PESTECH

Commemorating Tokyo 2020

ENERGISING GROWTH SUSTAINABLY

ANNUAL REPORT 2021

10th ANNUAL GENERAL MEETING

Thursday, 25 November 2021

10.00 am

No. 26, Jalan Utarid U5/14
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan

* *The 10th Annual General Meeting of PESTECH International Berhad will be conducted fully virtual via remote participation and voting.*

ANNUAL REPORT 2021

CIRCULAR & OTHERS

ENERGISING GROWTH SUSTAINABLY

This year's cover features dynamic determination through the visual of a sportsman leaping over hurdles, a tribute to the Tokyo 2020 World Olympics, and a reflection of the agility and strength needed to overcome the year's challenges. The dynamic lines convey the need for greater speed in digital operations through the harnessing of digital capabilities. The colour tones of grey blues transform to fiery orange and the corporate red of PESTECH, conveying the ability to quickly mobilise strategies into action.

CORPORATE SECTION

LEADERSHIP

INSIDE
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PERSPECTIVES

FINANCIAL SECTION

ADDITIONAL INFORMATION

ABOUT PESTECH

PESTECH INTERNATIONAL BERHAD

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**ow**e**r **S**ystem **Tech**nology" and our core businesses is divided into six segments comprises of:

01 HV and EHV Electrical System

02 Transmission Line and Power Cables

03 Infrastructure Asset Management

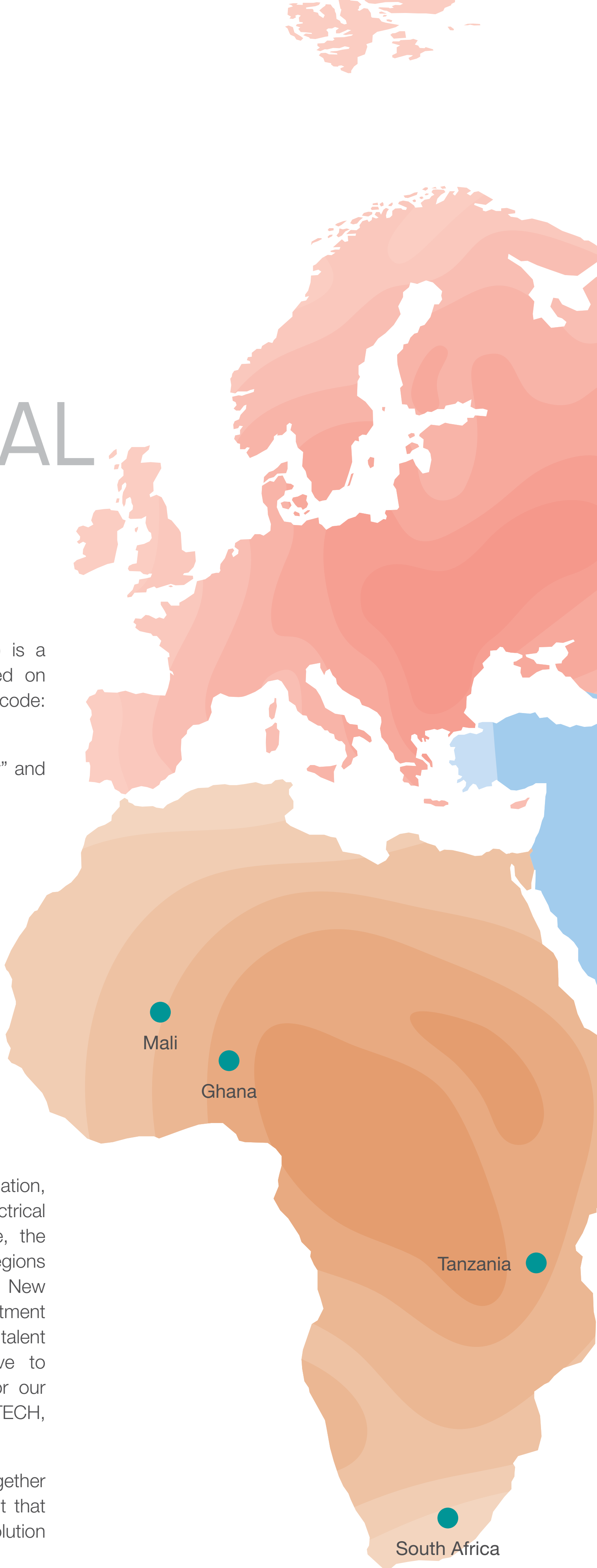
04 Power Generation

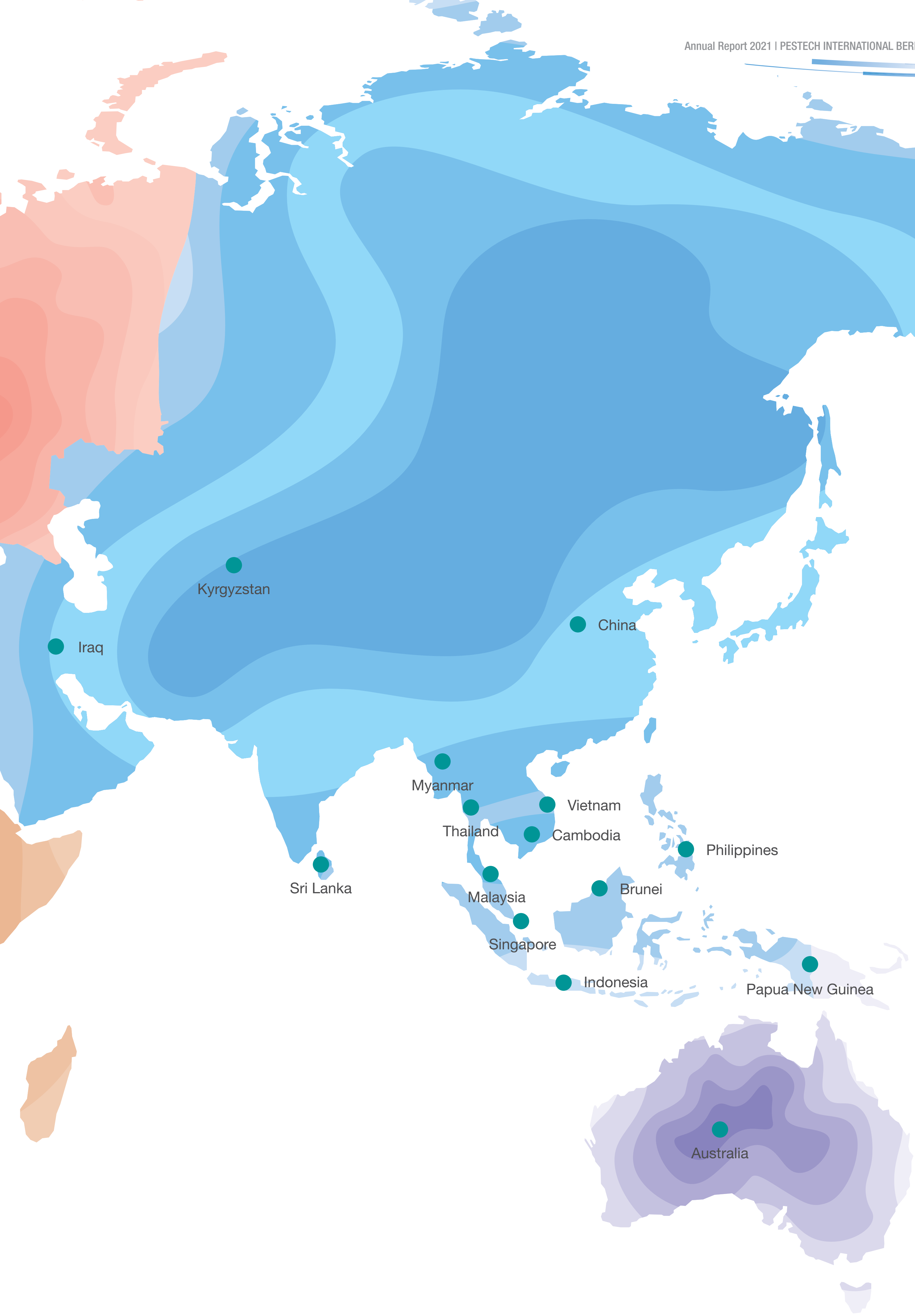
05 Rail Electrification and Signalling

06 Power Distribution and Smart Grid

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.




Kyrgyzstan
Iraq
China
Myanmar
Vietnam
Thailand
Cambodia
Philippines
Sri Lanka
Malaysia
Brunei
Singapore
Indonesia
Papua New Guinea
Australia

FINANCIAL HIGHLIGHTS

FYE	2017	2018	2019	2020	2021
PROFITABILITY					
Revenue [RM'000]	498,319	834,910	811,476	797,683	**889,363**
EBIT [RM'000]	152,303	130,747	111,269	103,508	**125,197**
PBT [RM'000]	128,302	92,600	98,181	84,186	**113,650**
Profit for the year attributable to equity holder [RM'000]	94,911	57,970	78,972	51,451	**66,213**
FINANCIAL POSITION					
Total assets [RM'000]	1,172,110	1,707,677	2,087,545	2,452,581	**2,704,332**
Share capital [RM'000]	211,265	212,672	212,672	212,672	**212,672**
Shareholders' equity [RM'000]	464,366	526,330	560,889	606,131	**761,712**
Total bank borrowings [RM'000]	507,449	736,159	1,029,966	1,200,436	**1,249,723**
FINANCIAL RATIO					
Return on equity	27%	14%	15%	11%	**13%**
Return on total assets	11%	4%	4%	3%	**4%**
Gearing ratio	1.09	1.40	1.84	1.98	**1.64**
Interest cover	6.35	3.44	2.09	1.62	**2.07**
SHARE INFORMATION					
Total dividend payout [RM'000]	22,470	-	-	-	**7,612**
Earnings per share (sen)	12.58	7.59	10.34	6.73	**8.70**
Net assets per share (sen)	60.83	68.86	73.39	79.31	**99.66**
Weighted average number of ordinary shares in issue ['000]	754,334	764,058	764,294	763,979	**761,625**
Number of shares ['000]	763,380	764,294	764,294	764,294	**764,294**

REVENUE (RM'000)

2021	**889,363**
2020	797,683
2019	811,476
2018	834,910
2017	498,319

EBIT (RM'000)

2021	**125,197**
2020	103,508
2019	111,269
2018	130,747
2017	152,303

TOTAL ASSETS (RM'000)

2021	**2,704,332**
2020	2,452,581
2019	2,087,545
2018	1,707,677
2017	1,172,110

SHARE CAPITAL (RM'000)

2021	**212,672**
2020	212,672
2019	212,672
2018	212,672
2017	211,265

SHAREHOLDERS' EQUITY (RM'000)

2021	**761,712**
2020	606,131
2019	560,889
2018	526,330
2017	464,366

EARNINGS PER SHARE (sen)

2021	**8.70**
2020	6.73
2019	10.34
2018	7.59
2017	12.58

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Ah Hock
Executive Chairman

Paul Lim Pay Chuan
Managing Director and Group Chief Executive Officer

Stanley Lim Peir Shenq
Executive Director

Ir. Amir Bin Yahya
Independent Non-Executive Director

Ng Chee Hoong
Independent Non-Executive Director

Hoo Siew Lee
Independent Non-Executive Director

COMPANY SECRETARIES

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

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

Ng Chee Hoong (Chairman)
Ir. Amir Bin Yahya
Hoo Siew Lee

Nomination Committee

Hoo Siew Lee (Chairman)
Ng Chee Hoong
Ir. Amir Bin Yahya

Remuneration Committee

Ir. Amir Bin Yahya (Chairman)
Hoo Siew Lee
Ng Chee Hoong

CORPORATE STRUCTURE

PESTECH

PESTECH INTERNATIONAL BERHAD

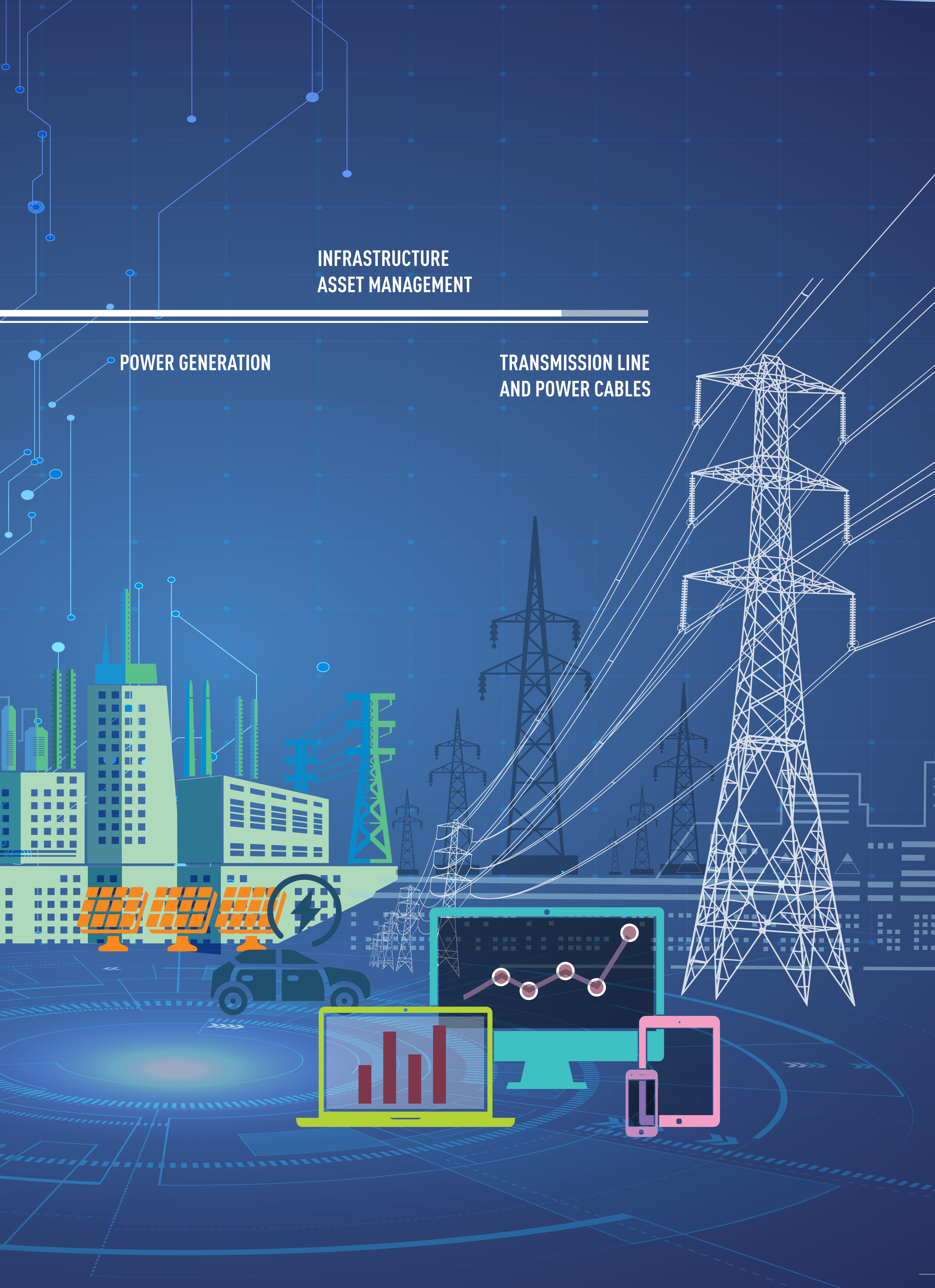
- 100% Enersol Co. Ltd.
- 100% PESTECH Engineering Technology China Co. Ltd.
- 100% PESTECH (PNG) Ltd.
- 100% PESTECH Transmission Sdn. Bhd.
- 99.99% PESTECH System Siam Ltd.
- 100% PESTECH Vietnam Company Limited
- 100% PESTECH (Sarawak) Sdn. Bhd.
- 100% PESTECH Energy Sdn. Bhd.
  - 100% PESTECH Solutions Sdn. Bhd.
  - 51% SystemCorp Energy Pty. Ltd. *(In Liquidation)*
- 100% PESTECH Power Sdn. Bhd.
  - 60% Diamond Power Limited
  - 100% PESTECH Aerotrain Sdn. Bhd. (formerly known as PESTECH Power Two Sdn. Bhd.)
  - 90% PESTECH REI Sdn. Bhd.
  - 100% PESTECH Power One Sdn. Bhd.
    - 70% ODM Power Line Company Limited
  - 100% Astoria Solar Farm Sdn. Bhd.
    - 94% Green Sustainable Ventures (Cambodia) Co., Ltd.
- 100% PESTECH Technology Sdn. Bhd.
  - 100% CRSE Sdn. Bhd.
- 94.74% PESTECH (Cambodia) PLC.
  - 100% PESTECH (Myanmar) Limited
    - 60% PESTECH Hinthar Corporation Limited
      - 90% PESTECH Microgrid Company Limited
- 100% Fornix Sdn. Bhd.
  - 100% Forward Metal Works Sdn. Bhd.
- 100% PESTECH Sdn. Bhd.
  - 100% PESTECH Transmission Limited
  - 90% PESTECH (Brunei) Sdn. Bhd.
  - 100% PESTECH GTI Sdn. Bhd.

MAIN BUSINESS SEGMENTS

POWER DISTRIBUTION AND SMART GRID

HV AND EHV ELECTRICAL SYSTEM

RAIL ELECTRIFICATION & SIGNALLING


INFRASTRUCTURE
ASSET MANAGEMENT
POWER GENERATION
TRANSMISSION LINE
AND POWER CABLES

MAIN BUSINESS SEGMENTS

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 kinds 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.

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.

INFRASTRUCTURE ASSET MANAGEMENT

With the experience and know-how in building electrical infrastructure 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 this 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 operation and maintenance services for two (2) substations and a total of 315km of transmission lines.

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

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 Malaysian and Thailand for a total route length of 624km of Overhead Catenary System ("OCS"), a Metro line for MRT2 in Malaysia and a 4km Rapid Transit System ("RTS") link between Malaysia and Singapore.

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.

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. The 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 development 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.

POWER DISTRIBUTION AND SMART GRID

BOARD OF DIRECTORS & COMPANY SECRETARY


PAUL LIM PAY CHUAN
IR. AMIR BIN YAHYA
NG CHEE HOONG
LYNDA PAN SENG WEE
Company Secretary

PROFILE OF DIRECTORS

LIM AH HOCK

Executive Chairman

Malaysian	Aged 69	Male

Lim Ah Hock is an Executive Chairman ("EC") of PESTECH. He was appointed to the Board on 18 August 2011.

In 1978, he graduated from the University of Strathclyde in Glasgow, United Kingdom with a Bachelor of Science Degree majoring in Mechanical Engineering (First Class Honours). He is a Member of the Institution 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") and Group Chief Executive Officer ("GCEO"), 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 and GCEO and substantial shareholder of the Company. He is also the father to Mr. Stanley Lim Peir Shenq, 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 26 October 2021.

He has attended all six (6) Board of Directors' meetings held in the financial year ended 30 June 2021.

PAUL LIM PAY CHUAN

Managing Director and Group Chief Executive Officer

Malaysian | Aged 51 | Male

Paul Lim Pay Chuan is a MD and GCEO of PESTECH. He was appointed to the Board on 18 August 2011. He was re-designated to MD and GCEO on 8 October 2020.

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 Institution 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 26 October 2021.

He has attended all six (6) Board of Directors' meetings held in the financial year ended 30 June 2021.

PROFILE OF DIRECTORS

STANLEY LIM PEIR SHENQ

Executive Director

Malaysian | Aged 36 | Male

Stanley Lim Peir Shenq is an 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 2,000 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 and 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 26 October 2021.

He has attended four (4) Board of Directors' meetings held in the financial year ended 30 June 2021 as he was only appointed to the Board on 8 October 2020.

IR. AMIR BIN YAHYA

Independent Non-Executive Director

Malaysian | Aged 68 | Male

Ir. Amir Bin Yahya is the Independent Non-Executive Director ("INED") of PESTECH. He was appointed to the Board on 8 October 2020.

He is currently the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination 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 ("DOSH") under the Ministry of Human Resource) as an Inspector.

He held various management positions in DOSH 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 DOSH 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 Petrolium 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 has attended four (4) Board of Directors' meetings held in the financial year ended 30 June 2021 as he was only appointed to the Board on 8 October 2020.

PROFILE OF DIRECTORS

NG CHEE HOONG

Independent Non-Executive Director
(Appointed on 1 April 2021)

Malaysian | Aged 54 | Male

Ng Chee Hoong is the INED of PESTECH. He was appointed to the Board on 1 April 2021.

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

He is a Fellow Member of the Association of Chartered Certified Accountants (ACCA), a Member of the Malaysian Institute of Accountants (MIA) and a member of the Chartered Tax Institute of Malaysia (CTIM).

Mr. Ng is a Chartered Accountant specialising in audit and assurance with over 30 years of working experience in audit firms and commercial organisation. He was a Partner in BDO (now known as BDO PLT) from June 1990 to February 2009. He then joined PKF from March 2009 to September 2010 and Grant Thornton Malaysia (now known as Grant Thornton Malaysia PLT) from October 2010 to February 2017 and he served as a Partner in the respective audit firms.

In March 2017, he joined Tradewinds Plantation Berhad, an oil palm and rubber plantation company, and served as a Chief Financial Officer until February 2019 and he was responsible for overseeing the finance functions and supporting the Chief Executive Officer. From March 2019 to April 2020, Mr. Ng re-joined PKF as an Audit Director and he was responsible for audit and assurance engagements.

Mr. Ng is currently a sole Partner of CNG, an accounting firm which provides auditing and taxation services. He also sits on the Board of Tan Chong Motor Holdings Berhad ("TCM"), a company listed on the Main Board of Bursa Malaysia Securities Berhad and MOG Holdings Limited ("MOG"), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. He is the Chairman of the Audit Committee, a member of the Nomination Committee and Remuneration Committee in TCM and MOG, and a member of the Board Risk Management and Sustainability Committee in TCM.

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 one (1) Board of Directors' Meeting held in the financial year ended 30 June 2021 as he was only appointed to the Board on 1 April 2021.

HOO SIEW LEE

Independent Non-Executive Director
(Appointed on 26 August 2021)

Malaysian | Aged 50 | Female

Hoo Siew Lee is the INED of PESTECH. She was appointed to the Board on 26 August 2021.

She is currently the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

Ms. Hoo graduated from University of Mississippi with a Bachelor of Business Administration majoring in Marketing in year 1993.

She has over 28 years of working experience in the Information and Communication Technology (ICT) industry. From 1998 to 2001, she served as a Country Manager in VST Technology Sdn. Bhd., a subsidiary of VSTECS Holdings Limited, a listed company in Main Board of the Stock Exchange of Hong Kong and was responsible on the overall operation, sales and marketing and profitability target in Malaysia. VST Technology Sdn. Bhd. achieved overwhelming profit under Ms. Hoo's leadership.

Before pursuing her career in entrepreneurship, she joined Avnet Technology Pte. Ltd., a company with deep expertise in large volume broad line distribution worldwide in year 2001 as a Regional Manager where she was assigned to manage the market business development in the Southeast Asia region.

In 2003, Ms. Hoo became the co-founder for All IT Hypermarket Sdn. Bhd., Malaysia's largest computer retail outlet offering a wide range of computer products both in store and online. At the same time, she also serves as a Managing Director at Adventure Multi Devices Sdn. Bhd., a leading IT distribution company for gaming PC components segment and display solutions. Adventure Multi Devices is partnering with global brands such as AMD, Asus, AOC, BenQ, LG, MSI, Ricoh and Promethean.

In addition to the above, Ms. Hoo also served as a town-council member from year 2016 to 2018.

She 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.

She did not attend any Board of Directors' Meeting held in the financial year ended 30 June 2021 as she was appointed to the Board on 26 August 2021.

