PESTECH

ANNUAL REPORT 2016/2017

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Corporate Profile

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

The Company derived its name from "**P**ow**e**r **S**ystem **Tech**nology" and involves in four (4) major business segments:

1. Power Transmission Infrastructure
2. Power Generation and Rail Electrification
3. Transmission Asset
4. Power Products & Embedded System Software

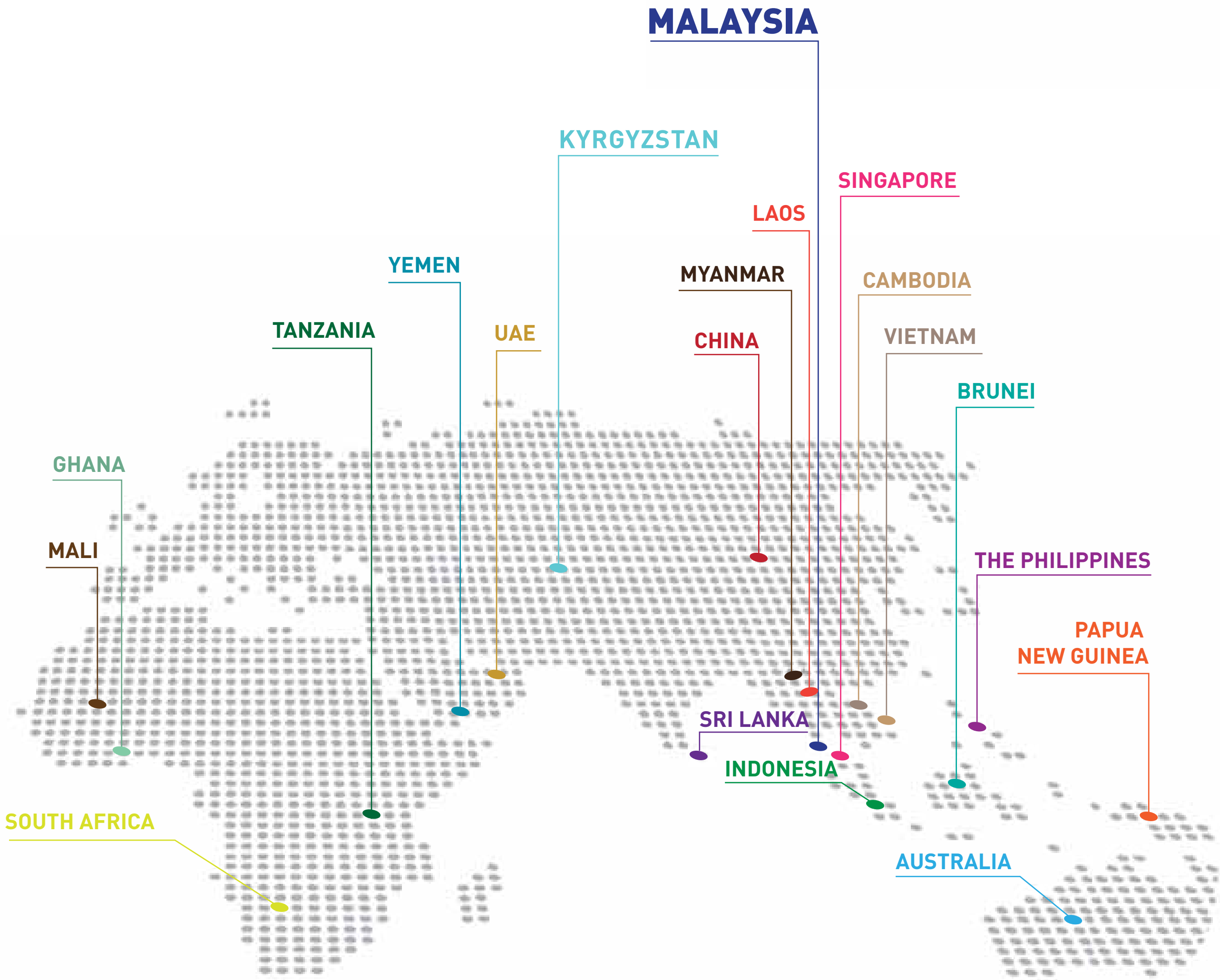
Founded in 1991, PESTECH Sdn Bhd ("PSB"), its wholly-owned subsidiary has slowly gained industry experience and has grown progressively to an established integrated electric technology company with products and services that not only cater for local market but across the regions. To-date, the Company successfully expands its market share into 20 countries such as Cambodia, Papua New Guinea and The Philippines with growing number of other countries consistently.

PESTECH involves in engineering, design, manufacturing, installation and commissioning of electrical power facilities. The Company continues to invest in state-of-the-art machines and technology. It continues to implement high quality standards in the day-to-day operations, where the importance of traceability, consistency and reliability are emphasised throughout the entire organisation. In every project, goals are achieved by focusing on "In effectiveness we serve, in efficiency we deliver and in excellence we achieve". By taking full advantage of PESTECH engineering service, customers are able to achieve cost optimisation and improve efficiency while ensuring the reliable operation of their power systems.

PESTECH's direction continues to focus on expanding its market share to emerging and developing countries with high demand of electrical power facilities. With the strong uphold of the Company's vision to be "Consistently Dependable and Value Add", PESTECH is confident that it will continue to be the system solution provider of choice.

Projects/Products Reach

PESTECH has a – we are going to do this, with all means **POSSIBLE** attitude, which is exactly what one needs to **SUCCEED**




PESTECH
PESTECH

At a Glance

Total projects
completed
248 Projects
since 2002

Profit before tax
increase
4.57 times
since 2012

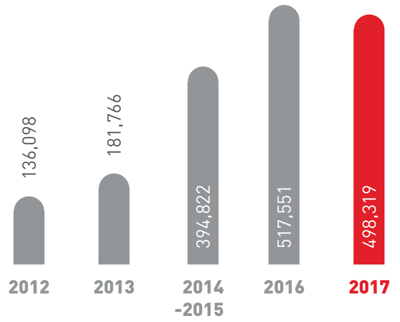
4,273 products
delivered since 2003

Presence in 7 countries

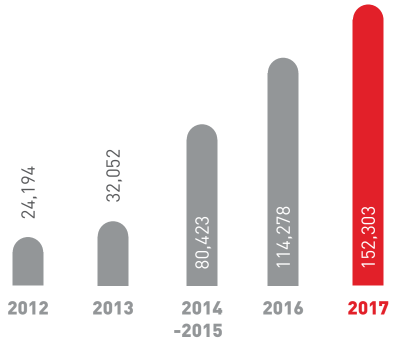
Increase in Revenue
by
266%
since 2012

Financial Highlights

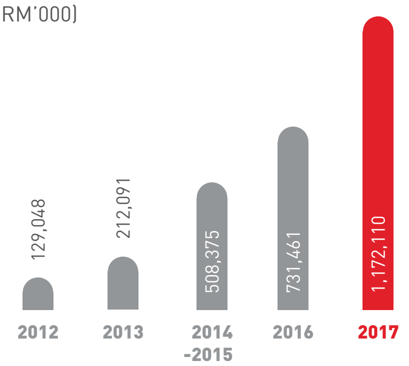
Revenue (CAGR = 29.64%)
(RM'000)



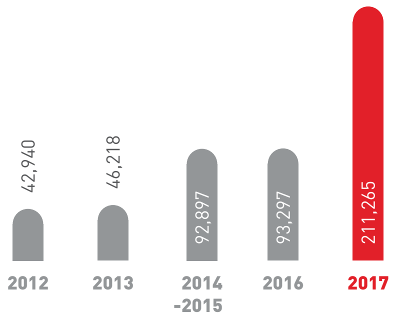
EBIT (CAGR = 44.48%)
(RM'000)



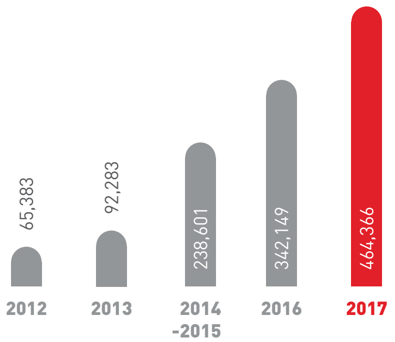
Total Assets (CAGR = 55.47%)
(RM'000)



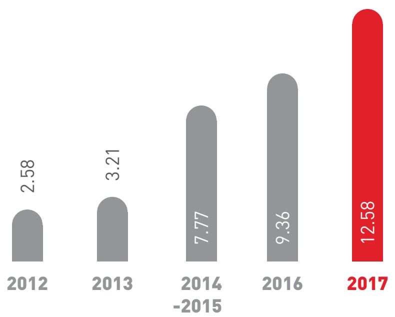
Share Capital (CAGR = 37.53%)
(RM'000)



Shareholders' Equity (CAGR = 48.01%)
(RM'000)



Earnings per Share (CAGR = 37.28%)
(sen)



Financial Highlights
cont'd

FYE	2012	2013	2014-2015 (Change of FYE to 30 June)	2016	2017
PROFITABILITY					
Revenue (RM'000)	136,098	181,766	394,822	517,551	498,319
EBIT (RM'000)	24,194	32,052	80,423	114,278	152,303
PBT (RM'000)	23,033	28,593	73,144	104,142	128,302
Profit for the year attributable to equity holder (RM'000)	16,524	20,721	54,833	69,876	94,911
FINANCIAL POSITION					
Total assets (RM'000)	129,048	212,091	508,375	731,461	1,172,110
Share capital (RM'000)	42,940	46,218	92,897	93,297	211,265*
Shareholders' equity (RM'000)	65,383	92,283	238,601	342,149	464,366
Total bank borrowings (RM'000)	25,874	67,059	187,615	330,623	507,449
FINANCIAL RATIO					
Return on equity	25%	22%	23%	28%	27%
Return on total assets	19%	15%	17%	16%	13%
Gearing ratio	0.40	0.73	0.79	0.97	1.09
Interest cover	20.84	9.70	12.33	11.27	6.35
SHARE INFORMATION					
Total dividend payout (RM'000)	2,061	11,010	17,270	5,574	22,470
Earnings per share (sen)**	2.58	3.21	7.77	9.36	12.58
Net assets per share (sen)	76.13	99.83	128.42	183.37	60.83
Weighted average number of ordinary shares in issue ('000)**	640,293	646,258	705,364	746,252	754,334
Number of shares ('000)	85,880	92,437	185,794	186,594	763,380

* *The amount of share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of Companies Act 2016, which came into operation on 31 January 2017.*

** *The share split and bonus issue were without consideration and therefore the number of ordinary shares arising from share split and bonus issue are treated as if they had occurred before the beginning of 1 January 2012.*

Corporate Information

BOARD OF DIRECTORS

Lim Ah Hock
(Executive Chairman)

Paul 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)

COMPANY SECRETARIES

Teh Bee Choo
(MIA 7562)

Chua Siew Chuan
(MAICSA 0777689)

Pan Seng Wee
(MAICSA 7034299)

AUDIT COMMITTEE

Ibrahim Bin Talib
(Chairman)

Tan Puay Seng

Lee Ting Kiat
(Appointed on 26 May 2017)

NOMINATING COMMITTEE

Tan Puay Seng
(Chairman)

Ibrahim Bin Talib

Lee Ting Kiat

REMUNERATION COMMITTEE

Lee Ting Kiat
(Chairman)

Tan Puay Seng

Paul Lim Pay Chuan

AUDITORS

SJ GRANT THORNTON *(AF: 0737)*
(Member of Grant Thornton International Ltd)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur.

Tel. No. : +603 2692 4022

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur.

Tel. No. : +603 2084 9000
Fax. No.: +603 2094 9940

HEAD OFFICE

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

Tel. No. : +603 7845 2186

REGIONAL CENTER

PESTECH (Cambodia) Ltd., Phnom Penh, Cambodia.

PESTECH Engineering Technology China Co. Ltd., Beijing, China.

PESTECH (Sarawak) Sdn Bhd, Kuching, Sarawak.

PESTECH Sdn Bhd (Branch Office), Manila, The Philippines.

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur.

Tel. No. : +603 2084 9000
Fax. No.: +603 2094 9940

STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad

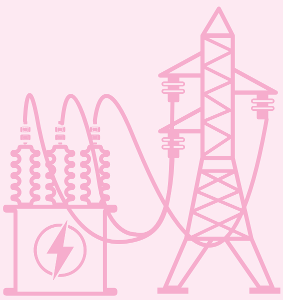
Stock Name : PESTECH
Stock Code : 5219

Corporate Structure

Main Business Segments

POWER TRANSMISSION INFRASTRUCTURE

POWER GENERATION & RAIL ELECTRIFICATION



TRANSMISSION ASSET

POWER PRODUCTS & EMBEDDED SYSTEM SOFTWARE

Main Business Segments
cont'd

POWER TRANSMISSION INFRASTRUCTURE

PESTECH offers the design, engineering, manufacturing, installation, testing and commissioning of high voltage ("HV") and extra high voltage ("EHV") substations, transmission lines, underground cables and equipment for build up of a fully integrated electricity transmission infrastructure. The Group extends to their customers a wide variety of tested solutions, combining the broad experience and expertise of their highly skilled crews to handle a diversity of projects and ensure their delivery within the promised targets and deadlines. This wealth of collective knowledge and skill fuels PESTECH's drive and passion to excel in the industry.

To further enhance its project execution capability, PESTECH's in-house civil engineering team is able to coordinate, design, manage and construct the civil structure aspects of their entire project to effectively house electrical equipment in compliance with the relevant electrical and safety requirements.

PESTECH's power transmission control and protection system products are used by numerous energy utility companies and high-energy-usage industrial customers for robust substation automation and real-time device integration applications. Its unique capabilities encourage customers to take maximum advantage of these standards and empower them to use latest technology in a way that is most complementary to their other business operations.

POWER GENERATION & RAIL ELECTRIFICATION

PESTECH's Power Generation and Rail Electrification Division was established in 2014 and mainly involves in power system automation and electrical services for power plant and rail industries. The Division adds value to the overall Group performance by engaging in projects involving management and engineering for combined cycle, thermal, hydro and solar power plant. Its service offerings include high-knowledge-based system integration for power plant automation system, distributed control system, power plant operator training simulation system, process optimisation system and asset life cycle information management suite.

This segment of the Group business undertakes full turnkey engineering, procurement and construction and commissioning ("EPCC") scope for power plant optimisation. PESTECH's focus encompasses project management, basic and detail engineering, supply, installation and commissioning of control and optimisation systems as well as equipment for power plant and its interconnection substations.

Having thoroughly armed itself with the necessary rail electrification and track construction machinery, PESTECH is one of the most well equipped rail electrification and track work contractor in Malaysia. As such, the Division can embarks on EPCC projects for rail electrification, control, communication, signaling and track construction with ease.

Main Business Segments
cont'd

TRANSMISSION ASSET

The transmission asset build, operate and transfer ("BOT") segment is part of the Group's strategic development direction. Building on the strength of the Group in the power system infrastructure EPCC segment, PESTECH embarks on the BOT business model to nurture a long term sustainable and recurring income stream for the Group.

The BOT that is already secured allows PESTECH to be the independent power transmitter in Cambodia for a concession period of 25 years. The Company will have the opportunity to assist with operations and maintenance activities to assured the transmission asset is maintained by qualified personnel in accordance with applicable industry standards and best practices to provide maximum operating performance and reliability.

The Group will continue to expand the BOT business segment in the regional countries to further enhance its future business income whilst maintaining its development in the EPCC business segment.

POWER PRODUCTS AND EMBEDDED SYSTEM SOFTWARE

PESTECH's power products and embedded system software businesses excel in the supervisory control and data acquisition ("SCADA") system catering for various process control industry. This Australian based subsidiary of PESTECH is a leading company in offering substation automation, smart grid control technology and turnkey solutions to global electrical utility industry. Its communication software products, data gateway modules, smart grid controllers and customised engineering solutions help utilities to meet their regulatory obligations. Through continuous research and development, this segment of business maintains its competitiveness technologically and commercially as the electricity market becomes deregulated worldwide.

The business segment supplies a wide range of information, communications and automation system products for electrical transmission and distribution networks. By combining frontline, technical innovative solutions with traditional plant monitoring, it manages to open access to vital information in real time, thus providing a clear migration strategy from legacy architectures to the integrated networks for today and into the future. The unique software product range allows any electronic controller or measurement device used in an electrical grid to exchange and share information as required by its functionality and specified by international standards, which are mandatory for designing electrical grid systems worldwide. The uniqueness of the software product range is the easy to understand and easy to use software interface, which is identical across the entire software product range and the capability of the software to run on most of the commonly used software operating systems such as Windows™ and Linux on various hardware platforms.

Customer reference list in this business segment includes large multi-national blue chip companies as well as smaller engineering firms taking advantage of the commercially viable hardware and competitive software license arrangements.

The "POWER" Delivery Team

The road to achieve the Group's vision "Consistently Dependable and Value Add" requires determination and resilience. PESTECH divides the Group into four (4) "POWER" Delivery Team to achieve its mission and goals. Each "POWER" Delivery Team has its own main responsibility and at the same time working closely together to strive for greater heights of success.

Power Product & Integration

Power Product & Integration Division ("PPI") is led by Mr. Chong Kuen Wai. The team is responsible for the entire product manufacturing process, which includes engineering design, assembly, testing and factory routine test.

The team also actively involves in research and development to ensure the products are designed and manufactured according to the current market demand and technology.

Power System Construction

Power System Construction Division ("PSC") is led by Mr. Lee Kong Tee. The team is responsible for EPCC contracts, which covers project management process, procurement of HV and EHV equipment, implementation of site construction and equipment installation specifically for electrical substations.

Power Lines & Cable

Power Lines & Cable Division ("PLC") is led by Mr. Han Fatt Juan. The team is responsible for EPCC contracts, which covers project management process, procurement of equipment, implementation of site construction and installation specifically for power transmission lines and underground cables.

Power Generation & Rail Electrification

Power Generation & Rail Electrification Division ("PGE") is led by Mr. Paismanathan Govindasamy. The team is responsible for products and services in automation and electrical system design, covering greenfield and brownfield (retrofit) for Power Plants and Rail Sector.

PESTECH's customers include utilities companies, private industrial customers, both locally and regionally in more than 20 countries. The Group believes that working together as one will create synergy to deliver the most cost effective and sustainable products and services to the customers.

Board of Directors

Lee Ting Kiat
Independent Non-Executive Director

Lim Ah Hock
Executive Chairman

Ibrahim Bin Talib
Senior Independent Non-Executive Director.

Paul Lim Pay Chuan
Executive Director cum Group Chief Executive Officer

Tan Puay Seng
Independent Non-Executive Director

Profile of Directors

Lim Ah Hock

Aged 65, Malaysian, Male

Executive Chairman

Lim Ah Hock, a Malaysian, aged 65, male, is an Executive Chairman ("EC") of PESTECH. He was appointed to the Board on 18 August 2011.

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

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

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

He is the uncle to Mr. Paul Lim Pay Chuan, the Executive Director and GCEO and substantial shareholder of the Company. Apart from that, he has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH except as disclosed in the financial statements and Circular to Shareholders dated 31 October 2017.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2017.

Paul Lim Pay Chuan

Aged 47, Malaysian, Male

Executive Director cum Group Chief Executive Officer

Paul Lim Pay Chuan, a Malaysian, aged 47, male, is an ED cum Group CEO of PESTECH. He was appointed to the Board on 18 August 2011. He is presently a member of the Remuneration Committee.

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

In 1994, he began his career with Motorola Malaysia Sdn Bhd as a Product Engineer. He then joined Toprank Corporation Sdn Bhd (known as Toshiba Transmission & Distribution Systems Asia Sdn Bhd) in 1995 as a Project Engineer, where he was promoted to Project Manager in 1997, and subsequently promoted to Assistant General Manager in 1998, a position held for two (2) years. In 2000, he joined the Group as a General Manager and was promoted to CEO in 2008.

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

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

He is the nephew of Mr. Lim Ah Hock, the Executive Chairman and substantial shareholder of the Company. Apart from that, he has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH except as disclosed in the financial statements and Circular to Shareholders dated 31 October 2017.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2017.

Profile of Directors
cont'd

Ibrahim Bin Talib
Aged 69, Malaysian, Male

Senior Independent Non-Executive Director

Ibrahim Bin Talib, a Malaysian, aged 69, male, is a Senior Independent Non-Executive Director of PESTECH. He was appointed to the Board on 22 February 2012 and redesignated as Senior Independent Non-Executive Director on 26 October 2015. He is presently the Chairman of the Audit Committee and a member of the Nominating Committee. He is presently the Chairman of the Audit Committee and a member of the Nominating Committee.

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

He has been involved for over 30 years in the power supply industry with Lembaga Letrik Nasional ("LLN") [presently known as Tenaga Nasional Berhad ("TNB")]. He started his career in the industry as a pupil engineer with TNB from 1972 to 1974. Subsequently, he rose through the ranks throughout his career in TNB and held his last position as the Head of Transmission Project under the Project Services Division of TNB in 2003 before retiring in 2004. During his tenure with TNB, he has worked with a number of divisions within TNB amongst others, engineering and design, procurement and contracts, tender and design, distribution of projects and head of district offices in Seremban and Melaka.

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

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2017.

