (RM)*	Number of Senior Management
400,000 – 450,000	-
450,001 – 500,000	1
500,001 – 550,000	1

* Successive bands of RM400,000 and below are not shown entirely as they are not represented.

The Board is of the opinion that the disclosure on the remuneration of the Key Senior Management on a named basis would not be in the best interest of the Group due to confidentiality and personal security concern. The Board will ensure that the remuneration of the Key Senior Management commensurate with their duties and responsibilities, the performance of the Company and on par with the market payouts.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

4. AUDIT COMMITTEE

The AC of the Company comprises exclusively of Independent Non-Executive Director, which is in compliance with the MMLR of Bursa Securities. The details of activities carried out by the AC during the financial year end 30 June 2020 are set out in the AC Report of this Annual Report.

All the members of the AC are financially literate and have necessary skills, financial experience and expertise to discharge their duties effectively. Other than overseeing the financial reporting and performance of the Group, the AC also ensure that there is a proper co-ordination between both of the internal and external auditors in order for the AC to be fully informed on any significant financial matter that may impact the Group.

Cooling period of a Former Key Audit Partner

The terms of reference of the AC stated that a cooling-off period of at least two (2) years to be observed before the appointment of a former key audit partner as a member of the AC.

None of the members of the Board were former key audit partner and the Board has no intention to appoint any former key audit partner as a member of the Board.

Financial Reporting

The Board is committed to ensure that the financial statements are prepared and presented in a balanced and fair manner in accordance with the Act and the applicable approved accounting standards in Malaysia in order to accurately reflect the Group's financial position and prospects.

The Group also releases unaudited quarterly financial results on a timely basis in addition to the Annual Report. These quarterly financial results are accessible via Bursa Securities and PIB's website at www.pestech-international.com.

Internal Control

The Board has the fiduciary responsibility for maintaining a sound system of internal controls, which provides a reasonable and sound assessment of the effectiveness and adequacy of the Group's internal controls, operations and compliance with rules and regulations. This is to ensure shareholders' investments, customers' interests and the Group's assets are well safeguarded.

The AC periodically reviews the effectiveness of the Group's internal control systems and works closely with the Internal Auditors to review audit recommendations and management's responses towards these recommendations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Relationship with Auditors

The External Auditors are regularly invited to attend the AC meetings for discussion with the AC. The External Auditors would be able to highlight matters requiring the attention of the Board in terms of compliance with relevant accounting standards and other related regulatory requirements.

The Board and the AC emphasise greatly the objectivity and independence of PIB's External Auditors in providing relevant, professional and transparent reports to its shareholders. In assessing the independence of External Auditors, the AC obtains confirmation from the External Auditors, indicating that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants throughout the audit engagement in respect of the financial year under review.

The AC considers the reappointment, remuneration and terms of engagement of the External Auditors annually. The review procedures entail the use of the prescribed External Auditors Evaluation Form, with emphasis of evaluation on the independence and service level of the External Auditors, which amongst others, include reviewing the External Auditors' performance and quality of work, ability to meet deadlines, timeliness of service deliverables, non-audit services provided and the Engagement Partner's and the Partner's rotation.

The AC, after due deliberations have recommended the reappointment of Messrs. Grant Thornton Malaysia PLT as External Auditors for the financial year ending 30 June 2021. The Board at its meeting held on 8 October 2020 approved the AC's recommendation. The appointment of Messrs. Grant Thornton Malaysia PLT will be presented for shareholders' approval at the forthcoming Ninth AGM.

Provision of Non-Audit Services

The AC, which assists the Board in overseeing the financial reporting process of the Company, has formalised a Non-Audit Services Policy governing the types of non-audit services permitted to be provided by the External Auditors. The Non-Audit Services Policy provides for safeguards, which may be considered, including having an engagement team different from the external audit team to provide the non-audit services.

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management Framework

The Board regards risk management and internal controls as an integral part of the overall management processes. As such, the Board has established an Enterprise Risk Management ("**ERM**") framework to identify and manage significant risks faced in the Group's operations.

The summarised ERM framework is set out in the Annual Report for the financial year ended 30 June 2020 under the Statement on Risk Management and Internal Control. The ERM framework focuses on the Group's core business operations and comprises a formalised structured process on risks identification, evaluation, control, monitoring and reporting and risk management policy and guidelines which had been adopted by the Board.

A Risk Management Committee (a Management-level Committee) chaired by the MD cum GCEO and consist of Heads of Department/Operating Units, supported by the Risk Management Working Committee is established for the proper implementation of the ERM framework.

Internal Audit Function

The Board outsourced the internal audit function to NGL Tricor Governance Sdn. Bhd. ("**NGLTG**"). The Internal Audit function reports directly to the AC on the adequacy and effectiveness of the system of internal controls in the operating units and the extent of compliance to the established processes, policies and procedures and applicable laws and regulations. The internal audit carried out by internal audit function is guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The AC reviewed the Internal Audit Report presented by NGLTG during the AC meeting.

The Internal Audit Function has adopted a risk-based approach and prepared its audit strategy and plan based on the risk profiles of the major business functions of the Group, and in accordance with the internal audit plan approved by the AC.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6. COMMUNICATION WITH STAKEHOLDERS

The Board has formalised Corporate Disclosure Policy aimed to assist the Board in furnishing information which is comprehensive and accurate and is made on a timely basis without any bias to selective disclosure.

The Company's website at www.pestech-international.com serves as a key communication channel for shareholders, investors, members of the public and other stakeholders to obtain up-to-date information on the Group's activities, financial results, major strategic development and other matters affecting stakeholders' interests.

The Board has earmarked a dedicated section for corporate governance on the Company's website, where information on the Company's announcements to the regulators, the Board Charter, policies, terms of reference, corporate governance and Annual Report may be accessed.

7. CONDUCT OF GENERAL MEETINGS

Annual General Meeting

The AGM is the main forum for dialogue with the shareholders. Shareholders are notified of the meeting and provided with a copy of the annual report at least 28 days before the meeting. This allows shareholders sufficient time to make necessary arrangements to attend and participate in person or by proxies. Ample opportunity is given to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group and communicate relevant concerns and expectations. All Board members, senior management and the Group's External Auditors as well as the Company Secretaries are available to respond to shareholders' questions during the AGM as the case may be.

Poll Voting

The Company has been deploying electronic poll voting since last AGM and will continue the same in future general meetings. At the EGM held on 1 July 2020 on a fully virtual basis, the Company deployed remote participation and voting facilities.

The Company will continue exploring the use of technology to allow voting in absentia or remote shareholders' participation. The Company will assess the necessity and viability for such facility taking into consideration the number of shareholders, the reliability of the technology and cost-benefit to the Company.

Dialogue between the Company and Shareholders/Investors

PIB believes that having effective and productive communication with its shareholders and investors is essential in ensuring good corporate governance and to improve disclosure and transparency.

Dissemination of information to PIB's shareholders, investors and the public is executed through timely announcements and disclosure via Bursa LINK, press releases, press conferences and media/ analyst briefings. PIB also maintains its own website at www.pestech-international.com to enable easy and convenient access of up-to-date information pertaining to the Group.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") is pleased to present the Audit Committee ("AC") Report for the financial year ended 30 June 2020 ("FYE 2020").

A. COMPOSITION

As of the date of this AC Report, the AC comprises exclusively of Independent Non-Executive Directors:-

- Chairman : Mr. Tan Puay Seng (*Independent Non-Executive Director*)
- Member : Mr. Lee Ting Kiat (*Senior Independent Non-Executive Director*)
- Member : Ir. Amir Bin Yahya (*Independent Non-Executive Director*) (*appointed on 8 October 2020*)
- Member : Encik Ibrahim Bin Talib (*Senior Independent Non-Executive Director*) (*Resigned on 8 October 2020*)

B. MEETINGS AND ATTENDANCE

During the FYE 2020, the AC held a total of five (5) meetings. The details of the attendance of the AC members are as follows:-

Directors	Meetings attended
Mr. Tan Puay Seng	5/5
Encik Ibrahim bin Talib (<i>resigned as AC member on 8 October 2020</i>)	4/5
Mr. Lee Ting Kiat	5/5
Ir. Amir bin Yahya (<i>appointed as AC member on 8 October 2020</i>)	N/A

C. TERMS OF REFERENCE

The full Terms of Reference of the AC, outlining the AC's composition, retirement and resignation, proceeding of meeting, authority, duties and responsibilities, is available in the Company's website at www.pestech-international.com.

D. SUMMARY OF WORK OF THE AC DURING THE FYE 2020

The works carried out by the AC for the financial year under review are summarised as follows:-

i. Financial reports

- a) Reviewed the quarterly financial statements pertaining thereto and made recommendations to the Board for approval of the same as follows:-

Month	Review of Quarterly Financial Statements
August 2019	Unaudited Fourth Quarter Results for the Financial Year Ended ("FYE") 30 June 2019
November 2019	Unaudited Results for First Quarter ended 30 September 2019
February 2020	Unaudited Results for Second Quarter ended 31 December 2019
May 2020	Unaudited Results for Third Quarter ended 31 March 2020

AUDIT COMMITTEE REPORT

The review was to ensure the Company's quarterly results were prepared in accordance with the:-

- Malaysian Financial Reporting Standard ("MFRS");
 - MFRS 134 - Interim Financial Reporting;
 - Disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and
 - Companies Act 2016.
- b) Reviewed and recommended to the Board approval for the audited financial statements of the Company and the Group for the FYE 30 June 2019 and to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with all the regulatory requirements. In addition, the AC had reviewed the Audit Completion Report for the FYE 30 June 2020 prepared by the External Auditors, Grant Thornton Malaysia PLT ("**GT Malaysia**").

On 8 October 2020, the AC reviewed the audited financial statements of the Company and the Group for FYE 30 June 2020 at its meeting, and recommended the same to the Board for approval.

ii. External Auditors

- a) Reviewed and discussed with GT Malaysia at the meetings, the Audit Completion Report for the FYE 30 June 2020 and Audit Approach Memorandum for the FYE 30 June 2020, respectively. During the meetings, the AC discussed with GT Malaysia and considered the significant accounting adjustment and auditing issues arising from interim audit as well as the final audit with GT Malaysia. The AC also had two (2) private discussions with GT Malaysia during the FYE 2020 without the presence of Management and Executive Directors to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries.
- b) GT Malaysia declared their independence and confirmed that they were not aware of any relationship between GT Malaysia and the Group that, in their professional judgement, might reasonably be thought to impair their independence.
- c) Evaluated the performance of the GT Malaysia covering areas such as calibre, quality processes, independence, audit team, audit scope, audit communication and as well as the audit fees. Based on evaluation, the AC had recommended to the Board for approval, the re-appointment of the GT Malaysia for the ensuing financial year of 30 June 2021.

iii. Internal Audit

The Company has outsourced its internal audit function to NGL Tricor Governance Sdn. Bhd., an independent professional services firm, to assist the AC in discharging its duties and responsibilities more effectively. The total fees incurred for the internal audit function in respect of the FYE 2020 was RM58,697.50.

During the financial year, the AC reviewed and discussed with the Internal Auditors, the Internal Audit Report which covered the internal control review as follows:-

- a) Risk management function;
- b) Information technology general control (manage security);
- c) Project management (execution processes of PESTECH Energy Sdn. Bhd.); and
- d) Recurrent Related Party Transactions.

The AC reviewed and accepted the Internal Audit Plan for year 2020/2021 and audit fees for year 2020/2021 presented by the Internal Auditors.

The AC also reviewed the significant audit findings and recommendations to improve any weakness or non-compliance, and the respective Management' responses thereto during the meetings.

AUDIT COMMITTEE REPORT

iv. Recurrent Related Party Transactions ("RRPTs")

The AC reviewed on a quarterly basis the RRPTs of the Group as well as the Group's methodology in identifying, monitoring and disclosure of related party transactions within the Group.

v. Annual Report

The AC reviewed and recommended to the Board for approval, the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company.

vi. Circular to Shareholders

The AC reviewed the draft Circular to Shareholders in respect of the following proposals:-

- Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading nature; and
- Proposed Renewal of Share Buy-back authority of up to 10% of the total number of issued shares of the Company.

E. INTERNAL AUDIT FUNCTION

The AC takes cognisance that an independent and adequately resourced internal audit function is critical in ensuring the effectiveness of the Group's system of internal controls. The Internal Auditors report directly to the AC in its effort to maintain a sound system of internal control. The Internal Auditors are guided by its Audit Charter in its independent appraisal functions.

The main objectives of the internal audit function for the Group is to assess whether the procedures, systems and controls of the key business processes are adequate and effective to meet the requirements of compliance with relevant laws, regulations, policies and procedures, reliability and integrity of information and safeguarding of assets.

During the FYE 2020, the Internal Auditors had performed internal control reviews based on the agreed internal audit plan. The outcome of those internal control reviews that were reported to the AC includes identification of risk and impact of any issues noted during the audit, Management's responses and agreed action plans to resolve them.

The AC also reviewed internal audit reports issued by the Internal Auditors and the effectiveness and adequacy of the corrective actions taken by Management on all major matters raised.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("**the Board**") is pleased to present the statement on risk management and internal control pursuant Paragraph 15.26 (b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**MMLR**"), which is made in line with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("**the Guidelines**") issued by Bursa Malaysia Securities Berhad. This Statement outlines the nature and scope of the risk management and internal controls of the Group during the financial year under review until the date of this Statement.

BOARD'S RESPONSIBILITY

The Board acknowledges their overall and ultimate responsibility for overseeing the Group's risk management and internal control systems ("**RMIC Systems**" or "**Systems**") as well as reviewing the adequacy, integrity and effectiveness of these systems to safeguard shareholders' investment and the Group's assets. The RMIC Systems cover, inter alia, financial, operational and compliance controls of the Group. The RMIC Systems provide reasonable and not absolute assurance against material misstatement, loss and fraud that may hinder the Group from achieving its business objectives.

The Audit Committee ("**AC**") assists the Board in reviewing the adequacy and integrity of the Group's RMIC. The AC is assisted by its outsourced Internal Auditors which carry out its functions independently with a risk-based approach and provides the AC and the Board with reasonable but not absolute assurance on the adequacy and effectiveness of the system of internal control.

RISK MANAGEMENT FRAMEWORK

Effective risk management is an essential part of good corporate governance that forms part of the Group's business management practice. It is without doubt that all areas of the Group's activities involve some degree of risk. As such, under the stewardship of the Board, the Group is highly committed in ensuring that it has an effective and efficient risk management framework to allow the Group to be able to identify, evaluate, monitor and manage those risks in an incessant manner. This would assist the Group immensely in its quest to achieve its targeted business objectives within the defined and acceptable risk parameters.

The Risk Management Framework ensures that pertinent roles, responsibilities and accountabilities on risk management are clearly defined and communicated at all levels.

The Group's Risk Management Framework covers the six (6) key elements as below such that any key risk or significant control weaknesses could be identified, assessed, reported, monitored and duly rectified timely and effectively:-

- Risk Strategy & Appetite
- Risk Governance
- Risk Culture
- Risk Assessment & Measure
- Risk Management & Monitoring
- Risk Reporting

The Group's Risk Management focuses on management of business risks which are segregated into the following segments:-

Type of Risks	Accountability
Strategic business risks	The Board and Risk Management Committee (" RMIC ")
Corporate risks (including financial and compliance risks)	Senior Management and Head of Department
Project risks	Project Monitoring Office

Strategic risks are risks primarily caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. Accountability for managing strategic risks therefore rests with the Board and the Senior Management. The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Corporate risks, including financial and compliance risks, are inherent in the ongoing activities within the different subsidiaries of the Group. Typically, some of the risks cover foreign exchange, credit, competency, technology, human resource, quality, health and safety, sales and marketing, corporate communication and etc. Senior management and Head of Department need to review and ensure these risks are being identified and managed.

Project risks are uncertain events or conditions that, if it occurs, have positive or negative effects on a project's objectives. These risks are associated with failure to carefully plan and organise efforts to accomplish specific project objectives leading to cost or time overruns and project failure.

- **Risk Awareness Culture**

We believe that Risk Awareness Culture, with emphasis on strong corporate governance, organisational structure with clearly defined roles and responsibilities, effective communication and training, commitment to compliance with laws, regulations and internal controls, integrity in fiduciary responsibilities and clear policies, procedures and guidelines helps to encourage strategic decisions that are in the long-term best interest of the organisation, its shareholders and employees.

- **Risk Assessment**

The day-to-day risk management resides with the respective divisions and departments.

The Risk Management Working Committee consists of the Process Owners who are directly responsible for the day-to-day operations of their respective divisions and departments, they identify, assess and implement action plans to address risks arising from operations.

The Risk Coordinator will compile information from the respective divisions and divisions where the risk owners reside and table the same to RMC for its consideration and monitoring.

The Risk Management Committee reviews and assesses risks from time-to-time based on business nature and objective. The Senior Management updates the Board regularly on any significant risks identified or control failure.

During the financial year under review, the Risk Management Working Committee has had meeting to discuss on corporate risks of the respective departments/divisions and project risks. Various risk areas with comments from the Senior Management were deliberated during the meeting.

- **Risk Appetite**

The Group's risk appetite defines the amount, types and extent of risk that the Group is able and willing to accept in pursuit of its business objectives. It also reflects the level of risk tolerance and limits set to govern, manage and control the Group's risk-taking activities.

INTERNAL CONTROL SYSTEM

The main components of the Group's internal control system are summarised as follows:-

- **Control Environment**

The importance of a proper control environment is emphasised throughout the organisation. The focus of which is accentuated towards elevating the quality and capability of the employees of the Group by means of continuous education and training, which may be organised from time to time on need basis, both on technical hard skill sets and soft skill sets such as risk management, professionalism and integrity.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

• Control Structure

The Board and Management have established an organisation structure with clearly defined lines of accountability and delegated authority. This includes well-defined responsibilities of the Board committees and various management levels, including authorisation levels for all aspects of the business.

The key elements of the Group's internal control structure cover series of documented Policy and Procedures to govern the Group's key business processes. These policies and procedures deal with, amongst others, control issues for procurement, information technology, health and safety, human capital, safeguarding of assets, and communication with stakeholders. The procurement, credit control, warehousing, cash management and related party transactions are being revamped/reviewed to further tighten our internal control processes and procedures.

• Internal Audit

The Group has outsourced its internal audit function to an independent professional service provider (the "**Internal Auditors**") which carries out its functions independently with risk-based approach and provides the AC and the Board with the assurance on the adequacy and effectiveness of the system of internal control.

