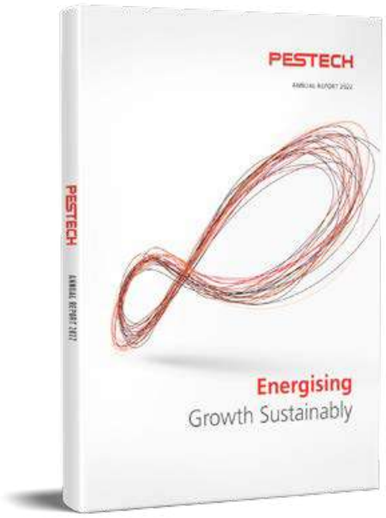
PESTECH

ANNUAL REPORT 2022

Energising
Growth Sustainably



Energising Growth Sustainably

A bold and minimalist cover. Bright and vibrant graphic lines emanate and advance in synergy to show harnessing of synergistic opportunities to grow further. They take on a shape of infinity to reflect the value of sustainable solutions.

11TH ANNUAL GENERAL MEETING

OF PESTECH INTERNATIONAL BERHAD

Friday,
25 November 2022

3.00 p.m.

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

* *The 11th Annual General Meeting of PESTECH International Berhad will be conducted virtually via live streaming with online remote participation and voting.*

ANNUAL REPORT 2022

CIRCULAR & OTHERS

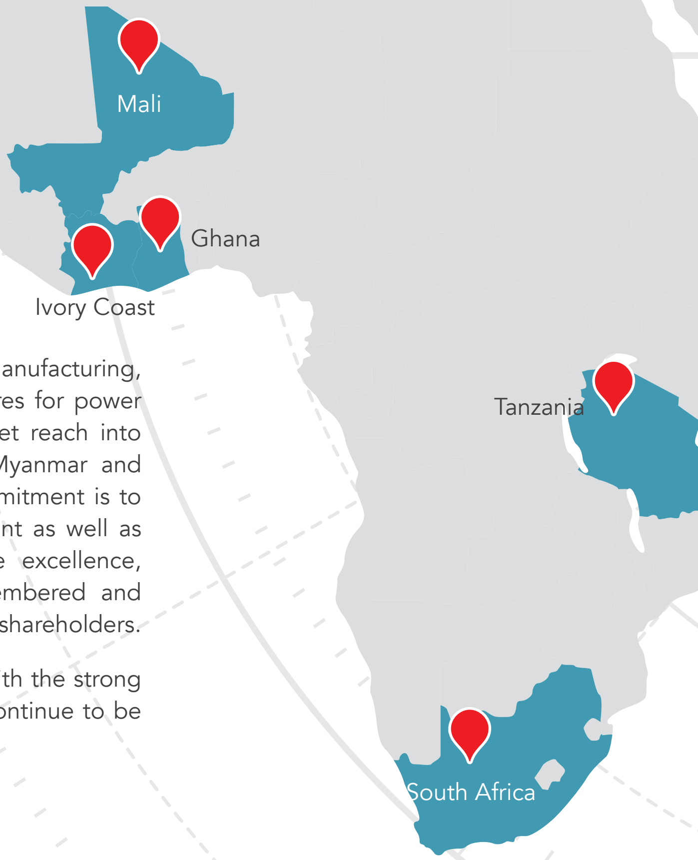
Inside
This Report

About PESTECH

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

The Company derived its name from "**Po**wer **S**ystem **Tech**nology" and our core businesses are divided into six segments comprising of:

- HV and EHV Electrical System
- Transmission Line and Power Cables
- Infrastructure Asset Management
- Power Generation
- Rail Electrification and Signalling
- Power Products 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 infrastructure builder of choice.

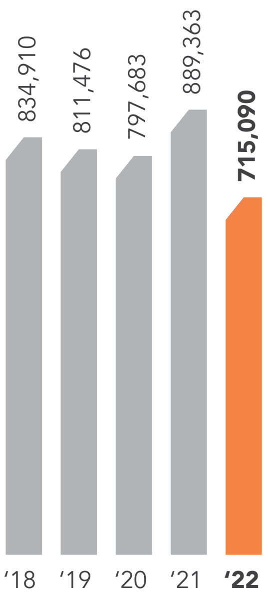
Global Presence

Financial Highlights

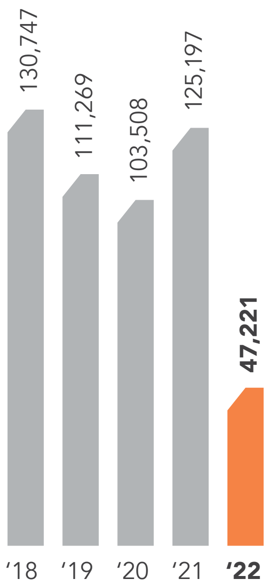
FYE	2018	2019	2020	2021	2022
PROFITABILITY					
Revenue (RM'000)	834,910	811,476	797,683	889,363	**715,090**
EBIT (RM'000)	130,747	111,269	103,508	125,197	**47,221**
PBT (RM'000)	92,600	98,181	84,186	113,650	**41,674**
Profit for the year attributable to equity holder (RM'000)	57,970	78,972	51,451	66,213	**13,726**
FINANCIAL POSITION					
Total assets (RM'000)	1,707,677	2,087,545	2,452,581	2,704,332	**3,030,744**
Share capital (RM'000)	212,672	212,672	212,672	212,672	**232,942**
Shareholders' equity (RM'000)	526,330	560,889	606,131	761,712	**927,483**
Total bank borrowings (RM'000)	735,033	1,029,966	1,200,436	1,249,723	**1,361,505**
FINANCIAL RATIO					
Return on equity	14%	15%	11%	13%	**4%**
Return on total assets	4%	4%	3%	4%	**1%**
Gearing ratio	1.40	1.84	1.98	1.64	**1.47**
Interest cover	3.44	2.09	1.62	2.08	**0.74**
SHARE INFORMATION					
Total dividend payout (RM'000)	-	-	-	7,612	**3,806**
Earnings per share (sen) *	6.07	8.27	5.39	6.96	**1.43**
Net assets per share (sen) *	55.09	58.71	63.52	79.99	**94.20**
Weighted average number of ordinary shares in issue ('000) *	955,131	955,367	954,761	951,918	**961,229**
Number of shares ('000)	764,294	764,294	764,294	764,294	**992,221**

* For comparison purposes, earnings per share, net assets per share and weighted average number of ordinary shares in issue are restated to reflect the bonus issue on the basis of two (2) new ordinary shares for every eight (8) existing shares held which was completed on 16 December 2021.

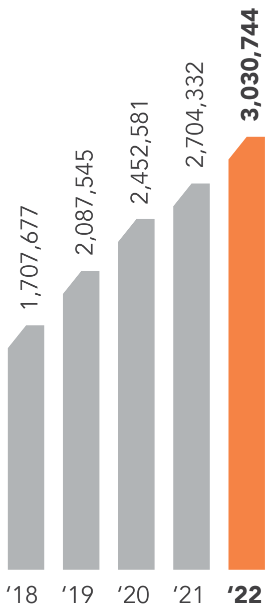
REVENUE
(RM'000)



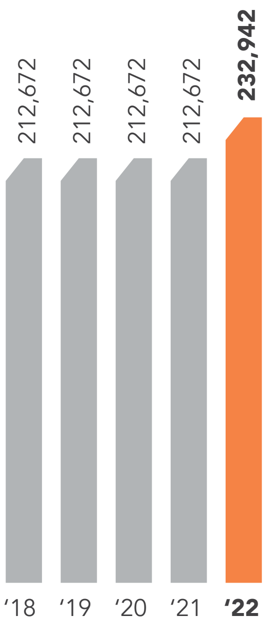
EBIT
(RM'000)



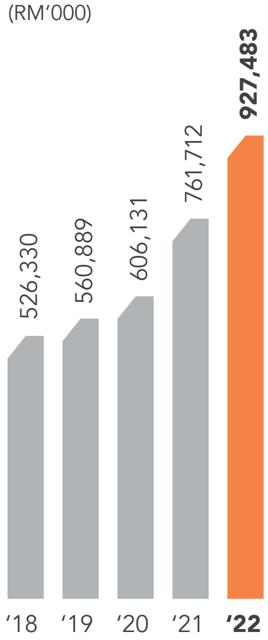
TOTAL ASSETS
(RM'000)



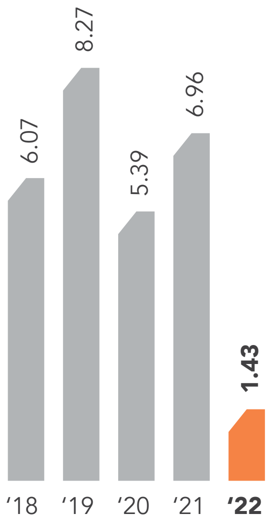
SHARE CAPITAL
(RM'000)



SHAREHOLDERS' EQUITY
(RM'000)



EARNINGS PER SHARE
(sen)



Corporate Information

BOARD OF DIRECTORS

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
Senior Independent Non-Executive Director

Ng Chee Hoong
Independent Non-Executive Director

Hoo Siew Lee
Independent Non-Executive Director

Helen Tan Miang Kieng
Independent Non-Executive Director

COMPANY SECRETARIES

Pan Seng Wee
(SSM PC No. 202008003688) (MAICSA 7034299)

Teh Bee Choo
(SSM PC No. 202008002493) (MIA 7562)

Chua Siew Chuan
(SSM PC No. 201908002648) (MAICSA 0777689)

AUDITORS

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA & AF0737)
(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 Millenium
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
Helen Tan Miang Kieng

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Hoo Siew Lee (Chairman)
Ir. Amir Bin Yahya
Helen Tan Miang Kieng

Corporate Structure

PESTECH INTERNATIONAL BERHAD

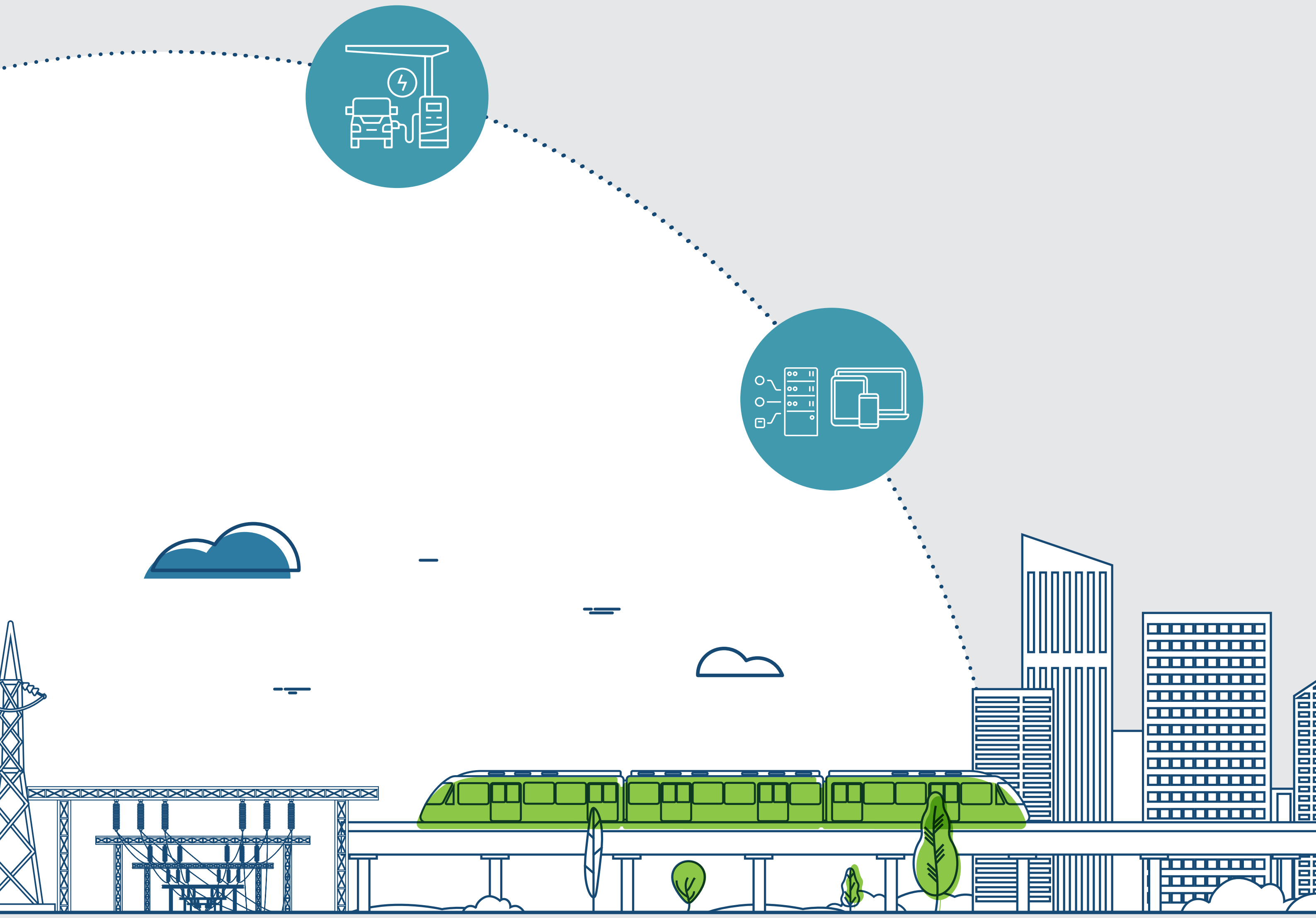
- 100% Enersol Co. Ltd.
- 100% PESTECH Engineering Technology China Co. Ltd.
- 100% PESTECH (PNG) Ltd.
- 100% PESTECH (Sarawak) Sdn. Bhd.
- 100% PESTECH System Siam Ltd.
- 100% PESTECH Vietnam Company Limited
- 100% PESTECH Transmission Sdn. Bhd.
  - 100% PESTECH Transmission CDI SARL
- 100% PESTECH Energy Sdn. Bhd.
  - 100% PESTECH Solutions Sdn. Bhd.
- 100% PESTECH Power Sdn. Bhd.
  - 60% Diamond Power Limited
  - 90% PESTECH REI Sdn. Bhd.
  - 100% PESTECH PLUGINFINITE 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
  - 100% PESTECH GTI Sdn. Bhd.
  - 38% PESTECH Corporation
  - 40% Transmission Energy Inc.
  - 90% PESTECH (Brunei) Sdn. Bhd.
- 100% PESTECH Aerotrain Sdn. Bhd.

Main Business Segments

1 TRANSMISSION LINE AND POWER CABLES

2 POWER GENERATION

3 HV AND EHV ELECTRICAL SYSTEM



4
INFRASTRUCTURE ASSET MANAGEMENT

5
RAIL ELECTRIFICATION & SIGNALLING

6
POWER PRODUCTS AND SMART GRID

Main Business Segments

HV AND EHV ELECTRICAL SYSTEM

Began in year 1991, PESTECH started its core business in the provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of high voltage ("HV") and Extra HV ("EHV") substations, for local and international markets.

Over the years, the segment had built track records in constructing Air Insulated ("**AIS**") Substation and Gas Insulated ("**GIS**") Substations up to 500kV locally and across the regions. We have excellent project references with both utilities and private owners in Malaysia, Cambodia, Philippines, Sri Lanka, Papua New Guinea, Kyrgyzstan, Iraq, Ghana and Ivory Coast.

Our project execution is steered by an in-house engineering, construction and commissioning team to ensure that our delivery meets customers' requirements and expectations. Our team is fully equipped with competencies such as design optimisation, multidisciplinary engineering implementation and interfacing in compliance with relevant international standards and electrical safety requirements. The wealth of collective knowledge and skills of our employees is vital for PESTECH to continue expanding its footprints in the power industry at the home front and regionally.

Aligned with the global call for business sustainability, we are adopting the modular pre-cast method in our substation projects to improve the work efficiency and reduce wastage during construction. The deployment of pre-cast construction method helps to reduce material wastage, minimises environmental impact and reduces the construction time for better project delivery.

TRANSMISSION LINE AND POWER CABLES

From a humble private limited company established in Phnom Penh, Cambodia, to a public company listed on the Cambodia Securities Exchange since 2020, our transmission line and power cables division, more prominently under PESTECH (Cambodia) Plc. ("PCL"), has solidified its establishment in local and overseas markets as a reliable engineering, procurement, construction and commissioning ("EPCC") contractor for transmission line and power cable system, including civil works and provision of operation and maintenance services for electrical infrastructure assets.

Fortified with our capabilities and competencies in the field of design, engineering, installation, testing and commissioning of power transmission lines and underground cables, to-date, we had commissioned a total of about 755km of electric transmission lines and cables under various capacities, ranging from 33kV to 500kV.

Pioneering with only 12 employees back then in year 2010, to 147 employees to-date, PCL, the Cambodian subsidiary of PESTECH, champions the Transmission Line and Power Cables Division. It grew to becoming one of the most-equipped EPCC providers in Cambodia, well-appointed with tools and equipment for construction of HV and EHV transmission line and cables.

The following are a selection of some noteworthy completed and on-going projects by this business segment:

230kV Kampong Cham – Kratie Transmission System Project with a total length of **125km**. Under this project, PCL had constructed the tallest tower in Cambodia crossing Mekong River at **140 meter** in year 2017.

230kV/ 500kV West Phnom Penh to Sihanoukville Transmission System Project with a total length of **168km**, representing one of the key backbone grid system for the country.

115kV transmission line from **Siem Reap to Oddor Meanchey Transmission Line Project** at a total length of **75km**.

230kV Stung Tatay Hydro Power Plant to Phnom Penh Transmission System Project with a total length of **220km**.

500kV Phnom Penh Cambodia/Laos Border Transmission Line Project with a total length of **299.52km**, which plays an important role for importation of power from Laos to Cambodia.

230kV Phnom Penh City Transmission and Distribution System Expansion Project, which involves underground cabling construction using the horizontal directional drilling solution.

Design, manufacture, supply, erection and commission of the cable, which will run through central Kuala Lumpur from the **Prince Court area to Jalan Taman U-Thant and connecting to Jalan Ampang towards Jelatek area.**

Further from Cambodia, our Transmission Line and Power Cables division has had the opportunity to reach out for project undertakings in Papua New Guinea and Ivory Coast in recent years. Capitalising on our established presence, the division will continue to seize for greater market opportunities in the Mekong region and Western Africa.

Main Business Segments

INFRASTRUCTURE ASSET MANAGEMENT

Our Group has also nurtured a team of capable engineers and technicians to undertake the asset management function for the comprehensive service of operation and maintenance ("O&M"), not only towards our internal sister companies holding the infrastructure assets, but also for third party asset owner companies that prefer the engagement of professional O&M solution provider to manage their assets for better reliability, and peace of mind.

Currently, we are engaged for delivering O&M services with reference to the following infrastructure assets:-

- **230kV Kampong Cham – Kratie** Transmission System Project
- **230kV/500kV West Phnom Penh to Sihanoukville** Transmission System Project
- **230kV Stung Tatay Hydro Power Plant to Phnom Penh** Transmission System Project
- **20MWac Solar Photovoltaic Power Plant** in Bavet City

We aim to expand our O&M services in Cambodia backed by our established O&M standard and best practices that could provide better reliability, efficiency, and effectiveness in various assets operation and maintenance requirements as needed by our customers.

POWER PRODUCTS AND SMART GRID

PESTECH, through its subsidiary company, PESTECH Energy Sdn. Bhd. ("PEN") is spearheading the digitalisation business segment of the Group. PEN provides a tailor-made solution towards achieving end-to-end Energy 4.0 capabilities. The portfolio consists of systems to monitor substations, renewable energy solutions to power microgrids, Electric Vehicle ("EV") charging and Advanced Metering Infrastructure ("AMI") solutions that comply to international standards such as IEC 61850 and OCPP v1.6. These solutions are developed internally by PEN.

Since 2020, Tenaga Nasional Berhad has been modernising its existing grid into a smart, automated and digitally-enabled network. The strategy aims to build a grid that is robust, intelligent and readily adapts to the nation's needs. To that end, PEN was selected as one of the vendors to deliver smart meters to Malaysian households. To date, 473,205 smart meters have been successfully delivered.

PEN is also collaborating with technology partners to implement Distributed Energy Resources ("DER"). These are small-scale electricity supplies that are interconnected to the electric grid. One of the DER initiatives is the Hydrogen Self-Recharging Fuel Cells ("SRFC") solution, where it utilise a combination of solar systems, storage, and fuel-cell technology to provide clean and sustainable power supply for remote areas round-the-clock. The SRFC was being deployed in Tapah, Malaysia and New Ireland, Papua New Guinea.

Complementary to the power transmission system of PESTECH Group, PEN has been providing design and engineering expertise for solutions in Distribution and Transmission networks. Such solutions include Protection and Control systems, SCADA and tele-communications equipment for power systems. Extensive investments in Research and Development 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.

Under the EV development, we have launched the PlugInfinite EV Charging Management Platform. Pluginfinite is an integrated platform to manage the EV charging ecosystem.

PEN will further enhance and develop more Energy 4.0 applications through collaboration and technical transfer of knowledge with international partners.

Main Business Segments

POWER GENERATION & RAIL ELECTRIFICATION AND SIGNALLING

The Power Generation & Rail Electrification and Signalling segment is spearheaded by PESTECH Technology Sdn. Bhd. ("PTE"), which was set up in year 2013.

PTE started with the provision of power plant electrification and automation services for various type of plants such as thermal, hydro, solar farm, waste-to-energy etc. to improve efficiency of the power generation plant. To-date, the scope of services provided by PTE includes power plant control and automation system, electrification and optimisation, turnkey and engineering, procurement and commissioning ("**EPC**") business for conventional plant and renewable energy plant, i.e hydro and Waste to Energy ("**WTE**").

Some of the power plant works that had been undertaken by PTE includes:

- Relocation of General Electric Gas Turbine series GTM LM2500 from **Melawa to Batu Sapi Power Plant**
- Complete supply, engineering, testing, installation and commissioning of **New Governor Control System at Gantisan, Sandakan**
- Complete upgrade of the distributed control and turbine control systems for **Kapar Energy Ventures Sdn. Bhd.**
- Complete supply, design, installation, testing and commissioning of turbine governor control system and auxiliaries system at **Kenyir, Cameron Highlands and Sungai Piah Power Stations**

With the paradigm shift towards decarbonising electricity generation globally, PTE is also accelerating its capability built-up to seize for opportunities in the WTE market, co-firing of conventional boilers with blue/green ammonia, biomass, Solid Recovered Fuel ("**SRF**") and Refuse-Derived Fuel ("**RDF**") as well as development into mini or small hydro plant business as full turnkey EPC.

RAIL ELECTRIFICATION AND SIGNALLING

On the rail electrication and signaling segment, PESTECH's participation in railway sector includes EPC system works for signaling, electrification and communication, electrification for overhead catenary system ("OCS"), conductor rail and traction power systems (AC & DC) and maintenance works including emergency repairs.

To-date, PTE is equipped with a full fleet of plants and machineries for rail electrification. Over the years, it had expanded its portfolio to include full system works spectrum and established power system modelling and simulation capabilities in collaboration with local higher learning institutes.

The team started with the provision of repair works for damaged of OCS equipment and support railway operators in normalisation works during emergencies and derailment. Along the way, they had have the opportunities to execute large scale rail projects when the following national projects were successfully secured by PTE or its subsidiary company:

Overall system works include signalling, communication and electrification for **Subang SkyPark**

Klang Valley Double Track Electrification ("KDVT") rehabilitation project

Mass Rapid Transit 2 ("MRT 2") which includes design and build turnkey for power supply and distribution system for a span of **53km** from Sungai Buloh to Putrajaya

Rapid Transit System ("RTS") Link between Malaysia and Singapore for the design, manufacture, supply, delivery, installation, testing and commissioning, interfacing, warranty and other related works for the traction power supply of RTS link assets

Southern Double Track ("SDT") which includes electrification and signalling scope for the Gemas to Johor Bahru double track project, covering a span of **192km**

Development of an **automated people mover ("APM") aerotrain project** and associated works in **Kuala Lumpur International Airport**

With the execution of the above projects, PTE has substantially built up its reference as an engineering, procurement and constructing contractor for components and subsystems in main rail, urban and intercity networks for rail infrastructure and rolling stock.

As Malaysia is committed to its target of becoming a carbon-neutral nation by as early as 2050, there will be significant potential growth in rail electrification, replacement of diesel trains with hydrogen power system or battery powered system, electrification of large scale Bus Rapid Transit system and signaling and communication system.