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.

PROFILE OF COMPANY SECRETARY

LYNDA PAN SENG WEE

Company Secretary

Malaysian | Aged 46 | Female

She is the Company Secretary for PESTECH International Berhad group of companies and also the Corporate Secretary of PESTECH (Cambodia) PLC, our listed subsidiary on the Cambodia Securities Exchange.

She graduated in 1999 after completed her study in the professional degree of Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). MAICSA is a well-recognised professional body for Chartered Secretaries and Chartered Governance professionals in Malaysia. It is an affiliate body to The Chartered Governance Institute (CGI). Formed in 1891, CGI is the leading professional body for Chartered Secretaries and Chartered Governance Professionals in the United Kingdom and throughout the world. She was admitted as Fellow Member of MAICSA in year 2015.

She started her secretarial practice in I-Berhad from years 1999 to 2002 as Corporate Secretarial Executive and was tasked to assist on the in-house secretarial works. After four (4) years' of services in I-Berhad, she decided to garner greater exposure in secretarial practice and joined Securities Services (Holdings) Sdn. Bhd. ("SS"), one of the leading corporate secretarial and share registration service provider in Malaysia, as Secretarial Senior in year 2002.

During her tenure of over 15 years in SS, she was exposed extensively to various corporate exercises which include initial public offering, bonus issue and shares consolidation, transfer of the listing status to the Main Board of Bursa Malaysia Securities Berhad, de-listing exercises of listed companies, proposed private placement, transaction on collateralised loan obligations, restructuring exercise for multinational companies and many more. She also involved in the setting up of two (2) foreign international banks in Malaysia and was appointed as named Company Secretary for the banks.

She joined PESTECH Group in year 2017 and is tasked to oversee the corporate secretarial function for the Group regionally, particularly monitoring of compliance to rules and regulation of the stock exchange in Malaysia and Cambodia, where PESTECH International Berhad and PESTECH (Cambodia) PLC are listed, compliance to corporation laws of various countries where PESTECH is operating and partly support the legal, risk management, compliance and sustainability functions for the Group.

KEY SENIOR MANAGEMENT TEAM

PROFILE OF KEY SENIOR MANAGEMENT

TEH BEE CHOO

Chief Financial Officer

Malaysian	Aged 58	Female

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

Malaysian	Aged 50	Female

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 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.

THE "POWER" TEAM

PAISMANATHAN GOVINDASAMY

Head of Power Generation and Rail Electrification

Malaysian	Aged 51	Male

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, Institution 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.

LEE KONG TEE

Head of HV and EHV Electrical System

Malaysian	Aged 49	Male

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 Institution 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

HAN FATT JUAN

Head of Transmission Line and Power Cables

Malaysian	Aged 56	Male

The transmission line and power cables segment is led by Han Fatt Juan. He is the Chief Executive Officer of PESTECH (Cambodia) PLC. ("PCL") and 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 while furthering his studies. 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.

VIND SIDHU

Head of Power Distribution and Smart Grid

Malaysian	Aged 55	Male

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 head 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.

EXECUTIVE CHAIRMAN/ MANAGING DIRECTOR AND 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 2020/2021. We had strived through another year of COVID-19 pandemic ("Pandemic"), registering positive improvements in business and financial performance amidst locked down and logistic disruptions.

As we moved forward, the Board is excited to share with our shareholders the prospects and strategies of the Group as we forged ahead with our plan for growth.

The calendar year 2021 also marked as the 30th anniversary of the establishment of PESTECH, via PESTECH Sdn. Bhd., which was setup in July 1991. Throughout the 30 years of operation, the Group had continuously upgraded itself by expanding its services into various aspects of power infrastructure development. The clear vision now is to strategically transform the Group into sustainable business expansion in order to help create an equally sustainable performance for the Group in the years to come.

OVERVIEW

Revenue of the Group improved to RM889 million from RM797 million in financial year ("FY") ended 2020. The recorded revenue for FY 2021 even surpassed that of FY 2019. This improvement reflected the robustness of the stages of project progress during the FY under review. In line with the above, Group profit for the period showed encouraging result at RM103 million as compared to RM65 million in FY 2020.

Barring further negative impact due to the Pandemic, we are confident in sustaining the positive reporting trend with the back of our outstanding order book of RM1.76 billion as at 30 June 2021. We also remain active in regional project tendering and procurement in all aspects of our service offerings, with respect to high voltage and extra high voltage power transmission and distribution, renewable and sustainable energy initiatives, rail electrification, and distributed microgrid power supply solutions.

As the Group ventures into the new FY, we are motivated to endeavour farther into the arena of sustainable power infrastructure development, in the area of photovoltaic solar generation, waste-to-energy, sustainable mobility solution, and autonomous non-fossil fuel based distributed microgrid power supply solutions.

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

FY2021
Revenue
RM889
million

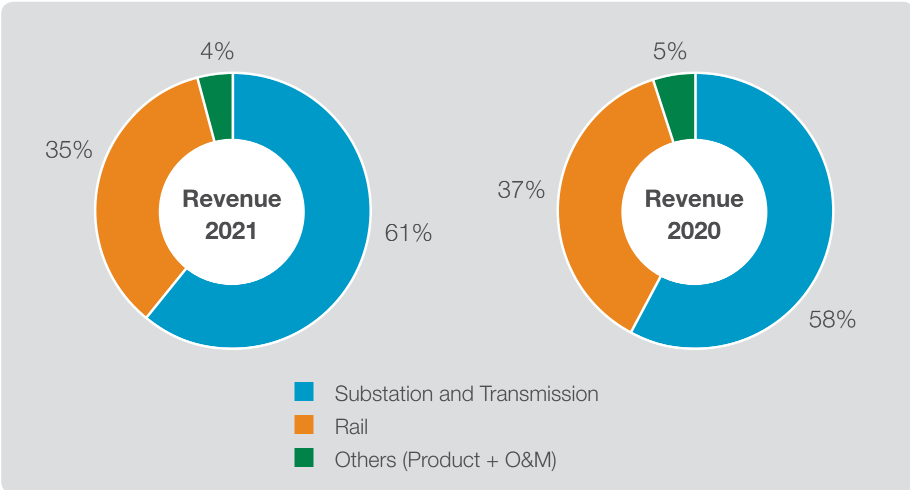
FY2021
Operating Profit
RM125
million

Power Network and Rail Electrification were championing the Revenue generation with 61% and 35% contribution towards the total business volume.

FINANCIAL PERFORMANCE

The Group went through FY 2021 amidst lingering Pandemic impact, with different level of effects being experienced in different geographical areas where the Group had presence. Our diverse setup regionally had helped to balance out the total impact felt during this challenging period.

We had recorded highest ever registered Revenue for the Group at RM889 million as compared to RM797 million in the preceding FY. There were more contribution from both the Substation and Transmission, together with Rail segments of business. Total contribution of Revenue from these two (2) segments of business improved 13% as compared to previous FY. The following charts illustrate the comparative between the FYs:



The Operating Expenses, which included the costs of goods sold and operating overheads, was around 86% of the Revenue, which is essentially at the similar level for FY 2020. Despite additional expenses were incurred due to adherence towards required standard operating procedures during the Pandemic, we were mindful of managing these running costs of the Group.

Power Network and Rail Electrification were championing the Revenue generation with 61% and 35% contribution towards the total business volume of the Group in FY 2021.

The Operating Profit grew more than 21% from its level in FY 2020 to RM125 million. In line with that, the Profit Before Interest and Tax ("PBIT") concurrently improved 21% year-on-year.

The Profit Before Tax ("PBT") during the FY under review was recorded at RM114 million; a collective result from better PBIT, higher Finance Income with lower Finance Costs, enhanced by lower Tax Expense. The lower Tax Expense was partly contributed by the tax incentive granted to our build transfer project in Cambodia, which is being carried out currently. The PBT margin, thus, showed positive improvement from 11% in FY 2020 to 13% in FY 2021.

The margin of Profit for the Year was documented at 12% in FY 2021 as compared to 8% in FY 2020, an increase of over RM38 million.

Year 2021
Total Assets
RM2.7
billion

Increase
10%

Year 2021
Total Equity
RM762
million

Increase
26%

Total Comprehensive Income for the Year of the Group grew significantly to RM104 million vis-à-vis RM46 million in FY 2020. This was contributed by positive figures registered under Fair Value Gain on Cash Flow Hedge for the interest rate swap on our Cambodian project borrowings.

Total Comprehensive Income Attributable to Owners of the Company had, as a result, also showed encouraging increase from RM35 million in FY 2020 to RM68 million in FY 2021, an upward growth of 95%.

Backed by this encouraging performance result, the management was cautiously optimistic of the outlook of the Group notwithstanding the challenge presented by the invisible COVID-19 as we were backed by the order book of RM1.76 billion as at 30 June 2021. The continued focus in infrastructure development in the region, especially in the context of sustainable infrastructure development, provided the Group ample opportunity to participate in the build-up of the electrical assets for grid and transportation system.

The Total Assets of the Group expanded 10% to RM2.7 billion, with higher Cash and Bank Balances recorded at RM184 million compared to RM91 million in FY 2020. And, as the Group continued to execute the concession-based projects under its order book, the Current Contract Assets enhanced to RM935 million against RM775 million in FY 2020. Based on current projects in hand, we expect this trend to continue at least to FY 2023.

Retained Earnings strengthened further to RM419 million, in excess of 18% year-on-year, as a result of improvement in profitability. Overall, the Total Equity also gain traction to RM762 million from RM606 million recorded in the preceding FY. This positive development was reflected in the betterment of Net Assets per Share of 100 Sen in FY 2021 as compared to 79 Sen in FY 2020, which was a 26% enhancement.

The Group incurred slightly higher Total Liabilities in FY 2021 with a year-on-year incremental percentage of below 7%. The Management was diligent in managing its cashflow, through balancing of internally generated funds with external borrowings to support the growth of the Group.

Our debt funding had always been structured such that it is specific project linked with identified source of repayment throughout the tenure of the loan. As such, the exposure risk on such borrowing to the Group had been reduced significantly. At the same time, by strategically leveraging on available debt funding in the financial market, we will be able to deliver positive business expansion through recurring involvement into concession-based power infrastructure asset ownership for long term sustainable development of the Group.

OPERATION PERFORMANCE

Global Pandemic phenomena continued to plague the livelihood and businesses throughout the world during FY 2021. We were fortunate to have our dedicated, committed, and capable team members that persevered with the Group to deliver encouraging performance to its shareholders.

With such dependable support, we were able to successfully completed the Okvau Gold Mine Substation project in Cambodia within the stipulated time, amidst the logistics, execution, and communication challenges arose due to the Pandemic.

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

At the same time, work had started for our first large scale photovoltaic solar plant ("LSS") build up located in Bavet City, Svey Rieng Province, Cambodia. Various improvements had been initiated for the development of this maiden LSS facility for the Group, such as:

i) adoption of pre-cast construction methodology for higher project execution efficiency through standardisation of certain construction materials and reduction of construction waste;

ii) adoption of full-fledge solar power resources, including rooftop solar and solar lighting systems, at the entire infrastructure for truly green and sustainable LSS deployment;

iii) installation of leading power quality instruments and equipment, such as harmonic filters, for better power delivery to the grid in an effort to deliver reliable and effective green power supply that does not bring harm to the Cambodian national grid system; and

iv) implementation of solar yield improving devices on selective sections of the LSS to assess the effectiveness of such system in enhancing the overall LSS generation performance.

The efforts above shall be documented and determined as the basic benchmarks for future LSS development undertaken by the Group.

During FY 2021, we continued to build upon our presence in Cambodia by successfully procuring the 230kV underground transmission line project, which shall be implemented in Phnom Penh, the capital of Cambodia. Upon completion of this particular project, PESTECH shall possess the necessary credential for underground transmission line project execution in a foreign country that would allow the Group to further explore similar nature of projects around the region.

Regional activities on transmission line and substation build up were also not showing signs of diminishing. The Group continued to gain traction in replenishing new order book for this segment of business with prospects arising from Cambodia and Philippines. In order to improve efficiency and reduce wastage during construction, we were also adopting the modular pre-cast method wherever we can, especially in the substation build up projects. The employment of pre-cast method, instead of cast-in-situ, significantly reduced material wastage, minimised environmental impact on the surrounding area, and cut down the construction time for better project delivery.

In our efforts to continuously building new references and track records, our power product unit was also relentless in delivering notable track record in its field with the successful delivery of smart meters to Tenaga Nasional Berhad, and complete implementation of non-fossil fuel based, sustainable microgrid power supply system for kampung orang asli in Tapah, Perak. We were also exploring opportunities with Sarawak Energy Berhad ("SEB") for rural electrification of long houses in various remote areas in the State of Sarawak. A memorandum of understanding in that respect had been executed between PESTECH and SEB for a proof of concept microgrid implementation at Rumah Bangau longhouse, which is inaccessible via normal road system.

We were also concurrently executing the similar microgrid power supply system in Papua New Guinea to power up a rural community and a hospital to improve the livelihood and well-being of the surrounding people.

The rail electrification team was occupied by the ongoing execution of the Gemas to Johor Bahru Southern double track project, covering a total distance of 192km, and the Mass Rapid Transit ("MRT") Sungai Buloh-Serdang-Putrajaya (SSP) Line (MRT2) for a total distance of 53km. The Group is optimistic on the prospects for rail electrification, control and signalling in the region, and shall continue to explore such opportunities in ASEAN, as the regional public transportation infrastructure development intensifies in line with heightened economic and social advancement programs undertaken by individual nations.

Gemas to Johor Bahru Southern double track project.

Mass Rapid Transit ("MRT") Sungai Buloh-Serdang-Putrajaya (SSP) Line (MRT2).

The management is ever mindful on the importance of sustaining business growth of the Group. As such, much efforts had been channelled towards replenishing of order book during the FY. The outstanding order book was recorded at RM1.76 billion as at 30 June 2021. The contribution of the order book continued to be diversely generated from amongst the ASEAN region in line with the strategy of the Group to have a well-spread business exposure in this geographical area. We continuously looked out for new opportunities in the sustainable power infrastructure area to steer the Group towards the reduce, reuse and recycle business and social responsibility philosophy.

General operational wise, the Group continued to implement strict standard operating procedures ("SOP") in each of the countries it operated in, as recommended by the local government. This effort shall be maintained whilst we continued to carry out our operation in a minimal disruptive manner possible to ensure smooth delivery of projects to our customers as we sought for co-existence in this Pandemic.

RISK FACTORS AND CHALLENGES

The prolonged Pandemic impact on overall business environment remained the greatest challenge for PESTECH, and most of the businesses.

As regional inoculation rate picked up, many countries were altering the treatment, towards the situation as an endemic instead of a pandemic. With established SOP, borders between countries had started to open up, this assisted the logistic flow for goods and services, which in turn promoted the long-stagnated business transactions. We hope the current improved situation will be sustained so that the unprecedented challenges of the Pandemic could be mitigated gradually going forward.

The risks relating to project execution were minimal, as the Group had standardised operational procedures to mitigate normal project related risks such as design, engineering, procurement, logistic, construction, testing and commissioning activities. The established procedures provided the Group a stable operating environment that ensured smooth functioning of the business around ASEAN.

FUTURE PROSPECTS AND OPPORTUNITIES

The future of power infrastructure development will be focusing on sustainable, and renewable aspects of the industry, with emphasis on improvement in power quality delivery, efficiency of the power system, and holistic solutions for environmentally friendly and socially responsible power assets build up.

Even within the ambit of renewable energy initiatives, deeper consideration is required to be endowed towards sustainable development of projects like large-scale solar plant, such that displacement of community, scarcity of available land mass, biodiversity, and capacity of transmission infrastructure, should all become part of the equation while we work on the transition towards carbon neutrality.

Based on the article titled Powering ASEAN's Energy Transition published by the EU-ASEAN Council in 2021, ASEAN has drawn out the Plan of Action for Energy Cooperation Phase II, which specifically highlighted the following areas of development:

ASEAN Power Grid	To expand regional multilateral electricity trading, **strengthen grid resilience** and modernisation, and promote clean and **renewable energy integration**.
Energy Efficiency and Conservation	To reduce energy intensity by 32% in 2025 based on 2005 levels and encourage further **energy efficiency** and **conservation** efforts, especially in the transport and industry sectors.
Renewable Energy	To achieve an aspirational target for increasing the component of renewable energy to 23% by 2025 in the ASEAN energy mix, including through **increasing the share of RE** in installed power capacity to 35% by 2025.
Regional Energy Policy and Planning	To advance energy policy and planning to accelerate the region's energy transition and resilience.
Civilian Nuclear Energy	To build human resource capabilities on nuclear science and technology for power generation.

As indicated, much effort will be channeled towards improvement of grid integrity, enhancing energy efficiency, and further promoting the share of renewable energy into the grid. All of which are areas that PESTECH is capable of prescribing corresponding solutions to each of the utility companies in the region. In that regard, the management foresees potential recurring business prospects in ASEAN, with ever increasing emphasis in the innovation of sustainable power infrastructure development, coupled with progressively more reliable, efficient, effective transmission and distribution system to bring long term environmental and social friendly electricity supply to the community.

We take this opportunity to thank all our shareholders, customers, suppliers, and the PESTION team, for a commendable FY 2021. And, we shall look forward to a positive and exciting FY 2022 with vigor and confidence.

Thank you.

SUSTAINABLE
DEVELOPMENT REPORT

SUSTAINABLE DEVELOPMENT REPORT

PESTECH's approach towards sustainability includes focusing on developing and creating sustainable energy generation for development and construction of electrical infrastructure in service to the community all around the globe, which resonates with its vision to be 'Consistently Dependable & Value Add as a Sustainable Electrical Infrastructure Builder'. Delivering quality and reliable works remain at the forefront of PESTECH's effort in energising growth sustainably.

Acknowledging the need to shift towards sustainable electric generation, the Board and management commits to drive change through innovation in reinforcing sustainability in the operations and management of our businesses. The strategy is to commit resources and investment into development of skills to deliver sustainable engineering solution in our works. Our focus area include incorporating sustainable construction method in all our works, monitoring impact on environment, and engaging in economic activities that will reduce carbon footprint in the continuous urbanisation and growth of the community we work in.

Amidst the pandemic year of 2020 to 2021, PESTECH continues to make great strides in embracing sustainability:-

- We acquired a significant stake in Green Sustainable Ventures (Cambodia) Co. Ltd. ("**GSV**") to invest in a large scale solar ("**LSS**") project in Cambodia. The construction is handled by PESTECH (Cambodia) PLC ("**PCL**") and is targeted to commission by November 2021. On completion, the 20MW solar plant will be injecting renewable green energy power supply to Svay Rieng province, a rural province that is composed of eight (8) districts and subdivided into 80 communes.

- We continue to offer Renewable-Based Microgrid Solutions using Super Capacitor Energy Storage and Hydrogen Self Recharging Fuel Cells ("**Hydrogen SRFC**") to serve the rural electrification needs. During the year, our subsidiary, PESTECH Energy Sdn. Bhd. ("**PEN**") had signed a Contract Agreement with Sarawak Energy Berhad ("**SEB**") to work together on a research project to explore clean alternative energy solutions to replace diesel generators or other chemical based energy storage solutions predominantly used in rural electrification substituting them with green hydrogen and capacitive storage technology.

- We powered up our head office and Bukit Beruntung factory in the near future, with rooftop solar installation and will continue deploying clean energy at places where we operate.
- We identify more locations to roll out our Electric Vehicle ("**EV**") charging system with continuous technology improvements in line with the low carbon mobility objectives and Government's initiatives to strengthen the local EV industry and green technology ecosystems.
- We mandate recycling program in our activities and offices by monitoring and sorting production and project waste other than paper and plastics. Recently the Group also initiated an E-Waste Collection Drive at offices and sites to keep harmful materials out from the environment and possibly to recycle rare metals in old gadgets and devices.
- We put in place stringent procedures and controls in navigating through the challenging time of Covid-19 pandemic as the health and safety of our employees remain our top priority.
- We rethink the ways we work, engage with each other and serve our customers during pandemic. We invest and accelerate the use of information technology in tandem with our growth in the region. Deployment of information technology making efficient change as an alternative to travel, which means we contributed lower carbon emissions and use less papers.
- We continue to execute our corporate social responsibilities within the underlying thrust of CARE programs to contribute back to the society despite pandemic.

SUSTAINABILITY GOVERNANCE

The Board of Directors ("**the Board**") acts as the main drivers of the governance of sustainability structure. The Board sets a strong tone from the top highlighting critical role of sustainability for value creation to its stakeholders and that all Governance and Economic, Environment and Social ("**EES**") matters shall be integrated into the Group's business strategies. The governance for sustainability development is reported in the Corporate Governance Overview Statement of this annual report.

Assisting the Board with sustainability related matters is the Business Sustainability Working Group ("**BSWG**"). BSWG is responsible in developing sustainability strategies and programs targeted at relevant stakeholders. Among other duties of BSWG include researching and gathering data as well as monitoring the Group's sustainability performance by providing regular reports to the Board. This lines of reporting in which sustainability-related matters are to be brought up to the management is crucial for strategic decision making and effective implementation of programs across the entire business operation.

The Group adopts the following governance structure in developing and executing the sustainability agenda for the Group:-

Board of Directors

- Review and approve the Group's wide-integrated sustainability objectives and strategies in line with Group's strategic direction
- Discuss and agree on long term and short term goals for the Group by identifying and setting the relevant Sustainability Development Goals ("**SDGs**") for the Group in coherent with the business objectives
- Approve the annual sustainable development report by reviewing its applicability, execution and achievement versus the targets

Group CEO

- Review and discuss sustainability matters with the senior management and BSWG and work towards outlining the action plans to meet the Sustainability Development Goals and objectives set by the Board
- Discuss and monitor with the senior management and BSWG regularly on the applicability and execution of sustainability matters in the day-to-day operations of PESTECH
- Review the appropriateness and action plans constantly and devise the action plans, if so required, to meet the target set
- To review, analyse and report the Group's sustainability matters to the Board

BSWG
• Identify and evaluate the Governance and EES risks along with the SDGs and objectives set by the Board • Responsible for stakeholders' management, material assessment and monitoring of sustainability initiatives • Responsible for obtaining, gathering and analysing data and information from various departments and understanding of key sustainability matters of the respective departments

Various departments
• Responsible for management of sustainability matters by embedding sustainability initiatives into the day-to-day operation of PESTECH and to make sustainability, a culture of work and key matter to address in the businesses

The Board has currently implemented within the Group, various policies to ensure corporate governance is in place for sustainable development of the Group. Amongst others, these include the following:

1. Board Charter
2. Sustainability Policy
3. Corporate Disclosure Policy
4. Remuneration Policy
5. Directors' Code of Conduct
6. Whistle-Blowing Policy
7. Anti-Bribery and Anti-Corruption ("**ABAC**") Policy
8. Procurement Policy
9. Hedging Policy
10. Risk Management Policy and Guidelines Documents

ABAC Policy

ABAC Policy and Guidelines Documents were adopted with the aim to extend our commitment towards conducting our business ethically and with utmost integrity to all our operating locally and overseas.

This Policy requires all employees to comply with prevailing anti-bribery and corruption laws and regulations in Malaysia regardless of where we are operating and the applicable local laws and regulations in the country with our presence. PESTECH also expects that its any third party or its intermediaries (i.e., agents, representatives, suppliers, contractors, subcontractors, service providers, consultants and other stakeholders performing work or services for or on behalf of PESTECH) to adhere to relevant parts of this Policy when performing work and services together with PESTECH.

A Group Compliance Officer, Compliance Officers and Ombudsmen of the respective subsidiaries were appointed to review, monitor and provide guidance and support to the staff on matters relating to ABAC.

During the year, the Group had launched the online ABAC training follows with an assessment after training. All staffs are compulsory to attend the training and to meet the minimum score for passing the assessment test.