Any significant control lapses and/or deficiencies noted from the reviews will be documented and communicated to Management for review and corrective actions. The Internal Auditors report to the AC on all significant non-compliance, internal control weaknesses and actions taken by Management to resolve the audit issues identified.

The Internal Auditors are responsible for planning, implementing and reporting on the internal audit timeline and activities of the Group.

During the financial year under the review, the Internal Auditors had:

- prepared a detailed annual audit plan in consultation with their engagement for submission to the AC for approval;
- carried out relevant activities to conduct internal audits in the following areas:-
 - Risk management function;
 - Information technology general control (manage security);
 - Project management (execution processes of PESTECH Energy Sdn. Bhd.); and
 - Recurrent Related Party Transactions.
- discussed with the auditees in the course of conducting audit on any significant control lapses and/or deficiencies noted from the reviews for their consideration and corrective actions; and
- submitted quarterly report to the AC for any significant non-compliance, internal control weaknesses and actions taken by Management to resolve the audit issues identified.

Based on the internal audit review conducted by the outsourced internal auditor, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties to the Group.

• AC

The AC reviews, monitors and evaluates the effectiveness and adequacy of the Group's internal controls, financial and risk management issues raised by the External and Internal Auditors, regulatory authorities and Management. The review includes reviewing written reports from the External and Internal Auditors to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial actions are taken by Management.

The AC also convenes meetings with the External Auditors, Internal Auditors or both without the presence of Management and Executive Directors. In addition, the AC also reviews and assesses the adequacy of the scope, functions and competency of the External and Internal Auditors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW AND MONITOR OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, with the assistance of the AC confirms that there is an on-going process in reviewing and monitoring the effectiveness, adequacy and integrity of the system of risk management and internal control of the Group for the financial year under review. The process is in place for the financial year under review and up to the date of issuance of the Statement on Risk Management and Internal Control. The Board had taken note of the Management's representation that there have been no material losses incurred during the financial year under review as a result of weaknesses in the risk management and internal control system.

The Board is of the view that the risk management and internal control system is sound and sufficient to provide reasonable assurance in safeguarding the interests of shareholder's investment and the Group's assets.

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

There were no major weaknesses in internal controls which resulted in material losses during the financial year under review until the date of approval of this Statement.

ASSURANCE STATEMENT BY THE MANAGING DIRECTOR ("MD") CUM GROUP CHIEF EXECUTIVE OFFICER ("GROUP CEO") AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the MD cum Group CEO and Chief Financial Officer have provided assurance to the Board in writing stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.26(b) of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Company for the year ended 30 June 2020. Their review was performed in accordance with the Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants.

CONCLUSION

The Board has taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group to be adequately safeguarded through the prevention and detection of fraud and other irregularities and material misstatements.

The Board is of the view that the RMIC Systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's RMIC Systems in meeting the Group's strategic objectives.

The statement is made in accordance with a resolution of the Board dated 8 October 2020.

DIRECTORS' RESPONSIBILITY STATEMENT

for the Audited Financial Statements

The Directors are required pursuant to the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards in Malaysia.

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

In preparing the financial statements, the Directors have ensured that:-

- appropriate accounting policies and practices have been adopted and applied consistently;
- the statements are supported by reasonable and prudent judgements and estimates;
- all applicable accounting standards have been followed, subject to any material departure and explained in the financial statements; and
- a going-concern basis has been adopted unless it is inappropriate to presume that the Group will continue its business.

The Directors are also responsible for ensuring that the Group and the Company keep proper accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy at any time, thus enabling the financial statements to be complied with the requirements of the Act and have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for taking the necessary steps as are reasonably open to them to ensure appropriate systems are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Directors confirmed that they have complied with the above requirements for the annual financial statements for the year 30 June 2020.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

PESTECH (Cambodia) PLC, the Cambodia-subsiidiary of the Company had initiated an Initial Public Offering in the Cambodia Securities Exchange and was listed on CSX 12 August 2020.

As of 30 September 2020, the utilisation of proceeds raised from the IPO is as follows:-

Proposed utilisation of proceeds	Expected timeframe for utilisation after Listing	Proposed Utilisation as stated in the Circular to Shareholders dated 16 June 2020		Amount utilised as at 30 September 2020	
		USD'000	RM'000	USD'000	RM'000
Financing existing and future projects	Within 12 months	2,000	8,690	2,789	12,118
Working capital of PCL Group	Within 12 months	491	2,133	88	382
Estimated expenses relating to the Proposed Listing	Within 3 months	507	2,203	121	526
Total		2,998	13,026	2,998	13,026

Any variation to the above operating and funding requirements may be adjusted to or from the amounts allocated, as the case may be.

2. AUDIT AND NON-AUDIT FEES

During the financial year, the amounts of audit and non-audit fees paid by the Company and the Group to the External Auditors are as follows:

	Company (RM'000)	Group (RM'000)
Audit Fees	46	370
Non-Audit Fees	144	189

3. MATERIAL CONTRACTS

There were no material contracts of the Company and subsidiaries involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 30 June 2020 or entered into since the end of the previous financial year ended 30 June 2019.

ADDITIONAL COMPLIANCE INFORMATION

4. RECURRENT RELATED PARTY TRANSACTIONS

At the Eighth Annual General Meeting of the Company held on 27 November 2019, the Company obtained a mandate from its shareholders for recurrent related party transactions ("RRPTs") of a revenue or trading in nature with related parties.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of RRPTs conducted during the financial year ended 30 June 2020 pursuant to the shareholders' mandate are set out below:-

Name of Company Involved	Name of Related Party	Nature of Transactions	Aggregate value of Transactions from 1 July 2019 to 30 June 2020 (RM'000)
PESTECH Sdn Bhd ("PSB")/ Fornix Sdn Bhd/PESTECH Technology Sdn Bhd	Vestech Projects Sdn Bhd ("VPSB")	Civil works rendered by VPSB involving, but not limited to, construction of building to house the electrical control equipment, outdoor foundations for high voltage equipment, cable trenches, roads, perimeter fencing, within an electrical substation	9,564
PSB	Perunding CPM Services Sdn Bhd ("CPM")	Risk management and professional engineering services rendered by CPM for projects in relation to the provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of high voltage and extra high voltage substations, transmission lines and underground cables for electricity transmission and distribution in the local and international markets	128
PSB	AsiaPac Machineries Sdn Bhd ("AsiaPac")	Piling related works rendered by AsiaPac for civil construction including, but not limited to, earth works, civil construction machineries operation and maintenance, and supply of civil construction materials for works within an electrical substation	6,751



FINANCIAL STATEMENTS

87	Corporate Information
88	Directors' Report
94	Statement by Directors and Statutory Declaration
95	Independent Auditors' Report
100	Statements of Financial Position
102	Statements of Profit or Loss and Other Comprehensive Income
103	Statements of Changes in Equity
105	Statements of Cash Flows
108	Notes to the Financial Statements

CORPORATE INFORMATION

DIRECTORS	<p>Lim Ah Hock (Executive Chairman) Lim Pay Chuan (Managing Director cum Group Chief Executive Officer) Lim Peir Shenq (Executive Director - appointed on 8.10.2020) Lee Ting Kiat (Senior Independent Non-Executive Director) Tan Puay Seng (Independent Non-Executive Director) Ir. Amir Bin Yahya (Independent Non-Executive Director - appointed on 8.10.2020) Ibrahim bin Talib (Senior Independent Non-Executive Director - resigned on 8.10.2020)</p>
SECRETARIES	<p>Chua Siew Chuan Pan Seng Wee Teh Bee Choo</p>
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	<p>No. 26, Jalan Utarid U5/14 Seksyen U5 40150 Shah Alam Selangor Darul Ehsan</p>
AUDITORS	<p>Grant Thornton Malaysia PLT (Member firm of Grant Thornton International Ltd.) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur</p>
PRINCIPAL BANKERS	<p>Bank Muamalat Malaysia Berhad Bank of China (Malaysia) Berhad CIMB Islamic Bank Berhad Maybank Islamic Berhad OCBC Al-Amin Bank Berhad</p>
STOCK EXCHANGE	<p>Main Market of Bursa Malaysia Securities Berhad</p>

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, general trading and provision of management services. The principal activities of its subsidiaries are disclosed in Note 6 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	64,516	7,235
Attributable to:		
Owners of the Company	51,451	
Non-controlling interests	13,065	
	64,516	

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

The Directors approved the declaration of a special dividend of RM0.005 per ordinary share in respect of the financial year ending 30 June 2021.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are as disclosed in the Financial Statements.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:

Lim Ah Hock (Executive Chairman)*

Lim Pay Chuan (Managing Director cum Group Chief Executive Officer)*

Lim Peir Sheng (Executive Director - appointed on 8.10.2020)

Lee Ting Kiat (Senior Independent Non-Executive Director)

Tan Puay Seng (Independent Non-Executive Director)

Ir. Amir Bin Yahya (Independent Non-Executive Director - appointed on 8.10.2020)

Ibrahim bin Talib (Senior Independent Non-Executive Director - resigned on 8.10.2020)

* *Directors of the Company and its subsidiaries*

DIRECTORS' REPORT

DIRECTORS (CONT'D)

The Directors of the subsidiaries who held office during the financial year and up to the date of this report, not including those Directors listed above are as follows:

Dato' Mohamed Salleh Bin Mohamed Alli
 Dav Ansan
 Daw Kaung Mon San
 Detlef Raddatz
 Han Fatt Juan
 Keith Iduhu
 Lim Hon Seng
 Oknha Hout Chantho
 Oknha Vinh Huor
 Paismanathan A/L Govindasamy
 Seth Kwasi Asante
 Tan Pu Hooi
 U Min Banyar San
 Wing Kevin
 Zhu ZiBing

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests and deemed interests in the ordinary shares of the Company and its related corporations of those who were Directors as at year end (including their spouses or children) are as follows:

	Number of ordinary shares			At 30.6.2020 '000
	At 1.7.2019 '000	Bought '000	Sold '000	
The Company				
Direct interests				
Lim Ah Hock	254,659	-	-	254,659
Lim Pay Chuan	157,885	13,360	(8,823)	162,422
Tan Puay Seng	612	-	(300)	312
Lee Ting Kiat	901	-	-	901
Indirect interests				
Lim Ah Hock#	3,364	-	-	3,364
Lim Pay Chuan@	1,306	-	-	1,306
Ibrahim bin Talib*	15,407	-	-	15,407

(#) deemed interest by virtue of his shareholdings in Vestech Projects Sdn. Bhd. and Kumpulan Liva Sdn. Bhd.

(@) deemed interest by virtue of his shareholdings in Vestech Projects Sdn. Bhd.

(*) deemed interest by virtue of the shareholdings held by his children

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

By virtue of their interests in the ordinary shares of the Company, Mr. Lim Ah Hock and Mr. Lim Pay Chuan are also deemed to be interested in the ordinary shares of the Company and its related corporations to the extent that the Company has an interest under Section 8 of the Companies Act 2016.

DIRECTORS' FEES AND BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Notes 24 and 31 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company or related corporation in which the Director has a substantial financial interest.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, Directors and Officers of the Company together with its subsidiaries are covered under the Professional Indemnity Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Professional Indemnity Insurance effected for the Directors and Officers of the Group is RM10 million. The total amount of premium paid for the Professional Indemnity Insurance by the Group was RM40,000.

ISSUE OF SHARES AND DEBENTURES

There were no issuance of shares or debentures during the financial year.

TREASURY SHARES

During the financial year, the Company repurchased 1,163,500 of its ordinary shares from the open market on Bursa Malaysia Securities Berhad for RM918,327. The prices paid for the shares repurchased ranged from RM0.64 to RM0.90 per share. Details of the treasury shares are set out in Note 16 to the Financial Statements.

SHARE GRANT PLAN

At an extraordinary general meeting held on 8 March 2012, the Company's shareholders approved the establishment of a Share Grant Plan ("SGP" or "Plan") of not more than 15% in aggregate of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any point of time during the duration of the Plan, to the eligible executives of the Group.

DIRECTORS' REPORT

SHARE GRANT PLAN (CONT'D)

The salient features of the SGP are, inter alia, as follows:

- (a) Any eligible executive who meets the following criteria shall be eligible for consideration and/or selection as a selected executive to whom an offer will be made by the SGP committee.
 - (i) If he has attained the age of eighteen years and is not an undischarged bankrupt;
 - (ii) If he is of Grade 8 or above;
 - (iii) If he is employed on a full-time basis or if he is serving under an employment contract for a fixed duration and is on or prior to the date of offer be on the payroll of any corporation in the Group and has not served a notice to resign or received a notice of termination;
 - (iv) If his employment has been confirmed in writing on or prior to the date of offer;
 - (v) If he is an Executive Chairman, Managing Director cum Group Chief Executive Officer, Executive Director of the Company, the specific allocation of the SGP shares granted by the Company to him in his capacity as an Executive Chairman, Managing Director cum Group Chief Executive Officer, Executive Director under the Plan has been approved or will be tabled to be approved by the shareholders of the Company at a general meeting; and
 - (vi) If he fulfils any other criteria and/or falls within such category as may be set by the SGP committee from time to time.
- (b) The maximum allowable allocation to any one category/designation of selected executives shall be determined by the SGP committee provided that the allocation to any individual who, either singly or collectively through persons connected with such executive holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company, shall not exceed 10% (or such other percentage as the relevant authorities may permit) of the maximum SGP shares available.
- (c) The SGP shall be in force for a period of 5 years from the effective date of the SGP, and may be extended for further period of 5 years or any other duration that is allowed by the relevant authorities subject to the discretion of the Board.
- (d) The SGP Committee comprising Directors and/or executives appointed by the Board of Directors is responsible for the implementation and administration of the SGP. The Company and/or the SGP Committee will establish a Trust to be administered by the Trustee consisting of such Trustee appointed by the Company from time to time for the purposes of subscribing for new ordinary shares or purchasing of existing ordinary shares from the market and transferring them to the Plan participants at such time as the committee shall direct. The Trustee shall administer the Trust in accordance to the Trust Deed. The Company shall have power from time to time to appoint or rescind the appointment of any Trustee as it deems fit in accordance with provisions of the Trust Deed.
- (e) Pursuant to the SGP, the SGP committee may, from time to time during the plan period, make an offer to a selected executive to participate in the SGP. A plan participant is granted the right to have plan shares vest in him on the vesting date specified in the offer provided that the vesting conditions are duly and fully satisfied.
- (f) The reference price to be used to determine the number of SGP shares at the point of each offer will be based on the fair value of the shares of the Company on the date of offer but shall not in any event be lower than the nominal value of the shares of the Company.
- (g) The plan shares to be allocated and granted pursuant to the SGP and held by the Trustee shall rank *pari passu* in all respects with the then existing issued and paid-up shares of the Company and shall be entitled to any rights, dividends, allotments and/or distributions attached thereto and/or which may be declared, made or paid to the Company's shareholders.

DIRECTORS' REPORT

SHARE GRANT PLAN (CONT'D)

The salient features of the SGP are, inter alia, as follows (cont'd):

- (h) In the event a selected executive is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of services) after an offer is made but before the acceptance thereof by such selected executive, the offer is deemed withdrawn and no longer capable of acceptance, unless otherwise decided by the SGP committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the selected executive.
- (i) The unaccepted offers and/or unvested SGP shares to selected executives will lapse and/or deemed to be cancelled and/or ceased to be capable of vesting when they are no longer in employment of the Group.

On 22 February 2018, the Company extended the SGP for another five years until 26 March 2023 in accordance with the terms of the By-Laws of the Group.

During the financial year, there is no allotment of new ordinary shares under SGP by the Company.

OTHER STATUTORY INFORMATION

Before the Financial Statements of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 100 to 186 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

.....
LIM AH HOCK

.....
LIM PAY CHUAN

Kuala Lumpur
21 October 2020

STATUTORY DECLARATION

I, Teh Bee Choo, being the Officer primarily responsible for the financial management of PESTECH International Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 100 to 186 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
21 October 2020)

.....
TEH BEE CHOO
(MIA No.: 7562)
CHARTERED ACCOUNTANT

Before me:

No : W805
SAMIRTHA APOSTLER

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PESTECH INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)

REGISTRATION NO: 201101019901 (948035-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PESTECH International Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 100 to 186.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Group

Revenue and cost recognition for construction contracts and concession arrangement

The risk –

The revenue and cost recognition for construction contracts and concession arrangement are recognised in accordance to the accounting policies as detailed in Notes 3.13, 3.14, 23 and 27 to the Financial Statements.

We focus on this area as significant management's judgement and estimates are involved in determining the followings:

- (i) transaction price for construction contracts which include significant financing component;
- (ii) relative fair values of the services delivered and allocation of the consideration received or receivable of each concession service;
- (iii) stage of completion using the output method which is based on the level of completion of the development phase of the projects which is certified by professional engineers or consultants;
- (iv) extent of contract cost incurred to-date;
- (v) total construction contract cost and cost to completion; and
- (vi) provision for liquidated ascertained damages.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PESTECH INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO: 201101019901 (948035-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Group (cont'd)

Revenue and cost recognition for construction contracts and concession arrangement (cont'd)

Our response –

In addressing this area of focus, we have performed, amongst others, the following procedures:

- perused terms and conditions stipulated in the agreements with customers and subcontractors/suppliers for individually significant contract and assessed their relationship to the revenue and costs recognised;
- assessed total construction contract revenue by examining evidences such as construction contracts, approved variation orders and correspondences with customers and verified the progress billings. In instances where projects have been delayed, assessed the necessity and sufficiency of the provision for liquidated ascertained damages based on the management's estimates and reviewed the supporting documentation such as correspondences with customers or consultants, extension of time approvals and work progress reports indicating reasons for delays;
- evaluated the appropriateness and the consistency of key assumptions used by the management to determine the transaction price for construction contracts which include significant financing component, fair value of the services to be delivered and the basis of the allocation of the consideration received and/or receivable to each service;
- evaluated the competence, capabilities and objectivity of independent qualified engineers or in-house engineers;
- checked the stage of completion of construction contracts on a sample basis to internal progress reports certified by professional engineers or consultants;
- assessed basis used in determining the budgeted contract cost;
- assessed actual costs incurred and accrued costs by examining evidences such as contractors' progress claims and suppliers' invoices issued during the financial year and/or subsequent to the financial year; and
- interviewed management's project team on the achievability of the forecasted costs to completion of the individually significant projects.

Recoverability of trade receivables and contract assets

The risk –

MFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of significant assumptions about future economic conditions and credit risk of the customers in the calculation of loss allowance. The Group has assessed the lifetime expected credit loss of trade receivables and contract assets amounts using the simplified approach.

