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This Circular is issued to shareholders of PESTECH International Berhad solely for the purpose of convening the Extraordinary General Meeting (“**EGM**”) and seeking their approval for the resolutions to be considered at such meeting.

PESTECH

PESTECH INTERNATIONAL BERHAD

(Registration No. 201101019901 (948035-U))

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

**PROPOSED LISTING OF PESTECH (CAMBODIA) PLC (“PCL”),
A WHOLLY-OWNED SUBSIDIARY OF PESTECH INTERNATIONAL BERHAD,
ON THE MAIN BOARD OF CAMBODIA SECURITIES EXCHANGE**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



RHB Investment Bank Berhad

(Registration No. 197401002639 (19663-P))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The EGM shall be held on a fully virtual basis via remote participation through live stream and online voting (“**eLive and eVoting**”). Please refer to the Administrative Guide issued to all shareholders of PESTECH International Berhad (“**PIB**”) on the conduct of a fully virtual EGM.

The Notice of the EGM of PIB to be held at the Broadcast Venue located at B2-3-01, Block B2, Meritus @ Oasis Corporate Park, No. 2, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 1 July 2020 at 11:00 a.m. or at any adjournment thereof, together with the Form of Proxy are enclosed herein.

If you are not able to participate and vote at the EGM via eLive and eVoting, you may complete the Form of Proxy and deposit it at the Share Registrar’s Office of PIB at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia or submit it via fax at 03-2094 9940 and/or 03-2095 0292 or e-mail to info@sshb.com.my, no later than 48 hours before the time of holding the EGM. Your proxy appointment may also be lodged electronically via Securities Services e-Portal at <https://www.sshb.net.my/login.aspx>. All resolutions set out in the Notice of EGM are to be voted by poll.

Last date and time for lodging the Form of Proxy : Monday, 29 June 2020 at 11:00 a.m.

Date and time of the EGM : Wednesday, 1 July 2020 at 11:00 a.m.

This Circular is dated 16 June 2020

DEFINITIONS

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

Act	:	Companies Act 2016
Alex Corporation	:	Alex Corporation, a company incorporated and domiciled in Cambodia
Board	:	Board of Directors of PIB
Bursa Securities	:	Bursa Malaysia Securities Berhad
Cambodia	:	Kingdom of Cambodia
Circular	:	This circular to shareholders dated 16 June 2020 in relation to the Proposed Listing
CSX	:	Cambodia Securities Exchange
Diamond Power	:	Diamond Power Limited, a company incorporated and domiciled in Cambodia and is a 60.00%-owned, indirect subsidiary of PIB
Disclosure Document	:	Offering document for the Proposed Public Issue to the prospective investors in Cambodia pursuant to the Proposed Listing
EDC	:	Electricité Du Cambodge, a state owned enterprise, which supplies electricity to Cambodia's capital city of Phnom Penh and all provincial towns in the country of Cambodia
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per share
FPE	:	Financial period ended
FYE	:	Financial year ended/ending, as the case may be
Increase in Share Capital	:	Increase in the issued and fully paid share capital of PCL from KHR4 million (USD1,000) to KHR28.4 billion (USD7.1 million) which was approved by the MOC on 27 June 2018
Internal Reorganisation	:	Shares Transfer, Increase in Share Capital and Legal Conversion, collectively
Issue Price	:	The indicative/final issue price for each Issue Share to be subscribed pursuant to the Proposed Public Issue, as the case may be
Issue Shares	:	Up to 3,945,000 new PCL Shares to be issued pursuant to the Proposed Public Issue
KHR	:	Khmer Riel, the official currency of Cambodia
Legal Conversion	:	Conversion of PCL's legal form from a private limited company to a public limited company which was approved by MOC on 27 June 2018
LPD	:	19 May 2020, being the latest practicable date prior to the printing of this Circular

DEFINITIONS (Cont'd)

Maschinenfabrik Reinhausen	:	Maschinenfabrik Reinhausen GmbH, a company incorporated in the Federal Republic of Germany
MOC	:	Ministry of Commerce, Cambodia
NA	:	Net assets
PAT	:	Profit after tax
PBT	:	Profit before tax
PCL	:	PESTECH (Cambodia) Plc, a wholly-owned subsidiary of PIB
PCL Group	:	PCL and its subsidiaries, collectively
PCL Shares	:	Ordinary shares of KHR400 (USD0.10) each in PCL
PHCL	:	PESTECH Hinthar Corporation Limited, a 60.00%-owned subsidiary of PML
PIB or Company	:	PESTECH International Berhad
PIB Group	:	PIB and its subsidiaries, collectively
PIB Shares	:	Ordinary shares of the Company
PML	:	PESTECH (Myanmar) Limited, a 99.99%-owned subsidiary of PCL
PMCL	:	PESTECH Microgrid Company Limited, a 90.00%-owned subsidiary of PHCL
Proposed Allocation	:	Proposed allocation of up to 175,000 Issue Shares to Lim Ah Hock and up to 175,000 Issue Shares to Lim Pay Chuan, both of whom are directors in PIB and PCL, for subscription pursuant to the Proposed Public Issue, collectively
Proposed Listing	:	Proposed admission of up to 74,945,000 PCL Shares comprising the existing 71,000,000 PCL Shares and the Issue Shares arising from the Proposed Public Issue to the official list of the Main Board of CSX
Proposed Public Issue	:	Proposed public issue of up to 3,945,000 Issue Shares, representing up to 5.26% of the enlarged issued and fully paid share capital of PCL, comprising the following: <ul style="list-style-type: none">(i) 2,631,579 Issue Shares to be made available for application by way of placement to potential investors;(ii) up to 657,895 Issue Shares to be made available for application by the eligible directors, employees and business associates/persons, who have contributed to the success of PCL (which includes up to 175,000 Issue Shares to each of Lim Ah Hock and Lim Pay Chuan for subscription pursuant to the Proposed Allocation); and(iii) up to 655,526 Issue Shares to be made available for application by the public

DEFINITIONS (Cont'd)

Proposed Subscription	:	Proposed allocation of 2,631,579 Issue Shares to be subscribed by Maschinenfabrik Reinhausen pursuant to the Proposed Public Issue at an indicative Issue Price of USD0.76 per Issue Share for a total cash consideration of USD2.0 million
PSB	:	PESTECH Sdn Bhd, a wholly-owned subsidiary of PIB
RHB Investment Bank	:	RHB Investment Bank Berhad
RHB Securities (Cambodia) or Underwriter	:	RHB Securities (Cambodia) Plc, the principal adviser to PCL for the Proposed Listing and the underwriter for the Proposed Public Issue
RM and sen	:	Ringgit Malaysia and sen, respectively
SECC	:	Securities and Exchange Commission of Cambodia
Shares Transfer	:	Transfer of PSB's entire equity interest in PCL comprising 1,000 ordinary shares of USD1.00 each to PIB for a nominal sum of USD1,000 which was completed on 19 February 2018
USD	:	United States Dollar, the official currency of United States of America

Unless specifically referred to, words denoting the singular shall include the plural and *vice versa*. Words denoting the masculine gender shall include the feminine and/or neuter genders and *vice versa*. References to persons shall include corporations.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Any reference in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company's plans and objectives will be achieved.

All references to "you" or "your" in this Circular are to the shareholders of the Company.

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GLOSSARY OF TECHNICAL TERMS

For the purpose of this Circular, except where the context otherwise requires, the following glossary of technical terms contain terms used in this Circular which relate to the businesses of PCL Group. As such, these terms and their meanings may not always correspond to standard industry meaning of usage of these terms.

EHV	:	Extra high voltage, i.e. voltage above 230 kV
kV	:	Kilovolts, a measure of the potential energy in thousands of a unit charge at any given point in a circuit relative to a reference point (ground)
HV	:	High voltage, i.e. voltage between 11kV and 230 kV
SCADA	:	Supervisory control and data acquisition, generally refers to industrial control systems i.e. computer systems that monitor and control industrial, infrastructure or facility-based processes

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PESTECH

PESTECH INTERNATIONAL BERHAD

(Registration No. 201101019901 (948035-U))

(Incorporated in Malaysia)

Registered Office

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

16 June 2020

Board of Directors

Lim Ah Hock (Executive Chairman)

Lim Pay Chuan (Executive Director/Group Chief Executive Officer)

Ibrahim bin Talib (Senior Independent Non-Executive Director)

Tan Puay Seng (Independent Non-Executive Director)

Lee Ting Kiat (Independent Non-Executive Director)

To: The shareholders of PIB

Dear Sirs,

PROPOSED LISTING

1. INTRODUCTION

On 25 February 2016, PIB announced that it intends to list its then indirect wholly-owned subsidiary, PCL, on CSX.

On 22 December 2017, RHB Investment Bank, on behalf of the Board, announced that RHB Securities (Cambodia) had, on behalf of PCL, submitted the applications to SECC and CSX for the Proposed Listing.

On 14 March 2018, PIB announced that it had on 14 March 2018 received notification that the MOC had approved the Shares Transfer.

On 7 June 2018, PIB announced that CSX had vide its letter dated 6 June 2018 granted its approval-in-principle on 31 May 2018 for the application on the listing eligibility review of PCL.

On 3 July 2018, RHB Investment Bank, on behalf of the Board, announced that MOC had vide its letter dated 27 June 2018, approved the Internal Reorganisation, the appointment of Han Fatt Juan (Director) and Tan Pu Hooi (Director) as the new board members of PCL as well as the change of the its name from "PESTECH (Cambodia) Limited" to "PESTECH (Cambodia) Plc" following the Legal Conversion. Further details are set out in **Section 2.1** of this Circular.

On 10 July 2018, RHB Investment Bank, on behalf of the Board, announced that the Company has received notification on 9 July 2018 that SECC has, vide its letter dated 6 July 2018, granted the approval-in-principle to PCL for the Proposed Listing. SECC had also granted the registration-in-principle for the Disclosure Document, subject to the conditions as set out in **Section 8** of this Circular.

On 22 May 2020, RHB Investment Bank, on behalf of the Board, announced that the Board had decided to vary the listing scheme for the Proposed Listing as follows:

	<u>Initial listing scheme</u>	<u>Revised listing scheme</u>
Proposed Public Issue	29,000,000 PCL Shares (29% of the enlarged issued and fully paid share capital of PCL)	Up to 3,945,000 PCL Shares (up to 5.26% of the enlarged issued and fully paid share capital of PCL)
Proposed offer for sale	Up to 10,000,000 existing PCL Shares (up to 10% of the enlarged issued and fully paid share capital of PCL)	Nil

The revised listing scheme will result in lower gross proceeds to be raised by PCL pursuant to the Proposed Public Issue. Further, PIB will not raise any proceeds from the Proposed Listing as the proposed offer for sale of PCL Shares will not be implemented.

In view that the primary objectives of the Proposed Listing are to enhance PCL Group's stature and heighten PCL Group's profile as well as to accord strategic investors an opportunity to participate in the future performance of PCL by way of equity participation whilst not diluting PIB's interest in PCL substantially, the initial listing scheme for the Proposed Listing was varied accordingly.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED LISTING AND TO SEEK YOUR APPROVAL ON THE RESOLUTIONS PERTAINING TO THE PROPOSED LISTING TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED LISTING TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED LISTING

2.1 Internal Reorganisation

To facilitate the Proposed Listing, PIB Group had implemented and completed the Internal Reorganisation. Details of the Internal Reorganisation are set out below.

(i) Shares Transfer

PSB had transferred its entire equity interest in PCL comprising 1,000 ordinary shares of USD1.00 each to PIB for a nominal sum of USD1,000. The Shares Transfer was completed on 19 February 2018.

Subsequent to the Shares Transfer, PCL became a wholly-owned subsidiary of PIB.

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(ii) Increase in Share Capital

The increase in the issued and fully paid share capital of PCL was approved by the MOC on 27 June 2018 and was completed as follows:

	No. of Shares	Par value		Total	
		(1) KHR	USD	(1) KHR	USD
Issued and fully paid share capital	1,000	4,000	1.00	4,000	1,000
Enlarged issued and fully paid share capital after subdivision of shares ⁽²⁾	10,000	400	0.10	4,000	1,000
New shares issued pursuant to the capitalisation of amount due to PIB ⁽³⁾	50,000,000	400	0.10	20,000,000	5,000,000
New shares issued pursuant to the capitalisation of retained earnings	20,990,000	400	0.10	8,396,000	2,099,000
Existing issued and fully paid share capital	<u>71,000,000</u>	<u>400</u>	<u>0.10</u>	<u>28,400,000</u>	<u>7,100,000</u>

Notes:

- (1) *The exchange rate applied for the Increase in Share Capital was USD0.10 to KHR400.*
- (2) *The PCL Shares were subdivided from 1,000 ordinary shares of USD1.00 each into 10,000 shares of USD0.10 each.*
- (3) *The amount due to PIB from PCL before and after the capitalisation into new PCL Shares were approximately USD5.00 million and USD2,000, respectively. The amount due to PIB represents advances which were granted by PIB to PCL between April 2018 to May 2018 for PCL's working capital requirements. The advances from PIB were unsecured, repayable on demand and interest free. Subject to the completion of Proposed Listing, PIB will commence to charge interest at a rate of 4.50% per annum on the amount due from PCL.*

Upon completion of Increase in Share Capital, PIB continues to hold 100% equity interest in PCL.

(iii) Legal Conversion

PCL was converted from a private limited company to a public limited company on 27 June 2018 as approved by MOC on even date.

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2.2 Proposed Subscription

(i) Details of the Proposed Subscription

On 22 May 2020, PIB and PCL entered into a share subscription agreement with Maschinenfabrik Reinhausen pursuant to which Maschinenfabrik Reinhausen has been allocated and has agreed to subscribe 2,631,579 Issue Shares at an indicative Issue Price of USD0.76 per Issue Share for a total cash consideration of USD2.0 million as a cornerstone investor pursuant to the Proposed Public Issue. For clarity, the 2,631,579 Issue Shares allocated to Maschinenfabrik Reinhausen represents the 2,631,579 Issue Shares to be made available for application by way of placement to potential investors pursuant to the Proposed Public Issue as set out in **Section 2.3(i)(a)** of this Circular.

The indicative Issue Price of USD0.76 per Issue Share has been arrived at after taking into consideration the following:

- (a) the financial performance and operating history of PCL Group;
- (b) the pro forma consolidated NA per PCL Share of USD0.22 based on the latest audited consolidated statement of financial position of PCL as at 30 June 2019 after adjusting for the indicative proceeds to be raised from the Proposed Public Issue and after deducting estimated listing expenses to be incurred for the Proposed Listing;
- (c) the prospects and future plans of PCL; and
- (d) the prevailing market conditions.

The final Issue Price is subject to the approvals of CSX and SECC, the approvals of which are expected to be obtained before the conclusion of the EGM.

Upon completion of the Proposed Subscription and the Proposed Public Issue, the equity interest of Maschinenfabrik Reinhausen in PCL is as follows:

Name	Before the Proposed Subscription and Proposed Public Issue				After the Proposed Subscription and Proposed Public Issue			
	Direct		Indirect		Direct		Indirect	
	No. of PCL Shares	%	No. of PCL Shares	%	No. of PCL Shares	%	No. of PCL Shares	%
Maschinenfabrik Reinhausen	-	-	-	-	2,631,579	3.51	(1)	(1)

Note:

- (1) The shareholdings of the shareholders of Maschinenfabrik Reinhausen are set out in **Section 2.2(ii)** of this Circular. There is no publicly available information to apply the provisions of Section 8 of the Act for the disclosure of indirect shareholdings in PCL upon completion of the Proposed Subscription and the Proposed Public Issue.

The completion of the Proposed Subscription is subject to the approvals as set out in **Section 8** of this Circular.

(ii) **Information on Maschinenfabrik Reinhausen**

Maschinenfabrik Reinhausen is a German-based manufacturer of electrical and electronic equipment as well as solution provider in the field of power quality solutions. The core business of Maschinenfabrik Reinhausen is the regulation of transformers in transmission and distribution networks.

As at LPD, the shareholders of Maschinenfabrik Reinhausen and their shareholdings are as follows:

Name	Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Scheubeck GmbH	Germany	(1) 2	(1) 80.00	(2)	(2)
Siemens AG	Germany	(1) 1	(1) 20.00	(3)	(3)

Notes:

- (1) Information as provided by Maschinenfabrik Reinhausen.
- (2) Scheubeck GmbH is a private company in Germany. There is no publicly available information on the shareholders of Scheubeck GmbH to apply the provisions of Section 8 of the Act for the disclosure of indirect shareholdings in Maschinenfabrik Reinhausen.
- (3) Siemens AG is a public company which is listed on Frankfurt Stock Exchange in Germany. There is no available information on the shareholders of Siemens AG as set out in its corporate website to apply the provisions of Section 8 of the Act for the disclosure of indirect shareholdings in Maschinenfabrik Reinhausen.

As at LPD, the directors of Maschinenfabrik Reinhausen and their shareholdings are as follows:

Name	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Dr Nicolas Maier-Scheubeck	German	Chief Executive Officer	-	-	(1)	(1)
Wilfried Breuer	German	Managing Director	-	-	(1)	(1)

Note:

- (1) There is no available information on the shareholders of Scheubeck GmbH and Siemens AG to apply the provisions of Section 8 of the Act for the disclosure of indirect shareholdings of the directors in Maschinenfabrik Reinhausen.

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2.3 Proposed Listing

(i) Proposed Public Issue

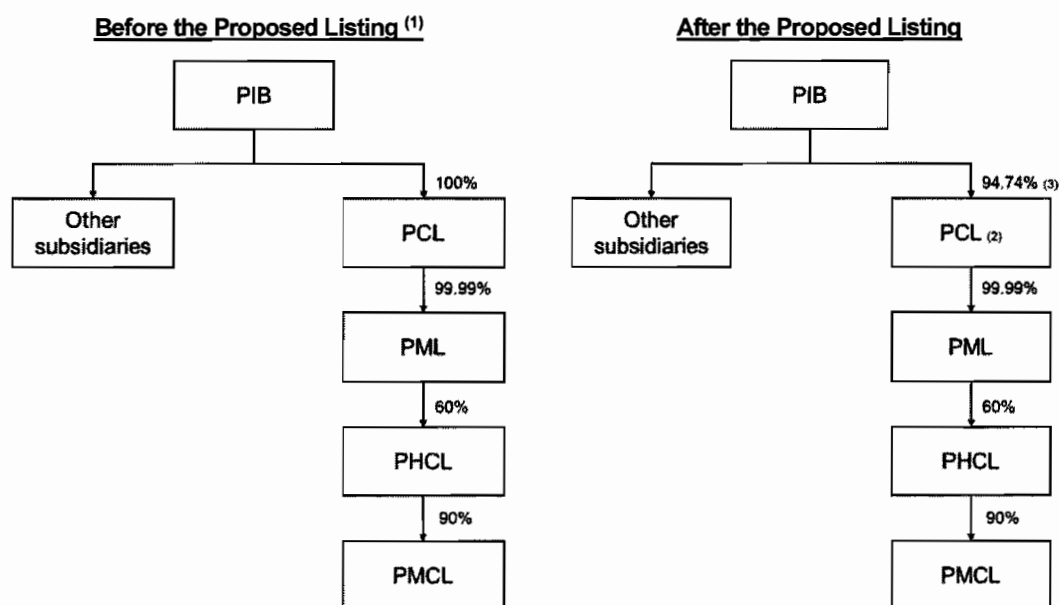
In conjunction with the Proposed Listing, up to 3,945,000 of new Issue Shares will be issued pursuant to the Proposed Public Issue, representing up to 5.26% of the enlarged issued and fully paid share capital of PCL in the following manner:

- (a) 2,631,579 Issue Shares to be made available for application by way of placement to potential investors;
- (b) up to 657,895 Issue Shares to be made available for application by the eligible directors, employees and business associates/persons, who have contributed to the success of PCL (which includes up to 175,000 Issue Shares to each Lim Ah Hock and Lim Pay Chuan for subscription pursuant to the Proposed Allocation); and
- (c) up to 655,526 Issue Shares to be made available for application by the public.

PCL has only 1 class of shares, namely ordinary shares of KHR400 (USD0.10) each. The Issue Shares will rank pari passu in all respects with the existing PCL Shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made on or subsequent to the date of their allotment thereof.

The Board of PCL and the Underwriter have determined and agreed for the indicative Issue Price to be USD0.76 per Issue Share after taking into consideration the discussions with potential cornerstone investors, the financial performance and operating history, pro forma consolidated NA of PCL, prospects and future plans of PCL, and the prevailing market conditions. The final Issue Price is subject to the approvals of CSX and SECC.

(ii) Corporate structures of PIB Group before and after the completion of the Proposed Listing



Notes:

- (1) Being the corporate structure of PIB Group as at LPD.
- (2) To be listed on the Main Board of CSX.
- (3) Dilution of shareholdings pursuant to Proposed Public Issue.