SUSTAINABILITY TARGETS

PESTECH sustainability development focuses on Economic, Environment and Social elements. These EES defined three pillars of sustainable development of the Group.

The three pillars drivers with clear governance processes are the central to PESTECH's strategic role in our businesses and operation management, targets are being set in relevance to these pillars conception:-

Governance
• Committing and reinforcing ethical business practices and upholding the confidence of shareholders and other stakeholders in the Company's integrity and to encourage high standards of honesty, integrity, ethical and law-abiding behaviour expected of Directors. • Putting in place and constantly reviewing governance processes for day-to-day operations in its business to ensure there is an adequate check and balance to cultivate work integrity within the Group. • Structured, balanced and transparent processes with clear limit of authority to ensure there is no unfettered decisions by any single person.

Strategic Pillars	Targets	Relevant UN SDGs
Economic	• Growing and expanding our businesses in the regions by incorporating sustainable construction method and technology into electrical gird development. • Growing our participation into renewable and recycling energy businesses by leveraging market experience in the regions where we are operating to contribute towards renewable energy generation. • Leveraging new technology and improving efficiency through innovative sustainable solutions and products. • Bringing digital intelligent infrastructure and tools and equipment for sustainable smart city development. • Promoting and construction of infrastructure for use in electric mobility solution including EV and electric rail.	
Environment	• Assessing environmental impact for our project through formal documented Environmental Management Report with information on ways to minimise its environmental impacts. • Promoting the use of renewable and recycled tools and equipment at workplaces. • Deploying the IT infrastructure for online meetings, data sharing and storage to reduce the necessity to travel, use of papers and any other apparatus. • Preserving the availability of Green lungs in the environment whenever possible.	
Social	• Providing employees with opportunities for personal and professional growth, as well as protecting their safety, health and well-being. • Curbing workplace injuries by enforcing stringent standard operating procedures. • Continuing our flagship CARE and scholarship programmes to contribute back to society. • Maximising local communities engagement during the course of project implementation.	

SUSTAINABILITY STATEMENT

PESTECH commits towards contributing to SDGs within its operations by setting goals and adopting programs that work towards fulfilling strict governance, sustainable economic development and social responsibility. The resources and human capital development of the Group will be skewed towards offering sustainable development of electrical infrastructure for the grid and transportation system.

SUSTAINABLE DEVELOPMENT REPORT

Sustainable electric infrastructure development is a key corporate focus for PESTECH to be consistently dependable and value add in the attainment of the SDG targets. We are in the verge of a paradigm shift of energy industry in a cross-cutting manner arising from the SDGs set by the United Nations.

Aligned with our mission to be Effective, Efficient and Excellent, we will focus on acquiring new innovative sustainable technology, know-how, mobility innovations and human capital development that will contribute to carbon footprints reduction and development of a sustainable built-up.

Transformations of our already established businesses, electrical power system and transmission line and cables are accelerated and ongoing to reinvent the ways we work in the call to action for sustainability globally.

Targets are set for PESTECH to harness its current strengths towards future sustainable electric generation in the fields of LSS Farm, Waste-to-Energy, Rural Electrification, Microgrid, smart energy solutions and electrical and infrastructure for transportation system.

LSS Farm : 20MW Solar Photovoltaic Power Plant: Bavet City, Svay Rieng, Cambodia

The Group successfully secured investment opportunity in its first LSS farm when PESTECH International Berhad, acquired 94% stake in GSV through its subsidiary company. GSV holds the 20 years concession Power Purchase Agreement over the development of a 20-megawatt alternative current (AC) large scale solar photovoltaic power plant in Bavet City, Svay Rieng Province.

PCL is tasked as its turnkey engineering, procurement, construction, and commissioning contractor deploying a completely green LSS farm. In our EPCC solution for the farm, we choose to use dry-type transformer instead of oil transformer in the farm. We do not connect the control and facility building of the farm to the electric grid, instead we invest in a microgrid in the LSS farm for its own consumption. We also invest in harmonic filtering facilities to ensure clean power is injected to the grid. These experiences enable PESTECH to benchmark a Green LSS as its solution to other LSS in the future.

In developing new solution for the renewable energy sector, we develop a unique transformer station product for use in the LSS under our subsidiary, PEN. The result is a compact dry-type transformer station complete with SCADA facility. This add-on to the green product profile that will contribute to sustainable development of electric generation.

Compact transformer station.

The project has employed approximately 250 Cambodians over the course of the construction in the Svay Rieng Province, where most of the required employees are sourced from the community surrounding the project site. The supporting experience gain by the local community enable skill upgrades and open up new economic activities potential for the communities.

Environmental assessments were made for the above project where the anticipated environmental impact and mitigation measure, environmental management and monitoring plan during construction, operation and maintenance, commissioning and decommissioning phase are detailed in a formal documented report.

The Environmental Impact Assessments include, amongst others, the following:-

- Land clearing
- Land use
- Water management
- Emissions
- Traffic management
- Waste management
- Occupational health and safety
- Climate change

Any impact assessed was well addressed with controls and mitigation measures, and with constant monitoring and follow-ups.

The solar farm is expected to go online by November 2021, bringing reliable and sustainable power supply to Svay Rieng province, a rural province that is composed of eight (8) districts and subdivided into 80 communes. The development in this area is projected to be taking up pace as it is a border town with Vietnam. The renewable energy injected will contribute positively towards development requirement of the area in a sustainable way.

Upon completion the contribution of the plant towards CO_2 reduction is on an average of 7,004 tCO_2 per annum.

Bavet solar farm.

Rural Electrification

The International Energy Agency ("**IEA**") recognises the role microgrid technology will play in electrification discourse across the globe, citing existing diesel microgrids that could be integrated with renewables and new microgrids that would ideally resist the use of any fossil fuel. The use of microgrids can reduce the country's reliance on diesel generators and power areas not reached by the current transmission and distribution system. In remote areas, "off-grid" versions, those that do not rely on the main utility grid to provide power to its network of electricity users, are used.

Microgrid technology, in essence, can potentially provide much-needed electricity access to remote areas in Southeast Asia while at the same time ensuring a resilient energy source notwithstanding the region's vulnerability to natural disasters. Thus far, Indonesia, Thailand, and Philippines, have existing mini-grids and microgrids to power island communities.

(Source: https://www.enlit.world/asia-feature-articles/microgrids-aseans-solution-to-more-sustainable-secure-reliable-energy-supply-for-all)

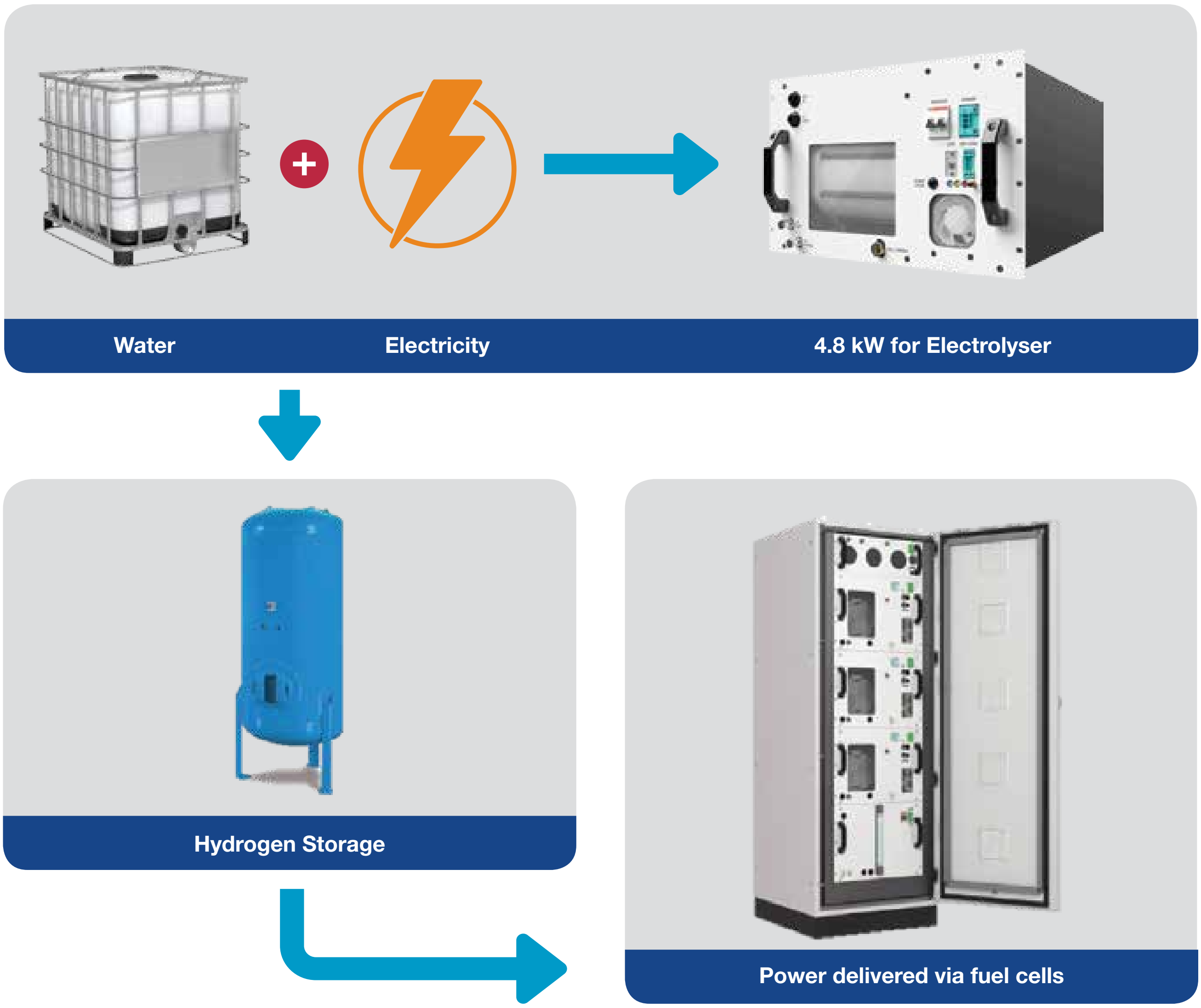
Our subsidiary, PEN has been in the bandwagon of RE since years back and actively explored for RE opportunities in the regions where there is electricity scarcity in rural areas. In collaborating with our technology partner, we developed the Microgrid solution utilising solar panel, super capacitors and hydrogen fuel cell. This innovative solution replaced lithium-ion battery and diesel genset used normally in the hybrid microgrid system. Our solution makes the Microgrid Green and sustainable in its lifetime.

During the year, PEN has executed several RE projects as below:-

Tapah Rural Electrification: A Life-Changing Project

After the success implementation of a Renewable-Based Microgrid Solution at Kampung Batu 23, Tapah for 24 families last year, PEN was given the opportunity to undertake the second phase installation of Renewable-Based Microgrid Solution focuses on the deployment of Hydrogen Self-Recharging Fuel Cells ("**SRFC**").

- The Hydrogen SRFC comprises electrolyser, fuel cell and storage vessel.
- Water and solar energy are pumped through an electrolyser, when the process of electrolysis happens, it breaks up oxygen and hydrogen.
- The oxygen will be released back to the atmosphere, while the hydrogen is being stored in the hydrogen tank. This Hydrogen is categorised as green hydrogen.
- The hydrogen stored in the storage is able to generate electricity through the hydrogen fuel cell for use by the villagers.
- The Hydrogen SRFC solution generates electricity by releasing moisture in the form of H_2O to the environment which is completely green and clean in the process.



The second phase installation is expected to benefit the natives staying in the village for a total of nine (9) brick houses. They are now able to get access to affordable electricity as it is 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 of the super-capacitor. With the electricity access, the community no longer needs to depend on candles and oil lamps.

The project brings life changing impact for the local community in Tapah albeit the value of the project. The accessibility to electricity now enabled the community to improve their standard of living and possibly economic activity that will improve their overall well-being.

Bringing Clean Energy to Rural Area of Sarawak

On 16 July 2021, PESTECH has signed a Contract Agreement with SEB on a research project to explore suitability use of clean alternative energy solutions to replace diesel generators and other chemical-based energy storage solutions predominantly used in rural electrification for Sarawak. The research focuses on suitability of the use of hydrogen and super-capacitors to power microgrids in remote areas via sustainable distributed energy resources. The Microgrid solution used in this joint research will be modularised with option to scale up and down based on localised power systems to meet exact energy demands at the various remote villages in Sarawak while minimising wastage. The source of raw material for the Microgrid solution to replace the diesel is the river water normally available near remote villages for the Hydrogen SRFC to convert water to energy.

The project aims to electrify off-grid communities to improve their standard of living through generation of reliable clean renewable energy that will not affect the environment they are staying in. Generally, the research project is expected to bring a significant impact on various aspects of the community's lives, including providing long-term economic benefits.

Rumah Bangau Song, Sarawak.

Rooftop Solar Initiatives

2020 marked a record-breaking year for renewable energy. Solar photovoltaics ("**PV**") will be at the forefront of this continued opportunity in 2021-2022, with renewable energy expected to account for 90% of new capacity expansion globally.

This period of accelerating growth is framed by a projected US$6 trillion power sector investment between now and 2025, higher than the expected investment in oil and gas. This is largely driven by expansion in renewable energy.

Solar PV is now a mature and disruptive renewable energy technology, leading capacity additions around the globe. Annual installation of solar PV is expected to reach more than 160gw in 2022, almost 50% higher than in 2019. Rooftop solar is a critical element of this opportunity, unlocking the substantial generation capacity of building stock in Malaysia and across Southeast Asia.

Malaysia has already made some encouraging steps into the rooftop solar space. Net metering allocations have enabled rooftop solar users to benefit from self-generated electricity while selling excess energy back into the grid. With its favourable geographic position offering substantial irradiation, and significant urban rooftop estate, Malaysia is positioned to unlock even greater generation capacity in future. It is estimated that Malaysia's rooftop estate offers more than 4gw of solar potential across public, commercial and industrial rooftop spaces.

(https://www.theedgemarkets.com/article/growing-champions-malaysias-rooftop-estate-offers-valuable-solar-potential)

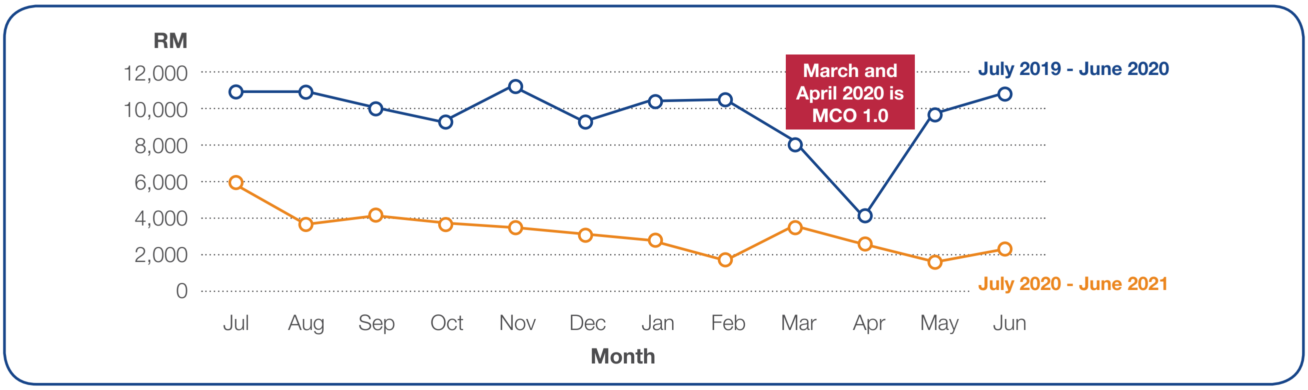
A dedicated in-house team was established to undertake solar opportunities around the region. Investment on hardware and software including human capital were injected into this segment of business to ready ourselves to take on any solar opportunities in the region. The team members were sent for training to obtain the required certifications and qualifications as per the regulatory requirements, to receive training on PVsyst formulation and performance ratios, engineering and design services, authority rules and regulations for different types of buildings as well as such other ancillary works related to rooftop solar, LSS and etc.

PESTECH had initiated its own installation of PV systems at its office rooftops under Net Energy Metering Scheme ("**NEM**") 3.0 introduced by the Government that encourages the usage of renewable energy in Malaysia.

The 114kWp rooftop solar installed at our Shah Alam's head office:-

- produced approximately 148,994 kWh from 6 July 2020 to 30 June 2021;and
- generated average of 408.2kWh per day for our Shah Alam's office

Since the installation of solar panel, the solar system generates electricity for use in our U5 office reducing the electricity bill by 65% on average.



The comparison for March and April 2020 shall not be represented due to the Movement Control Order imposed by the Government.

The solar rooftop was commissioned on 6 July 2020. Since installation, the total CO_2 reduction since operation until 30 June 2021 is 146.2 tonne CO_2, thus reducing the carbon footprint, at the back of 148,994 kWh generated from the rooftop solar. It is therefore well proven that no new roof should be installed without solar panel.

Bukit Beruntung Factory

Encouraged by the results generated from the U5's solar installation, we continue to deploy the solar rooftop renewable energy generation, using in-house know-how, to power up our Bukit Beruntung factory installing a 189kWp rooftop solar PV system under the Net Energy Metering ("**NEM**") scheme. The project is targeted to be completed by end of 2021.

The rooftop solar, upon completion, is expected to contribute positively to CO_2 reduction per year as follows:

Carbon Dioxide (CO_2) Avoidance	Distance travel avoidance by car (petrol)	No. of tree seedlings grown for 10 years to absorb the CO_2
156.16 tonne CO_2	**600,000** km	**2,475** trees

*annualised figures based on calculation over 25 years.


Bukit Beruntung rooftop solar.

**The above figures were generated from using NEM Calculator by SEDA.*
Source: https://services.seda.gov.my/nemcalculator/#/

The solar team of PESTECH is geared up and will be able to offer sustainable rooftop solar solutions to commercial and industrial sectors and to help them to achieve their sustainable development agenda.

EV Charging

Overall, about 3.5 million passenger or commercial vehicles and 4 million motorcycles or scooters were sold annually before the pandemic, data from the Association of Southeast Asian Nations Automotive Federation shows. The region is also expected to generate 140 million new consumers by 2030, with the high- and upper-middle-income ranks doubling to 57 million, according to the World Economic Forum.

Drawn by these potential customers and countries' big ambitions to promote EVs, it is projected that EVs will outsell internal combustion-powered cars in ASEAN by 2035.

Indonesia -- which has one of the world's higher ratios of chargers to EVs according to the International Energy Agency -- has set a target of 2,400 charging stations and 10,000 battery swap stations by 2025. By 2030, it aims to have over 31,000 charging stations, as the government projects more than 2 million electric cars and 13 million electric motorbikes will hit the streets by that year. The country also hopes to leverage its nickel resources to become a major battery production base.

Thailand -- the region's largest auto production center -- plans to lift output of purely electric vehicles to 50% of all car manufacturing by 2030, and to only allow EVs to be sold from 2035. EVs made up well below 1% of total registered vehicles last year.

Malaysia -- reportedly has a Low Carbon Mobility Blueprint that proposes a push for 7,000 AC chargers and 500 faster DC chargers, while a far loftier figure of 125,000 chargers by 2030 has also been reported.

ASEAN's EV infrastructure and targets

	Existing	Targets
Singapore	1,900 *(Charging points as of Feb. 2021)*	**60,000** charges by 2030; phaseout of internal combustion engine cars by 2040
Thailand	647 *(Charging stations as of Nov. 2020)*	**7,000** charging stations in "coming years"; EVs to amke up **50%** of all car production by 2030; only EVs to be sold from 2035
Malaysia	421 *(Charging points as of Mar. 2021)*	Blueprint reportedly calls for **7,000** AC charges/500 DC charges
Indonesia	240 *(Charging stations reported as of first half of 2021)*	**2,400** public charging stations by 2025, **31,000** by 2030
Philippines	136 *(Charging stations reported as of July 2021)*	**200** charging stations bt 2022

(Source : Maybank, International Energy Agency, local media reports)
(Source : https://asia.nikkei.com/Spotlight/Asia-Insight/Slow-charge-ASEAN-aims-to-bring-lofty-EV-goals-within-range)

PESTECH believes that the growth for EV cars in years to come will provide us with good opportunity to roll out more EV charging points at commercial buildings, highways, condominiums and etc. As the main carbon footprint in the city is contributed by the vehicles on the road, our effort of promoting construction of EV charging points within the commercial areas and buildings are to encourage the shift towards picking up ownership of EV in Malaysia.

Albeit a slow growth of EV ownership in Malaysia, we believe our contribution and investment in the EV charging infrastructure will somewhat address the range anxiety of owning a EV car among the public. Through the various initiative of installing EV charging points, our hope is to play a role in encouraging shift to EV to reduce CO_2 emission in the city.

Smart meter

PESTECH's subsidiary, PEN was awarded a contract for the supply and delivery of Smart Meters for Klang Valley consumers since year 2019. Being on the list of a few selected vendors qualified for the supply of smart meters to Tenaga Nasional Berhad ("**TNB**"), PEN has so far delivered 293,635 units of smart meters to TNB.

As of June 30, 2021, 1.22 million TNB customers had smart meters installed in Klang Valley in greater Kuala Lumpur and Melaka in the country's southwest.

Smart meter users get to enjoy various features including monitoring and managing their electricity consumption through myTNB portal and application, with more than 60% of recipients using the facility. Users can track their usage in both money terms and kilowatthours as well as keep a tab of the impact of their energy usage on the environment.

TNB launched its smart meter rollout in 2016 with an initial target of a nationwide rollout by 2021. This was subsequently extended to 2026 to reach more than 9.1 million households.

The smart meters form an integral part of TNB's smart grid plans including automated monitoring and control and integration of renewable generation with a 2025 target of 8.3GW corresponding to 31% penetration. To advance the smart grid TNB is reported to be planning an investment of RM9 billion (US$2.1 billion) annually over the next four (4) years.

(Source :https://www.smart-energy.com/regional-news/asia/tnb-resumes-smart-meter-installations/)

As a pioneer vendor of TNB in the supply for smart meters, PEN poised well in the position as a trusted and reliable vendor to TNB on deployment of smart meters nationally.

Smart meters help to create a smart energy system that reduce carbon emissions. Apart from better match supply with demand of electricity usage, a truly smart energy system may integrate more renewable energy sources into the system. These forms of generating energy create less air pollution and emit significantly less CO_2 into the atmosphere.

PESTECH has recently installed 34 units of smart meters at University Malaya ("**UM**"), being the first pilot project of Advance Metering Infrastructure for UM at their Pusat Teknologi Maklumat which serves about 80,000 UM users. Our team is currently connecting all the installed meters with MDM software and is expected to complete in November 2021.

Pusat Teknologi Maklumat, Universiti Malaya.

Continued deployment of smart meter to utility in the region will contribute substantially in the sustainable development of the electric grid. The information gathered will enable electric utility to confidently incorporate more decentralised renewable energy generation into the Grid. This subsequently realise the purpose of PESTECH's sustainable development report.

Waste-2-Energy

Energy from waste has been in recent years the focus of many developing nations. Wastes to landfill sites cuts across all sectors of life.

Municipal landfill (and illegal disposal and dumping of waste) poses a significant threat to the environment and by implication to human health and safety. Dust created within landfill sites together with associated uncontrolled methane gas emissions, causes a public nuisance. Furthermore, landfill creates ground water contamination, leaching and air pollution: "Leachate" is a highly toxic and potentially an environment catastrophe.

(Source : Gartena Group)

It is apparent that the landfill method of disposing of waste is detrimental to the environment, social and unsustainable.

As a result, there is a need to find an alternative method to process the waste generated from urbanisation that is predicted to continue to rise. Waste as a by-product of urbanisation contains great amount of energy that can be harvested to repower the urban electricity need. A safe and environmental friendly way of Recycling Energy from wastes could be used to produce electricity that can be affordable, reliable, and sustainable with zero dumping going to landfill.