Board of Directors
& Company Secretary

HELEN TAN MIANG KIENG

HOO SIEW LEE

PAUL LIM PAY CHUAN

LIM AH HOCK

IR. AMIR BIN YAHYA

NG CHEE HOONG

STANLEY LIM PEIR SHENQ

LYNDA PAN SENG WEE
Company Secretary

Profile of Directors

Nationality

Age 70

Gender

LIM AH HOCK

Executive Chairman

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.

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 27 October 2022.

He has attended six (6) out of seven (7) Board of Directors' meetings held in the financial year ended 30 June 2022.

PAUL LIM PAY CHUAN

Managing Director and Group Chief Executive Officer

Nationality

Age 52

Gender

Paul Lim Pay Chuan is a Managing Director and Group Chief Executive Officer ("MD and GCEO") of PESTECH. He was appointed to the Board on 18 August 2011 and 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 IEM 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 27 October 2022.

He has attended all seven (7) Board of Directors' meetings held in the financial year ended 30 June 2022.

Profile of Directors

Nationality

Age 37

Gender

STANLEY LIM PEIR SHENQ

Executive Director

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 27 October 2022.

He has attended all seven (7) Board of Directors' meetings held in the financial year ended 30 June 2022.

IR. AMIR BIN YAHYA

Senior Independent Non-Executive Director

Nationality

Age 69

Gender

Ir. Amir Bin Yahya is the Independent Non-Executive Director ("INED") of PESTECH. He was appointed to the Board on 8 October 2020 and was redesignated to Senior Independent Non-Executive Director on 25 November 2021.

He is currently the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration 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 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 ED 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 lecturers 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 six (6) out of seven (7) Board of Directors' meetings held in the financial year ended 30 June 2022.

Profile of Directors

Nationality

Age 55

Gender

NG CHEE HOONG

Independent Non-Executive Director

Ng Chee Hoong is the Independent Non-Executive Director 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.

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 various mid-tier accounting firms from June 1990 to April 2020 except for the period from March 2017 to February 2019 where he joined an oil palm and rubber plantation company as the Chief Financial Officer.

Mr. Ng is currently a sole Partner of 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 Market of Bursa Malaysia Securities Berhad. He is the Chairman of the Audit Committee, a member of the Nomination and Remuneration Committee 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 all seven (7) Board of Directors' meetings held in the financial year ended 30 June 2022.

HOO SIEW LEE

Independent Non-Executive Director

Nationality

Age 51

Gender

Hoo Siew Lee is the Independent Non-Executive Director of PESTECH. She was appointed to the Board on 26 August 2021.

She is currently the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination 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 Limited and was responsible on the overall operation, sales and marketing and profitability target in Malaysia. VST Technology 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 Multidevices 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 has attended six (6) Board of Directors' meetings held in the financial year ended 30 June 2022 as she was only appointed to the Board on 26 August 2021.

Profile of Directors

Nationality

Age 60

Gender

HELEN TAN MIANG KIENG

Independent Non-Executive Director

(Appointed on 25 November 2021)

Helen Tan Miang Kieng is the Independent Non-Executive Director of PESTECH. She was appointed to the Board on 25 November 2021.

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

Ms. MK Tan graduated from University of Montana with a Bachelor of Science in Business Administration (Financial Management) in 1989. Subsequently, she obtained her Masters of Science in Business Administration (Financial Management) from Oregon State University 1990.

She is the Regional Director of Equity Broking for Kenanga Investment Bank, a multi award-winning Bank, and which also commands the largest presence in East Malaysia.

Her career in the Equities Market spans over 30 years commencing from her college days, having interned and worked at D.A. Davidson and Company (now known as DADCo), the largest investment firm in the Pacific Northwest based in Montana, USA.

She returned to Malaysia in 1991 and pioneered at Sarawak Securities as one of the inception staff from pre-trading days, being instrumental in spearheading the growth of the company, recruited and trained a marketing force from 8 to 200 remisiers at their peak. She was also responsible for setting up companies and credit policies, and was promoted from Retail Manager to General Manager for both retail and institutional investments in the region.

Between 1997-2012, Ms. MK Tan joined a few investment banks such as Labuan Securities, OSK-RHB, TA Securities and is presently, at Kenanga Investment Bank since 2012. Her responsibilities at each Bank prior were to start-up a new branch, and/or to oversee and nurture its overall financial performance and operations.

During the course of her career at Kenanga Investment Bank, she is instrumental in initiating an internship program which has since nurtured over 90 students and continuing, playing a contributing role to their learning experience regarding the investing industry.

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 has attended four (4) Board of Directors' meetings held in the financial year ended 30 June 2022 as she was only appointed to the Board on 25 November 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

Nationality

Age 47

Gender

Ms. Lynda Pan 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"). 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 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 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.

Management Team

HAN FATT JUAN
Head of Transmission Line and Power Cables

PAISMANATHAN GOVINDASAMY
Head of Power Generation and Rail Electrification

VIND SIDHU
Head of Power Products and Smart Grid

TEH BEE CHOO
Chief Financial Officer

LEE KONG TEE
Head of HV and EHV Electrical System

CHANG MEI LUN
Chief Operating Officer

Profile of Key Senior Management

CHANG MEI LUN

Chief Operating Officer

Nationality

Age 51

Gender

Chang Mei Lun 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.

TEH BEE CHOO

Chief Financial Officer

Nationality

Age 59

Gender

Teh Bee Choo 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.

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.

Teh Bee Choo is an Independent Non-Executive Director of Econpile Holdings Berhad ("Econpile"). She is a member of the Remuneration, Audit and Nomination Committee in Econpile.

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

Nationality: Malaysian

Age: 52

Gender: Male

Paismanathan Govindasamy is responsible for two (2) main sectors of PESTECH business segments, that are Power Generation and Rail 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 Member of the Malaysian Rail Industry Consortium ("MARIC") that is responsible to promote the development of Malaysian companies in rail 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

Nationality: Malaysian

Age: 50

Gender: Male

Lee Kong Tee is pioneering the portfolio of HV and EHV electrical system segment for more than 18 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 and a Professional Engineer with the Board of Engineers Malaysia in 2004. He is also a registered PMP with PMBOK and registered CCPM with CIDB. In 2022, he obtained credentials as GCPV Design Qualified Person.

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 and Solar PV industries with proven track records locally and abroad.

HAN FATT JUAN

Head of Transmission Line and Power Cables

Nationality

Age 57

Gender

The transmission line and power cables segment is led by Han Fatt Juan. He is the General Manager of PESTECH Transmission Sdn. Bhd. ("PTR") and the Chief Executive Officer of PESTECH (Cambodia) Plc. ("PCL"). Han is responsible for the business growth and development of PTR and 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 Products and Smart Grid

Nationality

Age 56

Gender

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,

Financial Year ("FY" or "Period") 2022 presented itself as a challenging year for PESTECH International Berhad ("PESTECH") Group ("the Group") laden with arduous external factors that brought about unsatisfactory, though still positive, financial performance.

PAUL LIM PAY CHUAN
Managing Director and
Group Chief Executive Officer

LIM AH HOCK
Executive Chairman

FY 2022 Revenue
RM715.09 million

FY 2022 Operating Profit
RM46.88 million

FY 2022 Total Assets
RM3.03 billion
Increase 12.07%

FY2022 Total Equity
RM927.48 million
Increase 21.76%

However, we do appreciate that the Group had amassed a total order in hand of more than RM1.7 billion as of 30 June 2022, adequate in sustaining our turnover going forward for at least the ensuing two financial years.

Thus, it is crucial for us to be diligent in operational management to warrant the attainment of sustainable and profitable financial results moving forward.

OVERVIEW

Revenue of the Group declined to RM715.09 million from RM889.36 million in FY ended 2021. This lower turnover reflected the slower execution of projects during the FY under review. In line with the above, the Group profit for the period showed a subdued result at RM37.33 million as compared to RM102.68 million in FY 2021.

Despite the reduced pace of project execution, we remain confident in sustaining the operation of the Group with the back of our outstanding order book of RM1.73 billion as of 30 June 2022. 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. The active tendering activities will potentially help in replenishing the order in hand as we progress forward.

The management is determined to diligently administer the direction of the Group, such that keener focus will be allocated towards developing business areas where the contribution of positive cashflow and profitability is more eminent, whilst avoiding as much possible the engagement into capital-intensive project investment. Hence, these strategies should help strengthen our overall cashflow position, reduce gearing exposure, and enhance our capability in delivering positive returns to the shareholders.

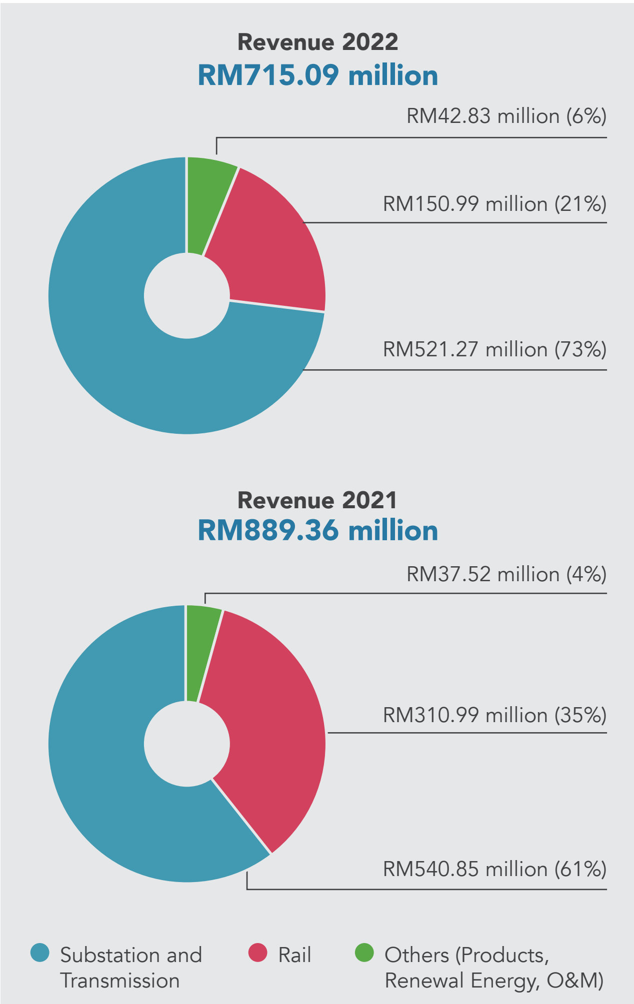
DESPITE THE REDUCED PACE OF PROJECT EXECUTION, WE REMAIN CONFIDENT IN SUSTAINING THE OPERATION OF THE GROUP WITH THE BACK OF OUR OUTSTANDING ORDER BOOK OF RM1.73 BILLION AS OF 30 JUNE 2022.

FINANCIAL PERFORMANCE

The Group went through FY 2022 weathering the effect of the Pandemic and the security uncertainty that arose from the Russian invasion of Ukraine. These factors brought about complications in our logistics arrangement and increased transportation costs, followed by a surge in material price. The overall operational condition is made more strenuous with a recurring increase in borrowing cost due to interest rate hikes, and the fluctuation in currency exchange.

Executive Chairman/Managing Director and Group CEO Statement and Management Discussion & Analysis

Under such circumstances, the Group registered a Revenue of RM715.09 million in the FY 2022 as compared to RM889.36 million in the preceding FY. There was a lesser contribution from the transmission division and the contribution from the rail division was weighed down by slower-than-expected progress with certain projects at their tail end of development whilst new ones are just commencing execution. The breakdown of Revenue contributions from each business segment for FY 2022 and FY 2021 are presented below:



Operating Expenses, which included the costs of goods sold and operating overheads, were 85.74% of the Revenue in FY 2021. The operational challenges as pointed out above had triggered an escalation of Operating Expenses for FY 2022 to nearly 94.90% of Revenue. Thus, bringing down the Operating Profit to RM46.88 million, representing 6.56% of Revenue instead of 14.05% in FY 2021.

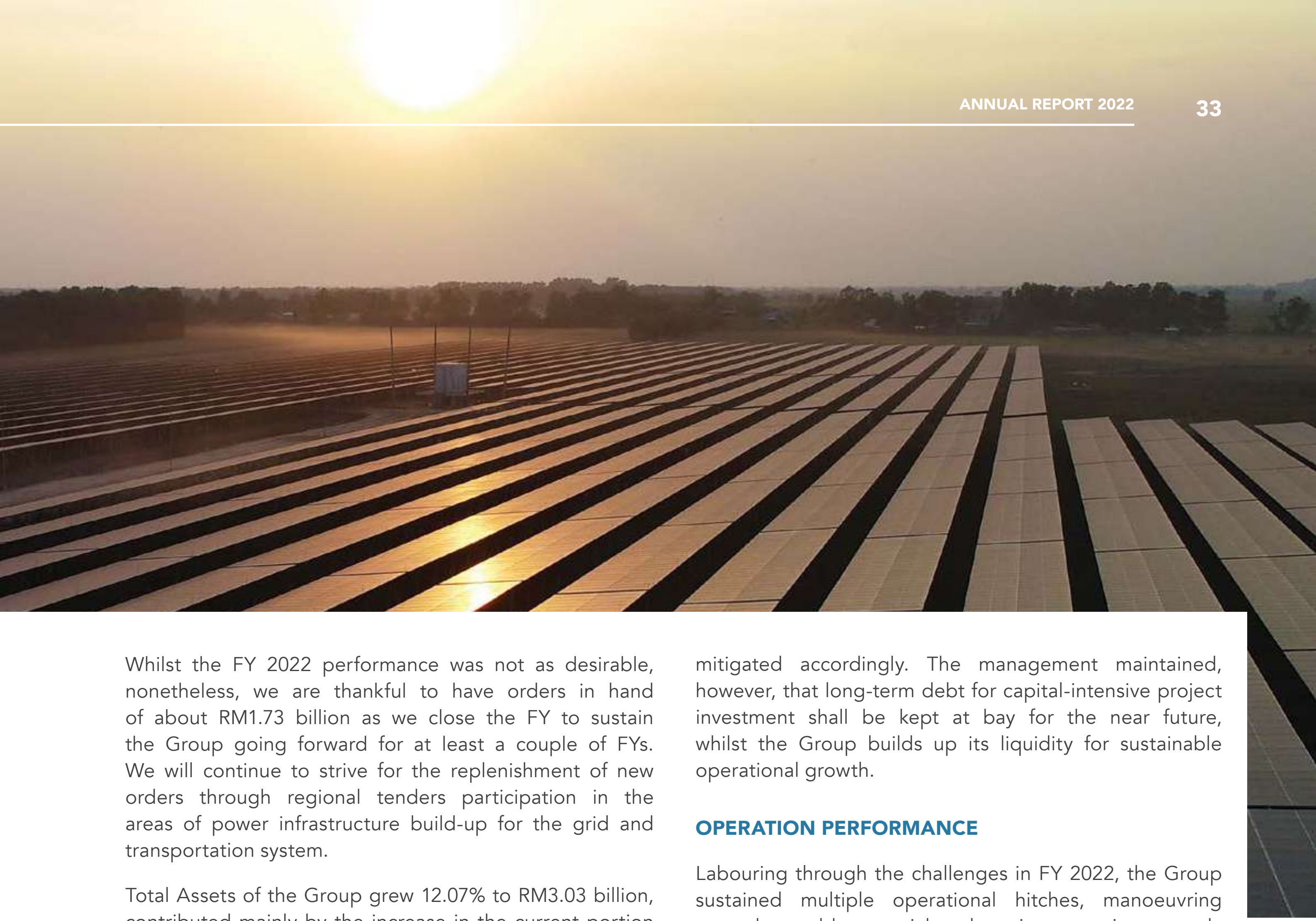
Substation and Transmission and Rail remained the main Revenue generation segments with 72.90% and 21.11% contributions respectively towards the total business volume of the Group in FY 2022.

Profit Before Tax ("PBT") during the FY under review was recorded at RM41.67 million; translated into 5.83% against Revenue, a result affected mainly by overall higher Finance Costs. The PBT margin showed a significant decline from 12.78% in FY 2021.

Profit After Tax ("PAT") margin for the Period was documented at 5.22% in FY 2022 as compared to 11.55% in FY 2021, a decline of over RM65.35 million. The dismal performance was, again, due to the external challenges that devoured the earning margins on most of our operational activities during the FY.

Total Comprehensive Income for the Period saw a slight reduction to RM101.44 million from RM104.04 million a year ago. The contribution from higher Fair Value Gain on Cashflow Hedge and a much positive Exchange Translation Differences helped buoyed the results.

On the other hand, the Total Comprehensive Income Attributable to Owners of the Company for the current FY reduced to RM60.71 million from RM68.38 million in the preceding FY mainly due to the much lesser input from the 230kV Transmission Line from Oddor Meanchey East Siem Reap Grid Substation project, as the project execution had reached its final phase of completion.



Whilst the FY 2022 performance was not as desirable, nonetheless, we are thankful to have orders in hand of about RM1.73 billion as we close the FY to sustain the Group going forward for at least a couple of FYs. We will continue to strive for the replenishment of new orders through regional tenders participation in the areas of power infrastructure build-up for the grid and transportation system.

Total Assets of the Group grew 12.07% to RM3.03 billion, contributed mainly by the increase in the current portion of Contract Assets from RM0.93 billion on 30 June 2021 to RM1.19 billion in the FY under review. Contract Assets will continue to expand as we carry out those projects in hand that involve payment upon completion nature.

Retained Earnings improved marginally from RM419.29 million in FY 2021 to RM425.47 million in FY 2022, an increment of 1.47%. Total Equity had a more notable growth of 21.76% mainly due to the additional issuance of Perpetual SUKUK during the FY. Net Assets per Share was recorded at 94.20 Sen.

Total Liabilities of the Group expanded just 8.27% to RM2.10 billion in FY 2022, as compared to RM1.94 billion in FY 2021, mainly resulting from an increase in Loans and Borrowings along with some Trade Payables. The management emphasised the allocation of resources towards developing business areas where the contribution of positive cashflow and profitability is more eminent, whilst steering clear as much possible the engagement into capital-intensive project investment. The Group envisages that such renewed business focus will help boost our operational cashflow position and also lower the overall gearing level going forward.

We like to reiterate that debt funding carried by the Group had always been structured such that it is specific project linked with identified source of repayment throughout the tenure of the loan. In that respect, the exposure risk of such borrowing to the Group had been mitigated accordingly. The management maintained, however, that long-term debt for capital-intensive project investment shall be kept at bay for the near future, whilst the Group builds up its liquidity for sustainable operational growth.

OPERATION PERFORMANCE

Labouring through the challenges in FY 2022, the Group sustained multiple operational hitches, manoeuvring around unstable material and equipment prices, supply chain disruptions, logistic unpredictability, funding cost escalation, and foreign exchange fluctuation.

Amidst the challenges, our team strived with their utmost dedication, and has successfully completed the large scale photovoltaic solar plant ("LSS") build-up located in Bavet City, Svey Rieng Province, Cambodia in January 2022. As such, the Group is able to receive the cash flow generated from renewable power produced and supplied to the Cambodian grid.

The Cambodian team also pushed through the execution of 230kV transmission line from Oddor Meanchey to East Siem Reap Grid Substation project during the FY. At the close of the FY under review, we had achieved 95.97% of the work scheduled, and are aiming for full completion of the project within the upcoming FY.

Executive Chairman/Managing Director and Group CEO Statement and Management Discussion & Analysis

Looking across to the East, we had secured a Notice of Award from National Grid Corporation of the Philippines ("NGCP") for the contract in relation to South Luzon Substations Upgrading Project 2 sometime in November 2021, adding to our Group order book. The project aims to cater for the load growth and provide N-1 contingency to various substations for NGCP in the South Luzon Region. This involves capacity additions, replacement of old and obsolete substation equipment and reconfiguration of the existing substations to ensure reliability and flexibility of the electrical network for achieving sustainable growth of NGCP's power network.

Back to the Malaysian shore, the Rail division under PESTECH Technology Sdn Bhd, secured the Letter of Award from Malaysia Airports (Sepang) Sdn Bhd ("MASSB") in December 2021 for the works in relation to design, supply, installation, testing and commissioning for Automated People Mover and associated works at KL International Airport ("KLIA") under Option 2, which includes financing ("D&B Works"), and Operation and Maintenance ("O&M Services") ("collectively referred to as "DBFOM") until 11 February 2034. This is our maiden comprehensive rail-related project involving rolling stocks, track works, and electrification.

At about the same point in time, PESTECH completed the Bonus Issue of Shares and Warrants, enlarging its capital base, and rewarding its shareholders. The Bonus Shares and Warrants were successfully listed and quoted since 21 December 2021.

In March 2022, the Group further enhanced its capital base with successful placement of 36,854,600 new ordinary shares issued at RM0.55 per share. The Company also issued the first tranche (Series 3, 4 & 5) of Perpetual SUKUK during the FY, with a nominal value of RM51.45 million. The Perpetual SUKUK was issued with a tenure of perpetual non-callable 3 years with an initial periodic distribution rate of 6.0% per annum.

The new funding received helped in solidifying the Group's cashflow position, and also improved its overall gearing ratio. Under such initiatives, we hope to gradually fortify the financial capacity of the Group and reduce its reliance on debt financing going forward.

In March 2022, we completed the winding up exercise of, SystemCorp Energy Pty. Ltd. ("SEN"), a 51% owned subsidiary in Australia. The operation of SEN had not been capable of sustaining itself profitably due to slower-than-expected market penetration, and its high-cost structure for an Australian-based operation. As such, the Company had decided to wind up SEN in order to prevent further draining of resources of the Group.

In our effort to realign the growth path of the Group, the management channelled its focus towards identifying potential revenue-generating activities that are less capital intensive, bringing in positive cashflow, and profitability. This is made possible by the support of an outstanding order book in hand of about RM1.73 billion, which could carry the operation of the Group for the next couple of FYs. In the regard, the business development team is able to have some leverage to pursue new businesses in the sustainable power infrastructure development area that are coherent with the aspirations stated herein.

RISK FACTORS AND CHALLENGES

As an organisation that has a presence regionally, the impact of surrounding security unease, such as that arose from the Russian invasion of Ukraine, brought about complications in logistics arrangement and increased transportation costs, and indirectly triggered a surge in the price of material supply. The longer this unfavourable situation endures, the Group will have to weather the uncertainties in the coming FY.

The intricacy of operation under this circumstances is made more demanding with recurring increase in borrowing cost due to interest rate hikes, and an additional administrative juggling caused by the fluctuation in currency exchange.

The optimisation of project budgetary planning and overall lean overhead management strategy shall be implemented to enhance the prospects of a positive return from our business activities. Recognising the challenges that lie ahead, the Group will put into consideration, the potential monetisation of existing long-term assets in order to bolster the financial coffer of the Group for a more robust position to confront the challenges, and grasp emerging opportunities, going forward.

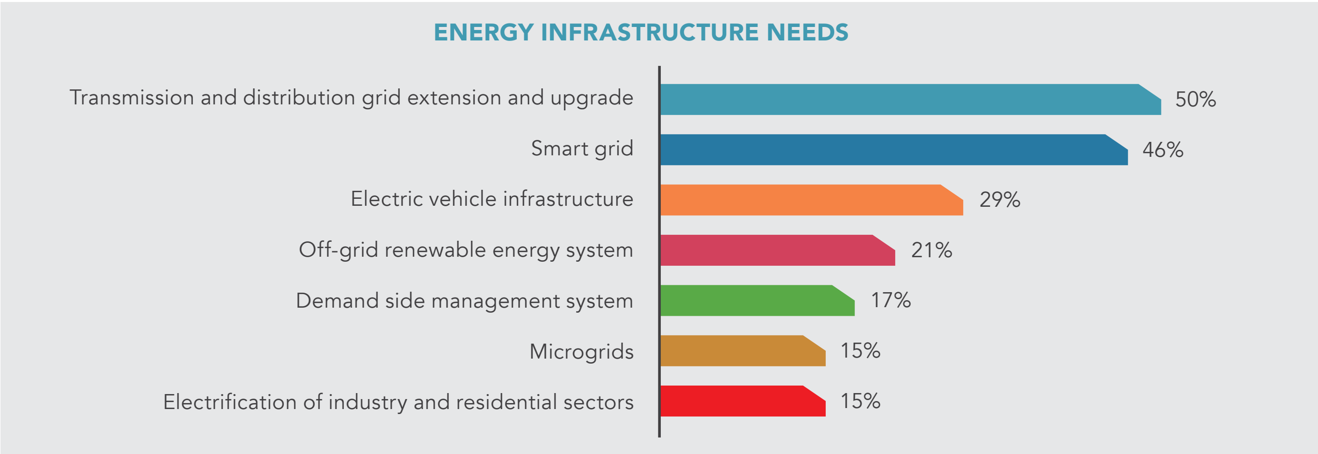
FUTURE PROSPECTS AND OPPORTUNITIES

In line with our previous FY assessment of the market prospects and opportunities, the power infrastructure industry in the region maintains its course towards the development of sustainable and renewable energy potentials. There will be growing demand for solutions in power quality delivery, the efficiency of the power system, and holistic solutions for environmentally friendly and socially responsible power assets build-up, as we acknowledged in the prior FY statement.

