PESTECH

ANNUAL REPORT **2017/2018**

GENERATING SUSTAINABLE **GROWTH**

AT A
GLANCE

PROFIT BEFORE TAX

INCREASE

2.24 TIMES since 2013

4,785

PRODUCTS DELIVERED

since 2003

PRESENCE IN

7 COUNTRIES

INCREASE IN REVENUE BY

360% since 2013

IN SIDE THIS REPORT

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4

5

OUR
GLOBAL FOOTPRINT

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 Philippines with growing number of other countries consistently.

PESTECH involves in the provision of engineering, design, manufacturing, installation and commissioning of electrical power facilities. The Company continues to invest in state-of-the art machines and technology 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's engineering services, customers are able to achieve cost optimisation and improve efficiency while ensuring 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.

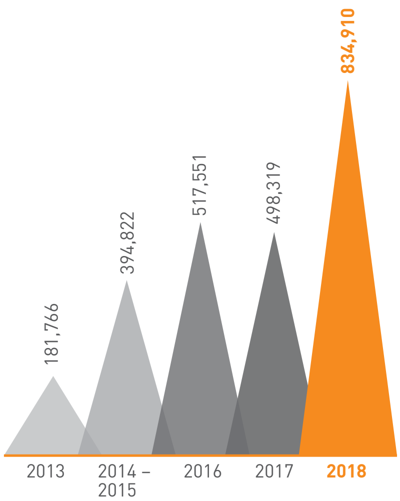
PESTECH has a – we are going to do this,

with all means **POSSIBLE** attitude,

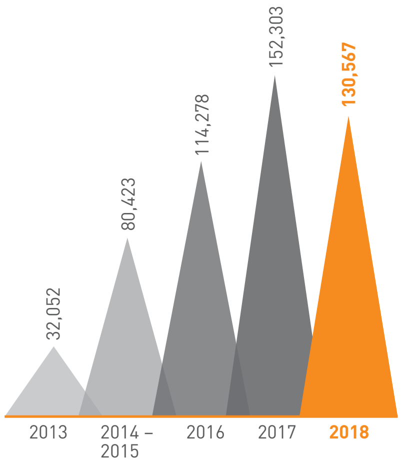
which is exactly what one needs to **SUCCEED**


CHINA
KYRGYZSTAN
LAOS
BRUNEI
PHILIPPINES
MYANMAR
SRI LANKA
CAMBODIA
PAPUA
NEW GUINEA
VIETNAM
MALAYSIA
SINGAPORE
INDONESIA
AUSTRALIA

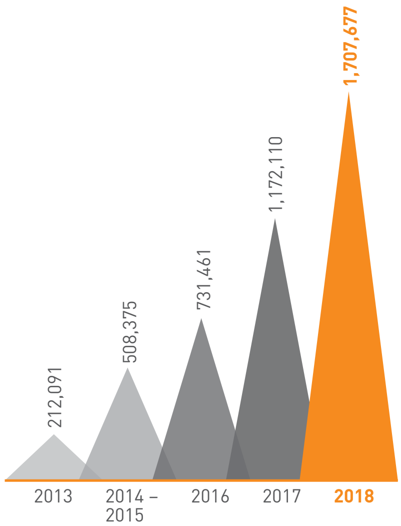
FINANCIAL HIGHLIGHTS



REVENUE
(RM'000)
(CAGR = 35.65%)

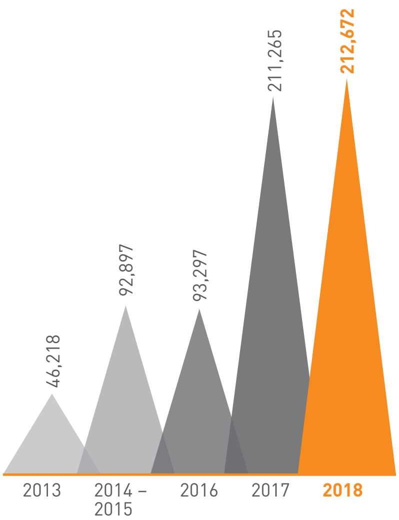


EBIT
(RM'000)
(CAGR = 32.43%)

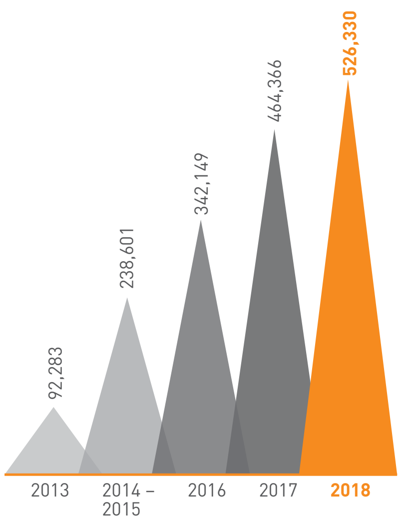


TOTAL ASSETS
(RM'000)
(CAGR = 51.77%)

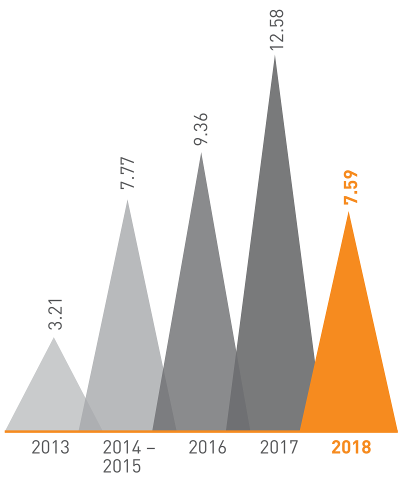
FYE	2013	2014-2015 (Change of FYE to 30 June)	2016	2017	2018
PROFITABILITY					
Revenue [RM'000]	181,766	394,822	517,551	498,319	**834,910**
EBIT [RM'000]	32,052	80,423	114,278	152,303	**130,567**
PBT [RM'000]	28,593	73,144	104,142	128,302	**92,600**
Profit for the year attributable to equity holder [RM'000]	20,721	54,833	69,876	94,911	**57,970**
FINANCIAL POSITION					
Total assets [RM'000]	212,091	508,375	731,461	1,172,110	**1,707,677**
Share capital [RM'000]	46,218	92,897	93,297	211,265	**212,672**
Shareholders' equity [RM'000]	92,283	238,601	342,149	464,366	**526,330**
Total bank borrowings [RM'000]	67,059	187,615	330,623	507,449	**736,159**



SHARE CAPITAL
(RM'000)
(CAGR = 35.70%)



SHAREHOLDERS' EQUITY
(RM'000)
(CAGR = 41.65%)



EARNINGS PER SHARE
(SEN)
(CAGR = 18.78%)

FYE	2013	2014-2015 (Change of FYE to 30 June)	2016	2017	2018
FINANCIAL RATIO					
Return on equity	22%	23%	28%	27%	**14%**
Return on total assets	15%	17%	16%	13%	**5%**
Gearing ratio	0.73	0.79	0.97	1.09	**1.40**
Interest cover	9.70	12.33	11.27	6.35	**3.44**
SHARE INFORMATION					
Total dividend payout [RM'000]	11,010	17,270	5,574	22,470	**-**
Earnings per share (sen)**	3.21	7.77	9.36	12.58	**7.59**
Net assets per share (sen)	99.83	128.42	183.37	60.83	**68.86**
Weighted average number of ordinary shares in issue ['000]**	646,258	705,364	746,252	754,334	**764,058**
Number of shares ('000)	92,437	185,794	186,594	763,380	**764,294**

** *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

Tan Puay Seng
(Chairman)

Ibrahim Bin Talib

Lee Ting Kiat

NOMINATING COMMITTEE

Ibrahim Bin Talib
(Chairman)

Tan Puay Seng

Lee Ting Kiat

REMUNERATION COMMITTEE

Lee Ting Kiat
(Chairman)

Tan Puay Seng

Ibrahim Bin Talib

AUDITORS

GRANT THORNTON MALAYSIA
(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

REGIONAL CENTER

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

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

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

PESTECH (Sarawak) Sdn Bhd,
Kuching, Sarawak.

HEAD OFFICE

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

Tel. No. : +603 7845 2186

STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad
Stock Name : PESTECH
Stock Code : 5219
Sector : Industrial Products & Services
Sub-sector : Industrial Engineering

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

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

CORPORATE STRUCTURE

PESTECH

PESTECH INTERNATIONAL BERHAD

- 100% Enersol Co. Ltd.
- 100% PESTECH Energy Sdn Bhd
  - 51% SystemCorp Energy Pty. Ltd. *(formerly known as SystemCorp Embedded Technology Pty. Ltd.)*
- 100% PESTECH Engineering Technology China Co. Ltd.
- 100% PESTECH Power Sdn Bhd
  - 60% Diamond Power Ltd.
- 100% PESTECH Sdn Bhd
  - 100% Fornix Sdn Bhd
    - 100% Forward Metal Works Sdn Bhd
  - 100% PESTECH Transmission Ltd.
  - 90% PESTECH (Brunei) Sdn Bhd
  - 50% Tajri-PESTECH JV Sdn Bhd
- 100% PESTECH Technology Sdn Bhd
  - 100% Colas Rail System Engineering Sdn Bhd
- 100% PESTECH Transmission Sdn Bhd
- 100% PESTECH (Cambodia) PLC.
  - 99.99% PESTECH (Myanmar) Ltd.
- 100% PESTECH (PNG) Ltd.
- 100% PESTECH (Sarawak) Sdn Bhd

MAIN BUSINESS **SEGMENTS**

POWER TRANSMISSION INFRASTRUCTURE

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

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 embark on EPCC projects for rail electrification, control, communication, signalling and track construction with ease.

MAIN BUSINESS **SEGMENTS**

TRANSMISSION ASSET

TRANSMISSION ASSET

The Transmission Asset segment with Build-Operate -Transfer ("BOT") Model is part of the Group's strategic development direction. Riding on the strength of the Group in the power transmission 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. In addition, the Group has had the opportunity to provide operations and maintenance services to assure the transmission asset is maintained regulary 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 & EMBEDDED SYSTEM SOFTWARE

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" 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.

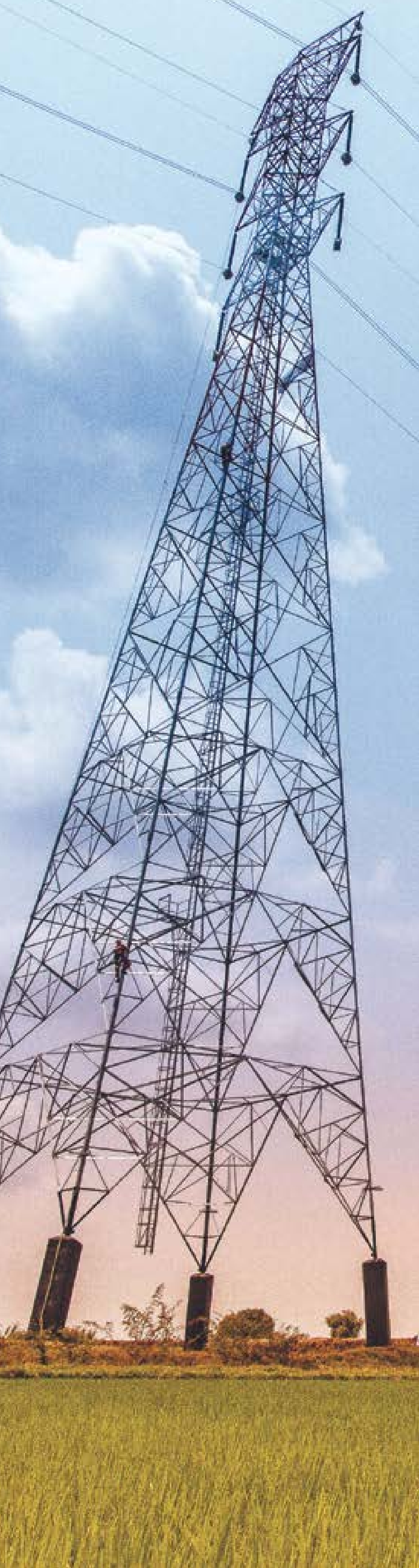
PESTECH TECHNOLOGY SDN BHD's Group, led by Mr. Paismanathan Govindasamy in the Power Generation & Rail Electrification segment, delivers Power Plant Automation and electrification solutions and railway system work packages including rail electrification, signalling and communication system. The key competencies of this group include:

RAIL SYSTEM

- Reactive power compensation, load balancing and harmonic study
- Control, signalling and Automatic Train Protection system
- Design of AC and/or DC traction substation including control and protection
- Third/fourth rail and overhead contact system (Catenary system)
- System study and dynamic traction power supply simulation
- Communication system backbone and signalling
- Interface engineering and PMC

POWER GENERATION & ELECTRIFICATION

- Enterprise Asset Life Cycle Information Management System
- Power Generation & Electrification
- System Integrator for Power Plant Automation (DCS)
- Power Plant Operator Training Simulator
- Power Plant Performance Optimisation
- Enterprise Asset Life Cycle Information Management System
- Power Plant Information Management System



PESTECH TRANSMISSION SDN BHD's Group, led by Mr. Han Fatt Juan, mainly focus on transmission lines and underground cables . 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. Their key strategic focus covers, inter alia, the following:-

- Design optimisation of line profile and survey
- Transmission tower design parameter, foundation design, fitting and conductor requirements
- Transmission line and underground cable engineering
- Substation civil foundation works and trenching design standardisation
- Procurement, installation on construction of transmission line and underground cable
- Operation of stringing machine for transmission line
- Power cable termination and joint
- Testing & commissioning of transmission line and underground cable
- Implementation on site construction and installation
- Operation and maintenance team of transmission line and substations

PESTECH SDN BHD's Group, led by Mr. Lee Kong Tee, provides comprehensive power system engineering and technical solutions for the construction of electricity transmission and distribution assets. The service offerings encompass the design, engineering, manufacture, installation test and commission of HV and EHV substation and equipment. Their key competencies include: -

- Construction of HV and EHV assets
- Testing and commissioning of electrical substation
- Equipment installation and verification
- Project and Construction management
- Primary engineering optimisation
- Interfacing management with civil and structural requirements

PESTECH ENERGY SDN BHD's Group, led by Mr. Vind Sidhu, develops and produces communication, protection and control products for use in its own projects as well as for sale as standalone equipment. The dedicated Design & Development team designs and develops electrical components and equipment that are specifically tailored to meet client requirements and internationally recognized standards. Their expertise and competence include but not limited to:-

- Secondary Systems & Engineering including testing and commissioning of secondary systems
- Digitalisation space includes Advanced Metering Infrastructure, IIoT in Energy, Microgrid also moving into Digital Substation
- Hardware design capabilities for embedded circuits – software design on Linux, Windows and various RTOS OS
- Specialised in utility communication software integration not limiting to IEC 61850 Medium Voltage Switchgear ranging from 11kV AIS and 24/36kV GIS switchgear, neutral earthing resistor and medium voltage disconnecting switch.