As disclosed in Notes 9 and 11 to the Financial Statements, the Group has significant contract assets and trade receivables as at 30 June 2020 and these are subject to credit risk exposure.

We focused on this area because management's assessment of ECL requires significant judgement over the expected loss rates, forward looking information and probability-weighted estimates. The details of the significant estimates and judgement used by the Group have been disclosed in Note 32.2 to the Financial Statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PESTECH INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)

REGISTRATION NO: 201101019901 (948035-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Group (cont'd)

Recoverability of trade receivables and contract assets (cont'd)

Our response –

In addressing this area of focus, we have performed, amongst others, the following procedures:

- obtained an understanding on how the Group identifies and assesses ECL for trade receivables and contract assets;
- reviewed the key data sources and assumptions for data used in the determination of default rate and the current and forward-looking adjustment factor;
- considered the age of the debts as well as the trend of collections to identify the collection risks;
- obtained debtors confirmation and review collectability by way of obtaining evidence of receipts from the debtors on a sampling basis subsequent to year end;
- discussed with management and the Board of Directors on the recoverability of long outstanding debts, analysed the Group's trend of collections for long outstanding trade debtors and review legal case files; and
- obtained legal confirmations from the Group's external legal counsel and compare the opinion provided by the Group's external legal counsel against management's assessment on the recoverability of long outstanding debts.

Company

We have determined that there are no key audit matters to be communicated in our report in relation to our audit of the financial statements of the Company.

Information other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PESTECH INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO: 201101019901 (948035-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of the Directors for the Financial Statements (cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PESTECH INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)

REGISTRATION NO: 201101019901 (948035-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the Financial Statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

Kuala Lumpur
21 October 2020

HOOI KOK MUN
(NO: 02207/01/2022 (J))
CHARTERED ACCOUNTANT

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	144,941	91,418	2,409	2,947
Intangible assets	5	83,923	87,273	-	-
Investment in subsidiaries	6	-	-	107,799	102,799
Investment in associates	7	637	461	-	-
Derivative financial assets	8	-	7,211	-	-
Contract assets	9	1,054,644	461,902	-	-
Total non-current assets		1,284,145	648,265	110,208	105,746
Current assets					
Contract assets	9	775,449	996,597	-	-
Inventories	10	35,678	14,133	-	-
Trade receivables	11	170,528	198,142	-	-
Other receivables	12	73,249	45,794	214	172
Amount due from related companies	13	-	-	444,957	404,575
Tax recoverable		15,148	18,045	823	3,903
Fixed deposits with licensed institutions	14	7,881	10,991	-	-
Cash and bank balances		90,503	155,578	140	144
Total current assets		1,168,436	1,439,280	446,134	408,794
Total assets		2,452,581	2,087,545	556,342	514,540
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company:					
Share capital	15	212,672	212,672	212,672	212,672
Treasury shares	16	(918)	-	(918)	-
Reserves	17	(50,228)	(33,783)	-	-
Retained earnings		354,154	302,703	8,537	1,302
		515,680	481,592	220,291	213,974
Non-controlling interests	6	90,451	79,297	-	-
Total equity		606,131	560,889	220,291	213,974

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
LIABILITIES					
Non-current liabilities					
Derivative financial liabilities	8	42,386	7,540	-	-
Lease liabilities	18	4,345	4,922	620	881
Loans and borrowings	19	689,586	662,276	-	-
Deferred tax liabilities	20	2,274	336	-	-
Trade payables	21	25,308	66,485	-	-
Total non-current liabilities		763,899	741,559	620	881
Current liabilities					
Contract liabilities	9	6,752	393	-	-
Trade payables	21	524,239	371,656	-	-
Other payables	22	21,732	31,456	913	852
Amount due to related companies	13	246	-	277,089	271,706
Lease liabilities	18	3,059	1,671	396	364
Loans and borrowings	19	510,850	367,690	57,033	26,763
Tax payable		15,673	12,231	-	-
Total current liabilities		1,082,551	785,097	335,431	299,685
Total liabilities		1,846,450	1,526,656	336,051	300,566
Total equity and liabilities		2,452,581	2,087,545	556,342	514,540

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	23	797,683	811,476	33,029	27,267
Operating expenses	24	(699,513)	(722,050)	(17,396)	(15,841)
Other operating income	25	4,526	10,109	16	21
Other gains and losses	26	636	11,582	633	511
Operating profit		103,332	111,117	16,282	11,958
Share of profit of equity-accounted associate	7	176	152	-	-
Profit before interest and tax		103,508	111,269	16,282	11,958
Finance income	27	44,304	40,078	239	2
Finance costs	27	(63,626)	(53,166)	(9,286)	(10,101)
Profit before tax		84,186	98,181	7,235	1,859
Tax expenses	28	(19,670)	(11,506)	-	(210)
Profit for the financial year		64,516	86,675	7,235	1,649
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss					
- Exchange translation differences		14,120	11,174	-	-
- Fair value loss on cash flows hedge		(32,476)	(7,528)	-	-
Total comprehensive income for the financial year		46,160	90,321	7,235	1,649
Profit for financial year attributable to:					
Owners of the Company		51,451	78,972		
Non-controlling interests		13,065	7,703		
		64,516	86,675		
Total comprehensive income attributable to:					
Owners of the Company		35,006	80,086		
Non-controlling interests		11,154	10,235		
		46,160	90,321		
Earnings per share attributable to the owners of the Company:					
Basic earnings per share (RM)	29	0.07	0.10		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Attributable to owners of the Company				Distributable				Non-controlling interests	Total equity
	Share capital	Treasury shares	Fair value reserve	Exchange translation reserve	Capital reserve	Merger deficit	Retained earnings	Total		
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2018	212,672	-	-	(10,294)	8,534	(33,137)	223,731	401,506	69,062	470,568
Profit for the financial year	-	-	-	-	-	-	78,972	78,972	7,703	86,675
Other comprehensive (loss)/ income for the financial year	-	-	(7,528)	8,642	-	-	-	1,114	2,532	3,646
Total comprehensive (loss)/ income for the financial year	-	-	(7,528)	8,642	-	-	78,972	80,086	10,235	90,321
At 30 June 2019	212,672	-	(7,528)	(1,652)	8,534	(33,137)	302,703	481,592	79,297	560,889
Profit for the financial year	-	-	-	-	-	-	51,451	51,451	13,065	64,516
Other comprehensive (loss)/ income for the financial year	-	-	(26,297)	9,852	-	-	-	(16,445)	(1,911)	(18,356)
Total comprehensive (loss)/ income for the financial year	-	-	(26,297)	9,852	-	-	51,451	35,006	11,154	46,160
Transaction with owners:										
Treasury shares acquired	-	(918)	-	-	-	-	-	(918)	-	(918)
At 30 June 2020	212,672	(918)	(33,825)	8,200	8,534	(33,137)	354,154	515,680	90,451	606,131

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings/ (Accumulated losses) RM'000	Total RM'000
Company				
At 1 July 2018	212,672	-	(347)	212,325
Total comprehensive income for the financial year	-	-	1,649	1,649
At 30 June 2019	212,672	-	1,302	213,974
Total comprehensive income for the financial year	-	-	7,235	7,235
Transaction with owners:				
Treasury shares acquired	16	-	(918)	(918)
At 30 June 2020	212,672	(918)	8,537	220,291

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES					
Profit before tax		84,186	98,181	7,235	1,859
Adjustments for:					
Amortisation of intangible assets		6,094	5,123	-	-
Depreciation of property, plant and equipment		12,568	6,724	796	713
Fair value loss/(gain) on derivative financial instruments		7,505	(2,060)	-	-
Gain on disposal of property, plant and equipment		(21)	(933)	-	(543)
Interest expense		63,626	53,166	9,286	10,101
Interest income		(396)	(388)	(239)	(2)
Interest income arising from contract with customers		(43,908)	(39,690)	-	-
Property, plant and equipment written off		1	-	-	-
Unwinding discount of financial liabilities		(3,203)	(8,543)	-	-
Unrealised (gain)/loss on foreign exchange		(7,756)	(8,243)	(640)	26
Share of profit of equity-accounted associates		(176)	(152)	-	-
Operating profit before working capital changes		118,520	103,185	16,438	12,154
Changes in working capital:					
Inventories		(21,158)	19,751	-	-
Receivables		3,256	(82,105)	(42)	(63)
Payables		95,637	50,211	60	(151)
Contract customers		(272,622)	(260,614)	-	-
Advances from associates		246	-	-	-
Cash (used in)/generated from operations		(76,121)	(169,572)	16,456	11,940
Interest received		396	388	239	2
Interest paid		(63,626)	(53,166)	(9,286)	(458)
Tax refunded		3,728	328	3,485	-
Tax paid		(15,406)	(17,738)	(405)	(210)
Net cash (used in)/from operating activities		(151,029)	(239,760)	10,489	11,274
INVESTING ACTIVITIES					
Acquisition of subsidiary, net of cash (Note 6.3)		-	-	-	(12,147)
Advances to subsidiaries		-	-	(44,757)	(4,528)
Purchase of property, plant and equipment	A	(62,168)	(7,669)	(93)	(1,603)
Proceeds from utilisation of derivative financial instruments		1,254	8,323	-	-
Proceeds from disposal of investment in subsidiaries		-	-	-	3,151
Proceeds from disposal of property, plant and equipment		62	933	-	543
Repayments from related companies		-	81	-	-
Net cash (used in)/from investing activities		(60,852)	1,668	(44,850)	(14,584)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
FINANCING ACTIVITIES	B				
Repayments to Directors		-	(31)	-	-
Treasury shares acquired		(918)	-	(918)	-
Advances from/(repayments to) related companies		-	-	5,383	(23,054)
Net drawdown/(repayments) of short-term borrowings		88,264	(6,446)	29,435	26,714
Placement of fixed deposits with licensed institutions		(4,906)	(66)	-	-
Proceeds from term loans		316,827	311,435	-	-
Repayments of term loans		(285,755)	(27,210)	-	-
Repayments of lease liabilities		(2,890)	(1,637)	(394)	(286)
Net cash from financing activities		110,622	276,045	33,506	3,374
CASH AND CASH EQUIVALENTS					
Net changes		(101,259)	37,953	(855)	64
Brought forward		144,875	105,980	95	31
Effects of translation differences		2,560	942	16	-
Carried forward	C	46,176	144,875	(744)	95

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Aggregate cost of property, plant and equipment acquired	63,889	14,773	258	2,703
Financed via lease liabilities arrangements	(1,721)	(7,104)	(165)	(1,100)
Total cash acquisition	62,168	7,669	93	1,603

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 July 2019 RM'000	Cash flows RM'000	Others RM'000	At 30 June 2020 RM'000
	Group			
Borrowings	320,301	88,264	(5,768) (a)	402,797
Term loans	690,916	31,072 (d)	31,294 (a)	753,282
Lease liabilities	6,593	(2,890)	3,701 (b)	7,404
	1,017,810	116,446	29,227	1,163,483
Company				
Amount due to related companies	271,706	5,383	-	277,089
Borrowings	26,714	29,435	-	56,149
Lease liabilities	1,245	(394)	165 (b)	1,016
	299,665	34,424	165	334,254

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)**B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)**

	At 1 July 2018 RM'000	Cash flows RM'000	Others RM'000	At 30 June 2019 RM'000
Group				
Amount due to Directors	31	(31)	-	-
Borrowings	326,902	(6,446)	(155) (a)	320,301
Term loans	398,382	284,225 (d)	8,309 (a)	690,916
Lease liabilities	1,126	(1,637)	7,104 (b)	6,593
	726,441	276,111	15,258	1,017,810
Company				
Amount due to related companies	42,865	(23,054)	251,895 (c)	271,706
Borrowings	-	26,714	-	26,714
Lease liabilities	431	(286)	1,100 (b)	1,245
	43,296	3,374	252,995	299,665

(a) Being exchange translation differences.

(b) Being acquisition of property, plant and equipment by means of lease liabilities arrangement and adjustment on initial application of MFRS 16 (as disclosed in Note 18 to the Financial Statements).

(c) Comprise unrealised gain on foreign exchange, transfer of property, plant and equipment, cost of investment in a subsidiary, interest expenses and novation of debts (as disclosed in Note 13 to the Financial Statements).

(d) The amount are net of drawdown and repayment during the financial year.

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	90,503	155,578	140	144
Fixed deposits with licensed institutions	7,881	10,991	-	-
Bank overdrafts (Note 19)	(44,357)	(18,749)	(884)	(49)
	54,027	147,820	(744)	95
Less: Fixed deposits pledged to licensed institutions	(7,851)	(2,945)	-	-
	46,176	144,875	(744)	95

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and the principal place of business of the Company is located at No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan.

The Company is principally engaged in the business of investment holding, general trading and provision of management services. The principal activities of its subsidiaries are disclosed in Note 6 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 October 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group has established control framework in respect to the measurement of fair values of financial instruments. The management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The management regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM'000 except when otherwise stated.

2.4 Adoption of new standards/amendments/improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 3 to all years presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRS which are mandatory for the financial periods beginning on or after 1 January 2019.

Initial application of the new standards/amendments/improvements to the standards did not have a material impact on the financial statements of the Group and of the Company, except for:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 "Leases", IC Interpretation 4 "Determining whether an Arrangement contains a Lease", IC Interpretation 115 "Operating Leases-Incentives" and IC Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of new standards/amendments/improvements to MFRSs (cont'd)

Initial application of the new standards/amendments/improvements to the standards did not have a material impact on the financial statements of the Group and of the Company, except for (cont'd):

MFRS 16 Leases (cont'd)

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the company is a lessor.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group and the Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group and the Company applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The effect of adoption of MFRS 16 as at 1 July 2019 is as follows:-

	Note	Increase Group RM'000
Asset		
Right-of-use assets	4	1,980
Non-current liability		
Lease liabilities	18	1,039
Current liability		
Lease liabilities	18	941

Before the adoption of MFRS 16, the Group and the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of MFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Company.

Leases previously classified as finance lease

The Group and the Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 were applied to these leases from 1 July 2019.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of new standards/amendments/improvements to MFRSs (cont'd)

Initial application of the new standards/amendments/improvements to the standards did not have a material impact on the financial statements of the Group and of the Company, except for (cont'd):

MFRS 16 Leases (cont'd)

Leases previously accounted for as operating leases

The Group and the Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group and the Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	Group RM'000
Operating lease commitments as at 30 June 2019	286
Weighted average incremental borrowing rate as at 1 July 2019	7.20%
Discounted operating lease commitment as at 1 July 2019	250
Add: Lease payments relating to renewal previously not included in operating lease commitment as at 30 June 2019	1,730
Total operating lease commitment as at 1 July 2019	1,980
Add: Commitments relating to leases previously classified as finance leases	6,593
Lease liabilities as at 1 July 2019	8,573

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective

The Group and the Company have not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

Effective for financial periods beginning on or after 1 January 2020:

Amendments to MFRS 3*	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 7, 9 and 139*#	Investment Rate Benchmark Reform
Amendments to References to Conceptual Framework on MFRS Standards	

Effective for financial periods beginning on or after 1 June 2020:

Amendment to MFRS 16	Covid-19-Related Rent Concessions
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Effective for financial periods beginning on or after 1 January 2022:

Amendments to MFRS 3*	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137*	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020 (MFRS 1, 9, 16 and 141*#)	

Effective for financial periods beginning on or after 1 January 2023:

MFRS 17 and amendments to MFRS 17*#	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current

Effective date deferred indefinitely:

Amendments to MFRS 10 and 128*	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Company's operation

Not applicable to the Group's operation

2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.6.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 3 to 96 years and reviews the useful lives of depreciable assets at end of each of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Useful lives of depreciable assets (cont'd)

At 30 June 2020, the management assesses that the useful lives represent the expected utility of the assets to the Group and the Company. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's and the Company's assets. The carrying amount of the Group's and the Company's property, plant and equipment at the end of the reporting year is disclosed in Note 4 to the Financial Statements.

A 1% (2019: 1%) difference in the expected useful lives of the property, plant and equipment from the management's estimates would result in approximately 8% (2019: 12%) variance in the Group's profit for the financial year.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

The Group carries out the impairment test based on a variety of estimation including the value-in-use of the cash-generating units to which the property, plant and equipment, intangible asset and investment in subsidiaries are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details of the carrying values, key assumptions applied in the impairment assessment of non-financial assets and sensitivity analysis to changes in the assumptions, if any, are disclosed in the respective notes to the financial statements.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's profit to change.

Income tax/Deferred tax liabilities

The Group and the Company are exposed to income taxes. Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax 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 period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Revenue and cost recognised from construction contracts

Revenue is recognised when or as the control of the asset is transferred to the customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress, based on the stage of completion method. The stage of completion is measured using the output method, which is based on the level of completion of the development phase of the project as certified by professional engineers or consultants.

Significant judgement is required in determining the progress towards complete satisfaction of that performance obligation based on the certified work-to-date corroborated by the level of completion of the development based on actual costs incurred to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgements, management relies on past experience and the work of specialists.

Provision for expected credit losses ("ECLs") of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the power distribution and transmission and rail electrification sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 32.2 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

2.6.2 Significant management judgement

There is no significant management judgement in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries and entities controlled by the Company (including structured entities) made up to the end of the financial year.

The Company controls an investee if and only if the Company has all the followings:

- (i) power over the investee;
- (ii) exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect the amount of the investor's returns.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of consolidation (cont'd)

Potential voting rights are considered when assessing control only if the rights are substantive. The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of an investee shall begin from the date the Company obtains control of the investee and cease when the investor loses control of the investee. The consolidated financial statements are prepared using uniform accounting policies in accordance with the Group's accounting policies for like transactions and other events in similar circumstances.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries and a jointly-controlled entity are all drawn up to the same reporting date.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transaction are eliminated in full. Where unrealised losses on intra-group assets sales are reversed on consolidation, the underlying assets are also tested for impairment from a group perspective.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes of interests in subsidiaries

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

3.1.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business combinations (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Common control business combination

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

The acquisition resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been affected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in equity.