Indeed, the sustainable energy development endeavour is not without its hurdle. "ASEAN faces mainly economic and institutional barriers and challenges in achieving energy transition and net zero goals, such as the high cost of renewable energy, lack of sustainable business models and financial incentives to attract renewable energy and energy efficiency investments, market distortions and inefficiencies due to fossil fuel subsidies and non-monetised carbon externalities." *(Source: ASEAN Centre for Energy, Policy Brief, No. 11/ July 2022, Strengthening International Collaboration and Regional Cooperation to Support Energy Transition and Net Zero Goals in ASEAN).*

As such, "technical and technological assistance are greatly needed to strengthen grid connections and the capacity of transmission lines. They are also required for the development of energy efficiency and demand-side technologies and approaches, local supply chains for renewable energy and for more energy efficiency projects." *(Source: ASEAN Centre for Energy, Policy Brief, No. 11/ July 2022, Strengthening International Collaboration and Regional Cooperation to Support Energy Transition and Net Zero Goals in ASEAN)*

It is without any doubt that a greater number of smart, automated, and effective infrastructure development is required to sustain the growth of renewable power supply and demand. The following chart depicts the anticipated trend in power infrastructure build-up in accordance to the survey conducted by ASEAN Centre for Energy under the inquiry: "What types of energy infrastructure and systems do you consider most critical in supporting the energy transition and decarbonisation in your country over the next 10 years?"



The requirements for transmission and distribution grid extension and upgrade have been given the utmost prominence in the survey, an area within the ambit of expertise for PESTECH, where our presence in the ASEAN region would be able to provide a certain competitive advantage.

Other areas of potential development including Smart Grid, Electric Vehicle Infrastructure, Off-grid renewable energy systems, and Microgrids, are all contained within the business operation of PESTECH's various subsidiaries. In that respect, we are excited to have gotten ourselves ready to embrace any potential opportunity that may present from these multiple prospective business areas.

Lastly, as usual, we would like to take this opportunity to thank all our shareholders, customers, suppliers, and the PESTION team, for the backing and trust given to us in FY 2022. We look forward to a positive FY 2023 with your continuous encouragement and support.

Thank you.

Sustainable Development Report

This Sustainability Report ("Report") sets out PESTECH International Berhad ("PESTECH" or "the Company") and its subsidiaries (the "Group") efforts and activities undertaken to continue engaging and collaborating with our stakeholders in the push for sustainability agenda forward in the communities we serve.

REPORTING PERIOD AND SCOPE

Our Sustainability report for the financial year ended 30 June 2022 ("**FY 2022**") has been prepared in accordance with Appendix 9C Part A (29) Practice Note 9 of the Main Market Listing Requirements ("**MMLR**"), Sustainability Reporting Guide and Toolkits issued by Bursa Securities Malaysia Berhad ("**Bursa Malaysia**") and made reference to United Nations Sustainable Development Goals ("**UNSDG**") and Global Reporting Initiatives ("**GRI**").

OUR APPROACH

PESTECH's approach towards sustainability includes focusing on developing and creating sustainable energy generation for development and construction of electrical infrastructure for the global community, which resonates with its vision to be 'Consistently Dependable & Value Add as a Sustainable Electrical Infrastructure Builder'.

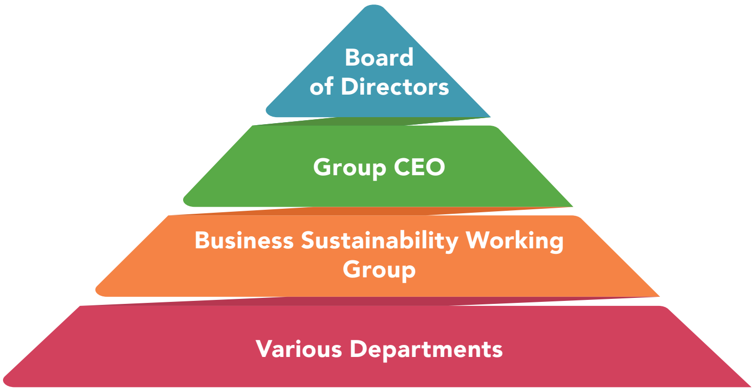
OUR COMMITMENT TO BUSINESS SUSTAINABILITY

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

SUSTAINABILITY GOVERNANCE STRUCTURE

A four-tier sustainability governance structure has been formed compromising the Board, Group Chief Executive Officer ("**GCEO**"), Business Sustainability Working Group ("**BSWG**") and personnels from various departments.

The roles and responsibilities of each level of the structure are described below:



Board of Directors

- Review and accept the Group's broadly integrated sustainability goals and plans in accordance with Group's strategic orientation.
- Discuss and come to an agreement on long-term and short-term goals for the Group by defining and establishing the pertinent sustainability development goals for the Group in accordance with the business objectives.
- Review the annual sustainability development report's applicability, execution and achievement in relation to the target before approving it.

GCEO

- Review and discuss sustainability matters with senior management and the BSWG, and work towards developing action plans to accomplish the Board's sustainability development goals.
- Discuss and keep track of how sustainability matters are implemented in PESTECH's daily operations with senior management and the BSWG on a regular basis.
- Review the appropriateness and action plans frequently, and create the action plans if necessary to reach the target set.
- To review, analyse and report to the Board on the Group's sustainability matters.

BSWG

- Determine and assess the environmental, social and governance risks as well as the sustainability objectives set by the Board.
- Responsible for stakeholders' management, evaluating material risks and keeping track of sustainability initiatives.
- Responsible for obtaining, collecting and analysing data and information from various departments and understands the importance of sustainability matters in each department.

Various Departments

- Responsible for managing sustainability-related matters by integrating sustainability initiatives into PESTECH's daily operations and making sustainability a significant issue to address in the businesses.

During the financial year under review, while we stride towards driving our sustainability initiatives across the organisation, the evolving disclosure recommendations of various reporting frameworks are becoming more robust and demand to meet certain sustainability requirements has gradually become a business norm when we are dealing with our stakeholders. Under the Task Force on Climate-Related Financial Disclosures ("**TCFD**"), the 11 disclosure recommendations span four (4) different areas, i.e. governance, strategy, risk management, and metrics and targets have posed heightened need for an effective implementation of sustainability to be in place.

Sustainable Development Report

On 26 September 2022, Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") had made an amendments to the MMLR in relation to an enhanced sustainability reporting framework, where the implementation of amendments will be undertaken on a phased approach, spans from the period from 31 December 2023 to 31 December 2025.

With the pressure on businesses to act on the sustainability agenda will only increase with time, during the financial under review, PESTECH had engaged with Tricor Axcelasia Sdn. Bhd. to develop an enhanced sustainability framework for the Group to ensure the prevailing standards and requirements of a well-established sustainability framework are being addressed for our Company, to uphold a more comprehensive sustainability reporting and foster a sustainability culture within the Group.

STAKEHOLDER ENGAGEMENT

Our key stakeholders are identified through issues which are material based on their impact on the Group's operations and the relevance to the business. In engaging with our stakeholders, we pursue various approaches to enable them to understand our business operations and seek their feedback and input on matters that are relevant to them.

The communication channel we engaged with stakeholders include conventional documents, electronic documents, web-based media platforms and face-to-face communications as follows:

Stakeholders	Engagement Platform	Frequency	Stakeholder Interests, Main Topics
Shareholders/Investors	• Annual/extraordinary general meetings • Financial results briefings • Bursa Malaysia announcements • Corporate website • Social Media • Press releases	Annually, When needed Semi-annually Annually, Quarterly, When needed When needed Ongoing Ongoing	• Financial sustainability and returns • Business prospects • Investment plans • Corporate exercises
Customers	• Customer Satisfaction Survey • Meetings and briefings • Company's website • Site visits	Semi-annually When needed Ongoing When needed	• Products and services reliability/quality • New technologies • Customer support
Suppliers, Subcontractors and Vendors	• Engagement with suppliers • Factory visits and meetings	When needed, Ongoing When needed	• Collaboration for business opportunities • Contract negotiation • Procurement processes • Fraud and bribery awareness • New business opportunities and future development
Local Authorities/ Regulators/ Government Agencies	• Meetings and briefings • Site visits • One-to-one engagements	When needed When needed When needed	• Regulatory and operational compliance • Changes in the regulatory framework and electricity industry • Environmental, health and safety management • Promotion of joint industry programs
Employees	• One-to-one engagements • Meetings and briefings • Newsletters • Social media • Sporting events and activities • Training sessions • Webinars	When needed, Ongoing When needed Ongoing Ongoing Ongoing When needed, Ongoing When needed, Ongoing	• Employee benefits • Well-being and workplace culture • Health and safety of employees • Talent and skills development • Employee satisfaction
Local Communities	• Participation in community projects and activities	When needed, Ongoing	• Contribution for victims suffered from natural disasters • Accessible and reliable supply of electricity • Contribution to community development

● Annually ● Semi-annually ● Quarterly ● When needed ● Ongoing

MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS

We regularly assess existing material sustainability matters as part of our continuous efforts to ensure the applicability and relevance to our business operation and stakeholders due to the rapidly changing environment. We assess materiality based on two dimensions: relevant to PESTECH and relevant to stakeholders.

The following table highlights our material sustainability matters and the mapping of our sustainability matters to UNSDG:

Sustainability matters	UNSDG reference
Governance and Economic	
Sustainable Electric Infrastructure Development	7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
Ethical Business Conduct and Culture	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Customer Satisfaction	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Anti-Bribery and Anti-Corruption	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Environment	
Energy Efficiency and Emissions	7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
Recycling Program	3 GOOD HEALTH AND WELL-BEING; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Environmental Compliance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Social	
Health and Safety	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH
Diversity and Equal Opportunity	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH
Employment	3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
Training and Development	4 QUALITY EDUCATION
Engagement with communities	1 NO POVERTY; 4 QUALITY EDUCATION; 11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainable Development Report

We define each of the sustainability matters and mapped it to GRI standards as follows:

Pillar	Material Issue under GRI	Material Sustainability Matters	Definition
Governance and Economic	Economic Performance	Sustainable electric infrastructure development	Focusing on financial performance and execution of infrastructure development in a sustainable manner
	Ethical Business Conduct and Culture	Code of Conduct	Reinforce ethical conduct within the business culture
	Customer Engagement	Customer Satisfaction	Value customer's feedback and improve customer satisfaction
	Anti-Corruption	Anti-Bribery and Anti-Corruption	Provide awareness amongst internal and external stakeholders on Anti-Bribery and Anti-Corruption Policy
Environmental	Energy and Emission	Energy Efficiency and Emission	Collate energy use and greenhouse gases emissions ("**GHGs**") at our operations
	Waste Management	Recycling Program	Implement waste-management related practices at offices and work sites
	Environmental Compliance	Environmental Compliance	Comply with applicable laws and regulations relevant to environment
Social	Occupational Health and Safety	Health and Safety	Prioritise occupational health and safety of all employees at offices and work sites
	Diversity and Equal Opportunity	Diversity and Equal Opportunity	Diverse and equal opportunity for all employees
	Employment	Employment	Equal employment opportunity with diversity and talent development
	Training and Education	Training and Development	Continuous training and development for employees for re-skilling and up-skilling to be in tandem with the Company's growth
	Local Communities	Engagement with communities	Provide aids/assistance and improve the quality of life of the community through various forms of corporate social responsibility activities

ECONOMIC

ROOFTOP SOLAR FOR GARMENT FACILITY IN CAMBODIA

High electricity costs and growing sustainability requirements from buyers are significant challenges for many garment factories in Cambodia. Faced with pressures from international buyers to reduce environmental footprints, our solar team in PESTECH (Cambodia) Plc. ("**PCL**") is poised to position itself as a "Sustainable Electrical Infrastructure Builder" to offer their solar expertise and know-how to the business community in the Cambodia.

In FY 2022, PCL had executed a rooftop solar project for TotalEnergies Renewables (Cambodia) Co., Ltd for the design and build of a 750kWp grid-tier rooftop PV power generation system for a cut and sew apparel manufacturing facility in the Kandal Province, Cambodia.

Sustainable Development Report

The scope of work include the provision of full turnkey design, engineering, procurement, manufacture, construction, erection, installation, testing and commissioning of the rooftop PV system. The estimated total solar generation is 1,032MWh per annum.

LSS FARM: 20MW SOLAR PHOTOVOLTAIC POWER PLANT: BAVET CITY, SVAY RIENG, CAMBODIA

Our first large-scale solar ("**LSS**") farm project in Bavet City, Svay Rieng Province, Cambodia was completed in January 2022. It was named as LSS Surya to pay tribute to the sun that generates life and energy. The installation of solar panels that use sunlight as a source of energy to generate direct current electricity guarantees clean energy source and reduces GHGs into the atmosphere. Total solar generated by Surya LSS Farm from February 2022 to 20 October 2022 is 26,162,909kWh.

ROOFTOP SOLAR FOR A POULTRY FARM IN MALAYSIA

At the homefront, we were engaged to execute a rooftop solar project for a poultry farm in Melaka, Malaysia. The project was completed in August 2022. The estimated solar energy generated for the next 20 years is 5.4GWh or 270,000kWh per annum.

EV CHARGING

PESTECH believes that the rise of electric vehicles gives us an excellent opportunity to install more EV charging stations in commercial and residential areas. Our attempt to encourage the construction of EV charging points within commercial areas and buildings is to stimulate the shift towards picking up EV ownership in Malaysia because the majority of the carbon footprint in the city is produced by automobiles on the road.

The number of electric vehicles in South East Asia is expected to grow at least 34% CAGR between 2022 – 2030. With that comes the need for EV charging infrastructure. PESTECH is positioned to be a player in the ecosystem by providing end-to-end solutions for EV charging. During FY 2022, we have launched the PlugInfinite EV Charging Management Platform. Pluginfinite is an integrated platform to manage the EV charging ecosystem. Coupled with EV chargers of various capacities from 7kW to over 200kW, we are aiming to be the technology partner for clients to establish charging hubs across the nation.

As an introductory and promotion of Pluginfinite application as an integrated platform to manage the EV charging ecosystem, the Group, through its subsidiary PESTECH Energy Sdn. Bhd., had initiated the installation of two (2) units of EV chargers at Main Place Mall.

CUSTOMERS' SATISFACTION

We value our customers' feedback through the conduct of Customer Service Survey. Our project team gathers our customers' feedback on the products, services and EPCC projects. If relevant, suggestions and comments from them will be taken into consideration for further improvements in our project undertakings. Whenever required, we will request for meetings with customers to understand and discuss about their dissatisfaction to ensure their comments are being addressed.

As of FY 2022, the customer service survey indicated that the customer satisfaction for PESTECH Sdn. Bhd. is 73.21% (FY 2021: 74.5%) while for PESTECH Energy Sdn. Bhd., the net performance score is 100% (FY 2021 : 100%).

CODE OF CONDUCT

PESTECH has a formalised Code of Conduct that sets out the fundamental principles and guidelines for all employees to uphold high ethical business standards and apply these values in all aspects of the Group's business and dealing with its stakeholders. All employees were made known of the core values in the Code of Conduct upon recruitment where they are required to sign-off their pledge for adherence to the Group's Code of Conduct. The Code of Conduct is published on our Company's website at www.pestech-international.com.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

PESTECH's Anti-Bribery and Anti-Corruption Policy, Guidelines and Procedures ("**ABAC**") aims to extend our commitment towards conducting our business ethically with utmost integrity for all its operations locally and overseas. The ABAC is accessible on our Company's website at www.pestech-international.com.

PESTECH adopts a zero-tolerance position on all forms of bribery and corruption in all aspects of our business operations. The ABAC sets out the policy, guidelines and procedures concerning improper solicitation, bribery, and other corrupt activities that may potentially arise within the organisation. The ABAC outlined the do's, donts' and limitations when it comes to provision of entertainment and corporate hospitality, restricted gift, corporate contributions, political contributions, dealing with public officials and third parties, amongst others, the areas where bribery or corruption may potentially occurred.

Nonetheless, employees are reminded that the ABAC shall not be taken as exhaustive, should he/she encounters any kinds of situation that may potentially resulted him to be violated of the ABAC or alleged to be involved in any bribery or corruption activities, he must report to the Compliance Officer of the company as soon as possible. Mandatory online training and assessment on ABAC were provided to employees and refresher training will be conducted on annual basis.

The Company also provides all directors, management staff, employees, vendors of PESTECH and its subsidiaries as well as members of the public with mechanisms to confidentially and anonymously bring to the attention of the Board of Directors ("**Board**") any concerns related to matters relating to code of business conduct and ethics, legal issues and accounting or audit matters, through the dedicated whistleblowing channel.

In FY 2022, there was zero case reported of proved bribery or corruption (FY 2021: zero case reported) and whistle-blowing cases in relation to ethical business practices, or any suspicious corruption or unethical behaviour (FY 2021: zero incidents).

DATA SECURITY AND PROTECTION POLICY

PESTECH established its first edition of Information Security Policy ("**IS Policy**") in year 2011. The IS Policy was further developed into the current Data Security and Protection Policy in year 2022 ("**DSP Policy**"), which outlines the importance of security and protection of all information-related assets of the Company. The DSP Policy established an integral framework for assurance and protection of information system protection against threats, errors, failures, disturbances, falsifications, sabotages, violations of confidentiality, interruptions of business operations, thefts and natural disasters.

INFORMATION TECHNOLOGY POLICY

The Information Technology Policy ("**IT Policy**") dated 18 March 2022 outlines the appropriate standard usage of all technology assets that PESTECH owns or rents and applies to all employees, contractors, consultants, temporaries, and other workers at PESTECH, including all personnel affiliated with third parties, including vendors and customers.

Target for FY 2023

- ZERO incidents of non-compliance with MMLR
- 90% Customers' satisfaction
- ZERO incidents on non-compliance with anti-corruption regulations
- 100% response rate on Whistle-Blower complaints

Sustainable
Development Report

ENVIRONMENT

CLIMATE CHANGE RESPONSE

PESTECH is committed to reduce environmental impact through our sustainable practices by decreasing waste and utilising resources efficiently in our operations. PESTECH believes that our pro-active environmental management initiatives will bring a win-win proposition for our natural environment and community. As mandated under the MMLR going forward, PESTECH will be compiling more relevant data and information to monitor the impact of our operation to the climate change and will include climate-related risks and opportunities as part of our risk assessment.

Several green initiatives were undertaken across various parts of PESTECH business operations, aiming at minimising our climate change and environmental impact.

ENERGY CONSUMPTION IN FACTORY AND OFFICE

PESTECH adopts energy effiecieny measures within our offices, project sites, workshops and other premises in managing energy consumption to promote sustainable operations and efficient use of energy resources, such as the following:

- Installation of energy saving Light-Emitting Diodes ("LEDs") bulbs for internal office lighting
- Installation of motion sensors in the office common areas to reduce energy use and cost
- Installation of solar lights for building perimeter lighting as well as at the project sites
- Maximise the entry of natural light in office building
- Plan the usage and movement of heavy machineries to generate savings on energy consumption
- Switch off lights and other office equipment during lunch hour and before leaving the office
- Unplug equipments that drains energy when they are not in use

PESTECH had initiated its own installation of PV systems at its office and factory rooftops under Net Energy Metering Scheme 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 148,685kWh (*equivalent to 95.01 tCO_2 for) FY 2022 [FY 2021: 148,994kWh (*equivalent to 95.20 tCO_2)].

Subsequently, a 189kWp rooftop solar was installed at our Bukit Beruntung's factory and had produced 54.77MWh (*equivalent to 35.00 tCO_2) since installation from July 2022 to October 2022.

__CO_2 Avoidance__

As electricity generation from renewable resources displaces the generation of power from conventional fossil fuels, the generation of RE therefore reduces the overall greenhouse gas emissions from the fossil fuel power stations connected to the grid system.

A study by MGTC entitled "Study on Grid Connected Electricity Baselines in Malaysia (Year 2012, 2013 & 2014)" assessed the overall average emission factor for Peninsular Malaysia, Sabah and Wilayah Persekutuan Labuan.

CO_2 are made under the calculation of Energy Production (MWh) baseline by year as follows :

- *2016: Baseline CO_2 for Peninsular - 0.639 tCO_2/ MWh, Sabah and Wilayah Persekutuan Labuan : 0.512 tCO_2/ MWh*

(Extracted from https://www.seda.gov.my)

Target for FY 2023
We continue to explore alternative methods to conserve energy, reduce the carbon footprint and be more energy efficient in our operations.

RECYCLING PROGRAMME

PESTECH regularly monitors its waste management procedure by looking for new ways of recycling methods to reuse, reduce and recycle. By recycling, reusing and reducing waste, the amount of waste sent to landfills is minimised where it directly reduces emissions, pollution, and contamination to the environment.

a. Hazardous Waste

Hazardous waste generation and characterisation are factors that affect environmental sustainability.

Thus, proper hazardous waste disposal through a qualified and certified waste collector is a requirement in PESTECH's operating procedures to ensure we strictly comply with the local environmental authorities' requirements. While we continue to practise the concept of 3Rs, i.e. Reduce, Reuse and Recycle, we are constantly looking into new ways and efforts to manage the waste generated at our offices and work sites.

Sustainable Development Report

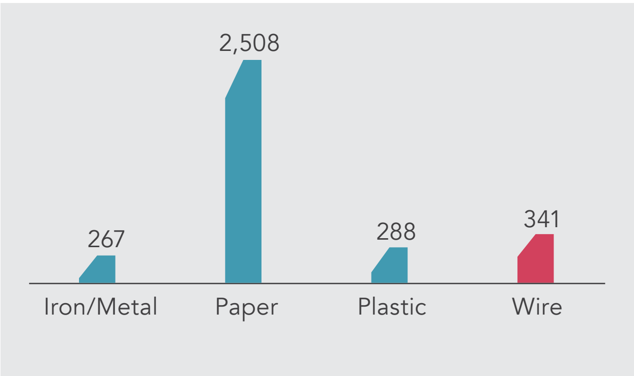
We have one (1) personnel who is a Certified Scheduled Waste Competent Person registered and recognised by the Department of Environment to monitor and ensure our waste management is in compliance with the relevant environmental rules and regulations.

In FY 2022, PESTECH had a total collection of 104.80kg (FY 2021: 267.60kg) of hazardous wastes consists of e-waste, clinical waste, contaminated soil, debris, chemicalcontainer, rags, absorbent pads and etc.

b. 3Rs - Reduce, Reuse and Recycle

3R is a long-standing practice and all employees are compelled to practice 3R, i.e. reduce – creating less waste, reusing and recycling of waste. Over the years, the 3R practice has reaped positive feedback where our employees has becoming more aware that everyone shall be social responsibly to the well-being of the nature, whether at home or at work.

In FY 2022, PESTECH had a total waste collection of 3,411kg (FY 2021: 3,702kg) of materials sent for recycling. The components of the waste collected are as below:-



c. Environmental Compliance

PESTECH is dedicated to protecting the environment and abiding by all applicable environmental laws and regulations in its business operation. To practice environmental control and enhance its environmental performance, the Group has an environmental policy in place that is in accordance with the Environmental Quality Act 1974 ("**EQA**") and ISO 14001:2015 Environmental Management System.

Our employees are advocated to fully comprehend our environmental standards and other aspects of environmental matters in order not to expose our businesses to any regulatory risk. With effective policies and procedures in place, there were no sanctions resulted from non-compliance in our operations in FY 2022 (FY 2021: Zero non-compliance case).

PESTECH has taken proactive measures to remedy any environmental issues to meet the environmental compliance standards. We collaborate with our external contractors/sub-contractors that work with us to comply and commit to adherence to our policy in protecting the environment.

The Group continues to put in place relevant monitoring measures to protect and preserve environmental biodiversity. Some of 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.

To continue be in compliant with the standards and requirements in these certifications, we spell out our request for supporting document in terms of availability of environmental standards before we engage in any business dealings with suppliers and vendors.

Target for FY 2023

- To maintain ZERO incidents of environmental non-compliance
- To maintain ZERO fines imposed by environmental authorities

SOCIAL

HEALTH AND SAFETY

We acknowledge and understand the importance of providing a safe and healthy working environment for all employees. To provide a safe workplace for all employees, a Quality, Health, Safety and Environment ("**QHSE**") policy statement is in place and being communicated to and well-understood by all employees.