BOARD OF **DIRECTORS**

Lim Ah Hock

Ibrahim Bin Talib

Tan Puay Seng

Lee Ting Kiat

Paul Lim Pay Chuan

PROFILE OF DIRECTORS

LIM AH HOCK

Executive Chairman

AGED 66

MALAYSIAN

MALE

Lim Ah Hock, a Malaysian, aged 66, 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 24 October 2018.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2018.

PAUL LIM PAY CHUAN

Executive Director cum Group Chief Executive Officer

AGED 48

MALAYSIAN

MALE

Paul Lim Pay Chuan, a Malaysian, aged 48, male, is an ED cum Group CEO of PESTECH. He was appointed to the Board on 18 August 2011. He resigned as member of the Remuneration Committee on 25 May 2018.

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 24 October 2018.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2018.

PROFILE OF **DIRECTORS**

Ibrahim Bin Talib, a Malaysian, aged 70, male, is a Senior Independent Non-Executive Director of PESTECH. He was appointed to the Board on 22 February 2012 and re-designated as Senior Independent Non-Executive Director on 26 October 2015. He was re-designated as Chairman of the Nominating Committee and member of the Audit Committee on 22 February 2018 and appointed as member of the Remuneration Committee on 23 May 2018.

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 2018.

IBRAHIM BIN TALIB

Senior Independent
Non-Executive Director

AGED 70

MALAYSIAN

MALE

TAN PUAY SENG

Independent
Non-Executive Director

AGED 66

MALAYSIAN

MALE

Tan Puay Seng, a Malaysian, aged 66, male, is an Independent Non-Executive Director of PESTECH. He was appointed to the Board on 22 February 2012. He was re-designated as the Chairman of Audit Committee and member of the Nominating Committee on 22 February 2018. He is also a member of the 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 2018.

LEE TING KIAT

Independent
Non-Executive Director

AGED 50

MALAYSIAN

MALE

Lee Ting Kiat, a Malaysian, aged 50, 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 attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2018.

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

1 Lim Ah Hock
Executive Chairman

AGED 66

(please refer to page 15 for Profile of Director)

2 Paul Lim Pay Chuan
Executive Director cum
Group Chief Executive Officer

AGED 48

(please refer to page 15 for Profile of Director)

3 Teh Bee Choo
Chief Financial Officer

AGED 55

Teh Bee Choo, a Malaysian, aged 55, 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 any public companies and listed issuers.

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

4 Chang Mei Lun
Chief Operating Officer

AGED 47

Chang Mei Lun, a Malaysian, aged 47, 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.

Dear Shareholders,

Overview

PESTECH Group closed the 2017/2018 financial year on a nudge of subtler note relatively to the prior financial year with a profit after tax of RM75.787 million against a revenue of RM834.910 million, which met our targeted profit after tax ("PAT") margin of 9%.

EXECUTIVE CHAIRMAN/GROUP CEO AND MANAGEMENT DISCUSSION & ANALYSIS

Albeit a less prominent PAT record, our business growth was well sustained by an expanded order book of RM1.63 billion as at 30 June 2018. We had continuously built our presence in the region, particularly in Malaysia, Cambodia and Philippines, to solidify and further enhance our long-term business footing. During the financial year in review, we procured a new substation project from Philippines, and a new substation project in Cambodia, whilst also securing a substation project back in Malaysia.

As project pipeline was being populated, the Group had embarked on a proposed listing exercise for its wholly-owned subsidiary, PESTECH (Cambodia) PLC ("PCL"), on the Cambodia Stock Exchange. PCL will be the company in the Group to undertake the task for expansion into the Cambodia, Laos, Myanmar and Vietnam ("CLMV") markets. As such, and in line with the Group's aspiration to further its reach in the CLMV region, PCL has setup a subsidiary in Myanmar to commence interaction with various prospects in the country.

In that regard, throughout the financial year, the management was focused on the building up of order book, in the midst of diligently exploring various expansion and investment opportunities in the region.

EXECUTIVE CHAIRMAN/GROUP CEO AND MANAGEMENT DISCUSSION & ANALYSIS

2017	2018
Revenue	**Revenue**
RM498.3 million	RM834.9 million

FINANCIAL PERFORMANCE

The Group concluded the 2018 financial year with RM834.9 million recorded as revenue as compared to RM498.3 million in the preceding financial year. The growth was mainly driven by higher contribution from the Transmission and Rail Electrification segments of our core business.

The Group recorded a gross profit margin of 15% for the year under review as compared to 28% in the preceding year. The lower gross profit margin in the current financial year under review was mainly due to different stages of project execution and the margin of each project whereby they were predominantly at the stage of design and foundation construction.

In addition, the financial elements of the concession assets amounting to RM35.9 million was recognised as Other Income instead of revenue in accordance to IC Interpretation 12 Service Concession Arrangements.

Historically, in particular for the past 2 financial years, the contribution from the concession assets during its building up period had enhanced the income of the Group quite drastically from accounting perspective. Thus, the apparent decline of profitability figure should not be regarded as a sign of deterioration of the performance of the Group. The phenomena was attributable to a situation under which a new concession nature of project was executed by the Group. In that respect, should the Group is able to procure another concession natured project in the future, it would be reasonable to expect another period of enhancement of profitability.

As a result of the lower Gross Margin, the Group achieved Profit Before Tax ("PBT") of RM92.6 million which represents 28% decreased in PBT as compared to the preceding year.

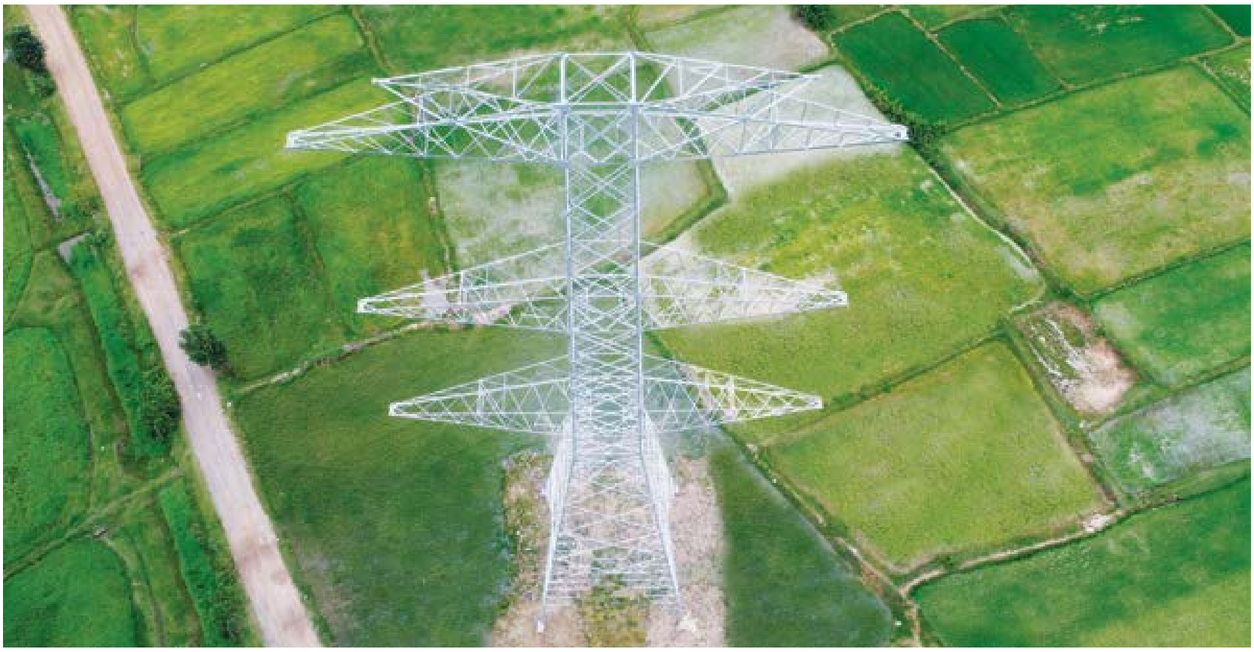
We recorded a PAT of RM75.787 million representing a 9% PAT margin against revenue. The management was comfortable with the registered result specifically because the PAT margin was contained within the typical targeted range of 9% - 11%.

As the concession assets was successfully completed coupled by the execution of other Cambodian extended term projects during the financial year, the Total Assets of the Group were gradually built up to RM1.707 billion against RM1.172 billion in the previous financial year, reflecting a more than 45% increase.

The growth in Total Assets were supported by a 13% enhancement in Shareholders' Equity and a 66% increase in Total Liabilities, as the Group tapped more effectively into available banking facilities to fund its growth in business volume.

On the similar note, Net Assets per share grew from RM0.60/share to more than RM0.68/share during the financial year under review.

As the Group leveraged more on borrowings in parallel to higher value projects secured, the management is diligent to ensure that important financial parameters are being kept. Interest coverage ratio was held on at more than 3 times and gearing ratio less than 1.50 times.



OPERATION PERFORMANCE

The management is glad to report that the concession assets in Cambodia had since 2018 financial year successfully commenced operation, and receiving power transmission charges monthly from Electricite du Cambodge ("EDC").

The execution of other significant engineering, procurement, construction and commissioning ("EPCC") projects in Cambodia, namely the Sihanoukville – Bek Chan 230kV/500kV transmission line system ("SHV Bek Chan Project"), Stung Tatay – Bek Chan 230kV transmission line system, and the Siam Reap – Oddor Meanchey 115kV transmission system (procured in December 2017) were all progressing actively in accordance to their respective schedule.

The positive growth in Cambodia under PESTECH (Cambodia) PLC ("PCL") enabled PCL to deliver its initial public offering ("IPO") exercise encouragingly by obtaining the approval in principle for listing from the Securities Exchange Commission of Cambodia ("SECC") on 31 May 2018. PCL will continue with the relevant process of listing as stipulated by the SECC, and anticipate the conclusion of the IPO by end of 2018.

Elsewhere in Papua New Guinea, we were in the midst of executing the Asian Development Bank funded Kila Kila 66/11kV substation and 66kV double circuit transmission line, which is part of the PNG Power Ltd's ("PPL") Port Moresby Power Grid Development Project. The progress was well on its way and is expected to be completed on time.

The project team, including PESTIONs from PESTECH Engineering Technology China Co. Ltd., were also involved in the building up of the 2 substation projects in Tiwi and Calamba awarded by the National Grid Corporation of the Philippines ("NGCP"). PESTECH received the Calamba contract from NGCP in October 2017. The Calamba Project marked PESTECH's first EPCC project for a 230kV main substation in Philippines and second power infrastructure project with NGCP.

The Calamba Project is located in the City of Calamba, which is situated in the Laguna Province, Calabarzon Region, Luzon Island, Philippines, about 60km from Manila Ninoy Aquino International Airport. Under this project, PESTECH will deliver a new 230kV outdoor substation with 230kV/115kV facilities to serve the Laguna sector. This is to improve the reliability and operational flexibility of the 230kV system in the area and to relieve some of the load on the existing 230kV network.

2017	2018
Total Assets	**Total Assets**
RM1.172 billion	**RM1.707 billion**

The construction of Calamba Project went smoothly, whilst that of Tiwi faced modest degree of challenges at the construction site as unexpected heavy rain fall affected the progress of the works. The project team had implemented several rectification measures to hasten the pace of execution after the rain subsided in order to catch up with the target schedule for completion.

Back in the home front, the Group was busy delivering various substation projects for Tenaga Nasional Berhad ("TNB") and Sarawak Energy Berhad ("SEB"). Substation EPCC contracts remained as the backbone to PESTECH Group, while other segments of contributions are being nurtured progressively.

One of the other segments that was chipping in notably towards the growth of the Group would be the Rail Electrification segment. In October 2017, PESTECH Group acquired Colas Rail System Engineering Sdn Bhd, a company that was awarded with the Mass Rapid Transit 2 ("MRT 2") system project. During the financial year under review, the contribution from MRT 2 project started to generate revenue for the Group, apart from the existing Klang Valley Double Track ("KVDT") rehabilitation project that was already well into its execution.

The management is confident on the development of the rail electrification business division, and anticipated further procurement of rail electrification system projects in the new financial year. As such, the contribution from this promising segment of business is expected to gradually increase to help boost overall result of the Group.

RM75.787 million
9% PAT Margin

During the 2017/2018 financial year, the management had reorganized the product business of the Group to be housed under PESTECH Energy Sdn Bhd ("PEN"), a 100% wholly-owned subsidiary of the Group. In that regard, a distinct team of staff force had been allocated to PEN to focus on expanding the power products offering in PESTECH. PEN was tasked to innovate and lead in the forefront of power products development, which entailed the adoption of industrial 4.0 and Internet of Things, to enable introduction of smart products to the market in the region. Though the fruition of the product segment may take certain duration, the management is positive that the prospects in this business division are able to provide satisfactory justification to continuously support its growth.

As the management charted further growth path for the Group, the confidence for business advancement remained resilient with a record order book of RM1.63 billion as at 30 June 2018. Thus, the management would strive for sustainable, effective and efficient operational performance in order to consistently providing a solid foundation for the Group to further amplify its presence in the regional markets.