Tan Puay Seng
Aged 65, Malaysian, Male

Independent Non-Executive Director

Tan Puay Seng, a Malaysian, aged 65, male, is an Independent Non-Executive Director of PESTECH. He was appointed to the Board on 22 February 2012. He is presently the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

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

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

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2017.

Profile of Directors
cont'd

Lee Ting Kiat
Aged 49, Malaysian, Male

Independent Non-Executive Director

Lee Ting Kiat, a Malaysian, aged 49, male, is an Independent Non-Executive Director of PESTECH. He was appointed to the Board on 26 May 2017. He is presently the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

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

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

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

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

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

He has not attended any Board of Directors' meetings held in the financial year ended 30 June 2017 since he was only appointed on 26 May 2017.

Save as disclosed above, none of the Directors have:-

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

Profile of Key Senior Management

Lim Ah Hock
Aged 65, Malaysian, Male

Executive Chairman

(please refer to page 15 for Profile of Director)

Paul Lim Pay Chuan
Aged 47, Malaysian, Male

Executive Director cum Group Chief Executive Officer

(please refer to page 15 for Profile of Director)

Teh Bee Choo
Aged 54, Malaysian, Female

Chief Financial Officer

Teh Bee Choo, a Malaysian, aged 54, female, is the Chief Financial Officer of PESTECH. She graduated from Swinburne Institute of Technology in 1986 with a Bachelor of Business in Accounting with Data Processing. She is a member of the Malaysian Institute of Accountants since 1993 and the Institute of Chartered Accountants Australia since 1990.

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

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

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

Chang Mei Lun
Aged 46, Malaysian, Female

Chief Operating Officer

Chang Mei Lun, a Malaysian, aged 46, female, is the Chief Operating Officer of PESTECH. She graduated with a Diploma in Accounting from the London Chamber of Commerce and Industry in 1991. She also held a Diploma in Business Administration from the Association of Business Executives, which she obtained in 1996.

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

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

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

Executive Chairman/Group CEO and Management Discussion & Analysis

"**Dear Shareholders,**

By the time this annual report reaches your hand, PESTECH has closed another audited well-accomplished financial year and set to engage zealously into the new financial year full with optimism and positive anticipation backed by a healthy order backlogs, new established business segments and expansion of our product range and reach of our services further into new markets."

Executive Chairman/Group CEO and Management Discussion & Analysis
cont'd

Overview

During the 2016/2017 financial year, our team of dedicated PESTIONs worked passionately to bring PESTECH into new markets, breakthrough into new segment of business, to ensure the Group can enjoy continuous business growth and strengthen its market reach in the region. Indeed, we value the commitment and sacrifices of PESTIONs in working towards fulfilling our vision and goals. We will continue to set new targets and challenges to inspire PESTIONs to achieve new milestones while we commit to further invest into the well-being and skills of our people.

On the macro front, ASEAN sector and regional developing countries continue to record encouraging growth. FocusEconomics forecasted a solid 4.9% GDP growth for the ASEAN region in 2017, supported by robust consumption and a solid performance in the external sector. It also highlighted that Myanmar will be the region's fastest-growing economy next year, expanding 7.6%, followed by Cambodia, a country where PESTECH has significant active operations.

Our years of effort breaking through overseas market has proved fruitful as the Group now enjoys a good mix of revenue contribution from domestic and overseas sources. This provides PESTECH with exposure to different stages of economic and social development that drive and underlie planning and rolling out of electrical infrastructure accordingly. As such, demand for our services are relatively more resilient to any specific economic slowdown as anticipated continuous social development in regional countries where we already established footing will provide us with the necessary market requirement to maintain our business continuity.

Zooming into operational aspects, if you could recall that in our previous annual report, we mentioned that the Group had evolved into four (4) main corporate business units, namely Power Transmission Infrastructure, Power Generation and Rail Electrification, Transmission Assets, and Power Products and Embedded System Software. With the clear segmentation of corporate business units, the Group has precise focal point on the overall business development, which gives the management clear vision to drive the organisation forward. In the longer term, it is envisaged that each of the business units could stand on its own financial and business strengths, and uniformly contributing towards the overall growth of the Group.

Financial Performance

PESTECH crossed the finishing line of financial year 2017 with satisfactory financial performance.

The Group secured a total of RM1.369 billion orders as at 30 June 2017, an increase of 95.6% from our internal target of RM700 million. The significant orders clinched during the financial year are:

- The design, engineering, manufacturing, installation, testing and commissioning of the 230kV Stung Tatay Hydro Power Plant – Phnom Penh transmission system project with a value of USD100.213 million ("Tatay Project");

- The upgrade of 230kV Sihanoukville – West Phnom Penh transmission system project into 230kV/500kV Sihanoukville – Phnom Penh transmission line project with a total upgraded value of USD143.904 million ("SHV Project");

- Port Moresby Power Grid Development Project – PMU from PNG Power Ltd., of Papua New Guinea ("PNG"), for the procurement of plant, design, supply, installation, testing and commissioning of Kila Kila 66/11kV substation and 66kV double circuit transmission line with a value of USD7,113,690.00 and PGK 17,258,472.00 ("Kila-Kila Project");

- New Bintulu B, 275/132kV substation establishment project awarded by Sarawak Energy Berhad ("SEB") with a value of RM89,532,026.55

- The design, supply and installation of three (3) substations for Severelectro JSC under Electricity Supply Accountability and Reliability Improvement Project ("ESARIP") in Kyrgyzstan with a value of USD8,460,000.00 ("Kyrgyzstan Project").

- Upgrading of secondary devices and construction of a separate protection/control building for the unmanned operation of the TIWI Geothermal Power Plants A and C Substations awarded by the National Grid Corporation of the Philippines ("NGCP") with a value of USD7,008,000.00 and PhP111,000,000.00 ("TIWI Project").

You will note that the orders were derived from various regional countries from Cambodia, PNG, Kyrgyzstan, the Philippines and our home turf, Malaysia. Though it is undeniable that the bulk of the orders were concentrated in Cambodia, nonetheless, the presence of PESTECH in these countries gives us a good footing to expand further whenever opportunities arise.

Executive Chairman/Group CEO and Management Discussion & Analysis
cont'd

Our capabilities in exporting the know-how of constructing electrical infrastructures and products allow us to go beyond any borders limited only by the range of voltages we have delivered. Currently, our project delivery capabilities is up to and including 500kV network and substation. A good example would be our recent procurement of new project from a returning customer, NGCP in the Philippines, in relation to the Calamba 230kV Substation project - design, supply, installation, testing and commissioning of secondary devices including construction/erection/integration of NGCP supplied high voltage equipment for USD5,358,600.00 and PhP332,136,000.00.

In that regard, we are confident that more opportunities could be realised with our relentless efforts in proving ourselves to the customer base in the region, presenting PESTECH as a consistently dependable value-add partner in the power infrastructure build up industry.

Our Revenue was recorded at RM498 million, a slightly lower amount from previous financial year's figure of RM517 million due to different stages of project execution relative to previous financial year. However, our Gross Profit margin had been maintained at around 28%, whilst Administrative Expenses had reduced nearly 35% to RM36 million in the absence of share grant plan allocation in financial year 2017. This coupled by an increase in Other Income of about 78% to RM34 million, resulted in a Profit Before Tax growth of 23% from last financial year.

23%

Profit Before Tax ↑

To clarify, Other Income consisted mainly of Unrealised Foreign Exchange Gain, and Financial Income derived from our concession project in Cambodia, taking into consideration the financial value of the concession payments to be received in the future.

Following the above, and also a lower overall tax payment (partly contributed by tax exemption status for the concession income in Cambodia), the 2017 financial year reported a plausible advancement of Profit Attributable to Owners of the Company of more than 35% to RM94.911 million.

35.83%

Profit attributable to equity holder ↑

As concessional power transmission asset is being constructed from Kampung Cham to Kratie in Cambodia, it helped in uplifting the Assets value of PESTECH in a broader sense. Total Assets improved more than 60% to exceed RM1.172 billion.

60.24%

Total Assets ↑

Naturally, the development of such a relatively massive infrastructure required the Group to incur a higher amount of debt financing, which eventually saw an increase in its Gearing Ratio to slightly over one (1) time. Nonetheless, the enhancement in profitability partly contributed by the concession asset assisted in sustaining the interest coverage ability of the Company at above 6 times.

As we embarked on the route to nurture the development of a 25 years concessional asset, albeit the required initial investment, the near-term returns will be somewhat affected as the essence of any concession investment aims for long term consistency in returns instead of immediate gains. Thus, Return on Equity and Return on Total Assets retreated moderately to 27% and 13% respectively. The management, however, is confident that in the longer term, PESTECH will benefit from the recurring income stream generated by the concession asset, which will help to elevate future cash flow and overall financial position of the Group.

In line with the implementation of the no-par-value regime under the Companies Act 2016 which took effect since 31 January 2017, the share capital of the Company had been enhanced 126.44% from RM93.297 million to RM211.265 million. In terms of number of ordinary shares, as a result of the implementation of Bonus Issue cum a Share Split during the financial year, the number of ordinary shares of the Company grew from 186,593,466 shares to 763,380,072 shares, a meaningful 309.11% amplification. As the Group continues on the path of growth, the enhanced capital base will provide a better benchmark in measuring returns of the Company's performance.

34.40%

Adjusted EPS ↑

On that note, we are proud to highlight that the Earning-per-Share of the Company improved more than 34% from a restated 9.36 Sen in financial year 2016 to 12.58 Sen when we closed our financial year 2017.

All in all, the management is pleased with the financial performance reported and is confident that it is sustainable moving forward into the 2018 financial year.

Executive Chairman/Group CEO and Management Discussion & Analysis
cont'd

Operational Review

Gazing back on the operational aspects of financial year 2017, we are proud to say that the Group had performed a many undertaking which laid important cornerstones for our various corporate business units, setting the necessary foundations for future growth.

In June 2017, PSB had completed the Samajaya 132/33/11kV Substation establishment ("Samajaya Project") for SEB. This turnkey project includes the design and engineering, procurement, manufacturing, installation, testing, and commissioning of the 132/33/11kV substation at Samajaya Free Industrial Zone. Samajaya Project is the first 132kV Gas Insulated Switchgear Substation that was built in Kuching for SEB.

Samajaya Project is vital to cater for the new industrial stepload at Samajaya Free Industrial Zone, which is expected to come in after the commissioning of Bakun Hydroelectric Plant. In addition, the construction of this substation is needed to strengthen the reliability and stability of the Kuching 132kV sub-transmission system. The substation will serve as the new 132kV bulk power injection point to the 33kV network.

Samajaya Project - the first 132kV Gas Insulated Switchgear Substation in Kuching, Sarawak

During the financial year, PSB had setup a branch office in Manila, the Philippines to take on the execution of TIWI Project, the Group's first on the Philippines soil. This would prove fruitful when, as mentioned earlier, led to the Group to procure its first EPCC project for a 230kV Main Substation in the Philippines, which is the second power infrastructure project with NGCP.

Another branch setup had also been completed in Bishkek, the capital city of the Kyrgyz Republic, in Central Asia for our maiden Kyrgyzstan Project that comprised three (3) medium-voltage and high-voltage indoor Gas-Insulated-Substations, in three (3) different locations, namely, Bishkek, Orto-say, and Sport, all in the vicinity of Bishkek City. The substations are crucial as the commissioning of the Bishkek Substation will enable the newly commissioned facilities with a total capacity of up to 40MW to connect with the national grid. Upon completion and commissioning of Bishkek Substation, Severelectro JSC plans to gradually switch from 6kV to 10kV cable networks. Vacated 35kV transformers will be used for expansion of distribution networks for new buildings, residential areas and micro-districts, contributing to the overall growth in the area.

Factory Acceptance Test ("FAT") for Kyrgyzstan Project

The procurement of Kila-Kila Project in PNG led to the Group setting up a 100% subsidiary, PESTECH (PNG) Limited, in the country. Though not our first foray into PNG [PESTECH had completed two (2) substations projects in Erap and Hidden Valley-Hamada substations in Morobe Province], this would be the first time for PESTECH to work under an Asian Development Bank ("ADB") funded project in PNG. The substation will make it possible for a transformer to be taken off the line without causing any disruption to connect to consumers and will have a power evacuated capability of 20MVA under normal operation. The work on the substation will include a 6.1km of 66kV double circuit transmission line, a 66kV Air-Insulated-Substation switchyard, 2 x 20/30MW, 66/11kV transformers, and 10 outgoing 11kV feeders.

Executive Chairman/Group CEO and Management Discussion & Analysis
cont'd

Foundation uplift test for 500kV SHV Project

Closer to home, and in a familiar market, our subsidiary PESTECH (Cambodia) Limited ("PCL"), had started a project involving the establishment of the first 230kV/500kV transmission line infrastructure in Cambodia connecting power generated from various thermal power plants in Sihanoukville to Bek Chan town, which is located in the Northern part of Phnom Penh City. The SHV Project was originally slated for 230kV for the entire estimated length of 198km but was subsequently upgraded in capacity to cater for 230kV/500kV in anticipation of higher power demand in Phnom Penh City in the near future.

PCL also subsequently won the Tatay Project, which form part of the grid system supplying power from Stung Tatay Hydropower Plant to Bek Chan. As hydropower plant in Stung Tatay has already been put into operation, the completion of the transmission line is crucial to provide the necessary connectivity for delivery of the generated power to targeted consumers in order for the power utility to start collecting revenue.

Backed by the track record of contracts procurement and professionally executed projects in Cambodia, PCL is now a recognised brand in the power infrastructure industry domestically. We will make further inroads to put PESTECH branding even more prominent on the map of Cambodia when we successfully list PCL on the Cambodian Stock Exchange ("CSX") in the future.

During the 2017 financial year, the management had embarked on the preparation process for a submission of an initial public offering application for PCL to the Securities and Exchange Commission of Cambodia ("SECC").

On the Rail Electrification corporate business unit, we have completed the Subang Skypark double track electrification project enabling the eventual rail linkage between Skypark air terminal to KL Sentral and Kuala Lumpur International Airport ("KLIA") and KLIA 2. The unit also successfully completed an ad-hoc emergency KTM rehabilitation project, arose due to the derailment of the double track locomotive along the Ipoh-Batu Gajah section of the track. PESTECH responded to the emergency and managed to complete the required repair work to allow resumption of train service within 48 hours.

Subang Skypark Double Track Electrification Project

KTM Rehabilitation Project

Executive Chairman/Group CEO and Management Discussion & Analysis

cont'd

Under the same corporate business unit, which is also handling power generation related business undertakings, managed to penetrate the power plant automation and control market in Malaysia that is usually controlled by the Western multinationals. Our value proposition under this category of business provides the customers with a competitive and reliable alternative solution. We had since completed three (3) main brown field projects for Segari Energy Ventures Sdn Bhd (a power generation unit of Malakoff Corporation Berhad), Sabah Electricity Sdn Bhd, and Gantisan Power Plant in Sandakan.

Other milestones that PESTECH had achieved during the financial year included the successful completion of our proprietarily developed 12kV medium voltage Air-Insulated-Switchgear, named VAS12, duly accredited via ASTA Type Test Certification body, and in compliant with DET NORSKE VERITAS. The product offering is a culmination and integration of many years of operation knowledge and experience in leading switchgear technology to develop this safe and ideal distribution power switchgear.

VAS12 Product Launch Event

On the back of that, the management is pleased to inform that the construction of PESTECH's new production facility located in Bukit Beruntung is proceeding in accordance with plan and is expected to be completed during financial year 2018. The facility will enable the Group to house a majority of its main product assembly lines in Bukit Beruntung plant under a modern and well structured environment.

The management is satisfied with the operational activities that took place during financial year 2017 and is excited to work towards delivering another fruitful year in the upcoming financial year.

Risk Factors and Challenges

Although taking risk is an inherent part of expectation for higher returns, the risk-return trade-off relationship is

Overall view of new Bintulu B, 275/132kV substation establishment project.

not linear in nature. As market becomes more volatile, a positive and significant risk-return trade-off is harder to be observed.

From a practical sense, PESTECH operates in an environment where risk factors are manageable but not avoidable. PESTECH, generally, is not risk adverse, but we tread the path of business development and project execution very carefully to ensure relevant risks are identified, pondered upon, and mitigated as best possible.

As our market reach expanded into various regional countries, especially under-developed nations, political risk poses common threat to the operation of the members of PESTECH Group. However, the management is fully aware about the risk and had taken reliable mitigating measures to ensure that such risk would be strategically minimised in the case of an adverse condition. Political risk insurance would be one of the methodologies applied for the protection of expected payment stream, and careful selection of pay master in a new market would also help in lowering the risk of non-payment. For example, our project in Kyrgyzstan is ultimately funded by the World Bank, and the project in PNG is funded by the ADB.

The receivables related to the SHV Project and Tatay Project in Cambodia, on the other hand, is further protected by Direct Payment Agreement executed between Electricite du Cambodge ("EDC"), which is the national utility company in Cambodia, project developer and PCL. In such arrangement, EDC commits to make direct payment to PCL so that we don't have to worry about the risk of non-payment from the project developer.

Closely related to the exposure arises due to our regional expansion, PESTECH, to a certain extent, is exposed to foreign exchange volatility. This would be more relevant from the accounting perspective, i.e., the effect of Group consolidation where there is a requirement to translate all earnings into Ringgit. As such, the Company will continue to have fluctuation contributed by foreign exchange movement recorded under Other Income segment of the accounts.

Executive Chairman/Group CEO and Management Discussion & Analysis

cont'd

In the area of business activities, particularly with reference to PESTECH's foreign based projects, we enjoy natural hedge as most likely than not, the cost related to such projects and the expected payments are both denominated in United States Dollars ("USD").

In terms of local projects in Malaysia, though we do have to defray some project expenses in USD, whilst the income is usually in Ringgit, the portion of expenses exposed to foreign currency only, on average, compose about 30% - 40% of the total costs of the project. Under such circumstance, we will proceed with locking in necessary cost related to the required purchases, so that there will be no surprises in terms of foreign exchange movement.

There were also questions raised whether the Group is subject to the changes in the price of commodities. To answer such questions, the understanding of what PESTECH does in its businesses is essential. In carrying out its projects, especially those related to the power transmission and distribution infrastructure, the component of our costs that relates directly to commodity price, mainly copper, constitutes only about 2%-3% of the overall costs of a project. Other components are purchased as finished products, not raw materials; thus, the prices are not subject to the impact of commodity price volatility.

On the financial front, as the corporate business units began to reel in more sizable projects in value, the Group requires to continuously ensure the adequacy of sources of funding to support the execution and delivery of such projects. To fuel this rapid pace of growth, it is natural that the borrowings of the Group move in tandem with the rate of growth in the business. However, it needs to be pointed out that the debt financing taken up by the Group is mainly project funding in nature. That means each of such a banking facilities are tied towards an identifiable, specific project cash flow for its eventual repayment. As such, the risk of non-payment on loans is mitigated. It also means that, since the loans are mainly not funding capital expenditures, there is a certainty on meeting the tenor of repayment based on a distinguished inflow of payment from our customers.

As the Group marches towards the new financial year, we continue along our path of development with diligence, ensuring identifiable risks are addressed and mitigated the best manner possible.

Future Prospects and Opportunities

"By 2015, the total installed capacity of ASEAN rose to 206,818.45 MW from only 90,598 MW in 2004, or equal to annual growth rate of 7.75% for the last eleven years. Indonesia, Malaysia, the Philippines, Thailand and Vietnam are the top five Member States which contribute to 87% of total power capacity in ASEAN. Singapore and the rest of AMS only contributed 6% and 7%, respectively. With that amount of capacity, the recorded total power generated in ASEAN by 2015 is 915,579 GWh, or increased from 856,279 GWh in 2014.

The other energy infrastructures for the power sector are transmission and distribution system. In 2015, the recorded total transmission lines in ASEAN was 230,987 km, when the substation reached 425,222 MVA. Each Member State has its own losses in its transmission and distribution ("T&D") line. The highest T&D losses is recorded in Myanmar, reaching 19%, followed by Brunei Darussalam at 14%, while the lowest loss is experienced by Thailand at 1.61%.

In the long term, all ASEAN Member States ("AMS") are expected to develop and enhance their energy infrastructures. One of the activities laid out in APAEC 2016-2025 is to continue the implementation of cross-border interconnection and the development of the first multilateral connection, namely the Lao PDR-Thailand-Malaysia ("the LTM Project") grid connection. The activity's main objective is to support the outcome of ASEAN Power Grid ("APG") under the APAEC 2016-2025; to initiate multilateral electricity trade in at least one sub-region by 2018. Furthermore, investment is also an important element in reaching the APAEC targets which will require USD27 billions of annual investment in ASEAN (1% of the region's GDP) or USD290 billion in total by 2025, with 75% of it allocated exclusively for the power sector. In conclusion, ASEAN is one of most prospective regions for energy infrastructure investments and for power market development." (Source: ASEAN Centre for Energy; What is the Status of Energy Infrastructure in ASEAN Power Sector? March 7, 2017 | by Aloysius Damar Pranadi)

As evidenced by the statistics and information above made available by the ASEAN Centre for Energy ("ACE"), an independent intergovernmental organisation within the Association of Southeast Asian Nations' ("ASEAN"), the opportunity in serving the power infrastructure industry in this region is vast and real.