3.1.4 Loss of control

When the Company loses control of a subsidiary:

- (i) It derecognises the assets and liabilities, non-controlling interests, and other amounts previously recognised in other comprehensive income relating to the former subsidiary.
- (ii) It recognises any gain or loss in profit or loss attributable to the Group, which is calculated as the difference between (i) the aggregate of the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control; plus any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the net carrying amount of assets, liabilities, goodwill and any non-controlling interests attributable to the former subsidiary at the date when control is lost.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Loss of control (cont'd)

When the Company loses control of a subsidiary (cont'd):

- (iii) It recognises any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant MFRS. That fair value shall be regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

3.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting year, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

3.1.6 Associate

Associate is an entity in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investments in its associate are accounted for using the equity method. Under the equity method, investment in an associate is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statements of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

The financial statements of the associate is prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.6 Associate (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in an associate is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.1.7 Foreign operations

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting year, except for goodwill and fair value adjustments arising from business combination before 1 January 2011 (the date when the Group and the Company first adopted MFRSs) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in exchange translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the assets to working condition for their intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost. Freehold land with an infinite life is not depreciated. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Long term leasehold land	96 years
Buildings	50 years
Motor vehicles	5 years
Tools and equipment	5 – 17 years
Office equipment	3 – 10 years
Renovation	10 years

Capital work-in-progress consists of land and building under construction. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to the assets under construction until the assets are ready for their intended use. Assets under constructions are not depreciated until they are completed and ready for their intended use.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss.

3.3 Intangible assets - rights

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through a contractual agreement or a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Intangible assets - rights (cont'd)

The useful life of intangible assets is assessed to be finite and are amortised on straight-line basis over the estimated economic useful life or based on percentage of completion over the construction period 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3.4 Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

3.5 Leases

3.5.1 Accounting policy applies from 1 July 2019

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

3.5.1 Accounting policy applies from 1 July 2019 (cont'd)

As lessee (cont'd)

Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	2 – 6 years
Motor vehicles	5 years
Tools and equipment	5 – 10 years

If ownership of the lease asset transfers to the Group and the Company at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as detailed in Note 3.8 to the Financial Statements.

Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

3.5.1 Accounting policy applies from 1 July 2019 (cont'd)

As lessee (cont'd)

Short-term leases

The Group and the Company apply the short-term leases recognition exemption to its short-term leases. Lease payments on short-term leases are recognised as expenses on a straight-line basis over the lease term.

As lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the profit or loss due to its operating nature. Contingent rents are recognised as other income in the year in which they are earned.

3.5.2 Accounting policy applied until 30 June 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance leases

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Inventories

Inventories comprising work-in-progress and general stocks are stated at the lower of cost and net realisable value after adequate specific allowance has been made by Directors for deteriorated, obsolete and slow-moving inventories.

Cost of general stocks is determined on a first-in-first-out method. The cost of general stocks comprises the original purchase price plus the costs incurred in bringing the inventories to their present location and condition.

The cost of work-in-progress comprises the cost of raw materials, direct labour and a proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Financial instruments

3.7.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

3.7.2 Financial assets - classification and subsequent measurement

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

- the Group's or the Company's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

In the year presented, the Group's financial assets are categorised as amortised cost and FVTPL. The Company's financial assets are only categorised as amortised cost.

All income and expenses relating to financial assets that are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.2 Financial assets - classification and subsequent measurement (cont'd)

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's fixed deposits with licensed institutions, cash and bank balances, amount due from related companies, trade and most other receivables fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Financial asset at FVTPL included derivatives entered by the Group that do not meet the hedge accounting criteria. Derivative assets are measured in accordance with accounting policy set out in Note 3.7.5.

3.7.3 Financial liabilities - classification and subsequent measurement

The Group's and the Company's financial liabilities include loans and borrowings, amount due to related companies, trade and most of the other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method, except for derivatives and financial liabilities designated at FVTPL which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are disclosed within finance costs or finance income.

3.7.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.5 Derivative financial instruments

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statements of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the fair value reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

3.8 Impairment of assets

3.8.1 Non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment of assets (cont'd)

3.8.1 Non-financial assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.8.2 Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment of assets (cont'd)

3.8.2 Financial assets (cont'd)

Trade receivables and contract assets (cont'd)

The Group considers a financial asset in default from all possible default events over the expected life of assets. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.9 Cash and cash equivalents

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

Bank overdrafts are shown as current liabilities in the statements of financial position.

3.10 Equity, reserves and dividend payments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

Retained earnings/(accumulated losses) include all current year's profit and prior years' retained profits.

All transactions with the owners of the Company are recorded separately within equity.

3.11 Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchase shares that are not subsequently cancelled are classified as treasury shares in the Statement of Changes in Equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

3.12 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Provisions (cont'd)

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision is discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.13 Concession assets

The Group recognises revenue from the construction and upgrading of infrastructure project under build-operate-transfer agreement ("BOT") in accordance with the accounting policy for construction contracts set out in Note 3.14.

The Group recognises the consideration receivable as a concession asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Concession assets are accounted for in accordance with the accounting policy of a financial asset set out in Note 3.7.

Capital expenditures necessary to support the Group's operation as a whole are recognised as property, plant and equipment, and accounted for in accordance with the policy stated under property, plant and equipment in Note 3.2. Cost and expenditures related to the building of power transmission system are recognised as construction cost in profit or loss in the financial year it incurred.

When the Group has contractual obligations that it must fulfil as a condition of its BOT agreement to maintain the infrastructure to a specified standard or to restore the infrastructure when the infrastructure has deteriorated below a specified condition, it recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 3.12.

Repairs and maintenance and other expenses that are routine in nature are recognised in profit or loss as incurred.

3.14 Revenue

3.14.1 Revenue from contract customer

Revenue from contract customer is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, net of discount. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are not met, the Group recognises revenue at a point in time when the performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue (cont'd)

3.14.1 Revenue from contract customer (cont'd)

Construction contracts

The Group's contract revenue is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use. Hence, it is accounted for as a single performance obligation.

Revenue is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, net of discount. The Group's contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Variation claim gives rise to a variable consideration which are estimated at either the expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not be reversed.

The transaction price is adjusted for the effects of time value of money if the timing of payments provides the customer with a significant benefit of financing the transfer of goods or services to the customer.

For contracts with deferred payment scheme, the Group adjusts the promised consideration for the effects of the significant financing component using the discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception. The significant financing component is recognised as finance income in the profit or loss over the credit period using the effective interest rate applicable at the inception date.

Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group's revenue and profits for construction contracts are recognised over time arising from the fulfillment of the following criteria:

- The customer of the construction contracts simultaneously receives and consumes the benefits provided as the construction service progress.
- The construction service relates to the creation or enhancement of an asset or a combination of assets which the customer controls.
- The construction service does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is measured using the output method, which is based on the level of completion of the development phase of the project as certified by professional engineers or consultants.

Where the outcome of a contract cannot be reasonably estimated, revenue is recognised to the extent of construction contract costs incurred that is probable will be recoverable, and the contract costs shall be recognised as an expense in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue (cont'd)

3.14.1 Revenue from contract customer (cont'd)

Construction contracts (cont'd)

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in the profit or loss irrespective of whether construction work has commenced or not, or of the stage of completion of development activity, or of the amounts of profits expected to arise on other unrelated construction contracts.

The excess of revenue recognised in the profit or loss over the billings to customers of contracts is recognised as contract asset.

The excess of billings to customers of contracts over revenue recognised in the profit or loss is recognised as contract liability.

Sale of manufactured goods and construction materials

Sales are recognised based on the transaction prices specified in the contracts, which are at a point in time upon delivery of products and customer acceptance, and performance of after-sales services, if any, net of tax and discounts. There is no element of financing present as the Group's sales of goods are on credit terms which is consistent with the market practice.

Revenue from concession arrangement

Under the concession agreement, the Group is engaged to construct the infrastructure project and provide asset management services, which are separate performance obligations. The fair value of revenue, which is based on fixed price under the agreement have been allocated based on relative stand-alone selling price of the considerations for each of the separate performance obligations. The Group recognised construction revenue over time as the project being constructed has no alternative use to the Group and it has an enforceable right to the payment for the performance completed to date.

Maintenance service charges are recognised in the accounting period in which the services are rendered.

3.14.2 Other revenue

Other revenue earned by the Group and the Company are recognised on the following bases:

- Management fee income is recognised when services are rendered.
- Dividend income is recognised when the Company's right to receive payment is established.
- Interest income is recognised on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

3.15 Employee benefits

3.15.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Employee benefits (cont'd)

3.15.2 Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3.15.3 Share-based compensation

The Group's SGP (implemented on 8 March 2012), an equity-settled, share-based compensation plan, allows eligible employees of the Group to be entitled for ordinary shares of the Group. The total fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in the share capital upon allotment of shares. The fair value of shares is measured at grant date.

In its separate financial statements of the Group, the grant by the Group of its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution to the subsidiary. The fair value of shares granted to employees of the subsidiary in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity of the Group.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the year in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.17 Tax expenses

Tax expenses comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

3.17.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax expenses (cont'd)

3.17.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Statements of Financial Position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.18 Contingent liabilities

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the Statements of Financial Position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.19 Operating segment

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Capital work-in-progress RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovation RM'000	Tools and equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Right-of-use assets RM'000	Total RM'000
Cost										
At 1 July 2018	3,999	38,820	3,937	15,770	1,044	26,159	9,544	8,470	-	107,743
Reclassification	-	(39,166)	-	31,903	3,099	-	-	4,164	-	-
Additions	-	346	-	-	229	6,788	4,445	2,965	-	14,773
Disposals	-	-	-	-	-	-	(2,875)	-	-	(2,875)
Translation differences	-	-	-	-	-	239	68	3	-	310
At 30 June 2019	3,999	-	3,937	47,673	4,372	33,186	11,182	15,602	-	119,951
Effect on adoption of MFRS 16	-	-	-	-	-	-	-	-	1,980	1,980
Reclass to right-of-use assets	-	-	-	-	-	(12,582)	(6,791)	(589)	19,962	-
At 1 July 2019, restated	3,999	-	3,937	47,673	4,372	20,604	4,391	15,013	21,942	121,931
Reclassification	-	-	-	-	-	128	-	(128)	-	-
Additions	-	-	-	587	397	59,168	325	1,757	1,655	63,889
Disposals	-	-	-	-	-	-	(181)	-	-	(181)
Written off	-	-	-	-	-	-	-	(2,313)	-	(2,313)
Translation differences	-	-	-	-	-	475	98	12	4	589
At 30 June 2020	3,999	-	3,937	48,260	4,769	80,375	4,633	14,341	23,601	183,915
Accumulated depreciation										
At 1 July 2018	-	-	290	1,230	460	10,542	6,030	6,014	-	24,566
Charge for the financial year	-	-	60	851	378	2,328	1,507	1,600	-	6,724
Disposals	-	-	-	-	-	-	(2,875)	-	-	(2,875)
Translation differences	-	-	-	-	-	93	22	3	-	118
At 30 June 2019	-	-	350	2,081	838	12,963	4,684	7,617	-	28,533
Reclass to right-of-use assets	-	-	-	-	-	(2,165)	(2,256)	(67)	4,488	-
At 1 July 2019, restated	-	-	350	2,081	838	10,798	2,428	7,550	4,488	28,533
Charge for the financial year	-	-	60	971	127	4,475	726	2,301	3,908	12,568
Disposals	-	-	-	-	-	-	(140)	-	-	(140)
Written off	-	-	-	-	-	-	-	(2,312)	-	(2,312)
Translation differences	-	-	-	-	-	251	58	12	4	325
At 30 June 2020	-	-	410	3,052	965	15,524	3,072	7,551	8,400	38,974
Carrying amount										
At 30 June 2020	3,999	-	3,527	45,208	3,804	64,851	1,561	6,790	15,201	144,941
At 30 June 2019	3,999	-	3,587	45,592	3,534	20,223	6,498	7,985	-	91,418

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Motor vehicles RM'000	Office equipment RM'000	Tools and equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Company						
Cost						
At 1 July 2018	2,316	821	3	-	-	3,140
Additions	1,403	1,125	-	175	-	2,703
Disposals	(1,442)	-	-	-	-	(1,442)
At 30 June 2019	2,277	1,946	3	175	-	4,401
Reclass to right-of-use assets	(1,956)	-	-	-	1,956	-
At 1 July 2019, restated	321	1,946	3	175	1,956	4,401
Additions	-	93	-	-	165	258
At 30 June 2020	321	2,039	3	175	2,121	4,659
Accumulated depreciation						
At 1 July 2018	1,597	586	-	-	-	2,183
Charge for the year	475	226	-	12	-	713
Disposals	(1,442)	-	-	-	-	(1,442)
At 30 June 2019	630	812	-	12	-	1,454
Reclass to right-of-use assets	(449)	-	-	-	449	-
At 1 July 2019, restated	181	812	-	12	449	1,454
Charge for the year	65	289	-	18	424	796
At 30 June 2020	246	1,101	-	30	873	2,250
Carrying amount						
At 30 June 2020	75	938	3	145	1,248	2,409
At 30 June 2019	1,647	1,134	3	163	-	2,947

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Carrying amount of property, plant and equipment pledged as securities for the term loans facilities granted to subsidiaries are:

	Group	
	2020 RM'000	2019 RM'000
Freehold land	3,999	3,999
Buildings	39,046	39,279
Right-of-use assets (Tools and equipment)	6,618	6,840
	49,663	50,118

Included in property, plant and equipment are right-of-use assets defined under MFRS 16 Leases as set out below:

	At beginning of financial year* RM'000	Additions RM'000	Depreciation RM'000	At end of financial year RM'000
Group				
Buildings	1,980	750	(1,220)	1,510
Motor vehicles	4,535	824	(1,231)	4,128
Tools and equipment	10,939	81	(1,457)	9,563
Total	17,454	1,655	(3,908)	15,201
Company				
Motor vehicles	1,507	165	(424)	1,248

* Adjustment on initial application of MFRS 16 at 1 July 2019, as restated.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

5. INTANGIBLE ASSETS

	Rights RM'000	Goodwill RM'000	Total RM'000
Group			
Cost			
At 1 July 2018	90,383	3,304	93,687
Translation differences	1,920	-	1,920
At 30 June 2019	92,303	3,304	95,607
Translation differences	2,980	-	2,980
At 30 June 2020	95,283	3,304	98,587
Accumulated amortisation			
At 1 July 2018	3,167	-	3,167
Amortisation during the financial year	5,123	-	5,123
Translation differences	44	-	44
At 30 June 2019	8,334	-	8,334
Amortisation during the financial year	6,094	-	6,094
Translation differences	236	-	236
At 30 June 2020	14,664	-	14,664
Carrying amount			
30 June 2020	80,619	3,304	83,923
30 June 2019	83,969	3,304	87,273
		Group	
		2020	2019
		RM'000	RM'000
Rights:			
- Cambodia's concession asset		77,085	77,710
- MRT2 Project		3,534	6,259
		80,619	83,969

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

5. INTANGIBLE ASSETS (CONT'D)

i. Cambodia's concession asset

The right was acquired by the Group through a contractual agreement to construct, maintain and service a transmission system in Cambodia for a period of 25 years starting from the commencement of the operation of the transmission system.

The construction works for the development of the transmission system has been completed by 30 November 2017 and the operation phase started on 1 January 2018. Thus, the right is amortised over a period of 25 years starting from 1 January 2018.

ii. Mass Rapid Transit 2 ("MRT2") Project

The right was acquired through a business combination to provide engineering, procurement, construction, testing and commissioning of power supply and distribution system of MRT2 Project.

The MRT2 Project is estimated to be completed by 30 May 2022. The right is amortised based on the stage of completion over the construction period.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest cash-generating unit level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amount of goodwill allocated to each unit are as follows:

	Group	
	2020 RM'000	2019 RM'000
Forward Metal Works Sdn. Bhd.	715	715
CRSE Sdn. Bhd.	2,589	2,589
	3,304	3,304

The recoverable amount for the above was based on its value-in-use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5-years business plans.
- Revenue was projected at anticipated annual revenue growth of approximately 1% to 5% (2019: 1% to 5%) per annum.
- Expenses were projected at annual increase of approximately 1% to 10% (2019: 1% to 10%) per annum.
- A pre-tax discount rate of 10% (2019: 10%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the Group plus a reasonable risk premium.

With regards to the assessments of value-in-use of these CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying amount of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost	104,672	99,672
Contributions to subsidiaries - Share Grant Plan	3,127	3,127
	107,799	102,799

6.1 Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Effective interest		Principal activities
		2020 %	2019 %	
PESTECH Sdn. Bhd. ("PSB")	Malaysia	100	100	Provision of comprehensive power system engineering and technical solutions for design, procurement and installation of substations, transmission lines and underground cables for electricity transmission and distribution, and also manufacture proprietary power system components and equipment. It is also an investment holding company.
PESTECH (Cambodia) PLC ("PCL") ^(a)	Cambodia	100	100	Construction of electrical substation and transmission line.
PESTECH Energy Sdn. Bhd. ("PEN")	Malaysia	100	100	Provision of design and supply of remote-control systems and data communication products and its related services.
PESTECH Engineering Technology China Co. Limited ("PCN") ^(d)	People's Republic of China	100	100	Provision of project management, electrical substations and transmission line erection and installation, supervision of testing and commissioning and civil works.
PESTECH Power Sdn. Bhd. ("PPW")	Malaysia	100	100	Investment holding and provision of establishing electric power transmission concessions.
PESTECH (PNG) Ltd. ("PNG") ^(d)	Papua New Guinea	100	100	Provision of project management, electrical substations and transmission line erection and installation, supervision of testing and commissioning and civil works.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows (cont'd):

Name of company	Place of incorporation	Effective interest		Principal activities
		2020 %	2019 %	
PESTECH (Sarawak) Sdn. Bhd. ("PSW")	Malaysia	100	100	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
PESTECH Technology Sdn. Bhd. ("PTE")	Malaysia	100	100	Provision of design, engineering, supply and commissioning of plant systems for power plants and rail electrification projects.
PESTECH Transmission Sdn. Bhd. ("PTR")	Malaysia	100	100	Provision of comprehensive power system engineering and technical solutions for design, procurement, construction, commissioning of High Voltage ("HV") and Extra High Voltage ("EHV") substations.
ENERSOL Co. Ltd. ("ENR")	Malaysia (Labuan)	100	100	Investment holding, provision of comprehensive power system engineering and technical solution for design, procurement, and installation of substations, transmission lines and underground cables for electric power transmission and distribution.
PESTECH System Siam Ltd. ("PSS") ^{(b)*}	Thailand	99.99	-	Inactive.
PESTECH Vietnam Company Limited ("PVN") ^{(a)*}	Vietnam	100	-	Inactive.
<u>Subsidiaries of PSB:</u>				
Fornix Sdn. Bhd. ("FNX")	Malaysia	100	100	Investment holding company.
PESTECH (Brunei) Sdn. Bhd. ("PBR") ^(d)	Brunei	90	90	Inactive.
PESTECH Transmission Limited ("PTL") ^(c)	Ghana	100	100	Inactive.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows (cont'd):

Name of company	Place of incorporation	Effective interest		Principal activities
		2020 %	2019 %	
<u>Subsidiary of PPW:</u>				
Diamond Power Ltd. ("DPL") ^{(a)#}	Cambodia	60	60	Own, operate and maintain 230kV Kampung Cham – Kratie power transmission infrastructure system.
PESTECH Power One Sdn. Bhd. ("PP1")	Malaysia	100	100	Inactive.
PESTECH Power Two Sdn. Bhd. ("PP2") *	Malaysia	100	-	Inactive.
Astoria Solar Farm Sdn. Bhd. ("ASF") *	Malaysia	100	-	Inactive.
PESTECH REI Sdn. Bhd. ("REI") *	Malaysia	90	-	Inactive.
<u>Subsidiary of PP1:</u>				
ODM Power Line Company Limited ("OPL") ^{(a)*}	Cambodia	70	-	Construction of electrical substation and transmission line.
<u>Subsidiary of FNX:</u>				
Forward Metal Works Sdn. Bhd. ("FMW")	Malaysia	100	100	Investment holding company.
<u>Subsidiary of PEN:</u>				
PESTECH Solutions Sdn. Bhd. ("PSN")	Malaysia	70	70	Undertake marketing and trading of meters, HVDC electrical power transmission system and any other ancillary peripherals and/or products.
SystemCorp Energy Pty Ltd ("SEN") ^{(c)@}	Australia	51	51	Provision of design, manufacture and supply of supervisory control and data acquisition systems, SMART Grid products and associated software and hardware products for the electrical utility industry.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows (cont'd):

Name of company	Place of incorporation	Effective interest		Principal activities
		2020 %	2019 %	
<u>Subsidiary of PCL:</u>				
PESTECH (Myanmar) Limited ("PML") ^(d)	Myanmar	99.99	99.99	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
<u>Subsidiary of PTE:</u>				
CRSE Sdn. Bhd.	Malaysia	100	100	Provision of project management, engineering, design, procurement, construction and related support services in relation to railway electrical and mechanical projects.
<u>Subsidiary of PML:</u>				
PESTECH Hinthar Corporation Limited ("PHC") ^(d)	Myanmar	60	60	Establish the infrastructure of power sector and promote the power segments such as power generation, power transmission and power distribution.
<u>Subsidiary of PHC:</u>				
PESTECH Microgrid Company Limited ("PMG") ^{(d)*}	Myanmar	54	-	Provision of microgrid system and other power infrastructure to the rural areas in Myanmar.