RISK FACTORS AND CHALLENGES

Referring to the World Economic Situation and Prospects as of mid-2018 report, global economic growth was expected to reach 3.2% in both 2018 and 2019. Albeit this positive anticipation of fastest rate of growth since 2011, the potential downside risk of negative growth elements had also been building up. The recent building up of trade tension between major economies, geopolitical uncertainties in certain regions, and the constant unexpected monetary adjustments of global key economic powers, might derail the growth momentum drastically.

Under such climate, the Group was wary about the headwind and proactively strengthening its business development and operational process to strive for quality projects with higher certainty of returns that could match their debt servicing commitment. In that regard, the Group would be relieved of the pressure of gearing concerns as majority of the loans are individual project based, with identifiable repayment source secured. The Group didn't have the requirements to incur high capital expenditure related borrowings to fund its operation, which create open ended risk in terms of repayment capability.

13% Enhancement in Shareholders' Equity

As competition bloomed in the industry around the region, there were growing multinational players entering the power infrastructure business, particularly from China. Their presence is felt in most of the countries in the region. Though the playing field had become crowded with the participation of new entrants, natural competition is welcomed. PESTECH Group is sensitive about the overall development of the industry and had always elevate itself in terms of technical capabilities, operational efficiency, value added deliverables to ensure it stays in the fore front of the market development.

In that respect, in order to enhance the range of power infrastructure build up capability, the Group had groomed its rail electrification system division to be able to compete notably in the domestic market and is starting to set its foothold regionally.

PESTECH Energy Sdn Bhd ("PEN"), the subsidiary that carries the torch for our product offerings, had also being tasked to transform itself to be Internet of Things (IoT) and Industrial 4.0 ready in order to accelerate the pace of innovative product and solution offerings that are able to stay relevant as the market heads towards digital transformation. In that respect, PEN has embarked on collaborative efforts with selected technology provider to co-develop solutions for intelligent power distribution system, digital based power data management system to arm itself for the new wave of power technology development.

Under such initiatives, PESTECH Group envisaged that the risks in the market can be mitigated and allowed the growth direction be aligned steadfast towards our long-term vision of nurturing a regionally acclaimed brand name in the power infrastructure industry.

As the management charted further growth path for the Group, the confidence for business advancement remained resilient with a record order book of RM1.63 billion as at 30 June 2018.

EXECUTIVE CHAIRMAN/GROUP CEO AND **MANAGEMENT DISCUSSION & ANALYSIS**

FUTURE PROSPECTS AND OPPORTUNITIES

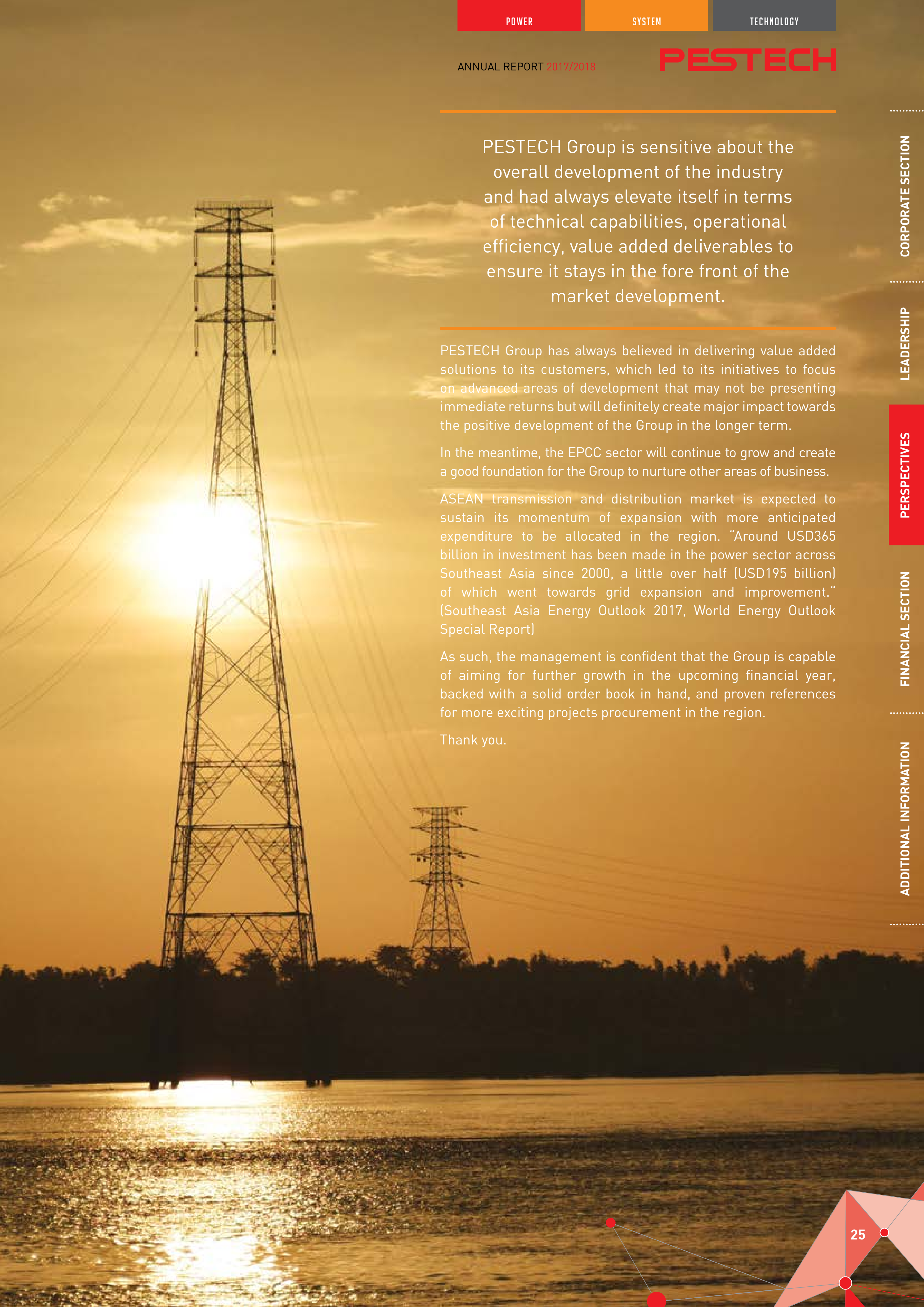
"Asia-Pacific is the largest and fastest-growing market, primarily driven by the T&D developments and industrial growth in Southeast Asia, China, and India. The factors that attribute to the growth include the increasing upgradation of power and distribution infrastructure, replacement of aging equipment, and the increasing development in heavy industries, and renewable energy. In addition, the growing need to expand and upgrade the existing T&D infrastructure to serve the growing demand for electricity is expected to lead to a positive growth of the transformers market during the forecast period. Extensive power plant capacity additions, economic growth, and the need to improve access to electricity, particularly in the emerging nations of Asia-Pacific (APAC), are expected to further drive grid expansion and the transformers market." (Global Transformers Market - Analysis by Power Rating, Cooling Type, Transformer Type, and Geography - Growth, Trends, and Forecast (2018 - 2023))

Amidst this development, the trend of the industry is directed towards smart grid implementation, and smart power for consumer. In that aspect, the market prospects will be captured by players that are proactive to dive into the implemention of the following systems or technologies in their business plan:

- Advanced Distribution Management Systems (ADMS)
- Distributed Energy Resource Management Systems (DERMS)
- Emerging, sensor-based, Intelligent Electric Device Management Solutions
- Power and Operational Analytics

This digitizing of the grid will help companies improve the monitoring and understanding of supply, demand, and flows down to the meter level.

Companies will have more data at their fingertips than ever before. Purpose-built software and general purpose analytical platforms are being developed to make predictive and real-time decisions using this data. Because of that, the industry faces the potential of a major tipping point in 2018 – discovering even more ways to "use" this data." (Flipping the Switch, 8 Key Focus Areas for Power and Utilities in 2018, PwC)



PESTECH Group is sensitive about the overall development of the industry and had always elevate itself in terms of technical capabilities, operational efficiency, value added deliverables to ensure it stays in the fore front of the market development.

PESTECH Group has always believed in delivering value added solutions to its customers, which led to its initiatives to focus on advanced areas of development that may not be presenting immediate returns but will definitely create major impact towards the positive development of the Group in the longer term.

In the meantime, the EPCC sector will continue to grow and create a good foundation for the Group to nurture other areas of business.

ASEAN transmission and distribution market is expected to sustain its momentum of expansion with more anticipated expenditure to be allocated in the region. "Around USD365 billion in investment has been made in the power sector across Southeast Asia since 2000, a little over half (USD195 billion) of which went towards grid expansion and improvement." (Southeast Asia Energy Outlook 2017, World Energy Outlook Special Report)

As such, the management is confident that the Group is capable of aiming for further growth in the upcoming financial year, backed with a solid order book in hand, and proven references for more exciting projects procurement in the region.

Thank you.

SUSTAINABILITY **STATEMENT**

> Sustainability has been a vital part in PESTECH's business and operations throughout our journey in the industry. We continuously track and monitor the plans and processes to implement sustainability considerations in our business based on a sustainability approach, i.e. the Economic, Environment and Social ("EES").

+67.5%
Revenue

SCOPE

PESTECH International Berhad ("PESTECH" or the "Group") is pleased to present our inaugural sustainability statement that showcases the Group's sustainability initiatives within the financial year ended 30 June 2018. The reporting covers PESTECH Group of Companies operations mainly in Malaysia and will be implementing throughout the region where we are operating. This statement is prepared in accordance to the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Sustainability Reporting Guide published by Bursa Securities.

Sustainability has been a vital part in PESTECH's business and operations throughout our journey in the industry. We continuously track and monitor the plans and processes to implement sustainability considerations in our business based on a sustainability approach, i.e. the Economic, Environment and Social ("EES"). We also establish long-term relationships with our stakeholders including shareholders, investors, vendor and suppliers, customers/clients, employees as well as the communities where we operate.

SUSTAINABILITY APPROACH

Economic

Environment

Social

STAKEHOLDER ENGAGEMENT

Whilst maintaining its presence in Malaysia, PESTECH also has an outstanding portfolio of projects in the international market across 20 countries such as Cambodia, Philippines, Papua New Guinea and Kyrgyzstan.

SUSTAINABILITY **STATEMENT**

STAKEHOLDER ENGAGEMENT

PESTECH remains committed in engaging with our stakeholders. We strive to build strong relationships through proactive engagement with them so that we are able to respond to their expectations, meet their changing needs and strengthen our ties with them. Our stakeholder engagement is largely led by the respective business units, with the following objectives through the engagement channels below:

KEY STAKEHOLDERS	STAKEHOLDER OBJECTIVES	ENGAGEMENT CHANNELS
Shareholders/ Investors	• The Group's performance and growth • Corporate governance • Risk management • Company reputation	• Annual general meeting • Quarterly financial results • Bursa announcements • Corporate website • Bi-annual analyst briefings • Annual report • Press releases
Customers/Clients	• Health, safety and environment compliance • Quality of works • Quality of products • Opportunity for repeat partnership • Project progress	• Customer satisfaction surveys • Corporate website • Regular project meetings • Factory Acceptance Test ("FAT") • Site visits • Environmental site inspection • Project monthly reports
Regulators	• Law and regulations compliance • Permit and licence	• Inspections • Audit
Employees	• Company information & updates • Career progression • Increase productivity • Workplace safety and health • Employee benefits • Employee recognition/rewards • Work-life balance	• Internal quarterly newsletters • Intranet (Communication Module) • Training & development programmes • Annual performance appraisal • Toolbox/safety training • Panthera Club (sports & recreation) • Staff engagement initiatives
Vendor/Suppliers/ Subcontractors	• Legal compliance • Contractual terms • Time-efficient delivery	• Contract negotiation • Vendor registration screening • Vendor evaluation
Media	• Company branding & reputation • Corporate updates • Business operations updates	• Press releases • Press conferences • Advertisements • Bursa announcements • Corporate website
Communities	• Environmental impacts • Safety standards • Company contribution to the society	• Environmental Aspect Identification and Impact Assessment ("EAIA") • Corporate website • News releases • Sponsorship programmes • PESTECH CARE Programme (CSR)

MATERIAL MATTERS

Economic	• Financial performance • Market Presence • Brand & Reputation • Corporate Governance • Innovation • Quality Management
Environment	• Protecting Biodiversity • Waste Management • Energy Conservation
Social	• Occupational Health & Safety • Employee Diversity • Employee Training & Development • Employee Benefits • Customer Service Creed • Corporate Social Responsibility

ECONOMIC

Financial Performance

PESTECH cross the finishing line of financial year 2018 with satisfactory financial performance.

We have secured a total of RM1.63 billion orders as at 30 June 2018. The Group also achieved RM834.9 million in revenue during this financial year, which is an increment of 67.5% from the previous year.

PESTECH's financial performance steadily grew within 5 years and this has brought confidence to our stakeholders on the Group's financial capability.

Market Presence

PESTECH has been involved in the power infrastructure industry since 1991. Over the span of 27 years, the Group has progressed to become one of the market leaders in this industry. The Group's operations covering four (4) business segments, namely Power Transmission Infrastructure, Power Generation & Rail Electrification, Transmission Asset and Power Products & Embedded System Software.

Whilst maintaining its strong presence in Malaysia, PESTECH also has an outstanding portfolio of projects in the international market across 20 countries such as Cambodia, Philippines, Papua New Guinea and Kyrgyzstan.

Please refer to our Global Footprint on pages 2 and 3.

Brand & Reputation

Since its establishment in 1991, PESTECH has grown rapidly and expanding to meet market demands of electrical power facilities. We have built our reputation across the globe as a power infrastructure provider that provides comprehensive power system engineering and technical solutions for construction of electricity transmission and distribution assets.

Our involvement in major power and infrastructure projects in Malaysia as well as in other countries has strengthened our reputation and position in the power infrastructure industry. Amongst the major projects in Malaysia and overseas are:

- Engineering, Procurement, Construction, Testing and Commissioning of Power Supply and Distribution System for Project Mass Rapid Transit 2 ("MRT 2") – Sungai Buloh – Serdang – Putrajaya ("SSP").
- Establishment of Pencawang Masuk Utama ("PMU") 132/33kV Jinjang for MRT 2 – SSP Line.
- Subang Skypark double track electrification project from Subang Jaya to Subang Skypark for the extension of Port Klang Line commuter service
- 230kV Kampong Cham – Kratie Transmission System Project to facilitate the transmission of 400MegaWatt ("MW") power from Lower Sesan II Hydro Power Plant to Cambodia National Electricity Grid.