PESTECH is well positioned in this particular region to ride along the wave of development backed by its planted footholds in various ASEAN countries. As the Group equipped itself further with more proprietary power infrastructure products and equipment, we inch closer to achieving the vision of creating an ASEAN grown brand name in the power infrastructure industry for the region. We strive for consistently dependable and value add, forging effective and efficient solutions to the customers we serve, and delivering positive results to our stakeholders.

Corporate Social Responsibility

> **PESTECH believes that engaging in corporate social responsibility ("CSR") programs will help to fuel the social and economic growth for the country. It is always PESTECH's goal to bring value through its' existence by creating a positive impact on its' employees, the community and the environment.**

PESTECH has initiated the CARE Program as a guidance of our CSR initiatives. PESTECH's CSR program revolves around four (4) key elements, i.e. Community, Advancement, Recuperation and Environment. For the Group, its' CSR programs start in the form of caring and extending helping hand to the community that they operate in.

Corporate Social Responsibility
cont'd

Community

Simple acts of kindness can bring a smile. PESTECH approach is aimed at bringing value that will benefit the community by participating in the following activities:

- **IEM Engineering Week 2016 (Gold Sponsor)**

  PESTECH had supported the Institute of Engineers Malaysia ("IEM") in actively promoting the engineering industry and covering all aspects, i.e. challenges, professionalism, the exciting work environment and the wide career options available to engineers. PESTECH also supports IEM initiatives to create awareness on the versatility of the engineering profession in providing a high standard of living.

- **Bursa Bull Charge 2016**

  As an Ongole Sponsor, PESTECH had supported Bursa Securities' effort in raising fund for distribution to charity organisations identified by Bursa Securities. Their support includes various types of causes that are related to women, children, arts and culture.

- **Cambodian Red Cross**

  PESTECH had made a contribution to the Cambodian Red Cross to support their charity activities.

Advancement

PESTECH supports and organises activities that contribute towards nation building, particularly in the electrical engineering sector by providing education sponsorship, training and opportunities to new talents. Amongst PESTECH's CSR initiatives during the financial year were:

- **IT Equipment Sponsorship to Sekolah Menengah Seksyen 9, Shah Alam**

  PESTECH sponsored five (5) units of desktop computers and five (5) units of projectors to facilitate the implementation of the 21st Century Teaching System in Sekolah Menengah Kebangsaan Seksyen 9, Shah Alam, Selangor.

- **Contribution to Kriyalakshmi Mandir Shree Sai Gurukul Charitable Society Kuala Lumpur**

  PESTECH has continuously made monthly contribution to assist the Gurukul in providing meals to their students who come from the urban poor family. These families are unable to send their children to "skill learning class" e.g. music instruments, or after-school tuition class.

Corporate Social Responsibility
cont'd

Recuperation

PESTECH believes that everyone should have live life with dignity no matter what state they are in. PESTECH had supported and contributed its efforts to the following healthcare initiatives:

- **Hospis Treasure Hunt**

  PESTECH is supportive of the palliative care and has contributed to the Hospis Malaysia through their yearly fund raising event, i.e. Hospis Treasure Hunt.

- **Cambodia Medical Camp**

  The 2-day medical camp was organised by PESTECH in collaboration with Taiwan Buddhist Tzu Chi Foundation Malaysia, Electricite du Cambodge ("EDC") and Cambodian Red Cross. It was aimed to provide free medical care and free health information to 24,000 community of Krakor District where the majority of the residents are living below the proverty line. The Medical Camp was participated by medical professionals from Taiwan Buddhist Tzu Chi Foundation Malaysia and supported by selected local organisations. There were approximately 100 volunteers including doctors, nurses, pharmacists and others involved in this camp. Basic medical care for diagnostics of high blood pressure, diabetes, cough, flu and general illness were provided during the medical camp.

- **Sponsorship to Handicapped and Mentally Disabled Children Association, Johor.**

  PESTECH also cares for the less fortunate children by contributing to this association. PESTECH's contribution to the association has helped to improve the living environment of the centre and provide these underprivileged children with better supporting equipment.

Environment

PESTECH supports environmental protection initiatives and encourages its employees to carry out the environmental duties. PESTECH's policy under its environmental care is based on the tagline "Taking Care of Our Home". PESTECH has implemented a waste-sorting-practice in their office and factory to ensure employees complied with the rules set. PESTECH had also established an Environmental Club which is aimed to increase the environmental awareness among its employees for safeguarding the environment. Amongst the activities organised were trees planting, cleaning of the office garden and supported the nature reserves societies, i.e the Malaysian Nature Society ["MNS"].

Corporate Governance Statement

The Board of Directors and management of PESTECH recognise the importance of good corporate governance and are committed towards upholding high standards of corporate governance for long-term sustainable business and corporate development, and to continuously protect and enhance shareholders' value.

The Board adopts and applies the principles necessary to ensure good corporate governance as expounded in Bursa Securities Main Market Listing Requirements ("MMLR"), and the Malaysian Code on Corporate Governance 2012 ("Code").

The application of such corporate governance best practices for the financial year ended 30 June 2017 ("FYE 2017") is set out hereunder.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

Board of Directors

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

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

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

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

The ED cum Group CEO together with the General Managers of the main operating companies are involved in leadership roles overseeing the day-to-day operations and management.

Board Committees

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

The Company's Board Committees include Audit Committee, Nominating Committee and Remuneration Committee.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (cont'd)

Board Charter

The Company has established and adopted a Board Charter which serves as a reference point for Board activities. In the Board Charter, the Board has established a formal schedule of matters reserved to the Board for its deliberation and decision in order to enhance the delineation of roles between the Board and Management, as well as to ensure the direction and control of the Group's operations are in the Board's hands. The Board Charter was last reviewed on 6 October 2017 and is publicly available on the Company's website at www.pestech-international.com.

Code of Conduct

The Company's Code of Conduct is committed to doing what is right and honourable in all aspects whether at work, home or elsewhere.

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

In serving customers and in dealing with suppliers, vendors and subcontractors, the Company strives to put their interest ahead of other personal interests in order to uphold the Company's reputation and their trust in us. The Company is committed to provide efficient, effective and excellent products and services in an impartial manner. The Code of Conduct is publicly available on the Company's website at www.pestech-international.com.

Whistle-Blowing Policy

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

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

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

As at the date of this Corporate Governance Statement ("Statement"), the Company has not received any complaints under this procedure.

Sustainability

The Board has adopted a Sustainability Policy that addresses the impact of the Group's businesses on environmental, governance and social elements.

Corporate Governance Statement
cont'd

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (cont'd)

Supply of Information

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

Notices of meetings and meeting papers are targeted to be circulated to the Board members seven (7) business days prior to the scheduled Board meetings to ensure sufficient time for all Board members to review and deliberate on such matters accordingly and, where required, to obtain further information and clarification to facilitate well-informed decision making during the meeting.

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

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

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

Company Secretaries

The Board also has direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board procedures are followed and that the applicable rules and regulations for the conduct of the affairs of the Board are complied with for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

The Board is regularly updated and advised by the Company Secretaries who are experienced, competent and knowledgeable, on new statutes and directives issued by the regulatory authorities.

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION

The Company's Board comprises individuals with sturdy integrity fostered with extensive knowledge and experience in their respective professional backgrounds, i.e. engineering, public services, accountancy and legal.

The Board currently has five (5) members comprising one (1) EC, one (1) ED cum Group CEO and three (3) Independent Directors. The composition of the Board complies with the requirements of Paragraph 15.02 of the MMLR. The separation of the position of Chairman and ED cum Group CEO also complies partly with Recommendation 3.4 of the Code. However, Recommendation of the Code 3.4 also suggests that the Chairman must be a non-executive member of the Board, which the Company is currently not yet in compliance.

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

Recommendation 3.5 of the Code states that "The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director." In this regard, the Board comprises two (2) Executive Directors (including the EC and ED cum Group CEO) and three (3) Independent Non-Executive Directors, or 60% of the Board members are Independent Directors. The Board is of the view that the shareholders are best served by an EC who has great passion in building the Company coupled with an in-depth understanding of the industry that the Company is involved in. Thus, the EC would be able to safeguard the best interest of the shareholders as a whole. As such, Recommendation 3.5 of the Code is deemed complied with.

Corporate Governance Statement
cont'd

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (cont'd)

Nominating Committee

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

The capabilities and qualities of the candidates to be appointed as Board members as well as Board Committee members will be assessed accordingly taking into account the individual's skills, competencies, knowledge, experience, expertise, professionalism and integrity. The Nominating Committee has a formal assessment mechanism in place to assess the Board, Board Committees and individual Directors on an annual basis. Such a formal assessment was conducted for the financial year ended 30 June 2017, and was guided by the Corporate Governance Guide – Towards Boardroom Excellence taking into consideration the following key elements for assessment:

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

The Nominating Committee will ensure that all assessments and evaluations carried out are properly documented.

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

The Nominating Committee comprises exclusively of Independent Non-Executive Directors:-

Chairman	:	Mr. Tan Puay Seng (Independent Non-Executive Director)
Member	:	Encik Ibrahim Bin Talib (Senior Independent Non-Executive Director)
Member	:	Mr. Lee Ting Kiat (Independent Non-Executive Director)

Recommendation of the Code states that the Nominating Committee shall be chaired by a Senior Independent Non-Executive Director. However, the Board is of the opinion that Mr. Tan Puay Seng, an Independent Non-Executive Director is ideal as the Chairman of the Nominating Committee, given his experience and available time commitment although he is not a Senior Independent Non-Executive Director.

The Nominating Committee shall meet as and when required, at least once a year. During the financial year under review, the Nominating Committee met three (3) times and carried out the following activities: -

- reviewed on the Audit Committee members' Self/Peer Evaluation Form and Audit Committee Evaluation Form;
- conducted the annual assessment on the effectiveness of the Board as a whole and the committees and contribution and performance of each individual director;
- reviewed and recommended on the re-election and re-appointment of the directors who would be retiring at the Fifth Annual General Meeting ("AGM");
- conducted annual assessment on independence for the independent directors;
- reviewed and recommended the re-designation of the Executive Director/Chief Executive Officer of the Company as the ED cum Group CEO; and
- reviewed and recommended on the appointment of new Independent Non-Executive Director of the Company

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

Corporate Governance Statement
cont'd

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (cont'd)

Nominating Committee (cont'd)

At the upcoming AGM, Mr. Lim Ah Hock will retire by rotation pursuant to Article 95 of the Company's AA and being eligible, had offered himself for re-election. While Mr. Lee Ting Kiat who was appointed on 26 May 2017 is subject to retirement pursuant to Article 101 of the Company's AA and being eligible, had offered himself for re-election at the forthcoming AGM.

Remuneration Committee

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

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

The Board had established a Remuneration Committee to review and recommend the appropriate level of remuneration for the Executive Directors. The Remuneration Committee comprises a majority of Independent Non-Executive Directors:-

Chairman : Mr. Lee Ting Kiat (Independent Non-Executive Director)
Member : Mr. Tan Puay Seng (Independent Non-Executive Director)
Member : Mr. Paul Lim Pay Chuan (ED cum Group CEO)

The Remuneration Committee shall meet as and when required, at least once a year. During the financial year under review, the Remuneration Committee met once and carried out the following activities:-

- reviewed and recommended the proposed bonus payment for the EC and ED cum Group CEO for the financial year ended 30 June 2016;
- reviewed and recommended the proposed remuneration package of the EC and ED cum Group CEO for the financial year ended 30 June 2017;
- reviewed and recommended the Directors' fees for the financial year ended 30 June 2017; and
- reviewed the Share Grant Plan for the EC and ED cum Group CEO.

The details of remuneration of Directors who served during the financial year ended 30 June 2017 are as follows:-

	Salaries & other emoluments (RM'000)	Fees* (RM'000)	Benefits (RM'000)	Total (RM'000)
Company				
Executive Directors	2,923	-	84	3,007
Non-Executive Directors	-	135	-	135
Group				
Executive Directors	3,233	-	84	3,317
Non-Executive Directors	-	135	-	135

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

Remuneration Committee (cont'd)

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

	Company		Group	
Range (RM)	**Executive**	**Non-Executive**	**Executive**	**Non-Executive**
Below 50,000	-	1	-	1
50,000 – 100,000	-	2	-	2
1,350,001 – 1,400,000	1	-	-	-
1,400,001 – 1,450,000	-	-	-	-
1,450,001 – 1,500,000	-	-	-	-
1,500,001 – 1,550,000	1	-	1	-
1,550,001 – 1,600,000	-	-	-	-
1,600,001 – 1,650,000	-	-	-	-
1,650,001 – 1,700,000	-	-	1	-

Note: Successive bands of RM50,000 are not shown entirely as they are not represented.

PRINCIPLE 3: REINFORCING INDEPENDENCE

The positions of EC and ED cum Group CEO are held by different individuals, as recommended by the Code. The Board has established the roles and responsibilities of the EC which are distinct and separate from the roles and responsibilities of the ED cum Group CEO. This is to ensure an appropriate balance of roles, responsibilities and accountability at the Board level.

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

In accordance with the Code, an Independent Director will hold office for a term not exceeding a total of nine (9) years unless duly approved by the shareholders at a general meeting or re-designated as a Non-Independent Director. The Company does not have any Independent Non-Executive Director who has served more than nine (9) years at the date of this Statement.

PRINCIPLE 4: FOSTERING COMMITMENT

Board Meetings

The Board meets at least once every quarter and additional meetings are convened when necessary. There were five (5) Board meetings held during the financial year ended 30 June 2017 and the attendance record of the Directors is as follows:

Directors	Meetings attended
Lim Ah Hock	5/5
Paul Lim Pay Chuan	5/5
Ibrahim Bin Talib	5/5
Tan Puay Seng	5/5
Khoo Kiak Kern (Resigned on 30 November 2016)	3/3
Lee Ting Kiat (Appointed on 26 May 2017)	N/A

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

PRINCIPLE 4: FOSTERING COMMITMENT (cont'd)

Board Meetings (cont'd)

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

A Director is expected to consult the Chairman of the Board, of his intention to join the Board of another public listed company outside the Group. In doing so, the Director is expected to indicate the time commitment with respect to the new appointment. Similarly, the Chairman of the Board shall also do likewise, and notify the Board as a whole, before taking up any additional appointment of directorships. This practice is to ensure that Directors devote sufficient time to meet the Company's needs and discharge their fiduciary and leadership roles.

In any given circumstances, in accordance with the provision of the MMLR, members of the Board are expected to serve in not more than five (5) public listed companies and ten (10) private companies.

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

Directors' Training

All Directors of the Board have attended the Mandatory Accreditation Program as prescribed by the MMLR. The Board members attended training programmes, seminars, forum and etc from time to time to further broaden their perspective, skills, knowledge and to keep abreast with the relevant changes in pertinent rules, guidelines and regulations.

During the financial year ended 30 June 2017, the continuous education programmes attended by Directors comprise the following:-

Name	Training	Date
Lim Ah Hock	Case Study Workshop for Independent Directors	25 July 2016
	Detecting Red Flags in Creative Accounting	22 August 2016
Paul Lim Pay Chuan	Global Transformation Forum 2017	22 – 23 March 2017
Ibrahim Bin Talib	CG Breakfast Series entitled: "Anti-Corruption & Integrity - Foundation of Corporate Sustainability"	8 December 2016
	Sustainability Engagement Series for Directors/Chief Executive Officers 2017	13 March 2017
Tan Puay Seng	Companies Bill 2015: A Snapshot of Changes	5 August 2016
	2017 Budget Seminar	24 November 2016
Lee Ting Kiat	KPMG in Malaysia Tax Summit 2016	1 November 2016
Khoo Kiak Kern (Resigned on 30 November 2016)	Case Study Workshop for Independent Directors "Rethinking – Independent Directors: A New Frontier"	22 August 2016

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

PRINCIPLE 5: UPHOLDING INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board is committed to ensure that the financial statements are prepared and presented in a balanced and fair manner in accordance with the Companies Act 2016 and the applicable approved accounting standards in Malaysia in order to accurately reflect the Group's financial position and prospects.

The Group also releases unaudited quarterly financial results on a timely basis in addition to the Annual Report. These quarterly financial results are accessible via Bursa Malaysia and the Company's website.

Internal Control

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

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

Relationship with Auditors

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

The Board and the Audit Committee emphasise greatly the objectivity and independence of the Company's External Auditors in providing relevant, professional and transparent reports to its shareholders. In assessing the independence of External Auditors, the Audit Committee obtains confirmation from the External Auditors, indicating that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

The Audit Committee considers the re-appointment, remuneration and terms of engagement of the external auditors annually. The review procedures covers the independence and service level of the External Auditors, which amongst others, include reviewing the External Auditors' performance and quality of work, ability to meet deadlines, timeliness of service deliverables, non-audit services provided and the Engagement Partner's and the Partner's rotation.

The Audit Committee, after due deliberations have recommended the reappointment of Messrs. SJ Grant Thornton as External Auditors for the financial year ending 30 June 2018. The Board at its meeting held on 6 October 2017 approved the Audit Committee's recommendation. The appointment of Messrs. SJ Grant Thornton will be presented for shareholders' approval at the forthcoming Sixth AGM.

Provision of Non-Audit Services

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

PRINCIPLE 6: RECOGNISING AND MANAGING RISKS

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

Corporate Governance Statement
cont'd

PRINCIPLE 6: RECOGNISING AND MANAGING RISKS (cont'd)

The Group's internal audit function is outsourced and reports functionally to the Audit Committee and has unrestricted access to the Audit Committee. The internal auditors have drawn up an audit plan covering enterprise-wide risk assessment, internal control review on operational and financial aspects, compliance with internal and external regulatory requirements and employing the internationally acceptable internal control – integrated framework issued by the Committee of Sponsoring Organisations ("COSO") of the Treadway Commission.

PRINCIPLE 7: ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

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

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

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

PRINCIPLE 8: STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

AGM

The AGM is the main forum for dialogue with the shareholders. Shareholders are notified of the meeting and provided with a copy of the annual report at least 21 days before the meeting. Ample opportunity is given to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group and communicate relevant concerns and expectations. All Board members, senior management and the Group's External Auditors as well as the Company Secretaries are available to respond to shareholders' questions during the AGM as the case may be.

Poll Voting

The changes to Bursa Securities' MMLR on 25 March 2016 set out the requirement for poll voting for any resolution set out in the notice of general meetings will apply for general meetings held on or after 1 July 2016. The Company has deployed electronic poll voting since the last AGM and will continue the same voting method in future general meetings.

Dialogue between the Company and Shareholders/Investors

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

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

Audit Committee Report

The Board of Directors is pleased to present the Audit Committee Report for the FYE 2017.

A. Composition

The Audit Committee comprises exclusively of Independent Non-Executive Directors:-

Chairman : Encik Ibrahim Bin Talib (Senior Independent Non-Executive Director)

Members : Mr. Tan Puay Seng (Independent Non-Executive Director)

: Mr. Lee Ting Kiat (Independent Non-Executive Director)
(Appointed on 26 May 2017)

: Mr. Khoo Kiak Kern (Independent Non-Executive Director)
(Resigned on 30 November 2016)

B. Attendance at Meetings

During the FYE 2017, the Audit Committee held a total of five (5) meetings. The details of the attendance of the Audit Committee members are as follows:-

Directors	Meetings attended
Encik Ibrahim bin Talib	5/5
Mr. Tan Puay Seng	5/5
Mr. Khoo Kiak Kern (Resigned on 30 November 2016)	3/3

C. Terms of Reference

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

D. Summary of Work of the Audit Committee during the FYE 2017

The works carried out by the Audit Committee during the financial year under review are summarised as follows:-

i. Financial reports

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

Meetings of	Review of Quarterly Financial Statements
August 2016	Unaudited Fourth Quarter Results for the Financial Year Ended ("**FYE**") 30 June 2016
November 2016	Unaudited First Quarter Results for the FYE 2017
February 2017	Unaudited Second quarter results for the FYE 2017
May 2017	Unaudited Third quarter results for the FYE 2017

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

- Malaysian Financial Reporting Standards;
- International Accounting Standards 34 - Interim Financial Reporting Standards;
- Disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and
- Companies Act, 1965 or new Companies Act 2016.

Audit Committee Report
cont'd

D. Summary of Work of the Audit Committee during the FYE 2017 (cont'd)

i. Financial reports (cont'd)

b) Reviewed and made recommendations to the Board in respect of the audited financial statements of the Company and the Group for the FYE 30 June 2016 and to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with all the regulatory requirements. In addition, the Audit Committee had reviewed the Audit Completion Memorandum for the FYE 30 June 2016 prepared by the External Auditors.

ii. External Auditors

a) Reviewed and discussed with the External Auditors at the meetings, the Audit Completion Memorandum for the FYE 30 June 2016 and Audit Planning Memorandum for FYE 2017 respectively. Discussed and considered the significant accounting adjustment and auditing issues arising from interim audit as well as the final audit with the External Auditors. The Audit Committee also had two (2) private discussions with the External Auditors during the FYE 2017 without the presence of Management and Executive Directors to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries.

b) Messrs. SJ Grant Thornton declared their independence and confirmed that they were not aware of any relationship between Messrs. SJ Grant Thornton and the Group that, in their professional judgement, might reasonably be thought to impair their independence.

c) Evaluated the performance of the External Auditors covering areas such as calibre, quality processes, independence, audit team, audit scope, audit communication and the audit fees. Based on evaluation, the Audit Committee had recommended to the Board for approval, the re-appointment of the External Auditors for the ensuing financial year of 30 June 2017.

iii. Internal Audit

The Company has outsourced its internal audit function to NGL Tricor Governance Sdn. Bhd., an independent professional services firm, to assist the Audit Committee in discharging its duties and responsibilities more effectively.