(iii) Date and original cost of investment

The original cost of investment and the respective dates of investments in PCL by PIB as at LPD are as follows:

Date of investment	No. of PCL Shares	Cost of investment USD
12 July 2017	1,000	1,000
27 June 2018	⁽¹⁾ 10,000	1,000
27 June 2018	50,000,000	5,000,000
	50,010,000	5,001,000

Note:

(1) *The PCL Shares were subdivided from 1,000 ordinary shares of USD1.00 each into 10,000 shares of USD0.10 each.*

(iv) Other Information

(a) Lock-up of PCL Shares

Pursuant to Article 17 of the Listing Rules of CSX, PIB's entire shareholding in PCL will be under moratorium for 6 months from the date of admission of PCL on CSX. PIB has the right to sell up to 50% of its shareholding in PCL after 6 months and the balance after 1 year.

(b) Financial assistance

PIB Group has provided financial support to PCL Group in the form of deferred payment for the materials and services provided, advances (deferred payment of more than 6 months) and corporate guarantees for credit facilities to facilitate the latter's ordinary course of business. It is envisaged that PCL Group will continue to require such financial support from PIB Group in the near term given that it is presently still at its growth stage.

Upon completion of the Proposed Listing, PIB Group will continue to provide financial support to PCL Group in meeting its short-term financial requirements as and when it falls due whilst PIB remains as the controlling shareholder of PCL.

The funding composition of the financial support from PIB Group to PCL Group will be from its working capital through cash generated from operating activities, credit extended by its suppliers and credit facilities. Nonetheless, the funding composition of PIB Group can only be determined at the relevant point in time and will depend on, amongst others, PIB Group's liquidity and capital resources.

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(c) Proposed Allocation

In conjunction with the Proposed Listing, Lim Ah Hock and Lim Pay Chuan, being the common directors of PIB and PCL, will be allocated Issue Shares in respect of the portion of Issue Shares made available for application by the eligible directors, employees, business associates/persons who have contributed to the success of PCL for subscription.

The number of Issue Shares that were allocated to Lim Ah Hock and Lim Pay Chuan were determined by the board of directors of PIB and PCL after taking into consideration, amongst others, their positions, seniority, length of service and their commendable stewardship in PCL.

Nevertheless, the Proposed Allocation is subject to the approvals of the shareholders of PIB at the EGM to be convened, and SECC which approval shall be obtained prior to the issuance of the Disclosure Document.

Assuming the Issue Shares pursuant to the Proposed Allocation are subscribed in full, the direct and indirect shareholdings of Lim Pay Chuan and Lim Ah Hock in PCL upon completion of the Proposed Public Issue are as follows:

Name	Direct		Indirect	
	No. of PCL Shares	%	No. of PCL Shares	%
Lim Pay Chuan	175,000	0.23	⁽¹⁾ 71,000,000	94.74
Lim Ah Hock	175,000	0.23	⁽²⁾ 71,000,000	94.74

Notes:

- (1) *Deemed interested pursuant to Section 8 of the Act by virtue of his direct shareholdings in PIB and his substantial shareholdings in VESTECH Projects Sdn Bhd.*
- (2) *Deemed interested pursuant to Section 8 of the Act by virtue of his direct shareholdings in PIB and his substantial shareholdings in VESTECH Projects Sdn Bhd and Kumpulan Liva Sdn Bhd.*

3. INFORMATION ON PCL GROUP

3.1 Business overview

PCL was incorporated in Cambodia on 5 February 2010 as a single member private limited company under the name of Tajri-Pestech JV Limited. PCL assumed its present name on 11 July 2013 and was subsequently converted from a private limited company into a public limited company on 27 June 2018 to facilitate its listing on CSX. As at LPD, PCL is a wholly-owned subsidiary of PIB.

PCL is an integrated electric power technology company. PCL Group is principally engaged in the provision of comprehensive power system engineering and technical solutions for the:

- (i) design, procurement, construction, installation and commissioning of HV and EHV substations, HV and EHV transmission lines as well as underground power cable systems for electricity transmission and distribution; and
- (ii) trading of proprietary and non-proprietary power system components and equipment.

Further information on the subsidiaries of PCL are set out in **Section 5 of Appendix I** of this Circular.

3.2 Industry outlook and prospects

The consumption or demand for electricity is a key driver of the electricity supply industry, which results in demand for power system engineering and technical solutions. The demand for electricity is anticipated to expand in tandem with Cambodia's economic growth. Given the fact that electricity plays a key role in powering growth, the electricity supply industry in Cambodia is expected to experience growth in the coming years, as a direct result of economic growth within the country.

Cambodia's Gross Domestic Product ("**GDP**") increased by 62.76%, from KHR32.55 trillion in 2011 to KHR52.98 trillion in 2018. GDP per capita in Cambodia increased by 47.16% from KHR2.29 million in 2011 to KHR3.37 million in 2018. Between 2011 and 2018, Cambodia's per capita demand for electricity increased from 176.15 kilowatts per hour ("**kWh**") to 532.31 kWh.

Under the Power Development Plan (2008-2021), electricity demand is anticipated to increase rapidly till 2020. Electricity consumption in Cambodia increased from 2,572.74 gigawatts per hour ("**GWh**") in 2011 to 8,649.98 GWh in 2018 at a compound annual growth rate ("**CAGR**") of 18.91%. Smith Zander International Sdn Bhd estimates electricity demand to increase from 8,649.98 GWh in 2018 to 12,019.75 GWh in 2020 at a CAGR of 17.88% on the back of economic growth and initiatives by the Government of Cambodia ("**Government**") to improve electrification rates in the country.

The Government has planned for the increase in installed generation capacity and transmission capacity in order to meet future growth in electricity consumption. The Power Development Plan (2008-2021) outlines national strategies to be taken in the development of generation capacities, transmission capacities, and power trading with neighbouring countries. The Government is committed to accelerating the development of rural electrification in Cambodia. As such, the Government has set a 2-step target in rural electrification, through the Ministry of Mines and Energy. Firstly, the Government targets that all villages in Cambodia will have electricity supply by the year 2020. Secondly, the Government targets to have at least 70% of total households supplied with grid quality electricity by 2030. Under its national targets, the Government aims to strengthen the transmission system in Cambodia by a factor of over 20 times, from 120 kilometres ("**km**") in 2001 to 2,582 km by 2020.

The growth in Cambodia's transmission and distribution network supports the growth of power generation infrastructure in the country. The total length of transmission lines in Cambodia increased from 557.03 km in 2011 to 2,031.04 km in 2018 at a CAGR of 20.30%. Over the same period, the 230 kV transmission lines recorded the highest growth rate, increasing from 181.00 km to 1,223.88 km at a CAGR of 31.40%. In 2018, there were 61 transmission substations in Cambodia with a total capacity of 2,686.30 megavolt ampere (MVA).

In view of the outbreak of the Covid-19 virus in early 2020, several measures have been imposed by the Government in order to curb the spread of the virus. Such measures include, amongst others, travel restrictions, temporary closure of schools and suspension of some business activities especially those involved in the entertainment and tourism industries. While those involved in the electricity supply industry are allowed to operate, electricity supply projects (including construction of power plants, substations and transmission and distribution systems) may experience temporary delays due to travel restrictions which prohibit the entry of overseas field experts/partners into Cambodia, as well as delays in the delivery of supplies from overseas suppliers for the electricity supply projects. Further, according to the Asian Development Bank, the economy in Cambodia is expected to slow down to a GDP growth of 2.30% in 2020, which possesses a risk to the completion of large-scale electricity supply projects. Since the outbreak of the Covid-19 pandemic is unprecedented, the extent of the uncertainties caused to the electricity supply industry is not clear at this point in time until the crisis ends. Any prolonged disruption to the progress of electricity supply projects due to the economic impact from the Covid-19 pandemic may adversely impact the growth of the electricity supply industry.

Nevertheless, the demand for electricity in Cambodia will remain strong over the long-term as it is an essential factor to support the growth and development of the nation and hence, it will continue to drive the growth of electricity supply industry players. As an electricity supply industry player, it is envisaged that PCL will be able to leverage on the long-term positive outlook of electricity supply industry.

(Source: Report on the Prospects and Outlook of the Electricity Supply Industry in Cambodia as prepared by Smith Zander International Sdn Bhd)

4. PROPOSED UTILISATION OF PROCEEDS FROM THE PROPOSED LISTING

The exact amount of gross proceeds to be raised from the Proposed Public Issue will depend on the approval of the indicative Issue Price of USD0.76 per Issue Share by CSX and SECC, of which the final Issue Price will be set out in the Disclosure Document to be issued in due course.

For illustrative purposes, based on the indicative Issue Price of USD0.76 per Issue Share and assuming the issuance of up to 3,945,000 Issue Shares, the Proposed Public Issue will raise gross proceeds of approximately up to USD3.0 million for PCL which are intended to be utilised in the following manner:

Proposed utilisation of proceeds	Expected timeframe for utilisation after the Proposed Listing	USD'000	# RM'000	%
Financing future projects ⁽¹⁾	Within 12 months	2,000	8,690	66.71
Working capital of PCL Group ⁽²⁾	Within 12 months	491	2,133	16.38
Estimated expenses relating to the Proposed Listing ⁽³⁾	Within 3 months	507	2,203	16.91
Total		2,998	13,026	100.00

Notes:

Based on the exchange rate of USD1.00:RM4.345 being the middle rate quoted by Bank Negara Malaysia at 5.00 p.m. on LPD.

- (1) To finance the costs of PCL's future projects which include, among others, projects' preliminary works, design of substation and transmission lines, purchases of materials and equipment, construction and installation works as well as labour charges.
- (2) To finance the day-to-day operations of PCL including, but not limited to staff costs, upkeep of motor vehicles and upgrading of office equipment and information technology system, as detailed below:

Working capital of PCL Group	Notes	USD	^KHR'000
Staff costs	1	400,000	1,600,000
Upkeep of motor vehicles	2	40,000	160,000
Upgrading of office equipment and information technology system	3	31,000	124,000
Other working capital requirements	4	20,000	80,000
Total		491,000	1,964,000

Notes:

[^] Based on the assumed exchange rate of USD1.00 to KHR4,000.

- 1 Expansion of the workforce required for the expansion of its business. PCL anticipates to increase its permanent and contract employees from 59 to 64 and 43 to 53, respectively, who will be mostly involved in the future projects after being secured;
- 2 Upkeep of motor vehicles which includes, maintenance costs, diesel and fuel expenses for our motor vehicles to run our daily operations; and
- 3 Upgrading of office equipment and information technology system, which includes maintenance costs and overheads.
- 4 Any variation to the above operating and funding requirements will be adjusted to or from the amounts allocated, as the case may be

- (3) Including amongst others, professional fees and commission, fees payable to relevant authorities, securities operator, printing, advertising, travel and roadshow expenses, and other incidental expenses in connection with the Proposed Listing. Any variation to the estimated expenses will be adjusted to or from the amount allocated for working capital requirements, as the case may be.

Estimated expenses for the Proposed Listing	Notes	USD	^KHR'000
Underwriter's fees	1	259,964	1,039,856
Submission and registration of Disclosure Document fee (SECC)		4,500	18,000
Listing fees (CSX)	2	16,644	66,576
Printing, advertising, travel and roadshow expenses	3	30,000	120,000
Professional fees	4	152,500	610,000
Other miscellaneous and contingencies	5	43,150	172,600
Total		506,758	2,027,032

Notes:

[^] Based on the assumed exchange rate of USD1.00 to KHR4,000.

- 1 The final fees will be determined based on the final Issue Price after SECC's approval on the terms of the Underwriter's terms of offer.
- 2 Fees payable to CSX for the listing eligibility review and initial listing fee.
- 3 Estimated printing cost of the Disclosure Document and application forms to be approximately USD10,000 (KHR40 million) and advertising, travel and roadshow expenses to be approximately USD20,000 (KHR80 million).
- 4 Professional fees comprise of adviser fee, legal advisory fee, reporting accountants' fee and independent market research fee.
- 5 Estimated other miscellaneous and contingencies of approximately USD43,150 (KHR172.6 million), comprising:
 - 5.1 Securities registrar fee: USD10,000 (KHR40 million);
 - 5.2 Disclosure Document translation fee: USD5,000 (KHR20 million); and
 - 5.3 Other miscellaneous and contingencies: USD28,150 (KHR112.6 million).

In the event the final Issue Price is less than the indicative Issue Price of USD0.76 per Issue Share as illustrated above, the gross proceeds from the Proposed Public Issue will be insufficient to meet PCL's estimated listing expenses in connection with the Proposed Listing, whereupon the shortfall shall be paid from PCL's internally generated funds.

In the event the final Issue Price is higher than the indicative Issue Price of USD0.76 per Issue Share as illustrated above, the additional proceeds raised from the Proposed Public Issue will be allocated for the general working capital of PCL Group.

5. RATIONALE FOR THE PROPOSED LISTING

The rationale for the Proposed Listing is as follows:

5.1 For PIB Group

- (i) to enable PIB to unlock the value of its investments in PCL through the offering of PCL Shares in the Proposed Public Issue and allow for the price discovery of its remaining stake in PCL in the Proposed Listing. This is expected to enhance the value for the shareholders of PIB;
- (ii) to enable both management of PIB Group and PCL to better focus on growing their respective businesses of investment holding, general trading and provision of management service and construction of electrical substation and transmission lines; and
- (iii) to accelerate the growth of the power transmission infrastructure and products division of PIB Group with the Proposed Listing and with its continued substantial equity stake in PCL, PIB Group will continue to benefit from PCL's future growth.

5.2 For PCL Group

- (i) to further enhance PCL Group's stature and heighten PCL Group's profile so as to widen the market reach of its services and grow its market position in Cambodia and Indochina region;
- (ii) to provide an opportunity for the new strategic partner of PCL, the eligible directors, employees of PCL and business associates/persons who have contributed to the success of PCL to become shareholders and participate in the future performance of PCL by way of equity participation;
- (iii) to provide an opportunity for the investing community including the Cambodian public to participate directly in PCL Group's continuing growth in the comprehensive power system engineering and technical solutions business by way of equity participation; and
- (iv) in respect of the Proposed Allocation:
 - (a) to reward and retain the directors whose services have contributed to the smooth operations and continued growth of PCL Group;
 - (b) to provide an opportunity for the directors whom have contributed to the success of PCL Group, to participate in PCL Group's future performance; and
 - (c) to motivate the directors towards better performance through greater productivity and loyalty.

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6. RISK FACTORS IN RELATION TO THE PROPOSED LISTING

6.1 Non-completion of the Proposed Listing

The implementation of the Proposed Listing is conditional upon the fulfilment of all approvals as set out in **Section 8** of this Circular, which includes the final approval from SECC for the Proposed Listing and registration of the Disclosure Document, and the final approval from CSX for the admission of PCL to its official list and the listing of and quotation for PCL's entire enlarged issued and fully paid share capital on the Main Board of CSX.

There can be no assurance that such approvals and/or conditions imposed by the relevant authorities will be obtained and/or satisfied for the Proposed Listing to proceed as anticipated.

Notwithstanding the above, PIB will take all reasonable steps to fulfill the conditions imposed by the relevant authorities, if any, to ensure the completion of the Proposed Listing.

6.2 Non-realisation of benefits expected from the Proposed Listing

There can be no assurance that the anticipated benefits arising from the Proposed Listing will materialise in full or at all. The realisation of anticipated benefits is subject to various factors which may be beyond the control of the Company.

Nevertheless, the board of directors of PCL has exercised due care in considering the potential risks and the anticipated benefits associated with the Proposed Listing and will take all reasonable steps to achieve the benefits to the extent possible.

7. EFFECTS OF THE PROPOSED LISTING

7.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Listing will not have any effects on the issued share capital of the Company and the substantial shareholders' shareholdings in the Company as the Proposed Listing does not involve any issuance of new PIB Shares.

7.2 Earnings and EPS

The Proposed Listing is expected to be completed by 3rd quarter of calendar year 2020. Upon completion of the Proposed Listing, the earnings contribution from PCL Group to PIB Group will be reduced to the extent of the dilution of PIB's effective equity interest in PCL Group from 100.00% presently to 94.74%, which in turn contributes to the corresponding reduction in the EPS of PIB.

For illustrative purposes, based on the audited consolidated financial statements of PIB for the FYE 30 June 2019 and on the assumption that the Proposed Listing had been effected at the beginning of the FYE 30 June 2019, i.e. 1 July 2018, the pro forma effects of the Proposed Listing on the consolidated PAT and EPS of PIB Group are set out below:

	Audited FYE 30 June 2019 RM'000	After adjustment of subsequent events RM'000	After Proposed Listing RM'000
PIB's equity interest in PCL	100.00%	100.00%	94.74%
PCL's PAT attributable to the owners of PCL	7,326	7,326	6,353
PIB's PAT attributable to the owners of PIB	78,972	78,972	77,465
Weighted average number of PIB Shares in issue ('000)	764,294	⁽¹⁾ 763,130	763,130
EPS (sen)	10.33	10.35	10.15

Note:

- (1) After adjusting for a total of 1,163,500 PIB Shares that were repurchased by the Company from 19 March 2020 to 10 April 2020 for a total cash consideration of approximately RM918,327.

The Proposed Listing is not expected to have any material effect on the consolidated earnings and EPS of PIB for the FYE 30 June 2020. Hence, the Board did not propose any plans to address the reduction of profit contribution from PCL in view that it is immaterial at this juncture.

7.3 NA per PIB Share and gearing

For illustrative purposes only, based on the latest audited consolidated statement of financial position of PIB as at 30 June 2019, the pro forma effects of the Proposed Listing on the NA, NA per PIB Share and gearing of PIB Group are as follows:

	Audited as at 30 June 2019	After adjustment of subsequent events	After Proposed Listing
	RM'000	RM'000	RM'000
Share capital	212,672	212,672	212,672
Treasury shares	-	⁽³⁾ (918)	(918)
Reserves	(33,783)	(33,783)	⁽⁴⁾ (33,527)
Retained earnings	302,703	302,703	⁽⁵⁾ 308,973
Shareholders' equity/NA	481,592	480,674	487,200
Non-controlling interests	79,297	79,297	⁽⁴⁾ 82,868
Total equity	560,889	559,971	570,068
Number of PIB Shares in issue ('000)	764,294	⁽³⁾ 763,130	763,130
NA per PIB Share (sen) ⁽¹⁾	63.01	62.99	63.84
Total borrowings	1,036,559	1,036,559	1,036,559
Gearing (times) ⁽²⁾	1.85	1.85	1.82

Notes:

- (1) Computed by dividing equity attributable to shareholders of the Company by the number of PIB Shares in issue.
- (2) Computed by dividing total borrowings by total equity.
- (3) After adjusting for a total of 1,163,500 PIB Shares that were repurchased by the Company from 19 March 2020 to 10 April 2020 for a total cash consideration of approximately RM918,327.
- (4) After adjusting for the dilution of equity interest in PCL.
- (5) After adjusting for the gain of approximately RM7.45 million arising from the dilution of equity interest in PCL and after deducting estimated expenses of RM1.18 million for the Proposed Listing.

The pro forma consolidated statement of financial position of PIB as at 30 June 2019 together with the notes and Reporting Accountants' letter is set out in **Appendix II** of this Circular.

8. APPROVALS REQUIRED

The Proposed Listing is subject to and conditional upon the approvals being obtained from the following parties/authorities:

- (i) the MOC for the Shares Transfer, which was obtained on 14 March 2018;
- (ii) the approval-in-principle of CSX for the application for listing eligibility review of PCL, which was obtained on 31 May 2018;
- (iii) the MOC for the Increase in Share Capital and Legal Conversion, which was obtained on 27 June 2018;
- (iv) the approval-in-principle of SECC for the Proposed Listing, which was obtained on 6 July 2018;
- (v) the approval-in-principle and registration-in-principle of SECC for the Disclosure Document, which was obtained on 6 July 2018, subject to the following conditions:
 - (a) PCL shall appoint an independent director, establish an audit committee, a risk management committee and an internal audit unit and shall furnish to SECC the underwriting agreement prior to obtaining the final approval from SECC on the Proposed Listing; and
 - (b) PCL and responsible parties for the Proposed Listing as well as other stakeholders shall determine the share price based on the Disclosure Document which has been approved-in-principle and registered-in-principle by SECC and in compliance with the laws and regulations as well as other relevant guidelines of SECC;
- (vi) the final approval of SECC for the Proposed Listing and registration of the Disclosure Document;
- (vii) the final approval of CSX for the admission of PCL to its official list and the listing of and quotation for PCL's entire enlarged issued and fully paid share capital on the Main Board of CSX;
- (viii) the approval of the shareholders of the Company for the Proposed Listing and Proposed Allocation at the EGM to be convened; and
- (ix) any other relevant authorities and/or parties, if required.

The Proposed Listing will result in a dilution of PIB's equity interest in PCL from 100% to 94.74%. For shareholders' information purpose, the highest percentage ratio applicable to the Proposed Listing pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is approximately 0.63% based on the audited consolidated NA of PIB as at 30 June 2019.