With the strong commitment to PESTECH's vision to be "Consistently Dependable and Value Add", we are confident that we will continue to be the system solution provider of choice.

Corporate Governance

PESTECH recognises the importance of good corporate governance. The Group is committed towards upholding high standards of corporate governance for long-term sustainable business and corporate development, and to continuously protect and enhance shareholders' value.

We adopt and apply the principles necessary to ensure good corporate governance as expounded in the Bursa Securities MMLR, and the Malaysia Code on Corporate Governance ("Code").

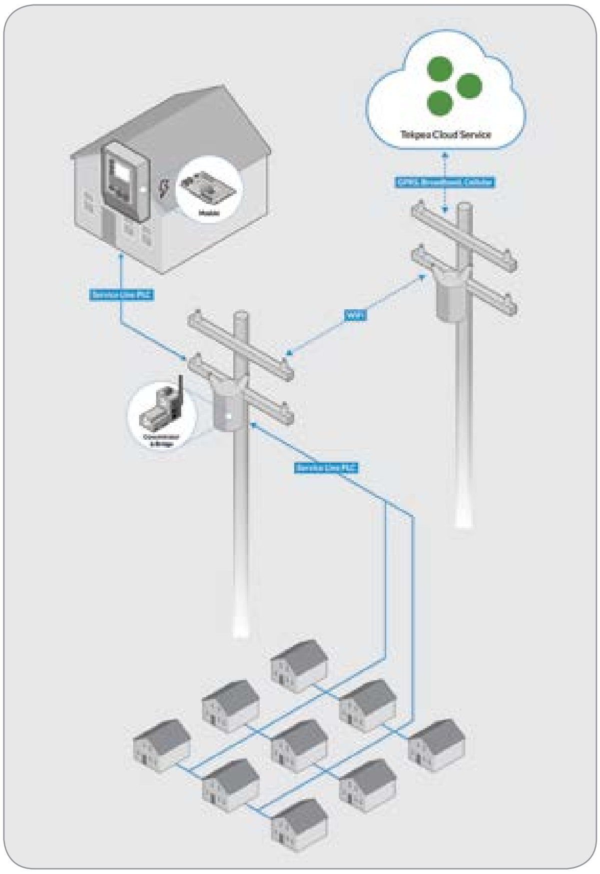
SUSTAINABILITY **STATEMENT**

Innovation

PESTECH is continuously investing in state-of-the-art machines and technology. The Group is equipped with providing technology intelligence to complex solutions in the power infrastructure industry. Through our investment in manufacturing products in Malaysia for local and international market, PESTECH has produced products that include but not limited to products such as 11kV Switchgear, 24kV Switchgear and Control Relay Panels.

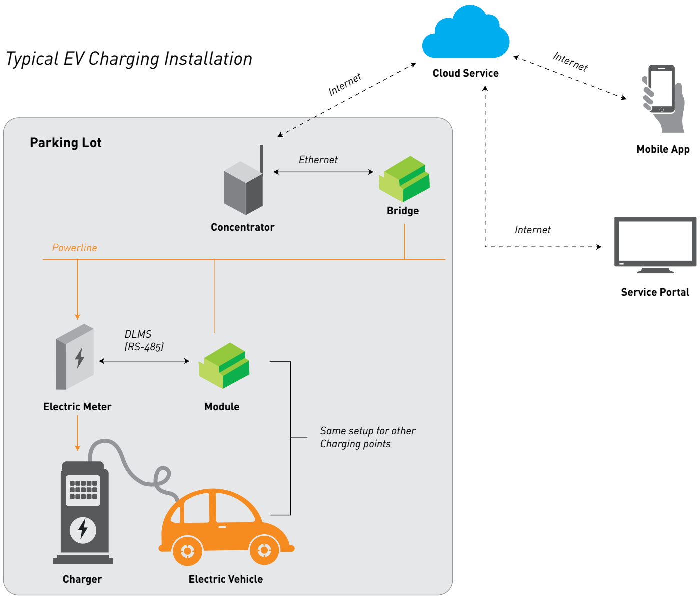
PESTECH is now expanding into Industry 4.0 – the latest evolution in the digitalisation and automation where it incorporates advanced sensors, machine-to-machine communication links, big data analytics and cloud computing technology. The Group offers complete end-to-end solutions in Advance Metering Infrastructure ("AMI"), Digital Substation, Supervisory Control and Data Acquisition ("SCADA"), Automation as well as the Micro-Grid Management.

AMI Solution



PESTECH has also positioned itself in Electric Vehicles ("EV") solutions, an immense and growing market segment for both Plug-in Hybrid Electric Vehicle ("PHEV") and Full EV in Malaysia. Through its subsidiary, PESTECH Energy Sdn. Bhd., PESTECH aims to collaborate with Malaysia Green Technology Corporation ("MGTC") and Tenaga Nasional Berhad ("TNB") for the EV Charging Infrastructure by providing the end-to-end solutions from the Mobile Application, Management Portal, Communication as well as EV Chargers in the future.

Typical EV Charging Installation



Quality Management

PESTECH is committed to providing quality services and producing quality products that consistently meet total customer satisfaction. This is implemented through continuous improvement of the Quality Management System. We always implement high quality standards in our day-to-day operations, where the importance of traceability, consistency and reliability are emphasised throughout the organisation. We perceive customer satisfaction to be an important factor and thus have always remained committed towards attaining greater customer confidence in products and services.

PESTECH adopts Quality Management System ("QMS") in accordance to ISO 9001:2000 since 2002 and is now upgrading its scope to ISO 9001:2015. This shows our ability and commitment in providing products and services that meet the accredited standards and legal requirements and customers' satisfaction.

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT SYSTEM OBJECTIVE

To protect and conserve the environment by implementing environmental management plan and to achieve sustainability of business environment.

Protecting Biodiversity

In operating our businesses, PESTECH is committed to protect the environment and complying with applicable environmental laws and regulations. We have established the Environmental Policy in line with ISO 14001:2015 Environmental Management System ("EMS") and Environmental Quality Act 1974 ("EQA") to enable the Group practices the environmental control and improves our environmental performance. We continue to put in place relevant measures and monitoring to protect and preserve our biodiversity.

Environmental Aspect Identification and Impact Assessment ("EAIA")

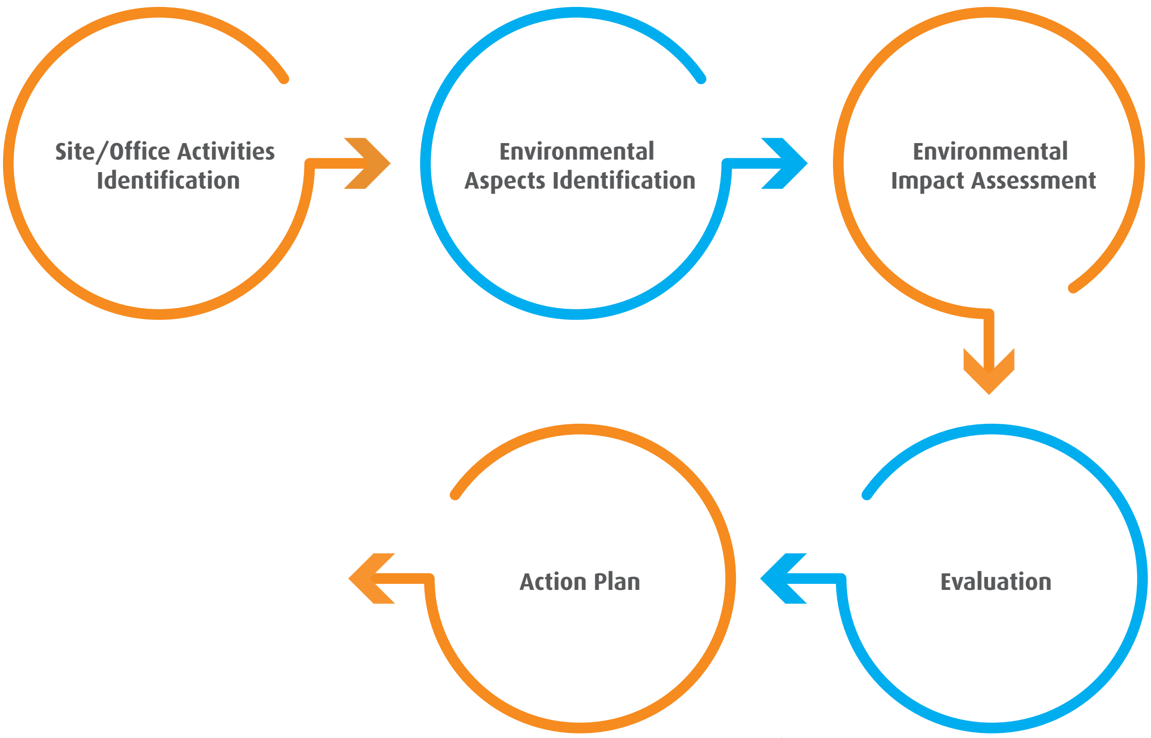
EAIA, helmed by our Quality, Health, Safety and Environment ("QHSE") team is implemented to identify and evaluating the environmental aspect and impact related to organisation activities, products and services respectively. This assessment is done before the commencement of new projects and shall be reviewed on yearly basis or when there are significant changes in the organisation activities.

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

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

Environmental Site Inspection

Environmental site inspection is being carried out on monthly basis by the Health & Safety ("HSE") personnel to ensure the project sites are adhered to the standard and requirement of EMS and EQA. For the inspection, PESTECH has established a checklist where all environment aspects and impacts will be assessed and evaluated.



Waste Management

General Waste and Reduce, Reuse, Recycle (3R)

PESTECH maintains a comprehensive waste management procedure aimed at decreasing the amount of waste production and is applicable to all aspects of our business operating activities, products and services. In the context of 3R, PESTECH is making every effort to reduce, reuse and recycle, particularly in the context of production and consumption. It calls for an increase in the ratio of recyclable materials, further reusing of raw materials and manufacturing wastes, and overall reduction in resources and energy used.

We always ensure that the Group adheres to all rules and regulations, and follows the guidelines pertaining the waste management diligently. Amongst the initiatives undertaking by the Group are:

- reduce the usage of paper unless necessary.
- reuse the stationeries such as papers, envelopes for draft printing and circulation of internal mails.
- training and waste awareness programme for employees who are handling the general waste.
- promote and develop the use of Electronic forms to reduce the use of papers, files and the ancillary stationery.
- use of different bins for segregation of recycled items.
- training on the correct waste segregation.

Scheduled Waste

PESTECH has also developed a scheduled waste procedure in line with the Environment Quality (Scheduled Wastes) Regulations 2005 to define a method for handling scheduled waste generated in the head office or project sites. It is applicable to all aspects of our business operating activities, products and services.

Below are the processes in identifying and managing the scheduled wastes:

- PESTECH identifies the type of scheduled wastes generated from the business operating activities, products and services, and estimates the quantity generated per month.
- The Department of Environment ("DOE") will be notified on the amount of scheduled wastes generated.
- Information on the scheduled waste will be prepared based on 7th Schedule format as stated in Environment Quality (Scheduled Wastes) Regulations 2005.
- The established 7th Schedule will be provided to the waste contractors as reference.
- The incompatible scheduled wastes will be segregated and separated into different containers according to the types of scheduled waste.
- Durable containers are used in collecting the scheduled wastes to prevent spillage or leakage of the scheduled waste to the environment.
- All scheduled wastes are to be kept in a designated storage area safely and properly.
- Scheduled wastes are to be treated or disposed by the contractors approved by DOE.
- An accurate and up-to-date inventory of scheduled wastes will be maintained in accordance with the 5th Schedule of the Environment Quality (Scheduled Wastes) Regulations 2005.

Energy Conservation

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

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

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

SOCIAL

Occupational Health & Safety

PESTECH is responsible and committed in ensuring a healthy and safe working environment for our employees. The Occupational Health and Safety policy and procedures have been established in accordance to OSHAS 18001:2007 in order to control occupational health and safety risks at the workplace. The policy is communicated to all employees for implementation through various channels comprising orientation, posters, awareness training, Safety and Health Committee meetings and etc.

Below are some enforcements that have been established by the Group:

- Strict access and security where only authorised personnel or workers with CIDB Green Card are allowed to enter into project sites.
- Mandatory occupational health & safety induction for new staff at headquarters as well as workers at the production and project sites.
- Mandatory use of Personal Protective Equipment ("PPE") when entering into production and project sites.
- Fully-trained Emergency Response Preparedness ("ERP") Team is formed for fire emergency and chemical spillage.
- As a part of ERP program, the team has conducted the following activities:
    - o Fire drill – to ensure that all employees know how to exit safely as quickly as possible if a fire, smoke or other emergency occurs.
    - o Chemical spillage drill – to train the workers who are handling the chemical on the correct safety precautions
- Fully-trained First Aid Team is formed to provide initial first aid cares in the event of illness and injuries.
- Regular toolbox meeting to update and remind the employees on the safety and health at the workplace.
- Guidelines on handling of chemical and machinery are established for employees to adhere and thereby reduce hazards and incidents at the work place.