The Audit Committee reviewed and discussed with the Internal Auditors, the Internal Audit Report which covered the internal control review as follows:-

a) Review of operational internal control in Power System Construction division;
b) Review of operational internal control in Power Line and Cable division;
c) Review of financial reporting, budgetary control, cash management and tax planning for PSB; and
d) Review of related party transactions.

The Audit Committee reviewed and accepted the Internal Audit Plan for year 2016/2017 and audit fees presented by the Internal Auditors.

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

iv. Recurrent Related Party Transactions ("RRPTs")

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

v. Share Grant Plan ("SGP")

The Audit Committee verified the allocation of SGP in compliance with the criteria as stipulated in the By-Laws of the SGP of the Company.

Audit Committee Report
cont'd

D. Summary of Work of the Audit Committee during the FYE 2017 (cont'd)

vi. Annual Report

The Audit Committee reviewed and recommended to the Board for approval, the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company in respect of the FYE 2016.

vii. Circular to Shareholders

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

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

E. Internal Audit Function

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

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

During the FYE 2017, the Internal Auditors had performed internal control reviews based on the agreed internal audit plan. The outcome of those internal control reviews that were reported to the Audit Committee includes identification of risk and impact of any issues noted during the audit, Management's responses and agreed action plans to resolve them.

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

The total fees incurred for the internal audit function in respect of the FYE 2017 was RM51,672.77.

Statement on Risk Management and Internal Control

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

BOARD'S RESPONSIBILITY

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

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

This Statement has not dealt with the joint venture as the Company does not have full management control over them. However, the Group's interest is served through representations on the Board of the joint venture.

RISK MANAGEMENT FRAMEWORK

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

The risk management will be periodically reviewed by the Board such that any key risk or significant control weaknesses could be identified and duly rectified timely and effectively.

The key elements of the Group's Risk Management Framework are described below:-

- **Structure**

  The Group adopts a decentralised approach to risk management which comprises strategic and operational risks (including financial and compliance risks).

Type of Risks	Accountability
Strategic risk	The Board and Senior Management
Operational risk (including financial and compliance risks)	Senior Management and Head of Department

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

  Operational risks, including financial and compliance risks, are inherent in the ongoing activities within the different subsidiaries of the Group. Typically, some of the risks cover foreign exchange, credit, competency, technology, and etc. Senior management needs to review and ensure these operational risks are being identified and managed while managing of the operational risks rests specifically with the respective Heads of Division.

Statement on Risk Management and Internal Control
cont'd

RISK MANAGEMENT FRAMEWORK (cont'd)

- **Risk Awareness Culture**

  Risk awareness within the organisation with emphasis on strong corporate governance, organizational structure with clearly defined roles and responsibilities, effective communication and training, commitment to compliance with laws, regulations and internal controls, integrity in fiduciary responsibilities and clear policies, procedures and guidelines.

- **Risk Assessment**

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

- **Risk Appetite**

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

  A clear Limit of Authority has been formalised to approve transactions to ensure that they are within the risk appetite of the Group.

INTERNAL CONTROL SYSTEM

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

- **Control Environment**

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

- **Control Structure**

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

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

- **Internal Audit**

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

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

INTERNAL CONTROL SYSTEM (cont'd)

- **Internal Audit** (cont'd)

  The Internal Auditors are responsible for planning, implementing and reporting on the internal audit timeline and activities of the Group. During the financial year under the review, the Internal Auditors had:

  - prepared a detailed annual audit plan in consultation with the senior management for submission to the Audit Committee for approval;

  - carried out relevant activities to conduct internal audits in an effective, professional and timely manner;

  - discussed with the auditees in the course of conducting audit on any significant control lapses and/or deficiencies noted from the reviews for their consideration and corrective actions; and

  - submitted quarterly reports to the Audit Committee for any significant non-compliance, internal control weaknesses and actions taken by Management to resolve the audit issues identified.

- **Audit Committee**

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

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

REVIEW AND MONITOR OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

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

ASSURANCE STATEMENT BY THE EXECUTIVE DIRECTOR/CEO AND CHIEF FINANCIAL OFFICER

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

Statement on Risk Management and Internal Control
cont'd

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Company for the FYE 2017. Their review was performed in accordance with the Recommended Practice Guide 5 issued by the Malaysian Institute of Accountants.

CONCLUSION

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

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

The statement is made in accordance with a resolution of the Board dated 6 October 2017.

Directors' Responsibility Statement

On Preparation of Annual Financial Statements

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which provide a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flow of the Group and of the Company for the financial year.

The Board, after due consideration, is satisfied that the financial statements of the Group and of the Company for the financial year ended 30 June 2017 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and applied them consistently. The Board also confirms that the financial statements have been prepared on a going concern basis.

The Directors also have responsibility to ensure that the Company keeps accounting records which disclose reasonable accuracy at any time of the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

Additional Compliance Information

1. **Utilisation of Proceeds**

   The Company did not raise any fund through any corporate proposal during the financial year. Therefore, there was no utilization of proceeds for the financial year.

2. **Audit and Non-Audit Fees**

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

	Company (RM)	Group (RM)
Audit Fees	33,000	193,000
Non-Audit Fees	5,000	27,500

3. **Material Contracts**

   There were no material contracts of the Company and subsidiaries involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 30 June 2017 or entered into since the end of the previous financial year ended 30 June 2016.

4. **Recurrent Related Party Transactions**

   At the AGM to be held on 23 November 2017, the Company intends to seek the renewal of shareholders' mandate for recurrent related party transactions ("RRPTs") which it has entered with its related parties, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to its related parties than those generally available to the public.

   Further details of which will be disclosed in the Circular to Shareholders dated 31 October 2017.

Financial Statements

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	123,945	12,771
Attributable to:-		
Owners of the Company	94,911	12,771
Non-controlling interests	29,034	-
	123,945	12,771

DIVIDEND

The amount of dividend paid or declared since the end of last financial year was as follows:-

	RM'000
In respect of the financial year ended 30 June 2016: -	
Final single tier dividend of 3.0 sen per ordinary share, paid on 27 January 2017	22,470

There were no dividends proposed by the Company during the financial year.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Lim Ah Hock (Executive Chairman) *
Lim Pay Chuan (Executive Director cum 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, appointed on 26 May 2017)
Khoo Kiak Kern (Independent Non-Executive Director, resigned on 30 November 2016)

* Directors of the Company and its subsidiaries

DIRECTORS (cont'd)

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

Hairol Addy Nizam Bin Hashim
Tan Pu Hooi
Oknha Hout Chantho
Oknha Vinh Hour
Choo Ji Bin
Detlef Raddatz
Keith Iduhu
Lim Hon Seng
Seth Asante
Han Fatt Juan

DIRECTORS' INTEREST

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

	Number of ordinary shares							
	At 1.7.2016	**Bought/ Transferred**	**Share Split**	**Bonus Issue**	**Share Grant Plan**	**Dividend Reinvestment Plan**	**Disposed/ Transferred**	**At 30.6.2017**
	'000	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**
Interest in the Company								
Direct Interest								
Lim Ah Hock	62,067	-	62,067	124,132	1,313	5,272	-	254,851
Lim Pay Chuan	37,576	506	37,576	75,151	1,313	3,207	-	155,329
Ibrahim bin Talib	3,772	-	3,772	7,544	-	-	(15,088)	-
Tan Puay Seng	176	-	176	353	-	15	-	720
Lee Ting Kiat	-	531	-	-	-	-	-	531
Indirect Interest								
Lim Ah Hock#	319	-	319	640	-	27	-	1,305
Lim Pay Chuan#	319	-	319	640	-	27	-	1,305
Ibrahim bin Talib*	-	15,088	-	-	-	319	-	15,407

(#) deemed interest by virtue of his shareholdings in Vestech Projects Sdn. Bhd..
(*) deemed interest by virtue of the shareholdings held by his children

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

Other than as disclosed above, none of the other Director in office at the end of the financial year held any shares or had any direct interest in the shares of the Company or its related corporations during the financial year ended 30 June 2017.

DIRECTORS' FEES AND BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Notes 31 and 35 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company or related corporation in which the Director has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

On 29 July 2016, the Company has completed the following:

(i) Subdivision of the issued and paid up share capital of 186,593,466 ordinary shares into 373,186,932 ordinary shares ("Subdivided Shares") on the basis of every one ordinary share held; and

(ii) Bonus issue of 373,186,932 new ordinary shares after subdivided shares on the basis of one bonus share for every one subdivided share by way of capitalisation of the Company's share premium and retained earnings.

On 10 October 2016, the Company issued 2,626,808 new ordinary shares of RM1.66 pursuant to Share Grant Plan.

On 27 January 2017, the Company issued 14,379,400 new ordinary shares of RM1.42 pursuant to Dividend Reinvestment Plan.

Subsequent to financial year, the Company issued 913,500 new ordinary shares of RM1.54 pursuant to Share Grant Plan.

All new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

There were no debentures issued during the financial year.

SHARE GRANT PLAN

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

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

(a) Any eligible executive who meets the following criteria shall be eligible for consideration and/or selection as a selected executive to whom an offer will be made by the SGP committee:

    (i) If he has attained the age of eighteen years and is not an undischarged bankrupt;
    (ii) If he is of Grade 8 or above;
    (iii) If he is employed on a full time basis or if he is serving under an employment contract for a fixed duration and is on or prior to the date of offer be on the payroll of any corporation in the Group and has not served a notice to resign or received a notice of termination;
    (iv) If his employment has been confirmed in writing on or prior to the date of offer;
    (v) If he is an Executive Chairman, Executive Director cum Group Chief Executive Officer of the Company, the specific allocation of the SGP shares granted by the Company to him in his capacity as an Executive Chairman, Executive Director cum Group Chief Executive Officer under the Plan has been approved or will be tabled to be approved by the shareholders of the Company at a general meeting; and
    (vi) If he fulfils any other criteria and/or falls within such category as may be set by the SGP committee from time to time.

Directors' Report
cont'd

SHARE GRANT PLAN (cont'd)

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

(b) The maximum allowable allocation to any one category/designation of selected executives shall be determined by the SGP committee provided that the allocation to any individual who, either singly or collectively through persons connected with such executive holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company, shall not exceed 10% (or such other percentage as the relevant authorities may permit) of the maximum SGP shares available.

(c) The SGP shall be in force for a period of 5 years from the effective date of the SGP, and may be extended for further period of 5 years or any other duration that is allowed by the relevant authorities subject to the discretion of the Board.

(d) A SGP Committee comprising Directors and/or executives appointed by the Board of Directors is responsible for the implementation and administration of the SGP. The Company and/or the SGP Committee will establish a Trust to be administered by the Trustee consisting of such Trustee appointed by the Company from time to time for the purposes of subscribing for new ordinary shares or purchasing of existing ordinary shares from the market and transferring them to the Plan participants at such time as the committee shall direct. The Trustee shall administer the Trust in accordance to the Trust Deed. The Company shall have power from time to time to appoint or rescind the appointment of any Trustee as it deems fit in accordance with provisions of the Trust Deed.

(e) Pursuant to the SGP, the SGP committee may, from time to time during the plan period, make an offer to a selected executive to participate in the SGP. A plan participant is granted the right to have plan shares vest in him on the vesting date specified in the offer provided that the vesting conditions are duly and fully satisfied.

(f) The reference price to be used to determine the number of SGP shares at the point of each offer will be based on the fair value of the shares of the Company on the date of offer but shall not in any event be lower than the nominal value of the shares of the Company.

(g) The plan shares to be allocated and granted pursuant to the SGP and held by the Trustee shall rank *pari passu* in all respects with the then existing issued and paid-up shares of the Company and shall be entitled to any rights, dividends, allotments and/or distributions attached thereto and/or which may be declared, made or paid to the Company's shareholders.

(h) In the event a selected executive is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of services) after an offer is made but before the acceptance therefore by such selected executive, the offer is deemed withdrawn and no longer capable of acceptance, unless otherwise decided by the SGP committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the selected executive.

(i) The unaccepted offers and/or unvested SGP shares to selected executives will lapse and/or deemed to be cancelled and/or ceased to be capable of vesting when they are no longer in employment of the Group.

During the financial year, the Company has approved and allotted new ordinary shares under SGP to the eligible employees of the Group, as follows:-

Date of allotment	Approved employee benefits, gross	Tax	Approved employee benefits, net of tax	Exercise price per ordinary share	No. of new ordinary shares issued under SGP
	RM'000	RM'000	RM'000	RM	
10 October 2016	5,988	(1,628)	4,360	1.66	2,626,808

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan ("DRP") provides shareholders the option to reinvest their dividends in new ordinary shares ("DRP Shares") in lieu of receiving cash, as the Board of Directors of the Company may, at its absolute discretion, make available ("Reinvestment Option").

The salient features of the DRP are as follows:-

(a) Whenever a dividend is declared, the Board may, at its absolute discretion, determine whether to offer the shareholders the Reinvestment Option and where applicable, the size of the portion of such dividends to which the Reinvestment Option applies ("Electable Portion"). Shareholders should note that the Company is not obliged to undertake the DRP for every dividend to be declared.

(b) In this respect, the Electable Portion may encompass the whole dividend to be declared or only a portion of the dividend. In the event the Electable Portion is not applicable for the whole dividend to be declared, the Non-Electable Portion will be wholly satisfied in cash.

(c) Unless the Board of Directors has determined that the Reinvestment Option will apply to a particular dividend declared or part thereof, all dividends as may be declared by the Company will be wholly satisfied in cash in the usual manner through a Dividend Payment Account.

(d) All shareholders are eligible to participate in the DRP provided that:-

    (i) Such participation will not result in a breach of any restrictions on their holding of the ordinary shares of the Company which may be imposed by any of their contractual obligations, or by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, or by any relevant authorities as the case may be (unless the requisite approval under the relevant statute, law or regulation from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts); or

    (ii) There are no restrictions for such participation as prescribed in the Company's Memorandum and Articles of Association.

(e) The Company will issue DRP Shares to shareholders who exercise the Reinvestment Option under the DRP. The issue price will be determined by the Board of Director on the price fixing date and shall be the higher of:

    (i) An issue price of not more than 10% discount to the five (5) market day volume-weighted average price ("VWAP") of the ordinary shares of the Company immediately preceding price fixing date. The VWAP shall be adjusted for dividends before applying the aforementioned discount in fixing the issue price; and

    (ii) The par value of ordinary shares at the material time.

    Approval of Bursa Securities Malaysia Berhad will be sought for the listing of and quotation for the DRP shares on the Main Market of Bursa Malaysia.

(f) The DRP will allow shareholders to have the following options in respect of the Reinvestment Option announced by the Board of Directors:

    (i) to elect to participate and thereby reinvest the entire Electable Portion (or a part thereof) at the issue price of DRP Shares and to receive wholly in cash: -

    - the Non-Electable Portion (if any); and
    - the Remaining Portion (if any); or

    (ii) to elect not to participate in the Reinvestment Option and thereby receive the entire dividend entitlements wholly in cash.

Directors' Report
cont'd

DIVIDEND REINVESTMENT PLAN (cont'd)

The salient features of the DRP are as follows (cont'd):-

(g) The DRP Shares to be issued pursuant to the DRP will rank *pari passu* in all respects with the then existing ordinary shares of the Company, save and except that the holders of DRP Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid to the shareholders, the entitlement date of which is prior to or on the date of allotment of the DRP Shares to be issued pursuant to the DRP.

(h) Subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be, the DRP and the terms and conditions of the DRP may be modified, suspended (in whole or in part) or terminated at any time by the Board of Directors as it deems fit or expedient by giving notice in writing to all shareholders in such manner as the Board of Directors deems fit, notwithstanding any other terms and conditions of the DRP and irrespective of whether an election to exercise the Reinvestment Option has been made by a shareholder.

(i) In the case of a suspension, the DRP will be suspended (in whole or in part, as the case may be) until such time as the Board of Directors resolves to recommence or terminate the DRP. If the DRP is recommenced, participating shareholders' Notice of Election confirming their participation under the previously suspended DRP will be valid and have full force and effect in accordance with the terms and conditions and any directors, terms and conditions to shareholders for such recommencement of the DRP which may be notified to all shareholders.

The dividends issued or declared under DRP during the financial year are disclosed in Note 30 to the Financial Statements.

OTHER STATUTORY INFORMATION

Before the Statements of Financial Position and Statements of Profit or Loss and Other Comprehensive Income and of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

(a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (cont'd)

In the opinion of the Directors:-

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

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

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

During the financial year, Directors and Officers of Pestech International Berhad, together with its subsidiaries or associated company (the "Group") are covered under the Professional Indemnity Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Professional Indemnity Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Professional Indemnity Insurance by the Group was RM37,500.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 39 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Messrs SJ Grant Thornton, as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 30 June 2017 amounted to RM33,000 and RM193,000 respectively.

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

The auditors, Messrs SJ Grant Thornton have expressed their willingness to continue in office.

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

....)
LIM AH HOCK)
)
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)
)
) DIRECTORS
)
....)
LIM PAY CHUAN

Kuala Lumpur
16 October 2017

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 61 to 129 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 130 has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

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LIM AH HOCK

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LIM PAY CHUAN

Kuala Lumpur
16 October 2017

Statutory Declaration

I, Teh Bee Choo, being the Officer primarily responsible for the financial management of PESTECH International Berhad do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 61 to 129 and the supplementary information set out on page 130 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
16 October 2017)
)

....

TEH BEE CHOO

Before me:

Commissioner for Oaths
S. ARULSAMY W.490

Independent Auditors' Report

To the Members of PESTECH INTERNATIONAL BERHAD
(Incorporated in Malaysia) | Company No: 948035-U

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PESTECH International Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 129.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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.

Key Audit Matters

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

Recognition and measurement of concession assets and its related revenue and costs

The risk –

As defined in Note 9 to the Financial Statements, a 60% owned subsidiary, Diamond Power Limited ("DPL") entered into build-operate-transfer ("BOT") agreement with Electricite Du Cambodge ("EDC") to construct, maintain and service a transmission system and allow DPL to operate the transmission system for 25 years in exchange for the service performed. EDC will pay certain sum in exchange for the service rendered. As at the reporting date, this project is still under construction.

The revenue recognition and consideration receivable for this concession arrangement are recognised in accordance to the accounting policies as detailed in Note 3.4 to the Financial Statements. We focus on this area as significant management's judgement and estimates involved in the following areas:

(i) determining the relative fair values of the services delivered and allocation of the consideration received or receivable of each services;
(ii) stage of completion measurement; and
(iii) determining the total estimated cost of construction and maintenance services.

Independent Auditors' Report

To the Members of PESTECH INTERNATIONAL BERHAD
(Incorporated in Malaysia) | Company No: 948035-U
cont'd

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

Key Audit Matters (cont'd)

Recognition and measurement of concession assets and its related revenue and costs (cont'd)

Our response –

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

- perused terms and conditions stipulated in the agreements with customer and contractors/suppliers for individually significant contract and assessed their relationship to the revenue and costs recognised;
- evaluated the appropriateness and the consistency of key assumptions used by the management to determine the fair value of the services to be delivered and the basis of the allocation of the consideration received or receivable to each service;
- assessed the basis of the management in estimating the total estimated cost of the construction and maintenance services;
- interviewed management's project team on the achievability of the forecasted costs to completion of the project; and
- assessed actual costs incurred by examining evidences such as contractors' progress claims and suppliers invoices.

Revenue recognition for construction contracts

The risk –

The Group recognised contract revenue and contract cost in the profit or loss by using the stage of completion method as disclosed in Note 3.8 to the Financial Statements. We focus on this area as significant management's judgement and estimates involved in the following areas:

(i) stage of completion measurement in applying the Group's revenue recognition policies for construction contracts;
(ii) timing of revenue recognition;
(iii) determining cost budgets and costs to complete; and
(iv) provision for liquidated ascertained damages.

Our response –

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

- perused terms and conditions stipulated in the agreements with customers and subcontractors/suppliers for individually significant contract and assessed their relationship to the revenue and costs recognised;
- assessed total construction contract revenue by examining evidences such as construction contracts, approved variation orders and correspondences with customers and verified the progress billings. In instances where projects have been delayed, assessed the necessity and sufficiency of the provision for liquidated ascertained damages based on the management's estimates and reviewed the supporting documentation such as correspondences with customers or consultants, extension of time approvals and work progress reports indicating reasons for delays;
- evaluated the competence, capabilities and objectivity of independent qualified engineers or in-house engineers;
- assessed basis used in determining the budgeted contract cost;
- interviewed management's project team on the achievability of the forecasted costs to completion of the individually significant projects;
- assessed actual costs incurred and accrued costs by examining evidences such as contractors' progress claims and suppliers' invoices issued during the financial year and/or subsequent to the financial year; and
- tested the percentage of completion to ensure the contract revenue and contract costs recognised in accordance to the Group's accounting policies.

Independent Auditors' Report

To the Members of PESTECH INTERNATIONAL BERHAD
(Incorporated in Malaysia) | Company No: 948035-U
cont'd

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

Key Audit Matters (cont'd)

Recoverability of trade receivables

The risk –

Under MFRS, management is required to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. The Group has significant trade receivables as at 30 June 2017 and it is subject to credit risk exposure.