Looking at this sustainability solution requirement as it is also energy related matter, PESTECH is positioned to ride on our current strengths in power system automation and generation into the waste-2-energy offering.

On 20 October 2021, the Company has entered into a Memorandum of Understanding ("**MoU**") with Gartena Holdings Ltd to explore the opportunity to cooperate in proposing and developing Waste-2-Energy solutions in the ASEAN region.

Signing of MOU with Gartena Holdings.

Gartena is a company operating in the United Kingdom and Sweden which has developed and holds the worldwide patent for the 'Rotating Kiln' and the two-step 'Afterburner', a technically advanced, efficient and environmentally friendly Waste-2-Energy process that can accept various types of waste. The system ensures adequate waste-2-energy yield that make conversion of waste to energy financially viable.

PESTECH and Gartena intend to provide solutions to recycle energy from waste generated in the community or the industry. The energy produced from the waste using the technology will be injected into the electrical grid to benefit the society, thereby creating a circular economy for the community. No wastage of resources is going to landfill, instead it will be processed, recycled and converted to electricity to power up urbanisation.

The target Waste-2-Energy markets are the municipal councils, private entities or such other organisations which are handling wastes disposal around the region.

Environmental Compliance

Environmental concerns have caused a significant increase in the number and scope of compliance imperatives across all global regulatory environments. As such, PESTECH is committed in minimising its environmental impacts through proper waste management and reducing waste generation within the business itself. All waste is managed, disposed and/or discharged in accordance to the relevant regulatory requirements.

In operating its business, PESTECH is also committed to protect the environment and complying with applicable environmental laws and regulations. The Group 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 practices the environmental control and improves its environmental performance. The Group continues to put in place relevant measures and monitoring to protect and preserve its biodiversity.

Our operating companies have obtained the Certification of ISO 14001:2015 EMS and EQA, in which they are required to perform environment impact assessment for all the projects they are undertaking. We believe when we take care of the environment, the environment will take care of us.

Recycling Programme

PESTECH has conducted regular monitoring of its waste management process, such as finding new ways and method of recycling in order to reuse, reduce and recycle its waste.

E-Waste Collection Drive 2021

PESTECH initiated an E-Waste Collection Drive in April 2021 which saw a total of 1,652kg E-Waste being collected from offices and project sites. Disposal of the E-Waste has reduced environmental impacts consisting of 4.3kg toxic metals and 1,839kg greenhouse gas emission.

- Gasses that trap heat in the atmosphere are called greenhouse gases.
- When in excess, GHG (carbon dioxide, methane and nitrous oxide) have a negative effect on earth's climate.
- They absorb and emit radiant heat, warm the planet in the process, which ultimately leads to global warming.
- One way to prevent this from happening is by recycling and composting e-Waste as the GHG reduction can be compared to avoid tailpipe from vehicles, or cars taken off the road.

Total e-Waste Collected: 1,652kg

e-Waste collected during the E-Waste Collection Drive.

Scrap Recycle Data

PESTECH actively maintains its 3R practice at its headquarters in Seksyen U5, Shah Alam, Selangor Darul Ehsan in which the recycled waste was collected from office floor and production area and located at storage area. A licensed 3R waste collector was engaged to handle the collection, whenever it is necessary.

The 3R practice in managing the recycled scarp has managed to help reduce environmental impacts in terms of savings in 8 trees, 295.26 liters of oil, 1,309 hours of electricity and 8,899.50 gallons of water.

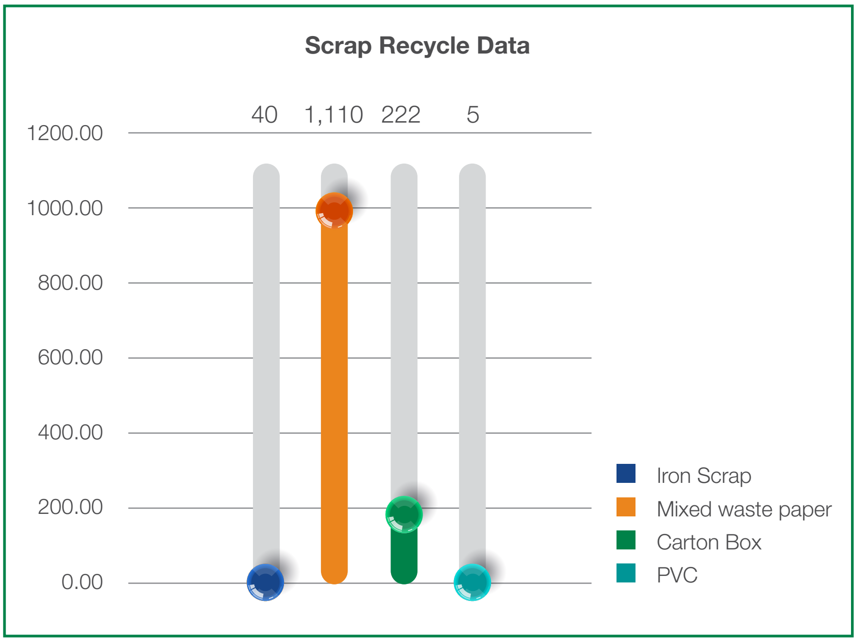
Environmental Impact Saving

8
trees

295.26
liters of oil

1,309
hours of electricity

8,899.50
gallons of water



Energy Conservation in offices

Energy conservation plays a significant role in lessening the impact of climate change. Therefore, managing energy consumption is a priority in PESTECH to promote a sustainable operations and efficient use of energy resources. The Group has taken an approach where the negative impacts of uninhibited energy usage could be mitigated.

Below are some green initiatives made by PESTECH in managing energy consumption:-

- Installation of energy saving Light-Emitting Diodes ("**LEDs**") bulbs instead of incandescent bulbs for internal office lighting.
- Installation of motion sensors in common areas, i.e. corridor, pantry, staircase etc. in the office to automatically turn off the lights when they are not in use to reduce energy use and costs.
- Installation of solar lights for building perimeter lighting as well as at the project sites, and thereby reduce our maintenance and electricity costs.
- Maximise the entry of natural light or daylight in the office building for effective internal lighting, thus minimising the need for artificial lighting.
- Plan the usage and movement of heavy machineries to generate savings on energy consumption.
- Encourage employees to save energy by:
  - Switch off the lights and other office equipment such as photocopier, printer and etc. during lunch hour and before leaving the office.
  - Unplug equipment that drains energy when they are not in use, for example cell phone chargers, fans and etc.
  - Photocopy only if necessary to save paper. Always print two-sided or use recycled papers for drafts documents.

Navigating COVID-19 Pandemic

The Covid-19 outbreak has become an unexpected event that poses many challenges to businesses. Throughout the pandemic, PESTECH closely monitors the situation in countries where we are operating to ensure any directives, rules, regulations and orders that were issued by the government ministries, agencies and any other regulatory bodies are duly adhered to. Fortunately for PESTECH Group, the businesses which we are involved in, have always been classified as essential services by the Government. Though delays to the project implementation were inevitable, but the impact was minimal in totality.

In offices where we are operating, stringent standard operating procedures ("**SOP**") are put in place, i.e.:-

- Physical distancing precautions at the workplace and social distancing markers.
- Temperature check prior to entering office premises.
- Hand sanitisers are placed in various places with health and safety related messages sticked on board reminding staff to sanitise their hands regularly.
- Sanitise offices twice a day on daily basis.
- Updated Covid-19 information are being emailed to all staff timely with Information about COVID-19 is posted on bulletin boards, posters and displays in all our premises.
- Regular SWAB test is provided on weekly/bi-weekly basis for all staff at site and office to provide a safe place for the staff to work.
- Clear policies and guidelines were drafted and updated regularly in line with the Government directives to handle the Covid positive cases and those who were in close contact.
- Upgrade of information technology infrastructure and software to enable efficient virtual meetings.
- Flexible working hours and work-from-home arrangements.

As of the date of this report, the operation in Malaysia and Philippines had achieved 100% and 93% vaccination rate. Meanwhile, Cambodia operation has started to receive third booster shot of vaccine since September 2021. We take the safety and health of our project sites and operation as top priority as always to ensure a safe working environment for our staff and stakeholders.

Health and Safety at the Workplace

PESTECH is committed to providing quality services that consistently meet customer satisfaction. PESTECH has always implement high quality standards in its day-to-day operations, where the importance of traceability, consistency and reliability are emphasised throughout the organisation.

The Group has implemented Quality Management System ("**QMS**") in accordance to ISO 9001:2015. This shows its ability and commitment in providing services that meet the accredited standards and legal requirements and customers' satisfaction.

Health and Safety is PESTECH's pinnacle priority in operations and will continue its commitment to protect the health and safety of the employees, general workers, subcontractors and customers, and provide a safe workplace across its diverse operations. The Group have established an Occupational Health and Safety policy and procedures in accordance to ISO 45001:2018 Occupational Health and Safety Management System ("**OHSMS**") to monitor the risks at workplace. The Occupational Health and Safety policy and procedures have been established in accordance to ISO 45001:2015, OSHA 1994 and FMA 1967 in order to control occupational health and safety risks at the workplace.

Our health and safety policy and procedures are being updated to include detailed processes in response to Covid-19 outbreak.

PESTECH Group's Total Manhours in project execution without Loss Time Injury from 1 July 2020 to 30 June 2021 is 4,253,598 hours.

Total Manhours in project execution without Loss Time Injury

4,253,598

hours

Health Awareness Program

A trainer from Oxford diagnostics was invited to give a talk on the importance of maintaining good and healthy body. The topic covers including good exercise samples and good diet to follow for office workers.

Employees need to undergo complementary health screening first which includes blood pressure and urine test. The result will able to tell the blood pressure condition whether it is in low (hypo), high (hyper) or normal condition. Following that, a urine test will be done by using pee stick that contains 5 parameters which include:-

- Presence of Kidney Stones or Infection
- Kidney Health
- Liver Health
- Nutrition Sufficiency
- Diabetes Condition

After screening, the employees had have private consultation sessions with the trainer to understand their health conditions.

Employees went through private consultation sessions with trainers.

Corporate Social Responsibility: CARE Program

It has always been PESTECH's wish to undertake Corporate Social Responsibility contribution to the community. Under the tagline of CARE, i.e. Community, Advancement, Recuperation and Environment, we commit to give back to the society that we serve in the ways we can.

SUSTAINABLE DEVELOPMENT REPORT

COMMUNITY:
To contribute and engage in community activities for general public service.

Contribution to Cambodian Red Cross: Build the Resilience Cambodian Society

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

Our contribution continues providing some needy items for charity cause to help people who are suffering from natural disasters and other disasters, including the Covid-19.

Contribution to Royal Cambodian Army: Fight Against Covid-19

The donation is to support the armed forces who have to be on duty as frontliners during Covid-19 pandemic. Bedding items such as beds, bed sheets, mattresses, pillows and blankets were sponsored by PESTECH.

Employees of PESTECH presented bedding items to the Royal Cambodian Army.

ADVANCEMENT:
To support and organises activities that contribute towards learning and talent building.

PESTECH Undergraduate/Postgraduate Scholarship

PESTECH Undergraduate/Postgraduate Scholarship Programme offers opportunity to create a well-rounded and holistic pool of talents in the future. The program intends to provide financial assistance to talented students to pursue undergraduate/ postgraduate studies in such as electrical and electronics, mechanical and civil, business and management, human resources and other courses. The financial assistance includes all tuition fees, room and board as well as one-time study allowance. This is a yearly basis program for application by qualified candidates, subject to fulfilment of the requirements and criteria set by PESTECH. During the financial year ended 30 June 2021, the Group has sponsored a total of five (5) scholars under this programme.

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. The role of MKSSG is to provide guidance and education to the underserved children and help them not only on education but also life values for their personal growth.

Children with their artwork during Curriculum Day at Gurukul.

CSR for Sibiyu Project - Road to Better Education Environment

PESTECH has sponsored some equipment to facilitate the following schools’ operations and learning activities.

1) SK Sg. Selad   2) SK Sg. Kem Batu 18   3) SK Sg. Setiam

PESTECH presented school equipments to (from left) SK Sg. Selad, SK Sg. Kem Batu 18 and SK Sg. Setiam.

RECUPERATION:
To provide support to healthcare related services and efforts.

Contribution to Persatuan Penjagaan Kanak-Kanak Terencat Akal Johor

PESTECH has been supporting PPKTAJ since 2014 with its contribution to help the association in improving the living condition of the centre and providing the underprivileged children with better supporting equipment.

Some of the activities held at the PPKTAJ.

Contribution to Hospis Malaysia

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

Some of the activities held at Hospis Malaysia.

Additionally, PESTECH had participated in Hospis Malaysia's 19th Annual Charity Motor Treasure Hunt. The pandemic-related movement restrictions have caused many programs and activities to either be cancelled or postponed. However, to keep the spirit of hunting going on, the hunt was conducted virtually and participated by PESTECH.

ENVIRONMENT:
To support environment protection programs and nurturing towards healthy balanced environmental ecosystem.

PESTECH's environment program is an initiative to sponsor activities that will nurture the practices of protecting the natural environment. During the year, we supported Malaysian Nature Society ("**MNS**") Seed Bank Project in the purchase of seeds, polybags and soils. Orang Asli from Sungai Buloh are working with MNS to help in harvesting and collecting the seeds.

PESTECH donated 100 Pokok Kelat and Pokok Kapur and recently went to MNS Headquarters which is located in Kuala Lumpur to plant the trees using the seeds.

Employees of PESTECH helped to plant trees at MNS Headquarters.

PESTECH remains committed to drive performance growth of the Group through innovative measures in the aspects of EES on our businesses and to bring value creation in a sustainable manner to all the stakeholders.

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 2021. The overview takes guidance from the key corporate governance principles as set out in the Malaysian Code on Corporate Governance ("**MCCG**").

The Board takes note of the updates on the MCCG issued by the Securities Commission Malaysia ("**SC**") with effect on 28 April 2021 ("**MCCG 2021**"). MCCG 2021 introduces new practices and additional guidance to strengthen the corporate governance culture of public listed companies. The Board will strive to adopt and apply the new practices of MCCG 2021 by the end of 2022 and will make disclosures in the Group's Annual Report 2022. 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 and Group Chief Executive Officer ("**MD & 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.

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**"), Nomination 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 Sustainable Development Report.

Executive Chairman ("EC") and MD & GCEO

As per Practice 1.3 of the MCCG, the positions of the EC and MD & GCEO are held by two (2) different individuals. The distinct and separate roles of the EC and MD & 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 & 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 Accountants ("**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.

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 26 August 2021 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.

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, quality, health and safety, corporate finance, accounting and information communication technology ("**ICT**").

The Board currently has six (6) members comprising one (1) EC, one (1) MD & GCEO, one (1) Executive Director and three (3) Independent Non-Executive 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.

The Group practices non-discrimination in any form whether based on age, gender, ethnicity nationality, political affiliation, religious affiliation, marital status, education background or physical ability throughout the organisation and this includes the selection of Board members. 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 30% woman 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. Towards meeting the 30% woman participation target, the Company had appointed Ms. Hoo Siew Lee, the first woman director on Board on 26 August 2021.

As of to-date, the Company has yet to appoint a Senior Independent Non-Executive Director on Board. As all the independent directors are fairly new to the Board, the Nomination Committee and Board will assess a suitable independent director to act as Senior Inderpendent Non-Executive Director of the Company at the later stage, subject to proper evaluations.

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.

Practice 4.2 of the MCCG 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 through a two-tier voting process 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. As such, 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 age, gender, ethnicity, 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 engineering, quality, health and safety, corporate finance, accounting and information communication technology ("**ICT**"). 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, PIB has one (1) woman director on the Board and the two (2) Key Senior Management of the Company are female.

Nomination 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 2021, 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.

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

Chairman	:	Ms. Hoo Siew Lee (Independent Non-Executive Director) (Appointed on 26 August 2021)
Member	:	Ir. Amir Bin Yahya (Independent Non-Executive Director) Mr. Ng Chee Hoong (Independent Non-Executive Director) (Appointed on 1 April 2021)

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 Ninth Annual General Meeting ("**AGM**");
- conducted annual assessment on independence for the independent directors;
- reviewed the nomination of new directors and composition of the Committees; and
- reviewed the composition of women director in the Board to comply with the MCCG.

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. Lim Ah Hock will retire by rotation pursuant to Article 118 of the Company's Constitution and being eligible, had offered himself for re-election.

Mr. Ng Chee Hoong and Ms. Hoo Siew Lee, who were appointed on 1 April 2021 and 26 August 2021 respectively, 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 six (6) Board meetings held during the FYE 30 June 2021 and the attendance record of the Directors is as follows:

Directors	Meetings attended
Lim Ah Hock	6/6
Paul Lim Pay Chuan	6/6
Tan Puay Seng (resigned on 5 May 2021)	5/5
Lee Ting Kiat (resigned on 26 February 2021)	5/5
Stanley Lim Peir Shenq (appointed on 8 October 2020)	4/4
Ir. Amir Bin Yahya (appointed on 8 October 2020)	4/4
Ng Chee Hoong (appointed on 1 April 2021)	1/1
Hoo Siew Lee (appointed on 26 August 2021)	NA

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.

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 & 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 Ms. Hoo Siew Lee, who was appointed on 26 August 2021 and she will be attending the MAP within four (4) months from the date of appointment.

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 2021, the continuous education programmes attended by Directors comprise the following:-

Name	Training	Date
Lim Ah Hock	1. Anti-Bribery and Anti-Corruption Policy, Guidelines and Procedures Training	21 April 2021
	2. Sustainable & Responsible Investment Series 2021 Part 2: SRI Integration into Investment Decision Making	28 June 2021
Paul Lim Pay Chuan	1. Online Solar Mini-Grid Technical Training	20, 26, 27 August 2020 2, 3, 9, 10, 16, 17 September 2020
	2. Investment Perspectives Series – U.S. Post Elections Analysis and Market Implications	5 November 2020
	3. Powering Your Business with Sustainable Energy in Malaysia	8 December 2020
	4. Company Updates – Small Cap Corporate Day Conference	21 January 2021
	5. Anti-Bribery and Anti-Corruption Policy, Guidelines and Procedures Training	16 February 2021
	6. High-Level Forum for RCEP Economic and Trade Cooperation	25 April 2021
	7. HSBC 8th Annual China Conference: China's Technology Ambitions and Challenges	13 May 2021
	8. HSBC 8th Annual China Conference: China's Anti-Monopoly Drive	13 May 2021
	9. HSBC 8th Annual China Conference: East vs West – A-Share Investor Panel	14 May 2021
	10. HSBC 8th Annual China Conference: C-Suite Dialogue: Symphony Communication CEO	20 May 2021
	11. Regenerating Our Tomorrow: Creating Ripples of Change	26 May 2021
	12. Maybank's Invest ASEAN 2021 Country Week: Market Strategy & Economic Outlook Vietnam: Ready for The Next Big Wave	14 June 2021
	13. MCCG Revision 2021: Key Impact and How You Can Transform for The Better	18 June 2021
	14. Maybank's Invest ASEAN 2021 Country Week: Market Strategy & Economic Outlook Singapore: Recovering & Transforming	21 June 2021
	15. ASEAN-BAC Malaysia Webinar 2021: RCEP and CPTPP as Game-Changers in ASEAN's Post COVID-19 Economic Recovery	22 June 2021
	16. Sustainable & Responsible Investment Series 2021 Part 2: SRI Integration into Investment Decision Making	28 June 2021

Name	Training	Date
Stanley Lim Peir Shenq	1. Mandatory Accreditation Programme 2. Anti-Bribery and Anti-Corruption Policy, Guidelines and Procedures Training 3. MCCG Revision 2021: Key Impact and How You Can Transform for The Better	18 – 20 January 2021 15 February 2021 18 June 2021
Ir. Amir Bin Yahya	1. Mandatory Accreditation Programme	18 – 20 January 2021
Ng Chee Hoong	1. MIA Webinar Series: ISQC 1, ISQM 1 & 2, and ISA 220 (Revised), Incorporating Root Cause Analysis 2. Topical Tax Issues Facing SMEs	7 – 8 April 2021 27 May 2021

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.

3. REMUNERATION

Remuneration Committee

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

Chairman : Ir. Amir Bin Yahya (Independent Non-Executive Director)
Members : Mr. Ng Chee Hoong (Independent Non-Executive Director)
(Appointed on 1 April 2021)
Ms. Hoo Siew Lee (Independent Non-Executive Director)
(Appointed on 26 August 2021)

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 MD & GCEO for the financial year ended 30 June 2021;
- reviewed and recommended the directors' fees for the financial year ended 30 June 2021;
- reviewed on benefits payable to Directors under Section 230(1) of the Companies Act 2016; and
- discussed and reviewed the Key Performance Indicators ("**KPI**") for the Executive Directors ("**EDs**").

The details of remuneration of Directors who served during the financial year ended 30 June 2021 are as follows:-

Name	Salaries & other emoluments (RM)	Fees (RM)	Benefits (RM)	Meeting Allowance (RM)	Total (RM)
Company					
Lim Ah Hock	1,705,259.42	-	32,770.00	-	1,738,029.42
Paul Lim Pay Chuan	1,574,466.58	-	35,870.75	-	1,610,337.33
Stanley Lim Peir Shenq	220,329.03	-	-	-	220,329.03
Ir. Amir Bin Yahya	-	35,096.77	-	16,500.00	51,596.77
Ng Chee Hoong	-	12,000.00	-	3,500.00	15,500.00
Ibrahim Bin Talib (resigned on 8 October 2021)	-	18,190.86	-	12,000.00	30,190.86
Lee Ting Kiat (resigned on 26 February 2021)	-	44,267.85	-	22,500.00	66,767.85
Tan Puay Seng (resigned on 5 May 2021)	-	56,733.86	-	27,500.00	84,233.86
Group					
Lim Ah Hock	2,355,519.08	-	32,770.00	-	2,388,289.08
Paul Lim Pay Chuan	2,224,727.00	-	35,870.75	-	2,260,597.75
Stanley Lim Peir Shenq	220,329.03	-	-	-	220,329.03
Ir. Amir Bin Yahya	-	35,096.77	-	16,500.00	51,596.77
Ng Chee Hoong	-	12,000.00	-	3,500.00	15,500.00
Ibrahim Bin Talib (resigned on 8 October 2021)	-	18,190.86	-	12,000.00	30,190.86
Lee Ting Kiat (resigned on 26 February 2021)	-	44,267.85	-	22,500.00	66,767.85
Tan Puay Seng (resigned on 5 May 2021)	-	56,733.86	-	27,500.00	84,233.86

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

Range (RM)*	Number of Senior Management
500,001 – 550,000	2

* *Successive bands of RM500,000 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 Directors, which is in compliance with the MMLR of Bursa Securities. The details of activities carried out by the AC during the financial year ended 30 June 2021 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 three (3) 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.

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 has recommended the reappointment of Messrs. Grant Thornton Malaysia PLT as External Auditors for the financial year ending 30 June 2022. The Board at its meeting held on 14 October 2021 approved the AC's recommendation. The appointment of Messrs. Grant Thornton Malaysia PLT will be presented for shareholders' approval at the forthcoming Tenth 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 2021 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 & 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. Further details on the risk management of the Group are stated in the Statement of Risk Management and Internal Control.

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.

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 corporate 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 and the Company's 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.

In view of the COVID-19 pandemic and the limitation imposed by the Government of Malaysia, the 9th AGM held on 26 November 2020 was conducted fully virtual and live-streamed from the broadcast venue by leveraging on the technology in accordance with the Company's Constitution.

Poll Voting

The Company has been deploying electronic poll voting and will continue the same in future general meetings. At the 9th AGM held on 26 November 2020, the Company deployed remote participation and voting facilities and had conducted the AGM on a fully virtual basis.

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.