SUSTAINABILITY **STATEMENT**

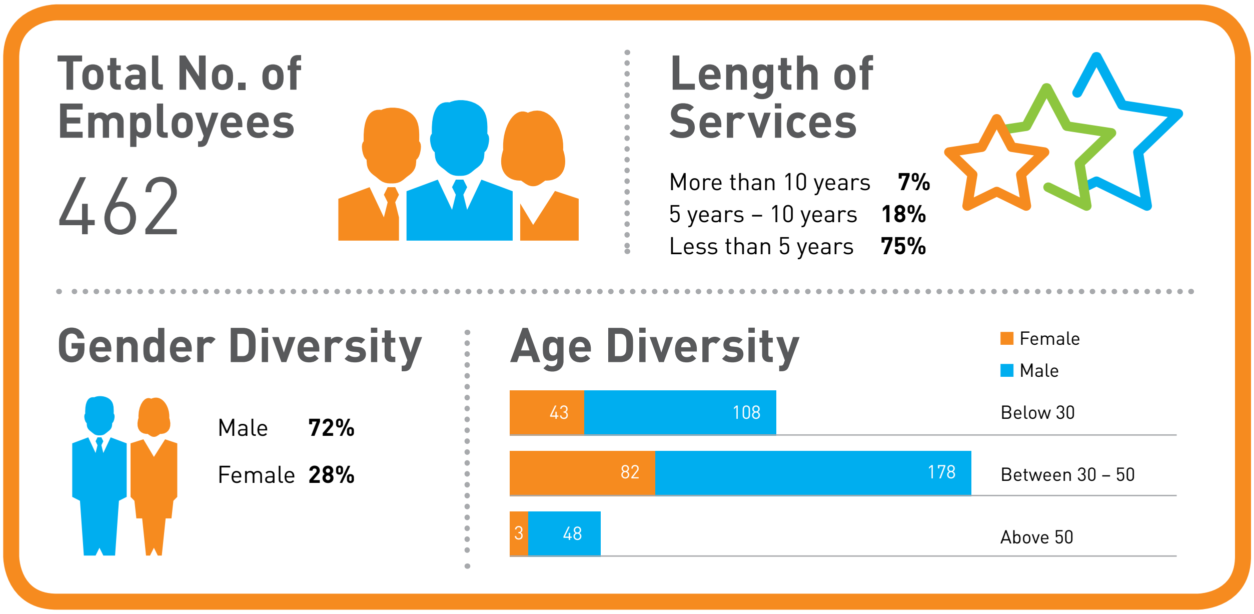
Employee Diversity

PESTECH respects the employees as individuals and always welcome diversity in proficiency and background. The Group creates a healthy competitive workplace that embraces diversity and mutual respect in order to attract and build loyalty in the employees.

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

From the charts below, PESTECH's employees consist 72% male and 28% female, a work place which is dominated by male. This is mainly due to the Group's nature of business which involved in engineering, procurement, construction and commissioning where it is still mainly dominated by male.

As the Group expands its business into new business segments and to other markets within these five (5) years, the increase in the number of new recruits had increased the percentage of staff with the length of services of less than five (5) years.



Note: The above information is as at 30 September 2018.

Employee Training & Development

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

CORPORATE SECTION
LEADERSHIP
PERSPECTIVES
FINANCIAL SECTION
ADDITIONAL INFORMATION

Employee Benefits

Our people are the crucial system in underpinning our organisation's ability to grow and thrive. By providing a solid employee benefits and performance driven compensation, we are able to attract and retain talent. We believe that by showing our appreciation to our people, it will increase loyalty amongst them and boost up their motivation to contribute effectively to the Group performance.

Annual Dinner

Annual Dinner is organised by the Group annually as one of the staff engagement activities. It provides a platform for PESTIONs to gather and foster team spirit. The recent annual dinner was held in 31 January 2018 where employees from different divisions and locations in Malaysia attended this event.

Panthera Club

PESTECH established Panthera Club as part of the Group's initiatives to promote healthy lifestyle and work-life balance. The Club helps PESTECH to support the employees' emotional and physical wellbeing by organising activities such as badminton, basketball, paintball and Virtual Reality ("VR") Adventure. It is important to have such activities as a form of stress release and also for employees to have access to creativity and ways of unwinding.

SUSTAINABILITY **STATEMENT**

Customer Service Creed

PESTECH recognizes the need for exemplary customer service, for if we fail to perform, someone else would. We believe that customers expect the best out of what we do though not perfect and "Add Value" to their investment.

PESTECH is committed to build a culture of service excellence, create magic moments for our customers to get us noticed, remembered and referred. At PESTECH, we advocate that what is really worth doing is what we for others.

Corporate Social Responsibility

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

PESTECH has initiated the CARE Program as a guidance of our initiatives. PESTECH CSR programme revolves around four (4) elements, i.e. Community, Advancement, Recuperation and Environment. For the Group, its CSR programmes start in the form of caring and extending helping hand to the community at the places where we are operating. We encourage and financially support our employees in volunteering to help the underprivileged and deserving in our community.

It is always PESTECH's goal to bring value through our existence by creating a positive impact on our employees, the community and the environment.

Community

A small act of kindness can bring smile on million faces. PESTECH's CARE approach aimed to spread kindness, happiness and love was realised through donations, volunteers' works by our PESTIONs and participation in the following activities:

1. **Sponsorship of the IEM Engineering Week 2017**

   PESTECH supported Institute of Engineers Malaysia ("IEM") in actively promoting the engineering industry and creating awareness on the versatility of the engineering profession in upholding the standard of living.

2. **Sponsorship of the Bursa Bull Charge 2017**

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

3. **Charity Giveaways in Cambodia**

   This 3-day programme was a joint partnership initiative with a voluntary team from Malaysia with the objective to help the poor families, the homeless and the less fortunate children in the Kingdom of Cambodia. Donation in kinds such as food and daily necessities, i.e. rice, oil, towels, clothes, diaries products are provided to the villagers in Kampong Praka Village (floating village), Krang Veng Village and Pteas Ko Village. Around 475 families and 500 homeless people were benefitted from the programme.

SUSTAINABILITY **STATEMENT**

Advancement

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

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

   Monetary contribution is made on monthly basis for Gurukul to provide healthy meals for their students who are from the poor urban families. These families cannot afford extra learning classes for their children such as after school tuition class or any other classes or interests.

2. **Contribution to Huaren Education Foundation**

   PESTECH supports Huaren Education Foundation in its efforts to improve educational facilities in rural and semi-urban schools.

3. **Sponsorship of the Perspectives Cambodia Program**

   PESTECH was delighted to be an Exclusive Sponsor of The Perspectives Cambodia, where it is a platform for students from different educational institutions across Cambodia to participate and voice their views and opinions on various social and issues related to Cambodia.

Recuperation

PESTECH believes that everyone should live life with dignity and be health conscious all the times. PESTECH supported and contributed to the following healthcare activities:

1. **Donation to Cambodia Red Cross**

   Contribution was made to the Cambodian Red Cross to support them in aiding emergency assistance, disaster relief, and disaster preparedness education.

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

   Our contribution to the association has helped to improve the living environment of the center and provide these underprivileged children with better supporting equipment.

3. **Sponsorship of the Hospis Malaysia Annual Treasure Hunt 2018**

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

4. Cambodia Medical Camp

During this financial year, PESTECH organised two (2) medical camps in the Kingdom of Cambodia.

The first event was held in August 2017 while the second event was held in June 2018. The medical camp was a joint collaboration between PESTECH and "His Excellency Hun Many's Voluntary Medical Teamwork" as well as healthcare professionals from Malaysia.

Through this collaboration, PESTECH complemented the efforts of the Cambodia's Government to reach out to all community living in rural areas, provide them with the necessary medical aids and educate them with health awareness. PESTECH was delighted to be a significant part in these initiatives and indeed, it is imperative for PESTECH contribute to society of the Kingdom of Cambodia where our subsidiary, PESTECH (Cambodia) PLC. is operating. Apart from this, the medical camp also served as a platform for the medical practitioners from Malaysia and Cambodia to share their experience and exchange their knowledge with each other.

More than 10,000 people were served by about 300 medical professionals and volunteers from Malaysia and Cambodia during the medical camp. Among the medical services provided were general medical services including basic health screening, Physician, Obstetrics and Gynaecology (O&G), Dentistry, Paediatric, Psychiatry as well as Ultrasound scan for kidney, bladder, ureter, pelvic and antenatal scan. Patients were provided with free medicine and prescriptions of their illnesses so that they may follow up with their medical treatments.

Environment

PESTECH supports environmental protection initiatives, and encourages our employees to carry out their own environmental duties. Our policy under our environmental care is based on the tagline "Taking Care of Our Home". Therefore, through our Environmental Club, PESTECH collaborated with Malaysia Nature Society (MNS) in organizing the Mangrove Cleaning Activity in Kuala Selangor. The activities include rubbish cleaning in the swampy area, that consist of plastic bottles, plastic bags, polystyrene boxes and other discarded items.

The Group is committed towards upholding high standards of corporate governance for long-term sustainable business and corporate development, and to continuously protect and enhance shareholders' value.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

The Board presents this Corporate Governance Overview Statement ("Statement") to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year ended 30 June 2018. The overview takes guidance from the key corporate governance principles as set out in the Malaysian Code on Corporate Governance ("MCCG").

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

Board of Directors

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

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

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

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

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

Board Committees

All Board members take cognisance of their fiduciary duties and responsibilities for the overall corporate governance of PIB. To 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.

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

Sustainability

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

Chairman and Managing Director

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

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

Company Secretaries

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

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

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

Supply of Information

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

Notices of meetings and meeting papers are targeted to be circulated to the Board members seven (7) 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. For matters which require the Board's decision on urgent basis outside of Board Meetings, board papers along with resolutions in writing will be circulated for the Board's consideration. All circular resolutions approved by the Board are tabled for notation at the next Board Meeting.

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

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

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

Board Charter

The Company has established and adopted a Board Charter which serves as a reference point for Board activities. In the Board Charter, the Board has established a formal schedule of matters reserved to the Board for its deliberation and decision in order to enhance the delineation of roles between the Board and Management, as well as to ensure the direction and control of the Group's operations are in the Board's hands. The Board Charter was last reviewed on 5 October 2018 and is publicly available on the Company's website at www.pestech-international.com.

Directors' Code of Conduct and Ethics

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

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

Code of Conduct and Ethics

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

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

Whistle-Blowing Policy

The Whistle-Blowing Policy ("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.

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

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

2. BOARD COMPOSITION

Composition and Board Balance

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

The Board currently has five (5) members comprising one (1) EC, one (1) Executive Director cum GCEO and three (3) Independent Directors. The composition of the Board complies with the requirements of Paragraph 15.02 of the MMLR.

Practice 4.1 of the MCCG states that at least half of the Board shall comprise Independent Directors. In this regard, the Board currently comprises two (2) Executive Directors (including the EC and GCEO) 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 PIB is involved in. Thus, the EC would be able to safeguard the best interest of the shareholders as a whole.

In addition, the presence of the Senior Independent Non-Executive Director, Encik Ibrahim Bin Talib provides an additional channel for Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in open forum.

The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company. The NC would ensure that steps will be undertaken to ensure that suitable women candidates are sought from various sources, should the need arises.

Annual Assessment of Independence of Directors

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

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

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

Board Diversity

The Board is also cognisant of the call by the Government and MCCG to have more women representation on boards of companies (with at least 30% women directors for Large Companies). The Company has adopted a Board Diversity Policy, which sets out the approach to diversity on the Board of Directors and the Senior Management level.

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

Nominating Committee

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

The capabilities and qualities of the candidates to be appointed as Board members as well as Board Committee members will be assessed accordingly taking into account the individual's skills, competencies, knowledge, experience, expertise, professionalism and integrity. The NC has a formal assessment mechanism in place to assess the Board, Board Committees and individual Directors on an annual basis. Such a formal assessment was conducted for the financial year ended 30 June 2018, and was guided by the Corporate Governance Guide, taking into consideration the following key elements for assessment:

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

The NC will ensure that all assessments and evaluations carried out are properly documented. The NC also oversees the succession planning of the Senior Management and diversity at Senior Management level is also taken into consideration.

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

Chairman : Encik Ibrahim Bin Talib (Senior Independent Non-Executive Director)
(re-designated as Chairman of NC on 22 February 2018)

Member : Mr. Tan Puay Seng (Independent Non-Executive Director)
(re-designated as Member of NC on 22 February 2018)

Member : Mr. Lee Ting Kiat (Independent Non-Executive Director)

In accordance with the Practice 4.7 of the MCCG, the NC shall be chaired by an Independent Director or the Senior Independent Non-Executive Director. Henceforth, the NC was re-constituted on 22 February 2018 to be in line with the MCCG.

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

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

In accordance with PIB'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.

At the upcoming Annual General Meeting ("AGM"), Mr. Lim Pay Chuan and Mr. Tan Puay Seng will retire by rotation pursuant to Article 95 of the Company's AA and being eligible, had offered themselves for re-election.

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 2018 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
Lee Ting Kiat	5/5

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

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

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

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

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

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

(i) Board Performance Evaluation;

(ii) Self/Peer Performance Evaluation;

(iii) AC members' Self/Peer Evaluation; and

(iv) AC Evaluation.

Directors' Training

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

During the financial year ended 30 June 2018, the continuous education programmes attended by Directors comprise the following:-

Name	Training	Date
Lim Ah Hock	1. Tax Seminar on Budget 2018 2. Seminar on Corporate Governance Guide 3rd Edition: "Moving from Aspiration to Actualisation" 3. Harnessing the Power of Big Data Analytics orgainsed by Securities Industry Development Corporation 4. Preparation for Corporate Liability on Corruption organised by Malaysian Institute of Corporate Governance	7 November 2017 25 January 2018 4 April 2018 27 June 2018
Paul Lim Pay Chuan	1. IEM STEM Forum 2. Tax Seminar on Budget 2018 3. HSBC Belt & Road Forum 2017	26 August 2017 7 November 2017 28 November 2017
Tan Puay Seng	1. Latest Updates on Practical Tax Issues 2. Mastering MPERS Fully Illustrated – Translation of the Standards into Practical Examples, and impact of the 2015 Updates and Companies Act 2016	18 September 2017 30 & 31 October 2017
Lee Ting Kiat	1. Advocacy Session on Corporate Disclosure for Directors and Principal Officers of listed issuers – Corporate Disclosure Framework & Directors' Disclosure obligations under the Listing Requirements 2. Tax Summit by KPMG	31 October 2017 16 November 2017

Although Encik Ibrahim Bin Talib has not been able to attend a structured training programme during the financial year under review due to his personal exigencies, he continued to gain updates through the briefings by the Company Secretary, Internal and External Auditors during the quarterly meetings as well as communications with other Directors.