We focus on this area as the assessment of recoverability of receivables involved management judgements and estimation uncertainty in determining the probability of insolvency or significant financial difficulties of the trade receivables and default or significant delay in payments.

Our response –

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

- obtained an understanding on how the Group identifies and assesses the impairment of trade receivables;
- reviewed the reasonableness of assumptions and judgement made by the management regarding the recoverability of outstanding debts; and
- tested the recoverability of outstanding debts through examination of subsequent collections and verified other evidence including customer correspondences.

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

Information other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Independent Auditors' Report

To the Members of PESTECH INTERNATIONAL BERHAD
(Incorporated in Malaysia) | Company No: 948035-U
cont'd

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditors' Report

To the Members of PESTECH INTERNATIONAL BERHAD
(Incorporated in Malaysia) | Company No: 948035-U
cont'd

Report on Other Legal and Regulatory Requirements

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

Other Reporting Responsibilities

The supplementary information set out on page 130 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

LIAN TIAN KWEE
(NO: 02943/05/2019 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
16 October 2017

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	70,247	45,333	5	17
Intangible assets	5	86,595	80,630	-	-
Investment in subsidiaries	6	-	-	71,933	70,329
Deferred tax assets	7	-	309	-	309
Derivative financial instruments	8	4,570	3,690	-	-
Concession assets	9	416,174	219,971	-	-
Total non-current assets		577,586	349,933	71,938	70,655
Current assets					
Amount due from contract customers	10	342,643	184,799	-	-
Concession assets	9	26,301	-	-	-
Inventories	11	39,517	69,233	-	-
Trade receivables	12	95,794	86,168	-	-
Other receivables	13	53,615	16,798	122	185
Amount due from related companies	14	39	34	162,687	161,966
Tax recoverable		14,465	8,005	2,463	1,860
Short-term deposits with licensed institutions	15	-	460	-	-
Cash and bank balances	16	22,150	16,031	244	9
Total current assets		594,524	381,528	165,516	164,020
Total assets		1,172,110	731,461	237,454	234,675
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company:					
Share capital	17	211,265	93,297	211,265	93,297
Share premium	17	-	89,380	-	89,380
Reserves	18	(33,323)	(28,158)	-	-
Retained earnings		230,057	161,533	2,373	15,989
		407,999	316,052	213,638	198,666
Non-controlling interests	6	56,367	26,097	-	-
Total equity		464,366	342,149	213,638	198,666

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

Statements of Financial Position
As at 30 June 2017
cont'd

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	19	654	1,471	-	-
Loans and borrowings	20	274,362	112,127	-	-
Trade payables	21	31,275	-	-	-
Deferred tax liabilities	7	241	4,983	-	-
Total non-current liabilities		306,532	118,581	-	-
Current liabilities					
Amount due to contract customers	10	2,456	1,933	-	-
Trade payables	21	130,746	19,672	-	2
Other payables	22	27,211	26,930	828	7,316
Amount due to Directors	23	626	872	-	-
Amount due to subsidiaries	14	-	-	22,988	28,691
Finance lease liabilities	19	1,267	1,447	-	-
Loans and borrowings	20	231,166	215,578	-	-
Tax payable		7,740	4,299	-	-
Total current liabilities		401,212	270,731	23,816	36,009
Total liabilities		707,744	389,312	23,816	36,009
Total equity and liabilities		1,172,110	731,461	237,454	234,675

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

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	24	498,319	517,551	21,300	18,183
Cost of sales		(356,582)	(367,843)	-	-
Gross profit		141,737	149,708	21,300	18,183
Other income	25	34,447	19,300	1	2,220
Administration expenses		(36,036)	(55,403)	(7,564)	(12,184)
Finance costs	26	(11,846)	(9,463)	-	-
Profit before tax	27	128,302	104,142	13,737	8,219
Tax expense	28	(4,357)	(7,530)	(966)	(176)
Profit for the financial year		123,945	96,612	12,771	8,043
Other comprehensive income					
Item that will be reclassified subsequently to profit or loss					
- Exchange translation differences		(3,929)	7,701	-	-
Total comprehensive income for the financial year		120,016	104,313	12,771	8,043
Profit for financial year attributable to:					
Owners of the Company		94,911	69,876		
Non-controlling interests		29,034	26,736		
		123,945	96,612		
Total comprehensive income attributable to:					
Owners of the Company		89,746	76,426		
Non-controlling interests		30,270	27,887		
		120,016	104,313		
Earnings per share attributable to the owners of the Company:					
Basic earnings per share (RM)	29	0.13	0.09		

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

Statements of Changes in Equity

For the Financial Year Ended 30 June 2017

		Attributable to owners of the Company							
		Non-distributable				Distributable			
	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 July 2015		92,897	84,972	(1,571)	(33,137)	97,231	240,392	(1,790)	238,602
Profit for the financial year		-	-	-	-	69,876	69,876	26,736	96,612
Other comprehensive income for the financial year		-	-	6,550	-	-	6,550	1,151	7,701
Total comprehensive income for the financial year		-	-	6,550	-	69,876	76,426	27,887	104,313
Transactions with owners:									
Issuance of share capital	17	400	4,470	-	-	-	4,870	-	4,870
Share issuance expenses		-	(62)	-	-	-	(62)	-	(62)
Dividends	30	-	-	-	-	(5,574)	(5,574)	-	(5,574)
Total transactions with owners		400	4,408	-	-	(5,574)	(766)	-	(766)
At 30 June 2016		93,297	89,380	4,979	(33,137)	161,533	316,052	26,097	342,149
Profit for the financial year		-	-	-	-	94,911	94,911	29,034	123,945
Other comprehensive income for the financial year		-	-	(5,165)	-	-	(5,165)	1,236	(3,929)
Total comprehensive income for the financial year		-	-	(5,165)	-	94,911	89,746	30,270	120,016
Transactions with owners:									
Issuance of share capital	17	97,548	(68,852)	-	-	(3,917)	24,779	-	24,779
Share issuance expenses		-	(108)	-	-	-	(108)	-	(108)
Dividends	30	-	-	-	-	(22,470)	(22,470)	-	(22,470)
Total transactions with owners		97,548	(68,960)	-	-	(26,387)	2,201	-	2,201
Transition to no-par value regime on 31 January 2017	17	20,420	(20,420)	-	-	-	-	-	-
At 30 June 2017		211,265	-	(186)	(33,137)	230,057	407,999	56,367	464,366

Statements of Changes in Equity
For the Financial Year Ended 30 June 2017
cont'd

	Note	← Non-distributable	→	Distributable	
		Share capital	Share premium	Retained earnings	Total
		RM'000	RM'000	RM'000	RM'000
Company					
At 1 July 2015		92,897	84,972	13,520	191,389
Total comprehensive income for the financial year		-	-	8,043	8,043
Transaction with owners:					
Issuance of share capital	17	400	4,470	-	4,870
Share issuance expenses		-	(62)	-	(62)
Dividends	30	-	-	(5,574)	(5,574)
Total transactions with owners		400	4,408	(5,574)	(766)
At 30 June 2016		93,297	89,380	15,989	198,666
Total comprehensive income for the financial year		-	-	12,771	12,771
Transaction with owners:					
Issuance of share capital	17	97,548	(68,852)	(3,917)	24,779
Share issuance expenses		-	(108)	-	(108)
Dividends	30	-	-	(22,470)	(22,470)
Total transactions with owners		97,548	(68,960)	(26,387)	2,201
Transition to no-par value regime on 31 January 2017	17	20,420	(20,420)	-	-
At 30 June 2017		211,265	-	2,373	213,638

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

Statements of Cash Flows

For the Financial Year Ended 30 June 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
OPERATING ACTIVITIES					
Profit before tax		128,302	104,142	13,737	8,219
Adjustments for:-					
Depreciation of property, plant and equipment		4,964	4,411	16	17
Fair value gain on derivative financial instruments		(880)	(3,690)	-	-
(Gain)/Loss on disposal of property, plant and equipment		(114)	188	-	-
Interest expense		24,001	10,136	-	-
Interest income		(67)	(718)	(1)	(97)
Interest income arising from concession assets		(19,376)	-	-	-
Property, plant and equipment written off		26	80	-	2
Unwinding discount of financial liability		(3,021)	-	-	-
Unrealised (gain)/loss on foreign exchange		(10,349)	4,896	1,935	(2,123)
Operating profit before working capital changes		123,486	119,445	15,687	6,018
Changes in working capital:-					
Inventories		29,716	13,923	-	-
Receivables		(46,442)	38,682	53	41
Payables		122,764	(26,537)	(6,490)	(3,634)
Concession assets		(189,171)	(219,971)	-	-
Amount due from contract customers		(142,606)	(47,234)	-	-
Cash (used in)/generated from operations		(102,253)	(121,692)	9,250	2,425
Tax refunded		-	44	-	-
Tax paid		(12,046)	(14,344)	(1,260)	(1,268)
Net cash (used in)/from operating activities		(114,299)	(135,992)	7,990	1,157
INVESTING ACTIVITIES					
Advance to related companies		(5)	(11)	(702)	(50,032)
Acquisition of subsidiary, net of cash (Note 6.3)		(4,500)	-	-	-
Investment in subsidiaries		-	-	(1,604)	(500)
Interest received		67	718	1	97
Purchase of property, plant and equipment	A	(24,992)	(13,937)	(4)	-
Proceeds from sales of property, plant and equipment		167	82	-	-
Uplift/(Placement) of bank balances pledged		43	(43)	-	-
Uplift/(Placement) of fixed deposits with licensed financial institutions		460	(460)	-	-
Net cash used in investing activities		(28,760)	(13,651)	(2,309)	(50,435)

Statements of Cash Flows

For the Financial Year Ended 30 June 2017
cont'd

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
FINANCING ACTIVITIES					
(Repayment to)/Advances from Directors		(256)	82	-	-
(Repayment to)/Advances from related companies		-	-	(7,647)	28,691
Dividend paid		(2,051)	(704)	(2,051)	(704)
Proceeds from issuance of ordinary shares, net of share issuance expenses		4,252	(62)	4,252	(62)
Interest paid		(24,553)	(10,539)	-	-
Net drawndown of short term borrowings		12,444	69,138	-	-
Proceeds from term loans		161,293	106,095	-	-
Repayment of term loans		(1,207)	(29,455)	-	-
Repayment of lease payables		(1,570)	(1,668)	-	(2)
Net cash from/(used in) financing activities		148,352	132,887	(5,446)	27,923
CASH AND CASH EQUIVALENTS					
Net changes		5,293	(16,756)	235	(21,355)
Brought forward		9,964	25,452	9	21,364
Effects of foreign exchange rate		41	1,268	-	-
Carried forward	B	15,298	9,964	244	9

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group and the Company acquired property, plant and equipment with aggregate costs of RM25,565,135 and RM4,101 (2016: RM14,075,365 and Nil) of which RM573,000 and Nil (2016: RM138,600 and Nil) was acquired by means of finance lease and term loan financing respectively. Cash payment of RM24,992,135 and RM4,101 (2016: RM13,936,765 and Nil) were made to purchase the property, plant and equipment.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Statements of Cash Flows comprise the following:-

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Short-term deposits with licensed institutions (Note 15)	-	460	-	-
Cash and bank balances (Note 16)	22,150	16,031	244	9
Bank overdrafts (Note 20)	(6,852)	(6,024)	-	-
	15,298	10,467	244	9
Less : Fixed deposits and bank balance pledged to licensed financial institutions	-	(503)	-	-
	15,298	9,964	244	9

In prior year, fixed deposits with licensed financial institutions and bank balance amounting to RM459,713 and RM43,116 respectively have been pledged to financial institutions for banking facilities granted to the Group and hence, are not available for general use.

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

Notes to the Financial Statements

30 June 2017

1. GENERAL INFORMATION

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

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 October 2017.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

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

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

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

Notes to the Financial Statements

30 June 2017
cont'd

2. BASIS OF PREPARATION (cont'd)

2.2 Basis of measurement (cont'd)

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

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

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

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

2.3 Functional and presentation currency

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

2.4 Adoption of Amendments to MFRSs and IC Interpretations ("IC Int")

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

At the beginning of the current financial year, the Group and the Company adopted MFRSs and amendments to MFRSs which are mandatory for the financial periods beginning on or after 1 July 2016.

Initial application of the amendments to the standards and IC Int did not have material impact to the financial statements.

2.5 Standards issued but not yet effective

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

Amendments to MFRS effective 1 January 2017:

MFRS 12*#	Disclosure of Interests in Other Entities (under Annual Improvements to MFRS Standards 2014 – 2016 Cycle)
MFRS 107	Statement of Cash Flows: Disclosure Initiative
MFRS 112	Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Notes to the Financial Statements

30 June 2017
cont'd

2. BASIS OF PREPARATION (cont'd)

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

MFRS and Amendments to MFRS effective 1 January 2018:

MFRS 9	Financial Instruments IFRS 9 issued by International Accounting Standards Board ("IASB") in July 2014
MFRS 15	Revenue from Contracts with Customers
MFRS 15	Clarification to MFRS 15
Amendments to MFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4*#	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7	Financial Instruments - Disclosure: Mandatory effective date of MFRS 9 and transitional disclosures
Amendments to MFRS 140*#	Investment Property: Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance consideration

Annual Improvements to MFRS Standards 2014 – 2016 Cycle (except for Amendments to MFRS 12 Disclosures of Interests in Other Entities)*

MFRS effective 1 January 2019:

MFRS 16	Leases
IC Interpretation 23*	Uncertainty over Income Tax Treatments

MFRS effective 1 January 2021:

MFRS 17*#	Insurance Contracts

Effective date yet to be confirmed:

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for:

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently examining the financial impact of adopting MFRS 9.

2. BASIS OF PREPARATION (cont'd)

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 presents new requirements for the recognition of revenue, replacing the guidance of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Int 13 Customer Loyalty Programmes, IC Int 15 Agreements for Construction of Real Estate, IC Int 18 Transfers of Assets from Customers and IC Int 131 Revenue – Barter Transaction Involving Advertising Services. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the impact of MFRS 15 and plan to adopt the new standards on the required effective date.

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statement of financial position by recognising a "right-of-use" asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to be different compared with the current position.

The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standard on the required effective date of 1 January 2019.

2.6 Significant accounting estimates and judgements

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

2.6.1 Estimation uncertainty

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

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 3 to 96 years and reviews the useful lives of depreciable assets at end of each of the reporting period. At 30 June 2017, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements.

A 20% (2016: 14%) difference in the expected useful lives of the property, plant and equipment from the management' estimates would result in approximately 1% (2016: 1%) variance in the Group's profit for the financial year.

2. BASIS OF PREPARATION (cont'd)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Impairment of non-financial assets

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

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

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

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

Inventories

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

The carrying amount of the Group's inventories at the end of the reporting year is disclosed in Note 11 to the financial statements.

Income tax/Deferred tax liabilities

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

The carrying amount of the Group's provision for taxation and deferred tax liabilities at the end of the reporting period, are disclosed on the face of statements of financial position and in Notes 28 and 7 to the Financial Statements respectively.

Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Notes to the Financial Statements
30 June 2017
cont'd

2. BASIS OF PREPARATION (cont'd)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Impairment of loans and receivables (cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Notes 36.1 to the Financial Statements.

Construction contract

The carrying amount of amount due from contract customers and revenue recognised from contracts reflects management's best estimate about each contract's outcome and stage of completion. The Group's management assesses the profitability of on-going contracts at least monthly, using extensive project management procedures. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

The carrying amount of the Group's construction contract at the end of the reporting year is summarised in Note 10 to the Financial Statements.

2.6.2 Significant Management Judgement

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Subsidiaries

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

3.1.2 Basis of consolidation

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

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

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

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

3.1.3 Business combinations

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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

Notes to the Financial Statements
30 June 2017
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

3.1.3 Business combinations (cont'd)

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Common control business combination

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

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

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

3.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.5 Non-controlling interest

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

3.1.6 Associate and joint arrangement

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

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

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

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

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

Notes to the Financial Statements
30 June 2017
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

3.1.6 Associate and joint arrangement (cont'd)

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

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

3.1.7 Foreign operations

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

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

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

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

3.2 Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Property, plant and equipment (cont'd)

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

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

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

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

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

3.3 Intangible asset - right

Intangible asset represents a right that is acquired separately by the Group through a contractual agreement to construct, maintain and service a transmission system in Cambodia for a period of 25 years subsequent to the commencement of the operation of the transmission system. The Group will receive power transmission proceeds as provided for, in this agreement for 25 years during the commercial operation period of the transmission system.

Intangible asset is measured on initial recognition at cost. Following initial recognition, intangible asset will be carried at cost until the construction is completed and the transmission system is in the condition necessary for it to be capable of being operating in the intended manner. Subsequently, it is carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful life of intangible asset is assessed to be finite and amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates being accounted on a prospective basis. The amortisation expense is recognised in the profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Concession assets

The Group recognises revenue from the construction and upgrading of infrastructure projects under build-operate-transfer agreement ("BOT") in accordance with the accounting policy for construction contracts set out in Note 3.14.1.

Where the Group performs more than one service under the arrangement, consideration received or receivable is allocated to the components by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

The Group recognises the consideration receivable as a concession asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Concession assets are accounted for in accordance with the accounting policy of a financial asset set out in 3.7.1.

Capital expenditures necessary to support the Group's operation as a whole are recognised as property, plant and equipment, and accounted for in accordance with the policy stated under property, plant and equipment in Note 3.2.

Cost and expenditures related to the building of infrastructure and equipment are recognised as construction cost in profit or loss in the financial year it incurred.

When the Group has contractual obligations that it must fulfil as a condition of its BOT agreement to maintain the infrastructure to a specified standard or to restore the infrastructure when the infrastructure has deteriorated below a specified condition, it recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 3.13.

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

3.5 Leases

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

3.5.1 Finance lease

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

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

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

3.5.2 Operating lease

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

Notes to the Financial Statements

30 June 2017
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Leases (cont'd)

3.5.2 Operating lease (cont'd)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

3.6 Inventories

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

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

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

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

3.7 Financial instruments

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

3.7.1 Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

(a) loans and receivables;
(b) financial assets at fair value through profit or loss;
(c) held to maturity investments; and
(d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which described below.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

Notes to the Financial Statements
30 June 2017
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets (cont'd)

At the reporting date, the Group and the Company only carry financial assets at fair value through profit or loss and loans and receivables on their Statements of Financial Position.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprised financial assets which are held for trading or those designated at fair value through profit or loss upon initial recognition. All derivative financial instruments other than those designated and effective as hedging instruments fall into this category. Financial assets which are held primarily for trading purposes are presented as current whereas financial assets which are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss and their fair values are determined by reference to active market transactions or valuation technique where no active market exists. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

3.7.2 Financial liabilities

After the initial recognition, financial liabilities are classified as:-

(a) financial liabilities at fair value through profit or loss;
(b) other financial liabilities measure at amortised cost using the effective interest method; and
(c) financial guarantee contracts.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

At the reporting date, the Group and the Company only carry other liabilities on their Statements of Financial Position.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial instruments (cont'd)

3.7.2 Financial liabilities (cont'd)

Financial liabilities at fair value through profit or loss (cont'd)

Financial liabilities held for trading include derivatives entered into the Group or the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

Other liabilities measured at amortised cost

The Group's other liabilities include loans and borrowings, finance lease liabilities, amount due to Directors, trade and other payables.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.7.3 Offsetting of financial instruments

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

3.7.4 Derivative financial instruments

The Company enters into derivative financial instruments such as forward foreign currency contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Other derivatives are presented as current assets or current liabilities.

3.8 Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the percentage of completion of the contract activity at the reporting date. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a period of the contract by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract or where appropriate for the different type of contract, physical completion based on surveys of work performed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Construction contracts (cont'd)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probably recoverable and contract costs are recognised as expense in the financial year in which they are incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on contracts under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on contracts under current liabilities.

3.9 Cash and cash equivalents

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

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

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current asset.

3.10 Impairment of non-financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

3.11 Impairment of financial assets carried at amortised cost

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

3.12 Equity, reserves and dividend payments

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior year retained profits.

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings and recognised as a liability in the period in which they are declared.

Notes to the Financial Statements

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cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Equity, reserves and dividend payments (cont'd)

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

All transactions with owners of the parent are recorded separately within equity.

3.13 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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

3.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

3.14.1 Construction contracts

Revenue relating to rendering of services under a contract is recognised when the outcome of a contract can be estimated reliably, by reference to the stage of completion of the services. Any anticipated loss will be recognised in full.

3.14.2 Sale of products

Revenue from sale of products is recognised upon the transfer of significant risk and rewards of ownership of the products to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of products.

3.14.3 Management fee income

Management fee income is recognised when services are rendered.

3.14.4 Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

3.14.5 Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

Notes to the Financial Statements

30 June 2017
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Employee benefits

3.15.1 Short-term employee benefits

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

3.15.2 Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3.15.3 Share-based compensation

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

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.17 Tax expenses

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

3.17.1 Current tax

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

Current tax is recognised in the Statement of Financial Position as a liability (or an asset) to the extent that it is unpaid (or refundable).

Notes to the Financial Statements
30 June 2017
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Tax expenses (cont'd)

3.17.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that are not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive to be utilised.

3.17.3 Goods and services tax

Goods and services tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Company paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

(ii) Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.18 Contingent liabilities

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the Statements of Financial Position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.19 Foreign currencies

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

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

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

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

3.20 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.21 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(i) A person or a close member of that person's family is related to the Group if that person:-

- (a) has control or joint control over the Group; or
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the holding company of the Group, or the Group.