Key Focus Areas and Future Priorities

With the introduction of new best practices and further guidance under the updated MCCG 2021 issued by the SC in April 2021, the Board will continue to strengthen the Company's existing corporate governance framework, policies and practices in order to safeguard the interest of all stakeholders.

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 2021 ("**FYE 2021**").

A. COMPOSITION

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

Chairman : Mr. Ng Chee Hoong (Independent Non-Executive Director) (Appointed on 1 April 2021)
Member : Ir. Amir Bin Yahya (Independent Non-Executive Director) (Appointed on 8 October 2020)
Ms. Hoo Siew Lee (Independent Non-Executive Director) (Appointed on 26 August 2021)
Mr. Lee Ting Kiat (Senior Independent Non-Executive Director) (Resigned on 26 February 2021)
Mr. Tan Puay Seng (Independent Non-Executive Director) (Resigned on 5 May 2021)

B. MEETINGS AND ATTENDANCE

During the FYE 2021, the AC held a total of five (5) meetings. The details of the attendance of the AC Members are as follows:-

Directors	Meetings attended
Ir. Amir Bin Yahya	3/3
Mr. Ng Chee Hoong (appointed as AC Chairman on 1 April 2021)	1/1
Mr. Lee Ting Kiat (resigned as AC Member on 26 February 2021)	4/4
Mr. Tan Puay Seng (resigned as AC Member on 5 May 2021)	4/4
Ms. Hoo Siew Lee (appointed as AC member on 26 August 2021)	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 2021

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 2020	Unaudited Results for Fourth Quarter ended 30 June 2020
November 2020	Unaudited Results for First Quarter ended 30 September 2020
February 2021	Unaudited Results for Second Quarter ended 31 December 2020
May 2021	Unaudited Results for Third Quarter ended 31 March 2021

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

- Malaysian Financial Reporting Standards;
- Malaysian Financial Reporting Standards 134 - Interim Financial Reporting Standards;
- 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 2020 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 2021 prepared by the External Auditors, Grant Thornton Malaysia PLT ("**GT Malaysia**").

The AC reviewed the audited financial statements of the Company and the Group for FYE 30 June 2021 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 Approach Memorandum for the FYE 30 June 2021 and Audit Completion Report for the FYE 30 June 2021. 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 2021 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 2021/2022.

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 cost incurred for the internal audit function in respect of the FYE 2021 was RM36,000.00.

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) Project management (execution processes of PESTECH Technology Sdn. Bhd.); and

b) Project execution (operation processes of PESTECH Sdn. Bhd.)

The AC reviewed and accepted the Internal Audit Plan for year 2021/2022 and audit fees for year 2021/2022 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.

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.

vii. 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;
- Proposed New Shareholder's Mandate for Recurrent Related Party Transaction 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 2021, 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 Bursa Malaysia Securities Berhad Main Market Listing Requirements ("**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 its 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 Company'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 & Insights

During the financial year under review, the Group's Risk Management focuses on management of business risks which are segregated into the following segments:-

Type of Risks	Accountability
Corporate risk 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, etc. Senior Management and Head of Department need to review and ensure these operational risks are being identified and managed.	Senior Management and Head of Department
Project Risk 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.	Project Monitoring Office

The AC noted the summary of corporate risks identified during the financial year ended 30 June 2021:-

a) Finance Risk

The Company identified risks associated with project costing, foreign exchange, finance cost, interest rate and gearing in the course of our operation. In mitigation, the Company has been constantly monitoring project costing (actual versus budget) and collection and entered into hedging contracts to manage to address the relevant risks. The Group's gearing level was lowered upon issuance of Perpetual SUKUK during the year. For the Build Transfer/ Build -Operate-Transfer projects undertaken by the Company, these projects are ring-fenced against collections from the customers whom are utility companies.

b) Operational Risk

The Company identified that the Covid-19 pandemic and Movement Control Order imposed by the Government has impacted our business operations and consequently, the adequacy of business continuity process.

We have put in place more stringent standard operating procedures at our work place and sites to ensure our workers health-being are protected during the pandemic period, where Covid-19 detection and prevention measures and adherence of SOP are being enforced at site, with Compulsory Covid test at offices and sites every 14 days. Work from home policy has also been implemented aligned with the Government guidelines from time to time.

We also take cognizant that our Business Continuity process must be robust and well documented in preparedness of any adverse situation that we may face in business.

c) IT Policy

Our IT infrastructure is the core backbone of our business that connects us regionally in various office. We identified that data and email security and system recovery are crucial risks that we need to focus on. Since early 2020, the Group has been deploying Ms. Office 365, an integrating IT system that are robust, stable and reliable to preserve the data security of Group as well as improve the communication efficiency of all companies in different offices at various locations.

Risk Awareness Culture

We believe that Risk Awareness Culture, with emphasis on strong corporate governance, organizational 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 organization, 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 Working 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 meetings 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 orgainsed from time to time on need basis, both on technical hard skill sets and soft skill sets such as risk management, professionalism and integrity.

- **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, anti-bribery and anti-corruption, whistleblowing, 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:-
      - Project management (execution processes of PESTECH Technology Sdn. Bhd.); and
      - Project execution (operation processes of PESTECH Sdn. Bhd.)
    - 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 reports 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.

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") AND GROUP CHIEF EXECUTIVE OFFICER ("GCEO") AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the MD & GCEO 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 2021. 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 14 October 2021.

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 2021.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

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

As of 30 June 2021, 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 June 2021	
		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.

During the financial year, the Company had completed the issuance of Perpetual Islamic Notes under a Perpetual Islamic Notes Issuance Program of up to RM1.0 billion in nominal value, based on the Shariah Principle of Musharakah ("**Perpetual SUKUK Musharakah Programme**").

The Company has issued one (1) tranche two (2) series of Perpetual SUKUK Musharakah Programme:

(a) Nominal value of RM37,100,000 with initial periodic distribution rate of 6% per annum.

(b) Nominal value of RM11,450,000 with initial periodic distribution rate of 6% per annum.

The proceeds raised from the Perpetual SUKUK Musharakah Programme were utilised to refinance existing financing/ borrowings, capital expenditure, working capital, general corporate purposes and/or defray fees, costs and expenses in relation to the issuance of Perpetual SUKUK Musharakah Programme.

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	478
Non-Audit Fees	81	113

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 2021 or entered into since the end of the previous financial year ended 30 June 2020.

4. RECURRENT RELATED PARTY TRANSACTIONS

At the Ninth Annual General Meeting of the Company held on 26 November 2020, 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 2021 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 2020 to 30 June 2021 (RM'000)
PESTECH Sdn. Bhd. ("**PSB**")/Fornix Sdn. Bhd. ("**FNX**")/PESTECH Transmission 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	4,025
PSB/FNX	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	5,087

FINANCIAL SECTION

CORPORATE INFORMATION

DIRECTORS	Lim Ah Hock (Executive Chairman) Lim Pay Chuan (Managing Director and Group Chief Executive Officer) Lim Peir Shenq (Executive Director - appointed on 8.10.2020) Ir. Amir bin Yahya (Independent Non-Executive Director - appointed on 8.10.2020) Ng Chee Hoong (Independent Non-Executive Director - appointed on 1.4.2021) Hoo Siew Lee (Independent Non-Executive Director - appointed on 26.8.2021) Ibrahim bin Talib (Senior Independent Non-Executive Director - resigned on 8.10.2020) Lee Ting Kiat (Senior Independent Non-Executive Director - resigned on 26.2.2021) Tan Puay Seng (Independent Non-Executive Director - resigned on 5.5.2021)
COMPANY SECRETARIES	Pan Seng Wee Chua Siew Chuan Teh Bee Choo
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	No. 26, Jalan Utarid U5/14 Seksyen U5 40150 Shah Alam Selangor Darul Ehsan
AUDITORS	Grant Thornton Malaysia PLT (Member firm of Grant Thornton International Ltd.) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
PRINCIPAL BANKERS	Bank Muamalat Malaysia Berhad Bank of China (Malaysia) Berhad CIMB Islamic Bank Berhad Maybank Islamic Berhad OCBC Al-Amin Bank Berhad
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad

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 2021.

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	102,680	6,657
Attributable to:		
Owners of the Company	66,213	
Non-controlling interests	36,467	
	102,680	

DIVIDENDS

The amount of dividends declared and paid since the end of the previous financial year are as follows:

	RM'000
Ordinary shares	
(i) A special single tier dividend of RM0.005 per ordinary share in respect of the financial year ended 30 June 2021 and paid on 18 December 2020	3,806
(ii) A special single tier dividend of RM0.005 per ordinary share in respect of the financial year ended 30 June 2021 and paid on 23 February 2021	3,806
	7,612

The Directors recommended a final dividend of RM0.005 per ordinary share in respect of the financial year ended 30 June 2021 for shareholders' approval at the forthcoming Annual General Meeting. The current financial statements do not reflect this proposed dividend. Such dividend, if approved by shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2022.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT

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 and Group Chief Executive Officer)*
Lim Peir Shenq (Executive Director - appointed on 8.10.2020)
Ir. Amir bin Yahya (Independent Non-Executive Director - appointed on 8.10.2020)
Ng Chee Hoong (Independent Non-Executive Director - appointed on 1.4.2021)
Hoo Siew Lee (Independent Non-Executive Director - appointed on 26.8.2021)
Ibrahim bin Talib (Senior Independent Non-Executive Director - resigned on 8.10.2020)
Lee Ting Kiat (Senior Independent Non-Executive Director - resigned on 26.2.2021)
Tan Puay Seng (Independent Non-Executive Director - resigned on 5.5.2021)

* *Directors of the Company and its subsidiaries*

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:
Dav Ansan
Daw Kaung Mon San
Detlef Raddatz
Hairol Addy Nizam Bin Hashim
Han Fatt Juan
Keith Iduhu
Oknha Hout Chantho
Oknha Vinh Huor
Paismanathan A/L Govindasamy
Seth Kwasi Asante
Tan Pu Hooi
U Min Banyar San
Wing Kevin
Zhu ZiBing
Lawrence Pure (appointed on 1.7.2021)
Dato' Mohamed Salleh Bin Mohamed Alli (resigned on 1.12.2020)
Lim Hon Seng (resigned on 1.7.2021)

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 1.7.2020 '000	**Bought '000**	**Sold '000**	**At 30.6.2021 '000**
The Company				
Direct interests				
Lim Ah Hock	254,659	900	-	255,559
Lim Pay Chuan	162,422	564	(9,000)	153,986

DIRECTORS' INTERESTS (CONT'D)

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 (cont'd):

	Number of ordinary shares			
	At 1.7.2020 '000	Bought '000	Sold '000	At 30.6.2021 '000
The Company				
Indirect interests				
Lim Ah Hock#	3,364	-	-	3,364
Lim Pay Chuan@	1,306	-	-	1,306
Lim Peir Shenq*	2,058	-	-	2,058

(#) 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 his shareholdings in Kumpulan Liva Sdn. Bhd.

By virtue of their interests in the ordinary shares of the Company, Mr. Lim Ah Hock, Mr. Lim Pay Chuan and Mr. Lim Peir Shenq 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.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

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 25 and 32 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 RM40 million. The total amount of premium paid for the Professional Indemnity Insurance by the Group was RM80,000.

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 1,957,700 of its ordinary shares from the open market on Bursa Malaysia Securities Berhad for RM1,426,621. The prices paid for the shares repurchased range from RM0.69 to RM0.80 per share. Details of the treasury shares are set out in Note 15 to the Financial Statements.

DIRECTORS' REPORT

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.

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 and 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 and 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.

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 therefore 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.

In the opinion of the Directors:

(a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE

The significant events during the financial year and after the reporting date are disclosed in Note 37 to the Financial Statements.

AUDITORS

Details of auditors' remuneration are set out in Note 25 to the Financial Statements.

There was no indemnity given to or insurance effected for the Auditors of the Company.

The Auditors, Grant Thornton Malaysia PLT have expressed their willingness to continue in office.

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

LIM AH HOCK
DIRECTOR

LIM PAY CHUAN
DIRECTOR

26 October 2021

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 96 to 173 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 2021 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

26 October 2021

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 96 to 173 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)
26 October 2021)

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

Before me:

No: W737
MUHAMMAD FAIZ DHARMENDRA BIN ABDULLAH

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 2021 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 96 to 173.

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 2021, 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, 24 and 28 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 performance obligation;

(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.

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 –

As at 30 June 2021, the Group's total trade receivables and contract assets represented about 78% of the total assets of the Group.

We focused on this area as significant management judgement is required to assess the recoverability of trade receivables and contract assets. Management performed a detailed analysis taking into account customer's ageing profile, credit history and historical payment pattern and the forward-looking information for the estimation of expected credit losses ("ECLs") on its trade receivables and contract assets. The accounting policies, accounting judgements and estimates and disclosures for the impairment of trade receivables and contract assets are included in Notes 2.6.1, 3.7.1, 8, 10 and 33.2 to the Financial Statements.

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;

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 – (cont'd)

- 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.

Valuation of intangible assets

The risk –

Goodwill and other intangible assets arise mainly as a result of acquisitions by the Group. The Directors conducted their annual impairment test to assess the recoverability of the goodwill and considers whether there are indicators of impairment with respect to other intangible assets. In order to establish whether an impairment exists, the value in use is determined and compared to the net carrying amounts of the goodwill and other intangible assets.

As detailed in Notes 2.6.1, 3.8 and 5 to the Financial Statements, the determination of an impairment is highly subjective as significant judgement is required by the Directors in determining the value in use as appropriate. The value in use is based on the cash flow forecast model for each cash-generating unit and requires the estimation of model assumptions, most importantly the discount rate and growth rate. Accordingly, due to the high estimation uncertainty, the impairment assessment of these assets is considered to be a key audit matter.

Our response –

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

- evaluated whether the model used to calculate the value in use of the individual cash generating units complies with the requirements of MFRS 136: Impairment of Assets;
- validated the assumptions applied and inputs in the respective models by comparing it to historical information, approved budgets, comparable industry data and etc; and
- assessed the appropriateness of disclosures of significant inputs in the financial statements.

Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue growth, expenses and profit margins.

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.

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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)

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

Kuala Lumpur
26 October 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	201,133	144,941	1,755	2,409
Intangible assets	5	92,592	83,923	-	-
Investment in subsidiaries	6	-	-	217,905	107,799
Investment in associates	7	886	637	-	-
Contract assets	8	956,577	1,054,644	-	-
Total non-current assets		1,251,188	1,284,145	219,660	110,208
Current assets					
Contract assets	8	934,641	775,449	-	-
Inventories	9	21,635	35,678	-	-
Trade receivables	10	217,236	170,528	-	-
Other receivables	11	66,161	73,249	584	214
Amount due from related companies	12	-	-	304,208	444,957
Amount due from associate	12	150	-	-	-
Tax recoverable		10,991	15,148	-	823
Fixed deposits with licensed institutions	13	17,890	7,881	29	-
Cash and bank balances		184,440	90,503	8,684	140
Total current assets		1,453,144	1,168,436	313,505	446,134
Total assets		2,704,332	2,452,581	533,165	556,342
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company:					
Share capital	14	212,672	212,672	212,672	212,672
Treasury shares	15	(2,345)	(918)	(2,345)	(918)
Reserves	16	(48,066)	(50,228)	-	-
Retained earnings		419,290	354,154	6,215	8,537
		581,551	515,680	216,542	220,291
Perpetual SUKUK	17	48,550	-	48,550	-
Non-controlling interests	6	131,611	90,451	-	-
Total equity		761,712	606,131	265,092	220,291
LIABILITIES					
Non-current liabilities					
Derivative financial liabilities	18	27,805	42,386	-	-
Lease liabilities	19	10,964	4,345	172	620
Loans and borrowings	20	757,857	689,586	-	-
Deferred tax liabilities	21	3,573	2,274	-	-
Trade payables	22	4,045	25,308	-	-
Total non-current liabilities		804,244	763,899	172	620

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
LIABILITIES (CONT'D)					
Current liabilities					
Contract liabilities	8	3,089	6,752	-	-
Trade payables	22	524,172	524,239	-	-
Other payables	23	105,046	21,732	754	913
Amount due to related companies	12	-	-	215,462	277,089
Amount due to associate	12	-	246	-	-
Lease liabilities	19	2,033	3,059	431	396
Loans and borrowings	20	491,866	510,850	50,689	57,033
Tax payable		12,170	15,673	565	-
Total current liabilities		1,138,376	1,082,551	267,901	335,431
Total liabilities		1,942,620	1,846,450	268,073	336,051
Total equity and liabilities		2,704,332	2,452,581	533,165	556,342

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 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	24	889,363	797,683	28,870	33,029
Operating expenses	25	(762,536)	(699,513)	(17,140)	(17,396)
Other operating income	26	3,044	4,526	1	16
Other (losses) and gains	27	(4,923)	636	(2,768)	633
Operating profit		124,948	103,332	8,963	16,282
Share of profit of equity-accounted associate	7	249	176	-	-
Profit before interest and tax		125,197	103,508	8,963	16,282
Finance income	28	48,749	44,304	9,981	239
Finance costs	28	(60,296)	(63,626)	(11,658)	(9,286)
Profit before tax		113,650	84,186	7,286	7,235
Tax expense	29	(10,970)	(19,670)	(629)	-
Profit for the financial year		102,680	64,516	6,657	7,235
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
- Exchange translation differences		(11,270)	14,120	-	-
- Fair value gain/(loss) on cash flows hedge		12,630	(32,476)	-	-
Total comprehensive income for the financial year		104,040	46,160	6,657	7,235
Profit for financial year attributable to:					
Owners of the Company		66,213	51,451		
Non-controlling interests		36,467	13,065		
		102,680	64,516		
Total comprehensive income attributable to:					
Owners of the Company		68,375	35,006		
Non-controlling interests		35,665	11,154		
		104,040	46,160		
Earnings per share attributable to the owners of the Company:					
Basic earnings per share (RM)	30	0.09	0.07		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Attributable to owners of the Company										
		Non-distributable					Distributable				
	Share capital RM'000	Treasury shares RM'000	Fair value reserve RM'000	Exchange translation reserve RM'000	Capital reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Perpetual SUKUK RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
At 1 July 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
Profit for the financial year	-	-	-	-	-	-	66,213	66,213	-	36,467	102,680
Other comprehensive income/(loss) for the financial year	-	-	9,792	(7,630)	-	-	-	2,162	-	(802)	1,360
Total comprehensive income/(loss) for the financial year	-	-	9,792	(7,630)	-	-	66,213	68,375	-	35,665	104,040
Transaction with owners:											
Treasury shares acquired	-	(1,427)	-	-	-	-	-	(1,427)	-	-	(1,427)
Issuance of Perpetual SUKUK	-	-	-	-	-	-	-	-	48,550	-	48,550
Dividend paid to ordinary shareholders	-	-	-	-	-	-	(7,612)	(7,612)	-	-	(7,612)
Distribution to Perpetual SUKUK-holders	-	-	-	-	-	-	(1,367)	(1,367)	-	-	(1,367)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	1,205	1,205
Gain arising from dilution of equity interest in a subsidiary	-	-	-	-	-	-	7,902	7,902	-	4,290	12,192
At 30 June 2021	212,672	(2,345)	(24,033)	570	8,534	(33,137)	419,290	581,551	48,550	131,611	761,712

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Share capital RM'000	Perpetual SUKUK RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total RM'000
Company					
At 1 July 2019	212,672	-	-	1,302	213,974
Total comprehensive income for the financial year	-	-	-	7,235	7,235
Transaction with owners:					
Treasury shares acquired	-	-	(918)	-	(918)
At 30 June 2020	212,672	-	(918)	8,537	220,291
Total comprehensive income for the financial year	-	-	-	6,657	6,657
Transaction with owners:					
Treasury shares acquired	-	-	(1,427)	-	(1,427)
Dividend paid to ordinary shareholders	-	-	-	(7,612)	(7,612)
Distribution to Perpetual SUKUK-holders	-	-	-	(1,367)	(1,367)
Issuance of Perpertual SUKUK	-	48,550	-	-	48,550
At 30 June 2021	212,672	48,550	(2,345)	6,215	265,092

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
OPERATING ACTIVITIES					
Profit before tax		113,650	84,186	7,286	7,235
Adjustments for:					
Amortisation of intangible assets		5,876	6,094	-	-
Depreciation of property, plant and equipment		11,882	12,568	786	796
Fair value (gain)/loss on derivative financial liabilities		(4,373)	7,505	-	-
Gain on disposal of property, plant and equipment		(223)	(21)	-	-
Loss on lease termination		283	-	-	-
Interest expense		60,296	63,626	11,658	9,286
Interest income		(278)	(396)	(9,981)	(239)
Interest income arising from contract with customers		(48,471)	(43,908)	-	-
Property, plant and equipment written off		92	1	-	-
Unwinding discount of financial liabilities		-	(3,203)	-	-
Unrealised loss/(gain) on foreign exchange		6,628	(7,756)	2,766	(640)
Share of profit of equity-accounted associates		(249)	(176)	-	-
Operating profit before working capital changes		145,113	118,520	12,515	16,438
Changes in working capital:					
Inventories		13,487	(21,158)	-	-
Receivables		(40,104)	3,256	(370)	(42)
Payables		64,989	95,637	(160)	60
Contract customers		(59,707)	(272,622)	-	-
Associates		(396)	246	-	-
Cash generated from/(used in) operations		123,382	(76,121)	11,985	16,456
Interest received		278	396	9,981	239
Interest paid		(60,296)	(63,626)	(11,658)	(9,286)
Tax refunded		6,633	3,728	816	3,485
Tax paid		(15,294)	(15,406)	(57)	(405)
Net cash from/(used in) operating activities		54,703	(151,029)	11,067	10,489
INVESTING ACTIVITIES					
Acquisition of a subsidiary		(8,196)	-	-	-
Subscription of shares in subsidiaries		-	-	(106)	-
Subscription of shares by non-controlling interests		12,192	-	-	-
Repayment from/(advances to) subsidiaries		-	-	27,985	(44,757)
Purchase of property, plant and equipment	A	(61,799)	(62,168)	(132)	(93)
Proceeds from utilisation of derivative financial instruments		3,765	1,254	-	-
Proceeds from disposal of property, plant and equipment		294	62	-	-
Net cash (used in)/from investing activities		(53,744)	(60,852)	27,747	(44,850)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
FINANCING ACTIVITIES					
Dividend paid to ordinary shareholders		(7,612)	-	(7,612)	-
Distribution to Perpetual SUKUK-holders		(1,367)	-	(1,367)	-
Treasury shares acquired		(1,427)	(918)	(1,427)	(918)
(Repayments to)/advances from related companies	B	-	-	(61,627)	5,383
Net (repayments)/drawdown of short-term borrowings	B	(39,455)	88,264	-	29,435
Placement of fixed deposits with licensed institutions		(10,010)	(4,906)	(29)	-
Proceeds from issuance of Perpetual SUKUK		48,550	-	48,550	-
Proceeds from term loans	B	186,812	316,827	-	-
Repayments of term loans	B	(62,124)	(285,755)	(6,164)	-
Repayments of lease liabilities	B	(3,352)	(2,890)	(413)	(394)
Net cash from/(used in) financing activities		110,015	110,622	(30,089)	33,506
CASH AND CASH EQUIVALENTS					
Net changes		110,974	(101,259)	8,725	(855)
Brought forward		46,176	144,875	(744)	95
Effects of translation differences		(309)	2,560	(1)	16
Carried forward	C	156,841	46,176	7,980	(744)

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Aggregate cost of property, plant and equipment acquired	62,856	63,889	132	258
Financed via lease liabilities arrangements	(1,057)	(1,721)	-	(165)
Total cash acquisition	61,799	62,168	132	93

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 July 2020 RM'000	Cash flows RM'000	Others RM'000	At 30 June 2021 RM'000
Group				
Borrowings	402,797	(39,455)	2,763 (a)	366,105
Term loans	753,282	124,688 (c)	(21,981)(a)	855,989
Lease liabilities	7,404	(3,352)	8,945 (b)	12,997
	1,163,483	81,881	(10,273)	1,235,091

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

	At 1 July 2020 RM'000	Cash flows RM'000	Others RM'000	At 30 June 2021 RM'000
Company				
Amount due to related companies	277,089	(61,627)	-	215,462
Borrowings	56,149	(6,164)	-	49,985
Lease liabilities	1,016	(413)	-	603
	334,254	(68,204)	-	266,050

	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 [c]	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

(a) Being exchange translation differences.