The Health, Safety & Environment Committee ("**HSE**") was established since 2010 to assist in the development of HSE rules and a safe system of the workplace as well as to review the effectiveness of the HSE programs to be in line with the prevailing laws and regulations.

Our health and safety is implemented in accordance with the duly certified ISO 45001:2018 Occupational Health and Safety ("**OHS**") Management systems standard. The standard requires PESTECH to provide a safe and healthy workplace for employees by setting out proper process and procedures in preventing work place injury and occupational ill health.

Sustainable Development Report

From time to time, PESTECH will provide OHS training to employees not only to promote health and safety awareness at work place, but also to obtain feedback from employees about work place safety and to provide guidance on emergency response.

In FY 2022, training/briefing conducted to nominated employees that were related to health and safety were:

Training program held in FY 2022
Refresher Programme – Overhead Crane Safety and Prevention Training
Refresher Programme – First Aid Training
Emergency Response Preparedness Induction Training
Chemical Handling & Chemical Spillage Training
Fire Prevention & Fire Extinguisher Training
Working at Height Training
Emergency Evacuation Training
Working at Height & Scaffolding Awareness Training
Drug Abuse Awareness
Overhead Crane Safety Handling Training
Monthly QHSE Awareness Programme

Continuous efforts and measures were taken to priorities occupational health and safety by tracking and monitoring our occupational health and safety indicators in a proper reporting.

During FY 2022, our Health and Safety Performance is as below:

Years	FY 2022	FY 2021
Number of fatalities	0	0
Number of major accident *Accidents that cause employees to be on medical leave for more than four (4) calendar days*	0	0
Number of minor accident *Accidents that cause employees to be on medical leave for four (4) calendar days and below or without any*	0	1
Number of near miss *An unplanned accident that has the potential to cause but does not result in human injury, environmental or equipment damage, or an interruption to the Group's normal operations*	2	10
Lost Time Injury ("**LTI**")	0	0

Target for FY 2023

- To maintain zero workplace fatalities and non-compliance
- To continuously monitor and reduce the number of accident cases to zero number of accident cases
- To continuously monitor and maintain/reduce the number of LTI to an acceptable level

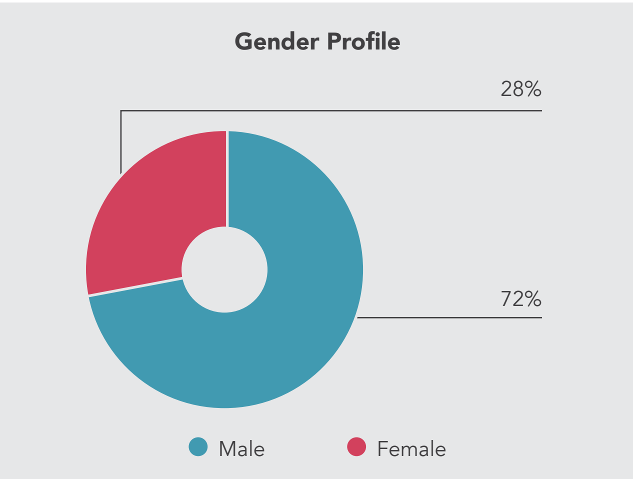
COVID-19 RESPONSE

In response to COVID-19 pandemic, PESTECH continues to maintain our focus on the health and safety of our employees and customers. We implement our COVID-19 response measures at our office as well as embedding the measures in our daily business operations to ensure their well-being as per the guidelines set by the Government. COVID-19 Positive and Close Contact Policy are in place for the employees' health and well-being.

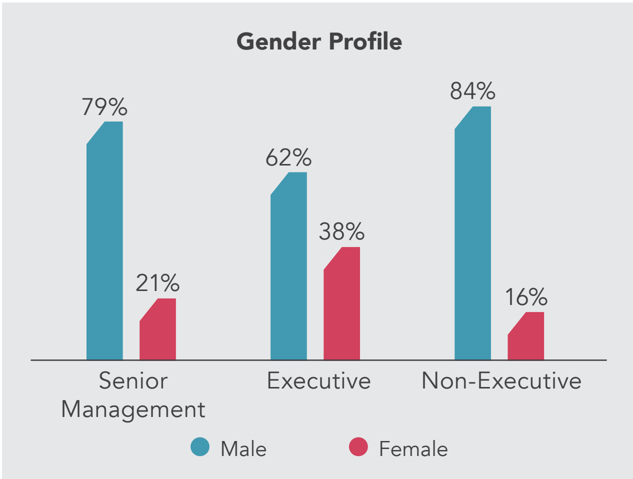
DIVERSITY AND EQUAL OPPORTUNITY

PESTECH promotes a working culture that is characterised by appreciation, respect and equality in opportunity. Our talents are assessed based on merits, regardless of age, gender, ethnicity, nationality, religion, marital status, education background and physical ability. We believe that by embracing a diverse workforce, drawing people together from different countries will churn greater ideas and perspectives as well as facilitate the exchange of knowledge which is vital for PESTECH to advance its path globally. As a project-based company, our diverse workforce in different countries gives us a competitive edge where we may allocate our resources more effectively depending on the project locations. Our employees will have the opportunities to garner wider exposure and experience by working at different countries wherever the projects are, under different working environment, condition and culture.

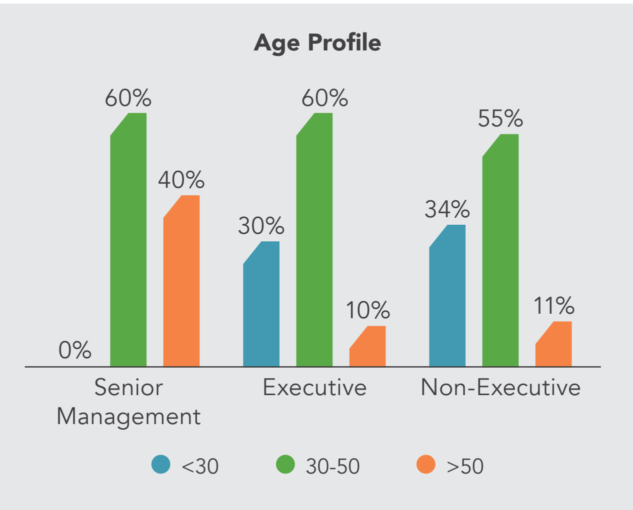
In FY 2022, PESTECH recorded a total workforce of 780, constituting 72% of male and 28% female respectively.



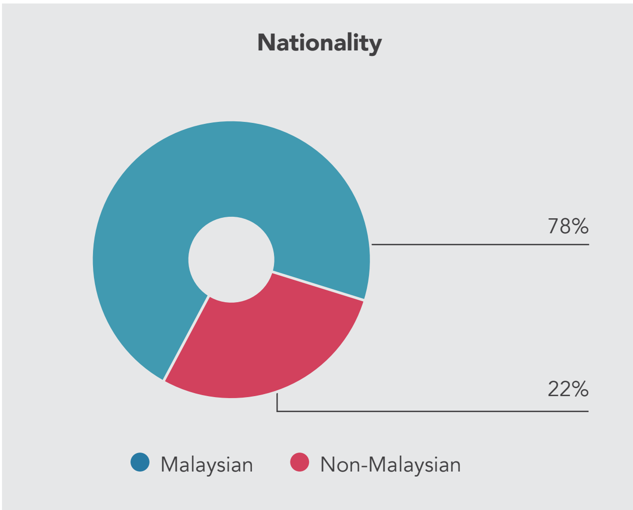
Workforce Distribution by Gender



Workforce Gender Distribution by Level



Workforce Age Distribution by Level



Employee Nationality

Sustainable Development Report

TRAINING AND DEVELOPMENT

Continuous training and development is crucial for re-skilling and up-skilling our employees so that they are able to keep abreast with the latest developments and serve the new requirements in the market. At the minimum, training needs will be assessed through our semi-annually performance evaluation process, to identify the key areas for an employee to improve and grow further. Other than external trainings, in-house trainings especially in the area of health and safety were being conducted from time to time as a refresher training.

For FY 2022, the accumulated total hours of training, amounting to 2,234 hours at a total cost of RM13,948.53.

Target for FY 2023

- To increase the training hours annually for employees and to carry out refresher training on health and safety matters
- No breach of employment laws

ENGAGEMENT WITH LOCAL COMMUNITIES

PESTECH is committed to contributing to the development and wellbeing of the communities in which we operate. Under the slogan "CARE" which was initiated in 2018 and stands for Community, Advancement, Recuperation, and Environment, we pledge to contribute back to the community where we financially support the underprivileged and deserving in our community.

In FY 2022, a total of RM831,867 (FY 2021: RM231,826.88) donations were made to various bodies to fund further education opportunities and improve the living conditions of those underprivileged.

No.	CSR Activities	Amount	Purpose
1.	Flood donation for Raub Community	RM29,987	Necessity items which include kettles, rice cookers, mattresses, pillows, blankets and foods were distributed to 570 families who have lost their homes and belongings.
2.	Flood donation for employees	RM40,000	Financial assistance were provided to employees whose place of residence were seriously impacted by flood.
3.	Cambodian Red Cross	RM162,546 (USD35,000)	To support the organisation in aiding emergency assistance, disaster relief, and disaster preparedness education.
4.	Contribution to Kriyalakshmi Mandir Shree Sai Gurukul ("KMSSG") Charitable Society Kuala Lumpur	RM30,000	To fund meals for students who come from the urban poor family.
5.	Persatuan Penjagaan Kanak-Kanak Terencat Akal (Johor)	RM30,000	To aid the association in improving the living environment of the center and provide the underprivileged children with better supporting equipment.
6.	Hospis Malaysia Treasure Hunt 2021	RM30,000	To support Hospis Malaysia in providing professional community palliative care to those with life-limiting illnesses.
7.	Beach Cleaning & Mangrove Seed Planting	RM9,334	In collaboration with Malaysia Nature Society ("**MNS**"), PESTECH had organised Beach Cleaning and Mangrove Seeds Planting with Children from Rumah Cahaya Kasih Bestari at Pantai Bagan Lalang, Selangor. In total, we have collected 28kg of wastes and planted 244 of mangrove seeds.
8.	Persatuan Tindakan Sosial Selangor	RM500,000	To provide assistance to schools and students, who are from the underprivileged families.
		RM831,867	

Target for FY 2023

- Continue to pursue the existing CARE program
- Continue to engage and support the local and external communities

PESTECH SCHOLARSHIP PROGRAMMES

As part of our effort in giving back to society, we established an undergraduate/postgraduate scholarship programme in 2019 to provide education sponsorship, training and opportunities to new talents. We believe that sustainable talent building is vital to thrive in a volatile and competitive business environment as the talent of our future leaders is critical to our future success.

The objective of the Scholarship Programmes is to create a vibrant and sustainable talent pipeline by providing education sponsorship, training and opportunities to the selected scholars. Since 2019, scholarships were offered to qualified students based amongst others, their academic achievements, involvement in extracurricular activities, personality and etc. Upon completion, scholars are required to bond themselves on employment with PESTECH for three (3) to five (5) years. To-date, a total up to 9 scholars were sponsored under this programme.

Corporate Governance Overview Statement

The Board of Directors ("**Board**") and management of PESTECH International Berhad ("**PESTECH**", "**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 ("**FY**") 30 June 2022 ("**FY 2022**"). 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 from 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 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

PESTECH's approach to sustainability includes a focus on developing and creating sustainable energy generation for the development and construction for electrical infrastructure in service to the community all over the world, which aligns with the company's vision of being 'Consistently Dependable & Value Add as a Sustainable Electrical Infrastructure Builder'.

Recognising the need to transition to sustainable electrical generation, the Board of Directors and management commit to drive change through innovation in order to reinforce sustainability in our operations and management.

The Board delegates the governance of sustainability to the Business Sustainability Working Group ("**BSWG**"). BSWG is tasked to drive the sustainability initiative in line with the Global Reporting Initiatives Standards and strategic thrust from the Board by:

1. determining and assessing the governance and economic, environmental and social risks based on the sustainability development goals and objectives set by the Board;
2. responsible for stakeholders' management, material assessment and keeping track of sustainability initiatives; and
3. responsible for obtaining, collecting and analysing data and information from various departments and understands the importance of sustainability matters in each department.

During FY 2022, the Company had also engaged with Tricor Axcelasia Sdn. Bhd. to develop an enhanced sustainability framework of the Group for the purpose of updating and formalising it in a more structured manner to be served as a guidance for our management to drive the sustainability agenda across the Group.

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 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 Accountant ("**MIA**"). They are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 ("**the Act**").

The Company Secretaries assist the Board and its Committees to function effectively and in accordance with their respective Terms of Reference and best practices and ensure 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.

Corporate Governance Overview Statement

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 13 October 2022 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 and Ethics 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 ("**WB 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 WB Policy is designed to facilitate any persons to disclose any improper business conduct and ethics through the dedicated whistleblowing channel, such as 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 WB 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, information communication technology ("**ICT**"), banking and investment.

The Board currently has seven (7) members comprising one (1) EC, one (1) MD and GCEO, one (1) Executive Director and four (4) Independent Directors. The composition of the Board complies with the requirements of Paragraph 15.02 of the MMLR.

Practice 5.2 of the MCCG states that at least half of the Board shall comprise Independent Directors. The Board currently comprises three (3) Executive Directors and four (4) Independent Non-Executive Directors, where more than 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 women 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. Currently, the Company has appointed 2 women directors and has reached near to 30% women directors on the Board. The Company is committed to achieving at least 30% women directors on the Board as recommended by the MCCG.

Our Senior Independent Non-Executive Director, Ir. Amir Bin Yahya serves as a sounding board for the EC, act as intermediary for other directors and the point of contact for shareholders and other stakeholders.

Corporate Governance Overview Statement

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

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 5.3 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. Nonetheless, 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, information communication technology ("**ICT**"), banking and investment. 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 two (2) women directors on Board and the two (2) Key Senior Management of the Company are women.

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 FY 2022, 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 comprises exclusively of Independent Non-Executive Directors:

Chairman: Ir. Amir Bin Yahya (Senior Independent Non-Executive Director)
(redesignated to Chairman of the NC on 25 November 2021)
Member : Mr. Ng Chee Hoong (Independent Non-Executive Director)
Ms. Hoo Siew Lee (Independent Non-Executive Director)

The NC shall meet as and when required, at least once a year. During the financial year under review, the NC held three (3) 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 the renewal of terms of office of the directors;
- reviewed and recommended on the re-election of the directors who would be retiring at the Tenth Annual General Meeting ("**AGM**");
- conducted annual assessment on independence for the independent directors;
- reviewed the nomination of new directors and composition of the Board and 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 Pay Chuan and Mr. Lim Peir Shenq will retire by rotation pursuant to Article 118 of the Company's Constitution and being eligible, had offered themselves for re-election.

Ms. Helen Tan Miang Kieng, who was appointed on 25 November 2021 will retire pursuant to Article 117 of the Company's Constitution and being eligible, had offered herself for re-election as Director of the Company.

In line with Practice 6.1 of the MCCG 2021, the Board, through the Nomination Committee, has conducted an assessment on the suitability of the directors who are seeking re-election at the Eleventh AGM of the Company and agreed that the aforesaid directors who are standing for re-election meet the criteria of character, experience, integrity, competence and time commitment to effectively discharge their respective roles as directors.

Board Meetings

The Board meets at least once in every quarter and additional meetings are convened as and when necessary. There were seven (7) Board meetings held during FY 2022 and the attendance record of the Directors is as follows:-

Directors	Meetings attended
Lim Ah Hock	6/7
Paul Lim Pay Chuan	7/7
Stanley Lim Peir Shenq	7/7
Ir. Amir Bin Yahya	6/7
Ng Chee Hoong	7/7
Hoo Siew Lee	6/6
Helen Tan Miang Kieng (appointed on 25 November 2021)	4/4

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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.

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 FY 2022, the continuous education programmes attended by Directors comprise the following:

Name	Training	Date
Lim Ah Hock	1. CIMB Webinar: A Bumpy, Transitional Year – Recovery to continue despite headwinds	11 January 2022
Paul Lim Pay Chuan	1. Maybank Invest Asean 2021 Country Week: Market Strategy Economic Outlook Malaysia: Cautiously Constructive	5 July 2021
	2. Maybank Invest Asean 2021 Country Week: Market Strategy Economic Outlook Indonesia: Entering A New Chapter	2 August 2021
	3. Maybank Invest Asean 2021 Country Week: Market Strategy & Economic Outlook Philippines: Marching On	16 August 2021
	4. Maybank Invest Asean 2021 Country Week: Market Strategy & Economic Outlook Thailand: Against All Odds	23 August 2021
	5. AI4S Enhanced Programme	27 October 2021
	6. Double Tax Agreement Benefits for Malaysian Businesses in Cambodia	28 October 2021
	7. Post COVID-19 Strategies and the Way Forward	
	8. Malaysia Budget 2022: Reinforcing the Nascent Recovery	2 November 2021
	9. Navigating the Regional Comprehensive Economic Partnership (RCEP) Series 2: How to Leverage on RCEP for Market Access of Manufactured Goods	3 November 2021 9 – 10 November 2021

Name	Training	Date
	10. Coverage on Foreign Source Income Exemption and Prosperities Tax 11. HSBC Investment Outlook 2022: Remaking Asia's Future 12. HSBC Investment Outlook 2022: Great Transition to a Digital and Net Zero World 13. Maybank: Tax Measures and Impact on Businesses and Households – Malaysia Budget 2022 14. HSBC Investment Outlook 2022: Capturing Opportunities from Technological Innovation in the Greater Bay Area 15. HSBC Investment Outlook 2022: Southeast Asia Investment Outlook 16. BNP Paribas: Global Insights 2022 17. HSBC Investment Outlook 2022: Finding Stability in the Volatile Market 18. HSBC Investment Outlook 2022: 2022 Asia's Credit Market Outlook 19. Affin Hwang Macro Outlook and Environmental Sustainability 20. Asia Pacific Rail 2022 Exhibition	30 November 2021 7 January 2022 11 January 2022 11 January 2022 12 January 2022 13 January 2022 14 January 2022 20 January 2022 25 January 2022 22 March 2022 11 - 12 May 2022
Stanley Lim Peir Shenq	1. Bursa Sustainability Reporting Workshop: Scope & Materiality in Sustainability Reporting 2. PV Magazine Spotlight: Safe, Open and EV-Proofed Webinar 3. Jedox: How CFOs Automate Budgeting and Planning Processes?	21 September 2021 6 May 2022 26 May 2022
Ir. Amir Bin Yahya	1. Anti-Bribery and Anti-Corruption Policy, Guidelines and Procedures Training	20 January 2022
Ng Chee Hoong	1. National Tax Conference 2021 2. The Updated Malaysian Code on Corporate Governance 2021 3. Exposure Draft (ED) of International Standards on Auditing (ISA) for Less Complex Entities (LCE) and Engagement 4. 2022 Budget Seminar 5. Audit Oversight Board (AOB) Conversation with Audit Committees 6. Malaysian Financial Reporting Standards (MFRS) Update and Malaysian Code on Corporate Governance (MCCG) Training 7. Climate Disclosure Training Programme (TCFD 101) 8. Climate Disclosure Training Programme (TCFD 102) 9. Hasil Chartered Tax Institute Malaysia (CTIM) Tax Forum 2022 10. MIA Webinar Series: Audit Series Workshop 5 – Auditing of Property Developers and Contractors	27 – 28 July 2021 24 September 2021 2 November 2021 18 November 2021 6 December 2021 14 January 2022 2 March 2022 9 March 2022 24 March 2022 27 – 28 June 2022
Hoo Siew Lee	1. Mandatory Accreditation Programme	1 – 3 November 2021
Helen Tan Miang Kieng	1. Mandatory Accreditation Programme	12 – 14 April 2022

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: Ms. Hoo Siew Lee (Independent Non-Executive Director)
(redesignated to RC Chairman on 25 November 2021)
Members: Ir. Amir Bin Yahya (Independent Non-Executive Director)
Ms. Helen Tan Miang Kieng (Independent Non-Executive Director)
(appointed on 25 November 2021)

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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 two (2) meetings and carried out the following activities:

- reviewed and recommended the proposed remuneration packages of the EC and MD & GCEO for FY 2022;
- reviewed and recommended the directors' fees for the FY 2022;
- reviewed on benefits payable to Directors under Section 230(1) of the 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 FY 2022 are as follows:

Name	Salaries & other emoluments (RM)	Fees (RM)	Benefits (RM)	Meeting Allowance (RM)	Total (RM)
Company					
Lim Ah Hock	1,518,988	-	34,890	-	1,553,878
Lim Pay Chuan	1,407,938	-	36,460	-	1,444,398
Lim Peir Shenq	284,276	-	-	-	284,276
Ir. Amir Bin Yahya	-	48,000	-	28,500	76,500
Ng Chee Hoong	-	48,000	-	33,000	81,000
Hoo Siew Lee	-	40,774	-	24,000	64,774
Helen Tan Miang Kieng	-	28,800	-	10,500	39,300
Group					
Lim Ah Hock	2,276,859	-	34,890	-	2,311,749
Lim Pay Chuan	2,165,809	-	36,460	-	2,202,269
Lim Peir Shenq	284,276	-	-	-	284,276
Ir. Amir Bin Yahya	-	48,000	-	28,500	76,500
Ng Chee Hoong	-	48,000	-	33,000	81,000
Hoo Siew Lee	-	40,774	-	24,000	64,774
Helen Tan Miang Kieng	-	28,800	-	10,500	39,300

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

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

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

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

4. AUDIT COMMITTEE

The AC of the Company comprises exclusively of Independent Non-Executive Director, which is in compliance with the MMLR of Bursa Securities. The details of activities carried out by the AC during the FY 2022 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.

Corporate Governance Overview Statement

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

The AC, after due deliberations have recommended the reappointment of Messrs. Grant Thornton Malaysia PLT as External Auditors for the FY 2022. The Board at its meeting held on 30 August 2022 approved the AC's recommendation. The appointment of Messrs. Grant Thornton Malaysia PLT will be presented for shareholders' approval at the forthcoming Eleventh 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 FY 2022 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 and 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 Tricor Axcelasia Sdn. Bhd. ("**Tricor**"). 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 Tricor 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, terms of reference, 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.

Poll Voting

The Company has been leveraging on technology for conduct of meeting with shareholders and deploying electronic poll voting and will continue the same in future general meetings. At the 10th AGM held on 25 November 2021, the meeting was conducted virtually and live-streamed from the broadcast venue where remote participation and voting facilities were being deployed.

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 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 2022 ("**FY 2022**").

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)
Member : Ir. Amir Bin Yahya (Senior Independent Non-Executive Director)
Ms. Hoo Siew Lee (Independent Non-Executive Director)
Ms. Helen Tan Miang Kieng (Independent Non-Executive Director)
(Appointed on 25 November 2021)

B. MEETINGS AND ATTENDANCE

During the FY 2022, the AC held a total of six (6) meetings. The details of the attendance of the AC Members are as follows:

Directors	Meetings attended
Mr. Ng Chee Hoong	6/6
Ir. Amir Bin Yahya	6/6
Ms. Hoo Siew Lee	5/5
Ms. Helen Tan Miang Kieng (appointed as an AC Member on 25 November 2021)	3/3

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 FY 2022

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

i. Financial reports

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

Month	Review of Quarterly Financial Statements
August 2021	Unaudited Results for Fourth Quarter ended 30 June 2021
November 2021	Unaudited Results for First Quarter ended 30 September 2021
February 2022	Unaudited Results for Second Quarter ended 31 December 2021
May 2022	Unaudited Results for Third Quarter ended 31 March 2022

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 for approval of the audited financial statements of the Company and the Group for the FY 30 June 2021 and to ensure that it presented a true and fair view of the Company and the Group's financial position and performance for the year and complied with all the regulatory requirements in all material respects. In addition, the AC had reviewed the external auditors' Audit Plan for the Group, which outlined the responsibilities and scope of work, anticipated key audit matters, and reporting timelines for the FY 2022 and the external auditors' fees.

The AC reviewed the audited financial statements of the Company and the Group for FY 2022 at its meeting, and recommended the same to the Board for approval.

ii. External Auditors

a) Reviewed and discussed with Grant Thornton Malaysia PLT ("**GT Malaysia**") at the meetings, the Audit Approach Memorandum for the FY 2022. 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 three (3) private discussions with GT Malaysia during the FY 2022 without the presence of Management and Executive Directors. The private sessions are to allow the AC to ask questions on matters that might not have been specifically addressed as part of the audit. The private session allows the auditor to provide candid, often confidential, comments to the audit committee on such matters.