9. INTER-CONDITIONALITY

The Proposed Allocation is conditional upon the Proposed Listing. The Proposed Listing is not conditional upon the Proposed Allocation. The Proposed Allocation to the respective directors is not inter-conditional upon each other.

The Proposed Listing is not conditional upon any other corporate exercise of the Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Lim Ah Hock is the Executive Chairman of PIB and an Executive Director of PCL. Lim Pay Chuan is the Group Chief Executive Officer of PIB and the Executive Chairman of PCL. Lim Ah Hock and Lim Pay Chuan are also major shareholders of PIB and are indirect shareholders of PCL via their interests in PIB. As both Lim Ah Hock and Lim Pay Chuan (collectively, “Interested Parties”) are eligible to participate in the subscription of the Issue Shares pursuant to the Proposed Public Issue, they are deemed interested in the Proposed Allocation.

Accordingly, the Interested Parties have abstained and will continue to abstain from all Board deliberations in respect of the Proposed Allocation. The Interested Parties will also abstain and undertake to ensure that persons connected with them will abstain from voting on the resolutions pertaining to the Proposed Allocation in respect of their direct and/or indirect shareholdings in the Company, if any, at the forthcoming EGM.

Save as disclosed above, none of the directors of the Company, its major shareholders and/or persons connected with them has any interests, direct or indirect, in the Proposed Listing and Proposed Allocation.

The shareholdings of the Interested Parties in PIB as at LPD are as follows:

Name	Direct		Indirect	
	No. of PIB Shares '000	^ %	No. of PIB Shares '000	^ %
Lim Ah Hock	254,659	33.37	⁽¹⁾ 3,364	0.44
Lim Pay Chuan	162,422	21.28	⁽²⁾ 1,306	0.17

Notes:

- ^ Based on 763,130,072 PCL Shares (being 764,293,572 PIB Shares in issue after excluding 1,163,500 treasury shares).
- (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.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Parties with regard to their respective interests in the Proposed Allocation), after having considered all aspects of the Proposed Listing (including but not limited to the rationale and benefit, risk and effects of the Proposed Listing), is of the opinion that the Proposed Listing and Proposed Allocation are in the best interest of the Company.

As such, the Board (save for the Interested Parties with regard to their respective interests in the Proposed Allocation) recommends that you vote in favour of the ordinary resolutions pertaining to the Proposed Listing and Proposed Allocation to be tabled at the forthcoming EGM.

12. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save as disclosed below, there are no other outstanding corporate proposals which have been announced by the Company but are pending completion as at LPD:

- (i) On 15 January 2020, Astoria Solar Farm Sdn Bhd, an indirect wholly-owned subsidiary of the Company, had entered into a Share Sale and Purchase Agreement with Mr. Salah A. Essa and Mr. Sachithanathan Muniandy R Sambu to acquire 4,700 shares representing 94% of the total issued share capital of Green Sustainable Ventures (Cambodia) Company Limited for a total cash consideration of USD4,000,000. The completion of this agreement is currently pending satisfaction of the conditions precedent by the vendors; and
- (ii) the Proposed Listing (which is the subject matter of this Circular).

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Listing to be completed by the 3rd quarter of calendar year 2020. The tentative timetable in relation to the Proposed Listing is as follows:

<u>Timeline</u>	<u>Events</u>
Early July 2020	Convening of EGM to obtain approval of shareholders of the Company for the Proposed Listing and Proposed Allocation
Mid July 2020	Despatch of the Disclosure Document and opening of application for the Issue Shares
End July 2020	Allotment of the Issue Shares to investors and applicants
End July 2020	Official listing of PCL on CSX

14. EGM

The EGM shall be held on a fully virtual basis via remote participation through live stream and online voting (“**eLive and eVoting**”). Please refer to the Administrative Guide issued to all shareholders of PIB on the conduct of a fully virtual EGM.

The EGM, the Notice of which is enclosed with this Circular, will be held at the Broadcast Venue located at B2-3-01, Block B2, Meritus @ Oasis Corporate Park, No. 2, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 1 July 2020 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modification, the resolutions to give effect to the Proposed Listing and Proposed Allocation.

If you are not able to participate and vote at the EGM via eLive and eVoting, you may complete the Form of Proxy and deposit it at the Share Registrar’s Office of PIB at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia or submit it via fax at 03-2094 9940 and/or 03-2095 0292 or e-mail to info@sshshb.com.my, no later than 48 hours before the time of holding the EGM. Your proxy appointment may also be lodged electronically via Securities Services e-Portal at <https://www.sshshb.net.my/login.aspx>. All resolutions set out in the Notice of EGM are to be voted by poll. Please refer to the Administrative Guide on the conduct of a fully virtual general meeting for further details.

15. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully
For and on behalf of the Board of
PESTECH INTERNATIONAL BERHAD

Lim Ah Hock
Executive Chairman

INFORMATION ON PCL

1. HISTORY AND BUSINESS

PCL was previously known as Tajri-Pestech JV Limited and was incorporated on 5 February 2010 as a Single Member Private Limited Company in Cambodia. It commenced operations in the same year. PCL adopted its previous name, PESTECH (Cambodia) Limited on 11 July 2013 and assumed its present name and status upon the completion of an internal restructuring exercise which was approved by MOC on 27 June 2018, which entailed the Shares Transfer, Increase in Share Capital and Legal Conversion to facilitate its proposed listing on CSX.

PCL Group is an integrated electric power technology company and is principally engaged in the provision of comprehensive power system engineering and technical solutions as follows:

(i) Design, procurement, construction, installation and commissioning of HV and EHV substations, HV and EHV transmission lines as well as underground power cable systems for electricity transmission and distribution

PCL is principally engaged in the provision of comprehensive power system engineering and technical solutions for electricity transmission and distribution in the Indochina region. As part of PCL's power system engineering and technical solutions, PCL offers the following services:

- design of indoor and outdoor electrical substations, structural and civil construction for HV and EHV substations, HV and EHV transmission lines, and underground power cable systems;
- project management, construction, installation and commissioning of HV and EHV substations, HV and EHV transmission lines and underground power cable systems;
- earthing, conductors, clamps and connectors design;
- primary and secondary systems design including calculation and verification;
- protection, control and communication system design and implementation; and
- SCADA system implementation.

PCL secures projects via tenders and requests for quotations from prospective customers. A typical project for the construction of a HV and EHV substation, HV and EHV transmission line or underground power cable systems refers to a project that includes the design, engineering, procurement, construction, supply, installation, testing and commissioning of the structure and its related equipment.

(ii) Trading of proprietary and non-proprietary power system components and equipment

PCL Group trades proprietary power system components and equipment in Cambodia. Some of the power system components and equipment are manufactured by PIB Group.

INFORMATION ON PCL (Cont'd)

As at LPD, PCL has completed the following projects:

Project scope	Client	Project duration	Contract value USD'million
Battambang Project ⁽¹⁾	EDC	Commenced in March 2012 and completed in August 2012	0.2
North Phnom Penh – Kampong Cham Project ⁽²⁾	Cambodia Transmission Limited	Commenced in February 2010 and completed in May 2013	4.5
Sarawak Project ⁽³⁾	PSB	Commenced in May 2015 and completed in July 2015	0.3
Kampong Cham – Kratie Project ⁽⁴⁾	Diamond Power	Commenced in May 2015 and completed in November 2017	17.2
Supply TACSR for High Voltage 230kV transmission line from Stung Hav Substation to Chamkarloug Substation.	EDC	Commenced in April 2019 and completed in September 2019	7.5
West Phnom Penh – Sihanoukville Project ⁽⁵⁾	Alex Corporation	Commenced in April 2015 and completed in January 2020	147.8
Siem Reap – Oddor Meanchey Project ⁽⁶⁾	Schneitec Co., Ltd	Commenced in January 2018 and completed in December 2019	26.0

Notes:

- (1) Contract from the EDC involving the construction of a 115kV transmission line connection from the 230/115kV substation of Cambodia Power Grid Co., Ltd to the 115/22kV substation of Cambodia Power Transmission Lines Co., Ltd. in Battambang Province measuring 0.97 km.
- (2) Contract involving the construction of HV substations and a HV transmission link between the North Phnom Penh transmission network to the Kampong Cham network in Cambodia.
- (3) Project management and civil construction management service for the construction of 275kV/32kV and 132kV/11kV substations.
- (4) Design, engineering, test delivery, installation and commissioning of the 230kV switchyard in the existing Kampong Cham substation, new Kratie 230/22kV substation and interconnecting 125km transmission line from Kampong Cham substation to Kratie substation.
- (5) Design, engineering, installation, testing and commissioning of the West Phnom Penh – Sihanoukville Project for the 230kV West Phnom Penh – Sihanoukville Transmission Line and 230/115/22kV substation extension project upgraded to 230kV/500kV Bek Chan – Sihanoukville Transmission Line and 230/115/22kV substation extension project.
- (6) Development of a 115kV transmission line from Siem Reap to Oddor Meanchey, 115/22kV Oddor Meanchey Substation and 230/22kV Bek Chan Substation.

INFORMATION ON PCL (Cont'd)

As at LPD, PCL is involved in the following projects in Cambodia:

<u>Project</u>	<u>Client</u>	<u>Construction duration</u>	<u>Contract value (USD'million)</u>
Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project ⁽¹⁾	Alex Corporation	To commence on 15 June 2020 and to be completed by 30 April 2021	100.2
Supply, design, construction, erection, installation, testing, commissioning, energisation and handover of 230/11 kV Okvau Transmission Substation	Renaissance Minerals (Cambodia) Ltd	Commenced on 1 March 2020 and to complete within 12 months	7.3

Note:

(1) *Design, engineering, installation, testing and commissioning of the 230kV transmission line of approximately 220km from the Stung Tatay Hydro Power Plant to the proposed new Bek Chan substation in Phnom Penh and supply, installation and connection of two 230kV line bays at Stung Tatay Hydro Power Plant switchyard.*

For the past 3 FYE 30 June 2017, 30 June 2018 and 30 June 2019, PCL operated primarily in Cambodia and its revenue was solely contributed by its operations in Cambodia. The purchases and input for its operations were sourced from local and overseas.

Presently, PCL Group does not undertake any manufacturing activities nor does it own or rent any factories.

PCL Group has not undertaken any research and development activities nor employ any personnel for such activities for the past 3 financial years up to the FYE 30 June 2019.

2. SHARE CAPITAL

As at LPD, the issued and fully paid share capital of PCL is KHR28.4 billion or equivalent to USD7.1 million represented by 71,000,000 PCL Shares with par value of KHR400 or equivalent to USD0.10 per PCL Share.

Save for the ordinary shares as disclosed above, PCL does not have any other outstanding securities as at LPD.

3. SUBSTANTIAL SHAREHOLDERS

As at LPD, the substantial shareholders of PCL and their shareholdings are as follows:

<u>Name</u>	<u>Place of incorporation/ Nationality</u>	<u>Direct</u>		<u>Indirect</u>	
		<u>No. of shares</u>	<u>%</u>	<u>No. of shares</u>	<u>%</u>
PIB	Malaysia	71,000,000	100.00	-	-
Lim Pay Chuan	Malaysian	-	-	⁽¹⁾ 71,000,000	100.00
Lim Ah Hock	Malaysian	-	-	⁽²⁾ 71,000,000	100.00

Notes:

(1) *Deemed interested pursuant to Section 8 of the Act by virtue of his direct shareholdings in PIB and his substantial shareholdings in VESTECH Projects Sdn Bhd.*

(2) *Deemed interested pursuant to Section 8 of the Act by virtue of his direct shareholdings in PIB and his substantial shareholdings in VESTECH Projects Sdn Bhd and Kumpulan Liva Sdn Bhd.*

INFORMATION ON PCL (Cont'd)

4. DIRECTORS AND THEIR SHAREHOLDINGS

As at LPD, the Directors of PCL and their respective shareholdings are as follows:

Name	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Lim Pay Chuan	Malaysian	Executive Chairman	-	-	⁽¹⁾ 71,000,000	100.00
Lim Ah Hock	Malaysian	Executive Director	-	-	⁽²⁾ 71,000,000	100.00
Han Fatt Juan	Malaysian	Executive Director / Chief Executive Officer	-	-	-	-
Tan Pu Hooi	Malaysian	Executive Director	-	-	-	-
Dav Ansan	Cambodian	Independent Director	-	-	-	-

Notes:

- (1) Deemed interested pursuant to Section 8 of the Act by virtue of his direct shareholdings in PIB and his substantial shareholdings in VESTECH Projects Sdn Bhd.
- (2) Deemed interested pursuant to Section 8 of the Act by virtue of his direct shareholdings in PIB and his substantial shareholdings in VESTECH Projects Sdn Bhd and Kumpulan Liva Sdn Bhd.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at LPD, PCL does not have any associated company.

The details of PCL's subsidiaries as at LPD are as follows:

Name of entity	Date of incorporation/ Place of incorporation	Issued share capital USD	Effective equity interest %	Principal activities
PML	24 March 2017/ Myanmar	25,000	99.99	Comprehensive power system engineering, construction, design, installation and related services in power industry
PHCL (subsidiary of PML)	24 June 2019/ Myanmar	10	59.99	Establish the infrastructure of Power sector and promote the power segments such as power generation, power transmission and power distribution
PMCL (subsidiary of PHCL)	14 February 2020/ Myanmar	⁽¹⁾ 2	⁽²⁾ 53.99	Provision of microgrid system and other power infrastructure to the rural areas in Myanmar

Notes:

- (1) Excludes unpaid capital of USD9,998.
- (2) Computed based on the 90% shareholding held by PHCL in PMCL over the intended share capital of USD10,000 (both paid and unpaid capital) as registered with the Directorate of Investment and Company Administration in Myanmar.

INFORMATION ON PCL (Cont'd)

6. FINANCIAL SUMMARY

The summary of key financial information of PCL based on its audited consolidated financial statements for the past 3 years up to FYE 30 June 2019 and the latest unaudited consolidated financial results of PCL for the 6 months FPE 31 December 2019 are as follows.

	FYE 30 June 2017 *		FYE 30 June 2018 *		FYE 30 June 2019 *		FPE 31 December 2018		FPE 31 December 2019	
	USD'000	KHR'million	USD'000	KHR'million	USD'000	KHR'million	USD'000	KHR'million	USD'000	KHR'million
Revenue	29,785	121,703	77,157	313,486	56,827	231,058	16,030	65,850	21,317	86,866
PBT	8,235	33,648	9,965	40,488	2,343	9,528	1,466	6,023	7,005	28,547
PAT	6,552	26,770	7,581	30,803	1,775	7,218	1,173	4,818	5,603	22,834
Share capital	1	4	7,100	28,847	7,100	28,869	7,100	29,167	7,100	28,933
Total equity/NA	15,149	61,900	27,783	112,882	13,923	56,610	14,717	60,457	18,743	76,376
Total borrowings	-	-	22,013	89,439	99,587	404,922	48,752	200,273	112,947	460,258
Number of ordinary shares ('000)	1	1	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000
Net EPS (USD)/(KHR)	6,552	26,770,000	0.11	433.85	0.03	101.66	0.02	67.86	0.08	321.61
NA per PCL Share (USD)/(KHR)	15,149	61,900,000	0.39	1,589.89	0.20	797.32	0.21	851.51	0.26	1,075.72
Gearing (times)	-	-	0.79	0.79	7.15	7.15	3.31	3.31	6.03	6.03
Current ratio (times)	0.05	0.05	0.03	0.03	0.33	0.33	0.06	0.06	0.41	0.41

INFORMATION ON PCL (Cont'd)

Note:

* *The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the requirement pursuant to the Law on Accounting and Auditing (April 2016) and have been made using the following prescribed official exchange rates published by the General Department of Taxation on the relevant dates below. These translations should not be construed as representations that the USD amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.*

- (i) As at 30 June 2017 – USD1.00 to KHR4,086*
- (ii) As at 30 June 2018 – USD1.00 to KHR4,063*
- (iii) As at 30 June 2019 – USD1.00 to KHR4,066*
- (iv) As at 31 December 2018 – USD1.00 to KHR4,108*
- (v) As at 31 December 2019 – USD1.00 to KHR4,075*

The audited consolidated financial statements of PCL for the past 3 financial years up to FYE 30 June 2019 and the latest unaudited consolidated financial results of PCL for the 6 months FPE 31 December 2019 were prepared in accordance with Cambodian International Financial Reporting Standards. The audited consolidated financial statements of PCL Group for the past 3 financial years up to FYE 30 June 2019 were not subject to any audit qualification. There are no accounting policies adopted by PCL which are peculiar to PCL due to the nature of its business for the financial years under review.

INFORMATION ON PCL (Cont'd)**Commentary on past performance**

PCL Group derives its revenue mainly from 2 sources i.e. projects and the distribution of products.

Revenue	Description
(i) Projects	Collectively: (a) West Phnom Penh – Sihanoukville Project; (b) Kampong Cham – Kratie Project; (c) Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project; and (d) Siem Reap – Oddor Meanchey Project, as the case may be
(ii) Products	Comprising those products that are manufactured and value added by PIB Group which are then distributed by PCL to third parties (i.e. those that are not used for PCL's Projects) and are inclusive of the following: (i) PCL Group's manufactured proprietary power system components and equipment; and (ii) Third party equipment integrated with PIB Group's value added services i.e. configuration (programming and engineering), testing of functionality, after sales services (technical and products support) and where applicable, installation of products

(i) FPE 31 December 2019 and FPE 31 December 2018**Revenue**

The breakdown of PCL Group's revenue for the financial periods under review are as follows:

	FPE 31 December 2018	FPE 31 December 2019	Change
Revenue	USD'000	USD'000	%
Projects	16,030	20,993	31.0
Products	-	324	Not applicable
Total	16,030	21,317	33.0

Total revenue for the FPE 31 December 2019 increased by 33.0% period-on-period to USD21.3 million from USD16.0 million.

INFORMATION ON PCL (Cont'd)

Revenue from Projects in the FPE 31 December 2019 increased by USD5.0 million or 31.0% to USD21.0 million from USD16.0 million in the FPE 31 December 2018. The increase in revenue is mainly due to the higher percentage of works completed for the West Phnom Penh – Sihanoukville Project and Siem Reap – Oddor Meanchey Project in FPE 31 December 2019 compared to FPE 31 December 2018.

For the FPE 31 December 2019, PCL recorded revenue from the sale of Products which amounted to USD0.3 million.

PBT

For the FPE 31 December 2019, PCL achieved a PBT of USD7.0 million, representing an increase of 377.8% period-on-period from approximately USD1.5 million for the FPE 31 December 2018. Higher PBT in FPE 31 December 2019 was due to higher revenue recognised for Projects as compared to the FPE 31 December 2018.

PCL Group's PBT margin had increased from 9.1% in the FPE 31 December 2018 to 32.9% in the FPE 31 December 2019. The increase in PBT margin was primarily due to higher GP margin recognised for the West Phnom Penh – Sihanoukville Project arising from actual finalised cost savings recorded upon completion of the project execution.

PAT

For the FPE 31 December 2019, PCL recorded a PAT of USD5.6 million, representing an increase of 377.7% period-on-period from approximately USD1.2 million recorded in the FPE 31 December 2018. The increase in PAT in FPE 31 December 2019 was mainly attributable to higher revenue and higher GP margin.

(ii) FYE 30 June 2019 and FYE 30 June 2018**Revenue**

The breakdown of PCL Group's revenue for the financial years under review are as follows:

	<u>FYE 30 June 2018</u>	<u>FYE 30 June 2019</u>	<u>Change</u>
<u>Revenue</u>	<u>USD'000</u>	<u>USD'000</u>	<u>%</u>
Projects	77,132	49,650	(35.6)
Products	25	7,177	28,608.0
Total	77,157	56,827	(26.3)

Total revenue for the FYE 30 June 2019 decreased by 26.3% year-on-year to USD56.8 million from USD77.2 million. The decline in revenue was mainly due to the lower revenue from Projects, which was partly offset by the increase in revenue from Products.

Revenue from Projects in the FYE 30 June 2019 decreased by approximately USD27.5 million or 35.6% to USD49.6 million from USD77.1 million in the FYE 30 June 2018. The decrease in revenue is mainly due to the lower percentage of works completed for the West Phnom Penh – Sihanoukville Project and Siem Reap – Oddor Meanchey Project in FYE 30 June 2019 compared to FYE 30 June 2018. Furthermore, the decline in revenue was partly due to PCL's adoption of the new accounting standard Cambodian International Financial Reporting Standards ("CIFRS") 15 which lowered the revenue in FYE 30 June 2019 by approximately USD3.7 million.

INFORMATION ON PCL (Cont'd)

For the FYE 30 June 2019, revenue from sale of Products to third parties which were mainly supplied to subcontractors, amounted to USD7.2 million representing a significant increase year-on-year from USD0.02 million in the FYE 30 June 2018. Generally, PCL Group supplies the Products to third parties on a contract basis. Hence, the revenue from the Products may fluctuate from time to time.