(a) Subsidiary audited by a member firm of Grant Thornton International Ltd.

(b) Subsidiary not audited by a member firm of Grant Thornton International Ltd.

(c) Companies not required to be audited in their countries of incorporation. The financial statements have been audited by Grant Thornton Malaysia PLT for consolidation purpose.

(d) The audited financial statements are not available. The unaudited financial statements have been audited by Grant Thornton Malaysia PLT for consolidation purpose.

* Newly incorporated during the financial year.

@ The subsidiary is in the process of winding-up via voluntary administration procedure.

Pledged as security for term loan facility granted to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.2 Non-controlling interests ("NCI") in subsidiaries

The information of NCI are as follows:

	DPL	OPL	SEN	Others	Total
Percentage of ownership interest and voting interest	40%	30%	49%		
2020	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying amount of NCI	89,840	2,890	(2,013)	(266)	90,451
Profit/(loss) allocated to NCI	10,888	2,841	(399)	(265)	13,065
Total comprehensive income/(loss) allocated to NCI	8,930	2,890	(434)	(232)	11,154
2019					
Carrying amount of NCI	80,911	-	(1,579)	(35)	79,297
Profit/(loss) allocated to NCI	8,213	-	(510)	-	7,703
Total comprehensive income/(loss) allocated to NCI	10,706	-	(469)	(2)	10,235

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material NCI are as below:

	OPL RM'000	DPL RM'000	SEN RM'000
2020			
Financial position as at 30 June			
Non-current assets	-	570,463	-
Current assets	33,677	94,546	428
Non-current liabilities	-	(328,330)	-
Current liabilities	(24,045)	(112,078)	(4,536)
Net assets/(liabilities)	9,632	224,601	(4,108)
Summary of financial performance for the financial year ended 30 June			
Profit/(loss) for the year	9,472	27,220	(815)
Other comprehensive income/(loss)	160	(4,895)	(70)
Total comprehensive income/(loss)	9,632	22,325	(885)
Included in total comprehensive income is:			
Revenue	33,117	22,245	618
Summary of cash flows for the financial year ended 30 June			
Net cash from/(used in) operating activities	-	9,282	(314)
Net cash (used in)/from financing activities	-	(9,259)	323
Net cash inflow	-	23	9

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.2 Non-controlling interests ("NCI") in subsidiaries (cont'd)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material NCI are as below (cont'd):

	DPL RM'000	SEN RM'000
2019		
Financial position as at 30 June		
Non-current assets	539,627	-
Current assets	95,054	350
Non-current liabilities	(315,094)	-
Current liabilities	(117,310)	(3,572)
Net assets/(net liabilities)	202,277	(3,222)
Summary of financial performance for the financial year ended 30 June		
Profit/(loss) for the year	20,533	(1,042)
Other comprehensive income	6,232	85
Total comprehensive income/(loss)	26,765	(957)
Included in total comprehensive income is:		
Revenue	26,885	1,210
Summary of cash flows for the financial year ended 30 June		
Net cash from/(used in) operating activities	38,145	(406)
Net cash used in financing activities	(36,393)	-
Net cash inflow/(outflow)	1,752	(406)

6.3 Addition/disposal of subsidiaries

2020

- (a) On 8 August 2019, the Group incorporated an indirect 100% owned subsidiary, PP2 through PPW, with a paid up capital of RM1 comprising 1 share.
- (b) On 14 August 2019, the Group acquired an indirect 100% owned subsidiary, ASF through PPW, with a total consideration of RM1 comprising 1 share.
- (c) On 3 September 2019, the Company subscribed for additional 999,998 shares of RM1 each of PTR by way of capitalisation of RM999,998 from amount due from subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 Addition/disposal of subsidiaries (cont'd)

2020 (cont'd)

- (d) On 23 October 2019, the Group incorporated an indirect 90% owned subsidiary, REI through PPW, with a paid up capital of RM9 comprising 9 shares.
- (e) On 12 December 2019, the Company incorporated a direct 99.99% owned subsidiary, PSS with a registered capital of 300,000 Baht (equivalent to RM41,082) which is unpaid.
- (f) On 30 January 2020, the Company incorporated a direct 100% owned subsidiary, PVN with a capital contribution of VND585,000,000 (equivalent to RM102,238) which is unpaid.
- (g) On 14 February 2020, the Group incorporated an indirect 90% owned subsidiary, PMG through PHC.
- (h) On 8 April 2020, the Group incorporated an indirect 70% owned subsidiary, OPL through PP1.
- (i) On 18 June 2020, the Company subscribed for additional 4,000,000 shares of RM1 each of PEN by way of capitalisation of RM4,000,000 from amount due from subsidiary.

2019

- (a) On 2 July 2018, the Company disposed its 51% equity interest in SEN representing 2,079,735 ordinary shares to PEN for the total consideration of AUD1,060,665 (equivalent to RM3,151,188). Upon the completion of the disposal, SEN has become the subsidiary of PEN.
- (b) On 1 August 2018, PSB has disposed its 100% equity interest in ENR representing 500,000 ordinary shares to the Company for the total consideration RM2,146,749. Upon the completion of the disposal, ENR has become the wholly-owned subsidiaries of the Company.
- (c) On 2 April 2019, the Group has incorporated an indirect 70% owned subsidiary, PSN through PEN, with paid up capital of RM7 comprising 7 shares of RM1 each.
- (d) On 29 April 2019, the Company had subscribed additional 9,999,998 ordinary shares of RM1 each of PPW by way of capitalisation of RM9,999,998 from the amount due from PPW.
- (e) On 13 June 2019, the Group has incorporated an indirect 100% owned subsidiary, PP1 through PPW, with paid up capital of RM1 comprising 1 share of RM1 each.
- (f) On 24 June 2019, the Group has incorporated an indirect 60% owned subsidiary, PHC through PML, with paid up capital of USD20,000 comprising 20,000 shares of RM1 each.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

7. INVESTMENT IN ASSOCIATES

	Group	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost	137	137
Share of post-acquisition reserve	500	324
	637	461

The particulars of the associates are as follows:

Name of company	Place of incorporation	Effective interest		Principal activities
		2020 %	2019 %	
Pestech Corporation ^(a)	Philippines	38	38	Provision of consultancy, testing, commissioning and construction.
Transmission Energy Inc. ^(a)	Philippines	40	40	Provision of comprehensive power system and technical solutions for the procurement and installation of substations and transmission lines.

(a) Associates not audited by Grant Thornton Malaysia PLT. The financial statements have been reviewed for consolidation purpose.

The Group's associates are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group. Therefore, the summarised financial information of the associates is not presented.

There is no restriction on the ability of associates to transfer funds to the Group in the form of dividend.

There are no contingent liabilities that are incurred jointly with other investors and those that arise because the investor is severally liable for all or part of the liabilities of the associates.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets/ (Liabilities) RM'000
Group				
Non-current				
FVTPL:				
Derivative financial (liability)/asset:				
Forward currency contracts	184,438	(1,548)	178,107	7,211
Hedging derivative:				
Derivative financial liability:				
Interest rate swap contracts	464,767	(40,838)	103,338	(7,540)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

FVTPL

These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with current transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

The Group uses forward currency contracts to manage some of the transaction exposure. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity is more than 12 months and, as a current asset or liability, if the maturity is less than 12 months.

The Group recognised a loss of RM7,505,051 (2019: gain of RM2,060,406) arising from fair value changes of derivative assets and the proceeds from utilisation of derivative financial instruments amounting RM1,254,018 (2019: RM8,323,147). The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 32.3 to the Financial Statements.

Cash flow hedges

The Group had entered into interest rate swap ("IRS") to hedge at least 50% of its borrowing at fixed rate, using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. During 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in US dollars.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group hedged at least 50% of its long-term borrowings, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Instruments used by the Group

Interest rate swaps currently in place cover approximately 39% (2019: 10%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 4.5% and 5.76% (2019: 4.86% and 5.45%).

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2020 RM'000	2019 RM'000
Carrying amount	(40,838)	(7,540)
Notional amount	464,767	103,338
Maturity date	2026 - 2027	2027
Hedge ratio	1:1	1:1
Weighted average hedged rate for the year	4.77%	5.21%

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

There was no recognised ineffectiveness during 2020 or 2019 in relation to the interest rate swaps.

The Group recognised a loss of RM32,476,186 (2019: RM7,528,116) arising from fair value changes of derivative liabilities.

9. CONTRACT ASSETS/CONTRACT LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
Contract assets		
Contract assets from a customer on concession arrangement ^(a)	545,826	512,537
Contract assets from customers on construction contracts ^(b)	1,284,267	945,962
	1,830,093	1,458,499
Presented by:		
Non-current	1,054,644	461,902
Current	775,449	996,597
	1,830,093	1,458,499
Contract liabilities - current		
Contract assets from customers on construction contracts ^(b)	6,752	393

(a) Concession arrangement

	Group	
	2020 RM'000	2019 RM'000
At 1 July	512,537	484,962
Revenue recognised during the year	22,246	26,885
Interest income arising from contract with customers	43,908	39,690
Progress billings issued during the year	(51,587)	(50,556)
Translation differences	18,722	11,556
At 30 June	545,826	512,537

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

9. CONTRACT ASSETS/CONTRACT LIABILITIES (CONT'D)

(a) Concession arrangement (cont'd)

	Group	
	2020 RM'000	2019 RM'000
Presented by:		
Non-current	480,591	461,902
Current	65,235	50,635
	545,826	512,537

Concession assets from customer on concession arrangement represent revenue recognised from concession agreement entered by PPW, which subsequently novated to DPL on 6 April 2015, for the construction, manufacture and services the Kampong Cham - Kratie 230 kV Transmission System ("KTS") in the Kingdom of Cambodia. The project is undertaken on a build - operate - transfer ("BOT") basis.

The terms of the arrangement allow DPL to operate the transmission system for up to a period of 25 years ("Concession Period") after the completion of construction. DPL will receive a certain sum from Electricite Du Cambodge ("EDC") over the operation period of 25 years in exchange for the service performed. DPL has completed the construction in November 2017 and the operation of the transmission system had commenced on 1 January 2018. Upon expiry of the concession arrangement, the transmission system is to be transferred back to EDC.

(b) Construction contracts

The Group issued progress billings to the customers when the billings milestones are attained while the revenue recognised when the performance obligation is satisfied.

	Group	
	2020 RM'000	2019 RM'000
Contract assets	1,284,267	945,962
Contract liabilities	(6,752)	(393)
	1,277,515	945,569
At 1 July	945,569	702,812
Revenue recognised during the year	757,742	689,610
Progress billings issued during the year	(456,876)	(461,375)
Translation differences	31,080	14,522
At 30 June	1,277,515	945,569
Presented by:		
Non-current	574,053	-
Current	703,462	945,569
	1,277,515	945,569

The unsatisfied performance obligation at the end of the reporting year are expected to be recognised within 1 year.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

10. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
Work-in-progress	12,217	7,229
General stocks	23,461	6,904
	35,678	14,133

The inventories recognised as cost of sales in profit or loss for the financial year is RM347,741,321 (2019: RM483,220,954).

11. TRADE RECEIVABLES

	Group	
	2020 RM'000	2019 RM'000
Trade receivables	69,716	117,183
Retention sums on contracts	100,812	80,959
	170,528	198,142

Trade receivables are non-interest bearing and the normal credit terms granted by the Group range from 30 to 60 days (2019: 30 to 60 days).

12. OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables	4,014	1,959	63	63
Advanced payments to suppliers	29,303	1,766	-	-
Deposits	4,207	2,383	9	6
Prepayments	19,369	26,152	142	102
GST/VAT receivable	16,356	13,534	-	1
	73,249	45,794	214	172

Included in deposits of the Group is an amount of USD400,000 (equivalent to RM1,637,200) paid for proposed acquisition of 94% equity interest in Green Sustainable Ventures (Cambodia) Co., Ltd as disclosed in Note 35(c) to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

13. AMOUNT DUE FROM/TO RELATED COMPANIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amount due from:				
Subsidiaries (Non-trade)	-	-	444,957	404,575
Amount due to:				
Subsidiaries (Non-trade)	-	-	277,089	271,706
Associates (Trade)	246	-	-	-
	246	-	277,089	271,706

Included in amount due from subsidiaries is dividend receivable from subsidiaries amounted to RM17,525,597 (2019: RM9,965,266).

In prior year, PSB had novated an amount of USD58,600,599 (equivalent to RM242,225,575) due from PCL to the Company.

The amount due from/to subsidiaries/associates are unsecured, repayable on demand and interest free, except for RM262,408,277 (2019: RM260,677,270) of amount due to a subsidiary which bears interest at an average rate of 4.36% (2019: 4.73%) per annum.

14. FIXED DEPOSITS WITH LICENSED INSTITUTIONS

The effective interest rates of fixed deposits with licensed institutions range from 3.10% to 4.25% (2019: 3.10% to 3.50%) per annum. The maturity periods of the fixed deposits are range from 1 to 31 days (2019: 1 to 31 days).

Included in the Group's fixed deposits is RM7,850,837 (2019: RM2,945,119) which have been pledged to licensed banks for banking facilities granted to subsidiary.

15. SHARE CAPITAL

Group and Company

	Number of shares		Amount	
	2020 '000	2019 '000	2020 RM'000	2019 RM'000
Issued and fully paid:				
At 1 July/30 June	764,294	764,294	212,672	212,672

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

16. TREASURY SHARES

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 27 November 2019, approved the renewal of the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of the existing total issued and paid-up share capital.

The Company repurchased 1,163,500 of its ordinary shares from the open market at an average price of RM0.79 (including transaction costs) per ordinary share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

As at 30 June 2020, the Company held a total of 1,163,500 treasury shares out of its 764,293,572 issued ordinary shares. The treasury shares are held at a carrying amount of RM918,327.

Treasury shares have no rights to vote, dividends and participation in other distribution.

17. RESERVES

	Group	
	2020 RM'000	2019 RM'000
Non-distributable reserve:		
Merger deficit	(33,137)	(33,137)
Exchange translation reserve	8,200	(1,652)
Capital reserve	8,534	8,534
Fair value reserve	(33,825)	(7,528)
	(50,228)	(33,783)

Merger deficit

The merger deficit represents the effect arising from the merger of subsidiaries by the Company.

Exchange translation reserve

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Capital reserve

A subsidiary has increased the share capital from capitalisation of post-acquisition retained earnings, in effect, a permanent freezing of the portion of the subsidiary's post-acquisition retained earnings is recognised by a transfer from Group's retained earnings to the Group's capital reserve.

Fair value reserve

The fair value reserve represents the effective portion of changes in the fair value of the derivative financial instruments that are designation and qualified as cash flow hedge.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

18. LEASE LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current				
- within 1 year	3,059	1,671	396	364
Non-current				
- between 2 to 5 years	4,152	4,511	620	881
- more than 5 years	193	411	-	-
	4,345	4,922	620	881
	7,404	6,593	1,016	1,245

The Group's and the Company's leases bear interest at rates range from 2.00% to 3.86% and 2.26% to 2.35% (2019: 2.00% to 3.86% and 2.26% to 2.35%) per annum respectively and RM5,720,517 included in lease liabilities were secured by tools and equipment as disclosed in Note 4 to the Financial Statements and by way of corporate guarantee by the Company.