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 GT Malaysia based on criteria such as calibre, quality processes, independence, audit team, audit scope, audit communication and the audit fees. The AC was satisfied that the external auditors were able to meet the audit requirements and statutory obligations of the Company and their professional independence and objectivity as external auditors of the Company. Following this evaluation, the AC recommended to the Board for approval, which the Board had accepted the AC's recommendation, for the re-appointment of the GT Malaysia as the Company's external auditors at the forthcoming Annual General Meeting, subject to shareholders' approval.

iii. Internal Audit

The Company has outsourced its internal audit function to Tricor Axcelasia 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 2022 was RM26,000.

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

a) Risk Management Function and Information Technology General Controls of the Group; and

b) Anti-bribery System of the Company covering its subsidiary, PESTECH Technology Sdn. Bhd.

The AC reviewed and accepted the Internal Audit Plan and audit fee for year 2022-2023 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's responses thereto during the meetings.

Audit Committee Report

iv. Recurrent Related Party Transactions ("RRPTs")

The AC reviewed on a quarterly basis the RRPTs of the Group to determine if the transactions entered into by the Group were within the shareholders' mandate, in relation to the nature, terms and value limits of the transactions, including "arm's lengths" terms of trade as well as the Group's methodology in identifying, monitoring and disclosure of related party transactions within the Group.

v. Annual Report

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

vi. Circular to Shareholders

The AC reviewed and recommended to the Board for approval, the draft Circular to Shareholders in respect of the following proposals:

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

E. INTERNAL AUDIT FUNCTION

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

The main objectives of the internal audit function for the Group are 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 FY 2022, 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.

This AC Report is approved by the AC and Board on 13 October 2022.

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

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

RISK MANAGEMENT FRAMEWORK

Effective risk management is an essential part of good corporate governance that forms part of the 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 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

The 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

Statement on Risk Management and Internal Control

The AC noted the summary of project and corporate risks identified during the FY 30 June 2022:-

a) Project Risk

Project risks that are being monitored are those associated with cost, project completion deadline, variation orders, prolonged project duration, extension of time and etc. In mitigation, a project risk review will be implemented prior to participation of tender and submission of proposal. Under the risk review triggers, various criteria such as contract value, net margin, cashflows, liquidated damages and others will be conditioned in determining whether or not the Company to participate in the tender or submission of proposal.

b) Finance Risk

The Company continued to monitor and consider 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.

c) Operational Risk

We have put in place more stringent standard operating procedures at our work place and sites to ensure our workers health-being are protected. There was no Loss Time Injury during the reporting period.

Business Continuity Management Manual was developed for the Company and PESTECH Sdn. Bhd.

d) IT Risk

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. 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. IT Policy was updated on 18 March 2022 to enhance the preservation of Company's intellectual property and create a more secured IT environment for the Group.

Risk Awareness Culture

We believe cultivation of risk awareness culture, with emphasis on strong corporate governance, organisational structure with clearly defined roles and responsibilities, effective communication and training, commitment to compliance with laws, regulations and internal controls, integrity in fiduciary responsibilities and clear policies, procedures and guidelines within the organisation helps in arriving to strategic decisions that are vital for the long-term benefits of the organisation, shareholders, employees and all stakeholders.

Risk Assessment

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

The Risk Management Working Committee ("RMWC") 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 received from the members of RMWC and table the same to Risk Management Committee ("RMC") for review, consideration and monitoring. The deliberations of the RMC will be tabled to the AC and Board thereafter.

During the financial under review, all Risk Registers submitted by the various divisions/departments were collated and summarised by the Risk Coordinator and tabled to AC and Board.

Risk Appetite

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

INTERNAL CONTROL SYSTEM

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

- **Control Environment**

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

- **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:
    - Risk Management Function and Information Technology General Controls of the Group; and
    - Anti-bribery System of the Company covering its subsidiary, PESTECH Technology 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, although there were areas identified as high risks but so far, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties to the Group. The Group will take necessary risk mitigation steps to address the identified high risk areas.

Statement on Risk Management and Internal Control

- **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 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 FY 2022. 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 13 October 2022.

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 in compliance 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 financial year ended 30 June 2022.

Additional Compliance Information

1. UTILISATION OF PROCEEDS

a) Perpetual SUKUK Musharakah Programme

Pursuant to 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, the Company had issued one (1) tranche of five (5) series of Perpetual SUKUK Musharakah Programme:

Issue Date	Tranche No	Series	Nominal Value (RM'000)
16 December 2020	1	1	37,100
30 November 2020	1	2	11,450
28 January 2022	1	3	33,000
1 March 2022	1	4	9,150
2 June 2022	1	5	9,300
		Total	**100,000**

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

b) Private Placement of 10% of the issued shares in the Company

During the financial year, the Company had undertaken a private placement of up to 10% of the Company's total number of issued shares (excluding treasury shares) ("**Private Placement**"). The Private Placement had been undertaken in accordance with the general mandate granted by the Company's shareholders at the Tenth Annual General meeting last year, where the Board has been authorised to issue and allot new ordinary shares in PESTECH International Berhad ("**PESTECH Shares**") not exceeding 10% of PESTECH's total number of issued shares (excluding treasury shares).

Bursa Securities had approved the listing of and quotation for up to 105,051,200 new PESTECH Shares to be issued pursuant to the Private Placement.

Under the first tranche of the Private Placement, the Company had issued 36,854,600 new PESTECH Shares, representing 3.87% of PESTECH's total number of issued shares (excluding treasury shares) for listing and quotation on Bursa Malaysia Securities Berhad on 23 March 2022.

As of 30 June 2022, the utilisation of proceeds raised from the Private Placement is as follows:

Proposed utilisation of proceeds	Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance unutilised RM'000
Working capital	Within 12 months from the receipts of placement funds	19,982	19,638	344
Estimated expenses relating to the Proposed Private Placement	Within 6 months from the receipts of placement funds	288	288	0
Total		**20,270**	**19,926**	**344**

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	53	517
Non-Audit Fees	14	60

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 2022 or entered into since the end of the previous financial year ended 30 June 2021.

4. RECURRENT RELATED PARTY TRANSACTIONS

At the Tenth Annual General Meeting of the Company held on 25 November 2021, 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 2022 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 2021 to 30 June 2022 (RM'000)
PESTECH Sdn. Bhd./ Fornix Sdn. Bhd./ 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	6,737
PSB/PTR	Asiapac Builders Sdn. Bhd. ("**ABSB**")	Piling related works rendered by ABSB 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	Nil

Additional Compliance Information

5. SHARE GRANT PLAN

The Share Grant Plan ("**SGP**" or "**Plan**") of the Company was established in conjunction with the initial public offering of the Company in year 2012 and the effective date of implementation was 26 March 2013.

The SGP allows 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 existence of the Plan, be granted to the eligible Directors and executives of PESTECH Group.

Under the SGP, the shares to be granted and/or issued to eligible Directors and executives may be satisfied by way of:-

(i) issuance of new PESTECH Shares;

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

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

Further information of the SGP is set out in the Directors' Report to the Audited Financial Statements of the Company for the financial year ended 30 June 2022.

Details of the number of ordinary shares granted, vested and outstanding pursuant to the SGP since the establishment of the SGP are set out below:-

For the FY 31 December 2013	Total	Directors/ Chief Executive	%	Senior Management	%	Other Eligible Employees	%
Number of Shares Granted	503,100	-	-	60,500	12.03	442,600	87.97
Number of Shares Vested	503,100	-	-	60,500	12.03	442,600	87.97
Number of Shares Outstanding	-	-	-	-	-	-	-

For the period from 1 January 2014 to 30 June 2015	Total	Directors/ Chief Executive	%	Senior Management	%	Other Eligible Employees	%
Number of Shares Granted	1,779,400	1,469,800	82.60	42,600	2.39	267,000	15.01
Number of Shares Vested	1,779,400	1,469,800	82.60	42,600	2.39	267,000	15.01
Number of Shares Outstanding	-	-	-	-	-	-	-

For the FY 30 June 2017	Total	Directors/ Chief Executive	%	Senior Management	%	Other Eligible Employees	%
Number of Shares Granted	2,626,808	2,626,808	100.00	-	-	-	-
Number of Shares Vested	2,626,808	2,626,808	100.00	-	-	-	-
Number of Shares Outstanding	-	-	-	-	-	-	-

For the FY 30 June 2018	Total	Directors/ Chief Executive	%	Senior Management	%	Other Eligible Employees	%
Number of Shares Granted	913,500	-	-	44,800	4.90	868,700	95.10
Number of Shares Vested	913,500	-	-	44,800	4.90	868,700	95.10
Number of Shares Outstanding	-	-	-	-	-	-	-

Financial Section

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 2022.

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	37,330	14,128
Attributable to:		
Owners of the Company	13,726	
Non-controlling interests	23,604	
	37,330	

DIVIDENDS

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

	RM'000
Ordinary shares	
Final single tier dividend of RM0.005 per ordinary share in respect of the financial year ended 30 June 2021 and paid on 7 January 2022	3,806

There were no dividend proposed or declared for the financial year ended 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)
Ir. Amir bin Yahya (Senior Independent Non-Executive Director)
Ng Chee Hoong (Independent Non-Executive Director)
Hoo Siew Lee (Independent Non-Executive Director)
Helen Tan Miang Kieng (Independent Non-Executive Director – appointed on 25.11.2021)

* *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
Hairol Addy Nizam bin Hashim
Han Fatt Juan
Keith Iduhu
Oknha Vinh Huor
Paismanathan A/L Govindasamy
Tan Pu Hooi
U Min Banyar San
Wing Kevin
Zhu ZiBing
Lawrence Pure
Martha Boafo (appointed on 12.7.2022)
Seth Kwasi Asante (resigned on 12.7.2022)
Oknha Hout Chantho (deceased on 27.9.2022)

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 1.7.2021/Date of Appointment '000	Bonus issue '000	Bought '000	Sold '000	At 30.6.2022 '000
The Company					
Direct interests					
Lim Ah Hock	255,559	63,752	2,166	(1,000)	320,477
Lim Pay Chuan	153,986	37,634	7,067	(8,800)	189,887
Helen Tan Miang Kieng	447	112	–	–	559
Indirect interests					
Lim Ah Hock#	3,364	529	–	–	3,893
Lim Pay Chuan@	1,306	14	–	–	1,320
Lim Peir Shenq*	2,058	515	–	–	2,573

Directors' Report

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 warrants (2021/2028)			
	At 1.7.2021 '000	Granted '000	Sold '000	At 30.6.2022 '000
The Company				
Direct interests				
Lim Ah Hock	–	31,876	–	31,876
Lim Pay Chuan	–	18,817	–	18,817
Helen Tan Miang Kieng	–	56	–	56
Indirect interests				
Lim Ah Hock#	–	389	–	389
Lim Pay Chuan@	–	132	–	132
Lim Peir Shenq*	–	257	–	257

(#) *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.

Directors' Report

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 Director and Officer Liability 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 insurance coverage and insurance premium paid for Directors and Officers of the Group were RM5 million and RM20,500 respectively.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

(i) 191,073,299 new ordinary shares through a bonus issue on the basis of two (2) new ordinary shares for every eight (8) existing ordinary shares held in the Company, completed on 16 December 2021; and

(ii) 36,854,600 new ordinary shares at an issue price of RM0.55 each pursuant to first tranche of the private placement exercise, completed on 22 March 2022.

The proceeds from the private placement were used for expense in relation to private placement and working capital purposes.

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

WARRANTS 2021/2028

The Company had on 16 December 2021 allotted and issued 95,145,862 bonus warrants on the basis of one (1) warrant for every eight (8) existing ordinary shares. Each warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at any time on or after 16 December 2024 to 15 December 2028, at the exercise price of RM0.65 in accordance with the provision of the deed poll. Any warrant not exercised by the date of maturity will lapse thereafter and cease to be valid for any purposes.

The ordinary shares issued from the exercise of warrants shall rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which is prior to the date of allotment of the new shares arising from the exercise of warrants.

During the financial year, no warrants had been exercised. As at 30 June 2022, there are 95,145,862 warrants remained not exercised.

TREASURY SHARES

During the financial year, the Company repurchased 3,764,600 of its ordinary shares from the open market on Bursa Malaysia Securities Berhad for RM1,838,137. The prices paid for the shares repurchased range from RM0.48 to RM0.49 per share. Details of the treasury shares are set out in Note 16 to the Financial Statements.

SHARE GRANT PLAN

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

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.

Directors' Report

SHARE GRANT PLAN (CONT'D)

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

(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.

(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.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D)

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.

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.

Directors' Report

AUDITORS

The total amount of fees paid to or receivable by Auditors, Grant Thornton Malaysia PLT, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 30 June 2022 amounted to RM280,500 and RM53,000 respectively.

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

17 October 2022

Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 93 to 178 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 2022 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

17 October 2022

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 93 to 178 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)
17 October 2022)

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 2022 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 93 to 178.

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 2022, 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.

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

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 2.6.1, 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.

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 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.

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

The risk –
As at 30 June 2022, 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, 9, 11 and 33.2(a) 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;
- 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 projection 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.

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)

Valuation of intangible assets (cont'd)

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 projected revenue growth, expenses and profit margins.

Impairment assessment of property, plant and equipment

The risk –
We identified the carrying amount of the property, plant and equipment as a key audit matter because of the significance of the carrying amount of such asset to the consolidated financial statements and because the discounted cash flow projection used for the purpose of impairment assessments involves identifying assets which are unlikely to be deployed in economic service in the future, and estimating future cash flows, growth rates and discount rates, which are subject to a significant degree of judgement and could be subject to management bias.

The Group's disclosures regarding the impairment of property, plant and equipment are included in Notes 2.6.1, 3.2, 3.8 and 4 to the Financial Statements.

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

- discussed indicators of impairment of property, plant and equipment with management, and for cash-generating units where such indicators were identified, assessed whether management had performed impairment testing in accordance with the requirements of the prevailing accounting standards;
- evaluated the assumptions adopted in the preparation of the discounted cash flow projection, including projected future growth rates for income and expenses and discount rates with reference to our understanding of the business, historical trends and available industry information and market data; and
- performed sensitivity analyses on the key assumption, including projected profitability, expected growth rates and discount rates adopted in the discounted cash flow projection and assessed whether there were any indicators of management bias in the selection of these assumptions.

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.

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)

Information other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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.

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)

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

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

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

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.

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)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

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

Kuala Lumpur
17 October 2022

HOOI KOK MUN
(NO: 02207/01/2024 (J))
CHARTERED ACCOUNTANT

Statements of Financial Position
as at 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	248,988	201,133	1,143	1,755
Intangible assets	5	92,799	92,592	-	-
Investment in subsidiaries	6	-	-	217,929	217,905
Investment in associates	7	1,230	886	-	-
Derivative financial assets	8	2,975	-	-	-
Contract assets	9	956,942	956,577	-	-
Total non-current assets		1,302,934	1,251,188	219,072	219,660
Current assets					
Contract assets	9	1,190,822	934,641	-	-
Inventories	10	28,570	21,635	-	-
Trade receivables	11	222,174	217,236	-	-
Other receivables	12	108,870	66,161	483	584
Amount due from related companies	13	-	-	392,513	304,208
Amount due from associate	13	2,833	150	-	-
Tax recoverable		5,561	10,991	1,309	-
Cash and short-term deposits	14	168,980	202,330	28,066	8,713
Total current assets		1,727,810	1,453,144	422,371	313,505
Total assets		3,030,744	2,704,332	641,443	533,165
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	15	232,942	212,672	232,942	212,672
Treasury shares	16	(4,183)	(2,345)	(4,183)	(2,345)
Reserves	17	(1,084)	(48,066)	-	-
Retained earnings		425,466	419,290	12,793	6,215
		653,141	581,551	241,552	216,542
Perpetual SUKUK	18	100,000	48,550	100,000	48,550
Non-controlling interests	6	174,342	131,611	-	-
Total equity		927,483	761,712	341,552	265,092

Statements of Financial Position
as at 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
LIABILITIES					
Non-current liabilities					
Derivative financial liabilities	8	6,264	27,805	-	-
Lease liabilities	19	10,579	10,964	35	172
Loans and borrowings	20	780,147	757,857	-	-
Deferred tax liabilities	21	4,693	3,573	-	-
Trade payables	22	21,722	4,045	-	-
Total non-current liabilities		823,405	804,244	35	172
Current liabilities					
Contract liabilities	9	2,377	3,089	-	-
Trade payables	22	572,431	524,172	-	-
Other payables	23	117,661	105,046	743	754
Amount due to related companies	13	-	-	217,994	215,462
Lease liabilities	19	2,256	2,033	137	431
Loans and borrowings	20	581,358	491,866	80,982	50,689
Derivative financial liabilities	8	535	-	-	-
Tax payable		3,238	12,170	-	565
Total current liabilities		1,279,856	1,138,376	299,856	267,901
Total liabilities		2,103,261	1,942,620	299,891	268,073
Total equity and liabilities		3,030,744	2,704,332	641,443	533,165

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 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	24	715,090	889,363	34,265	28,870
Operating expenses	25	(678,648)	(762,536)	(19,237)	(17,140)
Other operating income	26	1,636	3,044	-	1
Other gains and (losses)	27	8,799	(4,923)	(4,381)	(2,768)
Operating profit		46,877	124,948	10,647	8,963
Share of profit of equity-accounted associate	7	344	249	-	-
Profit before interest and tax		47,221	125,197	10,647	8,963
Finance income	28	58,539	48,749	12,788	9,981
Finance costs	28	(64,086)	(60,296)	(9,376)	(11,658)
Profit before tax		41,674	113,650	14,059	7,286
Tax (expense)/income	29	(4,344)	(10,970)	69	(629)
Profit for the financial year		37,330	102,680	14,128	6,657
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss					
- Exchange translation differences		35,764	(11,270)	-	-
- Fair value gain on cash flows hedge		28,343	12,630	-	-
Total comprehensive income for the financial year		101,437	104,040	14,128	6,657
Profit for financial year attributable to:					
Owners of the Company		13,726	66,213		
Non-controlling interests		23,604	36,467		
		37,330	102,680		
Total comprehensive income attributable to:					
Owners of the Company		60,708	68,375		
Non-controlling interests		40,729	35,665		
		101,437	104,040		
Earnings per share attributable to the owners of the Company:					
Basic earnings per share (RM)	30	0.01	0.07		
Diluted earnings per share (RM)	30	*	*		

* *anti-dilutive in nature*

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

Statements of Changes In Equity
for the financial year ended 30 June 2022

	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 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
Profit for the financial year	-	-	-	-	-	-	13,726	13,726	-	23,604	37,330
Other comprehensive income for the financial year	-	-	22,697	24,285	-	-	-	46,982	-	17,125	64,107
Total comprehensive income for the financial year	-	-	22,697	24,285	-	-	13,726	60,708	-	40,729	101,437
Transaction with owners:											
Treasury shares acquired	-	(1,838)	-	-	-	-	-	(1,838)	-	-	(1,838)
Issuance of shares pursuant to private placement	20,270	-	-	-	-	-	-	20,270	-	-	20,270
Issuance of Perpetual SUKUK	-	-	-	-	-	-	-	-	51,450	-	51,450
Dividend paid to ordinary shareholders	-	-	-	-	-	-	(3,806)	(3,806)	-	(113)	(3,919)
Distribution to Perpetual SUKUK-holders	-	-	-	-	-	-	(3,744)	(3,744)	-	-	(3,744)
Derecognition of interest in a subsidiary	-	-	-	-	-	-	-	-	-	2,115	2,115
At 30 June 2022	232,942	(4,183)	(1,336)	24,855	8,534	(33,137)	425,466	653,141	100,000	174,342	927,483

Statements of Changes In Equity
for the financial year ended 30 June 2022

	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Perpetual SUKUK RM'000	Total RM'000
Company					
At 1 July 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)
Issuance of Perpetual SUKUK	-	-	-	48,550	48,550
Dividend paid to ordinary shareholders	-	-	(7,612)	-	(7,612)
Distribution to Perpetual SUKUK-holders	-	-	(1,367)	-	(1,367)
At 30 June 2021	212,672	(2,345)	6,215	48,550	265,092
Total comprehensive income for the financial year	-	-	14,128	-	14,128
Transaction with owners:					
Treasury shares acquired	-	(1,838)	-	-	(1,838)
Issuance of shares pursuant to private placement	20,270	-	-	-	20,270
Issuance of Perpetual SUKUK	-	-	-	51,450	51,450
Dividend paid to ordinary shareholders	-	-	(3,806)	-	(3,806)
Distribution to Perpetual SUKUK-holders	-	-	(3,744)	-	(3,744)
At 30 June 2022	232,942	(4,183)	12,793	100,000	341,552

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

Statements of Cash Flows

for the financial year ended 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
OPERATING ACTIVITIES					
Profit before tax		41,674	113,650	14,059	7,286
Adjustments for:					
Amortisation of intangible assets		4,075	5,876	-	-
Depreciation of property, plant and equipment		14,430	11,882	701	786
Fair value loss/(gain) on derivative financial instruments		4,484	(4,373)	-	-
Gain on disposal of property, plant and equipment		(177)	(223)	(158)	-
Loss on winding up of a subsidiary		8	-	-	-
(Gain)/loss on lease termination		(58)	13	-	-
Interest expense		64,086	60,296	9,376	11,658
Interest income		(890)	(278)	(12,788)	(9,981)
Interest income arising from contract with customers		(57,649)	(48,471)	-	-
Property, plant and equipment written off		50	92	-	-
Share of profit of equity-accounted associates		(344)	(249)	-	-
Unrealised (gain)/loss on foreign exchange		(12,703)	6,628	4,492	2,766
Operating profit before working capital changes		56,986	144,843	15,682	12,515
Changes in working capital:					
Inventories		(6,033)	13,487	-	-
Receivables		(42,533)	(40,104)	101	(370)
Payables		33,987	59,347	(17)	(160)
Contract customers		(79,287)	(59,707)	-	-
Associates		(2,683)	(396)	-	-
Cash (used in)/generated from operations		(39,563)	117,470	15,766	11,985
Interest received		890	278	12,788	9,981
Interest paid		(62,427)	(54,385)	(9,376)	(11,658)
Tax refunded		7,799	6,633	-	816
Tax paid		(15,070)	(15,294)	(1,805)	(57)
Net cash (used in)/from operating activities		(108,371)	54,702	17,373	11,067
INVESTING ACTIVITIES					
Acquisition of a subsidiary		-	(8,196)	-	-
Subscription of shares in subsidiaries		-	-	(24)	(106)
Subscription of shares by non-controlling interests		-	12,192	-	-
(Advances to)/repayment from subsidiaries		-	-	(81,655)	27,985
Purchase of property, plant and equipment	A	(52,205)	(61,799)	(89)	(132)
Proceeds from utilisation of derivative financial instruments		-	3,765	-	-
Proceeds from disposal of property, plant and equipment		202	294	158	-
Net cash (used in)/from investing activities		(52,003)	(53,744)	(81,610)	27,747

Statements of Cash Flows
for the financial year ended 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
FINANCING ACTIVITIES					
Dividend paid to ordinary shareholders		(3,806)	(7,612)	(3,806)	(7,612)
Dividend paid to non-controlling interests of a subsidiary		(113)	-	-	-
Distribution to Perpetual SUKUK-holders		(3,744)	(1,367)	(3,744)	(1,367)
Treasury shares acquired		(1,838)	(1,427)	(1,838)	(1,427)
Repayments to related companies	B	-	-	(8,174)	(61,627)
Net drawdown/(repayments) of short-term borrowings	B	48,025	(39,455)	30,257	(6,164)
Placement of fixed deposits and debt service reserve accounts with licensed institutions		(39,500)	(71,733)	(24,004)	(29)
Proceeds from issuance of share capital		20,270	-	20,270	-
Proceeds from issuance of Perpetual SUKUK		51,450	48,550	51,450	48,550
Proceeds from term loans	B	109,865	186,812	-	-
Repayments of term loans	B	(112,919)	(62,124)	-	-
Repayments of lease liabilities	B	(2,500)	(3,352)	(431)	(413)
Net cash from/(used in) financing activities		65,190	48,292	59,980	(30,089)
CASH AND CASH EQUIVALENTS					
Net changes		(95,184)	49,250	(4,257)	8,725
Brought forward		95,117	46,176	7,980	(744)
Effects of translation differences		3,996	(309)	(6)	(1)
Carried forward	C	3,929	95,117	3,717	7,980

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Aggregate cost of property, plant and equipment acquired	54,649	62,856	89	132
Financed via lease liabilities arrangements	(2,444)	(1,057)	-	-
Total cash acquisition	52,205	61,799	89	132

Statements of Cash Flows
for the financial year ended 30 June 2022

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

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 July 2021 RM'000	Cash flows RM'000	Others RM'000	At 30 June 2022 RM'000
Group				
Borrowings	366,105	48,025	1,802 [(a)]	415,932
Term loans	855,989	(3,054) [(c)]	46,671 [(a)]	899,606
Lease liabilities	12,997	(2,500)	2,338 [(b)]	12,835
	1,235,091	42,471	50,811	1,328,373
Company				
Amount due to related companies	215,462	(8,174)	10,706 [(a)]	217,994
Borrowings	49,985	30,257	424 [(a)]	80,666
Lease liabilities	603	(431)	-	172
	266,050	21,652	11,130	298,832

	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
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

(a) Being exchange translation differences and unrealised foreign exchange.