PBT

For the FYE 30 June 2019, PCL achieved a PBT of approximately USD2.3 million, representing a decrease of 76.5% year-on-year from approximately USD10.0 million for the FYE 30 June 2018. The lower PBT in FYE 30 June 2019 were due to the lower revenue and PCL's adoption of CIFRS15, which rendered gross profit ("GP") lower by approximately USD3.7 million.

The PBT margin dropped from 12.9% in the FYE 30 June 2018 to 4.1% in the FYE 30 June 2019. The drop in PBT margin was primarily due to lower GP margin in the FYE 30 June 2019.

PAT

For the FYE 30 June 2019, PCL recorded a PAT of approximately USD1.8 million, representing a decrease of 76.6% year-on-year from USD7.6 million recorded in the FYE 30 June 2018. The declined in PAT in FYE 30 June 2019 was mainly attributable to lower revenue and lower GP margin.

(iii) FYE 30 June 2018 and FYE 30 June 2017**Revenue**

The breakdown of PCL Group's revenue for the financial years under review are as follows:

	<u>FYE 30 June 2017</u>	<u>FYE 30 June 2018</u>	<u>Change</u>
<u>Revenue</u>	<u>USD'000</u>	<u>USD'000</u>	<u>%</u>
Projects	29,526	77,132	161.2
Products	259	25	(90.3)
Total	29,785	77,157	159.1

Total revenue for the FYE 30 June 2018 increased by 159.1% year-on-year to approximately USD77.2 million from USD29.8 million recorded in the FYE 30 June 2017. The increase in revenue was mainly due to higher revenue from Projects, which was partly offset by the decrease in revenue from Products.

Revenue from Projects in the FYE 30 June 2018 increased by approximately USD47.6 million or 161.2% to USD77.1 million from USD29.5 million in the FYE 30 June 2017. The increase in revenue was mainly due to higher percentage of works completed for the West Phnom Penh – Sihanoukville Project and Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project during the FYE 30 June 2018 compared to the FYE 30 June 2017. The higher revenue from Projects in FYE 30 June 2018 is also contributed by the Siem Reap – Oddor Meanchey Project, which is a new project secured during the FYE 30 June 2018.

The decrease in revenue from Products was mainly due to lesser demand from customers/clients during the financial year. As the Products were supplied to third parties on a contract basis, the revenue from Products may fluctuate from time to time.

INFORMATION ON PCL (Cont'd)

PBT

For the FYE 30 June 2018, PCL achieved a PBT of approximately USD10.0 million, representing an increase of 21.0% year-on-year from USD8.2 million.

PCL's PBT margin had declined from 27.6% in the FYE 30 June 2017 to 12.9% in the FYE 30 June 2018. The decrease in PBT margin was due to increase in operating expenses in the FYE 30 June 2018, which was mainly contributed by the unrealised foreign exchange translation loss of USD1.8 million, and increase in other expenses such as professional fee, depreciation and labour costs as a result of the increase in PCL's business activities.

PAT

For the FYE 30 June 2018, PCL recorded a PAT of approximately USD7.6 million, representing an increase of 15.7% year-on-year from approximately USD6.6 million recorded in the FYE 30 June 2018. The increase in PAT in FYE 2018 was primarily due to higher revenue recognised during the year.

(iv) FYE 30 June 2017 and FYE 30 June 2016**Revenue**

The breakdown of PCL Group's revenue for the financial years under review are as follows:

	<u>FYE 30 June 2016</u>	<u>FYE 30 June 2017</u>	<u>Change</u>
<u>Revenue</u>	<u>USD'000</u>	<u>USD'000</u>	<u>%</u>
Projects	25,726	29,526	14.8
Products	3,707	259	(93.0)
Total	29,433	29,785	1.2

Revenue for the FYE 30 June 2017 of USD 29.8 million had increased marginally by USD0.4 million representing 1.2% from USD29.4 million in FYE 30 June 2016. The increase in revenue from Projects by USD3.8 million or 14.8% was mainly attributed to the higher percentage of works completed for the West Phnom Penh – Sihanoukville Project and Kampong Cham – Kratie Project. The Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project has also contributed to the revenue as this project was awarded in FYE 30 June 2017 and has commenced work during the year under review.

Revenue from Products had decreased from USD3.7 million in the FYE 30 June 2016 to USD0.3 million in the FYE 30 June 2017, a decrease of USD3.4 million or 93.0% which was mainly due to the supply of Products for a transaction to a subcontractor in the FYE 30 June 2016, which was not repeated in the FYE 30 June 2017.

PBT

For the FYE 30 June 2017, PCL recorded a PBT of USD8.2 million, an increase of approximately USD2.6 million or 45.6% as compared to the PBT recorded of USD5.7 million in the FYE 30 June 2016. This increase in PBT is from the additional contribution from Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project, which was awarded during FYE 30 June 2017 and higher GP margin of 30.2% recorded in FYE 30 June 2017 as compared to 20.6% in FYE 30 June 2016, which was partially offset by higher operating expenses. The higher GP margin was mainly attributable to the higher margin from new projects secured in FYE 30 June 2017.

INFORMATION ON PCL (Cont'd)

PAT

For the FYE 30 June 2017, PCL recorded a PAT of approximately USD6.6 million as compared to USD4.5 million in the FYE 30 June 2016, representing an increase of USD2.0 million or 45.1%. The higher PAT was mainly due to the higher GP margin recognised during the financial year.

7. TYPE OF ASSETS OWNED

As at LPD, the major fixed assets owned by PCL are as follows:

Fixed assets	Audited net book value as at 30 June 2019 USD'000
Equipment	1,975
Motor vehicles	257
Total	2,232

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**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO**

**PESTECH INTERNATIONAL BERHAD
(Company No.: 201101019901 (948035-U))
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**

**PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

**GRANT THORNTON MALAYSIA PLT
CHARTERED ACCOUNTANTS**

Member firm of Grant Thornton International Ltd.

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO (Cont'd)**


**REPORTING ACCOUNTANTS' LETTER ON THE
COMPILATION OF PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION AS AT 30
JUNE 2019**

(Prepared for inclusion in the Circular)

Date: 15 June 2020

The Board of Directors
PESTECH International Berhad
No. 26, Jalan Utarid U5/14
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan

Dear Sirs,

**PESTECH INTERNATIONAL BERHAD ("PIB" OR "COMPANY") AND ITS
SUBSIDIARIES ("PIB GROUP")**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF PIB AS
AT 30 JUNE 2019 IN CONNECTION WITH THE PROPOSED LISTING OF PESTECH
(CAMBODIA) PLC ("PCL"), A WHOLLY-OWNED SUBSIDIARY OF PIB ON THE MAIN
BOARD OF CAMBODIA SECURITIES EXCHANGE ("CSX") ("PROPOSED LISTING")**

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of PIB and PIB Group as at 30 June 2019, together with the notes and assumptions thereto. The pro forma consolidated statements of financial position as set out in the accompanying statements (which we have stamped for the purpose of identification), have been compiled and prepared by the Directors of the Company ("Directors") for inclusion in the circular to shareholders of PIB ("Circular") to be issued in connection to the Proposed Listing.

The applicable criteria on the basis of which the Directors have compiled the pro forma consolidated statements of financial position are described in Note 1 of the pro forma consolidated statements of financial position ("Applicable Criteria").

The pro forma consolidated statements of financial position as at 30 June 2019 have been compiled by the Directors of the Company, for illustrative purposes only, to show the effects of the Proposed Listing on the consolidated statements of financial position presented had the Proposed Listing been effected at the date stated. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's audited consolidated statements of financial position as at 30 June 2019, on which was reported by us to the members of PIB on 17 October 2019 without any modification.

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO (Cont'd)**

**Directors' responsibilities for the Pro Forma Consolidated Statements of Financial Position**

The Directors of the Company are responsible for compiling the pro forma consolidated statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

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

Our firm applies *International Standard on Quality Control ("ISQC") 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated statements of financial position have been compiled, in all material respects, by the Directors of the Company on the basis as described in Note 1 of the pro forma consolidated statements of financial position.

We conducted our engagement in accordance with *International Standard on Assurance Engagements ("ISAE") 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma consolidated statements of financial position on the basis of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position included in the Circular of PIB is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO (Cont'd)**

**Reporting Accountants' Responsibilities (cont'd)**

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material aspects, on basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions enumerated in the notes thereto, and to obtain sufficient appropriate evidence about whether:-

- The related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma consolidated statements of financial position reflect the proper application of those adjustments to the Company's audited consolidated statements of financial position as at 30 June 2019.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:-

- (i) The pro forma consolidated statements of financial position of the Group have been properly compiled on the basis as set out in the accompanying notes to the pro forma consolidated statements of financial position based on the audited consolidated financial statements of the Group for the financial period ended 30 June 2019 (which have been prepared by the Directors of PIB), and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial period ended 30 June 2019; and
- (ii) Adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purposes of preparing the pro forma consolidated statements of financial position.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO (Cont'd)

**Other Matter**

This report has been prepared solely for the purpose of inclusion in the Circular in connection with the Proposed Listing. As such, this letter should not be used or relied upon for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to be "G. S. O.", written over a horizontal line.

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

A handwritten signature in black ink, appearing to be "H. K. M.", written over a vertical line.

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

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO (Cont'd)**

**PESTECH INTERNATIONAL BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

The pro forma consolidated statements of financial position of PIB Group as at 30 June 2019 as set out below for which the Directors of PIB are solely responsible, are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the pro forma consolidated statements of financial position on the assumption that these transactions were completed on 30 June 2019, and should be read in conjunction with the notes accompanying the pro forma consolidated statements of financial position:

	Note	Audited at 30 June 2019 RM'000	After Subsequent Event RM'000	Pro Forma I RM'000
ASSETS				
Non-current assets				
Property, plant and equipment		91,418	91,418	91,418
Intangible assets		87,273	87,273	87,273
Investment in associates		461	461	461
Derivative financial assets		7,211	7,211	7,211
Contract assets		461,902	461,902	461,902
Total non-current assets		648,265	648,265	648,265
Current assets				
Contract assets		996,597	996,597	996,597
Inventories		14,133	14,133	14,133
Trade receivables		198,142	198,142	198,142
Other receivables		45,794	45,794	45,794
Tax recoverable		18,045	18,045	18,045
Fixed deposits with licensed institutions		8,046	8,046	8,046
Cash and bank balances	3.1	158,523	157,605	167,702
Total current assets		1,439,280	1,438,362	1,448,459
Total assets		2,087,545	2,086,627	2,096,724
EQUITY AND LIABILITIES				
Equity				
Equity attributable to owners of the Company:				
Share capital		212,672	212,672	212,672
Treasury shares	3.2	-	(918)	(918)
Reserves	3.3	(33,783)	(33,783)	(33,527)
Retained earnings	3.4	302,703	302,703	308,973
		481,592	480,674	487,200
Non-controlling interests	3.5	79,297	79,297	82,868
Total equity		560,889	559,971	570,068

Stamped for the purpose of identification on:
15 JUN 2020
GRANT THORNTON MALAYSIA PLT

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO (Cont'd)**

**PESTECH INTERNATIONAL BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

The pro forma consolidated statements of financial position of PIB Group as at 30 June 2019 as set out below for which the Directors of PIB are solely responsible, are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the pro forma consolidated statements of financial position on the assumption that these transactions were completed on 30 June 2019, and should be read in conjunction with the notes accompanying the pro forma consolidated statements of financial position (cont'd):

	Audited at 30 June 2019 RM'000	After Subsequent Event RM'000	Pro Forma I RM'000
(Cont'd)			
LIABILITIES			
Non-current liabilities			
Derivative financial liabilities	7,540	7,540	7,540
Finance lease liabilities	4,922	4,922	4,922
Loans and borrowings	662,276	662,276	662,276
Deferred tax liabilities	336	336	336
Trade payables	66,485	66,485	66,485
Total non-current liabilities	741,559	741,559	741,559
Current liabilities			
Contract liabilities	393	393	393
Trade payables	371,656	371,656	371,656
Other payables	31,456	31,456	31,456
Finance lease liabilities	1,671	1,671	1,671
Loans and borrowings	367,690	367,690	367,690
Tax payable	12,231	12,231	12,231
Total current liabilities	785,097	785,097	785,097
Total liabilities	1,526,656	1,526,656	1,526,656
Total equity and liabilities	2,087,545	2,086,627	2,096,724
No. of shares in issue (Unit' 000)	764,294	763,130	763,130
Net assets per share (sen)	63.01	62.99	63.84
Gearing ratio	1.85	1.85	1.82

Stamped for the purpose of identification on:
15 JUN 2020
GRANT THORNTON MALAYSIA PLT

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO (Cont'd)**

**PESTECH INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION**

1. BASIS OF PREPARATION

The pro forma consolidated statements of financial position as at 30 June 2019, for which the Directors of PIB are solely responsible, have been prepared for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 30 June 2019 on the assumption that the Proposed Listing as mentioned below to be undertaken by PIB Group had been effected on 30 June 2019, and should be read in conjunction with the notes in this section.

The pro forma consolidated statements of financial position have been compiled using the audited consolidated statement of financial position of PIB as at 30 June 2019, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group.

The pro forma consolidated statements of financial position, because of their nature, may not give a true picture of the actual financial position of the PIB. Furthermore, such information does not purport to predict PIB Group's future financial position after completion of the Proposed Listing.

2. PRO FORMA ADJUSTMENTS

2.1 Subsequent event

Subsequent to the financial year ended 30 June 2019, the Company bought back 1,163,500 or 0.15% of its issued and fully paid ordinary shares from the open market at prices ranged from RM0.64 to RM0.91 per share for a total cash consideration of RM918,327. These shares are held as treasury shares in accordance with Section 127 of the Companies Act 2016.

The consideration paid, including attributable transaction costs on purchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

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**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO (Cont'd)**

**PESTECH INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION (CONT'D)**

2. PRO FORMA ADJUSTMENTS (CONT'D)

2.2 Pro forma I

Pro forma I illustrate the effects of the Proposed Listing which entail the following:

- (a) The Proposed Listing would increase PCL's issued and paid-up ordinary shares by 3,945,000 PCL Shares to 74,945,000 PCL Shares, raising total proceeds of USD2,998,000 (approximately RM12,393,000).

Upon completion of the Proposed Listing, the Company's effective equity interest in PCL will dilute from 100.00% presently to 94.74%.

- (b) Of the total proceeds of USD2,998,000 (approximately RM12,393,000)
- (i) USD2 million would be used to finance PCL existing and future projects;
 - (ii) USD491,000 would be used for working capital purpose; and
 - (iii) USD507,000 would be utilised to defray estimated Proposed Listing expenses, of which USD271,000 would be netted off against the share capital of PCL and USD236,000 would be charged out to profit or loss.
- (c) PIB would need to incur estimated advisory fee of RM200,000 in relation to Proposed Listing of PCL, the expenses would be charged to profit or loss.

The said allocated amounts in RM are based on the foreign exchange rate of RM4.1335 to USD1.00 as at reporting date.

3. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.1 CASH AND BANK BALANCES

The movements of the cash and bank balances are as follows:

	RM'000
Audited as at 30 June 2019	158,523
Arising from Subsequent Event	<u>(918)</u>
After Subsequent Event	157,605
Arising from Proposed Listing of PCL	12,393
Estimated Proposed Listing's expenses	<u>(2,296)</u>
Pro Forma I	<u>167,702</u>

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**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THERETO (Cont'd)**

**PESTECH INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION (CONT'D)**

**3. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION (CONT'D)**

3.2 TREASURY SHARES

The movements of treasury shares are as follows:

	Number of shares Unit'000	Amount RM'000
Audited as at 30 June 2019	-	-
Arising from Subsequent Event	1,164	918
After Subsequent Event/ Pro Forma I	<u>1,164</u>	<u>918</u>

3.3 RESERVES

The movements of reserves are as follows:

	RM'000
Audited as at 30 June 2019/ After Subsequent Event	33,783
Arising from Proposed Listing	<u>(256)</u>
Pro Forma I	<u>33,527</u>

3.4 RETAINED EARNINGS

The movements of retained earnings are as follows:

	RM'000
Audited as at 30 June 2019/ After Subsequent Event	302,703
Arising from Proposed Listing - Gain from dilution of equity interest in PCL	7,446
Estimated Proposed Listing's expenses	<u>(1,176)</u>
Pro Forma I	<u>308,973</u>

3.5 NON-CONTROLLING INTERESTS

The movements of non-controlling interests are as follows:

	RM'000
Audited as at 30 June 2019/ After Subsequent Event	79,297
Arising from Proposed Listing – dilution of equity interest in PCL	<u>3,571</u>
Pro Forma I	<u>82,868</u>

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GRANT THORNTON MALAYSIA PLT

Financial statements and independent auditor's report

Pestech (Cambodia) Plc and
its subsidiaries

30 June 2019

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech (Cambodia) Plc and its subsidiaries

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AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech [Cambodia] Plc and its subsidiaries

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Report of the Board of Directors

The Board of Directors has the pleasure in submitting this report and the audited financial statements of Pestech [Cambodia] Plc (“the Company”) and the audited financial statements of the Company and its subsidiaries (together hereinafter referred to as “the Group”) for the year ended 30 June 2019 (“the year”).

The Company

Pestech [Cambodia] Plc was incorporated on 5 February 2010 as a single member private company and is a wholly owned subsidiary of Pestech International Berhad, a company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad, with a registered capital of USD 7,100,000, consisting of 71,000,000 shares, each with a par value of USD0.10 per share. The Company is registered with the Ministry of Commerce (“MOC”) under company registration number 00000957.

Pestech [Myanmar] Limited (“the subsidiary”) was incorporated as a private limited company which is 99.99% owned by the Company under registration No. 1171FC/2016-2017 dated 24 March 2017 issued by the Government of the Republic of the Union of Myanmar, Ministry of Planning and Finance.

Pestech Hinthar Corporation Limited was incorporated as a private limited company which is 60%-owned by Pestech [Myanmar] Limited under Myanmar Companies Law 2017 on 24 June 2019. The registered share capital is USD50,000 comprising 50,000 ordinary shares.

The Company considers Pestech Hinthar Corporation Limited as an indirect subsidiary.

The principal activity of the Company is to engage in the construction of electrical sub-stations and transmission lines. The principal activities of the subsidiaries are set out in note 7 to the financial statements.

The registered office of the Company is No. 6, Street 588, Sangkat Boeung Kok II, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia. The registered offices of the subsidiaries are Level 8, Centrepoint Towers, No. 65, corner of Sule Pagoda Road & Merchant Street, Kyauktada Township, Yangon, Republic of the Union of Myanmar and Thapyaynyo Street, No. 3E, Shinsawpu Ward, Sannchaung Township Yangon, Republic of the Union of Myanmar, respectively.

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AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech [Cambodia] Plc and its subsidiaries

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There have been no significant changes in the nature of the Company's and its subsidiaries' activities during the reporting period.

Results of operations

The results of the Group's and of the Company's operations for the year ended 30 June 2019 and the state of their affairs as at that date are set out in the financial statements on pages 7 to 55.

The Board of Directors do not recommend the payment of a dividend for the year ended 30 June 2019.

Board of Directors

The members of the Board of Directors of the Group and the Company during the year and to the date of this report were as follows:

Name	Position	Appointed on
Mr. Lim Pay Chuan	Chairman	5 February 2010
Mr. Lim Ah Hock	Director	5 February 2010
Mr. Tan Pu Hooi	Director	27 June 2018
Mr. Han Fatt Juan	Director	27 June 2018
Mr. Dav Ansan	Independent Non-Executive Director	29 August 2018

Auditors

The financial statements of the Group and of the Company for the year ended 30 June 2019 have been audited by the auditing firm of Grant Thornton [Cambodia] Limited.

Directors' 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 corporate body.

Since the end of the previous financial year, the directors have not received or become entitled to receive any benefit 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 in which the director has a substantial financial interest, except for the benefit as disclosed in note 21 to the financial statements.

Board of Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the year then ended. When preparing the financial statements, the Board of Directors is required to:

- i. adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;

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AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech [Cambodia] Plc and its subsidiaries

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- ii. comply with the disclosure requirements of Cambodian International Financial Reporting Standards or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii. maintain adequate accounting records and an effective system of internal control;
- iv. prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Group and the Company will continue their operations in the foreseeable future; and,
- v. control and direct effectively the Group and the Company in all material decisions affecting their operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

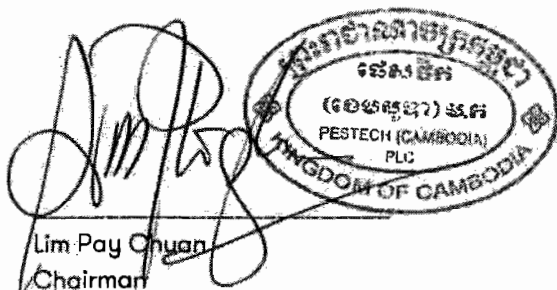
The Board of Directors is also responsible for safeguarding the assets of the Group and of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Group and the Company have complied with the above requirements in preparing the financial statements.