	Group RM'000	Company RM'000
At 30 June 2019	6,593	1,245
Adjustment on adoption of MFRS 16	1,980	-
At 1 July 2019, as restated	8,573	1,245
Additions	1,721	165
Accretion of interest	684	54
Payments		
- Principal	(2,890)	(394)
- Interests	(684)	(54)
At 30 June 2020	7,404	1,016

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

19. LOANS AND BORROWINGS (SECURED)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
- Term loans	689,586	662,276	-	-
Current				
- Bank overdrafts	44,357	18,749	884	49
- Bankers' acceptances	30,101	50,736	6,649	-
- Term loans	63,696	28,640	-	-
- Trust receipts	193,545	126,585	-	-
- Revolving credit	179,151	142,980	49,500	26,714
	510,850	367,690	57,033	26,763
	1,200,436	1,029,966	57,033	26,763

The particulars of term loans are as follows:

	Group	
	2020 RM'000	2019 RM'000
(a) A 9 years term loan of RM37.7 million which is repayable by 107 equal monthly installments of RM350,000 and a final installment of RM5.4 million commencing on 1 June 2018.	29,541	32,386
(b) A 7 years term loan of RM7.6 million which is repayable by 83 equal monthly installments of RM90,000 and a final installment of RM130,000 commencing on 3 July 2015.	2,200	3,280
(c) A 20 years term loan of RM6.75 million which is repayable by 120 equal monthly installments of RM20,617 and RM21,915 until full settlement of the Facility, commencing 1 month after full drawdown on 1 November 2016.	5,898	6,167
(d) A 10 years term loan of USD67.4 million (equivalent to RM288 million) which is repayable by quarterly installments commencing after the expiry of the 3 years grace period from the date of the first drawdown in May 2016. On 2 August 2019, the existing loan have been refinanced and repayable over 7 years with the first installment payable on the date falling 1 month after utilisation date. The installments range from USD5.3 million (equivalent to RM22.7 million) to USD11 million (equivalent to RM47.1 million) per year.	250,642	254,718
(e) A 9 years term loan of USD50 million (equivalent to RM214 million) which is repayable by 72 monthly installments commencing 3rd year after first drawdown in June 2018. The installments range from USD400,000 (equivalent to RM1.7 million) to USD2.36 million (equivalent to RM10 million) per month.	202,631	187,690

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

19. LOANS AND BORROWINGS (SECURED) (CONT'D)

The particulars of term loans are as follows (cont'd):

	Group	
	2020 RM'000	2019 RM'000
(f) A 9 years term loan of USD50 million (equivalent to RM214 million) which is repayable by 16 semi-annual installments commencing 18 months after first drawdown in April 2019. The installments range from USD2.5 million (equivalent to RM10 million) to USD3.75 million (equivalent to RM16 million) per semi-annual.	214,125	206,675
(g) A 5 years term loan of USD9.5 million (equivalent to RM40 million) and KHR10.31 billion (equivalent to RM11 million) which are repayable by 48 installments commencing 12 months after first drawdown in November 2019. The installments are amounting to USD197,917 (equivalent to RM848,074) and KHR214 million (equivalent to RM225,026) respectively.	48,245	-
	753,282	690,916

The term loan (a) and (c) are secured by:

- (i) Letter of offers;
- (ii) Master facility agreements;
- (iii) Asset sale agreements over shariah compliant commodities;
- (iv) Deeds of assignment of the sale and purchase agreement with power attorney to transfer or otherwise deal with the land and buildings of the subsidiary; and subsequently, upon issuance of the individual title, a legal charge over the land and buildings of the subsidiary;
- (v) A first party fixed charge over the landed properties;
- (vi) Facility agreement together with profit, commission and all other charges thereon;
- (vii) A third limited debenture ranks pari passu to the existing debenture limited to the land; and
- (viii) Corporate guarantee from the Company.

Term loan (b) is obtained by way of corporate guarantee by the Company and specific debenture over tools and equipment of a subsidiary.

The term loan (d) is secured by:

- (i) Assignment of rights and benefits under the Power Transmission Agreement;
- (ii) Assignment of rights and benefits under the Implementation Agreement;
- (iii) Assignment of rights and benefits under the Operation and Maintenance Agreement;
- (iv) Assignment of rights and benefits under contract, agreements and insurances in relation to the project;
- (v) Assignment of revenue proceeds of the project from EDC;
- (vi) Pledge over shares of DPL;
- (vii) Assignment of designated accounts; and
- (viii) Debentures over DPL.

The term loan (e) is secured by:

- (i) Assignment and charge over accounts, assignment of project documents, assignment of takaful insurances and letter of undertaking;
- (ii) Insurance premium covered during the construction of the project; and
- (iii) Corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

19. LOANS AND BORROWINGS (SECURED) (CONT'D)

The term loan (f) is secured by:

- (i) Granting certain direct rights to the Direct Agreement;
- (ii) Pledge of bank account opened by the subsidiary;
- (iii) Insurance premium covered during and after the construction of the project; and
- (iv) Corporate guarantee from the Company.

The term loan (g) is secured by:

- (i) Corporate guarantee from the Company;
- (ii) Legal assignment/power of attorney over the rights and interest to the proceeds under the contract; and
- (iii) Notice of assignment or irrevocable payment instruction to notify EDC on the assignment.

Other than term loans, other borrowings of the Group are secured by:

- (i) Master facility agreement;
- (ii) Corporate guarantee by the Company;
- (iii) Blanket counter indemnity from a subsidiary;
- (iv) Letter of undertaking from a subsidiary;
- (v) Deed of legal assignment over proceeds of MRT2 Project with notice of assignment duly acknowledged by project principal/awarder;
- (vi) Debenture over the fixed and floating assets, present and future;
- (vii) Letter of undertaking from the Company to cover for costs overrun, if any;
- (viii) Letter of negative pledge;
- (ix) Irrevocable instruction letter to project principal/awarder, duly acknowledged by the same, to channel all project proceeds to designated Project Escrow Account;
- (x) Marginal deposit to be built by way of sinking fund by debit of up to 5% of each progress claim, up to RM25,000,000;
- (xi) Letter of set-off on the marginal deposit, so long the specific project financing line - MRT2 Project limits subsist;
- (xii) Irrevocable instruction letter to authorise the banks to operate designated escrow account;
- (xiii) Securities acceptable to the Bank as may be advised by the Bank's panel solicitors;
- (xiv) Overdraft undertaking; and
- (xv) Banker Acceptance undertaking and indemnity.

The borrowings of the Company are secured by corporate guarantee by a subsidiary of the Company.

The effective interest rates per annum are as follows:

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Term loans	4.00 - 8.00	4.25 - 7.70	-	-
Bank overdrafts	6.49 - 8.50	5.00 - 8.40	6.85	7.85
Bankers' acceptances	3.40 - 6.40	3.72 - 6.64	3.60 - 4.58	-
Trust receipts	1.10 - 7.35	1.55 - 6.03	-	-
Revolving credit	4.48 - 6.65	4.67 - 8.50	4.48 - 6.03	4.67

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

20. DEFERRED TAX LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
At 1 July	336	241
Recognised in profit or loss (Note 28)	1,906	95
Translation reserve	32	-
At 30 June	2,274	336

The deferred tax liabilities as at the end of the reporting year are made up of the temporary differences arising from:

	Group	
	2020 RM'000	2019 RM'000
Property, plant and equipment	2,379	441
Unutilised industrial building allowances	(105)	(105)
	2,274	336

21. TRADE PAYABLES

	Group	
	2020 RM'000	2019 RM'000
Non-current:		
Trade payables	25,308	66,485
Current:		
Trade payables (included accrued contract costs)	504,214	358,190
Retention sum on contracts	20,025	13,466
	524,239	371,656
	549,547	438,141

Included in trade payables of the Group is an amount due to related parties by virtue of common Directors amounting to RM2,316,789 (2019: RM3,411,800) which is unsecured, non-interest bearing and the normal credit term granted by the related parties is 90 days (2019: 90 days).

Trade payables are non-interest bearing and the normal credit terms granted by the trade payables to the Group range from 14 days to 2 years (2019: 14 days to 2 years).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

22. OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables	15,013	20,925	557	660
Deposits received	103	-	-	-
Accruals	5,531	8,900	356	192
Sales and Services Tax payable	1,085	1,631	-	-
	21,732	31,456	913	852

Included in other payables of the Group are:

- (i) an amount of RM2,333,667 (2019: RM2,311,378) due to NCI; and
- (ii) an amount of RM2,914,420 (2019: RM2,813,019) arising from the land compensation for a project carrying out by a subsidiary.

The above amounts are unsecured, non-interest bearing and repayable on demand, except for the amount due to NCI which is subject to interest rate of Nil (2019: 5%) per annum.

23. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Revenue from contract with customers:</u>				
Sales of products	17,695	94,981	-	-
Rendering of services under construction contracts	757,742	689,610	-	-
Concession revenue	22,246	26,885	-	-
Management fee income	-	-	10,327	11,994
<u>Revenue from other sources:</u>				
Dividend income	-	-	22,702	15,273
	797,683	811,476	33,029	27,267
<u>Timing of recognition</u>				
- Satisfied over time	779,988	716,495	10,327	11,994
- Satisfied at point in time	17,695	94,981	-	-
	797,683	811,476	10,327	11,994

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

24. OPERATING EXPENSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Direct costs</u>				
- Raw materials and consumables	515,252	609,350	-	-
- Production overheads	51,283	2,060	-	-
	566,535	611,410	-	-
<u>Employee benefit expenses</u>				
- Directors' remuneration	5,966	5,196	4,001	3,380
- Salaries, wages, bonuses and other emoluments	69,570	44,352	6,846	6,530
- Defined contribution plan	5,116	4,215	827	798
- Social security contributions	502	400	54	54
- Other benefits	1,450	1,391	248	252
	82,604	55,554	11,976	11,014
Directors' fee	181	177	181	177
<u>Depreciation and amortisation</u>				
- Property, plant and equipment	12,568	6,724	796	713
- Intangible assets	6,094	5,123	-	-
	18,662	11,847	796	713
<u>Short-term leases</u>				
- Rental of premises	2,998	2,957	747	471
- Rental of motor vehicles	1,465	151	-	-
- Rental of equipment	-	558	-	-
	4,463	3,666	747	471
<u>Auditors' remuneration</u>				
Grant Thornton Malaysia PLT				
- Audit services	273	277	46	46
- Other services	189	43	144	5
Other auditors	97	109	-	-
	559	429	190	51
Other expenses	26,509	38,967	3,506	3,415
	699,513	722,050	17,396	15,841

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

25. OTHER OPERATING INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sundry income	1,323	1,566	16	21
Unwinding discount of financial liabilities	3,203	8,543	-	-
	4,526	10,109	16	21

26. OTHER GAINS AND LOSSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fair value (loss)/gain on derivative financial instruments	(7,505)	2,060	-	-
Gain on disposal of property, plant and equipment	21	933	-	543
Realised gain/(loss) on foreign exchange	364	346	(7)	(6)
Unrealised gain/(loss) on foreign exchange	7,756	8,243	640	(26)
	636	11,582	633	511

27. FINANCE INCOME/COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Finance income</u>				
Interest income	396	388	239	2
Interest income arising from contracts with customers	43,908	39,690	-	-
	44,304	40,078	239	2

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

27. FINANCE INCOME/COSTS (CONT'D)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Finance costs</u>				
Bank overdrafts	3,861	1,335	2,211	407
Lease liabilities	684	275	54	51
Interest expenses charged by NCI	-	112	-	-
Interest expenses charged by related company	-	-	7,021	9,643
Short-term borrowings	15,440	14,130	-	-
Term loans	39,414	35,832	-	-
Amortisation of unwinding discount of financial liabilities	4,227	1,482	-	-
	63,626	53,166	9,286	10,101

Included in the interest expenses charged by a subsidiary on the Company is the interest expenses bear on behalf of a subsidiary an amounting to Nil (2019: RM8,564,448).

28. TAX EXPENSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current year:				
- current tax	18,556	11,543	-	210
- deferred tax (Note 20)	1,906	94	-	-
	20,462	11,637	-	210
Prior years:				
- current tax	(792)	(132)	-	-
- deferred tax	-	1	-	-
	(792)	(131)	-	-
	19,670	11,506	-	210

Malaysian income tax is calculated at the statutory rate of 24% (2019: 24%) of the estimated taxable profits for the financial year.

Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

28. TAX EXPENSES (CONT'D)

A reconciliation of income tax expenses applicable to profit before tax of the applicable statutory tax rate to income tax expense of the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	84,186	98,181	7,235	1,859
At Malaysian statutory tax rate of 24% (2019: 24%)	20,205	23,563	1,736	446
Effects of different tax rates in overseas subsidiaries	(2,089)	(420)	-	-
Tax effects in respect of:				
- expenses not deductible for tax purposes	20,494	7,871	2,842	883
- income not subject to tax	(8,661)	(13,689)	(5,602)	(3,715)
- movement of deferred tax assets not recognised during the financial year	(2,954)	(760)	1,024	2,596
- exemption under qualified investment project in foreign subsidiary	(6,533)	(4,928)	-	-
- overprovision in prior years	(792)	(131)	-	-
	19,670	11,506	-	210

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment	2,343	2,343	193	246
Unabsorbed tax losses	(15,420)	(24,368)	(10,637)	(6,643)
Unutilised capital allowances	(2,859)	(6,044)	(626)	(406)
Others	(1,728)	(1,906)	-	-
	(17,664)	(29,975)	(11,070)	(6,803)

The unabsorbed tax losses and unutilised capital allowances are available to offset against future taxable profits of the Group and the Company respectively in which those items arose. Deferred tax assets have not been recognised in respect of these items as the Group and the Company are not foreseen to realise the above amounts in the near future.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

29. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing consolidated profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2020	2019
Profit attributable to owners of the Company (RM'000)	51,451	78,972
Weighted average number of ordinary shares in issue - basic (Number of shares '000)	763,979	764,294
Basic earnings per share (RM)	0.07	0.10

There are no diluted earnings per share because the Company does not have any convertible financial instruments as at the end of the financial year.

30. CONTINGENT LIABILITIES

(a) A subsidiary of the Company received a Notice of Tax Reassessment from the tax authority to claim purportedly the followings:

- undeclared prepayment profit tax and value-added tax amounting to USD548,727 (approximately RM2,356,234) pertaining to the period from 1 May 2011 to 31 July 2011;
- undeclared prepayment profit tax and value-added tax amounting to USD492,488 (approximately RM2,114,743) pertaining to the period from 10 January 2013 to 16 October 2013; and
- undeclared prepayment profit tax, value-added tax and 14% withholding tax on service amounting to USD268,816 (approximately RM1,154,296) for the 2010 comprehensive tax audit.

In response, the subsidiary had filed a protest letter to the tax authority to contest the misinterpreted assessment. Management considers this assessment letter to be of no basis and unjustified and the probability that they will be required to settle the assessed taxes is considered to be remote. The protest is still pending as of the date of the financial statements.

(b) CRSE had entered into an alleged sub-contract with Transgrid Ventures Sdn Bhd ("TGV") vide a letter of award on 10 January 2017 ("Impugned LOA"). On 18 December 2017, TGV commenced an arbitration by way of a notice of arbitration against CRSE for an alleged outstanding sum of RM29,362,000 under the alleged sub-contract, which made up of 10% of the sub-contract sum with 6% GST.

CRSE disputes these claims as the Impugned LOA was issued without the authority of CRSE, which occurred prior to the acquisition of CRSE by PTE and there is no goods and services being delivered nor performed by TGV.

Final award was obtained after the arbitration wherein the result is in favour of the Company. The Impugned LOA is declared void, invalid and unenforceable. Currently, TGV is seeking to challenge the Tribunals factual findings.

The said matter is fixed for further hearing on 6 November 2020. Based on the legal advice, the Group is confident that the dispute will be settled in favour of the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

30. CONTINGENT LIABILITIES (CONT'D)

- (c) On 24 November 2014, PTE entered into a sub-contract agreement with Lion Pacific Sdn Bhd ("LPSB") as sub-contractor to complete the systems works package in the project known as "Extension of the Rail Link from the Subang Commuter Station to Subang Skypark Phase 1". The works have been duly completed and a certificate of practical completion has been issued on 20 June 2018. However, LPSB has failed, neglected and refused to settle the remaining outstanding amounting to RM23,672,024 which arose from various certified claims, loss and expense claims and claims for completed variation works. LPSB claimed that the contract payment is back to back with the main contract and LPSB has not being paid by the main contractor.

On 30 October 2019, PTE obtained a Construction Industry Payment and Adjudication Act's adjudication award in their favour as a result of the adjudication proceedings initiated by PTE against Lion Pacific Sdn Bhd ("LPSB") for non-payment of works done. The adjudicator found in favour of PTE that LPSB shall pay a total sum of approximately RM12,666,667 with interests to PTE ("Adjudication Award").

On 19 February 2020, LPSB commenced court proceedings against PTE to set aside or stay the Adjudication Award. On 29 September 2020, the Judge had dismissed the setting aside or stay application. The solicitors representing PTE will proceed to enforce the Adjudication Award to recover the amounts awards which in favour of PTE.

In the opinion of the Directors, disclosure of any further information would be prejudicial to the interests of the Company.

- (d) On 17 February 2020, LPSB commenced an arbitration proceeding by way of a notice of arbitration against PTE that PTE has breached the sub-contract agreement by failing to complete or non-performance of numerous works as agreed. As a result, LPSB alleged that it has suffered losses and damages which LPSB is claiming against PTE a full refund of any monies paid to PTE.

The tribunal of arbitrators have been appointed for the proceeding. Currently, LPSB has served their Statement of Claim on 7 August 2020. PTE will be serving their Defence and Counterclaim on or by 2 October 2020. LPSB will be due to file their reply and Defence to the Counterclaim on 26 October 2020 and PTE will be filed their reply to the Defence to the Counterclaim on or by 9 November 2020. The solicitors representing PTE are not in the position to determine the financial outcome at the present stage of the proceedings. However, the Directors do not expect the outcome of the action to have a material effect on the Group's financial position.

In the opinion of the Directors, disclosure of any further information would be prejudicial to the interests of the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

31. RELATED PARTY DISCLOSURES

31.1 Related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Subsidiaries:</u>				
Management fee income	-	-	10,327	11,994
Dividend income	-	-	22,702	15,273
Rental expenses	-	-	503	471
Interest expenses	-	-	7,021	1,078
Interest expenses paid on behalf of a subsidiary	-	-	-	8,565
<u>Related parties by virtue of common shareholders and/or key management personnel:</u>				
Purchase of materials and services received	16,443	19,763	-	-
Rental expenses	244	198	-	-

31.2 Compensation of key management personnel

Included in the employee benefit expenses of the Group and of the Company are Directors' remuneration as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive Directors of the Company:				
Salaries, bonuses and other emoluments	4,704	3,914	3,530	2,973
Defined contribution plan	424	357	424	357
Social security contributions	1	1	1	1
	5,129	4,272	3,955	3,331
Non-Executive Directors of the Company:				
Directors' other emoluments	46	49	46	49
Directors of subsidiaries:				
Salaries, bonuses and other emoluments	791	875	-	-
	5,966	5,196	4,001	3,380
Non-Executive Directors of the Company:				
Directors' fee	181	177	181	177

The estimated monetary value of benefit-in-kind received and receivable by the Executive Directors of the Company otherwise than in cash from the Group amounted to RM65,758 (2019: RM56,000).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

31. RELATED PARTY DISCLOSURES (CONT'D)

31.2 Compensation of key management personnel (cont'd)

Other key management personnel compensation is as follows:

	Group and Company	
	2020 RM'000	2019 RM'000
Other key management personnel:		
- Salaries, bonuses and other emoluments	903	872
- Defined contribution plan	108	105
- Social security contributions	2	1
	1,013	978

Other key management personnel comprise staff of the Group and of the Company having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, either directly or indirectly.