(b) Being acquisition of property, plant and equipment by means of lease liabilities arrangement, acquisition of subsidiary, 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.

Statements of Cash Flows
for the financial year ended 30 June 2022

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	118,622	184,440	4,033	8,684
Fixed deposits with licensed institutions	50,358	17,890	24,033	29
Bank overdrafts (Note 20)	(45,967)	(27,629)	(316)	(704)
	123,013	174,701	27,750	8,009
Less:				
- Fixed deposits pledged to licensed institutions	(50,358)	(17,860)	(24,033)	(29)
- Debt service reserve accounts	(68,726)	(61,724)	-	-
	3,929	95,117	3,717	7,980

D. CASH OUTFLOWS FROM LEASES AS A LESSEE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Included in net cash (used in)/from operating activities:				
- Interest paid in related to lease liabilities	949	574	17	35
- Payment of short-term leases	4,122	2,979	745	747
Included in net cash from/(used in) financing activities:				
- Payment of lease liabilities	2,500	3,352	431	413
	7,571	6,905	1,193	1,195

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

Notes to the Financial Statements
30 June 2022

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 17 October 2022.

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.

Notes to the Financial Statements
30 June 2022

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 and 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 amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2021.

Initial application of the new standards and 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 2022:

Amendments to MFRS 3*	Business Combinations - Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137*	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018-2020

Notes to the Financial Statements 30 June 2022

2. BASIS OF PREPARATION (CONT'D)

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

MFRSs and amendments to MFRSs effective 1 January 2023:

MFRS 17*#	Insurance Contracts
Amendments to MFRS 17*#	Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information
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

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 became 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 2022, 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% (2021: 1%) difference in the expected useful lives of the property, plant and equipment from the management's estimates would result in approximately 5% (2021: 1%) variance in the Group's profit for the financial year.

Notes to the Financial Statements
30 June 2022

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Impairment of non-financial assets

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

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

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

Inventories

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

Income tax/Deferred tax liabilities

The Group and the Company are exposed to income taxes. Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

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.

Notes to the Financial Statements
30 June 2022

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

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.

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.

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).

Notes to the Financial Statements
30 June 2022

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

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 ranges from 1 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.

Notes to the Financial Statements 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of consolidation (cont'd)

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

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

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

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

Changes of interests in subsidiaries

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

3.1.3 Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business combinations (cont'd)

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

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

Common control business combination

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

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

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

3.1.4 Loss of control

When the Company loses control of a subsidiary:

(i) It derecognises the assets and liabilities, non-controlling interests, and other amounts previously recognised in other comprehensive income relating to the former subsidiary.

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

(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.

Notes to the Financial Statements 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.5 Non-controlling interests

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

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

3.1.6 Associate

Associate is an entity in which the Group has significant influence, but no control, over their financial and operating policies. The Group's investments in its associate are accounted for using the equity method. Under the equity method, investment in an associate is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

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

The financial statements of the associate 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.

Notes to the Financial Statements
30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.6 Associate (cont'd)

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, investment 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.

3.2 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.

Notes to the Financial Statements
30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment (cont'd)

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
Solar power plant	20 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 power plant under construction for intended use as production facilities. The solar power 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
30 June 2022

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 asset, 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.

Notes to the Financial Statements 30 June 2022

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 ("FVOCI") and fair value through profit or loss ("FVTPL").

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 2022

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 FVOCI, 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 FVTPL, 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 FVOCI 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 FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

At the reporting date, the Group and the Company carry financial assets at amortised cost on their statements 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.

Notes to the Financial Statements 30 June 2022

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 2022

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 FVTPL

Financial liabilities at amortised cost

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.

Financial liabilities at FVTPL

Financial liabilities at FVTPL 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.

Notes to the Financial Statements
30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU 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 Statements 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.

Notes to the Financial Statements 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision is discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.13 Concession assets

The Group recognises revenue from the construction and upgrading of infrastructure project under build-operate-transfer agreement ("BOT") in accordance with the accounting policy for construction contracts set out in Note 3.14.

The Group recognises the consideration receivable as a concession asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Concession assets are accounted for in accordance with the accounting policy of a financial asset set out in Note 3.7.

Capital expenditures necessary to support the Group's operation as a whole are recognised as property, plant and equipment, and accounted for in accordance with the policy stated under property, plant and equipment in Note 3.2. Cost and expenditures related to the building of power transmission system are recognised as construction cost in profit or loss in the financial year it incurred.

When the Group has contractual obligations that it must fulfil as a condition of its BOT agreement to maintain the infrastructure to a specified standard or to restore the infrastructure when the infrastructure has deteriorated below a specified condition, it recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 3.12.

Repairs and maintenance and other expenses that are routine in nature are recognised in profit or loss as incurred.

3.14 Revenue

3.14.1 Revenue from contract customer

Revenue from contract customer is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Notes to the Financial Statements
30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue (cont'd)

3.14.1 Revenue from contract customer (cont'd)

Construction contracts

The Group's contract revenue is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use. Hence, it is accounted for as a single performance obligation.

Revenue is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, net of discount. The Group's contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Variation claim gives rise to a variable consideration which are estimated at either the expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not be reversed.

For contracts with deferred payment scheme, the Group adjusts the promised consideration for the effects of the significant financing component using the discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception. The significant financing component is recognised as finance income in the profit or loss over the credit period using the effective interest rate applicable at the inception date.

Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group's revenue and profits for construction contracts are recognised over time arising from the fulfillment of the following criteria:

- The customer of the construction contracts simultaneously receives and consumes the benefits provided as the construction service progress.
- The construction service relates to the creation or enhancement of an asset or a combination of assets which the customer controls.
- The construction service does not create an asset with an alternative use to the Group and 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.

Notes to the Financial Statements
30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue (cont'd)

3.14.1 Revenue from contract customer (cont'd)

Construction contracts (cont'd)

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.

Revenue from operation and maintenance services

Operation and maintenance service income is recognised in the accounting period in which the services are rendered.

3.14.2 Other revenue

Other revenue earned by the Group and the Company are recognised on the following bases:

- Management fee income is recognised when services are rendered.
- Dividend income is recognised when the Company's right to receive payment is established.
- Interest income is recognised on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

3.15 Employee benefits

3.15.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Employee benefits (cont'd)

3.15.2 Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3.15.3 Share-based compensation

The Group's SGP (implemented on 8 March 2012), an equity-settled, share-based compensation plan, allows eligible employees of the Group to be entitled for ordinary shares of the Group. The total fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in the share capital upon allotment of shares. The fair value of shares is measured at grant date.

In its separate financial statements of the 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.

3.17 Tax expense

Tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

3.17.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

Notes to the Financial Statements
30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax expense (cont'd)

3.17.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Statements of Financial Position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.18 Contingencies

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	Solar power plant 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 2020	3,999	3,937	48,260	-	4,769	80,381	4,633	14,339	-	21,384	181,702
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	(2,273)	(75)	4	474	26	(1,843)
At 30 June 2021	3,999	3,937	48,088	-	5,013	76,041	3,844	15,480	60,933	30,724	248,059
Additions/(reversal)	6,972	-	-	40,287	(136)	1,335	1,511	1,613	-	3,067	54,649
Reclassification	-	-	-	60,459	-	7,280	-	-	(60,459)	(7,280)	-
Disposals	-	-	-	-	(15)	-	(320)	(21)	-	(44)	(400)
Lease termination	-	-	-	-	-	-	-	-	-	(898)	(898)
Written off	-	-	-	-	-	-	-	-	-	(1,378)	(1,378)
Translation differences	-	-	-	4,847	18	4,318	140	54	(474)	713	9,616
At 30 June 2022	10,971	3,937	48,088	105,593	4,880	88,974	5,175	17,126	-	24,904	309,648
Accumulated depreciation											
At 1 July 2020	-	410	3,052	-	965	13,977	3,072	7,547	-	7,737	36,760
Charge for the financial year	-	59	621	-	263	4,041	604	2,281	-	4,013	11,882
Disposals	-	-	-	-	-	-	(650)	(16)	-	-	(666)
Lease termination	-	-	-	-	-	-	-	-	-	(719)	(719)
Written off	-	-	-	-	-	(4)	-	(26)	-	-	(30)
Translation differences	-	-	-	-	-	(259)	(41)	5	-	(6)	(301)
At 30 June 2021	-	469	3,673	-	1,228	17,755	2,985	9,791	-	11,025	46,926
Charge for the financial year	-	59	961	2,175	436	4,295	493	2,079	-	3,932	14,430
Reclassification	-	-	-	-	-	3,640	-	-	-	(3,640)	-
Disposals	-	-	-	-	(4)	-	(320)	(7)	-	(44)	(375)
Lease termination	-	-	-	-	-	-	-	-	-	(291)	(291)
Written off	-	-	-	-	-	-	-	-	-	(1,328)	(1,328)
Translation differences	-	-	-	89	2	965	126	28	-	88	1,298
At 30 June 2022	-	528	4,634	2,264	1,662	26,655	3,284	11,891	-	9,742	60,660
Carrying amount											
At 30 June 2022	10,971	3,409	43,454	103,329	3,218	62,319	1,891	5,235	-	15,162	248,988
At 30 June 2021	3,999	3,468	44,415	-	3,785	58,286	859	5,689	60,933	19,699	201,133

Notes to the Financial Statements 30 June 2022

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 2020	175	3	320	2,039	2,122	4,659
Additions	-	-	-	132	-	132
At 30 June 2021	175	3	320	2,171	2,122	4,791
Additions	-	-	-	89	-	89
Disposal	-	-	(320)	-	-	(320)
At 30 June 2022	175	3	-	2,260	2,122	4,560
Accumulated depreciation						
At 1 July 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
Charge for the financial year	18	1	10	246	426	701
Disposal	-	-	(320)	-	-	(320)
At 30 June 2022	65	2	-	1,627	1,723	3,417
Carrying amount						
At 30 June 2022	110	1	-	633	399	1,143
At 30 June 2021	128	2	10	790	825	1,755

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

	Group 2022 RM'000	Group 2021 RM'000
Freehold lands	10,971	3,999
Leasehold land	1,373	-
Buildings	41,849	38,333
Solar power plant	103,329	-
Right-of-use assets (Tools and equipment)	-	4,370
	157,522	46,702

Notes to the Financial Statements
30 June 2022

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 2020	1,457	4,260	7,930	13,647
Lease termination	(283)	-	-	(283)
Additions	2,891	136	84	3,111
Acquisition of subsidiary	7,205	-	-	7,205
Depreciation	(1,421)	(1,357)	(1,235)	(4,013)
Translation differences	32	-	-	32
At 30 June 2021	9,881	3,039	6,779	19,699
Lease termination	(607)	-	-	(607)
Additions	2,950	117	-	3,067
Written off	-	(50)	-	(50)
Depreciation	(1,520)	(1,218)	(1,194)	(3,932)
Reclassification	-	-	(3,640)	(3,640)
Translation differences	625	-	-	625
At 30 June 2022	11,329	1,888	1,945	15,162
Company				
At 1 July 2020	-	1,249	-	1,249
Depreciation	-	(424)	-	(424)
At 30 June 2021	-	825	-	825
Depreciation	-	(426)	-	(426)
At 30 June 2022	-	399	-	399

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.

Notes to the Financial Statements 30 June 2022

5. INTANGIBLE ASSETS

	Rights RM'000	Goodwill RM'000	Total RM'000
Group			
Cost			
At 1 July 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
Translation differences	5,120	-	5,120
At 30 June 2022	114,713	3,304	118,017
Accumulated amortisation			
At 1 July 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
Amortisation during the financial year	4,075	-	4,075
Translation differences	838	-	838
At 30 June 2022	25,218	-	25,218
Carrying amount			
30 June 2022	89,495	3,304	92,799
30 June 2021	89,288	3,304	92,592

	Group	
	2022 RM'000	2021 RM'000
Rights:		
- Cambodia's concession asset	72,292	71,414
- MRT2 project	283	954
- Solar power plant	16,920	16,920
	89,495	89,288

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.

Notes to the Financial Statements
30 June 2022

5. INTANGIBLE ASSETS (CONT'D)

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 January 2023. The right is amortised based on the stage of completion over the construction period.

iii. Solar power plant

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 power plant in Cambodia via long-term Power Purchase Agreements with Electricite du Cambodge under the Built, Own and Operate model. The solar farm plant is completed in January 2022 and the operation started on 1 February 2022. Thus, the right is amortised over a period of 20 years starting from 1 February 2022.

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	
	2022 RM'000	2021 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 8% (2021: 1% to 8%) per annum.
- Expenses were projected at annual increase of approximately 1% to 10% (2021: 1% to 10%) per annum.
- A pre-tax discount rate range of 7% to 10% (2021: 7% to 8%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the Group plus a reasonable risk premium.

With regards to the assessments of value-in-use of these CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying amount of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

Notes to the Financial Statements
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6. INVESTMENT IN SUBSIDIARIES

	Company 2022 RM'000	2021 RM'000
Unquoted shares, at cost	214,802	214,778
Contributions to subsidiaries - Share Grant Plan	3,127	3,127
	217,929	217,905

6.1 Details of the subsidiaries are as follows:

Name of company	Principal place of business	Effective interest 2022 %	Effective interest 2021 %	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	100	Investment holding company.
PESTECH (Cambodia) PLC ("PCL") (a)	Cambodia	94.7	94.7	Construction of electrical substation and transmission line.
PESTECH (PNG) Ltd. ("PNG") (c)	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") (c)	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 Aerotrain Sdn. Bhd. ("PAS") *	Malaysia	100	-	Inactive.

Notes to the Financial Statements
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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows (cont'd):

Name of company	Principal place of business	Effective interest 2022 %	Effective interest 2021 %	Principal activities
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. 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.
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	94.7	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	56.8	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	51.1	Provision of microgrid system and other power infrastructure to the rural areas in Myanmar.

Notes to the Financial Statements
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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows (cont'd):

Name of company	Principal place of business	Effective interest 2022 %	Effective interest 2021 %	Principal activities
Subsidiaries of PEN:				
PESTECH Solutions Sdn. Bhd. ("PSN")	Malaysia	100	100	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	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	Supplying, installing, maintaining, repairing and operating power substation and power transmission.
PESTECH Power One Sdn. Bhd. ("PP1")	Malaysia	100	100	Investment holding company.
PESTECH Aerotrain Sdn. Bhd. ("PAS") *	Malaysia	-	100	Inactive.
Astoria Solar Farm Sdn. Bhd. ("ASF")	Malaysia	100	100	Investment holding company.
PESTECH REI Sdn. Bhd. ("REI")	Malaysia	90	90	Inactive.
PESTECH Pluginfinite Sdn. Bhd. ("PLUG")	Malaysia	100	-	Inactive.
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") (a)	Cambodia	94	94	Establish the infrastructure of power sector such as electric power generation, power transmission, power distribution and operation in Cambodia.

Notes to the Financial Statements
30 June 2022

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows (cont'd):

Name of company	Principal place of business	Effective interest 2022 %	Effective interest 2021 %	Principal activities
Subsidiaries of PSB:				
PESTECH (Brunei) Sdn. Bhd.("PBR") [c]	Brunei	90	90	Inactive.
PESTECH Transmission Limited ("PTL") [c]	Ghana	100	100	Inactive.
PESETCH GTI Sdn. Bhd. ("GTI")	Malaysia	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.
Subsidiary of PTR:				
Pestech Transmission CDI SARL ("PTCS") [c]	Africa	100	-	Construction services.

(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.
* The Company has undertaken and completed an internal reorganisation of group structure which entailed the transfer of shares in the subsidiary.
@ The subsidiary has been wound-up via voluntary administration procedure and de-registered on 2 March 2022.
# Pledged as security for term loan facility granted to a subsidiary.

Notes to the Financial Statements
30 June 2022

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.2 Non-controlling interests ("NCI") in subsidiaries

The information of NCI are as follows:

	OPL RM'000	DPL RM'000	PCL RM'000	Others RM'000	Total RM'000
2022					
Percentage of ownership interest and voting interest	30%	40%	5.3%		
Carrying amount of NCI	38,033	130,988	6,297	(976)	174,342
Profit/(Loss) allocated to NCI	9,349	14,571	27	(343)	23,604
Total comprehensive income/(loss) allocated to NCI	11,375	28,558	1,236	(440)	40,729
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

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
2022			
Financial position as at 30 June			
Non-current assets	161	551,150	541,415
Current assets	586,632	127,508	761,262
Non-current liabilities	(192,163)	(218,015)	(369,122)
Current liabilities	(267,855)	(133,173)	(813,833)
Net assets	126,775	327,470	119,722

Notes to the Financial Statements
30 June 2022

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	PCL RM'000
2022 (cont'd)			
Summary of financial performance for the financial year ended 30 June			
Profit for the year	31,162	36,428	517
Other comprehensive income	6,754	34,967	22,992
Total comprehensive income	37,916	71,395	23,509
Included in total comprehensive income is:			
Revenue	110,526	22,533	225,295
Summary of cash flows for the financial year ended 30 June			
Net cash (used in)/from operating activities	(71,390)	72,277	4,752
Net cash used in investing activities	-	-	(1,190)
Net cash from/(used in) financing activities	70,662	(65,226)	(60,116)
Net cash (outlow)/inflow	(728)	7,051	(56,554)
Other information			
Dividends paid to non-controlling interests	-	-	(113)
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	21,840	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

Notes to the Financial Statements
30 June 2022

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 Addition/disposal of subsidiaries

2022

(a) On 2 August 2021, PSB incorporated a wholly-owned subsidiary, GTI with paid-up capital of RM1 comprising 1 share.

(b) On 10 November 2021, the ownership of PAS was transferred from PPW to PTE with paid-up capital of RM1 comprising 1 share. Subsequently, PAS ownership was transferred from PTE to the Company on 12 April 2022 with same consideration and number of share.

(c) On 15 December 2021, PTR incorporated a wholly-owned subsidiary, PTCS with paid up capital of XOF1,000,000, which is equivalent to RM7,273.

(d) On 2 March 2022, SEN, a 51%-owned Australian subsidiary of the Company is successfully wound-up and de-registered by the Australian Securities & Investments Commission.

The effect of the winding up of PEN on the financial position of the Group as at the date of derecognised was as follows:

	RM'000
Other payables/net liabilities	2,107
Non-controlling interests	(2,115)
Loss on winding up of a subsidiary	(8)

(e) On 31 March 2022, PPW incorporated a wholly-owned subsidiary, PLUG with paid up capital of RM1 comprising 1 share.

(f) On 1 April 2022, the Company paid up the capital contribution of 300,000 Baht (equivalent to RM24,657) of PSS.

(g) On 30 June 2022, ASF subscribed for additional 935,300 shares of USD1 each of GSV by way of capitalisation of USD935,000 (equivalent to RM4,121 million) from amount due from GSV.

2021

(a) On 27 July 2020, PSB 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.

(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).

Notes to the Financial Statements
30 June 2022

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 Addition/disposal of subsidiaries (cont'd)

2021 (cont'd)

(c) Cont'd

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.

7. INVESTMENT IN ASSOCIATES

	Group	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	137	137
Share of post-acquisition reserve	1,093	749
	1,230	886

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7. INVESTMENT IN ASSOCIATES (CONT'D)

The particulars of the associates are as follows:

Name of company	Principal place of business	Effective interest 2022 %	Effective interest 2021 %	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. DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	Contract/ notional amount RM'000	Assets/ (Liabilities) RM'000	Contract/ notional amount RM'000	(Liabilities) RM'000
Group				
Non-current				
FVTPL:				
Forward currency contracts				
- Non-current	186,051	(4,271)	162,593	(941)
- Current	17,039	(535)	-	-
		(4,806)		(941)
Hedging derivative:				
Interest rate swap contracts				
- Non-current	185,576	(1,993)	416,900	(26,864)
- Non-current	192,243	2,975	-	-
		982		(26,864)
		(3,824)		(27,805)

Notes to the Financial Statements
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8. DERIVATIVE FINANCIAL INSTRUMENTS (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 loss of RM4,483,612 (2021: gain of RM4,372,618) arising from fair value changes of forward currency contracts and the proceeds from utilisation of derivative financial instruments amounting RM3,764,848 in prior year. 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 2022 and 2021, 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 28% (2021: 34%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 4.5% and 5.76% (2021: 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:

	2022 RM'000	2021 RM'000
Carrying amount (Assets/(liabilities))	982	(26,864)
Notional amount	377,819	416,900
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.

Notes to the Financial Statements 30 June 2022

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

There was no recognised ineffectiveness during 2022 or 2021 in relation to the interest rate swaps.

The Group recognised a gain of RM28,342,534 (2021: RM12,629,969) arising from fair value changes of derivative financial instruments in other comprehensive income.

9. CONTRACT ASSETS/CONTRACT LIABILITIES

	Group	
	2022 RM'000	**2021 RM'000**
Contract assets		
Contract assets from a customer on concession arrangement [(a)]	555,979	532,455
Contract assets from customers on construction contracts [(b)]	1,591,785	1,358,763
	2,147,764	1,891,218
Presented by:		
Non-current	956,942	956,577
Current	1,190,822	934,641
	2,147,764	1,891,218
Contract liabilities - current		
Contract liabilities from customers on construction contracts [(b)]	2,377	3,089

(a) Concession arrangement

	Group	
	2022 RM'000	**2021 RM'000**
At 1 July	532,455	545,826
Revenue recognised during the year	22,533	21,840
Interest income arising from contract with customers	45,665	44,153
Progress billings issued during the year	(64,507)	(62,756)
Translation differences	19,833	(16,608)
At 30 June	555,979	532,455
Presented by:		
Non-current	475,683	456,823
Current	80,296	75,632
	555,979	532,455

Notes to the Financial Statements
30 June 2022

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

(a) Concession arrangement (cont'd)

Concession assets from customer on concession arrangement represent revenue recognised from concession agreement entered by PPW, which was 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.

(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	
	2022 RM'000	2021 RM'000
Contract assets	1,591,785	1,358,763
Contract liabilities	(2,377)	(3,089)
	1,589,408	1,355,674

	Group	
	2022 RM'000	2021 RM'000
At 1 July	1,355,674	1,277,515
Revenue recognised during the year	679,245	851,844
Progress billings issued during the year	(553,029)	(752,471)
Finance income recognised	11,984	4,318
Translation differences	95,534	(25,532)
At 30 June	1,589,408	1,355,674
Presented by:		
Non-current	481,259	499,754
Current	1,108,149	855,920
	1,589,408	1,355,674

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

Notes to the Financial Statements
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10. INVENTORIES

	Group	
	2022	2021
	RM'000	RM'000
Work-in-progress	12,364	3,972
General stocks	16,206	17,663
	28,570	21,635

The inventories recognised as cost of sales in profit or loss for the financial year is RM502,141,932 (2021: RM582,174,280).

11. TRADE RECEIVABLES

	Group	
	2022	2021
	RM'000	RM'000
Trade receivables	82,405	97,502
Retention sums on contracts	139,769	119,734
	222,174	217,236

Trade receivables are non-interest bearing and the normal credit terms granted by the Group range from 30 to 60 days (2021: 30 to 60 days).

12. OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Other receivables	9,371	18,310	52	63
Advanced payments to suppliers	48,501	4,155	-	-
Deposits	3,145	3,895	207	207
Prepayments	25,078	24,283	224	314
GST/VAT receivable	22,775	15,518	-	-
	108,870	66,161	483	584

13. AMOUNT DUE FROM/TO ASSOCIATE/RELATED COMPANIES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(a) Subsidiaries (Non trade):				
Amount due from	-	-	392,513	304,208
Amount due to	-	-	(217,994)	(215,462)
	-	-	174,519	88,746

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13. AMOUNT DUE FROM/TO ASSOCIATE/RELATED COMPANIES (CONT'D)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(b) Associate (Trade):				
Amount due from	2,833	150	-	-

Included in amount due from subsidiaries is dividend receivable from subsidiaries amounted to RM1,900,723 (2021: RM13,475,330).

The amount due from associate are unsecured, receivable on demand and interest free.

The amount due from/to subsidiaries are unsecured, receivable/repayable on demand and subject to interest rate ranging from 3.78% to 4.36% (2021: 4.45% to 4.90%) per annum.

14. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed deposits with licensed institutions	50,358	17,890	24,033	29
Cash and bank balances	118,622	184,440	4,033	8,684
	168,980	202,330	28,066	8,713

The effective interest rates of fixed deposits with licensed institutions ranges from 1.63% to 4.25% (2021: 1.63% to 3.10%) per annum. The maturity periods of the fixed deposits ranges from 1 to 365 days (2021: 1 to 365 days).

The Group has maintained debt service reserve balances amounting to RM68,725,870 (2021: RM61,724,456) under cash and bank balances, as security for banking facilities granted to respective subsidiaries. The Group's and the Company's fixed deposits are pledged to licensed banks for banking facilities granted to respective subsidiaries.

15. SHARE CAPITAL

Group and Company

	Number of shares		Amount	
	2022 Unit'000	2021 Unit'000	2022 RM'000	2021 RM'000
Issued and fully paid with no par value:				
At 1 July	764,294	764,294	212,672	212,672
Bonus issue	191,073	-	-	-
Private placement	36,854	-	20,270	-
At 30 June	992,221	764,294	232,942	212,672

During the financial year, the Company issued:

(i) 191,073,299 new ordinary shares through a bonus issue on the basis of two (2) new ordinary shares for every eight (8) existing ordinary shares held in the Company, which was completed on 16 December 2021; and

(ii) 36,854,600 new ordinary shares at an issue price of RM0.55 each pursuant to first tranche of the private placement exercise, which was completed on 22 March 2022.

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.

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16. TREASURY SHARES

Group and Company

	Number of shares		Amount	
	2022 Unit'000	2021 Unit'000	2022 RM'000	2021 RM'000
At 1 July	3,121	1,163	2,345	918
Repurchase	3,765	1,958	1,838	1,427
Bonus issue	780	-	-	-
At 30 June	7,666	3,121	4,183	2,345

The shareholders of the Company, by a resolution passed at Annual General Meeting held on 27 June 2013, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy-Back"). The authority granted by the shareholders was subsequently renewed in the last Annual General Meeting held on 25 November 2021. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

The Company repurchased 3,764,600 (2021: 1,957,700) of its ordinary shares from the open market at an average price of RM0.49 (2021: RM0.73) (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 7,666,100 (2021: 3,121,200) treasury shares out of its 992,221,471 (2021: 764,293,572) issued ordinary shares. The treasury shares are held at a carrying amount of RM4,183,085 (2021: RM2,344,948).

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

17. RESERVES

	Group	
	2022 RM'000	2021 RM'000
Non-distributable reserve:		
Merger deficit	(33,137)	(33,137)
Exchange translation reserve	24,855	570
Capital reserve	8,534	8,534
Fair value reserve	(1,336)	(24,033)
	(1,084)	(48,066)

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.

Notes to the Financial Statements
30 June 2022

17. RESERVES (CONT'D)

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.

18. PERPETUAL SUKUK

	Group and Company	
	2022 RM'000	2021 RM'000
Nominal value	100,000	48,550

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

In previous financial year, the Company issued one tranche two series of Perpetual SUKUK Musharakah Programme with total nominal value of RM48,550,000. During the financial year, the Company issued another three series with total nominal value of RM51,450,000 under the Tranche 1 Perpetual SUKUK Musharakah Programme.

The Perpetual SUKUK was issued with a tenure of perpetual non-callable of 3 years, where first call date is 16 October 2023, with an initial periodic distribution rate of 6% per annum.

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 2022, a periodic distribution for Perpetual SUKUK was paid amounting to RM3,744,210 (2021: 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.

Notes to the Financial Statements
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19. LEASE LIABILITIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 July	12,997	7,404	603	1,016
Additions	2,444	1,057	-	-
Acquisition of subsidiary	-	8,022	-	-
Accretion of interest	949	574	17	35
Lease termination	(665)	(270)	-	-
Payments:				
- Principal	(2,500)	(3,352)	(431)	(413)
- Interests	(949)	(574)	(17)	(35)
Translation reserve	559	136	-	-
At 30 June	12,835	12,997	172	603
Presented as:				
Current	2,256	2,033	137	431
Non-current				
- between 2 to 5 years	3,731	10,871	35	172
- more than 5 years	6,848	93	-	-
	10,579	10,964	35	172
	12,835	12,997	172	603

The Group's and the Company's leases bear interest at rates range from 2.25% to 7.00% and 2.26% to 2.35% (2021: 2.00% to 7.20% and 2.26% to 2.35%) per annum respectively.

20. LOANS AND BORROWINGS (SECURED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
- Term loans	780,147	757,857	-	-
Current				
- Bank overdrafts	45,967	27,629	316	704
- Bankers' acceptances	24,653	39,873	-	1,019
- Term loans	119,459	98,132	-	-
- Trust receipts	129,596	146,022	-	-
- Revolving credit	261,683	180,210	80,666	48,966
	581,358	491,866	80,982	50,689
	1,361,505	1,249,723	80,982	50,689

Notes to the Financial Statements 30 June 2022

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

The particulars of term loans are as follows:

		Group 2022 RM'000	2021 RM'000
(a)	A 9-year 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.	22,892	26,266
(b)	A 7-year term loan of RM7.6 million which is repayable by 83 equal monthly installments of RM90,000 and a final installment of RM130,000. The loan is fully settled in June 2022.	-	1,120
(c)	A 20-year term loan of RM6.75 million which is repayable by 120 equal monthly installments of RM20,617 and RM21,915 until full settlement of the Facility, commencing 1 month after full drawdown on 1 November 2016.	5,215	5,560
(d)	A 7-year term loan of USD50 million (equivalent to RM220 million) with the first installment payable on 2 September 2019. The installments range from USD5.3 million (equivalent to RM23.4 million) to USD11 million (equivalent to RM48.5 million) per year.	192,244	220,718
(e)	A 9-year term loan of USD50 million (equivalent to RM220 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 RM10.4 million) per month.	208,569	196,456
(f)	A 9-year term loan of USD50 million (equivalent to RM220 million) which is repayable by 16 semi-annual installments commencing 18 months after first drawdown in April 2019. The repayment timing changed from semi-annual to monthly repayment starting from July 2021. The installments range from USD0.4 million (equivalent to RM1.76 million) to USD0.5 million (equivalent to RM2.2 million) per month.	171,912	184,764
(g)	A 5-year term loan of USD9.5 million (equivalent to RM41.87 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 RM872,418) and KHR214 million (equivalent to RM235,400) respectively.	23,162	34,293
(h)	A 13-year term loan of USD16 million (equivalent to RM70.5 million) which are repayable by 144 installments commencing 12 months after first drawdown in June 2021. The installments are amounting to USD162,416 (equivalent to RM715,930).	69,323	37,883
(i)	A 8-year term loan of USD45.5 million (equivalent to RM200.6 million) which are repayable by 144 installments commencing 12 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 RM1.32 million) for moratorium date and USD600,000 (equivalent to RM2.64 million).	192,047	109,662
(j)	A term loan of RM49.6 million which is repayable by 24 months commencing in February 2021.	10,333	39,267
(k)	A 12-year term loan of RM6.4 million which are repayable by 144 monthly principal installments of RM44,445 and final monthly principal installment of RM44,365 to be commenced on 1 July 2025.	3,909	-
		899,606	855,989

Notes to the Financial Statements
30 June 2022

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

Term loans (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 loans (b) and (j) are obtained by way of corporate guarantee by the Company and term loan (b) is further secured by specific debenture over tools and equipment of a subsidiary.

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.

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.

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.

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.

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.

Notes to the Financial Statements
30 June 2022

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

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.

Term loan (k) is secured by:

(i) Assignment over the rights, title and interest of the land; and
(ii) Corporate guarantee from the Company

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;
(xv) Bankers' acceptance undertaking and indemnity; and
(xvi) Facility agreement as principal instrument; and
(xvii) An open monies third party legal charge over a property.

The borrowings of the Company are secured by corporate guarantee by a subsidiary of the Company.

Notes to the Financial Statements
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20. LOANS AND BORROWINGS (SECURED) (CONT'D)

The effective interest rates per annum are as follows:

	Group		Company	
	2022 %	2021 %	2022 %	2021 %
Term loans	3.00 - 7.50	4.00 - 8.00	-	-
Bank overdrafts	6.45 - 8.50	5.74 - 8.50	6.60	6.60
Bankers' acceptances	3.97 - 5.11	2.28 - 4.71	-	2.28 - 3.24
Trust receipts	1.16 - 5.03	1.16 - 6.67	-	-
Revolving credit	3.27 - 5.05	3.77 - 7.20	3.85 - 3.95	3.93 - 5.04

21. DEFERRED TAX LIABILITIES

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

	Property, plant and equipment RM'000	Unutilised industrial building allowances RM'000	Total RM'000
Group			
At 1 July 2020	2,379	(105)	2,274
Recognised in profit or loss (Note 29)	1,348	-	1,348
Translation reserve	(49)	-	(49)
At 30 June 2021	3,678	(105)	3,573
Recognised in profit or loss (Note 29)	1,416	(531)	885
Translation reserve	235	-	235
At 30 June 2022	5,329	(636)	4,693

22. TRADE PAYABLES

	Group	
	2022 RM'000	2021 RM'000
Non-current		
Trade payables	21,722	4,045
Current		
Trade payables (included accrued contract costs)	549,849	499,973
Retention sums on contracts	22,582	24,199
	572,431	524,172
	594,153	528,217

Included in trade payables of the Group is an amount due to related parties by virtue of common Directors amounting to RM98,181 (2021: RM902,986) which is unsecured, non-interest bearing and the normal credit term granted by the related parties is 90 days (2021: 90 days).

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22. TRADE PAYABLES (CONT'D)

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 (2021: 14 days to 2 years).

23. OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other payables	16,460	32,187	222	183
Deposits received	92,261	65,326	-	-
Accruals	8,123	6,465	521	571
Sales and Services Tax payable	817	1,068	-	-
	117,661	105,046	743	754

Included in other payables of the Group are:

(i) an amount of Nil (2021: RM8,101,000) due to NCI in relation to balancing acquisition price of GSV.

(ii) an amount of RM2,999,828 (2021: RM2,825,609) arising from the land compensation for a project carry out by a subsidiary.

(iii) an amount of RM150,000 (2021: Nil) due to a Director in a subsidiary.

(iv) an amount of RM2,491,276 (2021: Nil) owing in relation to the purchase of a freehold land.

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

24. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contract with customers:				
Sales of products	7,617	10,139	-	-
Rendering of services under construction contracts	679,245	851,844	-	-
Operation and maintenance services	5,695	5,540	-	-
Concession revenue	22,533	21,840	-	-
Management fee income	-	-	10,433	15,395
	715,090	889,363	10,433	15,395
Revenue from other source:				
Dividend income	-	-	23,832	13,475
	715,090	889,363	34,265	28,870
Timing of recognition				
- Satisfied over time	651,241	879,224	10,433	15,395
- Satisfied at a point in time	63,849	10,139	-	-
	715,090	889,363	10,433	15,395

Notes to the Financial Statements
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25. OPERATING EXPENSES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Direct costs				
- Raw materials and consumables	502,142	582,174	-	-
- Production overheads	51,584	58,200	-	-
	553,726	640,374	-	-
Employee benefit expenses				
- Directors' remuneration	6,416	6,810	3,307	4,003
- Salaries, wages, bonuses and other emoluments	59,444	54,446	6,510	6,651
- Defined contribution plan	5,786	5,744	791	806
- Social security contributions	435	455	53	54
- Other benefits	5,055	7,878	573	227
	77,136	75,333	11,234	11,741
Directors' fee	166	166	166	166
Depreciation and amortisation				
- Property, plant and equipment	14,430	11,882	701	786
- Intangible assets	4,075	5,876	-	-
	18,505	17,758	701	786
Short-term leases				
- Rental of premises	3,335	2,951	745	747
- Rental of motor vehicles	787	28	-	-
	4,122	2,979	745	747
Others				
Auditors' remuneration:				
- Grant Thornton Malaysia PLT				
- Audit services	280	273	53	46
- Other services	60	113	14	81
- Other auditors				
- Member firm of Grant Thornton International Ltd.	224	198	-	-
- Others	13	7	-	-
Other expenses	24,416	25,335	6,324	3,573
	678,648	762,536	19,237	17,140

Notes to the Financial Statements
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26. OTHER OPERATING INCOME

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Sundry income	1,636	3,044	-	1

27. OTHER GAINS AND LOSSES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fair value (loss)/gain on derivative financial instruments	(4,484)	4,373	-	-
Loss on winding up of a subsidiary	(8)	-	-	-
Gain on disposal of property, plant and equipment	177	223	158	-
Property, plant and equipment written off	(50)	(92)	-	-
Realised gain/(loss) on foreign exchange	461	(2,799)	(47)	(2)
Unrealised gain/(loss) on foreign exchange	12,703	(6,628)	(4,492)	(2,766)
	8,799	(4,923)	(4,381)	(2,768)

28. FINANCE INCOME/COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Finance income				
Interest income	890	278	193	5
Interest income charged to subsidiaries	-	-	12,595	9,976
Interest income arising from contracts with customers	57,649	48,471	-	-
	58,539	48,749	12,788	9,981

Notes to the Financial Statements
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28. FINANCE INCOME/COSTS (CONT'D)

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Finance costs				
Bank overdrafts	1,764	2,062	1,504	2,066
Lease liabilities	949	574	17	35
Interest expense charged by subsidiaries	-	-	7,855	9,557
Short-term borrowings	9,707	14,048	-	-
Term loans	50,007	37,701	-	-
Amortisation of unwinding discount of financial liabilities	1,659	5,911	-	-
	64,086	60,296	9,376	11,658

29. TAX EXPENSE/(INCOME)

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Current year:				
- current tax	6,118	10,592	33	1,027
- deferred tax (Note 21)	885	1,348	-	-
	7,003	11,940	33	1,027
Prior years:				
- current tax	(2,659)	(970)	(102)	(398)
	4,344	10,970	(69)	629

Malaysian income tax is calculated at the statutory rate of 24% (2021: 24%) of the estimated taxable profits for the financial year.

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

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29. TAX EXPENSE/(INCOME) (CONT'D)

A reconciliation of income tax expense applicable to profit before tax of the applicable statutory tax rate to income tax expense of the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	41,674	113,650	14,059	7,286
At Malaysian statutory tax rate of 24% (2021: 24%)	10,002	27,276	3,374	1,748
Effects of different tax rates in overseas subsidiaries	(259)	(449)	-	-
Tax effects in respect of:				
- expenses not deductible for tax purposes	7,965	18,556	4,275	4,182
- income not subject to tax	(8,678)	(7,636)	(7,667)	(4,602)
- movement of deferred tax assets not recognised during the financial year	6,716	380	51	(301)
- exemption under qualified investment project in foreign subsidiary	(8,743)	(26,187)	-	-
- overprovision in prior years	(2,659)	(970)	(102)	(398)
	4,344	10,970	(69)	629

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment	3,511	3,930	183	188
Unabsorbed tax losses	(75,254)	(49,876)	(10,328)	(10,328)
Unutilised capital allowances	(5,715)	(3,785)	-	-
Others	(387)	(129)	(205)	-
	(77,845)	(49,860)	(10,350)	(10,140)

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 as they are not foreseen to be realised in the near future.

Effective Year of Assessment 2019 as announced in the Annual Budget 2022, the unabsorbed tax losses of the Company as of 30 June 2019 and thereafter will be available for carry forward for a period of 10 (2021:7) consecutive years. Upon expiry of the 10 (2021:7) years, the unabsorbed tax losses will be disregarded.

Notes to the Financial Statements
30 June 2022

29. TAX EXPENSE/(INCOME) (CONT'D)

The expiry of the unabsorbed tax losses is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Carry forward up to:				
Year of assessment 2025	-	5,303	-	4,991
Year of assessment 2026	-	3,744	-	1,208
Year of assessment 2027	-	37,540	-	4,129
Year of assessment 2028	5,303	3,289	4,991	-
Year of assessment 2029	3,744	-	1,208	-
Year of assessment 2030	39,474	-	4,129	-
Year of assessment 2031	2,908	-	-	-
Year of assessment 2032	23,825	-	-	-
	75,254	49,876	10,328	10,328

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	
	2022	2021
Profit attributable to owners of the Company (RM'000)	13,726	66,213
Weighted average number of ordinary shares in issue - basic (Number of shares '000)	961,229	761,625
Bonus issue subsequent to year end, excluding treasury shares held by the Company (Number of shares '000)	-	190,293
Adjusted weighted average number of ordinary shares in issue (Number of shares '000)	961,229	951,918
Basic earnings per share (RM)	0.01	0.07

Diluted earnings per share

No diluted earnings per share is presented as the effect is anti-dilutive.

Notes to the Financial Statements
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31. CONTINGENCIES

(a) 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 totaling 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 8 December 2022 and hearing dates have not been fixed.

(b) 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 decision in their favour as a result of the adjudication proceedings initiated by PTE against LPSB under the Construction Industry Payment & Adjudication Act 2012 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 RM12,522,732.71 plus interests to PTE ("PTE Adjudication Decision").

On 19 February 2020, LPSB filed applications in the High Court to set aside/stay the Adjudication Decision ("LPSB's Setting Aside/Stay Application").

On 23 July 2020, PTE filed an application to enforce PTE Adjudication Decision ("PTE's Enforcement Application").

On 29 September 2020, the High Court dismissed LPSB's Setting Aside/Stay Application and allowed PTE's Enforcement Application.

Being dissatisfied with the High Court's decision given on 29 September 2020, LPSB filed appeals to the Court of Appeal against the said High Court's decision ("LPSB's Appeals").

The hearing for LPSB's Appeals came up on 27 October 2021. The Court of Appeal allowed LPSB's Appeals and PTE Adjudication Decision was effectively set aside.

Being dissatisfied with the Court of Appeal's decision given on 27 October 2021, PTE filed applications for leave to appeal to the Federal Court on 23 November 2021 ("PTE's Leave for Appeal").

The hearing before the Federal Court for PTE's Leave for Appeal is fixed on 1 November 2022.

Notes to the Financial Statements 30 June 2022

31. CONTINGENCIES (CONT'D)

(c) In the matter of High Court proceedings between PTE and LPSB.

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 pursuant to Section 10 of the Arbitration Act 2005 ("PTE's Stay Application").

On 20 October 2021, the High Court allowed the PTE's Stay Application.

Being dissatisfied with the High Court's decision given on 20 October 2021, LPSB filed an appeal to the Court of Appeal against the said decision of the High Court ("LPSB's Stay Appeal").

However, before the LPSB's Stay Appeal was heard before the Court of Appeal, PTE and LPSB have entered into a Consent Judgment, wherein parties have agreed to proceed with the New High Court Suit at the High Court.

This matter is fixed for a case management before the High Court on 20 October 2022.

(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 (including costs of the said adjudication proceedings) plus interests to the PSB ("Total Adjudicated Amount").

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.

As part of an agreement for DMIA to settle the outstanding amounts due and owing to PSB under the Adjudication Decision, both the PSB's Enforcement Application and the DMIA's Setting Aside Application were withdrawn with the consent of both parties on 26 November 2021, with liberty to file afresh.

As at 6 October 2022, DMIA has made a total payment in the sum of RM21,649,987.73 (without interests) towards the Total Adjudicated Amount.

Notes to the Financial Statements
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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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Subsidiaries:				
Management fee income	-	-	10,433	15,395
Dividend income	-	-	23,832	13,475
Rental expense	-	-	503	503
Interest expense	-	-	7,855	9,557
Interest income	-	-	12,595	9,976
Payment on behalf (from)/to	-	-	(11,378)	4,640
Related parties by virtue of common shareholders and/or key management personnel:				
Sales of products	162	-	-	-
Purchase of materials and services received	7,705	9,112	-	-
Rental expense	569	238	-	-

32.2 Compensation of key management personnel

Included in the employee benefit expense of the Group and of the Company are Directors' remuneration as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Executive Directors of the Company:				
Salaries and other emoluments	4,384	4,802	2,868	3,500
Defined contribution plan	341	419	341	419
Social security contributions	2	2	2	2
	4,727	5,223	3,211	3,921
Non-Executive Directors of the Company:				
Directors' other emoluments	96	82	96	82
Directors of subsidiaries:				
Salaries and other emoluments	1,593	1,505	-	-
	6,416	6,810	3,307	4,003

Notes to the Financial Statements
30 June 2022

32. RELATED PARTY DISCLOSURES (CONT'D)

32.2 Compensation of key management personnel (cont'd)

Included in the employee benefit expense of the Group and of the Company are Directors' remuneration as follows (cont'd):

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Non-Executive Directors of the Company:				
Directors' fee	166	166	166	166

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 RM71,350 (2021: RM68,640).

Other key management personnel compensation is as follows:

	Group and Company	
	2022 RM'000	**2021 RM'000**
Other key management personnel:		
- Salaries, bonuses and other emoluments	874	903
- Defined contribution plan	105	108
- Social security contributions	2	2
	981	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 13, 22 and 23 to the Financial Statements.

Notes to the Financial Statements
30 June 2022

33. FINANCIAL INSTRUMENTS

33.1 Categories of financial instruments

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

	2022			2021		
	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						
Derivative financial assets	-	-	2,975	-	-	-
Trade and other receivables	234,690	-	-	239,441	-	-
Cash and short-term deposits	168,980	-	-	202,330	-	-
Amount due from associate	2,833	-	-	150	-	-
	406,503	-	2,975	441,921	-	-
Financial liabilities						
Derivative financial liabilities	-	4,806	1,993	-	941	26,864
Trade and other payables	710,997	-	-	632,195	-	-
Loans and borrowings	1,361,505	-	-	1,249,723	-	-
	2,072,502	4,806	1,993	1,881,918	941	26,864

Notes to the Financial Statements
30 June 2022

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	
	2022	**2021**
	RM'000	**RM'000**
Company		
Financial assets		
Other receivables	259	270
Amount due from related companies	392,513	304,208
Cash and short-term deposits	28,066	8,713
	420,838	313,191
Financial liabilities		
Other payables	743	754
Amount due to related companies	217,994	215,462
Loans and borrowings	80,982	50,689
	299,719	266,905

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.

Notes to the Financial Statements
30 June 2022

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)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increase credit risk exposure. The Group extends credit only to recognised and creditworthy third parties. It is the Group's policy that all customers are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Following are the areas where the Group are exposed to credit risk:

Trade 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	
	2022 RM'000	2021 RM'000
Trade receivables	222,174	217,236
Contract assets	2,147,764	1,891,218
	2,369,938	2,108,454

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. At each reporting date, the Group assesses whether any of the trade receivables are credit impaired. The Group considers any receivables having financial difficulty or with significant outstanding balances for more than twelve months, are deemed credit impaired. This gross carrying amounts of credit impaired debtors are written off (either partially or full) when there is no realistic prospect of recovery.

In managing the credit risk of trade receivables, the Group will initiate appropriate debt recovery procedures on past due balances. Where necessary, the Group will also commence legal proceeding against the customers.

For construction contracts, as there are only a few customers, the Group assessed the risk of loss of each customer individually based on their historical collection trend from customer and external credit ratings, where applicable. All of these customers have low risk of default.

Notes to the Financial Statements
30 June 2022

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 (cont'd):

Trade receivables and contract assets (cont'd)

The Group uses an allowance matrix to measure ECL of trade receivables. There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by subsequent collection after the reporting period and historical collection trend from these customers.

In respect of trade receivables, the Group has significant exposure to several customers and as such a concentration of credit risks who are of high credit worthiness and of international repute.

	Group			
	2022		2021	
	RM'000	% of trade receivables	RM'000	% of trade receivables
Top 4 (2021: 4) customers	131,652	59	124,987	58

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

	Group			
	2022		2021	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	163,841	73.74	152,975	70.42
Cambodia	13,727	6.18	24,591	11.32
Philippines	23,753	10.69	27,138	12.49
Papua New Guinea	589	0.27	9,106	4.19
Iraq	-	-	2,971	1.37
Others	20,264	9.12	455	0.21
	222,174	100.00	217,236	100.00

Notes to the Financial Statements
30 June 2022

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 (cont'd):

Trade receivables and contract assets (cont'd)

At 30 June 2022, 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
2022				
Group				
Not past due	190,736	-	-	190,736
Past due for 1-30 days	4,889	-	-	4,889
Past due for 31-60 days	1,029	-	-	1,029
Past due for 61-90 days	538	-	-	538
Past due for 91-120 days	596	-	-	596
Past due for more than 120 days	24,386	-	-	24,386
Trade receivables	222,174		-	222,174
Contract assets	2,147,764		-	2,147,764
2021				
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

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.