Statement by the Board of Directors

In the opinion of the Board of Directors, the accompanying statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows, together with the notes thereto, have been properly drawn up and give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards.

On behalf of the Board of Directors



Lim Pay Chuan
Chairman

Phnom Penh, Kingdom of Cambodia
17 October 2019



Grant Thornton

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Independent auditor's report

Grant Thornton [Cambodia] Limited
 20th Floor Canadia Tower
 315 Preah Ang Duong Street
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 Sangkat Wat Phnom
 Khan Daun Penh
 Phnom Penh
 Kingdom of Cambodia

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To the shareholder of Pestech (Cambodia) Plc and its subsidiaries

Opinion

We have audited the financial statements of Pestech [Cambodia] Plc (“the Company”) and consolidated financial statements of the Company and its subsidiaries (together hereinafter referred to as “the Group”), which comprise the statements of financial position as at 30 June 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial positions of the Group and of the Company as at 30 June 2019, and their financial performances and their cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) together with the ethical requirements that are relevant to our audit of financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors, but does not include the financial statements and our auditor’s report thereon.

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

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AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Management for the financial statements

The Management of the Group and the Company is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRSs, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is 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 Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, 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, 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 Management.

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AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)



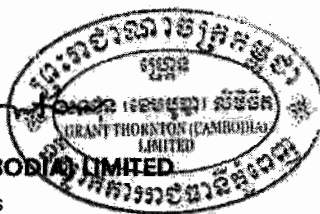
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- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the financial statements 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 auditor's 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, including the disclosures, and whether the financial statements 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. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Grant Thornton
GRANT THORNTON (CAMBODIA) LIMITED
 Certified Public Accountants
 Registered Auditors




Ronald C. Almera
 Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia
 17 October 2019

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AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech (Cambodia) Plc and its subsidiaries
 Financial statements as at and for the year ended 30 June 2019

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The Group's statement of financial position

	Notes	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Assets					
Non-current					
Property, plant and equipment	8	2,246,674	9,134,976	1,912,537	7,770,638
Intangible assets		3,069	12,479	-	-
Contract assets	9	173,059,034	703,658,032	146,587,048	595,583,176
Non-current assets		175,308,777	712,805,487	148,499,585	603,353,814
Current					
Trade and other receivables	10	10,803,774	43,928,145	845,808	3,436,518
Contract assets	9	6,041,667	24,565,418	-	-
Amounts due from related parties	21	1,944,474	7,906,231	-	-
Cash and bank balances	11	13,055,979	53,085,611	2,084,310	8,468,551
Current assets		31,845,894	129,485,405	2,930,118	11,905,069
Total assets		207,154,671	842,290,892	151,429,703	615,258,883
Equity and liabilities					
Equity					
Share capital	12.1	7,100,000	28,868,600	7,100,000	28,847,300
Reserves	12.2	(1,772,051)	(7,205,159)	52,044	211,454
Retained earnings		8,594,917	34,946,933	20,630,827	83,823,050
Total equity		13,922,866	56,610,374	27,782,871	112,881,804
Liabilities					
Non-current					
Borrowings	14	95,406,970	387,924,740	19,945,000	81,036,535
Derivative financial instruments	15	1,824,095	7,416,770	-	-
Non-current		97,231,065	395,341,510	19,945,000	81,036,535
Current					
Trade and other payables	13	8,317,219	33,817,812	48,004,742	195,043,267
Amount due to holding company	21	59,557,824	242,162,112	565,042	2,295,766
Amounts due to related parties	21	23,017,578	93,589,472	49,679,099	201,846,179
Borrowings	14	4,180,282	16,997,027	2,067,929	8,401,996
Income tax payable		927,837	3,772,585	3,385,020	13,753,336
Current liabilities		96,000,740	390,339,008	103,701,832	421,340,544
Total liabilities		193,231,805	785,680,518	123,646,832	502,377,079
Total equity and liabilities		207,154,671	842,290,892	151,429,703	615,258,883

The accompanying notes are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech (Cambodia) Plc and its subsidiary
Financial statements as at and for the year ended 30 June 2019

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The Company's statement of financial position

	Notes	30 June 2019		30 June 2018	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Assets					
Non-current					
Investment in a subsidiary	7	25,000	101,650	25,000	101,575
Property, plant and equipment	8	2,246,674	9,134,976	1,912,537	7,770,638
Intangible assets		3,069	12,479	-	-
Contract assets	9	173,059,034	703,658,032	146,587,048	595,583,176
Non-current assets		175,333,777	712,907,137	148,524,585	603,455,389
Current					
Trade and other receivables	10	10,803,774	43,928,145	845,808	3,436,518
Contract assets	9	6,041,667	24,565,418	-	-
Amounts due from related parties	21	1,944,474	7,906,231	-	-
Amount due from a subsidiary	21	1,010	4,107	1,000	4,063
Cash and bank balances	11	13,039,871	53,020,115	2,058,429	8,363,397
Current assets		31,830,796	129,424,016	2,905,237	11,803,978
Total assets		207,164,573	842,331,153	151,429,822	615,259,367
Equity and liabilities					
Equity					
Share capital	12.1	7,100,000	28,868,600	7,100,000	28,847,300
Reserves	12.2	(1,772,051)	(7,205,159)	52,044	211,454
Retained earnings		8,607,451	34,997,896	20,630,946	83,823,534
Total equity		13,935,400	56,661,337	27,782,990	112,882,288
Non-current					
Borrowings	14	95,406,970	387,924,740	19,945,000	81,036,535
Derivative financial instruments	15	1,824,095	7,416,770	-	-
Non-current		97,231,065	395,341,510	19,945,000	81,036,535
Liabilities					
Current					
Trade and other payables	13	8,314,587	33,807,110	48,004,742	195,043,267
Amount due to holding company	21	59,557,824	242,162,112	565,042	2,295,766
Amounts due to related parties	21	23,017,578	93,589,472	49,679,099	201,846,179
Borrowings	14	4,180,282	16,997,027	2,067,929	8,401,996
Income tax payable		927,837	3,772,585	3,385,020	13,753,336
Current liabilities		95,998,108	390,328,306	103,701,832	421,340,544
Total liabilities		193,229,173	785,669,816	123,646,832	502,377,079
Total equity and liabilities		207,164,573	842,331,153	151,429,822	615,259,367

The accompanying notes are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech [Cambodia] Plc and its subsidiaries
 Financial statements as at and for the year ended 30 June 2019

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The Group's statement of profit or loss and other comprehensive income

	Notes	For the year ended 30 June 2019		For the year ended 30 June 2018	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Revenue	16	56,826,824	231,057,866	77,156,234	313,485,779
Cost of sales and construction	16	(49,770,031)	(202,364,946)	(62,966,632)	(255,833,426)
Gross profit		7,056,793	28,692,920	14,189,602	57,652,353
Other income	17	1,521,596	6,186,809	7,124	28,945
Operating expenses	18	(2,780,507)	(11,305,541)	(4,062,533)	(16,506,072)
Operating profit		5,797,882	23,574,188	10,134,193	41,175,226
Finance income		11,807	48,007	183	744
Finance cost	19	(3,466,326)	(14,094,082)	(169,412)	(688,321)
Profit before income tax		2,343,363	9,528,113	9,964,964	40,487,649
Tax expense	20.1	(568,268)	(2,310,578)	(2,383,536)	(9,684,307)
Profit for the year		1,775,095	7,217,535	7,581,428	30,803,342
Other comprehensive loss					
<i>Item that will be reclassified subsequently to profit or loss</i>					
Fair value loss on cash flow hedges	15	(1,824,095)	(7,416,770)	-	-
Total comprehensive [loss]/income		(49,000)	(199,235)	7,581,428	30,803,342

The accompanying notes are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech [Cambodia] Plc and its subsidiaries
 Financial statements as at and for the year ended 30 June 2019

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The Company's statement of profit or loss and other comprehensive income

	Notes	For the year ended 30 June 2019		For the year ended 30 June 2018	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Revenue	16	56,826,824	231,057,866	77,156,234	313,485,779
Cost of goods sold	16	(49,770,031)	(202,364,946)	(62,966,632)	(255,833,426)
Gross profit		7,056,793	28,692,920	14,189,602	57,652,353
Other income	17	1,521,286	6,185,549	6,953	28,250
Operating expenses	18	(2,767,782)	(11,253,803)	(4,062,243)	(16,504,893)
Operating profit		5,810,297	23,624,666	10,134,312	41,175,710
Finance income		11,807	48,007	183	744
Finance cost	19	(3,466,326)	(14,094,082)	(169,412)	(688,321)
Profit before income tax		2,355,778	9,578,591	9,965,083	40,488,133
Tax expense	20.1	(568,268)	(2,310,578)	(2,383,536)	(9,684,307)
Profit for the year		1,787,510	7,268,013	7,581,547	30,803,826
Other comprehensive loss					
<i>Item that will be reclassified subsequently to profit or loss</i>					
Fair value loss on cash flow hedges	15	(1,824,095)	(7,416,770)	-	-
Total comprehensive [loss]/income		(36,585)	(148,757)	7,581,547	30,803,826

The accompanying notes are an integral part of these financial statements.

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The Group's statement of changes in equity

	Notes	Share capital USD	Reserves USD	Distributable retained earnings USD	Total equity USD
Balance at 1 July 2018		7,100,000	52,044	20,630,946	27,782,990
Effects of adoption of CIFRS 15	3.1	-	-	(13,811,005)	(13,811,005)
At 1 July 2018, restated		7,100,000	52,044	6,819,941	13,971,985
Profit for the year		-	-	1,787,510	1,787,510
Fair value loss on cash flow hedges	12.2	-	(1,824,095)	-	(1,824,095)
Balance at 30 June 2019		7,100,000	(1,772,051)	8,607,451	13,935,400
Balance at 30 June 2019 (KHR'000)		28,868,600	(7,205,159)	34,997,896	56,661,337
Balance at 1 July 2017		1,000	-	15,148,399	15,149,399
Profit for the year		-	-	7,581,547	7,581,547
Capitalisation of amount due to holding company	12.1	5,000,000	-	-	5,000,000
Capitalisation of retained earnings	12.1	2,099,000	-	(2,099,000)	-
Capital contribution reserve	12.2	-	52,044	-	52,044
Balance at 30 June 2018		7,100,000	52,044	20,630,946	27,782,990
Balance at 30 June 2018 (KHR'000)		28,847,300	211,454	83,823,534	112,882,288

The accompanying notes are an integral part of these financial statements.

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The Company's statement of changes in equity

	Notes	Share capital USD	Reserves USD	Distributable retained earnings USD	Total equity USD
Balance at 1 July 2018		7,100,000	52,044	20,630,827	27,782,871
Effects of adoption of CIFRS 15	3.1	-	-	(13,811,005)	(13,811,005)
At 1 July 2018, restated		7,100,000	52,044	6,819,822	13,971,866
Profit for the year		-	-	1,775,095	1,775,095
Fair value loss on cash flow hedges	12.2	-	(1,824,095)	-	(1,824,095)
Balance at 30 June 2019		7,100,000	(1,772,051)	8,594,917	13,922,866
Balance at 30 June 2019 (KHR'000)		28,868,600	(7,205,159)	34,946,933	56,610,374
Balance at 1 July 2017		1,000	-	15,148,399	15,149,399
Profit for the year		-	-	7,581,428	7,581,428
Capitalisation of amount due to holding company	12.1	5,000,000	-	-	5,000,000
Capitalisation of retained earnings	12.1	2,099,000	-	(2,099,000)	-
Capital contribution reserve	12.2	-	52,044	-	52,044
Balance at 30 June 2018		7,100,000	52,044	20,630,827	27,782,871
Balance at 30 June 2018 (KHR'000)		28,847,300	211,454	83,823,050	112,881,804

The accompanying notes are an integral part of these financial statements.

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The Group's statement of cash flows

	Notes	For the year ended 30 June 2019		For the year ended 30 June 2018	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Operating activities					
Profit before income tax		2,343,363	9,528,113	9,964,964	40,487,649
Adjustments for:					
Depreciation	8	372,540	1,514,748	335,853	1,364,571
Amortisation		5,007	20,358	-	-
Interest income		(11,807)	(48,007)	(183)	(744)
Interest expense		3,466,326	14,094,082	169,412	688,321
Unrealised foreign exchange (gain)/loss		(1,517,652)	(6,170,773)	1,825,914	7,418,689
Gain on disposal of property, plant and equipment		(3,634)	(14,776)	(6,952)	(28,246)
Operating profit before working capital changes		4,654,143	18,923,745	12,289,008	49,930,240
Changes in working capital:					
Trade and other receivables		(9,957,966)	(40,489,090)	314,232	1,276,725
Contract assets		(46,324,658)	(188,356,059)	(74,661,009)	(303,347,680)
Amount due to a holding company		58,992,782	239,864,652	5,617,086	22,822,220
Amounts due from/to related parties		(27,088,343)	(110,141,203)	(7,181,029)	(29,176,520)
Trade and other payables		(40,183,210)	(163,384,932)	44,261,330	179,833,784
Cash used in operations		(59,907,252)	(243,582,887)	(19,360,382)	(78,661,231)
Interest received		11,807	48,007	183	744
Interest paid		(204,242)	(830,448)	(138,081)	(561,023)
Income tax paid		(3,025,451)	(12,301,484)	(566,071)	(2,299,946)
Net cash used in operating activities		(63,125,138)	(256,666,812)	(20,064,351)	(81,521,456)

The accompanying notes are an integral part of these financial statements.

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The Group's statement of cash flows (Continued)

	Notes	For the year ended 30 June 2019		For the year ended 30 June 2018	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Investing activities					
Acquisition of property, plant and equipment	8	(706,679)	(2,873,357)	(214,988)	(873,496)
Acquisition of intangible assets		(8,076)	(32,837)	-	-
Proceeds from disposal of property, plant and equipment		3,636	14,784	6,954	28,254
Net cash used in investing activities		(711,119)	(2,891,410)	(208,034)	(845,242)
Financing activities					
Repayment of borrowings	14	(6,658,477)	(27,073,367)	(1,600,031)	(6,500,926)
Proceeds from borrowings	14	82,810,512	336,707,542	22,354,222	90,825,204
Placement of fixed deposits		(450,000)	(1,829,700)	(262,500)	(1,066,538)
Interest paid		(2,766,397)	(11,248,170)	(27,129)	(110,225)
Net cash from financing activities		72,935,638	296,556,305	20,464,562	83,147,515
Net change in cash and cash equivalents		9,099,381	36,998,083	192,177	780,817
Cash and cash equivalents, beginning of year		563,072	2,287,760	370,895	1,515,477
Translation exchange difference		-	1,691	-	(8,534)
Cash and cash equivalents, end of year	11	9,662,453	39,287,534	563,072	2,287,760

The accompanying notes are an integral part of these financial statements.

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The Company's statement of cash flows

	Notes	For the year ended		For the year ended	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Operating activities					
Profit before income tax		2,355,778	9,578,591	9,965,083	40,488,133
Adjustments for:					
Depreciation	8	372,540	1,514,748	335,853	1,364,571
Amortisation		5,007	20,358	-	-
Interest income		(11,807)	(48,007)	(183)	(744)
Interest expense		3,466,326	14,094,082	169,412	688,321
Unrealised foreign exchange (gain)/loss		(1,517,652)	(6,170,773)	1,825,914	7,418,689
Gain on disposal of property, plant and equipment		(3,634)	(14,776)	(6,952)	(28,246)
Operating profit before working capital changes		4,666,558	18,974,223	12,289,127	49,930,724
Changes in working capital:					
Trade and other receivables		(9,957,966)	(40,489,090)	314,232	1,276,725
Contract assets		(46,324,658)	(188,356,059)	(74,661,009)	(303,347,680)
Amount due to a holding company		58,992,782	239,864,652	5,617,086	22,822,220
Amounts due from/to related parties		(27,088,343)	(110,141,203)	(7,181,029)	(29,176,520)
Amounts due from a subsidiary		(10)	(41)	(1,000)	(4,063)
Trade and other payables		(40,185,842)	(163,395,634)	44,261,330	179,833,784
Cash used in operations		(59,897,479)	(243,543,152)	(19,361,263)	(78,664,810)
Interest received		11,807	48,007	183	744
Interest paid		(204,242)	(830,448)	(138,081)	(561,023)
Income tax paid		(3,025,451)	(12,301,484)	(566,071)	(2,299,946)
Net cash used in operating activities		(63,115,365)	(256,627,077)	(20,065,232)	(81,525,035)

The accompanying notes are an integral part of these financial statements.

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The Company's statement of cash flows (Continued)

	Notes	For the year ended 30 June 2019		For the year ended 30 June 2018	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Investing activities					
Acquisitions of property, plant and equipment	8	[706,679]	[2,873,357]	[214,988]	(873,496)
Acquisition of intangible assets		[8,076]	[32,837]	-	-
Proceeds from disposal of property, plant and equipment		3,636	14,784	6,954	28,254
Acquisition of a subsidiary		-	-	[25,000]	[101,575]
Net cash used in investing activities		[711,119]	[2,891,410]	[233,034]	[946,817]
Financing activities					
Repayment of borrowings	14	[6,658,477]	[27,073,367]	[1,600,031]	(6,500,926)
Proceeds from borrowings	14	82,810,512	336,707,542	22,354,222	90,825,204
Placement of fixed deposits		[450,000]	[1,829,700]	[262,500]	(1,066,538)
Interest paid		[2,766,397]	[11,248,170]	[27,129]	[110,225]
Net cash from financing activities		72,935,638	296,556,305	20,464,562	83,147,515
Net change in cash and cash equivalents		9,109,154	37,037,818	166,296	675,663
Cash and cash equivalents, beginning of year		537,191	2,182,606	370,895	1,515,477
Translation exchange difference		-	1,613	-	[8,534]
Cash and cash equivalents, end of year	11	9,646,345	39,222,037	537,191	2,182,606

The accompanying notes are an integral part of these financial statements.

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Notes to the financial statements

1 General information

Pestech (Cambodia) Plc, previously known as Pestech (Cambodia) Limited, was incorporated on 5 February 2010 as a single member private company and is a wholly owned subsidiary of Pestech International Berhad, a company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad, with a registered capital of USD 7,100,000, consisting of 71,000,000 shares, each with a par value of USD0.10 per share. The Company is registered with the Ministry of Commerce (“MOC”) under company registration number 00000957.

The principal activity of the Company is to engage in the construction of electrical sub-stations and transmission lines.

Pestech (Myanmar) Limited (“the subsidiary”) was incorporated as a private limited company which is 99.99% owned by the Company under registration No. 1171FC/2016-2017 dated 24 March 2017 issued by the Government of the Republic of the Union of Myanmar, Ministry of Planning and Finance.

Pestech Hinthar Corporation Limited was incorporated as a private limited company which is 60%-owned by Pestech (Myanmar) Limited under Myanmar Companies Law 2017 on 24 June 2019. The registered share capital is USD50,000 comprising 50,000 ordinary shares.

The Company considers Pestech Hinthar Corporation Limited as an indirect subsidiary.

The principal activities of the subsidiaries are set out in note 7 to the financial statements.

The registered office of the Company is No. 6, Street 588, Sangkat Boeung Kok II, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia. The registered office of the subsidiary is Level 8, Centrepont Towers, No. 65, corner of Sule Pagoda Road & Merchant Street, Kyauktada Township, Yangon, Republic of the Union of Myanmar and Thapyaynyo Street, No. 3E, Shinsawpu Ward, Sanchaung Township Yangon, Republic of the Union of Myanmar, respectively.

There have been no significant changes in the nature of the Company’s and its subsidiaries’ activities during the reporting period.

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2 Statement of compliance with Cambodian International Financial Reporting Standard (“CIFRSs”)

The financial statements of the Group and of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”). CIFRSs are equivalent to full International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Boards (“IASB”) because IFRS are adopted by the National Accounting Council (“NAC”) without modification as CIFRSs.

3 Changes in accounting policies

3.1 Standards, amendments and interpretations to existing standards that are affective and adopted by the Group and the Company as at 1 July 2018

On 1 July 2018, the Group and the Company adopted the new or amended CIFRSs and interpretation of CIFRSs that are mandatory for application for the year. Changes to the Group’s and the Company’s accounting policies have been made as required. A list of those standards, interpretations and amendments that impact the Group’s and the Company’s financial statements as discussed below:

(i) CIFRS 15: Revenue from contracts with customers

On 1 July 2018, the Group and the Company has adopted new guidance for the recognition of revenue from contracts with customer. The new standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 July 2018. In accordance with the transition guidance, CIFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

Contract assets were previously presented as amounts due from customers on contracts. The details of contract assets are set out in note 9.