31.3 Related party balances

Outstanding balances arising from related party transactions with related parties are disclosed in Notes 13 and 21 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

Group	2020		2019		2019	
	Amortised cost RM'000	FVTPL RM'000	Derivatives - used for hedging RM'000	Amortised cost RM'000	FVTPL RM'000	Derivatives - used for hedging RM'000
Financial assets						
Derivative financial assets	-	-	-	-	7,211	-
Trade and other receivables	178,749	-	-	202,484	-	-
Fixed deposits with licensed institutions	7,881	-	-	10,991	-	-
Cash and bank balances	90,503	-	-	155,578	-	-
	277,133	-	-	369,053	7,211	-
Financial liabilities						
Derivative financial liabilities	-	1,548	40,838	-	-	7,540
Trade and other payables	570,194	-	-	467,966	-	-
Lease liabilities	-	-	-	6,593	-	-
Loans and borrowings	1,200,436	-	-	1,029,966	-	-
Amount to related company	246	-	-	-	-	-
	1,770,876	1,548	40,838	1,504,525	-	7,540

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):

	Amortised cost	
	2020 RM'000	2019 RM'000
<u>Company</u>		
Financial assets		
Other receivables	72	69
Amount due from related companies	444,957	404,575
Cash and bank balances	140	144
	445,169	404,788
Financial liabilities		
Other payables	913	852
Amount due to related companies	277,089	271,706
Lease liabilities	-	1,245
Loans and borrowings	57,033	26,763
	335,035	300,566

32.2 Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows:

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) Credit risk (cont'd)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increase credit risk exposure. The Group extends credit only to recognised and creditworthy third parties. It is the Group's policy that all customers are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Following are the areas where the Group are exposed to credit risk:

Receivables and contract assets

Maximum exposure of the Group to credit risk is represented by the carrying amount of financial assets recognised at reporting date summarised below:

	Group	
	2020 RM'000	2019 RM'000
Trade receivables	170,528	198,142
Contract assets	1,830,093	1,458,499
	2,000,621	1,656,641

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. At each reporting date, the Group assesses whether any of the trade receivables are credit impaired. The Group considers any receivables having financial difficulty or with significant outstanding balances for more than twelve months, are deemed credit impaired. This gross carrying amounts of credit impaired debtors are written off (either partially or full) when there is no realistic prospect of recovery.

In managing the credit risk of trade receivables, the Group will initiate appropriate debt recovery procedures on past due balances. Where necessary, the Group will also commence legal proceeding against the customers.

For construction contracts, as there are only a few customers, the Group assessed the risk of loss of each customer individually based on their historical collection trend from customer and external credit ratings, where applicable. All of these customers have low risk of default.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) Credit risk (cont'd)

Following are the areas where the Group are exposed to credit risk (cont'd):

Receivables and contract assets (cont'd)

The Group uses an allowance matrix to measure ECL of trade receivables. There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by subsequent collection after the reporting period and historical collection trend from these customers.

In respect of trade receivables, the Group has significant exposure to several customers and as such a concentration of credit risks who are of high credit worthiness and of international repute.

	Group			
	2020		2019	
	RM'000	%	RM'000	%
Top 4 customers (2019: 4)	79,587	47	81,468	41

The credit risk concentration profile of the total trade receivables of the Group as at the reporting date is as follows:

	Group			
	2020		2019	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	143,039	83.88	146,382	73.89
Cambodia	10,193	5.98	40,370	20.37
Philippines	6,557	3.85	3,100	1.56
Papua New Guinea	7,629	4.47	7,300	3.68
Iraq	3,065	1.80	-	-
Others	45	0.02	990	0.50
	170,528	100.00	198,142	100.00

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) Credit risk (cont'd)

Following are the areas where the Group are exposed to credit risk (cont'd):

Receivables and contract assets (cont'd)

At 30 June 2020, the Group assesses its credit losses on trade receivables and contract assets to be immaterial.

	Expected credit loss %	Total gross carrying amount RM'000
2020		
Group		
Not past due	-	128,308
Past due for 1-30 days	-	4,016
Past due for 31-60 days	-	260
Past due for 61-90 days	-	5,175
Past due for 91-120 days	-	15,003
Past due for more than 120 days	-	17,766
		170,528
Contract assets		1,830,093
2019		
Group		
Not past due	-	152,291
Past due for 1-30 days	-	9,373
Past due for 31-60 days	-	16,889
Past due for 61-90 days	-	1,441
Past due for 91-120 days	-	865
Past due for more than 120 days	-	17,283
		198,142
Contract assets		1,458,499

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) Credit risk (cont'd)

Following are the areas where the Group are exposed to credit risk (cont'd):

Intercompany balances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Group and the Company provide unsecured advances to related companies and monitor the results of the related companies regularly.

As at the end of the reporting year, there was no indication that the advances to the related companies are not recoverable.

Financial guarantee

The maximum exposure of the Company to credit risk amounted to RM1,143,403,276 (2019: RM1,003,202,471), representing the outstanding banking facilities and lease facilities of the subsidiaries as at the end of the reporting year.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting year, there was no indication that any subsidiary would default on repayment.

Financial guarantees have not been recognised since the fair value on initial recognition was not material.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, loans and borrowings, the Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:

Group	Carrying amount RM'000	Contractual cash flows RM'000	Maturity		
			Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000
2020					
Derivative financial liabilities					
Forward currency contracts – gross outflow	1,548	181,122	-	179,544	1,578
Forward currency contracts – gross inflow	-	(184,439)	-	(182,781)	(1,658)
	1,548	(3,317)	-	(3,237)	(80)
Interest rate swap contracts	40,838	40,838	-	33,918	6,920
	42,386	37,521	-	30,681	6,840
Non-derivative financial liabilities					
Lease liabilities	7,404	8,128	3,365	4,522	241
Loans and borrowings	1,200,436	1,359,708	548,815	670,928	139,965
Trade and other payables	570,194	570,194	570,194	-	-
Amount to related company	246	246	246	-	-
	1,778,280	1,938,276	1,122,620	675,450	140,206
	1,820,666	1,975,797	1,122,620	706,131	147,046

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):

	Carrying amount RM'000	Contractual cash flows RM'000	Maturity		
			Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000
Group (cont'd)					
2019					
Derivative financial liability					
Interest rate swap contracts	7,540	7,540	-	7,489	51
Non-derivative financial liabilities					
Lease liabilities	6,593	7,507	1,792	5,218	497
Loans and borrowings	1,029,966	1,095,042	384,759	326,557	383,726
Trade and other payables	467,966	467,966	467,966	-	-
	1,504,525	1,570,515	854,517	331,775	384,223
	1,512,065	1,578,055	854,517	339,264	384,274

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):

Company	Carrying amount RM'000	Contractual cash flows RM'000	Maturity		
			Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000
2020					
Non-derivative financial liabilities					
Lease liabilities	1,016	1,072	445	627	-
Loans and borrowings	57,033	57,033	57,033	-	-
Other payables	913	913	913	-	-
Amount due to related companies	277,089	277,089	277,089	-	-
	336,051	336,107	335,480	627	-
Financial guarantee to subsidiaries	1,143,403	1,302,675	491,782	670,929	139,964
2019					
Non-derivative financial liabilities					
Lease liabilities	1,245	1,336	411	925	-
Loans and borrowings	26,763	26,763	26,763	-	-
Other payables	852	852	852	-	-
Amount due to related companies	271,706	271,706	271,706	-	-
	300,566	300,657	299,732	925	-
Financial guarantee to subsidiaries	1,003,202	1,067,525	357,976	326,560	382,989

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the companies within the Group. The currencies giving rise to this risk are primarily United States Dollar (USD), Euro (EURO), Chinese Yuan (CNY) and Philippine Peso (PHP).

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	Trade receivables RM'000	Cash and bank balances RM'000	Trade payables RM'000	Other payables RM'000	Loans and borrowings RM'000	Total RM'000
2020						
Denominated in:						
USD	15,035	11,965	(35,770)	(2,914)	(31,285)	(42,969)
EURO	-	3	(3,742)	-	(1,039)	(4,778)
CNY	-	-	(7,433)	-	-	(7,433)
PHP	1,049	-	(965)	-	-	84
Others	239	-	(249)	-	-	(10)
2019						
Denominated in:						
USD	21,688	893	(54,514)	(2,813)	(32,584)	(67,330)
EURO	-	10	(1,061)	-	(1,674)	(2,725)
PHP	1,493	-	(1,548)	-	-	(55)
Others	-	69	(488)	-	-	(419)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(c) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit for the financial year to a +/-5% (2019: +/-5%) change in the USD, EURO, CNY and PHP exchange rates at the reporting period against the respective functional currency of the companies within the Group, with all variables held constant.

	Group	
	Profit for the year	
	2020 RM'000	2019 RM'000
USD/RM		
- Strengthened	(2,148)	(3,367)
- Weakened	2,148	3,367
EURO/RM		
- Strengthened	(239)	(136)
- Weakened	239	136
CNY/RM		
Strengthened	(371)	-
Weakened	371	-
PHP/RM		
Strengthened	4	(3)
Weakened	(4)	3

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(d) Interest rate risk (cont'd)

The Group's and the Company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company target a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

The Group has entered into interest rate swap in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting period were:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments:				
Fixed deposits with licensed institutions	7,881	10,991	-	-
Lease liabilities	(7,404)	(6,593)	(1,016)	(1,245)
Loans and borrowings	(464,767)	(103,338)	-	-
Amount due to a subsidiary	-	-	(262,408)	(260,677)
	(464,290)	(98,940)	(263,424)	(261,922)
Floating rate instruments:				
Loans and borrowings	(735,669)	(926,628)	(57,033)	(26,763)

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in 50 basis point (bp) in interest rates at the end of the reporting period would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):

(d) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments (cont'd)

	Profit for the year	
	+ 50 bp RM'000	- 50 bp RM'000
Group		
2020		
Floating rate instruments	(3,678)	3,678
2019		
Floating rate instruments	(4,633)	4,633
Company		
2020		
Floating rate instruments	(285)	285
2019		
Floating rate instruments	(134)	134

32.3 Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings (except for lease liabilities), are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the Statements of Financial Position.

	2020		2019	
	Carrying amounts RM'000	Fair value at Level 2 RM'000	Carrying amounts RM'000	Fair value at Level 2 RM'000
Group				
Financial asset carried at fair value:				
Forward exchange contracts	-	-	7,211	7,211
Financial liabilities carried at fair value:				
Interest rate swap contracts	(40,838)	(40,838)	(7,540)	(7,540)
Forward exchange contracts	(1,548)	(1,548)	-	-

There were no transfers between Level 1 and Level 2 during the financial year (2019: no transfer in either direction).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

32. FINANCIAL INSTRUMENTS (CONT'D)

32.3 Fair value of financial instruments (cont'd)

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

(i) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps which is calculated as the present value of the estimated future cash flows based on observable yield curves.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

33. OPERATING SEGMENT

33.1 Business segments

For the management purposes, the Group is organised into business units based on their products and services, which comprises the following:

- (a) Investment - Investment and property holding
- (b) EPMCC - Engineering, procurement, manufacturing, construction and commissioning of power substations, transmission lines and rail electrifications.
 - (i) Malaysia - home country
 - (ii) Overseas - consists of Cambodia, Labuan, Australia, Brunei, Philippines, Papua New Guinea, Kyrgyzstan, Iraq and People's Republic of China

Management monitors the operating results to its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explain in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

33. OPERATING SEGMENT (CONT'D)

33.1 Business segments (cont'd)

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Note	Investment RM'000	EPMCC (local) RM'000	EPMCC (overseas) RM'000	Adjustments and Eliminations RM'000	Total RM'000
2020						
Revenue						
External customers		-	558,797	238,886	-	797,683
Inter-segment	i	35,008	159,914	111,739	(306,661)	-
Total revenue		35,008	718,711	350,625	(306,661)	797,683
Results						
Dividend income		22,702	-	-	(22,702)	-
Finance income		239	14,356	44,137	(14,428)	44,304
Finance costs		(13,438)	(15,815)	(48,956)	14,583	(63,626)
Depreciation and amortisation		(1,564)	(6,011)	(8,418)	(2,669)	(18,662)
Non-cash items other than depreciation	ii	640	1,112	1,701	176	3,629
Tax expense		(2)	(8,709)	(10,959)	-	(19,670)
Segment profit	iii	3,923	39,085	38,035	(16,527)	64,516
Assets						
Segment assets		80,065	723,642	1,781,016	(132,142)	2,452,581
Investment in associates		-	137	-	500	637
Additions to non-current assets (other than financial instruments)	iv	807	3,221	60,838	(977)	63,889
Liabilities						
Segment liabilities		(96,435)	(838,293)	(1,040,273)	128,551	(1,846,450)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

33. OPERATING SEGMENT (CONT'D)

33.1 Business segments (cont'd)

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by business segment (cont'd):

	Note	Investment RM'000	EPMCC (local) RM'000	EPMCC (overseas) RM'000	Adjustments and Eliminations RM'000	Total RM'000
2019						
Revenue						
External customers		-	547,976	263,500	-	811,476
Inter-segment	i	13,612	213,820	181,439	(408,871)	-
Total revenue		13,612	761,796	444,939	(408,871)	811,476
Results						
Dividend income		-	8,039	7,234	(15,273)	-
Finance income		2	5,515	39,780	(5,219)	40,078
Finance costs		(4,656)	(14,514)	(39,599)	5,603	(53,166)
Depreciation and amortisation		(1,335)	(3,311)	(4,912)	(2,289)	(11,847)
Non-cash items other than depreciation	ii	(26)	6,123	12,749	152	18,998
Tax expenses		(360)	(7,097)	(4,049)	-	(11,506)
Segment profit	iii	(7,977)	27,811	68,831	(1,990)	86,675
Assets						
Segment assets		83,787	545,266	1,556,659	(98,167)	2,087,545
Investment in associates		-	137	-	324	461
Additions to non-current assets (other than financial instruments)	iv	2,814	8,661	2,952	346	14,773
Liabilities						
Segment liabilities		(70,252)	(698,101)	(854,089)	95,786	(1,526,656)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

33. OPERATING SEGMENT (CONT'D)

33.1 Business segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- (i) Inter-segment revenues are eliminated on consolidation.
- (ii) Non-cash items consist of the following items as presented in the respective notes to the financial statements:

	2020 RM'000	2019 RM'000
Fair value (loss)/gain on derivative financial instruments	(7,505)	2,060
Unrealised gain on foreign exchange	7,756	8,243
Unwinding discount of financial liabilities	3,203	8,543
Share of profit of equity-accounted associate	176	152
Property, plant and equipment written off	(1)	-
	3,629	18,998

- (iii) The following items are added to/(deducted from) segment profit to arrive at "Profit after tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	2020 RM'000	2019 RM'000
Consolidated profit before interest and tax	103,508	111,269
Finance income	44,304	40,078
Finance costs	(63,626)	(53,166)
Tax expenses	(19,670)	(11,506)
Segment profit	64,516	86,675

- (iv) Additions to non-current assets consists of:

	2020 RM'000	2019 RM'000
Property, plant and equipment	63,889	14,773

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

33. OPERATING SEGMENT (CONT'D)

33.2 Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group				
Malaysia	558,797	547,976	85,510	91,785
Cambodia	235,717	251,483	143,087	87,023
Australia	591	742	-	-
Papua New Guinea	1,046	6,257	74	105
Philippines	1,216	5,018	766	175
China	-	-	64	64
Others	316	-	-	-
	797,683	811,476	229,501	179,152

Non-current assets are referring to property, plant and equipment, intangible assets and investment in associates.

33.3 Information about major customers

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

	Segment	2020 RM'000	2019 RM'000
Customer A	EPMCC (Overseas)	136,953	135,455
Customer B	EPMCC (Local)	157,920	165,675
Customer C	EPMCC (Local)	196,068	131,058

34. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base safeguard the Group's ability to continue as going concern, so as to maintain shareholders, creditors and market confidence and to sustain future growth and development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio and ensure that the Group complies with debt covenants imposed by bankers.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

There were no changes in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE

- (a) Acquisition/incorporation of subsidiaries during the financial year are as disclosed in Note 6.3 to the Financial Statements.
- (b) The recent outbreak of Coronavirus Disease 2019 (“COVID-19”) since end 2019 has seen significant cases increased worldwide which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysian Government imposed the Movement Control Order (“MCO”) from 18 March 2020 to 3 May 2020, Conditional Movement Control Order (“CMCO”) from 4 May 2020 to 9 June 2020 and Recovery Movement Control Order (“RMCO”) from 10 June 2020 to 31 December 2020. The deterioration of world economy has also prompted additional uncertainties to the business of the Group in 2020.

As at the date of this report, the management of the Group has assessed the overall impact of the situation on the Group’s operations and financial position, and it is concluded that there are no material effects on the financial statements for the financial year ended 30 June 2020. The management is unable to reliably estimate the financial impact of COVID-19 on the Group’s financial results for the year ending 30 June 2021 as the pandemic has yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the year ending 30 June 2021.

- (c) On 15 January 2020, ASF had entered into a Share Sale and Purchase Agreement to acquire 4,700 shares or 94% of shares in Green Sustainable Ventures (Cambodia) Co., Ltd. at a purchase consideration of USD4,000,000. The proposed acquisition has yet to be completed as at the date of this report.
- (d) On 7 July 2020, the Group announced the proposed issuance of Perpetual Islamic Notes under a Perpetual Islamic Notes Issuance Programme of up to RM1.0 billion in nominal value under the Shariah Principle of Musharakah (“Proposed Sukuk”). The proceeds raised from the Proposed Sukuk shall be utilised by the Group for the following Shariah compliant purposes:
 - (i) Refinancing of existing financing or borrowing;
 - (ii) Capital expenditure;
 - (iii) Working capital;
 - (iv) General corporate purpose; and/or
 - (v) Defray fees, costs and expenses in relation to the issuance of Proposed Sukuk.

The Group has issued RM37.1 million Proposed Sukuk as of the date of this report.