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

3. REMUNERATION

Remuneration Committee

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

Chairman : Mr. Lee Ting Kiat (Independent Non-Executive Director)

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

Member : Encik Ibrahim Bin Talib (Senior Independent Non-Executive Director)
(Appointed as member of RC on 22 February 2018)

Member : Mr. Paul Lim Pay Chuan (Executive Director/GCEO)
(Resigned as member of RC on 22 February 2018)

In accordance with the Practice 6.2 of the MCCG, the RC shall consist of Non-Executive Directors and majority of them must be Independent Directors. Henceforth, the RC was re-constituted on 22 February 2018 to be in line with the MCCG.

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

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

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

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

- reviewed and recommended the proposed bonus payment for the EC and GCEO for the financial year ended 30 June 2017;
- reviewed and recommended the proposed remuneration packages of the EC and GCEO for the financial year ended 30 June 2018;
- reviewed and recommended the directors' fees for the financial year ended 30 June 2018;
- reviewed the Share Grant Plan for the EC and GCEO; and
- reviewed on benefits payable to Directors under Section 230(1) of the Act.

The details of remuneration of Directors who served during the financial year ended 30 June 2018 are as follows:-

	Salaries & other emoluments (RM)	Fees* (RM)	Benefits (RM)	Meeting Allowance (RM)	Total (RM)
Company					
Lim Ah Hock	1,657,220.45	-	28,000.00	-	1,685,220.45
Lim Pay Chuan	1,530,030.51	-	28,000.00	-	1,558,030.51
Ibrahim Bin Talib	-	56,500.00	-	21,500.00	78,000.00
Tan Puay Seng	-	56,500.00	-	24,500.00	81,000.00
Lee Ting Kiat	-	56,500.00	-	24,000.00	80,500.00
Group					
Lim Ah Hock	2,173,257.95	-	28,000.00	-	2,201,257.95
Lim Pay Chuan	2,046,068.01	-	28,000.00	-	2,074,068.01
Ibrahim Bin Talib	-	56,500.00	-	21,500.00	78,000.00
Tan Puay Seng	-	56,500.00	-	24,500.00	81,000.00
Lee Ting Kiat	-	56,500.00	-	24,000.00	80,500.00

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

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

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

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

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

4. AUDIT COMMITTEE

The AC of the Company comprises exclusively of Independent Non-Executive Director, which is in compliance with the MMLR of Bursa Securities. The details of activities carried out by the AC during the financial year end 30 June 2018 are set out in the AC Report of this Annual Report.

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

Cooling period of a Former Key Audit Partner

The Board is aware of Practice 8.2 of the MCCG and has reviewed the terms of reference of the AC on 5 October 2018 for the inclusion of a clause where a cooling-off period of at least two (2) years to be observed before the appointment of a former key audit partner as a member of the AC.

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

Financial Reporting

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

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

Internal Control

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

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

Relationship with Auditors

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

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

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

The AC, after due deliberations have recommended the reappointment of Messrs. Grant Thornton Malaysia as External Auditors for the financial year ending 30 June 2019. The Board at its meeting held on 5 October 2018 approved the AC's recommendation. The appointment of Messrs. Grant Thornton Malaysia will be presented for shareholders' approval at the forthcoming Seventh AGM.

Provision of Non-Audit Services

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

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management Framework

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

The summarised ERM framework is set out in the Annual Report for the financial year ended 30 June 2018 under the Statement on Risk Management and Internal Control. The ERM framework focuses on the Group's core business operations and comprises a formalised structured process on risks identification, evaluation, control, monitoring and reporting and risk management policy and guidelines which had been adopted by the Board.

A Risk Management Committee (a Management-level Committee) chaired by the GCEO and consist of Heads of Department/Operating Units is established for the proper implementation of the ERM framework. The report findings and discussions arising was then tabled to AC and Board for further deliberations.

Internal Audit Function

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

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

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

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

6. COMMUNICATION WITH STAKEHOLDERS

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

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

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

7. CONDUCT OF GENERAL MEETINGS

Annual General Meeting

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

Poll Voting

The Company has been deploying electronic poll voting since last AGM and will continue the same in future general meetings.

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

Dialogue between the Company and Shareholders/Investors

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

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

AUDIT COMMITTEE **REPORT**

The Board of Directors ("the Board") is pleased to present the Audit Committee ("AC") Report for the financial year ended 30 June 2018 ("FYE 2018").

A. COMPOSITION

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

Chairman : Mr. Tan Puay Seng (Independent Non-Executive Director)
(Re-designated as Chairman of AC on 22 February 2018)

Member : Encik Ibrahim Bin Talib (Senior Independent Non-Executive Director)
(Re-designated as member of AC on 22 February 2018)

Member : Mr. Lee Ting Kiat (Independent Non-Executive Director)

B. MEETINGS AND ATTENDANCE

During the financial year ended 30 June 2018, the AC held a total of five (5) meetings. The details of the attendance of the AC members are as follows:-

Directors	Meetings attended
Mr. Tan Puay Seng	5/5
Encik Ibrahim bin Talib	5/5
Mr. Lee Ting Kiat	5/5

C. TERMS OF REFERENCE

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

D. SUMMARY OF WORK OF THE AC DURING THE FYE 2018

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

i. Financial reports

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

Meetings of	Review of Quarterly Financial Statements
August 2017	Unaudited Fourth Quarter Results for the Financial Year Ended ("FYE") 30 June 2017
November 2017	Unaudited First Quarter Results for the FYE 2018
February 2018	Unaudited Second quarter results for the FYE 2018
May 2018	Unaudited Third quarter results for the FYE 2018

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 2016.

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 2017 and to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with all the regulatory requirements. In addition, the AC had reviewed the Audit Completion Report for the FYE 30 June 2017 prepared by the External Auditors.

On 5 October 2018, the AC reviewed the audited financial statements of the Company and the Group for FYE 30 June 2018 at its meeting, and recommended the same to the Board for approval.

ii. External Auditors

a) Reviewed and discussed with the External Auditors at the meetings, the Audit Completion Report for the FYE 30 June 2017 and Audit Planning Memorandum for FYE 2018 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 AC also had two (2) private discussions with the External Auditors during the FYE 2018 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. Grant Thornton Malaysia declared their independence and confirmed that they were not aware of any relationship between Messrs. Grant Thornton Malaysia 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 as well as the audit fees. Based on evaluation, the AC had recommended to the Board for approval, the re-appointment of the External Auditors for the ensuing financial year of 30 June 2018.

iii. Internal Audit

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

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

a) Project Management – Execution Process of PESTECH Sdn. Bhd.

b) Procurement function (direct materials and consumables item) of PESTECH Technology Sdn. Bhd. ("PTech").

c) Review of internal control system processes at PTech.

d) Review of related party transactions.

The AC reviewed and accepted the Internal Audit Plan for year 2017/2018 and audit fees for year 2017/2018 presented by the Internal Auditors.

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

iv. Risk Management Policy

The AC reviewed and approved the revamped Risk Management Policy and Guidelines Documents and noted the Risk Management Report.

v. Recurrent Related Party Transactions ("RRPTs")

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

vi. Share Grant Plan ("SGP")

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

vii. Annual Report

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

viii. Circular to Shareholders

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

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

E. INTERNAL AUDIT FUNCTION

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

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

During the FYE 2018, the Internal Auditors had performed internal control reviews based on the agreed internal audit plan. The outcome of those internal control reviews that were reported to the AC includes identification of risk and impact of any issues noted during the audit, Management's responses and agreed action plans to resolve them.

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

The Group has outsourced its internal audit function to an independent professional firm, NGL Tricor Governance Sdn. Bhd. The total fees incurred for the internal audit function in respect of the FYE 2018 was RM56,312.61.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

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

BOARD'S RESPONSIBILITY

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

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

RISK MANAGEMENT FRAMEWORK

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

The Risk Management Framework was reviewed by the Board on 23 February 2018 with enhancement to the risk management processes coupled with an appropriate organizational structure and ensure that pertinent roles, responsibilities and accountabilities on risk management are clearly defined and communicated at all levels.

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

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

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

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

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

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 Department.

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

- **Risk Awareness Culture**

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

- **Risk Assessment**

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

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

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

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

- **Risk Appetite**

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

  In tandem with the Company's growth and the evolving business environment we are operating in, the Company is currently reviewing its Limit of Authority to approve transactions to ensure that they are within the risk appetite of the Group as well as to enhance the expediency and efficiency in the operation.

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, information technology, health and safety, human capital, safeguarding of assets, and communication with stakeholders. The procurement, credit control, warehousing, cash management and related party transactions are being revamped/reviewed to further tighten our internal control processes and procedures.

- **Internal Audit**

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

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

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

  - prepared a detailed annual audit plan in consultation with the senior management for submission to the AC 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 report to the AC for any significant non-compliance, internal control weaknesses and actions taken by Management to resolve the audit issues identified.

- **Audit Committee**

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

  The AC also convenes meetings with the External Auditors, Internal Auditors or both without the presence of Management and Executive Directors. In addition, the 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 AC confirms that there is an on-going process in reviewing and monitoring the effectiveness, adequacy and integrity of the system of risk management and internal control of the Group for the financial year under review. The process is in place for the financial year under review and up to the date of issuance of the Statement on Risk Management and Internal Control. The Board had taken note of the Management's representation that there have been no material losses incurred during the financial year under review as a result of weaknesses in the risk management and internal control system.

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

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

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

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.26(b) of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Company for the year ended 30 June 2018. 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 5 October 2018.

DIRECTORS' RESPONSIBILITY **STATEMENT**

for the Audited Financial Statements

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

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

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

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

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

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

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 utilisation 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	38,000	257,500
Non-Audit Fees	5,500	36,500

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 2018 or entered into since the end of the previous financial year ended 30 June 2017.

4. RECURRENT RELATED PARTY TRANSACTIONS

At the Sixth Annual General Meeting of the Company held on 23 November 2017, the Company obtained a mandate from its shareholders for recurrent related party transactions ("RRPTs") of a revenue or trading in nature with related parties.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of RRPTs conducted during the financial year ended 30 June 2018 pursuant to the shareholders' mandate are set out below:-

Name of Company Involved	Name of Related Party	Nature of Transactions	Aggregate value of Transactions from 1 July 2017 to 30 June 2018 (RM000)
Pestech Sdn Bhd ("PSB")/Fornix Sdn Bhd ("FNX")**	Vestech Projects Sdn Bhd ("VPSB")	Civil works rendered by VPSB involving, but not limited to, construction of building to house the electrical control equipment, outdoor foundations for high voltage equipment, cable trenches, roads, perimeter fencing, within an electrical substation	22,256

ADDITIONAL COMPLIANCE **INFORMATION**

Name of Company Involved	Name of Related Party	Nature of Transactions	Aggregate value of Transactions from 1 July 2017 to 30 June 2018 (RM000)
PSB	Perunding CPM Services Sdn Bhd ("CPM")	Risk management and professional engineering services rendered by CPM for projects in relation to the provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of high voltage and extra high voltage substations, transmission lines and underground cables for electricity transmission and distribution in the local and international markets	275
PSB	SystemCORP Energy Pty Ltd ("SEN")***	Purchases by PSB of embedded system design and related accessories for substation automation	1,918
PSB	AsiaPac Machineries Sdn Bhd ("Asiapac")	Piling related works rendered by AsiaPac for civil construction including, but not limited to, earth works, civil construction machineries operation and maintenance, and supply of civil construction materials for works within an electrical substation	387

Note:-

*** FNX is a wholly owned subsidiary of PSB*

**** SEN is a 51%-owned subsidiary of the PESTECH Energy Sdn. Bhd. with effective from 1 August 2018.*

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year	75,787	(2,720)
Attributable to:		
Owners of the Company	57,970	(2,720)
Non-controlling interests	17,817	-
	75,787	(2,720)

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of previous 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 follows:

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)

* *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:

Abd Ghaffur Bin Ramli

Dav Ansan

Detlef Raddatz

Han Fatt Juan

Keith Iduhu

Lim Hon Seng

Oknha Hout Chantho

Oknha Vinh Huor

Paismanathan A/L Govindasamy

Seth Kwasi Asante

Tan Pu Hooi

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 1.7.2017 '000	Bought/ Transferred '000	Share Split '000	Bonus Issue '000	Share Grant Plan '000	Dividend Reinvestment Plan '000	Disposed of/ Transferred '000	At 30.6.2018 '000
Interest in the Company								
Direct Interest								
Lim Ah Hock	254,851	-	-	-	-	-	(2,000)	252,851
Lim Pay Chuan	155,329	1,100	-	-	-	-	(1,930)	154,499
Tan Puay Seng	720	-	-	-	-	-	(120)	600
Lee Ting Kiat	531	70	-	-	-	-	-	601
Indirect Interest								
Lim Ah Hock#	1,306	-	-	-	-	-	-	1,306
Lim Pay Chuan#	1,306	-	-	-	-	-	-	1,306
Ibrahim bin Talib*	15,407	-	-	-	-	-	-	15,407

(#) deemed interest by virtue of his shareholdings in Vestech Projects Sdn. Bhd.
(*) 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 2018.

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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, Directors and Officers of the Company together with its subsidiaries or associate 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 RM36,000.

ISSUE OF SHARES AND DEBENTURES

On 2 October 2017, 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.

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.

On 22 February 2018, the Company extended the SGP for another five (5) years until 26 March 2023 in accordance with the terms of the By-Laws 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	Number of new ordinary shares issued under SGP	Exercise price per ordinary share RM	Approved employee benefits RM'000
2 October 2017	913,500	1.54	1,407

DIRECTORS' **REPORT**

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.

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.

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

OTHER STATUTORY INFORMATION

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

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; 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 the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

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

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

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

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

In the opinion of the Directors:

(a) no contingent 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.

DIRECTORS' **REPORT**

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

AUDITORS

Details of auditors' remuneration are set out in Note 27 to the Financial Statements.