On the initial application of CIFRS 15, 1 July 2018, the impact to the Group’s and the Company’s financial statements is as follows:

	As previously reported at 30 June 2018	Effects of adoption of CIFRS 15	1 July 2018	
Group and Company Statement of financial position	USD	USD	USD	KHR’000
Non-current assets				
Contract assets	146,587,048	(13,811,005)	132,776,043	539,469,063
Equity				
Retained earnings				
Group	20,630,827	(13,811,005)	6,819,822	27,729,396
Company	20,630,946	(13,811,005)	6,819,941	27,729,880

(ii) CIFRS 9: Financial instruments

Further, the Group and the Company has adopted new guidance for accounting for financial instruments. This guidance was applied using the transactional relief allowing the entity not to restate prior periods. Any difference arising from the adoption of CIFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.

On the date of initial application, 1 July 2018, all financial asset previously classified as loans and receivables are reclassified as amortised cost. There is no difference to the carrying amounts of financial assets resulting from the adoption of CIFRS 9.

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There have been no changes to the classification and measurement of financial liabilities as a result of the application of CIFRS 9.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group and the Company

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group and the Company. Information on those expected to be relevant to the Group's and the Company's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's and the Company's financial statements.

IFRS, Amendments to IFRSs and IC Interpretation effective from 1 January 2019:

CIFRS 16*	Leases
Amendments to IFRS 9*	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to IFRS 119*	Employee Benefits: Post-employment Benefits: Defined Benefit Plans
Amendments to IFRS 128*	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23*	Uncertainty over Income Tax Treatments
Annual Improvements to CIFRS Standards 2015 – 2017 Cycle*	

Amendments to IFRSs and IC Interpretations effective from 1 January 2020:

Amendments to IFRS 3	Business Combinations
Amendments to IFRS 101	Presentation of Financial Statements
Amendments to IFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to Reference to the Conceptual Framework on IFRS Standards (IFRS 2*, 3*, 6*, 14*, 101, 108, 134*, 137, 138* and IC Interpretation 12*, 19*, 20*, 22 and 132*)	

IFRS effective 1 January 2021:

IFRS 17*	Insurance Contracts
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The Group and the Company has not applied the following IFRSs and amendments to IFRSs that have been issued by the International Accounting Standards Board ("IASB") but are not yet effective for the Group and the Company:

Amendments to IFRSs – effective date deferred indefinitely:

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

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the Group's and the Company's financial statements.

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4 Summary of significant accounting policies**4.1 Basis of preparation**

The financial statements of the Group and the Company, which are expressed in United States Dollars ("USD"), are prepared under the historical cost of convention and drawn up in accordance with CIFRSs.

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

4.2 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Group and the Company transact their business and maintains its accounting records primarily in USD, Management has determined the USD to be the Group's and the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Group and of the Company.

Transactions in foreign currencies, other than USD, are translated into USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of comprehensive income. The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the requirement pursuant to Law on Accounting and Auditing (April 2016) and been made using the prescribed official exchange rate of USD 1 to KHR4,066 and USD 1 to KHR4,063 published by the General Department of Taxation ("GDT") on 30 June 2019 and 30 June 2018, respectively. These translations should not be construed as representations that the USD amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

4.3 Basis of consolidation

The Group's financial statements consolidate those of the parent company and of its subsidiaries. The Company obtains and exercises control through ownership of more than half of the voting rights of its subsidiaries.

Unrealised gains and losses on transactions between Group companies are eliminated. When unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment. Amounts reported in financial statements of the subsidiaries has been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss of the subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition or up to the effective date of disposal as applicable.

4.4 Revenue recognition

Revenue 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.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's

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Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes.

If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company performs;
- the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at a point in time.

The Group and the Company recognise revenue from construction over time if it creates an asset with no alternative use and the Group and the Company has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's and the Company's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the survey of work performed, i.e. the stage of completion).

Revenue from construction and operation contracts is recognised on the percentage of completion method which is assessed through a combination of an expert evaluation, and through consideration of contract costs incurred compared to the total estimated costs provided there are no significant uncertainties with respect to the ultimate receipt of the proceeds and the associated costs can be reasonably determined.

Where the outcome of a development cannot be reasonably estimated, revenue is recognised to the extent of construction costs incurred that is probable will be recoverable, and the construction costs shall be recognised as an expense in the period 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 has commenced or not, or of the

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stage of completion of construction activity, or of the amounts of profits expected to arise on other unrelated contracts.

The excess of revenue recognised in the profit or loss over the billings to contract customers is recognised as contract assets.

The excess of billings to contract customers over revenue recognised in the profit or loss is recognised as contract liabilities.

Other revenue earned by the Group and the Company represent interest income which is recognised on a time proportion basis.

Services rendered

Revenue from engineering services rendered is recognised in the profit or loss when the service is performed.

Sale of materials

Revenue from sale of materials is recognised when the Group and the Company have transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the materials.

Notional income on unwinding of discounting

Notional income on unwinding of discounting of construction receivable is accrued on a time proportion basis taking into consideration the outstanding receivables and the effective applicable discount rate. The amount is derived from the difference of the present value of future revenue and the revenue recognised over the construction period.

4.5 Costs of sales and construction

Cost of sales and construction represents the direct construction, direct material costs and engineering services costs attributable to revenue.

4.6 Operating expense

Operating expenses are recognised in the profit or loss in the year in which they are incurred.

4.7 Property, plant and equipment

All items of property, plant and equipment are initially stated at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and to the Company, and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to the profit or loss during the financial year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation

Depreciation is calculated using the straight-line method at the following annual rates:

	Rate
Equipment	10%
Motor vehicles	20%
Computers	30%
Furniture and fittings	20%

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The residual values, useful life and depreciation method are reviewed at each financial year to ensure that the amount, method and years 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. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit or loss in the year which the asset is disposed. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the disposed assets. Gains and losses are included in the profit or loss.

4.8 Impairment testing of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, 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. The data used for impairment testing procedures are directly linked to the Group's and the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by Management.

Impairment losses for cash-generating units reduce first the carrying amount of any intangible assets allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeded its carrying amount.

4.9 Financial instruments

Initial recognition and measurement

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

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

Classification and initial measurement of financial assets

Accounting policies applied from 1 July 2018

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

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

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

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The classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

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

Accounting policies applied until 30 June 2018

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets or loans and receivables, as appropriate. Management determines the classification of the financial assets upon initial recognition which depends on the nature and purpose of the financial assets. At the reporting date, the Group and the Company carry only loans and receivables on its statement of financial position.

Financial assets – subsequent measurementAccounting policies applied from 1 July 2018*Financial assets at amortised cost*

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group and the Company's trade and other receivables, contract assets, amounts due from related parties and cash and cash equivalents fall into this category of financial instruments.

Accounting policies applied until 30 June 2018*Loans and receivables*

This category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

The subsequent measurement of financial assets in this category is at amortised cost using the effective interest method, less allowance for impairment losses.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

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On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received together with any cumulative gain or loss that has been recognised in equity is recognised in the profit or loss.

Financial assets - impairment

Accounting policies applied from 1 July 2018

CIFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces CIFRS 39's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under CIFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group and the Company first identifying a credit loss event. Instead, the Group and the Company consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ['Stage 1'] and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ['Stage 2'].

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables and contract assets

The Group and the Company make use of a simplified approach in accounting for trade receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group and the Company use their historical experience, external indicators and forward-looking information to calculate the expected credit losses using external benchmarking approach.

The Group and the Company assess impairment of trade receivables and contract assets on a collective basis as the customers shared similar credit characteristics. A detailed analysis of how the impairment requirements of CIFRS 9 are applied is in Note 23 to the financial statements.

Accounting policies applied until 30 June 2018

All financial assets, except for financial assets categorised as fair value through profit or loss, investment in subsidiaries, associates, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are

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not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is objective evidence of impairment.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against carrying amount of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

Financial liabilities – classification and measurement

As the accounting for financial liabilities remains largely the same under CIFRS 9 compared to CIAS 39, the Group's and the Company's financial liabilities were not impacted by the adoption of CIFRS 9. However, for completeness, the accounting policy is disclosed below.

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

The Group's and the Company's financial liabilities comprise trade and other payables and amount due to holding company, amounts due to related parties and borrowings.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

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4.10 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Company designate certain derivatives as either:

- (i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (iii) Hedges of a net investment in a foreign operation (net investment hedge).

At inception of the hedge relationship, the Group and the Company document the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Company document its risk management objective and strategy for undertaking its hedge transactions.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 25 to the financial statements. Movements on the hedging reserve in other comprehensive income are shown in the statement of changes in equity of the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

- (i) **Fair value hedge**
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit of loss, together with any changes in the fair value of hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the profit of loss within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the profit or loss within 'other gains/(losses) - net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the profit or loss within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used and is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

- (ii) **Cash flow hedge**
The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'other gains/(losses) - net'. Where the Group and the Company exclude the foreign currency basis spread the designation of derivatives used as hedging instruments, the change in the foreign currency basis spread of the hedging instrument is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity. The Group and the Company designate the cost of hedging application in relation to foreign currency basis spread on a hedge by hedge basis.

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Amounts accumulated in equity (including the cost of hedging reserve) are reclassified to profit or loss in the periods when the hedged cash flows affects the profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the profit or loss within 'other gains/(losses) - net'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged cash flows affect profit or loss.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'other gains/(losses) - net'.

Gains and losses accumulated in equity are included in the profit or loss when the foreign operation is partially disposed or disposed.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in 'other gains/(losses) - net'.

4.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, as well as other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

4.12 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior period retained earnings.

Capital contribution reserve represents the fair value of the shares granted under the share grant plan. It is a share-based compensation plan granted by the holding company, Pestech International Berhad to the employees of the Company. The fair value of shares granted is measured at the fair value of grant date and is recognised as an employee benefit expense with corresponding increase in equity.

4.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group or the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

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Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group or the Company 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. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those case where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Possible inflows of economic benefits to the Group or the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.14 Income taxes

Tax expense recognised in the profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Group's and the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group and the Company have a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the profit or loss, except where they relate to items that are recognised in other profit or loss (such as revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other profit or loss or equity, respectively.

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4.15 Operating leases

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the payments become due. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.16 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Parties are considered to be related to the Group if:

- a. directly or indirectly, a party controls, is controlled by, or is under common control with the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group
- b. a party is a jointly-controlled entity
- c. a party is an associate
- d. a party is a member of the key management personnel of the Group
- e. a party is a close family member of the above categories.

5 Significant Management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, Management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant Management judgement

The transactions of the Group and the Company are conducted under normal business terms and customer receipts and supplier payments are received and paid on a timely basis. There are very limited occasions when Management judgement is required.

Recognition of service and construction contract revenues

Recognising construction contract requires significant judgement in determining milestones, actual work performed and the estimated costs to complete the work.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, Management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful life of depreciable assets

Management reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets.

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Construction contract

Recognised amounts of construction contract revenues and related receivables reflect Management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the older backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Deferred tax assets

The reversal of retained earnings of the Company upon adoption of CIFRS 15 on 1 July 2018 resulted in overpayment of income tax amounting to approximately USD2,762,201 in prior years. The overpayment has not been recognised as a tax credit on 30 June 2019 as the Company has not obtained an official confirmation from the GDT if the overpayment can be utilised to offset income tax expense in the subsequent years.

6 Going concern

The Group's and the Company's financial statements have been prepared on a going concern basis, the validity of which depends on the continuing support from their holding company, Pestech International Berhad, a company incorporated and domiciled in Malaysia. The holding company has pledged to provide the necessary financial support for the Group and the Company to meet their liabilities as and when they fall due.

Management strongly believes that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis given the financial support forthcoming from their holding company. The financial statements do not include any adjustments relating to the recoverability and classification of the recorded asset amounts, or to amounts and classification of liabilities that may be necessary should the going concern basis for the preparation of the financial statements of the Group and the Company are not appropriate.

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7 Investment in a subsidiary

	Company			
	USD	30 June 2019 KHR'000 [Note 4.2]	USD	30 June 2018 KHR'000 [Note 4.2]
At cost				
Unquoted share	25,000	101,650	25,000	101,575
	25,000	101,650	25,000	101,575

Details of the subsidiaries are as follows:

Name	Country of incorporation and operation	Effective interest %		Principal activities
		30 June 2019	30 June 2018	
Pestech (Myanmar) Limited ("PML")	Myanmar	99.99%	99.99%	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
<u>Subsidiary of PML</u>				Establish the infrastructure of power sector and promote the power segments such as power generation, power transmission and power distribution.
Pestech Hinthar Corporation Limited ("PHC")	Myanmar	60.00%	-	

On 24 June 2019, Pestech (Myanmar) Limited incorporated a 60%-owned subsidiary, namely Pestech Hinthar Corporation Limited under Myanmar Companies Law 2017 as a private limited company.

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8 Property, plant and equipment

	Equipment	Motor vehicles	Computers	Furniture and fittings	Total	
	USD	USD	USD	USD	USD	KHR'000
						(Note 4.2)
Group and Company						
Gross carrying amount						
At 1 July 2018	2,487,053	541,029	18,331	30,805	3,077,218	12,511,968
Additions	699,935	900	5,676	168	706,679	2,873,357
Disposals	-	(17,383)	-	-	(17,383)	(70,679)
Balance 30 June 2019	3,186,988	524,546	24,007	30,973	3,766,514	15,314,646
Accumulated depreciation						
At 1 July 2018	(952,107)	(180,361)	(10,564)	(21,649)	(1,164,681)	(4,735,593)
Depreciation	(259,478)	(104,819)	(4,939)	(3,304)	(372,540)	(1,514,748)
Disposals	-	17,381	-	-	17,381	70,671
Balance 30 June 2019	(1,211,585)	(267,799)	(15,503)	(24,953)	(1,519,840)	(6,179,670)
Carrying amount 30 June 2019	1,975,403	256,747	8,504	6,020	2,246,674	9,134,976

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	Equipment	Motor vehicles	Computers	Furniture and fittings	Total	
	USD	USD	USD	USD	USD	KHR'000
Group and Company						(Note 4.2)
Gross carrying amount						
At 1 July 2017	380,892	350,433	14,923	27,625	773,873	3,144,246
Additions	2,004	206,396	3,408	3,180	214,988	873,496
Transferred from a related party	2,104,157	-	-	-	2,104,157	8,549,190
Disposals	-	(15,800)	-	-	(15,800)	(64,195)
Balance 30 June 2018	2,487,053	541,029	18,331	30,805	3,077,218	12,502,737
Accumulated depreciation						
At 1 July 2017	(182,719)	(116,436)	(6,150)	(18,571)	(323,876)	(1,315,908)
Depreciation	(248,638)	(79,723)	(4,414)	(3,078)	(335,853)	(1,364,571)
Transferred from a related party	(520,750)	-	-	-	(520,750)	(2,115,807)
Disposals	-	15,798	-	-	15,798	64,187
Balance 30 June 2018	(952,107)	(180,361)	(10,564)	(21,649)	(1,164,681)	(4,732,099)
Carrying amount 30 June 2018	1,534,946	360,668	7,767	9,156	1,912,537	7,770,638

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9 Contract assets

	Group and Company			
		30 June 2019		30 June 2018
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Balance at 1 July	146,587,048	595,583,176	71,926,039	293,889,795
Effects of adoption of CIFRS 15	(13,811,005)	(56,155,546)	-	-
Translation difference	-	41,433	-	-
At 1 July 2018, restated	132,776,043	539,469,063	71,926,039	293,889,795
Revenue recognised	47,406,295	192,753,995	74,661,009	303,347,680
Finance income	-	-	-	-
Receipts entitled	(1,081,637)	(4,397,936)	-	-
Translation difference	-	398,328	-	(1,654,299)
Balance at 30 June	179,100,701	728,223,450	146,587,048	595,583,176

Presented as:

	Group and Company			
		30 June 2019		30 June 2018
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Current	6,041,667	24,565,418	-	-
Non-current	173,059,034	703,658,032	146,587,048	595,583,176
	179,100,701	728,223,450	146,587,048	595,583,176

The contract assets represent the Group's and the Company's right to consideration for work completed on construction contracts but not billed yet at the reporting date. The amount will be billed accordingly to the billing schedule as stipulated in the construction contracts.

10 Trade and other receivables

	Group and Company			
		30 June 2019		30 June 2018
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Deposits	29,550	120,150	30,850	125,344
Trade receivables	7,882,696	32,051,042	12,100	49,162
Other assets	-	-	4,705	19,116
Financial assets	7,912,246	32,171,192	47,655	193,622
Value-added tax	446,551	1,815,676	326,139	1,325,103
Accrued revenue	-	-	286,841	1,165,435
Prepayments	2,311,465	9,398,417	116,745	474,335
Staff advances	133,512	542,860	68,428	278,023
Non-financial assets	2,891,528	11,756,953	798,153	3,242,896
	10,803,774	43,928,145	845,808	3,436,518

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11 Cash and bank balances

	Group			
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Cash in banks (a)	12,342,193	50,183,357	1,819,617	7,393,103
Deposits with a licensed bank (b)	712,500	2,897,025	262,500	1,066,538
Cash on hand	1,286	5,229	2,193	8,910
	13,055,979	53,085,611	2,084,310	8,468,551

	Company			
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Cash in banks (a)	12,326,085	50,117,861	1,793,736	7,287,949
Deposits with a licensed bank (b)	712,500	2,897,025	262,500	1,066,538
Cash on hand	1,286	5,229	2,193	8,910
	13,039,871	53,020,115	2,058,429	8,363,397

- (a) Bank balance of the Group and of the Company amounting to USD9,853,981 have been pledged to syndicated financing facilities as disclosed in note 14d.2. The bank balance earns interest income of 6.43% per annum.
- (b) Deposits with a licensed bank of the Group and of the Company have been pledged as security for bank overdrafts as disclosed in note 14a.2. The deposits earn interest income of 4.25% per annum.

For the purpose of presenting the statement of cash flows, cash and cash equivalents comprise the following:

	Group			
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Cash and cash equivalents (as above)	13,055,979	53,085,611	2,084,310	8,468,551
Fixed deposit pledge to borrowings	(712,500)	(2,897,025)	(262,500)	(1,066,538)
Bank overdrafts (note 14)	(2,681,026)	(10,901,052)	(1,258,738)	(5,114,253)
Cash and cash equivalents per statement of cash flows	9,662,453	39,287,534	563,072	2,287,760

	Company			
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Cash and cash equivalents (as above)	13,039,871	53,020,115	2,058,429	8,363,397
Fixed deposit pledge to borrowings	(712,500)	(2,897,025)	(262,500)	(1,066,538)
Bank overdrafts (note 14)	(2,681,026)	(10,901,053)	(1,258,738)	(5,114,253)
Cash and cash equivalents per statement of cash flows	9,646,345	39,222,037	537,191	2,182,606

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12.1 Share capital

Authorised and fully paid	Number of shares		Group and Company			
	2019	2018	2019		2018	
			USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
At 1 July	71,000,000	1,000	7,100,000	28,868,600	1,000	4,063
Subdivision of shares into USD0.10 (KHR400) par value per share	-	9,000	-	-	-	-
Creation of shares with USD0.10 (KHR400) par value per share/ capitalisation of amount due to holding company	-	50,000,000	-	-	5,000,000	20,315,000
Creation of shares with USD0.10 (KHR400) par value per share/ capitalisation of retained earnings	-	20,990,000	-	-	2,099,000	8,528,237
At 30 June	71,000,000	71,000,000	7,100,000	28,868,600	7,100,000	28,847,300

The Company capitalised a total of USD7,099,000 [KHR28,843,237] from retained earnings and amount due to holding company into its share capital pursuant to board of director resolution dated 23 May 2018. The Article of Incorporation was updated on 28 June 2018.

12.2 Reserves

	Group and Company			
	30 June 2019		30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Capital contribution reserve	52,044	211,611	52,044	211,454
Cash flow hedge reserve	(1,824,095)	(7,416,770)	-	-
	(1,772,051)	(7,205,159)	52,044	211,454

Capital contribution reserve represents the fair value of equity-settled share options granted to employees of the Company by its holding company in October 2017. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced upon the expiry of the share options or payment made to the holding company.

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13 Trade and other payables

	Group			
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Trade payables	1,463,209	5,949,408	814,728	3,310,240
Accruals	1,002,826	4,077,491	197,526	802,548
Provision for project cost	5,133,624	20,873,315	46,224,815	187,811,423
Other payables	717,560	2,917,598	767,673	3,119,056
Financial liabilities	8,317,219	33,817,812	48,004,742	195,043,267

	Company			
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Trade payables	1,463,209	5,949,408	814,728	3,310,240
Accruals	1,000,201	4,066,817	197,526	802,548
Provision for project cost	5,133,624	20,873,315	46,224,815	187,811,423
Other payables	717,553	2,917,570	767,673	3,119,056
Financial liabilities	8,314,587	33,807,110	48,004,742	195,043,267

Trade payables are unsecured, interest free and repayable on demand.