- (e) On 27 July 2020, FNX and its subsidiary had ceased to be the wholly-owned subsidiaries of a subsidiary of the Company, PSB and became directly wholly-owned subsidiaries of the Company.
- (f) The listing of PCL, a wholly-owned subsidiary of the Company had been completed on 12 August 2020 following the listing of and quotation for PCL’s entire enlarged issued and fully paid share capital on the Main Board of Cambodia Securities Exchange.

36. COMPARATIVE INFORMATION

The Group and the Company have changed their presentation of expenses in the statement of profit or loss and other comprehensive income by nature instead of by function, as the Management believes that it is more appropriate to disclose their financial performance under this method. Hence, certain information presented in the statement of profit or loss and other comprehensive income for the year ended 30 June 2019 were reclassified to conform with the current year’s presentation of accounts.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

36. COMPARATIVE INFORMATION (CONT'D)

The effect of the reclassifications are disclosed as follows:

	As previously reported RM'000	Reclassifications RM'000	As restated RM'000
<u>Effect on statement of profit or loss and other comprehensive income for the year ended 30 June 2019</u>			
Group			
Cost of sales	(659,411)	659,411	-
Administrative expenses	(62,639)	62,639	-
Operating expenses	-	(722,050)	(722,050)
Other income	21,691	(21,691)	-
Other operating income	-	10,109	10,109
Other gains and losses	-	11,582	11,582
Company			
Administrative expenses	(15,873)	15,873	-
Operating expenses	-	(15,841)	(15,841)
Other income	564	(564)	-
Other operating income	-	21	21
Other gains and losses	-	511	511

ANALYSIS OF SHAREHOLDINGS

as at 1 October 2020

Class of shares	: Ordinary Shares
Total number of shares issued	: 764,293,572 (including 2,269,200 shares bought back and held as treasury shares)
Voting rights	: One vote for each share held

BREAKDOWN OF HOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of shares	Percentage of Issued Capital
1 – 99	117	3.35	2,478	0.00
100 – 1,000	419	12.01	255,828	0.03
1,001 – 10,000	1,712	49.05	9,125,752	1.20
10,001 – 100,000	1,007	28.85	35,541,089	4.27
100,001 – 38,214,677*	233	6.68	445,034,789	58.40
38,214,678 and above**	2	0.06	275,064,436	36.10
	3,490	100.00	762,024,372	100.00

Remarks:

* Less than 5 % of the issued holdings

** 5% and above of the issued holdings

SUBSTANTIAL SHAREHOLDERS

(as shown in the Register of Substantial Shareholdings)

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	254,658,604	33.42	⁽¹⁾ 3,364,264	0.44
2. Lim Pay Chuan	162,685,096	21.35	⁽²⁾ 1,306,064	0.17

Note:

⁽¹⁾ Deemed interested pursuant to Section 8 of the Companies Act 2016 ("the Act") by virtue of his substantial shareholdings in Kumpulan Liva Sdn. Bhd. and VESTECH Projects Sdn. Bhd.

⁽²⁾ Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS

as at 1 October 2020

DIRECTORS' SHAREHOLDINGS

(as shown in the Register of Directors' Shareholdings)

Name of Director	Direct Interest	Number of Shares		
		%	Indirect Interest	%
1. Lim Ah Hock	254,658,604	33.42	⁽¹⁾ 3,364,264	0.44
2. Lim Pay Chuan	162,685,096	21.35	⁽²⁾ 1,306,064	0.17
3. Ibrahim Bin Talib	-	-	⁽³⁾ 15,406,732	2.02
4. Tan Puay Seng	311,532	0.04	-	-
5. Lee Ting Kiat	901,300	0.12	-	-

Note:

⁽¹⁾ Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Kumpulan Liva Sdn. Bhd. and VESTECH Projects Sdn. Bhd.

⁽²⁾ Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.

⁽³⁾ Deemed interested by virtue of his children's shareholdings pursuant to Section 59(11)(c) of the Act.

THIRTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	%
1. CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>CIMB for Lim Ah Hock (PB)</i>	193,952,204	25.45
2. Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Pay Chuan</i>	81,112,232	10.64
3. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Pay Chuan</i>	34,625,264	4.54
4. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Bank AG Singapore for Lim Pay Chuan (Maybank SG)</i>	27,604,600	3.62
5. Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Ah Hock (504021612634)</i>	24,991,400	3.28
6. CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>CIMB for Lim Ah Hock (PB)</i>	22,902,000	3.01
7. Citigroup Nominees (Asing) Sdn. Bhd. <i>Exempt An for Citibank New York (Norges Bank 14)</i>	16,587,700	2.18
8. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Exempt An for AIA Bhd.</i>	15,229,200	2.00
9. HSBC Nominees (Tempatan) Sdn. Bhd. <i>BNP Paribas Singapore Branch for Lim Pay Chuan</i>	15,000,000	1.97
10. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investments small-Cap Fund</i>	11,144,500	1.46
11. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Lim Ah Hock (PBCL-OG0883)</i>	10,638,200	1.40

ANALYSIS OF SHAREHOLDINGS

as at 1 October 2020

Name	No. of Shares	%
12. CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>CIMB Commerce Trustee Berhad – Kenanga Growth Fund</i>	10,456,200	1.37
13. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Great Eastern Life Assurance (Malaysia) Berhad (LPF)</i>	10,139,000	1.33
14. Jauhari Arif Bin Ibrahim	8,258,932	1.08
15. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Great Eastern Life Assurance (Malaysia) Berhad (LPF)</i>	7,392,100	0.97
16. Ty Sereirith	7,241,200	0.95
17. Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Ee Chong</i>	7,170,700	0.94
18. Cartaban Nominees (Tempatan) Sdn. Bhd. <i>PBTB for Takafulink Dana Ekuiti</i>	7,168,400	0.94
19. Joanna Binti Ibrahim	7,147,800	0.94
20. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Great Eastern Life Assurance (Malaysia) Berhad (LPF)</i>	6,561,400	0.86
21. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (RHBISLAMIC)</i>	6,344,400	0.83
22. HSBC Nominees (Tempatan) Sdn. Bhd. <i>HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)</i>	6,339,032	0.83
23. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (CIMB PRIN)</i>	6,324,000	0.83
24. Tokio Marine Life Insurance Malaysia Bhd <i>As Beneficial Owner (PF)</i>	6,240,700	0.82
25. Cartaban Nominees (Tempatan) Sdn. Bhd. <i>PAMB for Prulink Dana Unggul</i>	6,157,800	0.81
26. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)</i>	6,049,232	0.79
27. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Norges Bank (FI 17)</i>	5,858,300	0.77
28. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund</i>	5,684,800	0.75
29. Amanahraya Trustees Berhad <i>ASN Umbrella For ASN Equity 3</i>	5,560,600	0.73
30. Ng Tiang Yong	5,061,456	0.66
Total	584,943,352	76.76

LIST OF PROPERTIES

Registered and Beneficial Owner	Property Address/Title Details	Description and Existing Use	Category of Land Use/ Tenure of Property	Land Area/ Gross Built-Up Area	Carrying Amount @ 30 June 2020 (RM'000)	Date of Acquisition
Fornix Sdn Bhd	No. 26, Jalan Utarid U5/14 Seksyen U5 40150 Shah Alam Selangor Darul Ehsan.	Single-storey detached factory with an annexed three-storey office building (office) and other ancillary buildings, currently being used as our Group's corporate office, factory and warehouse.	Industry/ Leasehold of 99 years, expiring on 10 Jan 2102	4,027.0 square meters/ 2,896.7 square meters	5,920	11 January 2003
	Lot No. 69874 Title No. PN 11423 Mukim of Sungai Buloh District of Petaling Selangor Darul Ehsan.					
	No. 5, Jalan Jasmine 5 Seksyen BB10 Bandar Bukit Beruntung 48300 Bukit Beruntung, Selangor Darul Ehsan.	Construction of office and factory building	Industry/ Freehold	8,575 square meters	35,298	2 April 2013
	Lot No. 9366 Title No. GRN 207566 Mukim Bandar Serendah District Ulu Selangor Selangor Darul Ehsan.					
	B2-1001 & 1002 Meritus Tower Oasis Corporate Park 43701 Ara Damansara Selangor Darul Ehsan.	Commercial office lots	Commercial/ Freehold	1,080 square meters	7,745	26 March 2015
	Lot No. 92087 Title No. GRN 317343 Mukim Damansara Daerah Petaling Selangor Darul Ehsan.					
Forward Metal Works Sdn Bhd	Lot 1264, Block 8 Muara Tebas Land District Demak Laut Industrial Estate Phase IIA, Off Jalan Bako 93050 Kuching, Sarawak.	A 2-storey detached factory with a 2-storey office section at the front and a single-storey factory at the rear	Industry/ Leasehold of 60 years, expiring on 16 September 2069	5,260 square meters	3,771	10 February 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of PESTECH International Berhad ("**PESTECH**" or "**the Company**") will be conducted fully virtual via remote participation and voting at the Broadcast Venue at B2-3-01, Block B2, Meritus @ Oasis Corporate Park, No. 2, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan on Thursday, 26 November 2020 at 10:00 a.m. or at any adjournment thereof, to transact the following business:-

AGENDA

- | | |
|--|---|
| 1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Reports of the Directors and the Auditors thereon. | [Please refer to Explanatory Note (i)] |
| 2. To approve the payment of Directors' fees for an amount up to RM210,000/- which is payable on a quarterly basis and Directors' benefits up to RM90,000/- to the Non-Executive Directors for the period commencing from 26 November 2020 until the next Annual General Meeting in year 2021. | Ordinary Resolution 1 |
| 3. To re-elect Mr. Lee Ting Kiat who retires in accordance with Article 118 of the Company's Constitution, and being eligible, has offered himself for re-election. | Ordinary Resolution 2 |
| 4. To re-elect the following Directors who retire in accordance with Article 117 of the Company's Constitution, and being eligible, have offered themselves for re-election: | |
| (i) Mr. Lim Peir Shenq | Ordinary Resolution 3 |
| (ii) Ir. Amir Bin Yahya | Ordinary Resolution 4 |
| 5. To re-appoint Messrs. Grant Thornton Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. | Ordinary Resolution 5 |

AS SPECIAL BUSINESS

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

- | | |
|--|------------------------------|
| 6. ORDINARY RESOLUTION
AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016 | Ordinary Resolution 6 |
|--|------------------------------|

"**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being.

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities.

AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING

7. ORDINARY RESOLUTION

PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE")

Ordinary Resolution 7

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to PESTECH International Berhad Group ("**the Group**") to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in Part A Section 1.3 of the Circular to Shareholders dated 28 October 2020, which are necessary for its day-to-day operations, to be entered into by the Group on the basis that these transactions are entered into on terms which are not more favourable to the Related Party involved than generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT the Proposed Renewal of Existing Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Renewal of Existing Shareholders' Mandate, shall only continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the general meeting at which the Proposed Renewal of Existing Shareholders' Mandate was passed, at which time it will lapse, unless by resolution passed at the general meeting, the authority is renewed; or
- (b) the expiration of the period within which the AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**the Act**") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Renewal of Existing Shareholders' Mandate."

8. ORDINARY RESOLUTION

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARE OF PESTECH INTERNATIONAL BERHAD ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")

Ordinary Resolution 8

"**THAT** subject always to the Companies Act 2016 ("**the Act**"), the provisions of the Constitution of the Company, the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), and all other applicable laws, rules and regulations and guidelines for the time being in force and the approvals of all relevant governmental and/or regulatory authority, approval be and is hereby given to the Company, to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem and expedient in the interest of the Company, provided that:

- i) the aggregate number of ordinary shares to be purchased and/or held by the Company pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and

NOTICE OF ANNUAL GENERAL MEETING

- ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase.

THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares purchased in their absolute discretion in the following manner:

- i) cancel all the shares so purchased; and/or
- ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; and/or
- iii) retain part thereof as treasury shares and cancel the remainder; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

THAT such authority conferred by this resolution shall commence upon the passing of this resolution and shall continue to be in force until:-

- i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following this AGM at which such resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- ii) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting;

whichever occurs first;

AND THAT the Directors of the Company be authorised to do all acts, deeds and things as they may consider expedient or necessary in the best interest of the Company to give full effect to the Proposed Renewal of Authority for Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps, and do all such acts and things as the Board may deem fit and expedient in the best interest of the Company."

NOTICE OF ANNUAL GENERAL MEETING

9. ORDINARY RESOLUTION

Ordinary Resolution 9

PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW ORDINARY SHARES IN PESTECH INTERNATIONAL BERHAD ("PESTECH SHARES"), FOR THE PURPOSE OF THE DIVIDEND REINVESTMENT PLAN ("DRP") OF THE COMPANY WHICH WILL PROVIDE THE SHAREHOLDERS OF PESTECH ("SHAREHOLDERS") WITH THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN PESTECH SHARES ("PROPOSED RENEWAL OF DRP AUTHORITY")

"**THAT** pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting of the Company held on 9 October 2013 and subject to the approval of the relevant regulatory authorities (if any), approval be and is hereby given to the Company to allot and issue such number of new PESTECH Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors, may in their absolute discretion, deem fit and in the best interest of the Company, **PROVIDED THAT** the issue price of the said new PESTECH Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the five (5)-day volume weighted average market price ("**VWAP**") of PESTECH Shares immediately prior to the price-fixing date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments or at the discretion of the Directors in the best interest of the Company."

10. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act 2016.

By Order of the Board

TEH BEE CHOO (SSM PC No. 202008002493) (MIA 7562)
CHUA SIEW CHUAN (SSM PC No. 201908002648) (MAICSA 0777689)
PAN SENG WEE (SSM PC No. 202008003688) (MAICSA 7034299)
Company Secretaries

Shah Alam
28 October 2020

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 November 2020 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.
2. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
4. A member of the Company may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshsb.com.my, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
8. The resolutions set out in this Notice of AGM will be put to vote by poll.
9. The AGM will be conducted fully virtual at the Broadcast Venue. Members are advised to refer to the Administrative Guide on the registration and voting process for the AGM.
10. Explanatory Notes on Ordinary and Special Business

(i) Item 1 of the Agenda

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(ii) Ordinary Resolution 1 – Approval for the payment of Directors' fees and Directors' benefits

The proposed Resolution 1, if passed, will authorise the payment of the Directors' fees up to RM210,000/- which is payable on quarterly basis and Directors' benefits to the Non-Executive Directors with effect from 26 November 2020 until the next AGM of the Company in year 2021. The Directors' benefits payable to the Non-Executive Directors comprise meeting allowances, which will only be accorded based on actual attendance of meetings by the Non-Executive Directors during the period from 26 November 2020 until the next Annual General Meeting in year 2021.

NOTICE OF ANNUAL GENERAL MEETING

(iii) Ordinary Resolution 6 – Authority to Issue Shares pursuant to the Companies Act 2016.

The Ordinary Resolution 6 seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 76 of the Act.

The Company had been granted a general mandate by its shareholders at the Eighth Annual General Meeting of the Company held on 27 November 2019 to issue up to 10% of the total number of issued shares for issue of new securities ("**Previous Mandate**"). The Previous Mandate granted by the shareholders had not been utilised and hence no proceed was raised therefrom.

This 10% General Mandate, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

(iv) Ordinary Resolution 7 – Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed resolution, if passed, will allow the Group to renew its mandate to enter into Recurrent Related Party Transactions of a revenue or trading nature pursuant to the provisions of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Please refer to the Circular to Shareholders dated 28 October 2020 for further information.

(v) Ordinary Resolution 8 – Proposed Renewal Share Buy-Back Authority

The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total number of issued share of the Company by utilising the funds allocated which shall not exceed the retained profit of the Company.

Please refer to the Circular to Shareholders dated 28 October 2020 for further information.

(vi) Ordinary Resolution 9 – Proposed Renewal of DRP Authority

The proposed resolution, if passed, will allow the Company to allot and issue new PESTECH Shares pursuant to DRP until the conclusion of the next AGM of the Company. It would also allow the Directors to fix the issue price of such new PESTECH Shares at a discount of up to 10% of the five (5)-day volume weighted average market price of PESTECH Shares immediately prior to the price-fixing date.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There were no Directors standing for election at the forthcoming Ninth AGM of the Company.

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PESTECH

[Registration No. 201101019901 (948035-U)]
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.	Number of ordinary shares

I/We _____ NRIC No./Passport No./Company No. _____

of _____

being a member/members of PESTECH International Berhad hereby appoint:-

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			

*and/or *delete if inapplicable

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Ninth Annual General Meeting of the Company which will be conducted fully virtual via remote participation and voting at the Broadcast Venue at B2-3-01, Block B2, Meritus @ Oasis Corporate Park, No. 2, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan on Thursday, 26 November 2020 at 10:00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees for an amount up to RM210,000/- which is payable on a quarterly basis and Directors' benefits up to RM90,000/- to the Non-Executive Directors for the period commencing from 26 November 2020 until the next Annual General Meeting in year 2021.		
2.	To re-elect Mr. Lee Ting Kiat who retires in accordance with Article 118 of the Company's Constitution, and being eligible, offers himself for re-election.		
3.	To re-elect Mr. Lim Peir Shenq who retires in accordance with Article 117 of the Company's Constitution, and being eligible, offers himself for re-election.		
4.	To re-elect Ir. Amir Bin Yahya who retires in accordance with Article 117 of the Company's Constitution, and being eligible, offers himself for re-election.		
5.	To re-appoint Messrs. Grant Thornton Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.		
6.	Authority to Issue Shares pursuant to the Companies Act 2016		
7.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions		
8.	Proposed Renewal of Share Buy-Back Authority		
9.	Proposed Renewal of DRP Authority		

Please indicate with an "X" in the appropriate spaces how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.

Dated this day _____ of _____ 2020

*Signature of Shareholder /Common Seal
* Delete if inapplicable

Notes:

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 November 2020 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.
- A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
- A member of the Company may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.
- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshsb.com.my, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

Fold This Flap For Sealing

Then Fold Here

Affix Stamp

PESTECH INTERNATIONAL BERHAD [201101019901 (948035-U)]
c/o Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur.

1st Fold Here

WWW.PESTECH-INTERNATIONAL.COM

OFFICE ADDRESS:

No. 26, Jalan Utarid U5/14,
Seksyen U5,
40150 Shah Alam,
Selangor Darul Ehsan, Malaysia.

OUR PROJECTS/PRODUCTS REACH:

- Australia • Brunei • Cambodia • China • Ghana • Indonesia • Iraq
- Kyrgyzstan • Malaysia • Mali • Myanmar • Papua New Guinea
- Philippines • Singapore • South Africa • Sri Lanka • Tanzania
- Thailand • Vietnam