Notes to the Financial Statements 30 June 2022

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 (cont'd):

Other receivables

Credit risks on other receivables are mainly arising from advanced payments and deposits to the suppliers of the Group and the Company in their normal course of business. The Group and the Company consider the other receivables to have low credit risk.

The Group and the Company are not exposed to any significant credit risk exposure to any single counterparty.

Financial guarantee

The maximum exposure of the Company to credit risk amounted to RM1,280,522,723 (2021: RM1,203,091,519), representing the outstanding banking facilities and lease facilities of the subsidiaries as at the end of the reporting year.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting year, there was no indication that any subsidiary would default on repayment.

Financial guarantees have not been recognised since the fair value on initial recognition was not material.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, loans and borrowings, the Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

Notes to the Financial Statements
30 June 2022

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	Maturity: 1 to 5 years RM'000	Maturity: More than 5 years RM'000
Group					
2022					
Derivative financial liabilities					
Forward currency contracts – gross outflow	4,806	204,972	17,632	105,792	81,548
Forward currency contracts – gross inflow	-	(203,090)	(17,039)	(105,173)	(80,878)
	4,806	1,882	593	619	670
Interest rate swap contracts	1,993	1,993	-	1,993	-
	6,799	3,875	593	2,612	670
Non-derivative financial liabilities					
Lease liabilities	12,835	19,303	2,487	6,252	10,564
Loans and borrowings	1,361,505	1,495,148	632,602	600,800	261,746
Trade and other payables	710,997	710,997	689,275	21,722	-
	2,085,337	2,225,448	1,324,364	628,774	272,310
	2,092,136	2,229,323	1,324,957	631,386	272,980

Notes to the Financial Statements
30 June 2022

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 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

Notes to the Financial Statements
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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):

(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 5 years RM'000
Company					
2022					
Non-derivative financial liabilities					
Lease liabilities	172	177	140	37	-
Loans and borrowings	80,982	80,982	80,982	-	-
Other payables	743	743	743	-	-
Amount due to related companies	217,994	217,994	217,994	-	-
	299,891	299,896	299,859	37	-
Financial guarantee to subsidiaries	-	1,414,166	551,620	600,800	261,746
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

Notes to the Financial Statements
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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):

(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
2022						
Denominated in:						
USD	23,344	17,043	(4,638)	(3,000)	(28,846)	3,903
EURO	-	2	(1,972)	-	(240)	(2,210)
CNY	-	2	(1,708)	-	(12,485)	(14,191)
PHP	6,605	7	(273)	-	-	6,339
Others	2,677	-	(429)	(1)	-	2,247
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)

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% (2021: +/-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	
	2022 RM'000	2021 RM'000
USD/RM		
- Strengthened	195	(1,076)
- Weakened	(195)	1,076
EURO/RM		
- Strengthened	(111)	(368)
- Weakened	111	368
CNY/RM		
- Strengthened	(710)	(9)
- Weakened	710	9
PHP/RM		
- Strengthened	317	38
- Weakened	(317)	(38)

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.

Notes to the Financial Statements 30 June 2022

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 Group has entered into interest rate swap in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting year were:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments:				
Fixed deposits with licensed institutions	50,358	17,890	24,033	29
Lease liabilities	(12,835)	(12,997)	(172)	(603)
Loans and borrowings	(412,680)	(416,901)	-	-
	(375,157)	(412,008)	23,861	(574)
Floating rate instruments:				
Amount due from related companies	-	-	392,513	304,208
Amount due to related companies	-	-	(217,994)	(215,462)
Loans and borrowings	(948,825)	(832,822)	(80,982)	(50,689)
	(948,825)	(832,822)	93,537	38,057

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Floating rate instruments:				
+ 50 bp	(4,744)	(4,164)	468	190
- 50 bp	4,744	4,164	(468)	(190)

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.

	2022		2021	
	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 assets/(liabilities):				
Interest rate swap contracts	982	982	(26,864)	(26,864)
Forward exchange contracts	(4,806)	(4,806)	(941)	(941)

There were no transfers between Level 1 and Level 2 during the financial year (2021: 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 30 June 2022

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
2022						
Revenue						
External customers		-	707,473	7,617	-	715,090
Inter-segment	i	12,412	254,709	46,058	(313,179)	-
Total revenue		12,412	962,182	53,675	(313,179)	715,090
Results						
Finance income		25,681	78,767	82	(45,991)	58,539
Finance costs		(25,523)	(81,555)	(1,222)	44,214	(64,086)
Depreciation and amortisation		(1,292)	(14,920)	(1,592)	(701)	(18,505)
Non-cash items other than depreciation	ii	6,055	7,192	(20)	(4,664)	8,563
Tax expense		(677)	(4,032)	-	365	(4,344)
Segment profit	iii	20,819	63,316	(9,848)	(36,957)	37,330
Assets						
Segment assets		112,364	3,143,752	16,076	(241,448)	3,030,744
Investment in associates		-	137	-	1,093	1,230
Additions to non-current assets (other than financial instruments)	iv	6,851	94,453	553	(47,208)	54,649
Liabilities						
Segment liabilities		120,952	1,979,889	231,399	(228,979)	2,103,261

Notes to the Financial Statements
30 June 2022

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
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)	(475)	28	228	(2,111)
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

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.

Notes to the Financial Statements
30 June 2022

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):

(ii) Non-cash items consist of the following items as presented in the respective notes to the financial statements:

	2022 RM'000	2021 RM'000
Fair value (loss)/gain on derivative financial instruments	(4,484)	4,373
Unrealised gain/(loss) on foreign exchange	12,703	(6,628)
Gain/(loss) on lease termination	58	(13)
Loss on winding up of a subsidiary	(8)	-
Share of profit of equity-accounted associate	344	249
Property, plant and equipment written off	(50)	(92)
	8,563	(2,111)

(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:

	2022 RM'000	2021 RM'000
Consolidated profit before interest and tax	47,221	125,197
Finance income	58,539	48,749
Finance costs	(64,086)	(60,296)
Tax expense	(4,344)	(10,970)
Segment profit	37,330	102,680

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

	2022 RM'000	2021 RM'000
Property, plant and equipment	54,649	70,061
Intangible asset	-	16,920
	54,649	86,981

Notes to the Financial Statements
30 June 2022

34. OPERATING SEGMENT (CONT'D)

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Group				
Malaysia	376,893	509,590	96,489	143,548
Cambodia	289,268	358,739	245,132	150,070
Papua New Guinea	14,447	3,084	15	41
Philippines	122	-	1,231	888
China	-	17,950	62	64
South Africa	34,360	-	88	-
	715,090	889,363	343,017	294,611

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

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	2022 RM'000	2021 RM'000
Customer A	EPMCC	133,059	258,354
Customer B	EPMCC	104,719	197,767
Customer C	EPMCC	75,480	106,976

35. CAPITAL COMMITMENT

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Capital expenditure				
Authorised and contracted for:				
- Acquisition of a motor vehicle	2,406	2,406	2,406	2,406
- Acquisition of a land	2,491	6,808	-	-

Notes to the Financial Statements
30 June 2022

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.

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 14 February 2022, the Company announced that Bursa Securities has, vide its letter dated 11 February 2022, resolved to approve the listing of and quotation for up to 105,051,200 new shares to be issued pursuant to the Proposed Private Placement.

On 22 March 2022, 36,854,600 new ordinary shares, being first tranche of Placement Shares were issued at RM0.55 each.

Bursa Malaysia Securities Berhad had, vide its letter dated 1 August 2022, resolved to grant the Company a further extension of time of 6 months from 11 August 2022 until 10 February 2023 for the Company to implement and complete the Private Placement.

Analysis of Shareholdings
as at 11 October 2022

Class of shares	:	Ordinary Shares
Total number of shares issued	:	992,221,471 (including 7,666,100 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	487	4.85	20,649	0.00
100 — 1,000	619	6.17	306,418	0.03
1,001 — 10,000	4,760	47.44	24,049,579	2.44
10,001 — 100,000	3,637	36.25	108,806,670	11.05
100,001 — 49,227,767*	528	5.26	465,742,160	47.30
49,227,768 and above**	3	0.03	385,629,895	39.17
	10,034	**100.00**	**984,555,371**	**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	320,353,855	32.54	(1) 3,892,830	0.40
2. Lim Pay Chuan	190,221,870	19.32	(2) 1,320,080	0.13

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.

* The percentage holding is based on the total number of issued shares of 984,555,371 ordinary shares excluding treasury shares of 7,666,100 ordinary shares.

Analysis of Shareholdings
as at 11 October 2022

DIRECTORS' SHAREHOLDINGS
(as shown in the Register of Directors' Shareholdings)

Name of Director	Number of Shares			
	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	320,353,855	32.54	[1] 3,892,830	0.40
2. Lim Pay Chuan	190,221,870	19.32	[2] 1,320,080	0.13
3. Lim Peir Shenq	-	-	[3] 2,572,750	0.26
4. Ir. Amir Bin Yahya	-	-	-	-
5. Ng Chee Hoong	-	-	-	-
6. Hoo Siew Lee	-	-	-	-
7. Helen Tan Miang Kieng	558,750	0.06	-	-

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.

The percentage holding is based on the total number of issued shares of 984,555,371 ordinary shares excluding treasury shares of 7,666,100 ordinary shares.

THIRTY LARGEST REGISTERED HOLDERS

	Name	No. of Shares	%
1.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Ah Hock (PB)*	204,114,605	20.73
2.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	126,515,290	12.85
3.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ah Hock*	55,000,000	5.59
4.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	44,231,580	4.49
5.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ah Hock (504021612634)*	31,239,250	3.17
6.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ah Hock (Third Party)*	30,000,000	3.05
7.	HSBC Nominees (Tempatan) Sdn. Bhd. *BNP Paribas Singapore Branch for Lim Pay Chuan*	18,750,000	1.90
8.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (RHBISLAMIC)*	17,445,625	1.77
9.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (PHEIM)*	13,758,400	1.40

	Name	No. of Shares	%
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (LPF)*	11,896,525	1.21
11.	Jauhari Arif bin Ibrahim	10,323,665	1.05
12.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (LGF)*	10,113,150	1.03
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	9,033,115	0.92
14.	Joanna binti Ibrahim	8,934,750	0.91
15.	Maybank Nominees (Tempatan) Sdn. Bhd. *Maybank Trustees Berhad for Dana Makmur PHEIM (211901)*	7,568,125	0.77
16.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	7,528,290	0.76
17.	Han Fatt Juan	5,097,250	0.52
18.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)*	4,830,875	0.49
19.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Al-Fauzan Fund (5170)*	4,367,330	0.44
20.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt An For Phillip Capital Management Sdn. Bhd. (EPF)*	4,213,881	0.43
21.	Yee Wai Yin	4,168,125	0.42
22.	Lim Hon Seng	4,153,000	0.42
23.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ee Chong*	3,750,000	0.38
24.	Lim Ee Chong	3,650,000	0.37
25.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chang Mei Lun*	3,585,290	0.36
26.	Ng Tiang Yong	3,581,720	0.36
27.	Lim Hong Seng	3,428,000	0.35
28.	Tan Peng Chung	2,994,800	0.30
29.	Hong Lai Keng	2,850,000	0.29
30.	Soh Wai Har	2,845,040	0.29
	Total	**659,967,681**	**67.03**

Analysis of Warrantholdings
as at 11 October 2022

Class of warrants : Warrants A
Total number of warrants issued : 95,145,862

BREAKDOWN OF HOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of shares	Percentage of Issued Capital
1 — 99	1,109	15.14	44,511	0.05
100 — 1,000	3,588	48.97	1,584,873	1.67
1,001 — 10,000	2,126	29.02	6,011,570	6.32
10,001 — 100,000	418	5.70	12,086,110	12.70
100,001 — 4,757,292*	84	1.15	36,465,119	38.33
4,757,293 and above**	2	0.03	38,953,679	40.94
	7,327	**100.00**	**95,145,862**	**100.00**

Remarks:
* Less than 5 % of the issued holdings
** 5% and above of the issued holdings

DIRECTORS' WARRANTHOLDINGS
(as shown in the Register of Directors' Warrantholdings)

Name of Director	Number of Shares			
	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	31,876,075	33.50	[(1)] 389,283	0.41
2. Lim Pay Chuan	18,816,887	19.78	[(2)] 132,008	0.14
3. Lim Peir Shenq	-	-	[(3)] 257,275	0.27
4. Ir. Amir Bin Yahya	-	-	-	-
5. Ng Chee Hoong	-	-	-	-
6. Hoo Siew Lee	-	-	-	-
7. Helen Tan Miang Kieng	55,875	0.06	-	-

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 (WARRANTS)

	Name	No. of Shares	%
1.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Ah Hock (PB)*	28,752,150	30.22
2.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	10,201,529	10.72
3.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	3,703,158	3.89
4.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ah Hock (504021612634)*	3,123,925	3.28
5.	Lim Pay Chuan	2,887,200	3.03
6.	HSBC Nominees (Tempatan) Sdn. Bhd. *BNP Paribas Singapore Branch for Lim Pay Chuan*	2,025,000	2.13
7.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lai Cheng Kuan (8058893)*	1,250,000	1.31
8.	Ty Sereirith	1,106,562	1.16
9.	Wong Lee Peng	1,074,100	1.13
10.	Jauhari Arif bin Ibrahim	1,032,366	1.09
11.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (LPF)*	924,012	0.97
12.	Joanna binti Ibrahim	893,475	0.94
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (LGF)*	820,175	0.86
14.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	752,829	0.79
15.	Lim Chin Hwa	674,900	0.71
16.	Lim Hon Seng	659,000	0.69
17.	Han Fatt Juan	509,725	0.54
18.	Gan Wei Sheng	497,700	0.52
19.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)*	493,087	0.52
20.	Chua Eng Kiat	465,231	0.49

Analysis of Warrantholdings
as at 11 October 2022

	Name	No. of Shares	%
21.	Ang Bon Huan	448,400	0.47
22.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Al-Fauzan Fund (5170)*	436,733	0.46
23.	Yap Chiew Yong	415,000	0.44
24.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Gan Ti Wooi (E-Spt/Wmu)*	368,900	0.39
25.	Tan Peng Chung	362,900	0.38
26.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chang Mei Lun*	358,529	0.38
27.	Lim Hong Seng	342,800	0.36
28.	Ter Leong Swe	340,650	0.36
29.	Ang Choon Meng	306,000	0.32
30.	Ang Soh Mui	304,000	0.32
	Total	**65,530,036**	**68.87**

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 2022 (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	5,700	11 January 2003	15 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	34,049	2 April 2013	4 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	7,472	26 March 2015	6 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	3,641	10 February 2016	10 years
Fornix Sdn. Bhd.	Lot D16 Geran 51665 Lot 1593 Mukim Jeram Daerah Kuala Selangor Selangor Darul Ehsan.	Medium industry land	Freehold	12,023 Square meters	6,972	8 December 2021	N/A

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting ("**11th AGM**") of PESTECH International Berhad ("**PESTECH**" or "**the Company**") will be conducted virtually 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 Friday, 25 November 2022 at 3.00 p.m. or at any adjournment thereof, to transact the following business:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2022 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (i)]**

2. To approve the payment of Directors' fees for an amount up to RM240,000/- which is payable on a quarterly basis and Directors' benefits up to RM138,000/- to the Non-Executive Directors for the period commencing from 25 November 2022 until the next Annual General Meeting in year 2023. **Ordinary Resolution 1**

3. To re-elect the following Directors who retire in accordance with Article 118 of the Company's Constitution, and being eligible, have offered themselves for re-election:

   (i) Mr. Lim Pay Chuan **Ordinary Resolution 2**

   (ii) Mr. Lim Peir Shenq **Ordinary Resolution 3**

4. To re-elect Ms. Helen Tan Miang Kieng who retires in accordance with Article 117 of the Company's Constitution, and being eligible, has offered herself for re-election. **Ordinary Resolution 4**

5. To re-appoint Messrs. Grant Thornton Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS

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

6. **ORDINARY RESOLUTION** **Ordinary Resolution 6**
   AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016 AND WAIVER OF PRE-EMPTIVE RIGHTS OVER NEW ORDINARY SHARES IN THE COMPANY UNDER SECTION 85(1) OF THE COMPANIES ACT READ TOGETHER WITH ARTICLE 14 OF THE COMPANY'S CONSTITUTION

   "**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Company's Constitution 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.

   THAT in connection with the above, pursuant to Section 85(1) of the Act read together with Article 14 of the Company's Constitution, the shareholders of the Company do hereby waive their pre-emptive rights over all new shares, such new shares when issued, to rank pari passu with the existing shares in the Company.

   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."

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

Ordinary Resolution 7

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to PESTECH International Berhad Group ("**the Group**") to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in Part A Section 1.3 of the Circular to Shareholders dated 27 October 2022, which are necessary for its day-to-day operations, to be entered into by the Group on the basis that these transactions are entered into on terms which are not more favourable to the Related Party involved than generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT the Proposed Renewal of Existing Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Renewal of Existing Shareholders' Mandate, shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the general meeting at which the Proposed Renewal of Existing Shareholders' Mandate was passed, at which time it will lapse, unless by resolution passed at the general meeting, the authority is renewed; or

(b) the expiration of the period within which the AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**the Act**") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Renewal of Existing Shareholders' Mandate."

8. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARE OF PESTECH INTERNATIONAL BERHAD ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")

Ordinary Resolution 8

"**THAT** subject always to the Companies Act 2016 ("**the Act**"), the provisions of the Company's Constitution, 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.

Notice of Annual General Meeting

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."

9. **ORDINARY RESOLUTION** **Ordinary Resolution 9**
PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW ORDINARY SHARES IN PESTECH INTERNATIONAL BERHAD ("PESTECH SHARES"), FOR THE PURPOSE OF THE DIVIDEND REINVESTMENT PLAN ("DRP") OF THE COMPANY WHICH WILL PROVIDE THE SHAREHOLDERS OF PESTECH ("SHAREHOLDERS") WITH THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN PESTECH SHARES ("PROPOSED RENEWAL OF DRP AUTHORITY")

"**THAT** pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting of the Company held on 9 October 2013 and subject to the approval of the relevant regulatory authorities (if any), approval be and is hereby given to the Company to allot and issue such number of new PESTECH Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors, may in their absolute discretion, deem fit and in the best interest of the Company, PROVIDED THAT the issue price of the said new PESTECH Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the five (5)-day volume weighted average market price ("**VWAP**") of PESTECH Shares immediately prior to the price-fixing date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments or at the discretion of the Directors in the best interest of the Company."

10. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

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

Shah Alam
27 October 2022

Notice of Annual General Meeting

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 November 2022 ("**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 virtually at the Broadcast Venue. Members are advised to refer to the Administrative Guide on the registration and voting process for the AGM.
10. Explanatory Notes on Ordinary and Special Business

    (i) Item 1 of the Agenda

    This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

    (ii) Ordinary Resolution 1 – Approval for the payment of Directors' fees and Directors' benefits

    The proposed Resolution 2, if passed, will authorise the payment of the Directors' fees which is payable on quarterly basis and Directors' benefits to the Non-Executive Directors with effect from 25 November 2022 until the next AGM of the Company in year 2023. 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 2022 until the next Annual General Meeting in year 2023.

	RM (Per Annum)
Directors' Fees	240,000
Meeting Allowance • RM2,000 per meeting for Audit Committee Chairman • RM1,500 per meeting for: - Chairman of Nomination Committee - Chairman of Remuneration Committee - Members of committees	138,000

The Directors' Fees and meeting allowance were determined after taken into consideration, the number of scheduled Board and committees' meeting to be held, including a provisional sum as a contingency should there be new appointment of a non-executive director and additional Board or committees' meetings to be held.

(iii) Ordinary Resolutions 2, 3 and 4 – Re-election of Directors

The Directors who are subject for re-election at the 11th AGM of the Company, are as follows:

Article 117
Ms. Helen Tan Miang Kieng

Article 118
a) Mr. Lim Pay Chuan
b) Mr. Lim Peir Shenq

Article 118 of the Company's Constitution provides that one-third (1/3) or the number nearest to one-third (1/3) of the Directors for the time being, shall retire from office in every subsequent AGM and shall then be eligible for re-election.

Article 117 of the Company's Constitution provides that any Director so appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the conclusion of the next AGM and shall be eligible for re-election at such meeting.

In line with Practice 6.1 of the Malaysian Code of Corporate Governance, the Board, through the Nomination Committee, has conducted an assessment on the suitability of the directors who are seeking for re-election at the 11th AGM of the Company and agreed that the aforesaid directors who are standing for re-election meet the criteria of character, experience, integrity, competence and time commitment to effectively discharge their respective roles as directors.

(iv) Ordinary Resolution 6 – Authority to Issue Shares pursuant to the Companies Act 2016.

The Ordinary Resolution 6 is tabled to seek for shareholders' approval of a general mandate for issuance of up to 10% of the total number of issued shares of the Company under Section 76 of the Companies Act 2016 ("**10% General Mandate**").

The Company had been granted a general mandate by its shareholders at the Tenth Annual General Meeting of the Company held on 25 November 2021 to issue up to 10% of the total number of issued shares for issue of new securities ("**Previous Mandate**").

Pursuant to the Previous Mandate, the Company had undertaken a private placement of 36,854,600 new ordinary shares in PESTECH ("**PESTECH Shares**" or "**Shares**"), representing 3.87% of PESTECH's total number of issued shares (excluding treasury shares) ("**Private Placement**") which were issued at the issue price of RM0.55 each and was listed on 23 March 2022. The proceeds raised from the Private Placement was RM20,270,030/-.

Bursa Securities had, vide its letter dated 1 August 2022, resolved to grant the Company a further extension of time of six (6) months from 11 August 2022 until 10 February 2023 for the Company to implement and complete the Private Placement.

Notice of Annual General Meeting

The details of utilisation of the proceeds from the Private Placement as of 30 June 2022 were as follows:

Proposed utilisation of proceeds	Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000
Working capital	Within 12 months from the receipts of placement funds	19,982	19,638	344
Estimated expenses relating to the Private Placement	Within 6 months from the receipts of placement funds	288	288	0
Total		**20,270**	**19,926**	**344**

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.

(v) Ordinary Resolution 7 – Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed resolution, if passed, will allow the Group to renew its mandate to enter into Recurrent Related Party Transactions of a revenue or trading nature pursuant to the provisions of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Please refer to the Circular to Shareholders dated 27 October 2022 for further information.

(vi) Ordinary Resolution 8 – Proposed Renewal Share Buy-Back Authority

The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total number of issued share of the Company by utilising the funds allocated which shall not exceed the retained profit of the Company.

Please refer to the Circular to Shareholders dated 27 October 2022 for further information.

(vii) Ordinary Resolution 9 – Proposed Renewal of DRP Authority

The proposed resolution, if passed, will allow the Company to allot and issue new PESTECH Shares pursuant to DRP until the conclusion of the next AGM of the Company. It would also allow the Directors to fix the issue price of such new PESTECH Shares at a discount of up to 10% of the five (5)-day volume weighted average market price of PESTECH Shares immediately prior to the price-fixing date.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There was no Director standing for election at the forthcoming 11th AGM.

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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 Eleventh Annual General Meeting of the Company to be held virtually 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 Friday, 25 November 2022 at 3:00 p.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees for an amount up to RM240,000/- which is payable on a quarterly basis and Directors' benefits up to RM138,000/- to the Non-Executive Directors for the period commencing from 25 November 2022 until the next Annual General Meeting in year 2023.		
2.	To re-elect Mr. Lim Pay Chuan who retires in accordance with Article 118 of the Company's Constitution, and being eligible, has offered himself for re-election.		
3.	To re-elect Mr. Lim Peir Shenq who retires in accordance with Article 118 of the Company's Constitution, and being eligible, has offered himself for re-election.		
4.	To re-elect Ms. Helen Tan Miang Kieng who retires in accordance with Article 117 of the Company's Constitution, and being eligible, has offered herself for re-election.		
5.	To re-appoint Messrs. Grant Thornton Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.		
6.	Authority to Issue Shares pursuant to the Companies Act 2016 and Waiver of Pre-emptive Rights		
7.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions		
8.	Proposed Renewal of Share Buy-Back Authority		
9.	Proposed Renewal of DRP Authority		

Please indicate with an "X" in the appropriate spaces how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.

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%

____
*Signature of Shareholder/Common Seal

Date :

Contact No :

* Delete if inapplicable

Fold This Flap For Sealing

Notes :

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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.
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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.

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Affix Stamp

PESTECH INTERNATIONAL BERHAD [201101019901 (948035-U)]
c/o Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur.

1st Fold Here

www.pestech-international.com

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

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Myanmar | Papua New Guinea | Philippines | Singapore | South Africa | Sri Lanka | Tanzania | Thailand | Vietnam