(b) Being acquisition of property, plant and equipment by means of lease liabilities arrangement, acquisition of subsidiary, reversal of lease termination and translation reserve (as disclosed in Note 19 to the Financial Statements).

(c) The amount are net of drawndown and repayment during the financial year.

NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and bank balances	184,440	90,503	8,684	140
Fixed deposits with licensed institutions	17,890	7,881	29	-
Bank overdrafts (Note 20)	(27,629)	(44,357)	(704)	(884)
	174,701	54,027	8,009	(744)
Less: Fixed deposits pledged to licensed institutions	(17,860)	(7,851)	(29)	-
	156,841	46,176	7,980	(744)

D. CASH OUTFLOWS FROM LEASES AS A LESSEE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Included in net cash from/(used in) operating activities:				
- Interest paid in related to lease liabilities	574	684	35	54
- Payment of short-term leases	2,979	4,463	747	747
Included in net cash from/(used in) financing activities:				
- Payment of lease liabilities	3,352	2,890	413	394
	6,905	8,037	1,195	1,195

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

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 26 October 2021.

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.

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.

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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 MFRSs which are mandatory for the financial periods beginning on or after 1 January 2020.

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.

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:

Amendments to MFRSs effective 1 January 2021:	
Amendments to MFRS 9, 139, 7, 4*# and 16	Investment Rate Benchmark Reform
Amendments to MFRS effective 1 April 2021:	
Amendments to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRSs effective 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 2018-2021 (MFRS 1, 9, 16 and 141*#)	
MFRSs and amendments to MFRSs effective 1 January 2023:	
Amendments to MFRS 4*#	Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9
MFRS 17 and amendments to MFRS 17*#	Insurance Contracts
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

Amendments to MFRSs 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

* Not applicable to the Company's operation
\# Not applicable to the Group's operation

The Group and the Company intend to adopt these new and amended standards, if applicable, when they become effective. The initial application of the above standards and amendments are not expected to have any financial impact to the financial statements of the Group and of the Company.

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.

At 30 June 2021, 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% (2020: 1%) difference in the expected useful lives of the property, plant and equipment from the management's estimates would result in approximately 1% (2020: 2%) 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.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

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.

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 33.2(a) to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

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 year.

Leases – Estimating the incremental borrowing rate

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group and the Company estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.6.2 Significant management judgement

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the amount and timing of revenue from contracts with customers:

Consideration of significant financing component in a contract

The Group provides construction services for which the construction lead time after signing the contract is ranging from 2 to 5 years. The Group concluded that there is a significant financing component for those contracts where the customer pays in arrears considering the length of time between the customer's payment and the completion of the construction works to the customer.

In determining the amount of consideration for a significant financing component, the Group uses the discount rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception by considering the credit characteristics of the customer receiving financing in the contract, and any collateral or security provided by the customer or the entity, including assets transferred in the contract.

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.

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 the owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

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. If the business combination is achieved in stages, any 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.6 Associate (cont'd)

The financial statements of the associate are 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.

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. 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.

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
Renovation	10 years
Tools and equipment	5 – 17 years
Motor vehicles	5 years
Office equipment	3 – 10 years

Capital work-in-progress consists of solar plant under construction for intended use as production facilities. The solar plant under construction is not depreciated until it is completed and ready for its 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 impairment losses.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

3.5.1 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.

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:

Land and buildings	2 – 22 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

3.5.1 As lessee (cont'd)

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.

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.

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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.7.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets are classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

At the reporting date, the Group and the Company carry only financial assets at amortised cost on its statement of financial position.

<u>Financial assets at amortised cost</u>

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost include trade and most of the other receivables, amount due from related companies, fixed deposits with licensed institutions and cash and bank balances.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets (cont'd)

Derecognition (cont'd)

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment

The Group and the Company recognise an allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and cash equivalents for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether the financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss

<u>Financial liabilities at amortised cost</u>

After initial recognition, carrying amounts are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

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

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9.

Gains or losses are recognised in the profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

3.7.3 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.

3.7.4 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.4 Derivative financial instruments (cont'd)

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment of non-financial assets (cont'd)

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 the future periods.

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 and Perpetual SUKUK are classified as equity instruments.

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

Dividends on ordinary shares and distribution on Perpetual SUKUK are recognised in equity in the period in which they are declared.

Retained earnings 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

<u>Construction contracts</u>

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue (cont'd)

3.14.1 Revenue from contract customer (cont'd)

Construction contracts (cont'd)

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 the Company 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.

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 contracts customers is recognised as contract asset.

The excess of billings to contracts customers 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue (cont'd)

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.

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 Company, the grant by the Company of its equity instruments to the employees of subsidiaries 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 Company.

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.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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).

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

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.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land 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	Capital work-in-progress RM'000	Right-of-use assets RM'000	Total RM'000
Cost										
At 1 July 2019	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
Acquisition of subsidiary	-	-	-	-	-	-	-	-	7,205	7,205
Additions/(reversal)	-	-	(172)	243	(2,035)	-	1,250	60,459	3,111	62,856
Disposals	-	-	-	-	-	(714)	(23)	-	-	(737)
Lease termination	-	-	-	-	-	-	-	-	(1,002)	(1,002)
Written off	-	-	-	-	(32)	-	(90)	-	-	(122)
Translation differences	-	-	-	1	(2,274)	(75)	4	474	26	(1,844)
At 30 June 2021	3,999	3,937	48,088	5,013	76,034	3,844	15,482	60,933	32,941	250,271
Accumulated depreciation										
At 1 July 2019	-	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
Charge for the financial year	-	59	621	263	3,791	604	2,347	-	4,197	11,882
Disposals	-	-	-	-	-	(650)	(16)	-	-	(666)
Lease termination	-	-	-	-	-	-	-	-	(719)	(719)
Written off	-	-	-	-	(4)	-	(26)	-	-	(30)
Translation differences	-	-	-	-	(259)	(41)	2	-	(5)	(303)
At 30 June 2021	-	469	3,673	1,228	19,052	2,985	9,858	-	11,873	49,138
Carrying amount										
At 30 June 2021	3,999	3,468	44,415	3,785	56,982	859	5,624	60,933	21,068	201,133
At 30 June 2020	3,999	3,527	45,208	3,804	64,851	1,561	6,790	-	15,201	144,941

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	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
Company						
Cost						
At 1 July 2019	175	3	321	1,946	1,956	4,401
Additions	-	-	-	93	165	258
At 30 June 2020	175	3	321	2,039	2,121	4,659
Additions	-	-	-	132	-	132
At 30 June 2021	175	3	321	2,171	2,121	4,791
Accumulated depreciation						
At 1 July 2019	12	-	181	812	449	1,454
Charge for the financial year	18	-	65	289	424	796
At 30 June 2020	30	-	246	1,101	873	2,250
Charge for the financial year	17	1	64	280	424	786
At 30 June 2021	47	1	310	1,381	1,297	3,036
Carrying amount						
At 30 June 2021	128	2	11	790	824	1,755
At 30 June 2020	145	3	75	938	1,248	2,409

Carrying amount of property, plant and equipment pledged as securities for the term loans facilities granted to subsidiaries are:

	Group 2021 RM'000	Group 2020 RM'000
Freehold land	3,999	3,999
Buildings	38,333	39,046
Right-of-use assets (Tools and equipment)	6,396	6,618
	48,728	49,663

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in property, plant and equipment are right-of-use assets defined under MFRS 16 Leases as set out below:

	Land and buildings RM'000	Motor vehicles RM'000	Tools and equipment RM'000	Total RM'000
Group				
At 1 July 2019*	1,980	4,535	10,939	17,454
Additions	750	824	81	1,655
Depreciation	(1,220)	(1,231)	(1,457)	(3,908)
At 30 June 2020	1,510	4,128	9,563	15,201
Lease Termination	(283)	-	-	(283)
Additions	2,975	136	-	3,111
Acquisition of subsidiary	7,205	-	-	7,205
Depreciation	(1,600)	(477)	(2,120)	(4,197)
Translation differences	31	-	-	31
At 30 June 2021	9,838	3,787	7,443	21,068
Company				
At 1 July 2019*	-	1,507	-	1,507
Additions	-	165	-	165
Depreciation	-	(424)	-	(424)
At 30 June 2020	-	1,248	-	1,248
Depreciation	-	(424)	-	(424)
At 30 June 2021	-	824	-	824

* Adjustment on initial application of MFRS16 at 1 July 2019, as restated.

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments.

The Group leases a number of land, warehouse and factory facilities that run between 2 years and 22 years, with an option to renew the lease after the date. Lease payments are increased every five years to reflect current market rentals.

NOTES TO THE FINANCIAL STATEMENTS

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5. INTANGIBLE ASSETS

	Rights RM'000	Goodwill RM'000	Total RM'000
Group			
Cost			
At 1 July 2019	92,303	3,304	95,607
Translation differences	2,980	-	2,980
At 30 June 2020	95,283	3,304	98,587
Additions	16,920	-	16,920
Translation differences	(2,610)	-	(2,610)
At 30 June 2021	109,593	3,304	112,897
Accumulated amortisation			
At 1 July 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
Amortisation during the financial year	5,876	-	5,876
Translation differences	(235)	-	(235)
At 30 June 2021	20,305	-	20,305
Carrying amount			
30 June 2021	89,288	3,304	92,592
30 June 2020	80,619	3,304	83,923

	Group	
	2021 RM'000	2020 RM'000
Rights:		
- Cambodia's concession asset	71,414	77,085
- MRT2 project	954	3,534
- Solar farm project	16,920	-
	89,288	80,619

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 was completed on 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 31 July 2022. The right is amortised based on the stage of completion over the construction period.

5. INTANGIBLE ASSETS (CONT'D)

iii. Solar farm project

The right was acquired through a business combination to develop a 20-year concession (with additional one year of construction period) of a large-scale solar farm project in Cambodia via long-term Power Purchase Agreements with Electricite du Cambodge under the Built, Own and Operate model. The solar farm plant is estimated to be fully constructed by November 2021 and will be amortised over the concession 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	
	2021 RM'000	2020 RM'000
Rail electrification and signalling	2,589	2,589
Others	715	715
	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-year business plans.
- Revenue was projected at anticipated annual revenue growth of approximately 1% to 5% (2020: 1% to 5%) per annum.
- Expenses were projected at annual increase of approximately 1% to 10% (2020: 1% to 10%) per annum.
- A pre-tax discount rate range of 7% to 8% (2020: 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.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2021 RM'000	2020 RM'000
Unquoted shares, at cost	214,778	104,672
Contributions to subsidiaries - Share Grant Plan	3,127	3,127
	217,905	107,799

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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Effective interest 2021 %	Effective interest 2020 %	Principal activities
ENERSOL Co. Ltd. ("ENR")	Malaysia (Labuan)	100	100	Investment holding, provision of comprehensive power system engineering and technical solution for procurement, and installation of substations, transmission lines and underground cables for electric power transmission and distribution.
Fornix Sdn. Bhd. ("FNX")*	Malaysia	100	-	Investment holding company.
PESTECH (Cambodia) PLC ("PCL") (a)	Cambodia	94.7	100	Construction of electrical substation and transmission line.
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.
PESTECH (Sarawak) Sdn. Bhd. ("PSW")	Malaysia	100	100	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
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 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 System Siam Ltd. ("PSS") (b)	Thailand	99.99	99.99	Inactive.
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.

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 2021 %	Effective interest 2020 %	Principal activities
PESTECH Vietnam Company Limited ("PVN") (b)	Vietnam	100	100	Inactive.
Subsidiary of FNX:				
Forward Metal Works Sdn. Bhd. ("FMW")	Malaysia	100	100	Investment holding company.
Subsidiary of PCL:				
PESTECH (Myanmar) Limited ("PML") (a)	Myanmar	94.7	99.99	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
Subsidiary of PML:				
PESTECH Hinthar Corporation Limited ("PHC") (a)	Myanmar	56.8	60	Establish the infrastructure of power sector and promote the power segments such as power generation, power transmission and power distribution.
Subsidiary of PHC:				
PESTECH Microgrid Company Limited ("PMG") (a)	Myanmar	51.1	54	Provision of microgrid system and other power infrastructure to the rural areas in Myanmar.
Subsidiaries of PEN:				
PESTECH Solutions Sdn. Bhd. ("PSN")	Malaysia	100	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.
Subsidiaries of PPW:				
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 Aerotrain Sdn. Bhd. ("PAS") (Formerly known as PESTECH Power Two Sdn. Bhd.)	Malaysia	100	100	Inactive.
Astoria Solar Farm Sdn. Bhd. ("ASF")	Malaysia	100	100	Inactive.
PESTECH REI Sdn. Bhd. ("REI")	Malaysia	90	90	Inactive.

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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 2021 %	Effective interest 2020 %	Principal activities
Subsidiary of PP1:				
ODM Power Line Company Limited ("OPL") [a]	Cambodia	70	70	Construction of electrical substation and transmission line.
Subsidiary of ASF:				
Green Sustainable Ventures (Cambodia) Co. Ltd. ("GSV") [c]	Cambodia	94	-	Establish the infrastructure of power sector such as electric power generation, power transmission, power distribution and operation in Cambodia.
Subsidiaries of PSB:				
Fornix Sdn. Bhd. ("FNX")*	Malaysia	-	100	Investment holding company.
PESTECH (Brunei) Sdn. Bhd.("PBR") [d]	Brunei	90	90	Inactive.
PESTECH Transmission Limited ("PTL") [c]	Ghana	100	100	Inactive.
Subsidiary of PTE:				
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.

(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 financial statements have been audited by Grant Thornton Malaysia PLT for consolidation purpose.*
* *The Company has undertaken and completed an internal reorganisation of group structure which entailed the transfer of shares in the subsidiary.*
@ *The subsidiary is in the process of winding-up via voluntary administration procedure.*
\# *Pledged as security for term loan facility granted to a subsidiary.*

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.2 Non-controlling interests ("NCI") in subsidiaries (cont'd)

The information of non-controlling interests are as follows:

	OPL RM'000	DPL RM'000	PCL RM'000	Others RM'000	Total RM'000
2021					
Percentage of ownership interest and voting interest	30%	40%	5.3%		
Carrying amount of NCI	26,658	102,430	5,063	(2,540)	131,611
Profit/(loss) allocated to NCI	22,435	13,733	432	(133)	36,467
Total comprehensive income/(loss) allocated to NCI	22,563	12,590	773	(261)	35,665

	OPL RM'000	DPL RM'000	SEN RM'000	Others RM'000	Total RM'000
2020					
Percentage of ownership interest and voting interest	30%	40%	49%		
Carrying amount of NCI	2,890	89,840	(2,013)	(266)	90,451
Profit/(loss) allocated to NCI	2,841	10,888	(399)	(265)	13,065
Total comprehensive income/(loss) allocated to NCI	2,890	8,930	(434)	(232)	11,154

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	PCL RM'000
2021			
Financial position as at 30 June			
Non-current assets	199	528,485	566,155
Current assets	326,688	58,071	134,379
Non-current liabilities	(109,816)	(273,904)	(383,072)
Current liabilities	(128,212)	(56,578)	(221,229)
Net assets	88,859	256,074	96,233
Summary of financial performance for the financial year ended 30 June			
Profit for the year	74,783	34,330	6,425
Other comprehensive income/(loss)	428	(2,857)	4,176
Total comprehensive income	75,211	31,473	10,601
Included in total comprehensive income is:			
Revenue	236,514	21,839	276,901
Summary of cash flows for the financial year ended 30 June			
Net cash (used in)/from operating activities	(109,368)	45,756	88,707
Net cash used in investing activities	-	-	(698)
Net cash from/(used in) financing activities	113,267	(49,742)	(56,804)
Net cash inflow/(outflow)	3,899	(3,986)	31,205

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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):

	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/(net 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

6.3 Addition/disposal of subsidiaries

2021

(a) On 27 July 2020, PSB, a wholly-owned subsidiary of the Company, has transferred its 100% equity interest in FNX, to the Company together with its subsidiary, FMW for a total consideration of RM1 million.

(b) On 10 August 2020, the Company paid up the capital contribution of VND585,000,000 (equivalent to RM106,075) of PVN.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 Addition/disposal of subsidiaries (cont'd)

(c) On 9 December 2020, the Group acquired 94% equity interest in GSV through ASF for cash consideration of USD4 million (approximately RM16.5 million).

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

	RM'000
Right-of-use assets	7,205
Other receivables	1,824
Cash and bank balances	203
Other payables	(1,630)
Lease liabilities	(8,022)
Total identifiable assets and liabilities	(420)
Intangible asset – solar farm project	16,920
Purchase consideration to be settled in cash	16,500
Less: Cash and cash equivalent acquired	(203)
Less: Other payables (Note 23)	(8,101)
Net cash outflow on acquisition	8,196

The Group incurred acquisition-related costs of RM21,200 related to external legal fees and due diligence costs. The expenses have been included in other operating expenses in the profit or loss.

The acquired subsidiary has not contributed any revenue to the Group and has incurred a net loss of RM2,156,000 since the date of acquisition. If the combination had taken place at the beginning of the financial year, the Group's revenue will remain the same and the profit for the year would have been adjusted by a loss of RM4,312,020.

(d) On 15 June 2021, the Company subscribed for additional 9,000,000 shares of RM1 each of PTE by way of capitalisation of RM9,000,000 from amount due from subsidiary.

(e) On 31 May 2021, the Company subscribed for additional 100,000,000 shares of RM1 each of PPW by way of capitalisation of RM100,000,000 from amount due from subsidiary.

2020

(a) On 8 August 2019, the Group incorporated an indirect 100% owned subsidiary, PAS 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.

(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 RM106,075) 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.

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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.4 Changes in ownership interests in subsidiary companies

(a) On 12 August 2020, PCL completed its initial public offering exercise and listed its shares to be traded on the Main Market of the Cambodia Securities Exchange. Upon the completion of the listing, the equity interest in PCL was diluted from 100% to 94.74%.

The Group recognised an increase in non-controlling interests of RM4,289,789 and a decrease in retained earnings of RM7,902,162.

(b) On 1 December 2020, a wholly-owned subsidiary, PEN acquired the remaining 30% equity interest in PSN for RM3 in cash, increasing its ownership from 70% to 100%.

7. INVESTMENT IN ASSOCIATES

	Group 2021 RM'000	Group 2020 RM'000
Unquoted shares, at cost	137	137
Share of post-acquisition reserve	749	500
	886	637

The particulars of the associates are as follows:

Name of company	Place of incorporation	Effective interest 2021 %	Effective interest 2020 %	Principal activities
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 audited 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. CONTRACT ASSETS/CONTRACT LIABILITIES

	Group	
	2021 RM'000	2020 RM'000
Contract assets		
Contract assets from a customer on concession arrangement (a)	532,455	545,826
Contract assets from customers on construction contracts (b)	1,358,763	1,284,267
	1,891,218	1,830,093
Presented by:		
Non-current	956,577	1,054,644
Current	934,641	775,449
	1,891,218	1,830,093
Contract liabilities - current		
Contract liabilities from customers on construction contracts (b)	3,089	6,752

(a) Concession arrangement

	Group	
	2021 RM'000	2020 RM'000
At 1 July	545,826	512,537
Revenue recognised during the year	21,840	22,246
Interest income arising from contract with customers	44,170	43,908
Progress billings issued during the year	(62,773)	(51,587)
Translation differences	(16,608)	18,722
At 30 June	532,455	545,826
Presented by:		
Non-current	456,823	480,591
Current	75,632	65,235
	532,455	545,826

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 development of 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.

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8. CONTRACT ASSETS/CONTRACT LIABILITIES (CONT'D)

(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	
	2021 RM'000	**2020 RM'000**
Contract assets	1,358,763	1,284,267
Contract liabilities	(3,089)	(6,752)
	1,355,674	1,277,515
At 1 July	1,277,515	945,569
Revenue recognised during the year	857,384	757,742
Progress billings issued during the year	(758,011)	(456,876)
Finance income recognised	4,318	-
Translation differences	(25,532)	31,080
At 30 June	1,355,674	1,277,515
Presented by:		
Non-current	499,754	574,053
Current	855,920	703,462
	1,355,674	1,277,515

The unsatisfied performance obligation at the end of the reporting year are expected to be recognised within 1 year.

9. INVENTORIES

	Group	
	2021 RM'000	**2020 RM'000**
Work-in-progress	3,972	12,217
General stocks	17,663	23,461
	21,635	35,678

The inventories recognised as cost of sales in profit or loss for the financial year is RM582,174,280 (2020: RM515,252,449).

10. TRADE RECEIVABLES

	Group	
	2021 RM'000	**2020 RM'000**
Trade receivables	97,502	69,716
Retention sums on contracts	119,734	100,812
	217,236	170,528

Trade receivables are non-interest bearing and the normal credit terms granted by the Group range from 30 to 60 days (2020: 30 to 60 days).

11. OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other receivables	18,310	4,014	63	63
Advanced payments to suppliers	4,155	29,303	-	-
Deposits	3,895	4,207	207	9
Prepayments	24,283	19,369	314	142
GST/VAT receivable	15,518	16,356	-	-
	66,161	73,249	584	214

In prior year, 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.

12. AMOUNT DUE FROM/TO ASSOCIATE/RELATED COMPANIES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) Subsidiaries (Non trade):				
Amount due from	-	-	304,208	444,957
Amount due to	-	-	(215,462)	(277,089)
	-	-	88,746	167,868
(b) Associates (Trade):				
Amount due from	150	-	-	-
Amount due to	-	(246)	-	-
	150	(246)	-	-

Included in amount due from subsidiaries is dividend receivable from subsidiaries amounted to RM13,475,330 (2020: RM17,525,597).

The amount due from/to subsidiaries/associates are unsecured, repayable on demand and interest free, except for RM304,082,724 (2020: RM429,978,454) of amount due from subsidiaries which bears interest at an average rate of 4.90% (2020: 4%) per annum and RM215,461,500 (2020: RM262,408,277) of amount due to a subsidiary which bears interest at an average rate of 4.45% (2020: 4.36%) per annum.

13. FIXED DEPOSITS WITH LICENSED INSTITUTIONS

The effective interest rates of fixed deposits with licensed institutions range from 0.15% to 3.10% (2020: 3.10% to 4.25%) per annum. The maturity periods of the fixed deposits are range from 1 to 31 days (2020: 1 to 31 days). Included in the Group's fixed deposits is RM17,860,384 (2020: RM7,850,837) which have been pledged to licensed banks for banking facilities granted to subsidiary.

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14. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2021 Unit'000	2020 Unit'000	2021 RM'000	2020 RM'000
Issued and fully paid with no par value:				
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.

15. TREASURY SHARES

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 27 November 2019 and 26 November 2020, 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 1,957,700 (2020: 1,163,500) of its ordinary shares from the open market at an average price of RM0.73 (2020: 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 reporting date, the Company held a total of 3,121,200 (2020: 1,163,500) treasury shares out of its 764,293,572 (2020: 764,293,572) issued ordinary shares. The treasury shares are held at a carrying amount of RM2,344,948 (2020: RM918,327).

Treasury shares have no rights to vote, dividends and participation in other distribution.

16. RESERVES

	Group	
	2021 RM'000	2020 RM'000
Non-distributable reserve:		
Merger deficit	(33,137)	(33,137)
Exchange translation reserve	570	8,200
Capital reserve	8,534	8,534
Fair value reserve	(24,033)	(33,825)
	(48,066)	(50,228)

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.