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

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

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

____

LIM AH HOCK
DIRECTOR

____

LIM PAY CHUAN
DIRECTOR

Kuala Lumpur
15 October 2018

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 75 to 148 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

LIM AH HOCK

LIM PAY CHUAN

Kuala Lumpur
15 October 2018

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 75 to 148 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)
15 October 2018)

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

Before me:

Commissioner for Oaths

VALLLIAMAH A/P PERIAN
(No. W. 594)

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 2018 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 75 to 148.

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 2018, 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.

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

Key Audit Matters (cont'd)

Group

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 has completed the construction and the operation of the transmission system has commenced on January 2018.

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.

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.

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

Key Audit Matters (cont'd)

Group (cont'd)

Revenue recognition for construction contracts (cont'd)

Our response –

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

- perused terms and conditions stipulated in the agreements with customers and subcontractors/suppliers for individually significant contract and assessed their relationship to the revenue and costs recognised;
- assessed total construction contract revenue by examining evidences such as construction contracts, approved variation orders and correspondences with customers and verified the progress billings. In instances where projects have been delayed, assessed the necessity and sufficiency of the provision for liquidated ascertained damages based on the management's estimates and reviewed the supporting documentation such as correspondences with customers or consultants, extension of time approvals and work progress reports indicating reasons for delays;
- evaluated the 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.

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 2018 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.

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

Key Audit Matters (cont'd)

Company

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.

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.

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 (CONT'D)

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

We also (cont'd):

- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

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

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

Kuala Lumpur
15 October 2018

STATEMENTS OF **FINANCIAL POSITION**

as at 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	83,177	70,247	957	5
Intangible assets	5	90,520	86,595	-	-
Investment in subsidiaries	6	-	-	93,803	71,933
Investment in associates	7	309	-	-	-
Derivative financial instruments	8	13,474	4,570	-	-
Concession assets	9	435,503	416,174	-	-
Total non-current assets		622,983	577,586	94,760	71,938
Current assets					
Amount due from contract customers	10	708,639	342,643	-	-
Concession assets	9	49,459	26,301	-	-
Inventories	11	33,882	39,517	-	-
Trade receivables	12	122,391	95,794	-	-
Other receivables	13	33,541	53,615	109	122
Amount due from related companies	14	81	39	157,821	162,687
Tax recoverable		18,093	14,465	3,903	2,463
Fixed deposit with a licensed institution	15	5,042	-	-	-
Cash and bank balances		113,566	22,150	31	244
Total current assets		1,084,694	594,524	161,864	165,516
Total assets		1,707,677	1,172,110	256,624	237,454
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company:					
Share capital	16	212,672	211,265	212,672	211,265
Reserves	17	(34,897)	(33,323)	-	-
Retained earnings/(accumulated loss)		279,493	230,057	(347)	2,373
		457,268	407,999	212,325	213,638
Non-controlling interests	6	69,062	56,367	-	-
Total equity		526,330	464,366	212,325	213,638

STATEMENTS OF
FINANCIAL POSITION

as at 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	18	582	654	337	-
Loans and borrowings	19	372,428	274,362	-	-
Trade payables	20	-	31,275	-	-
Deferred tax liabilities	21	241	241	-	-
Total non-current liabilities		373,251	306,532	337	-
Current liabilities					
Amount due to contract customers	10	5,827	2,456	-	-
Trade payables	20	392,356	130,746	-	-
Other payables	22	28,770	27,211	1,003	828
Amount due to Directors	23	31	626	-	-
Amount due to related companies	14	-	-	42,865	22,988
Finance lease liabilities	18	544	1,267	94	-
Loans and borrowings	19	362,605	231,166	-	-
Tax payable		17,963	7,740	-	-
Total current liabilities		808,096	401,212	43,962	23,816
Total liabilities		1,181,347	707,744	44,299	23,816
Total equity and liabilities		1,707,677	1,172,110	256,624	237,454

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 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	24	834,910	498,319	11,103	21,300
Cost of sales		(706,447)	(356,582)	-	-
Gross profit		128,463	141,737	11,103	21,300
Other income	25	46,712	34,447	49	1
Administration expenses		(59,741)	(36,036)	(13,856)	(7,564)
Finance costs	26	(23,014)	(11,846)	(16)	-
Share of profit of equity-accounted associate	7	180	-	-	-
Profit/(Loss) before tax	27	92,600	128,302	(2,720)	13,737
Tax expense	28	(16,813)	(4,357)	-	(966)
Profit/(Loss) for the financial year		75,787	123,945	(2,720)	12,771
Other comprehensive loss					
Item that will be reclassified subsequently to profit or loss					
- Exchange translation differences		(15,230)	(3,929)	-	-
Total comprehensive income/(loss) for the financial year		60,557	120,016	(2,720)	12,771
Profit for financial year attributable to:					
Owners of the Company		57,970	94,911		
Non-controlling interests		17,817	29,034		
		75,787	123,945		
Total comprehensive income attributable to:					
Owners of the Company		47,862	89,746		
Non-controlling interests		12,695	30,270		
		60,557	120,016		
Earnings per share attributable to the owners of the Company:					
Basic earnings per share (RM)	29	0.08	0.13		

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

STATEMENTS OF **CHANGES IN EQUITY**

for the financial year ended 30 June 2018

	Note	Share capital RM'000	Share premium RM'000	Exchange translation reserve RM'000	Capital reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company								
			Non-distributable				Distributable			
Group										
At 1 July 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 loss 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	16	97,548	(68,852)	-	-	-	(3,917)	24,779	-	24,779
Share issuance expenses		-	(108)	-	-	-	-	(108)	-	(108)
Dividend	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	16	20,420	(20,420)	-	-	-	-	-	-	-
At 30 June 2017		211,265	-	(186)	-	(33,137)	230,057	407,999	56,367	464,366
Profit for the financial year		-	-	-	-	-	57,970	57,970	17,817	75,787
Other comprehensive loss for the financial year		-	-	(10,108)	-	-	-	(10,108)	(5,122)	(15,230)
Total comprehensive income for the financial year		-	-	(10,108)	-	-	57,970	47,862	12,695	60,557
Transactions with owners:										
Issuance of share capital	16	1,407	-	-	-	-	-	1,407	-	1,407
Capitalisation of a subsidiary's post acquisition retained earnings	17	-	-	-	8,534	-	(8,534)	-	-	-
Total transactions with owners		1,407	-	-	8,534	-	(8,534)	1,407	-	1,407
At 30 June 2018		212,672	-	(10,294)	8,534	(33,137)	279,493	457,268	69,062	526,330

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

	Note	Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained earnings/ (Accumulated loss) RM'000	Total RM'000
Company					
At 1 July 2016		93,297	89,380	15,989	198,666
Total comprehensive income for the financial year		-	-	12,771	12,771
Transactions with owners:					
Issuance of share capital	16	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	16	20,420	(20,420)	-	-
At 30 June 2017		211,265	-	2,373	213,638
Total comprehensive loss for the financial year		-	-	(2,720)	(2,720)
Transactions with owners:					
Issuance of share capital	16	1,407	-	-	1,407
At 30 June 2018		212,672	-	(347)	212,325

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

STATEMENTS OF **CASH FLOWS**

for the financial year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
OPERATING ACTIVITIES					
Profit/(Loss) before tax		92,600	128,302	(2,720)	13,737
Adjustments for:-					
Amortisation of intangible assets		3,177	-	-	-
Bad debts written off		240	-	-	-
Depreciation of property, plant and equipment		5,068	4,964	598	16
Fair value gain on derivative financial instruments		(8,904)	(880)	-	-
Gain on disposal of property, plant and equipment		(78)	(114)	-	-
Interest expense		37,967	24,001	16	-
Interest income		(130)	(67)	(1)	(1)
Interest income arising from concession assets		(35,852)	(19,376)	-	-
Property, plant and equipment written off		-	26	-	-
Unwinding discount of financial liability		-	(3,021)	-	-
Unrealised loss/(gain) on foreign exchange		12,212	(10,349)	(27)	1,935
Share grant plan expenses		1,407	-	290	-
Share of profit of equity-accounted associate		(180)	-	-	-
Operating profit/(loss) before working capital changes		107,527	123,486	(1,844)	15,687
Changes in working capital:-					
Inventories		5,633	29,716	-	-
Receivables		333	(46,442)	13	53
Payables		232,775	127,124	175	(2,130)
Concession assets		(33,503)	(189,171)	-	-
Contract customers		(383,353)	(142,606)	-	-
Cash (used in)/generated from operations		(70,588)	(97,893)	(1,656)	13,610
Tax refunded		275	-	-	-
Tax paid		(9,811)	(12,046)	(1,440)	(1,260)
Net cash (used in)/from operating activities		(80,124)	(109,939)	(3,096)	12,350
INVESTING ACTIVITIES					
Acquisition of subsidiary, net of cash (Note 6.3)		(9,836)	(4,500)	-	-
Dividend received (Note 14)		-	-	13,000	-
Investment in subsidiaries		-	-	(1,847)	(1,604)
Investment in an associate		(137)	-	-	-
Interest received		130	67	1	1
Purchase of property, plant and equipment	A	(16,982)	(24,992)	(185)	(4)
Proceeds from disposal of property, plant and equipment		78	167	-	-
Repayment from related companies		(42)	(5)	(7,434)	(702)
Uplift of bank balances pledged		-	43	-	-
Uplift of fixed deposits with licensed financial institutions		-	460	-	-
Net cash (used in)/from investing activities		(26,789)	(28,760)	3,535	(2,309)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
FINANCING ACTIVITIES	B				
Repayment to Directors		(594)	(256)	-	-
Repayment to related companies		-	-	(569)	(7,647)
Dividend paid		-	(2,051)	-	(2,051)
Proceeds from issuance of ordinary shares, net of share issuance expenses		-	(108)	-	(108)
Interest paid		(37,598)	(24,553)	(16)	-
Net drawdown of short term borrowings		105,797	12,444	-	-
Proceeds from term loans		136,439	161,293	-	-
Repayment of term loans		(1,519)	(1,207)	-	-
Repayment of finance lease payables		(1,339)	(1,570)	(67)	-
Net cash from/(used in) financing activities		201,186	143,992	(652)	(9,806)
CASH AND CASH EQUIVALENTS					
Net changes		94,273	5,293	(213)	235
Brought forward		15,298	9,964	244	9
Effects of translation differences		(712)	41	-	-
Carried forward	C	108,859	15,298	31	244

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 RM17,526,271 and RM682,695 (2017: RM25,565,135 and RM4,101) of which RM544,077 and RM498,000 (2017: RM573,000 and Nil) was acquired by means of finance lease respectively. Cash payment of RM16,982,194 and RM184,695 (2017: RM24,992,135 and RM4,101) were made to purchase the property, plant and equipment.

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 July 2017 RM'000	Cash flows RM'000	Interest expenses RM'000	Others RM'000	30 June 2018 RM'000
Group					
Amount due to Directors	626	(594)	-	(1)(a)	31
Borrowings	219,546	105,797	-	1,559 (a)	326,902
Term loans	279,130	134,920 (d)	-	(15,668)(a)	398,382
Finance lease liabilities	1,921	(1,339)	-	544 (b)	1,126
Interest expenses	-	(37,598)	37,598	-	-
	501,223	201,186	37,598	(13,566)	726,441
Company					
Amount due to related companies	22,988	(569)	-	20,446 (c)	42,865
Finance lease liabilities	-	(67)	-	498 (b)	431
Interest expenses	-	(16)	16	-	-
	22,988	(652)	16	20,944	43,296

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

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

(a) Being exchange translation differences
(b) Being acquisition of property, plant and equipment by means of finance lease financing
(c) Comprise of unrealised gain on foreign exchange, transferred of property, plant and equipment and cost of investment in a subsidiary amounted to RM26,579, RM867,190 and RM19,605,662 respectively
(d) The amount are net of drawndown and repayment during the financial year amounted to RM136,438,965 and RM1,519,193 respectively

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	113,566	22,150	31	244
Fixed deposits with a licensed institution	5,042	-	-	-
Bank overdrafts (Note 19)	(9,749)	(6,852)	-	-
	108,859	15,298	31	244

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

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 15 October 2018.

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.

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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

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

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

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

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

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

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

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

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

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

2.3 Functional and presentation currency

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

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of amendments to MFRSs

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

At the beginning of the current financial year, the Group and the Company adopted amendments to MFRSs which are mandatory for the financial year beginning on or after 1 July 2017.

Initial application of the amendments to the standards did not have material impact to the financial statements, except for:

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative

The Group and the Company have applied these amendments for the first time in the current year. The amendments require entities to provide disclosure of changes in the liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The information is provided in the Statements of Cash Flows. Consistent with the transition provisions of the amendments, the Group and the Company have not disclosed comparative information for the prior period.

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:

MFRSs, Amendments to MFRSs and IC Interpretation 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
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 – 2017 Cycle (except for Amendments to MFRS 12 Disclosures of Interests in Other Entities)**

MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9*	Financial Instruments: Prepayment Feature with Negative Compensation
Amendments to MFRS 119	Post-employment Benefits: Defined Benefits Plans
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
IC Interpretation 23*	Uncertainty over Income Tax Treatments

*Annual Improvement to MFRS Standards 2015-2017 Cycle **

Amendments to MFRSs and IC Interpretations effective 1 January 2020:

Amendments to References to the Conceptual Framework in MFRS Standards (MFRS 2, 3, 6, 14, 101, 108, 134, 137, 138 and IC Interpretation 12, 19, 20, 22 and 132)

2. BASIS OF PREPARATION (CONT'D)

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

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 (cont'd):

MFRS effective 1 January 2021:

MFRS 17*#	Insurance Contracts

Amendments to MFRSs - effective date deferred indefinitely:

Amendments to MFRS 10 and 128	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

The 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 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During the financial year, the Group had performed a high-level impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group when the Group adopts MFRS 9.

(a) Classification and measurement of financial assets

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flows characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment of financial assets

MFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on the trade receivables. The Group has determined that the loss allowance is significant to the financial statements.

In summary, the Group expects no significant impact in MFRS 9 adoption.