(ii) An entity is related to the Group if any of the following conditions applies:-

- (i) the entity and the Group are members of the same group; or
- (ii) one entity is an associate or joint venture of the other entity; or
- (iii) both entities are joint ventures of the same third party; or
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- (v) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group; or
- (vi) the entity is controlled or jointly-controlled by a person identified in (i) above; or
- (vii) a person identified in (i)(a) above has significant influence over the entity or is a member of the key management personnel of the holding company or the entity; or
- (viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Financial Statements
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4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Capital work in progress RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Tools and equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Cost									
At 1 July 2015	6,098	818	1,657	5,745	487	20,244	5,818	5,781	46,648
Additions	5,540	6,353	-	-	242	459	715	766	14,075
Capitalisation of borrowing cost	196	207	-	-	-	-	-	-	403
Disposals	-	-	-	-	(24)	(444)	(92)	(25)	(585)
Written off	-	-	-	-	-	-	(91)	(4)	(95)
Translation differences	-	-	-	-	2	79	28	6	115
At 30 June 2016	11,834	7,378	1,657	5,745	707	20,338	6,378	6,524	60,561
Reclassification	(7,835)	7,835	-	-	-	-	-	-	-
Additions	-	16,636	-	-	324	6,110	1,990	505	25,565
Acquisition of a subsidiary	-	-	2,280	1,420	-	-	-	77	3,777
Capitalisation of borrowing cost	-	552	-	-	-	-	-	-	552
Transfer	-	(8,241)	-	8,241	-	-	-	-	-
Disposals	-	-	-	-	-	-	(453)	-	(453)
Written off	-	-	-	-	-	-	-	(49)	(49)
Translation differences	-	-	-	-	-	94	52	11	157
At 30 June 2017	3,999	24,160	3,937	15,406	1,031	26,542	7,967	7,068	90,110
Accumulated depreciation									
At 1 July 2015	-	-	164	658	245	3,781	2,924	3,333	11,105
Charged for the financial year	-	-	17	115	61	2,160	1,175	883	4,411
Disposals	-	-	-	-	(11)	(201)	(87)	(16)	(315)
Written off	-	-	-	-	-	-	(12)	(3)	(15)
Translation differences	-	-	-	-	-	26	12	4	42
At 30 June 2016	-	-	181	773	295	5,766	4,012	4,201	15,228
Acquisition of a subsidiary	-	-	-	-	-	-	-	31	31
Charged for the financial year	-	-	50	142	62	2,530	1,322	858	4,964
Disposals	-	-	-	-	-	-	(400)	-	(400)
Written off	-	-	-	-	-	-	-	(23)	(23)
Translation differences	-	-	-	-	-	38	22	3	63
At 30 June 2017	-	-	231	915	357	8,334	4,956	5,070	19,863
Net carrying amount									
At 30 June 2017	3,999	24,160	3,706	14,491	674	18,208	3,011	1,998	70,247
At 30 June 2016	11,834	7,378	1,476	4,972	412	14,572	2,366	2,323	45,333

Notes to the Financial Statements
30 June 2017
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4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Company			
Cost			
At 1 July 2015	74	10	84
Written off	-	(5)	(5)
At 30 June 2016	74	5	79
Addition	-	4	4
At 30 June 2017	74	9	83
Accumulated depreciation			
At 1 July 2015	44	4	48
Charge for the financial year	15	2	17
Written off	-	(3)	(3)
At 30 June 2016	59	3	62
Charge for the financial year	15	1	16
At 30 June 2017	74	4	78
Net carrying amount			
At 30 June 2017	-	5	5
At 30 June 2016	15	2	17

Net carrying amount of property, plant and equipment pledged as securities for the related term loans granted to subsidiaries are:

	Group	
	2017 RM'000	2016 RM'000
Freehold land	3,999	11,834
Capital work in progress	24,160	7,378
Buildings	8,241	-
Tools and equipment	7,283	8,233
	43,683	27,445

The carrying amounts of motor vehicles and tools and equipment of the Group held under finance lease at the end of the financial year were RM1,253,889 (2016: RM1,540,955) and RM1,326,268 (2016: RM1,625,538) respectively.

Notes to the Financial Statements
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5. INTANGIBLE ASSETS

	Group		
	Right	**Goodwill**	**Total**
	RM'000	**RM'000**	**RM'000**
Cost			
At 1 July 2015	75,460	-	75,460
Translation differences	5,170	-	5,170
At 30 June 2016	80,630	-	80,630
Arising from acquisition of a subsidiary (Note 6)	-	715	715
Translation differences	5,250	-	5,250
At 30 June 2017	85,880	715	86,595

Right

The right refers to a right acquired by the Group through a contractual agreement to construct, maintain and service a transmission system in Cambodia for a period of 25 years starting from the commencement of the operation of the transmission system.

As at the reporting date, the Group is in the midst of the construction works for the development of the transmission system. The management expects the construction to be completed by 30 November 2017.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest cash-generating unit level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5-years business plan.
- Revenue was projected at anticipated annual revenue growth of approximately 0% to 5% per annum.
- Expenses were projected at annual increase of approximately 0% to 10% per annum.
- A pre-tax discount rate of 10% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the Group plus a reasonable risk premium.

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

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares, at cost	69,923	68,319
Contributions to subsidiaries through Share Grant Plan	2,010	2,010
	71,933	70,329

Notes to the Financial Statements

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6. INVESTMENT IN SUBSIDIARIES (cont'd)

6.1 Details of the subsidiaries are as follows:-

Name of company	Place of incorporation	Effective interest 2017 %	Effective interest 2016 %	Principal activities
PESTECH Energy Sdn. Bhd. (Formerly known as Xcell ATS (M) Sdn. Bhd.)	Malaysia	100	100	Provision of design and supply of remote control systems and data communication products and its related services.
PESTECH Sdn. Bhd.	Malaysia	100	100	Provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of substations, transmission lines and underground cables for electricity transmission and distribution, and also manufacture proprietary power system components and equipment. It is also an investment holding company.
PESTECH Transmission Sdn. Bhd. (Formerly known as PESTECH Switchgear Sdn. Bhd.)	Malaysia	100	100	Marketing of medium voltage switchgear products.
PESTECH Technology Sdn. Bhd.	Malaysia	100	100	Provision of design, engineering, supply and commissioning of balance of plant systems for power plants and rail electrification projects.
PESTECH Power Sdn. Bhd.	Malaysia	100	100	Investment holding and provision of establishing electric power transmission concessions.
PESTECH (Sarawak) Sdn. Bhd.	Malaysia	100	100	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
PESTECH Engineering Technology China Co. Limited	People's Republic of China	100	-	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
PESTECH (PNG) Ltd.	Papua New Guinea	100	-	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
SystemCorp Embedded Technology Pty Ltd	Australia	51	51	Provision of design, manufacture and supply of supervisory control and data acquisition systems, SMART Grid products and associated software and hardware products for the electrical utility industry.

Notes to the Financial Statements

30 June 2017
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6. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Name of company	Place of incorporation	Effective interest 2017 %	Effective interest 2016 %	Principal activities
Subsidiaries of PESTECH Sdn. Bhd.:				
Fornix Sdn. Bhd.	Malaysia	100	100	Investment holding company.
PESTECH (Cambodia) Limited*	Cambodia	100	100	Construction of electrical substation and transmission line.
PESTECH (Brunei) Sdn. Bhd.#	Brunei	90	90	Provision of electrical engineering services, specialising in transmission and distribution.
PESTECH Transmission Limited#	Ghana	100	100	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
ENERSOL Co. Ltd.	Malaysia (Labuan)	100	100	Investment holding, provision of comprehensive power system engineering and technical solution for the design, procurement, and installation of substations, transmission lines and underground cables for electricity transmission and distribution.
Subsidiary of PESTECH Power Sdn. Bhd.:				
Diamond Power Ltd.*	Cambodia	60	60	Own, operate and maintain 230kV Kampung Cham – Kratie power transmission infrastructure system.
Subsidiary of Fornix Sdn. Bhd.:				
Forward Metal Works Sdn. Bhd.	Malaysia	100	-	Investment holding company.

* Subsidiary audited by a member firm of Grant Thornton International Ltd
# Subsidiary not audited by SJ Grant Thornton

Notes to the Financial Statements

30 June 2017
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6. INVESTMENT IN SUBSIDIARIES (cont'd)

6.2 Non-controlling interests in subsidiaries

The information of non-controlling interests are as follows:-

	PESTECH (Brunei) Sdn. Bhd.	Diamond Power Ltd.	SystemCorp Embedded Technology Pty Ltd	Total
2017				
Percentage of ownership interest and voting interest (%)	10	40	49	
Carrying amount of non-controlling interests (RM'000)	(31)	57,417	(1,019)	56,367
Profit/(Loss) allocated to non-controlling interests (RM'000)	1	29,270	(237)	29,034
Total comprehensive income/(loss) allocated to non-controlling interests (RM'000)	-	30,276	(6)	30,270
2016				
Percentage of ownership interest and voting interest (%)	10	40	49	
Carrying amount of non-controlling interests (RM'000)	(32)	27,142	(1,013)	26,097
(Loss)/ Profit allocated to non-controlling interests (RM'000)	(33)	26,754	15	26,736
Total comprehensive (loss)/income allocated to non-controlling interests (RM'000)	(34)	27,359	562	27,887

Notes to the Financial Statements

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6. INVESTMENT IN SUBSIDIARIES (cont'd)

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

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests is as below:

	2017		
	PESTECH (Brunei) Sdn. Bhd.	**Diamond Power Ltd.**	**SystemCorp Embedded Technology Pty Ltd**
	RM'000	**RM'000**	**RM'000**
Financial position as at 30 June			
Non-current assets	-	502,080	-
Current-assets	189	52,027	454
Non-current liabilities	-	(249,794)	-
Current liabilities	(496)	(160,762)	(2,533)
(Net liabilities)/Net assets	(307)	143,551	(2,079)
Summary of financial performance for the financial year ended 30 June			
Profit/(Loss) for the year	12	73,175	(483)
Other comprehensive (loss)/income	(13)	2,512	471
Total comprehensive (loss)/income	(1)	75,687	(12)
Included in total comprehensive income is :			
Revenue	-	189,172	2,051
Summary of cash flows for the financial year ended 30 June			
Net cash outflow used in operating activities	(7)	(142,720)	(94)
Net cash outflow used in investing activities	-	(7)	-
Net cash inflow/(outflow) from financing activities	-	145,502	(23)
Net cash (outflow)/inflow	(7)	2,775	(117)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

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

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interest is as below (cont'd):

	2016		
	PESTECH (Brunei) Sdn. Bhd.	**Diamond Power Ltd.**	**SystemCorp Embedded Technology Pty Ltd**
	RM'000	**RM'000**	**RM'000**
Financial position as at 30 June			
Non-current assets	-	300,622	-
Current-assets	202	3,825	763
Non-current liabilities	-	(93,706)	-
Current liabilities	(508)	(144,547)	(2,207)
(Net liabilities)/Net assets	(306)	66,194	(1,444)
Summary of financial performance for the financial year ended 30 June			
(Loss)/Profit for the year	(313)	66,036	277
Other comprehensive loss	(15)	(1,513)	(1,110)
Total comprehensive (loss)/income	(328)	64,523	(833)
Included in total comprehensive income is:			
Revenue	-	225,531	2,675
Summary of cash flows for the financial year ended 30 June			
Net cash outflow from operating activities	(103)	(95,624)	(82)
Net cash inflow/(outflow) from investing activities	16	(21)	100
Net cash inflow/(outflow) from financing activities	-	96,901	(100)
Net cash (outflow)/inflow	(87)	1,256	(82)

6.3 Acquisition of subsidiaries

2017

On 21 July 2016, the Company has incorporated a wholly-owned subsidiary, PESTECH Engineering Technology China Co. Limited ("PET") in People's Republic of China with paid-up share capital of RMB2,500,000 (approximately RM1,604,022).

On 23 November 2016, the Company has incorporated a wholly-owned subsidiary, PESTECH (PNG) Ltd. ("PPNG") in Papua New Guinea with a registered capital of PGK100,000. However, no capital has been injected to this subsidiary as at to-date and the subsidiary is remained dormant as at reporting date.

On 21 July 2016, Fornix Sdn. Bhd., a wholly-owned subsidiary of the Company had acquired 1,000,000 ordinary shares of RM1.00 each in Forward Metal Works Sdn. Bhd. ("FMWSB") representing 100% of the total issued and paid up share capital of FMWSB for a total cash consideration of RM4,500,000.

Notes to the Financial Statements
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6. INVESTMENT IN SUBSIDIARIES (cont'd)

6.3 Acquisition of subsidiaries (cont'd)

2017 (cont'd)

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

	2017 RM'000
Net assets acquired:-	
Property, plant and equipment	3,746
Other receivables	7
Tax recoverable	32
Group's share of net assets at date of acquisition	3,785
Goodwill on acquisition	715
Purchase consideration/ Net cash outflow on acquisition of equity interest in a subsidiary	4,500

The goodwill recognised on the acquisition is attributable mainly to the synergies expected to be achieved from integrating the subsidiary into the Group's existing business.

From the date of acquisition, the acquired subsidiary has contributed RM216,000 and RM46,467 to the Group's revenue and loss for the financial year respectively.

2016

On 31 March 2016, the Company subscribed additional 500,000 ordinary shares of RM1.00 each of PESTECH (Sarawak) Sdn. Bhd. by way of capitalisation of RM500,000 from the amount due from the wholly-owned subsidiary.

On 31 December 2015, PESTECH Sdn. Bhd., a wholly-owned subsidiary of the Company had subscribed additional 499,999 ordinary shares of USD 1 of Enersol Co., Ltd, for a cash consideration of USD499,999 (approximately RM2,146,746).

7. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets				
At 1 July	309	309	309	309
Recognised in profit or loss (Note 28)	(309)	-	(309)	-
At 30 June	-	309	-	309
Deferred tax liabilities				
At 1 July	(4,983)	(5,554)	-	-
Recognised in profit or loss (Note 28)	4,742	571	-	-
At 30 June	(241)	(4,983)	-	-
Net at 30 June	(241)	(4,674)	-	309

Notes to the Financial Statements
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7. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(889)	(2,226)	-	-
Provisions	549	-	-	-
Unabsorbed tax losses	-	309	-	309
Unutilised industrial building allowances	99	78	-	-
Unrealised gain on foreign exchange	-	(2,835)	-	-
	(241)	(4,674)	-	309

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2016	
	Contract/ notional amount	Assets/ (Liabilities)	Contract/ notional amount	Assets/ (Liabilities)
	RM'000	RM'000	RM'000	RM'000
Hedging derivatives:				
Non-current				
Forward currency contracts	222,986	4,570	96,585	3,690

The Group uses forward currency contracts to manage some of the transaction exposure. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

As at 30 June 2017, the Group has forward currency contracts outstanding designated as hedges of expected future collection from customers for which the Company has high probable forecasted transactions. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

During the financial year, the Group recognised a gain of RM879,410 (2016: RM3,690,137) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 36.3.

Notes to the Financial Statements

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9. CONCESSION ASSETS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Represented by:		
Current	26,301	-
Non-current	416,174	219,971
	442,475	219,971

Concession assets comprised the Kampong Cham - Kratie 230 kV Transmission System (KTS). Kampong Cham - Kratie 230 kV Transmission System comprises the cost of construction, maintainance and servicing a transmission system of the Kingdom of Cambodia.

During the financial period ended 30 June 2015, Pestech Power Sdn. Bhd. ("P-Power"), a wholly owned subsidiary of the Company and Diamond House Co. Ltd. has set up Diamond Power Limited ("DPL") to be novated the right to develop Kratie 230 kV Transmission System from Kampong Cham to Kratie in Cambodia on a build - operate - transfer ("BOT") basis.

DPL, 60% owned by P-Power has entered into a BOT agreement with Electricite Du Cambodge ("EDC") as per the Novation of Rights letter ("NR") signed on 6 April 2015 between P-Power and DPL. Under the BOT agreement, DPL is to construct, maintain and service a transmission system in the Kingdom of Cambodia.

The terms of the arrangement allow DPL to operate the transmission system for up to a period of 25 years ("Concession Period") after the completion of construction. DPL will receive a certain sum from EDC over the operation period of 25 years in exchange for the service performed. Upon expiry of the concession arrangement, the transmission system is to be transferred back to EDC.

10. AMOUNT DUE FROM CONTRACT CUSTOMERS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost incurred on contracts to date	1,220,846	1,036,248
Add: Attributable profits	382,792	371,431
	1,603,638	1,407,679
Less: Progress billings	(1,278,166)	(1,231,992)
Translation differences	14,715	7,179
	340,187	182,866
Presented as:		
Amount due from contract customers	342,643	184,799
Amount due to a contract customer	(2,456)	(1,933)
	340,187	182,866

Notes to the Financial Statements

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11. INVENTORIES

	Group	
	2017	**2016**
	RM'000	**RM'000**
At cost:-		
Work-in-progress	31,400	58,457
General stocks	8,117	10,776
	39,517	69,233

The amount of inventories recognised as cost of sales in profit or loss for the financial year is RM197,895,091 (2016: RM175,590,021).

12. TRADE RECEIVABLES

	Group	
	2017	**2016**
	RM'000	**RM'000**
Trade receivables	58,991	52,057
Retention sums on contracts	36,803	34,111
	95,794	86,168

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 1 to 60 days (2016: 1 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

13. OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables	2,150	1,946	110	163
Advance payment to suppliers	24,630	7,285	-	-
Deposits	2,309	1,305	-	-
Prepayments	16,758	1,666	12	22
GST receivable	7,768	4,596	-	-
	53,615	16,798	122	185

Notes to the Financial Statements
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14. AMOUNT DUE FROM/TO RELATED COMPANIES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amount due from:				
Jointly-controlled entity	39	34	-	-
Subsidiaries	-	-	162,687	161,966
	39	34	162,687	161,966
Amount due to:				
Subsidiaries	-	-	22,988	28,691

Included in amount due from subsidiaries was dividend receivable from a subsidiary amounted to RM13,000,000 (2016: RM12,000,000).

The amount due from/to related companies represents advances and expenses paid on behalf which is unsecured, interest free and repayable on demand.

15. SHORT-TERM DEPOSITS WITH LICENSED INSTITUTIONS

In last financial year, the fixed deposits of the Group held on lien for bank guarantee fees are not available for general use due to restriction over the use of such cash for specific purpose.

The effective interest rates on short-term deposits ranged from 2.90% to 3.30% per annum. The average maturity periods of the short-term deposits ranged from 2 months to 12 months.

16. CASH AND BANK BALANCES

In last financial year, included in cash and bank balances of the Group is an amount of RM43,116 which held on lien for bank guarantee fees are not available for general use due to restriction over the use of such cash for specific purpose.

Notes to the Financial Statements
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17. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and fully paid up:				
At 1 July	186,594	93,297	185,794	92,897
Issued during the financial year:				
- Share split	186,593	-	-	-
- Bonus issue	373,187	93,297	-	-
- Share Grant Plan	2,627	656	-	-
- Dividend Reinvestment Plan	14,379	3,595	800	400
Transition to no-par value regime on 31 January 2017*	-	20,420	-	-
	763,380	211,265	186,594	93,297

Share premium

	Group and Company	
	2017	2016
	RM'000	RM'000
At 1 July	89,380	84,972
Increase/(Decrease) arising from:		
- Dividend Reinvestment Plan	16,824	4,470
- Share Grant Plan	3,704	-
- Bonus issue	(89,380)	-
- Share issuance expenses	(108)	(62)
Transition to no-par value regime on 31 January 2017*	(20,420)	-
At 30 June	-	89,380

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

Notes to the Financial Statements
30 June 2017
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18. RESERVES

	Group 2017 RM'000	Group 2016 RM'000
Non-distributable reserve:		
Merger deficit	(33,137)	(33,137)
Exchange translation reserve	(186)	4,979
	(33,323)	(28,158)

Merger deficit

The merger deficit represents the effect arising from the merger of subsidiaries by the Company.

Exchange translation reserve

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

19. FINANCE LEASE LIABILITIES

	Group 2017 RM'000	Group 2016 RM'000
Minimum lease payments		
- within 1 year	1,342	1,556
- after 1 year but not later than 5 years	697	1,555
	2,039	3,111
Interest-in-suspense	(118)	(193)
Present value of minimum lease payments	1,921	2,918
Present value of minimum lease payments		
- within 1 year	1,267	1,447
- after 1 year but not later than 5 years	654	1,471
Present value of minimum lease payments	1,921	2,918

The Group's finance leases bear interest at rates ranging from 2.25% to 3.86% (2016: 2.25% to 3.80%) per annum and are secured over the leased assets and corporate guarantee of the Company.

The agreement is non-cancellable but does not contain any further restrictions.