14 Borrowings

	Group and Company			
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Current				
Secured:				
Bank overdrafts	2,681,026	10,901,052	1,258,738	5,114,253
Revolving credit	1,499,256	6,095,975	809,191	3,287,743
	4,180,282	16,997,027	2,067,929	8,401,996
Non-current				
Secured:				
Murabahah facilities (a)	45,406,970	184,624,740	19,945,000	81,036,535
Syndicated financing facilities (b)	50,000,000	203,300,000	-	-
	95,406,970	387,924,740	19,945,000	81,036,535

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- (a) A 9 years term loan of USD50,000,000 with the 1st instalment payable upon the expiry of the 3 years grace period from the date of the first drawdown in June 2018. The principal repayment amounts to USD400,000 per month for the 4th year to 6th year, USD467,000 per month to the 7th year, USD1,200,000 per month for 8th year to 9th year and a final instalment of USD2,396,000.
- (b) Term loan of USD50,000,000 for a maximum of 9 years from the date of first drawdown. The first principal repayment amounts to USD3,000,000, USD2,500,000 per semi-annual for the 2nd year, USD3,000,000 per semi-annual for the 3rd year, USD3,500,000 per semi-annual for the 4th year to 6th year, USD3,750,000 per semi-annual for the 7th year and 9th year.

The effective interest rates of the borrowings are as follows:

	Group and Company	
	2019	2018
	%	%
Bank overdrafts (a)	8.5	5-6
Revolving credit (b)	7.2-8.5	7.2-8.5
Murabahah facilities (c)	6.3-6.5	5.9-6.1
Syndicated financing facilities (d)	6.4	-

(a) The Company entered into facility agreement to pay for other business activities.

(b) On 31 January 2019 and 12 February 2019, application for additional facilities to the existing facilities granted via loan agreement dated 27 October 2017 has been approved. The purpose of facilities is for payments to suppliers related to core business activities and facilitate bidding process and guarantee to project.

(c & d) On 8 February 2018 and 5 March 2019, the Company entered into a term loan agreement with foreign banks to partly finance the construction of 230kV Stung Tatay Hydro Power Plant-Phnom Penh Transmission System Project and 230kV West Phnom Penh-Sihanoukville Transmission Line and 230/115/22kV Substation Extension Project, respectively.

The above facilities are secured by the following:

Bank overdrafts

(a.1) Granting facilities to the Company under letter of offer dated 17 October 2017.

(a.2) Deposits with a licensed bank of the Company amounting to USD712,500 have been pledged as security for overdrafts.

Revolving credit

(b.1) Corporate guarantee from ultimate holding company, Pestech International Berhad.

Murabahah facilities

(c.1) Assignment of rights and benefits of the Power Transmission Agreement dated 15 March 2017, entered into between the Company and Alex Corporation; and

(c.2) Corporate guarantee from ultimate holding company, Pestech International Berhad.

(c.3) Insurance premium covered during construction of 230kV Stung Tatay Hydro Power Plant-Phnom Penh Transmission System Project such as erection all risks, cargo transportation, comprehensive general liability, automobile liability, political risks and workmen's compensation insurance

Syndicated financing facilities

(d.1) Granting certain direct rights to the Company of the Direct Agreement dated 17 February 2015, entered into between the Company and Alex Corporation;

(d.2) Pledge of bank account opened by the Company;

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(d.3) Insurance premium covered during construction of 230kV and 500kV Phnom Penh-Preah Sihanouk transmission project such as erection all risks, cargo transportation, comprehensive general liability, automobile liability and workmen's compensation insurance; and
 (d.4) Corporate guarantee from ultimate holding company, Pestech International Berhad.

14.1 Reconciliation of liabilities arising from financing activities

The changes in the Group's and the Company's liabilities arising from financing activities can be classified as follows:

	Group and Company				
	1 July 2018	Cash flows		30 June 2019	
		USD	Proceeds USD	Repayment USD	USD
Borrowings					
Revolving credit	809,191	7,348,542	(6,658,477)	1,499,256	6,095,975
Murabahah facility	19,945,000	75,461,970	-	95,406,970	387,924,740
	20,754,191	82,810,512	(6,658,477)	96,906,226	394,020,715

15 Derivative financial instruments

	Group and Company				
	Notional value	30 June 2019		30 June 2018	
		USD	USD	Fair value liabilities KHR'000 (Note 4.2)	USD
Interest rate swaps	25,000,000	1,824,095	7,416,770	-	-

On 25 October 2018 and 27 December 2018, the Company entered into interest rate swaps contracts ("IRS") to hedge the Company's exposure to interest rate risk on its borrowings. The IRS entitles the Company to receive interest at floating rates on notional amounts and obliges the Company to pay interest at fixed interest rates on the same notional amounts, thus allowing the Company to raise borrowings at floating rates and swap into fixed rates.

The changes in fair value of these IRS that are designated as hedges are included as hedging reserve in equity and continuously released to other comprehensive income/loss until the repayment of the borrowings or maturing of the IRS, whichever is earlier. For the IRS that are not designated as hedges, the changes in fair value are recognised in the profit or loss.

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16 Revenue and cost of sales and construction

	Group and Company			
	For the year ended 30 June 2019			
	Construction contract and service rendered USD	Sale of materials USD	Total USD	KHR'000 [Note 4.2]
Revenue	49,649,817	7,177,007	56,826,824	231,057,866
Cost of sales and construction	[42,880,154]	[6,889,877]	[49,770,031]	[202,364,946]
	6,769,663	287,130	7,056,793	28,692,920

	Group and Company			
	For the year ended 30 June 2018			
	Construction contract and service rendered USD	Sale of materials USD	Total USD	KHR'000 [Note 4.2]
Revenue	77,131,684	24,550	77,156,234	313,485,779
Cost of sales and construction	[62,945,051]	[21,581]	[62,966,632]	[255,833,426]
	14,186,633	2,969	14,189,602	57,652,353

16.1 Disaggregated revenue information

	For the year ended 30 June 2019		For the year ended 30 June 2018	
	USD	KHR'000 [Note 4.2]	USD	KHR'000 [Note 4.2]
	Timing of revenue recognition:			
Over time	49,649,817	201,876,156	76,907,338	312,474,514
Point in time	7,177,007	29,181,710	248,896	1,011,265
	56,826,824	231,057,866	77,156,234	313,485,779

17 Other income

	Group			
	For the year ended 30 June 2019		For the year ended 30 June 2018	
	USD	KHR'000 [Note 4.2]	USD	KHR'000 [Note 4.2]
Unrealised foreign exchange gain	1,517,652	6,170,773	-	-
Gain on disposal of property, plant and equipment	3,634	14,776	6,953	28,250
Other income	310	1,260	171	695
	1,521,596	6,186,809	7,124	28,945

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	Company			
	For the year ended 30 June 2019		For the year ended 30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Unrealised foreign exchange gain	1,517,652	6,170,773	-	-
Gain on disposal of property, plant and equipment	3,634	14,776	6,953	28,250
	1,521,286	6,185,549	6,953	28,250

18 Operating expenses

	Group			
	For the year ended 30 June 2019		For the year ended 30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Realised foreign exchange loss	504,906	2,052,948	-	-
Withholding taxes	494,809	2,011,893	197,228	801,337
Labor costs	491,423	1,998,126	450,031	1,828,476
Depreciation and amortisation	377,547	1,535,106	335,853	1,364,571
Management fees	301,404	1,225,509	532,740	2,164,523
Professional fees	252,957	1,028,523	156,974	637,785
Bank charges	115,087	467,944	70,497	286,429
Rental	69,333	281,908	69,333	281,700
Social contribution	56,357	229,148	173,780	706,068
Fair value of shares granted under share grant plan of the holding company (note 12.2)	-	-	52,044	211,454
Unrealised foreign exchange loss	-	-	1,825,914	7,418,689
Other expenses	116,684	474,436	198,139	805,040
	2,780,507	11,305,541	4,062,533	16,506,072

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	Company			
	For the year ended 30 June 2019		For the year ended 30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Realised foreign exchange loss	504,906	2,052,948	-	-
Withholding taxes	494,809	2,011,893	197,228	801,337
Labor costs	491,423	1,998,126	450,031	1,828,476
Depreciation and amortisation	377,547	1,535,106	335,853	1,364,571
Management fees	301,404	1,225,509	532,740	2,164,523
Professional fees	240,345	977,243	156,974	637,784
Bank charges	115,035	467,732	70,207	285,251
Rental	69,333	281,908	69,333	281,700
Social contribution	56,357	229,148	173,780	706,068
Fair value of shares granted under share grant plan of the holding company (note 12.2)	-	-	52,044	211,454
Unrealised foreign exchange loss	-	-	1,825,914	7,418,689
Other expenses	116,623	474,191	198,139	805,040
	2,767,782	11,253,803	4,062,243	16,504,893

19 Finance cost

	Group and Company			
	For the year ended 30 June 2019		For the year ended 30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Interest expense for:				
Bank overdrafts	202,835	824,727	138,081	561,023
Revolving credit	77,044	313,261	31,331	127,298
Murabahah facilities	2,548,225	2,595,011	-	-
Syndicated financing facilities	638,222	10,361,083	-	-
	3,466,326	14,094,082	169,412	688,321

20 Income tax expense

In accordance with Cambodian tax laws, the Company has the obligation to pay tax on income ("Tol") at the rate of 20% of taxable income.

Besides the Tol, taxpayers in Cambodia are subject to a separate minimum tax. The minimum tax is an annual tax with a liability equal to 1% of annual turnover inclusive of all taxes except value-added tax, and is due irrespective of the taxpayer's profit or loss position. The Company pays the higher of Tol or minimum tax.

On 8 November 2018 and 11 February 2019, the General Department of Taxation approved the Company's request dated 15 September 2017 to pay the income tax of the Company for the year ended 30 June 2017 and 2018 by instalments over a period of 3 months and 6 months, respectively.

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations,

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the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

In accordance with the Income Tax Law of the Republic of the Union of Myanmar, the subsidiaries have the obligation to pay corporate income tax at the rate of 25% of taxable income. The subsidiaries are not subject to corporate income tax for the year ended 30 June 2019 as they have not started their commercial operation.

20.1 Reconciliation between profit before income tax and taxable income

A reconciliation between accounting profit before income tax and taxable income for the years ended 30 June 2019 and 30 June 2018 follows:

Income tax expense

	Group			
	For the year ended 30 June 2019		For the year ended 30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Accounting profit before tax	2,343,363	9,528,113	9,964,964	40,487,649
Add:				
Non-deductible expenses	37,330	151,784	1,952,714	7,933,877
Taxable profit	2,380,693	9,679,897	11,917,678	48,421,526
Income tax expense at the applicable tax of rate 20% (A)	476,139	1,935,981	2,383,536	9,684,307
Minimum tax (B)	568,268	2,310,578	771,562	3,134,856
Estimated income tax expense [higher of A or B]	568,268	2,310,578	2,383,536	9,684,307

	Company			
	For the year ended 30 June 2019		For the year ended 30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Accounting profit before tax	2,355,778	9,578,591	9,965,083	40,488,133
Add:				
Non-deductible expenses	24,915	101,304	1,952,595	7,933,393
Taxable profit	2,380,693	9,679,895	11,917,679	48,421,530
Income tax expense at the applicable tax of rate 20% (A)	476,139	1,935,981	2,383,536	9,684,307
Minimum tax (B)	568,268	2,310,578	771,562	3,134,856
Estimated income tax expense [higher of A or B]	568,268	2,310,578	2,383,536	9,684,307

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Income tax expense for the years ended 30 June 2019 and 30 June 2018 consists of:

	Group and Company			
	For the year ended		For the year ended	
	30 June 2019		30 June 2018	
	USD	KHR'000	USD	KHR'000
	(Note 4.2)		(Note 4.2)	
Estimated current tax expense	568,268	2,310,578	2,383,536	9,684,307

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to reviews and investigations by a number of authorities that are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia, substantially greater than in other countries. Management believes that tax liabilities have been adequately provided for based on its interpretation of tax legislation.

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21 Related party balances and transactions

The following balances were outstanding with the related parties:

Related party	Relationship	Group and Company			
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		USD	KHR'000	USD	KHR'000
			(Note 4.2)		(Note 4.2)
Amounts due from related parties					
Diamond Power Limited	Fellow subsidiary	674,474	2,742,411	-	-
Pestech Power Sdn Bhd	Fellow subsidiary	1,270,000	5,163,820	-	-
		1,944,474	7,906,231	-	-
Amounts due to related parties					
Pestech Sdn Bhd	Fellow subsidiary	-	-	47,192,845	191,744,529
Enersol Co., Ltd	Fellow subsidiary	21,876,125	88,948,324	2,477,254	10,065,083
Pestech Energy Sdn Bhd	Fellow subsidiary	-	-	9,000	36,567
Pestech Transmission Sdn Bhd	Fellow subsidiary	1,141,453	4,641,148	-	-
		23,017,578	93,589,472	49,679,099	201,846,179
Amount due to holding company					
Pestech International Berhad	Holding company	59,557,824	242,162,112	565,042	2,295,766
Amount due from a subsidiary					
Pestech (Myanmar) Limited	Subsidiary	1,010	4,107	1,000	4,063

The amounts due from/to related parties are unsecured, interest free and repayable on demand, subject to the terms in note 6.

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During the year, the following transactions with related parties were recorded:

Related party	Relationship	Transactions	Group and Company			
			For the year ended 30 June 2019		For the year ended 30 June 2018	
			USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Diamond Power Limited	Fellow subsidiary	Contract revenue	-	-	2,183,834	8,872,918
		Operation and maintenance revenue	2,405,949	9,782,588	286,841	1,165,435
Pestech Power Sdn Bhd	Fellow subsidiary	Advance payment	1,270,000	5,163,820	-	-
		Contract cost	36,501,022	148,413,155	12,024,061	48,853,760
Pestech Sdn Bhd	Fellow subsidiary	Equipment received	-	-	1,583,408	6,433,387
Enersol Co., Ltd	Fellow subsidiary	Contract cost	38,723,524	157,449,849	1,973,415	8,017,985
Pestech Energy Sdn Bhd	Fellow subsidiary	Services received	-	-	9,000	36,567
Pestech Transmission Sdn Bhd	Fellow subsidiary	Contract cost	1,141,453	4,641,149	-	-
Pestech International Berhad	Holding company	Management fee	301,400	1,225,509	532,740	2,164,523

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22 Transactions with key management personnel

Key management personnel remuneration includes the following:

	Group and Company			
	For the year ended 30 June 2019		For the year ended 30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Salaries and bonus	303,600	1,234,438	176,000	715,088

23 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost under CIFRS 9 (loans and receivables measured at amortised cost under CIAS 39 prior to adoption of CIFRS 9) and financial liabilities categorised as other liabilities measured at amortised cost.

	Group			
	30 June 2019		30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Financial assets				
Trade and other receivables	7,912,246	32,171,192	47,655	193,622
Contract assets	179,100,701	728,223,450	146,587,048	595,583,176
Cash and cash equivalents	13,055,979	53,085,611	2,084,310	8,468,551
Amounts due from related parties	1,944,474	7,906,231	-	-
	202,013,400	821,386,484	148,719,013	604,245,349

	Company			
	30 June 2019		30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Financial assets				
Trade and other receivables	7,912,246	32,171,192	47,655	193,622
Contract assets	179,100,701	728,223,450	146,587,048	595,583,176
Amounts due from related parties	1,944,474	7,906,231	-	-
Amounts due from a subsidiary	1,010	4,107	1,000	4,063
Cash and cash equivalents	13,039,871	53,020,115	2,058,429	8,363,397
	201,998,302	821,325,095	148,694,132	604,144,258

	Group			
	30 June 2019		30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Financial liabilities				
Trade and other payables	8,317,219	33,817,812	48,004,742	195,043,267
Amount due to holding company	59,557,824	242,162,112	565,042	2,295,766
Amounts due to related parties	23,017,578	93,589,472	49,679,099	201,846,179
Borrowings	99,587,252	404,921,767	22,012,929	89,438,531
Derivative financial instruments	1,824,095	7,416,770	-	-
	192,303,968	781,907,933	120,261,812	488,623,743

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech [Cambodia] Plc and its subsidiaries

Financial statements as at and for the year ended 30 June 2019

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	Company			
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Financial liabilities				
Trade and other payables	8,314,587	33,807,110	48,004,742	195,043,267
Amounts due to holding company	59,557,824	242,162,112	565,042	2,295,766
Amounts due to related parties	23,017,578	93,589,472	49,679,099	201,846,179
Borrowings	99,587,252	404,921,767	22,012,929	89,438,531
Derivative financial instruments	1,824,095	7,416,770	-	-
	192,301,336	781,897,231	120,261,812	488,623,743

24 Risk management objectives and policies**Financial risk**

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and the Company's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group and the Company operate 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 their policies in respect of the major areas of treasury activities are set out below:

[a] Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

It is the Group's and the Company's policy to enter into financial instruments with creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of their financial assets or other financial instruments.

The concentration of credit risk exists when changes in economic, industry and geographical factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's transactions are entered into with creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

The areas where the Group and the Company are exposed to credit risk are as follows:

Receivables and contract assets

The net carrying amount of receivables is considered a reasonable approximation of fair value.

In measuring the expected credit losses, trade and other receivables and contract assets have been assessed individually by benchmarking the risk characteristics of customers to external rating as published by international credit rating agency, and the corresponding default rates are being used to compute ECL.

The customers have been rated as "AAA" as the Company did not incur any losses from this customer in the past hence a 0% default rate is used. As such, the ECL is nil as at 30 June 2019.

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech (Cambodia) Plc and its subsidiaries
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Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable local banks.

Financial instruments used in hedging activities

The Group and the Company are exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but do not expect any counterparties to fail to meet their obligations.

(b) Liquidity risk

Liquidity of funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The liquidity risks arise principally from their borrowings, trade and other payables and payables to related parties.

Analysis of financial instruments by contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date:

Group	On demand or within 1 year USD	1 to 5 years USD	More than 5 years USD	Total contractual cash flows	
30 June 2019				USD	KHR'000 (Note 4.2)
Trade and other payables	8,317,219	-	-	8,317,219	33,817,812
Amount due to a holding company	59,557,824	-	-	59,557,824	242,162,112
Amounts due to related parties	23,017,578	-	-	23,017,578	93,589,472
Borrowings	10,822,631	74,011,312	49,313,719	134,147,662	545,444,394
	101,715,252	74,011,312	49,313,719	225,040,283	915,013,790

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech (Cambodia) Plc and its subsidiaries

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Company

30 June 2019	On demand or within 1 year USD	1 to 5 years USD	More than 5 years USD	Total contractual cash flows USD	KHR'000 (Note 4.2)
Trade and other payables	8,314,587	-	-	8,314,587	33,807,110
Amount due to a holding company	59,557,824	-	-	59,557,824	242,162,112
Amounts due to related parties	23,017,578	-	-	23,017,578	93,589,472
Borrowings	10,822,631	74,011,312	49,313,719	134,147,662	545,444,394
	101,712,620	74,011,312	49,313,719	225,037,651	915,003,088

Group and Company

30 June 2018	On demand or within 1 year USD	1 to 5 years USD	More than 5 years USD	Total contractual cash flows USD	KHR'000 (Note 4.2)
Trade and other payables	48,004,742	-	-	48,004,742	195,043,267
Amount due to holding company	565,042	-	-	565,042	2,295,766
Amounts due to related parties	49,679,099	-	-	49,679,099	201,846,179
Borrowings	-	11,667,929	10,345,000	22,012,929	89,438,531
	98,248,883	11,667,929	10,345,000	120,261,812	488,623,743

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Interest rate sensitivity analysis

The Group and the Company are exposed to changes in market interest rates through bank loans at variable interest rates. Below is the Group's and the Company's interest rate profile of the significant interest-bearing financial instruments, based on carrying amounts as at the reporting date:

	Group and Company			
	30 June 2019		30 June 2018	
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Floating rate instrument				
Financial liabilities				
Borrowings	99,587,252	404,921,767	22,012,929	89,438,531
Net financial liabilities	99,587,252	404,921,767	22,012,929	89,438,531

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 0.25%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech (Cambodia) Plc and its subsidiaries

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	Group and Company profit for the year			
	USD	KHR'000	USD	KHR'000
		+0.25% [Note 4.2]		-0.25% [Note 4.2]
For the year ended 30 June 2019	[248,968]	[1,012,304]	248,968	1,012,304
For the year ended 30 June 2018	[55,032]	[223,596]	55,032	223,596

(d) 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 foreign currency exchange risk of the Group arises from the transactions denominated in foreign currency, Ringgit Malaysia ["RM"].

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the year was:

Denominated in RM	30 June 2019	
	USD	KHR'000
		[Note 4.2]
Amount due to holding company	59,557,824	242,162,112
Amounts due to related parties	1,141,453	4,641,148
	<u>60,699,277</u>	<u>246,803,260</u>

Foreign currency sensitivity analysis:

The following table demonstrates the sensitivity of the Group's profit for the year to as +/- 5% change in the RM at the reporting year against the respective functional currency of the Group, with all variables held constant:

RM/USD	Group	
	For the year ended	
	30 June 2019	
	USD	KHR'000
		[Note 4.2]
Strengthened	(3,034,964)	(12,340,163)
Weakened	3,034,964	12,340,163

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech (Cambodia) Plc and its subsidiaries

Financial statements as at and for the year ended 30 June 2019

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25 Fair value of financial instruments

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identified assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

Financial liabilities	Carrying amount	Group and Company			Total
		Level 1	Level 2	Level 3	
Derivative financial instruments	-	-	1,824,095	-	1,824,095
	-	-	1,824,095	-	1,824,095

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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.