17. PERPETUAL SUKUK

	Group and Company	
	2021	2020
	RM'000	RM'000
Nominal value	48,550	-

On 16 October 2020, the Group completed the issuance of RM1,000,000,000 Perpetual Islamic Notes pursuant to the Perpetual Islamic Notes Issuance Programme under the Shariah Principle of Musharakah. The Perpetual SUKUK is accounted as an equity.

During the financial year, the Company issued one tranche two series of Perpetual SUKUK Musharakah Programme:

(a) Nominal value of RM37,100,000 with initial periodic distribution rate of 6% per annum over a tenure of 3 years on 16 October 2023; and

(b) Nominal value of RM11,450,000 with initial periodic distribution rate of 6% per annum over a tenure of 3 years on 16 October 2023.

The salient features of the Perpetual SUKUK are as follows:

(a) The Perpetual SUKUK is issued under the Islamic Principle of Musharakah;

(b) The Perpetual SUKUK is a perpetual non-callable 3 years with no fixed tenure and carries a fixed initial periodic distribution rate of 6% (per annum, payable semi-annually) up to the 4th year anniversary of the issue date, after which and on the 4th anniversary of the issue date until the redemption the periodic distribution rate will be reset. The periodic distribution rate will be reset to the Initial Periodic Distribution Rate + Step-Up Margin applicable on each Stepped-Up Date. As at 30 June 2021, a periodic distribution for Perpetual SUKUK was paid amounting to RM1,367,811;

(c) Deferred periodic distribution, if any, will be cumulative and accrued at the prevailing periodic distribution rate. The Group, at its discretion, has the option to defer the periodic distribution in perpetuity;

(d) The Perpetual SUKUK has no fixed redemption date;

(e) The Group has the option to redeem the Perpetual SUKUK in whole under the following circumstances:

   (i) Optional Redemption;
   (ii) Accounting Event Redemption;
   (iii) Tax Event Redemption;
   (iv) Privatisation Event Redemption; and
   (v) Sinking Fund Event Redemption

(f) Payment obligations on the Perpetual SUKUK will at all times, rank in priority to other share capital instruments for the time being outstanding, but junior to the claims of present and future creditors of the Group and the Company; and

(g) The Perpetual SUKUK is secured by relevant Tranche Security.

18. DERIVATIVE FINANCIAL LIABILITIES

	2021		2020	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
Group				
Non-current				
FVTPL:				
Forward currency contracts	162,593	941	184,438	1,548
Hedging derivative:				
Interest rate swap contracts	416,900	26,864	464,767	40,838
		27,805		42,386

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18. DERIVATIVE FINANCIAL LIABILITIES (CONT'D)

Fair value through profit or loss ("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 gain of RM4,372,618 (2020: loss of RM7,505,051) arising from fair value changes of derivative assets and the proceeds from utilisation of derivative financial instruments amounting RM3,764,848 (2020: RM1,254,018). 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 33.3 to the Financial Statements.

Cash flow hedges

The Group had entered into interest rate swap 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 2021 and 2020, 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 34% (2020: 39%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 4.5% and 5.76% (2020: 4.5% and 5.76%) per annum.

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:

	2021 RM'000	**2020 RM'000**
Carrying amount	26,864	40,838
Notional amount	416,900	464,767
Maturity date	2026 - 2027	2026 - 2027
Hedge ratio	1:1	1:1
Weighted average hedged rate for the year	4.77%	4.77%

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.

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 2021 or 2020 in relation to the interest rate swaps.

The Group recognised a gain of RM12,629,969 (2020: RM32,476,186) arising from fair value changes of derivative liabilities in other comprehensive income.

19. LEASE LIABILITIES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 July 2020	7,404	8,573	1,016	1,245
Additions	1,057	1,721	-	165
Acquisition of subsidiary	8,022	-	-	-
Accretion of interest	574	684	35	54
Reversal	(270)	-	-	-
Payments:				
- Principal	(3,352)	(2,890)	(413)	(394)
- Interests	(574)	(684)	(35)	(54)
Translation reserve	136	-	-	-
At 30 June 2021	12,997	7,404	603	1,016
Presented as:				
Current	2,033	3,059	431	396
Non-current				
- between 2 to 5 years	10,871	4,152	172	620
- more than 5 years	93	193	-	-
	10,964	4,345	172	620
	12,997	7,404	603	1,016

The Group's and the Company's leases bear interest at rates range from 2.00% to 7.20% and 2.26% to 2.35% (2020: 2.00% to 3.86% and 2.26% to 2.35%) per annum respectively.

20. LOANS AND BORROWINGS (SECURED)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current				
- Term loans	757,857	689,586	-	-
Current				
- Bank overdrafts	27,629	44,357	704	884
- Bankers' acceptances	39,873	30,101	1,019	6,649
- Term loans	98,132	63,696	-	-
- Trust receipts	146,022	193,545	-	-
- Revolving credit	180,210	179,151	48,966	49,500
	491,866	510,850	50,689	57,033
	1,249,723	1,200,436	50,689	57,033

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20. LOANS AND BORROWINGS (SECURED) (CONT'D)

The particulars of term loans are as follows:

		Group 2021 RM'000	Group 2020 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.	28,082	29,541
(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.	1,120	2,200
(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.	3,744	5,898
(d)	A 7 years term loan of USD63 million (equivalent to RM261 million) with the first installment payable on 2 September 2019. The installments range from USD5.3 million (equivalent to RM22.0 million) to USD11 million (equivalent to RM45.7 million) per year.	220,718	250,642
(e)	A 9 years term loan of USD50 million (equivalent to RM208 million) which is repayable by 72 monthly installments commencing 3rd year after first drawdown in June 2018. The term loan period has been extended to another 2 years and the repayment date have been revised to three months after scheduled commercial operation date or 64 months after the first utilisation date, whichever is earlier. The installments range from USD400,000 (equivalent to RM1.7 million) to USD2.36 million (equivalent to RM9.8 million) per month.	196,456	202,631
(f)	A 9 years term loan of USD50 million (equivalent to RM208 million) which is repayable by 16 semi-annual installments commencing 18 months after first drawdown in April 2019. The repayment timing will be changed from semi-annual to monthly repayment starting from July 2021. The installments range from USD2.5 million (equivalent to RM10 million) to USD3.75 million (equivalent to RM16 million) per semi-annual.	184,764	214,125
(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.	34,293	48,245
(h)	A 13 years term loan of USD16 million (equivalent to RM66 million) which are repayable by 144 installments commencing 12 months after first drawdown in June 2021. The installments are amounting to USD162,416.43 (equivalent to RM674,353).	37,883	-
(i)	A 8 years term loan of USD45.4 million (equivalent to RM188.5 million) which are repayable by 73 installments commencing 23 months after the first drawdown date in March 2021 or 7 months after the scheduled commercial operation date, whichever is earlier. The installments are amounting to USD300,000 (equivalent to RM1.25 million) for moratorium date and USD630,000 (equivalent to RM2.6 million).	109,662	-
(j)	A term loan of RM49,600,000 which is repayable by 24 months commencing in February 2021.	39,267	-
		855,989	753,282

20. LOANS AND BORROWINGS (SECURED) (CONT'D)

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 the subsidiary.

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.

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.

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20. LOANS AND BORROWINGS (SECURED) (CONT'D)

The term loan (h) is secured by:

(i) New facility agreement for USD16 million;

(ii) Hypothec Agreement over a parcel of vacant land to be erected with solar photovoltaic power plant;

(iii) Corporate guarantee from the Company and ASF;

(iv) Debenture for USD16 million incorporating first fixed and floating charge over present and future assets;

(v) Letter of undertaking from the Company and GSV;

(vi) Legal assignment over the rights and interest to the proceeds from the sale of electricity to EDC;

(vii) Assignment of rights and interest under the solar farm project arrangements; and

(viii) Assignment of designated accounts.

The term loan (i) is secured by:

(i) Assignment of rights and benefits under the Build Transfer Agreement;

(ii) Assignment of rights and benefits under the Implementation Agreement;

(iii) Assignment of rights and benefits under the Government Guarantee;

(iv) Assignment of rights and benefits under the Construction Agreement;

(v) Assignment of rights and benefits under contract, agreements and insurances in relation to the Company;

(vi) Pledge over shares of OPL;

(vii) Assignment of revenue proceeds of the project;

(viii) Corporate guarantee from the Company;

(ix) Pledge over the future immovable assets; and

(x) Debenture over moveable assets of the subsidiary.

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) Bankers' acceptance undertaking and indemnity.

20. LOANS AND BORROWINGS (SECURED) (CONT'D)

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	
	2021	2020	2021	2020
	%	%	%	%
Term loans	4.00 - 8.00	4.00 - 8.00	-	-
Bank overdrafts	5.74 - 8.50	6.49 - 8.50	6.60	6.85
Bankers' acceptances	2.28 - 4.71	3.40 - 6.40	2.28 - 3.24	3.60 - 4.58
Trust receipts	1.16 - 6.67	1.10 - 7.35	-	-
Revolving credit	3.77 - 7.20	4.48 - 6.65	3.93 - 5.04	4.48 - 6.03

21. DEFERRED TAX LIABILITIES

	Group	
	2021	2020
	RM'000	RM'000
At 1 July	2,274	336
Recognised in profit or loss (Note 29)	1,348	1,906
Translation reserve	(49)	32
At 30 June	3,573	2,274

The deferred tax liabilities as at the end of the reporting year are made up of the temporary differences arising from:

	Group	
	2021	2020
	RM'000	RM'000
Property, plant and equipment	3,678	2,379
Unutilised industrial building allowances	(105)	(105)
	3,573	2,274

22. TRADE PAYABLES

	Group	
	2021	2020
	RM'000	RM'000
Non-current		
Trade payables	4,045	25,308
Current		
Trade payables (included accrued contract costs)	499,973	504,214
Retention sum on contracts	24,199	20,025
	524,172	524,239
	528,217	549,547

Included in trade payables of the Group is an amount due to related parties by virtue of common Directors amounting to RM902,986 (2020: RM2,316,789) which is unsecured, non-interest bearing and the normal credit term granted by the related parties is 90 days (2020: 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 (2020: 14 days to 2 years).

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23. OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other payables	32,187	15,013	183	557
Deposits received	65,326	103	-	-
Accruals	6,465	5,531	571	356
Sales and Services Tax payable	1,068	1,085	-	-
	105,046	21,732	754	913

Included in other payables of the Group are:

(i) an amount of RM8,101,000 due to NCI in relation to balancing acquisition price of GSV during the financial year.

(ii) an amount of RM2,333,667 due to NCI in prior year.

(iii) an amount of RM2,825,609 (2020: RM2,914,420) arising from the land compensation for a project carry out by a subsidiary.

The above amounts are unsecured, non-interest bearing and repayable on demand.

24. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contract with customers:				
Sales of products	10,139	17,695	-	-
Rendering of services under construction contracts	857,384	757,742	-	-
Concession revenue	21,840	22,246	-	-
Management fee income	-	-	15,395	10,327
	889,363	797,683	15,395	10,327
Revenue from other source:				
Dividend income	-	-	13,475	22,702
	889,363	797,683	28,870	33,029
Timing of recognition				
- Satisfied over time	879,224	779,988	15,395	10,327
- Satisfied at a point in time	10,139	17,695	-	-
	889,363	797,683	15,395	10,327

25. OPERATING EXPENSES

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Direct costs				
- Raw materials and consumables	582,174	515,252	-	-
- Production overheads	58,200	51,283	-	-
	640,374	566,535	-	-
Employee benefit expenses				
- Directors' remuneration	6,810	5,966	4,003	4,001
- Salaries, wages, bonuses and other emoluments	54,446	69,570	6,651	6,846
- Defined contribution plan	4,974	5,116	806	827
- Social security contributions	1,225	502	54	54
- Other benefits	7,878	1,450	227	248
	75,333	82,604	11,741	11,976
Directors' fee	166	181	166	181
Depreciation and amortisation				
- Property, plant and equipment	11,882	12,568	786	796
- Intangible assets	5,876	6,094	-	-
	17,758	18,662	786	796
Short-term leases				
- Rental of premises	2,951	2,998	747	747
- Rental of motor vehicles	28	1,465	-	-
	2,979	4,463	747	747
Others				
Auditors' remuneration:				
- Grant Thornton Malaysia PLT				
- Audit services	273	273	46	46
- Other services	113	189	81	144
- Other auditors				
- Member firm of Grant Thornton International Ltd.	198	97	-	-
- Others	7	-	-	-
Other expenses	25,335	26,509	3,573	3,506
	762,536	699,513	17,140	17,396

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26. OTHER OPERATING INCOME

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Sundry income	3,044	1,323	1	16
Unwinding discount of financial liabilities	-	3,203	-	-
	3,044	4,526	1	16

27. OTHER GAINS AND LOSSES

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Fair value gain/(loss) on derivative financial instruments	4,373	(7,505)	-	-
Gain on disposal of property, plant and equipment	223	21	-	-
Property, plant and equipment written off	(92)	(1)	-	-
Realised (loss)/gain on foreign exchange	(2,799)	365	(2)	(7)
Unrealised (loss)/gain on foreign exchange	(6,628)	7,756	(2,766)	640
	(4,923)	636	(2,768)	633

28. FINANCE INCOME/COSTS

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Finance income				
Interest income	278	396	5	4
Interest income charged to subsidiaries	-	-	9,976	235
Interest income arising from contracts with customers	48,471	43,908	-	-
	48,749	44,304	9,981	239
Finance costs				
Bank overdrafts	2,062	3,861	2,066	2,211
Lease liabilities	574	684	35	54
Interest expenses charged by subsidiaries	-	-	9,557	7,021
Short-term borrowings	14,048	15,440	-	-
Term loans	37,701	39,414	-	-
Amortisation of unwinding discount of financial liabilities	5,911	4,227	-	-
	60,296	63,626	11,658	9,286

29. TAX EXPENSE

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current year:				
- current tax	10,592	18,556	1,027	-
- deferred tax (Note 21)	1,348	1,906	-	-
	11,940	20,462	1,027	-
Prior years:				
- current tax	(970)	(792)	(398)	-
	10,970	19,670	629	-

Malaysian income tax is calculated at the statutory rate of 24% (2020: 24%) of the estimated taxable profits for the financial year.

Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit before tax	113,650	84,186	7,286	7,235
At Malaysian statutory tax rate of 24% (2020: 24%)	27,276	20,205	1,748	1,736
Effects of different tax rates in overseas subsidiaries	(449)	(2,089)	-	-
Tax effects in respect of:				
- expenses not deductible for tax purposes	18,556	20,494	4,182	2,842
- income not subject to tax	(7,636)	(8,661)	(4,602)	(5,602)
- movement of deferred tax assets not recognised during the financial year	380	(2,954)	(301)	1,024
- exemption under qualified investment project in foreign subsidiary	(26,187)	(6,533)	-	-
- overprovision in prior years	(970)	(792)	(398)	-
	10,970	19,670	629	-

Deferred tax assets have not been recognised in respect of the following items:

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Property, plant and equipment	2,133	2,315	185	192
Unabsorbed tax losses	(49,812)	(48,017)	(10,142)	(10,772)
Unutilised capital allowances	(3,646)	(2,898)	-	(631)
Others	56	(1,086)	-	-
	(51,269)	(49,686)	(9,957)	(11,211)

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29. TAX EXPENSE (CONT'D)

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.

Effective year of assessment 2019 as announced in the Annual Budget 2019, the unabsorbed tax losses of the Group and the Company will only be available for carry forward for a period of seven (7) consecutive years. Upon expiry of the 7 years, the unabsorbed tax losses will be disregarded.

The expiry of the unabsorbed tax losses is as follows:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Carry forward up to:				
Year of assessment 2025	5,117	5,747	4,805	5,435
Year of assessment 2026	3,744	3,744	1,208	1,208
Year of assessment 2027	37,540	38,526	4,129	4,129
Year of assessment 2028	3,411	-	-	-
	49,812	48,017	10,142	10,772

30. 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, after adjusting for movement in treasury shares during the financial year.

	Group	
	2021	2020
Profit attributable to owners of the Company (RM'000)	66,213	51,451
Weighted average number of ordinary shares in issue - basic (Number of shares '000)	761,625	763,979
Basic earnings per share (RM)	0.09	0.07

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.

31. CONTINGENCIES

(a) PCL, 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 USD546,971 (approximately RM2.27 million) pertaining to the period from 1 May 2011 to 31 July 2011;
- undeclared prepayment profit tax and value-added tax amounting to USD490,912 (approximately RM2.04 million) 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 USD267,956 (approximately RM1.11 million) for the 2010 comprehensive tax audit.

31. CONTINGENCIES (CONT'D)

(a) (Cont'd)

In response, PCL 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. In addition, since PCL was successfully listed in the Cambodia Securities Exchange, PCL will receive tax incentives which includes the right to waive the reassessed taxes mentioned above in accordance with the Sub-decree on Tax Incentives in Securities Sector. On 26 August 2021, PCL has obtained a letter No. 14331 issued by the GDT to waive any tax liability during the period from 2010 to 2017.

(b) In the matter of the arbitration proceedings between Transgrid Ventures Sdn Bhd ("TGV") and Colas Rail System Engineering Sdn Bhd (now known as CRSE Sdn Bhd) ("CRSE")

On 18 December 2017, TGV commenced arbitration proceedings against CRSE, a wholly-owned subsidiary of PTE, for an alleged outstanding sum of RM29,362,000.00 under the sub-contract entered into between the parties vide a letter of award dated 10 January 2017 ("Impugned LOA") ("Original Claims").

On 31 October 2019, CRSE obtained the arbitration award with costs totalling approximately RM383,414.79 granted in their favour ("CRSE Arbitration Award").

However, TGV commenced 2 applications in the High Court to claim for the Original Claims ("Section 42 Application") and to vary and set aside the CRSE Arbitration Award ("Section 37 Application"). Concurrently, CRSE filed an application to the High Court to enforce and recognise the CRSE Arbitration Award against TGV ("CRSE Enforcement Application").

In respect of the Section 42 Application, the High Court dismissed TGV's application on 6 October 2020, and TGV filed an appeal to the Court of Appeal on 2 November 2020 ("TGV COA Appeal 1").

In respect of the Section 37 Application, the High Court dismissed TGV's application on 11 January 2021, and TGV filed an appeal to the Court of Appeal on 8 February 2021 ("TGV COA Appeal 2").

In respect of the CRSE Enforcement Application, the High Court allowed CRSE's application on 11 January 2021 ("CRSE High Court Order"). On 8 February 2021, TGV filed an appeal to the Court of Appeal being dissatisfied with the CRSE High Court Order ("TGV COA Appeal 3").

The TGV COA Appeal 1, TGV COA Appeal 2 and TGV COA Appeal 3 are fixed for case management on 27 October 2021 and hearing dates have not been fixed.

(c) In the matter of the adjudication proceedings between PESTECH Technology Sdn Bhd ("PTE") and Lion Pacific Sdn Bhd ("LPSB")

On 30 October 2019, PTE, a wholly-owned subsidiary of the Company, obtained an adjudication award in their favour as a result of the adjudication proceedings initiated by PTE against LPSB for non-payment of works done pursuant to the sub-contract with LPSB, whereby LPSB appointed PTE as a sub-contractor to complete the systems package works ("Works") in the project known as "Extension of the Rail Link from the Subang Commuter Station to Subang Skypark Phase 1" ("Project").

The adjudicator found in favour of PTE that LPSB shall pay a total sum of approximately RM12,666,667.00 with interests to PTE ("PTE Adjudication Decision").

On 19 February 2020, LPSB filed applications in the High Court to set aside/stay the PTE Adjudication Decision ("LPSB's Setting Aside / Stay Application"). On 23 July 2020, PTE filed an application to enforce the PTE Adjudication Decision ("PTE's Enforcement Application"). The High Court dismissed LPSB's Setting Aside / Stay Application and allowed PTE's Enforcement Application on 29 September 2020. LPSB filed appeals to the Court of Appeal against the High Court's order ("LPSB's Appeals"). The hearing for LPSB's Appeals is fixed on 27 October 2021.

On 2 March 2021, LPSB initiated a further suit in the High Court against PTE, raising new allegations arising out of the Works under the Project ("New High Court Suit"). PTE has in turn filed an application to stay the New High Court Suit pending arbitration ("PTE's Stay Application"). The hearing of PTE's Stay Application before the judicial commissioner came up on 28 July 2021, 25 August 2021 and 15 September 2021 and is fixed for a decision on 20 October 2021.

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31. CONTINGENCIES (CONT'D)

(c) (Cont'd)

The decision of the PTE Stay Application was deferred to 21 October 2021. On 21 October 2021, the learned Judicial Commissioner allowed PTE's Stay Application with costs of RM3,000 to be paid by LPSB to PTE. LPSB has one (1) month from 21 October 2021 to appeal against this decision (if any).

(d) In the matter of the adjudication proceedings between PESTECH Sdn Bhd ("PSB") and Dhaya Maju Infrastructure (Asia) Sdn Bhd ("DMIA")

On 16 February 2021, PSB, a wholly-owned subsidiary of the Company, commenced adjudication proceedings against DMIA to recover monies due and owing by DMIA for works carried out by PSB in relation to the design, construction, completion, testing, commission and maintenance of the system works carried out under a letter of award dated 17 March 2016 for a project known as "Projek Menaiktaraf Kemudahan Infrastruktur Landasan Keretapi Berkembar di Lembah Klang (KDVT)".

On 27 May 2021, the adjudicator found in favour of PSB, allowing PSB's claim in the sum of RM21,046,922.69 and awarded interest as well as costs in favour of PSB ("Adjudication Decision").

Pursuant to the Adjudication Decision, DMIA was directed to pay a total sum of approximately RM21,649,987.73 with interests to PSB ("Total Adjudicated Amount").

On 8 June 2021, DMIA made payment of RM8,797,264.51 being partial payment towards the Total Adjudicated Amount. The total outstanding amount due and payable by DMIA to PSB under the Adjudication Decision is RM12,852,723.22 plus interest at the rate of 5% per annum calculated from 9 June 2021 until full payment.

On 31 May 2021, PSB had filed an application in the High Court to enforce the Adjudication Decision ("PSB's Enforcement Application"). DMIA filed an application in the High Court to set aside the Adjudication Decision ("DMIA's Setting Aside Application") on 16 July 2021.

On 16 July 2021, the High Court granted an ad interim stay of the enforcement of the Adjudication Decision pending disposal of DMIA's Setting Aside Application. The High Court has fixed a hearing for PSB's Enforcement Application and DMIA's Setting Aside Application on 13 December 2021.

On 30 September 2021, DMIA made a further payment of RM5,242,661.52 and a cheque of RM7,610,061.70 was collected by PSB on 26 October 2021.

32. RELATED PARTY DISCLOSURES

32.1 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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Subsidiaries:				
Management fee income	-	-	15,395	10,327
Dividend income	-	-	13,475	22,702
Rental expenses	-	-	503	503
Interest expenses	-	-	9,557	7,021
Interest income	-	-	9,976	235
Related parties by virtue of common shareholders and/or key management personnel:				
Purchase of materials and services received	9,112	16,443	-	-
Rental expenses	238	244	-	-

32. RELATED PARTY DISCLOSURES (CONT'D)

32.2 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Executive Directors of the Company:				
Salaries and other emoluments	4,802	4,704	3,500	3,530
Defined contribution plan	419	424	419	424
Social security contributions	2	1	2	1
	5,223	5,129	3,921	3,955
Non-Executive Directors of the Company:				
Directors' other emoluments	82	46	82	46
Directors of subsidiaries:				
Salaries and other emoluments	1,505	791	-	-
	6,810	5,966	4,003	4,001
Non-Executive Directors of the Company:				
Directors' fee	166	181	166	181

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 RM68,640 (2020: RM65,758).

Other key management personnel compensation is as follows:

	Group and Company	
	2021 RM'000	2020 RM'000
Other key management personnel:		
- Salaries, bonuses and other emoluments	903	903
- Defined contribution plan	108	108
- Social security contributions	2	2
	1,013	1,013

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.