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20. LOANS AND BORROWINGS

	Group 2017 RM'000	Group 2016 RM'000
Non-current liability		
Secured:		
- Term loans	274,362	112,127
Current liabilities		
Secured:		
- Bank overdrafts	6,852	6,024
- Bankers' acceptances	24,736	24,268
- Term loans	4,768	1,080
- Trust receipts	92,766	101,596
- Revolving credit	99,509	54,389
- Foreign currency trade finance	2,535	-
	231,166	187,357
Unsecured:		
- Loan from third party	-	28,221
	231,166	215,578
Total loans and borrowings	505,528	327,705

The effective interest rates per annum are as follows:

	2017 %	2016 %
Term loans	4.45 – 6.20	4.70 – 5.69
Bank overdrafts	7.15 – 8.60	7.85 – 8.60
Bankers' acceptances	4.46 – 6.45	4.97 – 6.56
Trust receipts	1.18 – 8.00	1.53 – 8.20
Revolving credit	4.27 – 6.60	5.76 – 6.60
Foreign currency trade finance	3.76 – 3.79	N/A

Other than term loans, those borrowings of the Group are secured by:-

(i) Facilities Agreements;
(ii) Corporate guarantee by the Company;
(iii) Blanket Counter Indemnity from a subsidiary of the Company; and
(iv) Letter of Undertaking from a subsidiary of the Company.

Notes to the Financial Statements

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20. LOANS AND BORROWINGS (cont'd)

The particular of term loans and loan from third party are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Term loans		
(i) A 9 years term loan of RM22,960,000 which is repayable by 107 equal monthly installments of RM220,000 and a final installment of RM5,392,109, the first of which is to commence on the first day of the 14th month from the date of full disbursement or upon expiry of the availability period or upon notification from the bank	17,273	6,628
(ii) A 7 years term loan of RM9,500,000 which is repayable by 83 equal monthly installments of RM90,000 and a final installment of RM130,000 commencing 3 July 2015	5,440	6,520
(iii) A 3 years term loan of RM6,750,000 which is repayable by 36 equal monthly installments of RM20,617 and RM21,015 until full settlement of the Facility, commencing 1 month after full drawdown, or 1 month after the expiry of the availability period, whichever earlier	6,623	6,353
(iv) A 10 years term loan of USD67,400,000 which is repayable by quarterly installments of 7 years with the first installment payable upon the expiry of the 3 years grace period from the date of the first drawdown. The principal repayment amounts to USD5,948,571 for the 4th year to 6th year and USD12,888,571 for the 7th to 10th years from the date of first drawdown	249,794	93,706
	279,130	113,207
Loan from third party (unsecured)		
A 2 years term loan of RM56,595,000 which is repayable by 5 installments based on the payment schedule of the collaboration agreement commencing 14 March 2015	-	28,221
	279,130	141,428

The term loan (i) and (iii) are secured by:

(i) Letter of Offers;
(ii) Master Facility Agreements;
(iii) Asset Sale Agreements over Shariah compliant commodities;
(iv) Deeds of Assignment of the Sale and Purchase Agreement with Power Attorney to transfer or otherwise deal with the land and buildings of the subsidiary; and subsequently, upon issuance of the individual title, a Legal Charge over the land and buildings of the subsidiary;
(v) A first party fixed charge over the landed properties;
(vi) Facility Agreement together with profit, commission and all other charges thereon;
(vii) A third limited debenture ranking pari passu to the existing debenture limited to the land; and
(viii) Corporate guarantee from the Company.

Term loan (ii) is obtained by way of corporate guarantee by the Company and specific debenture over tools and equipment of a subsidiary.

Notes to the Financial Statements

30 June 2017
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20. LOANS AND BORROWINGS (cont'd)

The term loan (iv) is secured by:-

(i) Assignment of rights and benefits of the Power Transmission Agreement dated August 21, 2013, ("PTA") entered into between Electricite Du Cambodge ("EDC") and LYP Group Co., Ltd as novated under a PTA Novation Agreement dated March 24, 2015 executed, amongst others, by EDC and Diamond Power Limited ("DPL");
(ii) Assignment of rights and benefits of the Implementation Agreement dated June 25, 2013 ("IA") entered into between The Royal Government of Cambodia ("RGC") and LYP Group Co., Ltd as novated via IA Novation Agreement dated March 20, 2015 executed by, amongst others, the Ministry of Mines and Energy of the Royal Kingdom of Cambodia, EDC and DPL;
(iii) Assignment of revenue proceeds of the Project from EDC;
(iv) Joint assignment of all rights and benefits over all relevant contracts, agreement and insurance during construction and operation (where applicable);
(v) Legal charge or its equivalent over the Project and/or the assets of DPL;
(vi) Assignment of completion/performance bond to be issued by the Project main contractor from bank acceptable to the Facility Agent;
(vii) Corporate guarantee from the Company;
(viii) Irrevocable and unconditional undertaking from the Company to provide financial and other forms of support to DPL to finance any cost overruns associated with the Project and also to ensure that the Borrower's obligations under the legal documents are met;
(ix) Assignments or its equivalent over the Designated Accounts;
(x) Debentures over DPL or its equivalent under Cambodian Law; and
(xi) Pledge of shares of DPL or its equivalent under Cambodian Law.

21. TRADE PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current:				
Trade payables	125,698	16,659	-	2
Retention sum on contracts	5,048	3,013	-	-
	130,746	19,672	-	2
Non-current:				
Trade payables	31,275	-	-	-
Total	162,021	19,672	-	2

Included in trade payables of the Group is an amount due to related parties by virtue of common shareholders and common key management personnel amounting to RM4,775,790 (2016: RM2,645,255) which is unsecured, non-interest bearing and the normal credit term granted by the related parties is 90 days (2016: 90 days).

Trade payables are non-interest bearing and the normal credit terms granted by the trade payables to the Group and the Company range from 14 days to 2 years (2016: 14 days to 1 year).

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22. OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	18,460	14,889	408	573
Deposits received	-	394	-	-
Accruals	7,231	11,173	420	6,743
GST payable	1,520	474	-	-
	27,211	26,930	828	7,316

Included in other payables of the Group are:

(i) an amount of RM2,616,903 (2016: RM871,123) due to related parties by virtue of common shareholders and common key management personnel;
(ii) an amount of RM2,385,739 (2016: RM2,071,364) due to corporate shareholders of a subsidiary; and
(iii) an amount of RM348,260 (2016: Nil) due to a Director of a subsidiary.

The above amounts are unsecured, non-interest bearing and repayable on demand, except for the amount due to corporate shareholders is subject to interest rate of 5% (2016: 5%) per annum.

23. AMOUNT DUE TO DIRECTORS

The amount due to Directors is non-trade in nature, unsecured, bears no interest and repayable on demand.

24. REVENUE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of products	53,606	49,809	-	380
Rendering of services under construction contracts	444,713	467,742	-	-
Management fee income	-	-	8,300	5,803
Dividend income	-	-	13,000	12,000
	498,319	517,551	21,300	18,183

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25. OTHER INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fair value gain on derivative financial instruments	880	3,690	-	-
Gain on disposal of property, plant and equipment	114	-	-	-
Interest income	67	718	1	97
Interest income from concession assets	19,376	-	-	-
Realised gain on foreign exchange	46	13,726	-	-
Rental income	45	-	-	-
Sundry income	549	1,166	-	-
Unrealised gain on foreign exchange	10,349	-	-	2,123
Unwinding discount of financial liability	3,021	-	-	-
	34,447	19,300	1	2,220

26. FINANCE COSTS

	Group	
	2017 RM'000	2016 RM'000
Bank overdrafts	504	468
Finance lease liabilities	140	221
Interest expense charged by shareholder	118	100
Short-term borrowings	10,539	8,143
Term loans	12,700	1,204
	24,001	10,136
Less: Charged to cost of sales	(12,155)	(673)
	11,846	9,463

27. PROFIT BEFORE TAX

Profit before tax is determined after charging/(crediting), amongst others, the following items:-

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental of premises	1,599	1,268	-	-
Rental of motor vehicles	26	32	-	-
Realised loss on foreign exchange	4,913	884	1	849

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28. TAX EXPENSE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current year:				
- current tax	9,663	8,661	657	176
- deferred tax (Note 7)	(1,905)	(1,404)	231	-
	7,758	7,257	888	176
(Over)/under provision in prior years				
- current tax	(873)	(560)	-	-
- deferred tax (Note 7)	(2,528)	833	78	-
	(3,401)	273	78	-
	4,357	7,530	966	176

Malaysian income tax is calculated at the statutory rate of 24% (2016: 24%) of the estimated taxable profits for the financial year.

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

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	128,302	104,142	13,737	8,219
At Malaysian statutory tax rate of 24% (2016: 24%)	30,793	24,994	3,297	1,973
Effects of different tax rates in overseas subsidiaries	(1,444)	(945)	-	-
Tax effects in respect of:-				
- expenses not deductible for tax purposes	6,497	3,198	711	44
- income not subject to tax	(11,945)	(5,289)	(3,120)	(2,880)
- movement of deferred tax assets not recognised during the financial year	1,420	1,148	-	1,039
- exemption under qualified invest project in foreign subsidiary	(17,563)	(15,849)	-	-
(Over)/under provision in prior years	(3,401)	273	78	-
	4,357	7,530	966	176

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28. TAX EXPENSE (cont'd)

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

	Group	
	2017	2016
	RM'000	RM'000
Property, plant and equipment	5,794	-
Unabsorbed tax losses	(16,707)	(8,609)
Unutilised capital allowances	(3,348)	-
Others	(286)	-
	(14,547)	(8,609)

The deductible temporary differences, unabsorbed tax losses and unutilised capital allowances are available for offset against future taxable profits of the respective subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as the respective subsidiaries are not foreseen to realise the above amount in near future.

29. EARNINGS PER ORDINARY SHARE

Basic earnings per share

Basic earnings per ordinary share is calculated by dividing consolidated profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2017	2016
		(Restated)
Profit attributable to owners of the Company (RM'000)	94,911	69,876
Weighted average number of ordinary shares in issue - basic (Number of shares) *	754,333,530	746,252,071
Basic earnings per share (RM)	0.13	0.09

* The share split and bonus issue were without consideration and therefore the number of ordinary shares arising from share split and bonus issue are treated as if they had occurred before the beginning of 1 July 2015.

There are no diluted earnings per share because the Company does not have any convertible financial instruments as at the end of the financial year.

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30. DIVIDENDS

	Cash	DRP		Group and Company	
				2017	2016
	RM'000	No. of shares	RM'000	RM'000	RM'000
In respect of the financial year ended 30 June 2016:					
Final single tier dividend of 3.0 sen per ordinary share	2,051	14,379,400 at RM1.42 per ordinary share	20,419	22,470	-
In respect of the financial year ended 30 June 2015:					
Final single tier dividend of 3.0 sen per ordinary share	704	799,700 at RM6.09 per ordinary share	4,870	-	5,574
				22,470	5,574

The Dividend Reinvestment Plan ("DRP") provided the shareholders of the Company with the option to reinvest the Final Dividend into new ordinary shares of the Company.

31. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Salaries, wages, bonuses and other emoluments	30,097	29,558	3,726	3,460
Defined contribution plan	3,140	2,813	439	415
Social security contributions	201	135	4	3
Directors' fee	135	140	135	140
Other benefits	1,255	1,341	34	86
Fair value of shares granted under Share Grant Plan	-	6,376	-	6,376
	34,828	40,363	4,338	10,480

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Executive Directors of the Company:				
Salaries, bonuses and other emoluments	2,924	2,843	2,614	2,449
Defined contribution plan	308	326	308	289
Social security contributions	1	1	1	1
Fair value of shares granted under Share Grant Plan	-	6,376	-	6,376
	3,233	9,546	2,923	9,115

31. EMPLOYEE BENEFIT EXPENSES (cont'd)

Included in the employee benefit expenses of the Group are Directors' remuneration as follows:-

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Executive Directors of subsidiaries:				
Salaries, bonuses and other emoluments	724	432	-	-
Non-Executive Directors of the Company:				
Directors' fee	135	140	135	140

The estimated monetary value of benefit-in-kind received and receivable by the Executive Directors of the Company otherwise than in cash from the Group amounted to RM84,000 (2016: RM54,000).

32. INVESTMENTS IN A JOINTLY- CONTROLLED ENTITY

Group

The particulars of the jointly- controlled entity are as follows:-

Name of company	Place of incorporation	Effective interest 2017 %	Effective interest 2016 %	Principal activities
Tajri-PESTECH JV Sdn. Bhd.	Malaysia	50	50	Provision of electrical, mechanical and civil engineering, subcontracting and engineering consultancy. It is currently inactive.

The Group discontinued recognising its share of losses in the jointly-controlled entity under the equity method of accounting, as the share of losses in the jointly-controlled entity has exceeded the cost of investment of RM12,500.

The other financial information of the joint venture is not disclosed as they are immaterial to the Group's financial position, financial performance and cash flows.

33. COMMITMENTS

33.1 Operating lease commitments - as lessee

The future minimum lease payments payable under non-cancellable operating lease commitments are:

	Group	
	2017	2016
	RM'000	RM'000
Future minimum lease payments payables:		
- Not later than 1 year	399	1,060
- Later than 1 year but not later than 2 years	941	1,054
	1,340	2,114

33. COMMITMENTS (cont'd)

33.1 Operating lease commitments - as lessee (cont'd)

Operating lease commitments represent rentals payable for rent of the buildings and offices. Leases are negotiated for terms of 1 to 3 years (2016: 1 to 3 years).

33.2 Finance lease commitments

The future minimum lease payments under finance leases are disclosed in Note 19 to the financial statements.

33.3 Capital commitments

	Group	
	2017	**2016**
	RM'000	**RM'000**
Capital expenditure		
Authorised and contracted for:		
- Property, plant and equipment	14,207	22,794

34. CONTINGENCIES

A subsidiary of the Company received a Notice of Tax Reassessment from the tax authority to claim a purportedly of the followings:

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

In response, the subsidiary had filed a protest letter to the tax authority to contest the misinterpreted assessment. Management considers this assessment letter to be of no basis and unjustified and the probability that they will be required to settle the assessed taxes is considered to be remote. The protest is still pending as of the date of the financial statements.

35. RELATED PARTY DISCLOSURES

35.1 Related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Subsidiaries:				
- Sale of products	-	-	-	380
- Management fee income	-	-	8,300	5,829
- Dividend income	-	-	13,000	12,000

35. RELATED PARTY DISCLOSURES (cont'd)

35.1 Related party transactions (cont'd)

Related parties by virtue of common shareholders and common key management personnel:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
- Revenue	829	-	-	-
- Purchase of materials and services received	13,030	21,110	-	-
- Construction of capital work-in-progress	11,276	5,243	-	-
- Rental income	41	-	-	-
- Rental expenses	88	-	-	-

35.2 Compensation of key management personnel

The Directors' remuneration is disclosed in Note 31 to the Financial Statements. Other key management personnel compensation is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other key management personnel:				
- Salaries, bonuses and other emoluments	770	741	770	741
- Defined contribution plan	92	89	92	89
- Social security contributions	2	1	2	1
	864	831	864	831

Other key management personnel comprise staff of the Group and of the Company having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, either directly or indirectly.

35.3 Outstanding balances arising from related party transactions with related parties related by virtue of common shareholders and common key management personnel are disclosed in Notes 21 and 22 to the Financial Statements.

36. FINANCIAL INSTRUMENTS

36.1 Categories of financial instruments

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

(i) Loans and receivables (L&R)
(ii) Financial assets at fair value through profit or loss (FVTPL)
(iii) Other financial liabilities measured at amortised cost (OL)

	Carrying amount RM'000	L&R RM'000	FVTPL RM'000	OL RM'000
Group				
2017				
Financial assets				
Derivative financial instruments	4,570	-	4,570	-
Concession assets	442,475	442,475	-	-
Receivables	124,922	124,922	-	-
Cash and bank balances	22,150	22,150	-	-
	594,117	589,547	4,570	-
Financial liabilities				
Payables	188,338	-	-	188,338
Finance lease liabilities	1,921	-	-	1,921
Loans and borrowings	505,528	-	-	505,528
	695,787	-	-	695,787
2016				
Financial assets				
Derivative financial instruments	3,690	-	3,690	-
Concession assets	219,971	219,971	-	-
Receivables	96,738	96,738	-	-
Short term deposits with licensed institutions	460	460	-	-
Cash and bank balances	16,031	16,031	-	-
	336,890	333,200	3,690	-
Financial liabilities				
Payables	47,000	-	-	47,000
Finance lease liabilities	2,918	-	-	2,918
Loans and borrowings	327,705	-	-	327,705
	377,623	-	-	377,623

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36. FINANCIAL INSTRUMENTS (cont'd)

36.1 Categories of financial instruments (cont'd)

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

	Carrying amount RM'000	L&R RM'000	OL RM'000
Company			
2017			
Financial assets			
Receivables	110	110	-
Amount due from related companies	162,687	162,687	-
Cash and bank balances	244	244	-
	163,041	163,041	-
Financial liabilities			
Payables	828	-	828
Amount due to subsidiaries	22,988	-	22,988
	23,816	-	23,816
2016			
Financial assets			
Receivables	163	163	-
Amount due from related companies	161,966	161,966	-
Cash and bank balances	9	9	-
	162,138	162,138	-
Financial liabilities			
Payables	7,318	-	7,318
Amount due to subsidiaries	28,691	-	28,691
	36,009	-	36,009

36.2 Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

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36. FINANCIAL INSTRUMENTS (cont'd)

36.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

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

(i) Receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

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

	Group			
	2017		**2016**	
	RM'000	**% of total**	**RM'000**	**% of total**
By country:				
Malaysia	83,646	87.32	86,145	99.97
Cambodia	1,148	1.19	-	-
Philippine	25	0.03	-	-
Papua New Guinea	4,998	5.22	-	-
Kyrgyzstan	5,977	6.24	-	-
Others	-	-	23	0.03
	95,794	100.00	86,168	100.00

36. FINANCIAL INSTRUMENTS (cont'd)

36.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):

(i) Receivables (cont'd)

The aging analysis of trade receivables other than retention sum is as follows:

	2017 RM'000	2016 RM'000
Not past due	32,048	31,583
Past due for 0-30 days	10,633	1,692
Past due for 31-60 days	149	28
Past due for 61-90 days	32	1,052
Past due for 91-120 days	2,689	473
Past due for more than 120 days	13,440	17,229
Gross/Net carrying amount	58,991	52,057

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

At the reporting date, approximately 47% (2016: 58%) of the Group's trade receivables were due from three (2016: two) major customers.

The net carrying amount of trade receivables is considered a reasonable approximate of fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above.

(ii) Intercompany balances

The maximum exposure to credit risk is represented by their carrying amounts in the Statement of Financial Position.

The Group and the Company provide unsecured advances to related companies and monitor the results of the related companies regularly.

As at the end of the reporting period, there was no indication that the advances to the related parties are not recoverable.

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36. FINANCIAL INSTRUMENTS (cont'd)

36.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):

(iii) Financial guarantee

The maximum exposure to credit risk amounted to RM505,885,546 (2016: RM299,424,605), representing the outstanding banking facilities and hire purchase facilities of the subsidiaries as at the end of the reporting year.

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

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

(b) Liquidity risk

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

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

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

36. FINANCIAL INSTRUMENTS (cont'd)

36.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
Group							
2017							
Non-derivative financial liabilities							
Secured:							
Finance lease liabilities	1,921	2.25%-3.86%	2,039	1,342	697	-	-
Loans and borrowings	505,528	1.18%-8.60%	597,113	247,721	27,499	138,480	183,413
	507,449		599,152	249,063	28,196	138,480	183,413
Unsecured:							
Payables	188,338		191,359	157,063	34,296	-	-
Total undiscounted financial liabilities	695,787		790,511	406,126	62,492	138,480	183,413
2016							
Financial assets							
Fixed deposits with licensed institutions	460	2.90%-3.30%	460	-	-	-	460
Non-derivative financial liabilities							
Secured:							
Finance lease liabilities	2,918	2.25%-3.86%	3,111	1,556	1,212	343	-
Loans and borrowings	299,484	1.53%-8.60%	326,980	192,764	6,416	71,021	56,779
	302,402		330,091	194,320	7,628	71,364	56,779
Unsecured:							
Payables	47,000		47,000	47,000	-	-	-
Loans and borrowings	28,221		28,221	28,221	-	-	-
	75,221		75,221	75,221	-	-	-
Total undiscounted financial liabilities	377,623		405,312	269,541	7,628	71,364	56,779

36. FINANCIAL INSTRUMENTS (cont'd)

36.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
Company							
2017							
Non-derivative financial liabilities							
Unsecured:							
Payables	828		828	828	-	-	-
Amount due to subsidiaries	22,988		22,988	22,988	-	-	-
Total undiscounted financial liabilities	23,816		23,816	23,816	-	-	-
Financial guarantee to subsidiaries	-		505,886	505,886	-	-	-
2016							
Non-derivative financial liabilities							
Unsecured:							
Payables	7,318		7,318	7,318	-	-	-
Amount due to subsidiaries	28,691		28,691	28,691	-	-	-
Total undiscounted financial liabilities	36,009		36,009	36,009	-	-	-
Financial guarantee to subsidiaries	-		299,425	299,425	-	-	-

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36. FINANCIAL INSTRUMENTS (cont'd)

36.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the companies within the Group. The currency giving rise to this risk is primarily United States Dollar (USD), Philippine Peso (PHP), Euro (EURO), Brunei Dollar (BND) and Chinese Yuan (CNY).