26 Contingencies and commitments

(a) Capital commitments

	Group and Company			
	30 June 2019		30 June 2018	
	USD	KHR'000	USD	KHR'000
		[Note 4.2]		[Note 4.2]
Authorised and contracted for:				
Property, plant and equipment	150,562	612,185	-	-

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech (Cambodia) Plc and its subsidiaries
Financial statements as at and for the year ended 30 June 2019

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(b) Insurance commitments

The Company has committed to purchase a 10-year political risk insurance for the construction of 230kV Stung Tatay Hydro Power Plant-Phnom Penh Transmission System Project for a total amount of USD4,968,600 to secure the borrowing facility as disclosed in note 14c.3. As at 30 June 2019, the amount yet to be paid amounted to USD4,216,762.

(c) Operating lease commitments

The Company leases its office under non-cancellable operating lease.

The future minimum lease payments are as follows:

	Group and Company			
	30 June 2019		30 June 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Within one year	56,000	227,696	56,000	227,528
Within 2 to 5 years	13,267	53,944	74,118	301,141
	69,267	281,640	130,118	528,669

27 Contingencies**Contingent liabilities**

In 2011, the GDT issued a Notice of Tax Reassessment to the Company to claim a purportedly undeclared prepayment profit tax and value-added tax amounting to USD546,971 (KHR2,222,344,011) pertaining to the period from 1 May 2011 to 31 July 2011.

In 2015, The GDT issued a Notice of Tax Reassessment to the Company to claim a purportedly undeclared prepayment profit tax and value-added tax amounting to USD490,912 (KHR1,994,575,785) pertaining to the period from 10 January 2013 to 16 October 2013.

In 2017, The GDT issued a Notice of Tax Reassessment to the Company to claim a purportedly undeclared prepayment profit tax, value-added tax and 14% withholding tax on service amounting to USD267,956 (KHR1,088,704,839) for the 2010 comprehensive tax audit.

In response, the Company has filed a protest letter to the GDT to contest the misinterpreted reassessment. Management considers this assessment letter to be of no basis and unjustified and the probability that they will be required to settle the assessed taxes to be remote. The protest is still pending as of the date of these financial statements.

28 Capital management

The primary objective of the Group and the Company's capital management is to ensure that it maintains an adequate capital ratio in order to support its business and maximise shareholder value.

The Group and the Company manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividends payable to shareholders, return capital to shareholders or issue new capital. No changes were made in the objective, policies or processes for the years ended 30 June 2019 and 30 June 2018.

29 Post-reporting date significant events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PCL FOR THE FYE 30 JUNE 2019 (Cont'd)

Pestech (Cambodia) Plc and its subsidiaries

Financial statements as at and for the year ended 30 June 2019

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30 Authorisation of the financial statements

The financial statements for the year ended 30 June 2019 were approved for issue by the Board of Directors on 17 October 2019.

ADDITIONAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accepts full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are other facts, the omission of which would make any statement herein false or misleading.

Information on Maschinenfabrik Reinhausen in this Circular has been obtained from Maschinenfabrik Reinhausen. The responsibility of the Board with respect to such information is limited to ensuring that such information has been accurately reproduced in this Circular.

2. CONSENTS**2.1 RHB Investment Bank**

RHB Investment Bank, being the Principal Adviser to the Company for the Proposed Listing, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

2.2 RHB Securities (Cambodia)

RHB Securities (Cambodia), being the Principal Adviser to PCL for the Proposed Listing and the Proposed Public Issue and the Underwriter for the Proposed Public Issue, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

2.3 Grant Thornton Malaysia PLT

Grant Thornton Malaysia PLT, being the Reporting Accountants to the Company for the Proposed Listing has given and has not subsequently withdrawn its written consent to the inclusion of its name, Reporting Accountants' letter on the pro forma consolidated financial statement of PIB as at 30 June 2019 and all references thereto in the form and context in which they appear in this Circular.

2.4 Smith Zander International Sdn Bhd

Smith Zander International Sdn Bhd has given and has not subsequently withdrawn its written consent to the inclusion of its name, the contents of the Report on the Prospects and Outlook of Electricity Supply Industry in Cambodia and all references thereto in the form and context in which they appear in this Circular.

3. CONFLICT OF INTEREST**3.1 RHB Investment Bank and RHB Securities (Cambodia)**

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad, and the subsidiaries and associated companies of RHB Bank Berhad ("**RHB Banking Group**") form a diversified financial group. RHB Banking Group may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for the Company and/or its affiliates, in addition to the role as set out in this Circular. RHB Banking Group, its directors and major shareholders may from time to time hold or deal in the securities of the Company and/or its affiliates for their own accounts or their proprietary accounts.

ADDITIONAL INFORMATION (Cont'd)

Furthermore, in the ordinary course of business, RHB Banking Group may at any time offer or provide its services or engage in any transactions (whether on its own account or otherwise) with the Company and/or its affiliates and/or any other entity or person, hold long or short positions in the securities offered by PIB Group and/or its affiliates, make investment recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of the Company and/or its affiliates.

This is a result of the businesses of the RHB Banking Group generally acting independently of each other, and accordingly, there may be situations where parts of the RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the said interest. Nevertheless, the RHB Banking Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, amongst others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at LPD, RHB Banking Group has extended credit facilities to PIB Group and a director of PIB. The total exposure of the credit facilities is not material when compared against RHB Bank Berhad's (the holding company of RHB Investment Bank) audited consolidated NA of approximately RM25.8 billion as at 31 December 2019.

In addition, RHB Securities (Cambodia), a wholly-owned subsidiary of RHB Investment Bank, is the Principal Adviser to PCL for the Proposed Listing and the Proposed Public Issue, as well as the Underwriter for the Proposed Public Issue.

Notwithstanding the above, RHB Investment Bank and RHB Securities (Cambodia) as part of the RHB Banking Group, are of the opinion that concerns of any potential conflict of interest that exists or is likely to exist in relation to their abovementioned capacity are mitigated by the following:

- (i) RHB Investment Bank is a licensed investment bank and its appointment as the Principal Adviser to PIB for the Proposed Listing is in the ordinary course of its business and RHB Investment Bank does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the Principal Adviser for the Proposed Listing;
- (ii) RHB Securities (Cambodia) is a licensed securities company and its appointment as the Principal Adviser to PCL for the Proposed Listing and the Proposed Public Issue as well as the Underwriter for the Proposed Public Issue is in the ordinary course of its business and RHB Securities (Cambodia) does not receive or derive any financial interest or benefits save for the professional and underwriting fees received in relation to its appointment as the Principal Adviser for the Proposed Listing and the Proposed Public Issue as well as the Underwriter for the Proposed Public Issue;
- (iii) The credit facilities were approved by RHB Banking Group's relevant credit committees and granted on an arm's length basis and is not material when compared to RHB Bank Berhad's consolidated audited NA as at 31 December 2019;
- (iv) The Corporate Finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, amongst others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and

ADDITIONAL INFORMATION (Cont'd)

- (v) The conduct of the RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, Capital Markets and Services Act 2007 and RHB Banking Group's own internal controls which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

As at LPD, save as disclosed above:

- (i) RHB Investment Bank confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its capacity as the Principal Adviser to the Company for the Proposed Listing; and
- (ii) RHB Securities (Cambodia) confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its capacity as the Principal Adviser to PCL for the Proposed Listing and the Proposed Public Issue, as well as the Underwriter for the Proposed Public Issue.

3.2 Grant Thornton Malaysia PLT

Grant Thornton Malaysia PLT confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its capacity as the Reporting Accountants to the Company for the Proposed Listing.

3.3 Smith Zander International Sdn Bhd

Smith Zander International Sdn Bhd confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its capacity as the independent market researcher to PCL for the Proposed Listing.

4. MATERIAL CONTRACTS

As at LPD, PCL Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the 2 years immediately preceding the date of this Circular.

5. MATERIAL LITIGATION

As at LPD, PCL Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and Board does not have any knowledge of any proceedings, pending or threatened against PCL Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of PCL Group.

6. MATERIAL COMMITMENTS

Save as disclosed below, as at LPD, the Board is not aware of any material commitments incurred or known to be incurred by PIB Group (including PCL Group) which may have a material impact on the financial results or position of PIB Group:

	Unaudited as at 31 December 2019	Audited as at 30 June 2019
	RM'000	RM'000
Outstanding capital commitment		
Proposed acquisition of 94% equity interest in Green Sustainable Ventures (Cambodia) Company Limited	14,735	-

ADDITIONAL INFORMATION (Cont'd)

7. CONTINGENT LIABILITIES

Save as disclosed below, as at LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by PIB Group (Including PCL Group) which may, upon becoming enforceable, have a material impact on the financial results or position of PIB Group:

(i) Notices of Tax Reassessment

PCL received Notices of Tax Reassessment from General Department of Taxation Cambodia (“GDT”) to claim purportedly the following:

- (a) undeclared prepayment profit tax and value-added tax amounting to USD548,727 (approximately RM2,356,234) pertaining to the period from 1 May 2011 to 31 July 2011;
- (b) undeclared prepayment profit tax and value-added tax amounting to USD492,488 (approximately RM2,114,743) pertaining to the period from 10 January 2013 to 16 October 2013; and
- (c) undeclared prepayment profit tax, value-added tax and 14% withholding tax on service amounting to USD268,816 (approximately RM1,154,296) for the 2010 comprehensive tax audit.

In response, PCL had filed a protest letter to GDT to contest the misinterpreted assessments. The Company considers these Notices of Tax Reassessment to be of no basis and unjustified and the probability that they will be required to settle the assessed taxes is considered to be remote. Consequently, no provision has been made for these sums. GDT has not reverted to PCL and the outcome of this matter is still pending as at LPD.

(ii) In the matter of Originating Summons Nos.:

- a) **WA-24C(ARB)-54-12/2019;**
- b) **WA-24C(ARB)-5-01/2020; and**
- c) **WA-24C(ARB)-7-01/2020**

On 18 December 2017, Transgrid Ventures Sdn Bhd (“TGV”) commenced an arbitration by way of a notice of arbitration against Colas Rail System Engineering Sdn Bhd (“CRSE”), a wholly-owned subsidiary of PIB, for an alleged outstanding sum of RM29,362,000 under the sub-contract entered into between the parties vide a letter of award dated 10 January 2017 (“**Impugned LOA**”) for the works known as “132/33kV Bulk Supply Substation and 33/0.415kV Utility Building” (“**Works**”) under the “Systems Work Package SSP-SY-205 Engineering, Procurement, Construction, Testing & Commissioning of Power Supply and Distribution System” (“**MRT2 Project**”) (“**Original Claims**”).

TGV sought, inter alia, a declaration that the Impugned LOA is valid and binding between the parties and that CRSE wrongfully repudiated the Impugned LOA as well as damages. CRSE disputes these claims as the Impugned LOA was issued without the authority of CRSE and/or Colas Rail Consortium, which occurred prior to the acquisition of CRSE by PIB.

On 31 October 2019, CRSE obtained the arbitration award with costs totaling approximately RM383,414 granted in their favour (“**Arbitration Award**”).

However, in December 2019 and January 2020, TGV commenced 2 court proceedings against CRSE in the High Court of Malaya in Kuala Lumpur (“**High Court**”) to claim for the Original Claims as well as to vary and set aside the Arbitration Award. Concurrently, CRSE also filed an application to the High Court to enforce and recognise the decision of the Arbitration Award against TGV.

ADDITIONAL INFORMATION (Cont'd)

Currently, the High Court has fixed the next case management for the court proceedings to be held on 5 June 2020. The solicitors representing CRSE are of the view, though not conclusive, that CRSE has a reasonable prospect of success in the court proceedings against TGV. However, the potential financial impact of the matter on CRSE cannot be determined at this juncture.

(iii) In the matter of Originating Summons Nos. BA-24-12-02/2020 and BA-24-11-02/2020

On 30 October 2019, Pestech Technology Sdn Bhd (“**PTSB**”), a wholly-owned subsidiary of PIB, obtained an adjudication award in their favour as a result of the adjudication proceedings initiated by PTSB against Lion Pacific Sdn Bhd (“**LPSB**”) for non-payment of works done pursuant to the sub-contract agreement dated 24 November 2014, whereby LPSB appointed PTSB as a sub-contractor to complete the systems works package works in the project known as “Extension of the Rail Link from the Subang Commuter Station to Subang Skypark Phase 1”.

The adjudicator found in favour of PTSB that LPSB shall pay a total sum of approximately RM12,666,667.00 with interests to PTSB (“**Adjudication Award**”).

On 19 February 2020, LPSB commenced court proceedings against PTSB to set aside or stay the Adjudication Award.

Currently, the High Court has fixed the next case management for the court proceedings to be held on 5 June 2020. The solicitors representing CRSE are not in the position to determine the financial outcome at the present stage of the proceedings.

Concurrently, LPSB has also filed an application to prevent PTSB from initiating winding up proceedings against LPSB pursuant to the Adjudication Award. The matter has been fixed for case management to be held on 27 May 2020, on which the High Court will subsequently fix the hearing date for this matter.

(iv) In the matter of an arbitration between LPSB and PTSB

On 17 February 2020, LPSB commenced an arbitration proceeding by way of a notice of arbitration against PTSB in relation to a sub-contract agreement dated 24 November 2014 (“**Sub-Contract Agreement**”) whereby LPSB appointed PTSB as a sub-contractor to complete the systems works package works in the project known as “Extension of the Rail Link from the Subang Commuter Station to Subang Skypark Phase 1”.

In this arbitration, LPSB is contending that PTSB has breached the Sub-Contract Agreement by failing to complete or non-performance of numerous works as agreed under the Sub-Contract Agreement and wrongfully demanded for payments. As a result, LPSB alleged that it has suffered losses and damages which LPSB is claiming against PTSB a full refund of any monies paid to PTSB pursuant to the adjudication award dated 30 October 2019 as disclosed in item (iii) above, losses and damages, backcharges, and liquidated ascertained damages

The tribunal of arbitrators have been appointed for the proceeding. Currently, the parties are in the midst of finalising the first procedural order which sets out the relevant details and key dates to be complied for the dispute. At this juncture, the representing solicitors of PTSB have not been served with a Statement of Claim quantifying LPSB’s claims, neither has PTSB submitted their Defence and any potential counterclaim in relation to the same, and therefore are not in a position to determine the financial outcome at the present stage of the proceedings.

ADDITIONAL INFORMATION (Cont'd)

8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Registered Office of the Company at No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan, during normal business hours from Monday to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM or at any adjournment thereof:

- (i) the Constitution of the Company and Articles of Incorporation of PCL;
- (ii) the audited consolidated financial statements of PIB and PCL for the past 2 FYE 30 June 2018 and FYE 30 June 2019, and the latest unaudited consolidated financial results of PIB and PCL for the 6 months FPE 31 December 2019;
- (iii) the pro forma consolidated statement of financial position as at 30 June 2019 together with the notes and the Reporting Accountant's letter referred to in **Appendix II** of this Circular;
- (iv) the letters of consent referred to in **Section 2** above; and
- (v) the Report on Prospects and Outlook of Electricity Supply Industry in Cambodia as prepared by Smith Zander International Sdn Bhd.

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PESTECH

PESTECH INTERNATIONAL BERHAD
(Registration No. 201101019901 (948035-U))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of PESTECH International Berhad (“PIB” or “Company”) will be conducted fully virtual and entirely via remote participation and voting at the Broadcast Venue at B2-3-01, Block B2, Meritus @ Oasis Corporate Park, No. 2, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 1 July 2020 at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED LISTING OF PESTECH (CAMBODIA) PLC (“PCL”), A WHOLLY-OWNED SUBSIDIARY OF PIB, ON THE MAIN BOARD OF CAMBODIA SECURITIES EXCHANGE (“CSX”) (“PROPOSED LISTING”)

THAT subject to the approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to the Company to undertake the Proposed Listing in the manner set out in Section 2 of the Circular to shareholders of the Company dated 16 June 2020 or such other manner as may be approved by the Directors in the best interest of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to execute all necessary documents, to give full effect to and complete the Proposed Listing with full power to assent to or make any modifications, variations and/or amendments as may be required by the relevant authorities or as may be deemed necessary by the Directors and to take all steps and actions as may be required by the relevant authorities and as the Directors may deem necessary and expedient to finalise, implement and give full effect to and complete the Proposed Listing.

ORDINARY RESOLUTION 2

PROPOSED ALLOCATION OF UP TO 175,000 ORDINARY SHARES OF USD0.10 EACH IN PCL (“PCL SHARES”) TO LIM AH HOCK FOR SUBSCRIPTION (“PROPOSED ALLOCATION TO LIM AH HOCK”)

THAT subject to the passing of Ordinary Resolution 1 above and all relevant approvals being obtained from the relevant authorities and/or parties, the Directors of PCL be and are hereby authorised to allocate and allot up to 175,000 PCL Shares to Lim Ah Hock, the Executive Chairman of the Company, who is also the Director of PCL, for subscription and/or purchase under the Proposed Listing, at an issue price to be fixed for the public issue under the Proposed Listing.

AND THAT the Directors of the Company and PCL be and are hereby authorised to do all such acts and things and to execute all necessary documents, to give full effect to and complete the Proposed Allocation to Lim Ah Hock with full power to assent to or make any modifications, variations and/or amendments as may be required by the relevant authorities or as may be deemed necessary by the respective Directors and to take all steps and actions as may be required by the relevant authorities and as the respective Directors may deem necessary and expedient to finalise, implement and give full effect to and complete the Proposed Allocation to Lim Ah Hock.

ORDINARY RESOLUTION 3

PROPOSED ALLOCATION OF UP TO 175,000 ORDINARY SHARES OF USD0.10 EACH IN PCL TO LIM PAY CHUAN FOR SUBSCRIPTION (“PROPOSED ALLOCATION TO LIM PAY CHUAN”)

THAT subject to the passing of Ordinary Resolution 1 above and all relevant approvals being obtained from the relevant authorities and/or parties, the Directors of PCL be and are hereby authorised to allocate and allot up to 175,000 PCL Shares to Lim Pay Chuan, the Executive Director/Group Chief Executive Office of the Company, who is also the Executive Chairman of PCL, for subscription and/or purchase under the Proposed Listing, at an issue price to be fixed for the public issue under the Proposed Listing.

AND THAT the Directors of the Company and PCL be and are hereby authorised to do all such acts and things and to execute all necessary documents, to give full effect to and complete the Proposed Allocation to Lim Pay Chuan with full power to assent to or make any modifications, variations and/or amendments as may be required by the relevant authorities or as may be deemed necessary by the respective Directors and to take all steps and actions as may be required by the relevant authorities and as the respective Directors may deem necessary and expedient to finalise, implement and give full effect to and complete the Proposed Allocation to Lim Pay Chuan.

BY ORDER OF THE BOARD

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

Kuala Lumpur
16 June 2020

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 25 June 2020 (“General Meeting Record of Depositors”) shall be eligible to participate, speak and vote at 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 attend, participate, speak and vote 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 one (1) or more proxy to attend the meeting. Where a member appoints more than one (1) proxy 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 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.*
6. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshshb.com.my, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof.*
7. *The resolutions set out in this Notice of EGM will be put to vote by poll.*
8. *The EGM will be conducted fully virtual at the Broadcast Venue. Members are advised to refer to the Administrative Guide on the registration and voting process for the EGM.*

PESTECH

PESTECH INTERNATIONAL BERHAD
(Registration No. 201101019901 (948035-U))
(Incorporated in Malaysia)

CDS Account No.	Number of ordinary shares

FORM OF PROXY

I/We _____ NRIC No./Passport No./Company No. _____
of _____

being a member/members of PESTECH International Berhad hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or *delete if inapplicable

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be held on a fully virtual basis at the Broadcast Venue at B2-3-01, Block B2, Meritus @ Oasis Corporate Park, No. 2, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 1 July 2020 at 11:00 a.m. or at any adjournment thereof.

My/our proxy is to vote as indicated below:

Item	Agenda	Ordinary resolution	For	Against
1.	Proposed Listing	1		
2.	Proposed Allocation to Lim Ah Hock	2		
3.	Proposed Allocation to Lim Pay Chuan	3		

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

Dated this day _____ of _____ 2020

*Signature of Shareholder /Common Seal

*Delete if inapplicable

Notes:

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- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the share registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damankela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshhsb.com.my, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof.*
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- The EGM will be conducted fully virtual at the Broadcast Venue. Members are advised to refer to the Administrative Guide on the registration and voting process for the EGM.*



Fold this flap for sealing

Then fold here

AFFIX
STAMP

Securities Services (Holdings) Sdn. Bhd.
PESTECH INTERNATIONAL BERHAD
(Registration No. 201101019901 (948035-U))
at Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights, 50490 Kuala Lumpur

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