32.3 Related party balances

Outstanding balances arising from related party transactions with related parties are disclosed in Notes 12 and 22 to the Financial Statements.

33. FINANCIAL INSTRUMENTS

33.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	2021			2020		
	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
Group						
Financial assets						
Trade and other receivables	239,441	-	-	178,749	-	-
Fixed deposits with licensed institutions	17,890	-	-	7,881	-	-
Cash and bank balances	184,440	-	-	90,503	-	-
Amount due from associate	150	-	-	-	-	-
	441,921	-	-	277,133	-	-
Financial liabilities						
Derivative financial liabilities	-	941	26,864	-	1,548	40,838
Trade and other payables	632,195	-	-	570,194	-	-
Loans and borrowings	1,249,723	-	-	1,200,436	-	-
Amount due to associate	-	-	-	246	-	-
	1,881,918	941	26,864	1,770,876	1,548	40,838

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):

	Amortised cost 2021 RM'000	Amortised cost 2020 RM'000
Company		
Financial assets		
Other receivables	270	72
Amount due from related companies	304,208	444,957
Fixed deposits with licensed institutions	29	-
Cash and bank balances	8,684	140
	313,191	445,169
Financial liabilities		
Other payables	754	913
Amount due to related companies	215,462	277,089
Loans and borrowings	50,689	57,033
	266,905	335,035

33.2 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.

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.

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 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:

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	
	2021 RM'000	**2020 RM'000**
Trade receivables	217,236	170,528
Contract assets	1,891,218	1,830,093
	2,108,454	2,000,621

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.

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			
	2021		**2020**	
	RM'000	**% of trade receivables**	**RM'000**	**% of trade receivables**
Top 4 customers (2020: 3)	124,987	58	97,806	57

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 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)

Receivables and contract assets (cont'd)

The credit risk concentration profile of the total trade receivables of the Group as at the reporting date is as follows:

	Group			
	2021		2020	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	152,975	70.42	143,039	83.88
Cambodia	24,591	11.32	10,193	5.98
Philippines	27,138	12.49	6,557	3.85
Papua New Guinea	9,106	4.19	7,629	4.47
Iraq	2,971	1.37	3,065	1.80
Others	455	0.21	45	0.02
	217,236	100.00	170,528	100.00

At 30 June 2021, the Group assesses its credit losses on trade receivables and contract assets to be immaterial.

	Gross carrying amount RM'000	Expected credit loss rate %	Loss allowance RM'000	Net carrying amount RM'000
2021				
Group				
Not past due	161,861	-	-	161,861
Past due for 1-30 days	22,322	-	-	22,322
Past due for 31-60 days	1,157	-	-	1,157
Past due for 61-90 days	184	-	-	184
Past due for 91-120 days	16,968	-	-	16,968
Past due for more than 120 days	14,744	-	-	14,744
Trade receivables	217,236		-	217,236
Contract assets	1,891,218		-	1,891,218
2020				
Not past due	128,308	-	-	128,308
Past due for 1-30 days	4,016	-	-	4,016
Past due for 31-60 days	260	-	-	260
Past due for 61-90 days	5,175	-	-	5,175
Past due for 91-120 days	15,003	-	-	15,003
Past due for more than 120 days	17,766	-	-	17,766
Trade receivables	170,528		-	170,528
Contract assets	1,830,093		-	1,830,093

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 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)

Intercompanies 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 RM1,203,091,519 (2020: RM1,143,403,276), 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.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 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:

	Carrying amount RM'000	Contractual cash flows RM'000	Maturity Less than 1 year RM'000	1 to 5 years RM'000	More than 1 to 5 years RM'000
Group					
2021					
Derivative financial liabilities					
Forward currency contracts – gross outflow	941	158,657	-	22,705	135,952
Forward currency contracts – gross inflow	-	(162,593)	-	(22,738)	(139,855)
	941	(3,936)	-	(33)	(3,903)
Interest rate swap contracts	26,864	26,864	7,440	10,951	8,473
	27,805	22,928	7,440	10,918	4,570
Non-derivative financial liabilities					
Lease liabilities	12,997	20,332	2,889	6,642	10,801
Loans and borrowings	1,249,723	1,343,697	524,428	777,448	41,821
Trade and other payables	632,195	632,195	628,150	4,045	-
	1,894,915	1,996,224	1,155,467	788,135	52,622
	1,922,720	2,019,152	1,162,907	799,053	57,192

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 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	Maturity: 1 to 5 years RM'000	Maturity: More than 1 to 5 years RM'000
Group					
2020					
Derivative financial liabilities					
Forward currency contracts – gross outflow	1,548	181,122	-	179,544	1,578
Forward currency contracts – gross inflow	-	(184,438)	-	(182,781)	(1,657)
	1,548	(3,316)	-	(3,237)	(79)
Interest rate swap contracts	40,838	40,838	-	33,918	6,920
	42,386	37,522	-	30,681	6,841
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 due to related company	246	246	246	-	-
	1,778,280	1,938,276	1,122,620	675,450	140,206
	1,820,666	1,975,798	1,122,620	706,131	147,047

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 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 1 to 5 years RM'000
Company					
2021					
Non-derivative financial liabilities					
Lease liabilities	603	624	448	176	-
Loans and borrowings	50,689	50,689	50,689	-	-
Other payables	754	754	754	-	-
Amount due to related companies	215,462	215,462	215,462	-	-
	267,508	267,529	267,353	176	-
Financial guarantee to subsidiaries	-	1,302,192	489,676	774,395	38,121
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	-	1,302,675	491,782	670,929	139,964

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 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 year 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
2021						
Denominated in:						
USD	36,530	14,713	(27,571)	-	(45,194)	(21,522)
EURO	-	3	(3,481)	-	(3,881)	(7,359)
CNY	-	2	(173)	-	-	(171)
PHP	1,055	-	(289)	-	-	766
Others	-	-	(83)	-	-	(83)
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)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 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/equity for the financial year to a +/-5% (2020: +/-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/equity for the year	
	2021 RM'000	**2020 RM'000**
USD/RM		
- Strengthened	(1,076)	(2,148)
- Weakened	1,076	2,148
EURO/RM		
- Strengthened	(368)	(239)
- Weakened	368	239
CNY/RM		
- Strengthened	(9)	(371)
- Weakened	9	371
PHP/RM		
- Strengthened	38	4
- Weakened	(38)	(4)

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.

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.

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 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 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 year were:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instruments:				
Fixed deposits with licensed institutions	17,890	7,881	29	-
Lease liabilities	(12,997)	(7,404)	(603)	(1,016)
Loans and borrowings	(416,901)	(464,767)	-	-
Amount due to related companies	-	-	(215,462)	(262,408)
	(412,008)	(464,290)	(216,036)	(263,424)
Floating rate instruments:				
Loans and borrowings	(832,822)	(735,669)	(50,689)	(57,033)

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 year 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 year would have increased/(decreased) profit/equity for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit/equity for the year			
	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Floating rate instruments:				
+ 50 bp	(4,164)	(3,678)	(253)	(285)
- 50 bp	4,164	3,678	253	285

33. FINANCIAL INSTRUMENTS (CONT'D)

33.3 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.

	2021		2020	
	Carrying amounts RM'000	**Fair value at Level 2 RM'000**	**Carrying amounts RM'000**	**Fair value at Level 2 RM'000**
Group				
Derivative financial liabilities:				
Interest rate swap contracts	(26,864)	(26,864)	(40,838)	(40,838)
Forward exchange contracts	(941)	(941)	(1,548)	(1,548)

There were no transfers between Level 1 and Level 2 during the financial year (2020: no transfer in either direction).

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.

NOTES TO THE FINANCIAL STATEMENTS

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34. OPERATING SEGMENT

34.1 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.

(c) Product - Provision of design and supply of remote control system and data communication products.

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.

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 RM'000	Product RM'000	Adjustments and Eliminations RM'000	Total RM'000
2021						
Revenue						
External customers		-	879,224	10,139	-	889,363
Inter-segment	i	30,850	349,089	61,574	(441,513)	-
Total revenue		30,850	1,228,313	71,713	(441,513)	889,363
Results						
Finance income		16,390	64,529	51	(32,221)	48,749
Finance costs		(24,138)	(67,321)	(1,161)	32,324	(60,296)
Depreciation and amortisation		(1,547)	(12,387)	(1,661)	(2,163)	(17,758)
Non-cash items other than depreciation	ii	(1,892)	(745)	28	228	(2,381)
Tax expense		(758)	(10,212)	-	-	(10,970)
Segment profit	iii	394	125,532	(3,436)	(19,810)	102,680
Assets						
Segment assets		86,853	2,781,060	24,875	(188,456)	2,704,332
Investment in associates		-	137	-	749	886
Additions to non-current assets (other than financial instruments)	iv	69	20,026	326	66,560	86,981
Liabilities						
Segment liabilities		97,105	2,035,265	24,919	(214,669)	1,942,620

34. OPERATING SEGMENT (CONT'D)

34.1 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 RM'000	Product RM'000	Adjustments and Eliminations RM'000	Total RM'000
2020						
Revenue						
External customers		-	779,988	17,695	-	797,683
Inter-segment	i	35,008	246,765	24,888	(306,661)	-
Total revenue		35,008	1,026,753	42,583	(306,661)	797,683
Results						
Finance income		239	54,820	3,673	(14,428)	44,304
Finance costs		(13,438)	(63,672)	(1,099)	14,583	(63,626)
Depreciation and amortisation		(1,564)	(12,830)	(1,599)	(2,669)	(18,662)
Non-cash items other than depreciation	ii	640	2,742	71	176	3,629
Tax expense		(2)	(19,873)	205	-	(19,670)
Segment profit	iii	3,923	68,599	8,521	(16,527)	64,516
Assets						
Segment assets		80,065	2,478,477	26,181	(132,142)	2,452,581
Investment in associates		-	137	-	500	637
Additions to non-current assets (other than financial instruments)	iv	807	63,330	729	(977)	63,889
Liabilities						
Segment liabilities		96,435	1,862,600	15,966	(128,551)	1,846,450

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:

	2021 RM'000	2020 RM'000
Fair value gain/(loss) on derivative financial instruments	4,373	(7,505)
Unrealised (loss)/gain on foreign exchange	(6,628)	7,756
Loss on lease termination	(283)	-
Unwinding discount of financial liabilities	-	3,203
Share of profit of equity-accounted associate	249	176
Property, plant and equipment written off	(92)	(1)
	(2,381)	3,629

NOTES TO THE FINANCIAL STATEMENTS

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34. OPERATING SEGMENT (CONT'D)

34.1 Business segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):

(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:

	2021 RM'000	2020 RM'000
Consolidated profit before interest and tax	125,197	103,508
Finance income	48,749	44,304
Finance costs	(60,296)	(63,626)
Tax expense	(10,970)	(19,670)
Segment profit	102,680	64,516

(iv) Additions to non-current assets consists of:

	2021 RM'000	2020 RM'000
Property, plant and equipment	70,061	63,889
Intangible asset	16,920	-
	86,981	63,889

34.2 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group				
Malaysia	509,590	558,797	143,548	85,510
Cambodia	358,739	235,717	150,070	143,087
Australia	-	591	-	-
Papua New Guinea	3,084	1,046	41	74
Philippines	-	1,216	888	766
China	17,950	-	64	64
Others	-	316	-	-
	889,363	797,683	294,611	229,501

Non-current assets are referring to property, plant and equipment, intangible assets and investment in associates.

34. OPERATING SEGMENT (CONT'D)

34.3 Information about major customers

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

	Segment	2021 RM'000	2020 RM'000
Customer A	EPMCC	258,354	136,953
Customer B	EPMCC	197,767	157,920
Customer C	EPMCC	106,976	196,068

35. CAPITAL COMMITMENT

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Capital expenditure				
Authorised and contracted for:				
- Acquisition of a motor vehicle	2,406	-	2,406	-
- Acquisition of a subsidiary	-	15,417	-	-
Authorised and not contracted for:				
- Acquisition of a land	6,808	-	-	-

36. 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

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37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE

(a) The details of acquisition, subscription of shares and of significant subsidiaries are disclosed in Note 6 to the Financial Statements.

(b) On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the glove. On 16 March 2020, the Malaysian Government has imposed various Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. In addition, on 12 January 2021, the Agong of Malaysia proclaimed a state of emergency for the country until 1 August 2021 as a proactive measure to contain the worsening COVID-19 pandemic ("Emergency"). The COVID-19 outbreak resulted in travel restriction, lockdown and other precautionary measures imposed in various countries.

At this stage, there has been no significant impact on the Group's operations resulting from the various MCO, travel restrictions and other precautionary measures imposed by the Malaysian Government.

However, the extent of the effect of the Emergency and these various MCO, travel restrictions and other precautionary measures on the operations and results of the Group for the financial year ending 30 June 2022 will depend on their conditions and durations.

As at to-date, the COVID-19 pandemic situation is still evolving and uncertain. The Group will continue to actively monitor and manage its funds and operations to minimise any negative impact arising from the COVID-19 pandemic.

(c) On 12 August 2020, PCL completed its initial public offering exercise and listed its shares to be traded on the Main Market of the Cambodia Securities Exchange. Upon the completion of the listing, the equity interest in PCL was diluted from 100% to 94.74%.

(d) On 16 October 2020, the Group completed 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 ("Perpetual SUKUK"). The proceeds raised from the Perpetual 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 Perpetual SUKUK.

The Group has issued RM48.5 million Perpetual SUKUK as of the date of this report.

(e) On 2 August 2021, PSB had incorporated a wholly-owned subsidiary namely PESTECH GTI Sdn. Bhd. for cash consideration of RM1.00 which comprising of 1 ordinary share.

ANALYSIS OF SHAREHOLDINGS
AS AT 8 OCTOBER 2021

Class of shares	:	Ordinary Shares
Total number of shares issued	:	764,293,572 (including 3,121,200 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	121	1.27	2,352	0.00
100 — 1,000	1,144	11.97	829,632	0.11
1,001 — 10,000	5,636	58.98	28,913,185	3.80
10,001 — 100,000	2,325	24.33	71,815,773	9.43
100,001 — 38,058,617*	328	3.43	346,981,994	45.59
38,058,618 and above**	2	0.02	312,629,436	41.07
	9,556	**100.00**	**761,172,372**	**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	256,008,604	33.63	(1) 3,364,264	0.44
2. Lim Pay Chuan	145,535,096	19.12	(2) 1,056,064	0.14

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.

DIRECTORS' SHAREHOLDINGS

(as shown in the Register of Directors' Shareholdings)

Name of Director	Number of Shares			
	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	256,008,604	33.63	(1) 3,364,264	0.44
2. Lim Pay Chuan	145,535,096	19.12	(2) 1,056,064	0.14
3. Lim Peir Shenq	-	-	(3) 2,058,200	0.27
4. Ir. Amir Bin Yahya	-	-	-	-
5. Ng Chee Hoong	-	-	-	-
6. Hoo Siew Lee	-	-	-	-

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 pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Kumpulan Liva Sdn. Bhd.

THIRTY LARGEST REGISTERED HOLDERS

	Name	No. of Shares	%
1.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Ah Hock (PB)*	231,017,204	30.35
2.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	81,612,232	10.72
3.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	29,625,264	3.89
4.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ah Hock (504021612634)*	24,991,400	3.28
5.	Lim Pay Chuan	18,097,600	2.38
6.	HSBC Nominees (Tempatan) Sdn. Bhd. *BNP Paribas Singapore Branch for Lim Pay Chuan*	16,200,000	2.13
7.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	8,802,332	1.16
8.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund*	8,540,800	1.12
9.	Jauhari Arif Bin Ibrahim	8,258,932	1.09
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (LPF)*	7,392,100	0.97
11.	Joanna Binti Ibrahim	7,147,800	0.94
12.	Citigroup Nominees (Asing) Sdn. Bhd. *CBNY for Norges Bank (FI 17)*	7,120,300	0.94

ANALYSIS OF SHAREHOLDINGS
AS AT 8 OCTOBER 2021

	Name	No. of Shares	%
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (LGF)*	6,561,400	0.86
14.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (CIMB PRIN)*	6,311,400	0.83
15.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad – Kenanga Growth Fund*	6,153,400	0.81
16.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	6,022,632	0.79
17.	Amanahraya Trustees Berhad *ASN Umbrella for ASN Equity 3*	5,560,600	0.73
18.	Kenanga Investment Bank Berhad *IVT (EDSP-Naga 8-Do)*	5,214,700	0.69
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (RHBISLAMIC)*	5,134,500	0.67
20.	Ng Tiang Yong	5,061,456	0.66
21.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Rakuten Trade Sdn. Bhd. for Wong Ah Kum*	4,200,000	0.55
22.	Han Fatt Juan	4,077,800	0.54
23.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Pu Hooi (MY2357)*	3,647,500	0.48
24.	Lim Ee Chong	3,637,000	0.48
25.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund*	3,546,200	0.47
26.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)*	3,493,864	0.46
27.	Yee Wai Yin	3,334,500	0.44
28.	Lim Hon Seng	3,250,400	0.43
29.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)*	3,193,700	0.42
30.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ee Chong*	3,000,000	0.39
	Total	**530,207,016**	**69.66**

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 2021 (RM'000)	Date of Acquisition	Age of Building
Fornix Sdn. Bhd.	No. 26, Jalan Utarid U5/14 Seksyen U5 40150 Shah Alam Selangor Darul Ehsan. Lot No. 69874 Title No. PN 11423 Mukim of Sungai Buloh District of Petaling Selangor Darul Ehsan.	Single-storey detached factory with an annexed three-storey office building (office) and other ancillary buildings, currently being used as our Group's corporate office, factory and warehouse.	Industry/ Leasehold of 99 years, expiring on 10 Jan 2102	4,027.0 square meters/ 2,896.7 square meters	5,832	11 January 2003	14 years
Fornix Sdn. Bhd.	No. 5, Jalan Jasmine 5 Seksyen BB10 Bandar Bukit Beruntung 48300 Bukit Beruntung, Selangor Darul Ehsan. Lot No. 9366 Title No. GRN 207566 Mukim Bandar Serendah District Ulu Selangor Selangor Darul Ehsan.	Factory complex comprises 3 storey office annexed to 3 storey warehouse with a level of basement car park.	Industry/ Freehold	8,575 square meters	34,695	2 April 2013	3 years
Fornix Sdn. Bhd.	B2-1001 & 1002 Meritus Tower Oasis Corporate Park 43701 Ara Damansara Selangor Darul Ehsan. Lot No. 92087 Title No. GRN 317343 Mukim Damansara Daerah Petaling Selangor Darul Ehsan.	Commercial office lots	Commercial/ Freehold	1,080 square meters	7,637	26 March 2015	5 years
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	3,718	10 February 2016	9 years

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting ("**10th AGM**") of PESTECH International Berhad ("**PESTECH**" or "**the Company**") will be conducted fully virtual via remote participation and voting at the Broadcast Venue at No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 25 November 2021 at 10:00 a.m. to transact the following business:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2021 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (i)]**

2. To approve the payment of a final single-tier dividend of RM0.005 per ordinary share for the financial year ended 30 June 2021. **Ordinary Resolution 1**

3. 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 RM120,000/- to the Non-Executive Directors for the period commencing from 25 November 2021 until the next Annual General Meeting in year 2022. **Ordinary Resolution 2**

4. To re-elect Mr. Lim Ah Hock who retires in accordance with Article 118 of the Company's Constitution, and being eligible, has offered himself for re-election. **Ordinary Resolution 3**

5. 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. Ng Chee Hoong **Ordinary Resolution 4**

   (ii) Ms. Hoo Siew Lee **Ordinary Resolution 5**

6. 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 6**

AS SPECIAL BUSINESS

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

7. **ORDINARY RESOLUTION**
   AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016 **Ordinary Resolution 7**

   "**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Articles of Association 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."

8. **ORDINARY RESOLUTION** **Ordinary Resolution 8**
PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE")

"**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(B) of the Circular to Shareholders dated 27 October 2021, 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."

9. **ORDINARY RESOLUTION** **Ordinary Resolution 9**
PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE")

"**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 transaction of a revenue or trading nature with the Related Party as set out in Part A Section 1.3(A) of the Circular to Shareholders dated 27 October 2021, 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 New Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed New 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 New 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 New Shareholders' Mandate."

10. **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 10**

"**THAT** subject always to the Companies Act 2016 ("**the Act**"), the provisions of the Memorandum and Articles of Association 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

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."

11. **ORDINARY RESOLUTION**
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") **Ordinary Resolution 11**

"**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."

12. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act 2016.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a final single-tier dividend of RM0.005 per ordinary share in respect of the financial year ended 30 June 2021, if approved by the shareholders at the 10th AGM of the Company, will be paid on 7 January 2022 to depositors who are registered in the Record of Depositors at the close of business on 9 December 2021.

A Depositor shall qualify for entitlement only in respect of: -

(a) shares transferred into the Depositor's Securities Account before 4:30 p.m. on 9 December 2021 in respect of ordinary transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

PAN SENG WEE (SSM PC No. 202008003688) (MAICSA 7034299)
CHUA SIEW CHUAN (SSM PC No. 201908002648) (MAICSA 0777689)
TEH BEE CHOO (SSM PC No. 202008002493) (MIA 7562)
Company Secretaries

Shah Alam
27 October 2021

NOTES

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 November 2021 ("**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, 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 Annual General Meeting ("**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 2 – Approval for the payment of Directors' fees and Directors' benefits

    The proposed Resolution 2, 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 25 November 2021 until the next AGM of the Company in year 2022. 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 25 November 2021 until the next Annual General Meeting in year 2022. The proposed Directors' fee for each Non-Executive Director is RM48,000/- per annum and the meeting allowance is RM1,500/- per meeting.

(iii) Ordinary Resolution 7 – Authority to Issue Shares pursuant to the Companies Act 2016.

The Ordinary Resolution 7 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 Ninth Annual General Meeting of the Company held on 26 November 2020 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 8 – 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 27 October 2021 for further information.

(v) Ordinary Resolution 9 – Proposed New Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature

The proposed resolution, if passed, will allow the Group to obtain its mandate to enter into Recurrent Related Party Transaction 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 27 October 2021 for further information.

(vi) Ordinary Resolution 10 – 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 27 October 2021 for further information.

(vii) Ordinary Resolution 11 – 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 Tenth 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.
Address:	

*and/or *delete if inapplicable

Full Name (in Block)	NRIC/Passport No.
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 Tenth Annual General Meeting of the Company to be held fully virtual via remote participation and voting at the Broadcast Venue at No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 25 November 2021 at 10:00 a.m.

My/our proxy is to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of a final single-tier dividend of RM0.005 per ordinary share for the financial year ended 30 June 2021.		
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 RM120,000/- to the Non-Executive Directors for the period commencing from 25 November 2021 until the next Annual General Meeting in year 2022.		
3.	To re-elect Mr. Lim Ah Hock who retires in accordance with Article 118 of the Company's Constitution, and being eligible, offers himself for re-election.		
4.	To re-elect Mr. Ng Chee Hoong who retires in accordance with Article 117 of the Company's Constitution, and being eligible, offers himself for re-election.		
5.	To re-elect Ms. Hoo Siew Lee who retires in accordance with Article 117 of the Company's Constitution, and being eligible, offers herself for re-election.		
6.	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.		
7.	Authority to Issue Shares pursuant to the Companies Act 2016		
8.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions		
9.	Proposed New Shareholders' Mandate for Recurrent Related Party Transaction		
10.	Proposed Renewal of Share Buy-Back Authority		
11.	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.

____

*Signature of Shareholder/Common Seal

Date :

Contact No :

* Delete if inapplicable

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies		
	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

Fold This Flap For Sealing

Notes :

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 November 2021 ("**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, not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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PESTECH INTERNATIONAL BERHAD [201101019901 (948035-U)]
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