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

	Trade receivables	Other receivables	Cash and bank balances	Trade payables	Other payables	Loans and borrowings
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017						
Denominated in:						
USD	12,080	2,725	1,377	(3,575)	(10,734)	(53,230)
EURO	-	251	7	(455)	-	(1,871)
PHP	25	-	675	-	-	-
CNY	-	2,404	-	(67)	-	(114)
Others	-	19	-	(52)	-	-
2016						
Denominated in:						
USD	14,974	2,367	2,669	(492)	(28,348)	(30,591)
EURO	-	321	19	(901)	-	(1,511)
BND	-	-	1	(155)	-	-
CNY	-	2,267	-	(64)	-	-
Others	-	-	19	(176)	-	-

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36. FINANCIAL INSTRUMENTS (cont'd)

36.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(c) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit for the financial year to a +/-5% (2016: +/-5%) change in the USD, EURO, PHP, BND and CNY exchange rates at the reporting period against the respective functional currency of the companies within the Group, with all variables held constant.

	Group Profit for the year	
	2017	**2016**
	RM'000	**RM'000**
USD/RM		
- Strengthened	(2,568)	(1,971)
- Weakened	2,568	1,971
EURO/RM		
- Strengthened	(103)	(104)
- Weakened	103	104
PHP/RM		
- Strengthened	35	-
- Weakened	(35)	-
BND/RM		
- Strengthened	-	(8)
- Weakened	-	8
CNY/RM		
- Strengthened	111	110
- Weakened	(111)	(110)

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(d) Interest rate risk

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

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

36. FINANCIAL INSTRUMENTS (cont'd)

36.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(d) Interest rate risk (cont'd)

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Fixed rate instruments:		
Financial assets	-	460
Financial liabilities	(1,921)	(2,918)
	(1,921)	(2,458)
Floating rate instruments:		
Financial liabilities	(505,528)	(299,484)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in 50 basis point (bp) in interest rates at the end of the reporting period would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit for the year	
	+ 50 bp	**- 50 bp**
	RM'000	**RM'000**
2017		
Floating rate instruments	(2,528)	2,528
2016		
Floating rate instruments	(1,497)	1,497

36. FINANCIAL INSTRUMENTS (cont'd)

36.3 Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings (except for finance lease liabilities and term loans), are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	2017		2016	
	Carrying amounts	**Fair value at Level 2**	**Carrying amounts**	**Fair value at Level 2**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial asset carried at fair value:				
Forward exchange contracts - asset	4,570	4,570	3,690	3,690
Financial liability not carried at fair value:				
Finance lease liabilities	1,921	1,907	2,918	2,877

There were no transfers between Level 1 and Level 2 during the financial year (2016: no transfer in either direction).

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 Fair Value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 Fair Value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

(i) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate (based on government bonds).

(ii) Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases that market rate of interest is determined by reference to similar lease agreements.

Level 3 Fair Value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

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37. OPERATING SEGMENT

37.1 Business segments

For the management purposes, the Group is organised into business units based on their products and services, which comprises the following:

(a) Investment - Investment and property holding
(b) EPMCC - Engineering, procurement, manufacturing, construction and commissioning of power substations and transmission lines
  (i) Malaysia - home country
  (ii) Overseas - consists of Cambodia, Labuan, Ghana, Australia, Brunei and People's Republic of China

Management monitors the operating results to its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explain in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Note	Investment	EPMCC (local)	EPMCC (overseas)	Adjustments and Eliminations	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
2017						
Revenue						
External customers		-	217,533	280,786	-	498,319
Inter-segment	i	8,990	76,424	131,123	(216,537)	-
Total revenue		8,990	293,957	411,909	(216,537)	498,319
Results						
Dividend income		13,000	29,960	-	(42,960)	-
Interest income		1,067	1,195	-	(2,195)	67
Interest income from concession assets		-	-	19,376	-	19,376
Finance costs		(2,123)	(10,401)	(12,645)	1,168	(24,001)
Depreciation of property, plant and equipment		(24)	(4,361)	(445)	(134)	(4,964)
Non-cash items other than depreciation	ii	6,965	6,273	3,021	(2,035)	14,224
Tax expense		(1,601)	4,063	(7,343)	524	(4,357)
Segment profit	iii	19,777	25,142	134,123	(55,097)	123,945
Assets						
Segment assets		440,194	520,455	1,009,918	(798,457)	1,172,110
Additions to non-current assets (other than financial instruments)	iv	21,050	8,003	1,004	-	30,057
Liabilities						
Segment liabilities		(212,959)	(406,657)	(791,826)	703,698	(707,744)

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37. OPERATING SEGMENT (cont'd)

37.1 Business segments (cont'd)

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by business segment (cont'd):

	Note	Investment	EPMCC (local)	EPMCC (overseas)	Adjustments and Eliminations	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
2016						
Revenue						
External customers		-	183,012	334,539	-	517,551
Inter-segment	i	18,747	76,568	97,729	(193,044)	-
Total revenue		18,747	259,580	432,268	(193,044)	517,551
Results						
Dividend income		12,000	8,063	-	(20,063)	-
Interest income		97	616	5	-	718
Finance costs		(593)	(8,673)	(1,463)	593	(10,136)
Depreciation of property, plant and equipment		(17)	(3,957)	(305)	(132)	(4,411)
Non-cash items other than depreciation	ii	(67)	(2,790)	-	1,571	(1,286)
Tax expense		(200)	(2,630)	(4,700)	-	(7,530)
Segment profit	iii	8,934	10,846	98,322	(21,490)	96,612
Assets						
Segment assets		271,566	579,932	623,190	(743,227)	731,461
Additions to non-current assets (other than financial instruments and deferred tax assets)	iv	11,893	1,456	726	-	14,075
Liabilities						
Segment liabilities		(67,273)	(478,176)	(517,090)	673,227	(389,312)

Notes to the Financial Statements
30 June 2017
cont'd

37. OPERATING SEGMENT (cont'd)

37.1 Business segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

i. Inter-segment revenues are eliminated on consolidation.

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Fair value gain on derivative financial instruments	880	3,690
Unrealised gain/(loss) on foreign exchange	10,349	(4,896)
Unwinding discount of financial liability	3,021	-
Property, plant and equipment written off	(26)	(80)
	14,224	(1,286)

iii. The following items are added to/(deducted from) segment profit to arrive at "Profit after tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Segment profit	132,860	113,560
Interest income	67	718
Interest income from concession assets	19,376	-
Finance cost	(24,001)	(10,136)
Tax expense	(4,357)	(7,530)
	123,945	96,612

iv. Additions to non-current assets consists of:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Property, plant and equipment	29,342	14,075
Intangible assets	715	-
	30,057	14,075

Notes to the Financial Statements
30 June 2017
cont'd

37. OPERATING SEGMENT (cont'd)

37.2 Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Group				
Malaysia	217,533	191,588	68,890	43,913
Cambodia	279,769	323,684	87,837	82,050
China	-	-	115	-
Australia	1,017	2,279	-	-
	498,319	517,551	156,842	125,963

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

37.3 Information about major customers

Revenue from two (2016: two) major customers amounted to RM90,596,950 (2016: RM98,153,114) and RM189,171,918 (2016: RM225,530,948) respectively, arising from the sales by the EPMCC (Overseas) segment.

38. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic condition including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the financial year.

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 26 May 2016, the Company had proposed the following proposals which subsequently approved by Bursa Securities and members on 16 June 2016 and 15 July 2016 respectively:

(i) Subdivision of the issued and paid up share capital of 186,593,466 ordinary shares into 373,186,932 ordinary shares ("Subdivided Shares") on the basis of every one ordinary share held; and

(ii) Bonus issue of 373,186,932 new ordinary shares after subdivided shares on the basis of one bonus share for every one subdivided share by way of capitalisation of the Company's share premium and retained earnings.

(b) Acquisition of subsidiaries during the financial year are as disclosed in Note 6.3 to the Financial Statements.

DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdowns of retained earnings as at the reporting date that has been prepared in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:-

Total retained earnings of the Group and of the Company:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Realised	281,252	192,332	4,308	13,557
Unrealised	14,678	(5,880)	(1,935)	2,432
	295,930	186,452	2,373	15,989
Consolidation adjustments	(65,873)	(24,919)	-	-
	230,057	161,533	2,373	15,989

The above disclosures were reviewed and approved by the Board of Directors in accordance with a resolution of the Directors on 16 October 2017.

Analysis of Shareholdings

As at 2 October 2017

Class of shares	:	Ordinary Shares
Total number of shares issued	:	764,293,572
Voting rights	:	One vote for each share held

BREAKDOWN OF HOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of shares	Percentage of Issued Capital
1 — 99	70	2.94	1,341	0.00
100 — 1,000	270	11.35	172,668	0.02
1,001 — 10,000	1,093	45.96	5,510,726	0.72
10,001 — 100,000	656	27.59	21,540,054	2.82
100,001 — 38,214,677*	287	12.07	514,600,951	67.33
38,214,678 and above**	2	0.08	222,467,832	29.11
	2,378	**100.00**	**764,293,572**	**100.00**

Remarks:

* *Less than 5 % of the issued share capital.*
** *5% and above of the issued share capital.*

SUBSTANTIAL SHAREHOLDERS
(as shown in the Register of Substantial Shareholdings)

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	254,851,304	33.34	[1] 1,306,064	0.17
2. Lim Pay Chuan	155,329,096	20.32	[1] 1,306,064	0.17

Note:
[1] *Deemed interested pursuant to Section 8 of the Companies Act 2016 ("the Act") by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.*

Analysis of Shareholdings

As at 2 October 2017
cont'd

DIRECTORS' SHAREHOLDINGS

(as shown in the Register of Directors' Shareholdings)

		Number of Shares			
	Name of Director	**Direct Interest**	**%**	**Indirect Interest**	**%**
1.	Lim Ah Hock	254,851,304	33.34	[1] 1,306,064	0.17
2.	Lim Pay Chuan	155,329,096	20.32	[1] 1,306,064	0.17
3.	Ibrahim Bin Talib	-	-	[2] 15,406,732	2.02
4.	Tan Puay Seng	720,932	0.09	-	-
5.	Lee Ting Kiat	531,300	0.07	-	-

Note:
[1] *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.*
[2] *Deemed interested by virtue of his children's shareholdings pursuant to Section 59(11)(c) of the Act.*

THIRTY LARGEST REGISTERED HOLDERS

	Name	**No. of Shares**	**%**
1.	Lim Ah Hock	159,437,700	20.86
2.	Lim Pay Chuan	63,030,132	8.25
3.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Ah Hock*	37,320,000	4.88
4.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	34,355,232	4.50
5.	Lim Ah Hock	33,102,204	4.33
6.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Bank AG Singapore for Lim Pay Chuan (Maybank SG)*	31,604,600	4.14
7.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ah Hock (504021612634)*	24,991,400	3.27
8.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	24,408,464	3.19
9.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *SSBT Fund LL0A for Legato Capital Management Investments, LLC*	14,805,967	1.94
10.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt AN for Citibank New York (Norges Bank 14)*	12,716,400	1.66
11.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (NOMURA)*	10,885,000	1.42
12.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad – Kenanga Growth Fund*	10,722,664	1.40
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (CIMB PRIN)*	9,705,100	1.27
14.	Jauhari Arif Bin Ibrahim	8,258,932	1.08
15.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	7,985,032	1.04
16.	Joanna Binti Ibrahim	7,147,800	0.94
17.	Amanahraya Trustees Berhad *Amanah Saham Nasional 2*	6,891,900	0.90

Analysis of Shareholdings

As at 2 October 2017
cont'd

THIRTY LARGEST REGISTERED HOLDERS (cont'd)

	Name	No. of Shares	%
18.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)*	6,786,964	0.89
19.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt AN for Phillip Capital Management Sdn. Bhd. (EPF)*	6,259,932	0.82
20.	Lim Hon Seng	5,897,600	0.77
21.	Amanahraya Trustees Berhad *Amanah Saham Gemilang for Amanah Saham Kesihatan*	5,822,900	0.76
22.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ee Chong*	5,717,900	0.75
23.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	5,560,232	0.73
24.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera 2*	5,000,000	0.65
25.	Ng Tiang Yong	4,884,456	0.64
26.	Amanahraya Trustees Berhad *Amanah Saham Nasional*	4,749,400	0.62
27.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Kidsave Trust*	4,642,800	0.61
28.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (RHBISLAMIC)*	4,483,100	0.59
29.	Maybank Nominees (Tempatan) Sdn. Bhd. *Etiqa Insurance Berhad (Life Non-Par FD)*	4,379,500	0.57
30.	Amanah Raya Berhad *Kumpulan Wang Bersama Syariah*	4,150,000	0.54
	Total	**565,703,311**	**74.02**

List of Properties

Registered and Beneficial Owner	Property Address/Title Details	Description and Existing Use	Category of Land Use/ Tenure of Property	Land Area/ Gross Built-Up Area	Net Carrying Amount @ 30 June 2017 (RM'000)
Fornix Sdn Bhd	No. 26, Jalan Utarid U5/14 Seksyen U5 40150 Shah Alam Selangor Darul Ehsan Lot No. 69874 Title No. PN 11423 Mukim of Sungai Buloh District of Petaling Selangor Darul Ehsan	Single-storey detached factory with an annexed three-storey office building (office) and other ancillary buildings, currently being used as our Group's corporate office, factory and warehouse	Industry/ Leasehold of 99 years, expiring on 10 Jan 2102	4,027.0 square meters/ 2,896.7 square meters	6,317
	Lot No. 9366 Title No. GRN 207566 Mukim Bandar Serendah District Ulu Selangor Selangor Darul Ehsan	Construction of office and factory building	Industry/ Freehold	8,575 square meters	28,159
	B2-1001 & 1002, Meritus Tower Oasis Corporate Park 43701, Ara Damansara Selangor Darul Ehsan Lot No. 92087 Title No. GRN 317343 Mukim Damansara Daerah Petaling, Selangor Darul Ehsan	Commercial office lots	Commercial/ Freehold	1,080 square meters	8,241
Forward Metal Works Sdn Bhd	Lot 1264, Jalan Demak Indah, Demak Laut Industrial Park, off Jalan Bako, Kuching	A 2-storey detached factory with a 2-storey office section at the front and a single-storey factory at the rear	Industry/ Leasehold of 60 years, expiring on 16 September 2069	5,260 square meters	3,639

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of PESTECH International Berhad ("**PESTECH**" or "**the Company**") will be held at Zamrud Room, Ground Floor, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 23 November 2017 at 10:00 a.m. to transact the following business:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (i)]**

2. To approve the payment of Directors fees of RM134,673/- for the financial year ended 30 June 2017 and Directors' benefits of RM16,000/- for the period from 31 January 2017 to 30 June 2017. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees for an amount up to RM220,000/- which is payable on quarterly basis and Directors' benefits up to RM80,000/- to the Non-Executive Directors for the period commencing from 1 July 2017 up to the next Annual General Meeting. **Ordinary Resolution 2**

4. To re-elect Mr. Lim Ah Hock who retires in accordance with Article 95 of the Company's Articles of Association, and being eligible, offer himself for re-election. **Ordinary Resolution 3**

5. To re-elect Mr. Lee Ting Kiat who retires in accordance with Article 101 of the Company's Articles of Association, and being eligible, offer himself for re-election. **Ordinary Resolution 4**

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

AS SPECIAL BUSINESS

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

7. **ORDINARY RESOLUTION**
   - AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016 **Ordinary Resolution 6**

   "**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being;

   AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities;

   AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **ORDINARY RESOLUTION** **Ordinary Resolution 7**

- PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE")

"**THAT**, subject to the provision of the Bursa Malaysia Securities Berhad Main Market Listing Requirement, approval be and is hereby given to PESTECH International Berhad Group ("**the Group**") to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in Part A Section 1.3 of the Circular to Shareholders dated 31 October 2017, which are necessary for its day-to-day operations, to be entered into by the Group on the basis that these transactions are entered into on terms which are not more favourable to the Related Party involved than generally available to the public and are not detrimental to the minority shareholders of the Company;

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

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

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

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

whichever is the earlier;

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

9. **ORDINARY RESOLUTION** **Ordinary Resolution 8**

- PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY OF UP TO 10% OF THE ISSUED SHARE CAPITAL OF PESTECH INTERNATIONAL BERHAD ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")

"**THAT** subject always to the Companies Act 2016 ("**the Act**"), the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), and the approvals of all relevant governmental and/or regulatory authorities, the Company be authorised, to the extent permitted by the law, to buy back such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors deem fit and expedient in the interest of the Company provided that:-

i) the aggregate number of shares bought-back does not exceed 10% of the issued share capital of the Company at any point in time;

ii) the maximum amount of funds to be utilised for the purpose of the Proposed Renewal of Share Buy-Back Authority shall not exceed the Company's retained profits based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

Notice of Annual General Meeting
cont'd

iii) The shares purchased are to be treated in either of the following manners:-

(a) cancel the purchased ordinary shares; or
(b) retain the purchased ordinary shares as treasury shares for distribution as dividend to shareholders and/or resell on the market of Bursa Securities; or
(c) retain part of the purchased ordinary shares as treasury shares and cancel the remainder;

THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:-

i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the general meeting at which such resolution was passed at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

iii) revoked or varied by ordinary resolution passed by shareholders of the Company in general meeting,

whichever occurs first;

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient to implement, finalise and give full effect to the purchase of the Company's shares."

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

"**THAT** pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting of the Company held on 9 October 2013 and subject to the approval of the relevant regulatory authorities (if any), approval be and is hereby given to the Company to allot and issue such number of new PESTECH Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting upon such terms and conditions as stated in Circular to Shareholders dated 23 September 2013, **PROVIDED THAT** the issue price of the said new PESTECH Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the five (5)-market day volume weighted average market price ("**VWAP**") of PESTECH Shares immediately prior to the price-fixing date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and the issue price may not be less than the par value of PESTECH Shares at the material time;

Notice of Annual General Meeting
cont'd

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

11. To transact any other business to which due notice has been given in accordance with the Companies Act 2016.

By Order of the Board

TEH BEE CHOO (MIA 7562)
CHUA SIEW CHUAN (MAICSA 0777689)
PAN SENG WEE (MAICSA 7034299)
Company Secretaries

Kuala Lumpur
31 October 2017

NOTES:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 17 November 2017 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.*

2. *A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*

4. *A member of the Company may not appoint more than two (2) proxies to attend the same meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.*

5. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.*

6. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

8. *Explanatory Notes on Ordinary and Special Business*

   (i) Item 1 of the Agenda

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

Notice of Annual General Meeting
cont'd

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

In compliance with Section 230(1) of the Companies Act 2016 which comes into force on 31 January 2017, the Company is requesting shareholders' approval for the payment of the Directors' fees and Directors' benefits to the Non-Executive Directors. The benefits comprise meeting allowance to be paid to the Non-Executive Directors, in respect of their meeting attendance for the period from 31 January 2017 to 30 June 2017.

(iii) Ordinary Resolutions 2 – Approval for the payment of Directors' fees and Directors' benefits

In compliance with Section 230(1) of the Companies Act 2016 which comes into force on 31 January 2017, the Company is requesting shareholders' approval for the payment of the Directors' fees and Directors' benefits to the Non-Executive Directors to be payable on quarterly basis with effect from 1 July 2017 to the next Annual General Meeting. The benefits comprise meeting allowance payable to the Non-Executive Directors, in respect of their meeting attendance for the period from 1 July 2017 to the next Annual General Meeting.

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

*The Company wishes to renew the mandate on the authority to issue shares pursuant to the Companies Act 2016, at the Sixth Annual General Meeting of the Company ("hereinafter referred to as the "**General Mandate**").*

The Company had been granted a general mandate by its shareholders at the Fifth Annual General Meeting of the Company held on 28 November 2016 ("Previous Mandate"). The Previous Mandate granted by the shareholders had not been utilised and hence no proceed was raised therefrom.

The proposed resolution, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

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

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

Please refer to the Circular to Shareholders dated 31 October 2017 for further information.

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

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

Please refer to the Circular to Shareholders dated 31 October 2017 for further information.

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

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

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PESTECH INTERNATIONAL BERHAD (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 Sixth Annual General Meeting of the Company to be held at Zamrud Room, Ground Floor, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 23 November 2017 at 10:00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

Resolution		For	Against
1.	To approve the payment of Directors fees of RM134,673/- for the financial year ended 30 June 2017 and Directors' benefits of RM16,000/- for the period from 31 January 2017 to 30 June 2017.		
2.	To approve the payment of Directors' fees for an amount up to RM220,000/- which is payable on quarterly basis and Directors' benefits up to RM80,000/- to the Non-Executive Directors for the period commencing from 1 July 2017 up to the next Annual General Meeting.		
3.	To re-elect Mr. Lim Ah Hock who retires in accordance with Article 95 of the Company's Articles of Association, and being eligible, offers himself for re-election.		
4.	To re-elect Mr. Lee Ting Kiat who retires in accordance with Article 101 of the Company's Articles of Association, and being eligible, offers himself for re-election.		
5.	To re-appoint Messrs. SJ Grant Thornton as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.		
6.	Authority to Issue Shares pursuant to the Companies Act 2016.		
7.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions.		
8.	Proposed Renewal of Share Buy-Back Authority.		
9.	Proposed Renewal of DRP Authority.		

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

Dated this day ____________________ of ______________________ 2017

____
*Signature of Shareholder/Common Seal
* Delete if inapplicable

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 17 November 2017 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
4. A member of the Company may not appoint more than two (2) proxies to attend the same meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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AFFIX
STAMP

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

1st Fold Here

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