2. BASIS OF PREPARATION (CONT'D)

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

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

MFRS 15 Revenue From Contracts with Customers

MFRS 15 establishes a five-step model to account for 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 for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

(a) Step 1 : Identify the contract(s) with a customer

(b) Step 2 : Identify the performance obligations in the contract

(c) Step 3 : Determine the transaction price

(d) Step 4 : Allocate the transaction price to the performance obligations in the contract

(e) Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

The Group's EPMCC segment is mainly provide a significant integration service and the goods and services within the contract will be highly dependent on or highly integrated with other goods or services, hence the contract is considered to contain only one performance obligation and the revenue and profits are recognises over time by reference to the stage of completion.

Under MFRS 15, the Group required to estimate the transaction price in a contract, which includes considering whether there is a significant financing component. The Group has entered into a EPMCC contracts with a customer in which services are expected to be delivered by mid of year 2020. The Group will issue billing upon completion of the construction contacts. The Group has considered the guidance in MFRS 15 and has concluded that the contract contains a significant financing component because of the length of time between when the customer pays for the services and when the Group delivers the services to the customer. The Group assessed the current year profit would be decreased by RM3,064,042 because of re-allocation of the portion of contract consideration to finance income, and amount due from customer would be decreased by RM3,830,053 and tax payable would be decreased by RM766,011.

The presentation and disclosure requirements in MFRS 15 are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will be significant.

2. BASIS OF PREPARATION (CONT'D)

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

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

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 increase substantially.

MFRS 16 also:

- Changes the definition of a lease;
- Sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- Changes the accounting for sale and leaseback arrangements;
- Largely retains MFRS 117's approach to lessor accounting; and
- Introduces new disclosure requirements.

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 2018, the 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 8% (2017: 20%) difference in the expected useful lives of the property, plant and equipment from the management estimates would result in approximately 1% (2017: 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 period 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 21 and 28 to the Financial Statements respectively.

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

The Group and the Company assess at the end of 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.

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 and the Company's loans and receivables at the end of the reporting period is disclosed in Note 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 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 period is disclosed 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 date.

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

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

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

3.1.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business combinations (cont'd)

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.

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 equity.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting 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.

3.1.6 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.6 Associate and joint arrangement (cont'd)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to 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.

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

Long term leasehold land	96 years
Buildings	50 years
Motor vehicles	5 years
Tools and equipment	5 - 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. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss.

3.3 Intangible assets - rights

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

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

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

3. 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 3.8.

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 Note 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 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 as finance costs in the profit or loss.

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

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 Statements of Financial Position.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Inventories

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

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

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

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

3.7 Financial instruments

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.

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 include derivatives entered into by the Group that do meet the hedge accounting criteria. Derivative assets are measured in accordance with accounting policy set out in Note 3.7.4.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets (cont'd)

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, amount due from related companies, trade and most other receivables fall into this category of financial instruments.

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 measured 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 financial liabilities messured at amortised cost on their Statements of Financial Position.

Other liabilities measured at amortised cost

The Group's and the Company'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 Statements of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.4 Derivative financial instruments

The Group 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.

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.

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 amount 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 amount 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 as current liabilities in the Statements of Financial Position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 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.

Retained earnings/(accumulated loss) include all current and prior years' 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.

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 is discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company 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.

3.15 Employee benefits

3.15.1 Short-term employee benefits

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

3.15.2 Defined contribution plan

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Employee benefits (cont'd)

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 upon allotment of shares. The fair value of shares is measured at grant date.

In its separate financial statements of the Company, the grant by the Company of its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution to the subsidiary. The fair value of shares granted to employees of the subsidiary in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity of the Company.

3.16 Borrowing costs

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

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

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

3.17 Tax expenses

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

3.17.1 Current tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax expenses (cont'd)

3.17.2 Deferred tax

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

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.

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.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Capital work-in-progress RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovation RM'000	Tools and equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Cost									
At 1 July 2016	11,834	7,378	1,657	5,745	707	20,338	6,378	6,524	60,561
Reclassification	(7,835)	(406)	-	8,241	-	-	-	-	-
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
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
Additions	-	13,636	-	364	429	80	1,597	1,420	17,526
Capitalisation of borrowing cost	-	1,024	-	-	-	-	-	-	1,024
Disposals	-	-	-	-	-	(2)	(145)	-	(147)
Translation differences	-	-	-	-	-	(877)	125	(18)	(770)
At 30 June 2018	3,999	38,820	3,937	15,770	1,460	25,743	9,544	8,470	107,743
Accumulated depreciation									
At 1 July 2016	-	-	181	773	295	5,766	4,012	4,201	15,228
Acquisition of a subsidiary	-	-	-	-	-	-	-	31	31
Charge 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
Charge for the financial year	-	-	59	315	103	2,388	1,253	950	5,068
Disposals	-	-	-	-	-	(2)	(145)	-	(147)
Translation differences	-	-	-	-	-	(178)	(34)	(6)	(218)
At 30 June 2018	-	-	290	1,230	460	10,542	6,030	6,014	24,566
Carrying amount									
At 30 June 2018	3,999	38,820	3,647	14,540	1,000	15,201	3,514	2,456	83,177
At 30 June 2017	3,999	24,160	3,706	14,491	674	18,208	3,011	1,998	70,247

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

	Motor vehicles RM'000	Office equipment RM'000	Tools and equipment RM'000	Total RM'000
Company				
Cost				
At 1 July 2016	74	5	-	79
Additions	-	4	-	4
At 30 June 2017	74	9	-	83
Additions	555	128	-	683
Transferred from a subsidiary	1,687	684	3	2,374
At 30 June 2018	2,316	821	3	3,140
Accumulated depreciation				
At 1 July 2016	59	3	-	62
Charge for the financial year	15	1	-	16
At 30 June 2017	74	4	-	78
Charge for the financial year	421	177	-	598
Transferred from a subsidiary	1,102	405	-	1,507
At 30 June 2018	1,597	586	-	2,183
Carrying amount				
At 30 June 2018	719	235	3	957
At 30 June 2017	-	5	-	5

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

	Group 2018 RM'000	Group 2017 RM'000
Freehold land	3,999	3,999
Capital work-in-progress	38,820	24,160
Buildings	8,077	8,241
Tools and equipment	7,062	7,283
	57,958	43,683

Carrying amounts of property, plant and equipment held under finance lease are:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Motor vehicles	1,151	1,254	471	-
Tools and equipment	930	1,326	-	-

5. INTANGIBLE ASSETS

	Rights RM'000	Goodwill RM'000	Total RM'000
Group			
Cost			
At 1 July 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
Arising from acquisition of a subsidiary (Note 6)	9,633	2,589	12,222
Translation differences	(5,130)	-	(5,130)
At 30 June 2018	90,383	3,304	93,687
Accumulated amortisation			
At 1 July 2016/30 June 2017	-	-	-
Amortisation during the financial year	3,177	-	3,177
Translation differences	(10)	-	(10)
At 30 June 2018	3,167	-	3,167
Carrying amount			
30 June 2018	87,216	3,304	90,520
30 June 2017	85,880	715	86,595

Rights

(a) Cambodia's concession asset – RM79,135,000 (2017: RM85,880,000)

The 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.

The construction works for the development of the transmission system has been completed by 30 November 2017 and the operation phase started on 1 January 2018. Thus, the right is amortised over a period of 25 years starting from 1 January 2018.

(b) Mass Rapid Transit 2 ("MRT2") Project - RM8,080,704 (2017: Nil)

The right acquired in a business combination, is disclosed in Note 6.3 to the Financial Statements. The amount of RM9,632,500 was paid to the vendor, Colas Rail System Engineering Sdn. Bhd. ("CRSE") who had successfully novated exclusive right from a consortium party for providing engineering, procurement, construction, testing and commissioning of power supply and distribution system of MRT2 Project.

The MRT2 Project estimated to be completed by 30 May 2022. The right is amortised based on the percentage of completion over the construction period.

5. INTANGIBLE ASSETS (CONT'D)

Impairment testing for cash-generating units containing goodwill

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

The aggregate carrying amount of goodwill allocated to each unit are as follows:

	Group	
	2018 RM'000	2017 RM'000
Forward Metal Works Sdn. Bhd.	715	715
Colas Rail System Engineering Sdn. Bhd.	2,589	-
	3,304	715

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

- Cash flows were projected based on actual operating results and a 5-years business plans.
- Revenue was projected at anticipated annual revenue growth of approximately 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 amount of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	90,676	69,923
Contributions to subsidiaries through Share Grant Plan	3,127	2,010
	93,803	71,933

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Effective interest 2018 %	Effective interest 2017 %	Principal activities
PESTECH Sdn. Bhd. ("PSB")	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 (Cambodia) PLC (formerly known as PESTECH (Cambodia) Limited) ("PCL") *	Cambodia	100	-	Construction of electrical substation and transmission line.
PESTECH Energy Sdn. Bhd. ("PESB")	Malaysia	100	100	Provision of design and supply of remote control systems and data communication products and its related services.
PESTECH Engineering Technology China Co. Limited ("PET")^	People's Republic of China	100	100	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
PESTECH Power Sdn. Bhd.	Malaysia	100	100	Investment holding and provision of establishing electric power transmission concessions.
PESTECH (PNG) Ltd. ("PPNG")^	Papua New Guinea	100	100	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
PESTECH (Sarawak) Sdn. Bhd.	Malaysia	100	100	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
PESTECH Technology Sdn. Bhd. ("PTech")	Malaysia	100	100	Provision of design, engineering, supply and commissioning of plant systems for power plants and rail electrification projects.
PESTECH Transmission Sdn. Bhd.	Malaysia	100	100	Provision of comprehensive power system engineering and technical solutions for the design, procurement, construction, commissioning of High Voltage ("HV") and Extra High Voltage ("EHV") substations.
SystemCorp Energy Pty Ltd (formerly known as SystemCorp Embedded Technology Pty Ltd) ("SEPL")	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.

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 2018 %	Effective interest 2017 %	Principal activities
Subsidiaries of PSB:				
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.
Fornix Sdn. Bhd. ("Fornix")	Malaysia	100	100	Investment holding company.
PESTECH (Brunei) Sdn. Bhd. ("PBSB")#	Brunei	90	90	Provision of electrical engineering services, specialising in transmission and distribution
PCL*	Cambodia	-	100	Construction of electrical substation and transmission line.
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.
Subsidiary of PESTECH Power Sdn. Bhd.:				
Diamond Power Ltd. ("DPL") *	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. ("FMW")	Malaysia	100	100	Investment holding company.
Subsidiary of PCL:				
PESTECH (Myanmar) Limited	Myanmar	99.99	-	Provision of comprehensive powers system engineering, construction, design, installation related services in power industry through PCL in Myanmar.
Subsidiary of PESTECH Technology Sdn. Bhd.:				
Colas Rail System Engineering Sdn. Bhd. ("CRSE")	Malaysia	100	-	Provision of project management, engineering, design, procurement, construction and related support services in relation to railway electrical and mechanical projects.

\# *Subsidiary not audited by Grant Thornton Malaysia.*

* *Subsidiary audited by a member firm of Grant Thornton International Ltd.*

^ *Audits have been carried out by Grant Thornton Malaysia in accordance with MFRS and IFRS for the purpose of forming a group opinion.*

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.2 Non-controlling interests in subsidiaries

The information of non-controlling interests are as follows:

	PBSB	DPL	SEPL	Total
2018				
Percentage of ownership interest and voting interest (%)	10	40	49	
Carrying amount of non-controlling interests (RM'000)	(29)	70,201	(1,110)	69,062
Profit/(Loss) allocated to non-controlling interests (RM'000)	-	18,015	(198)	17,817
Total comprehensive income/(loss) allocated to non-controlling interests (RM'000)	2	12,784	(91)	12,695
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

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

	PBSB RM'000	DPL RM'000	SEPL RM'000
2018			
Financial position as at 30 June			
Non-current assets	-	514,652	-
Current-assets	179	86,250	135
Non-current liabilities	-	(335,076)	-
Current liabilities	(474)	(90,314)	(2,400)
(Net liabilities)/Net assets	(295)	175,512	(2,265)
Summary of financial performance for the financial year ended 30 June			
(Loss)/Profit for the year	(3)	45,039	(405)
Other comprehensive income/(loss)	15	(13,073)	219
Total comprehensive income/(loss)	12	31,966	(186)
Included in total comprehensive income is:			
Revenue	-	61,442	2,152
Summary of cash flows for the financial year ended 30 June			
Net cash used in operating activities	(1)	(23,923)	(19)
Net cash from financing activities	1	33,323	-
Net cash inflow/(outflow)	-	9,400	(19)

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):

	PBSB RM'000	DPL RM'000	SEPL RM'000
2017			
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 used in operating activities	(7)	(142,720)	(94)
Net cash used in investing activities	-	(7)	-
Net cash from/(used in) financing activities	-	145,502	(23)
Net cash (outflow)/inflow	(7)	2,775	(117)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 Addition of subsidiaries

2018

(a) On 24 October 2017, PTech entered into a Sales and Purchase Agreement to purchase 382,500 shares, represent 51% equity interest of CRSE from third parties for purchase consideration of RM382,500.

On 25 October 2017, PTech entered into another Sales and Purchase Agreement to purchase remaining 367,500 shares, represent 49% equity interest of CRSE from a third party for purchase consideration of RM10,000,000.

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

	2018 RM'000
Net assets acquired:	
Intangible asset acquired (Note 5)	9,633
Trade and other receivables	8,803
Tax recoverable	225
Cash and cash equivalents	547
Other payables	(11,414)
Group's share of net assets at date of acquisition	7,794
Goodwill on acquisition (Note 5)	2,589
Purchase consideration	10,383
Less: Cash and cash equivalents acquired	(547)
Net cash outflow on acquisition of equity interest in a subsidiary	9,836

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 RM103,487,876 and incurred loss of RM41,611 to the Group's revenue and profit for the financial year respectively.

(b) On 27 October 2017, the Company had injected additional USD75,808 (equivalents to RM319,999) in PET.

(c) On 20 December 2017, the Group has incorporated an indirect 99.99% owned subsidiary, PML through PCL, with paid up capital of USD25,000 divided into 25,000 shares of USD1 each. The principal activity of PML is to provide comprehensive powers system engineering, construction, design, installation related services in power industry through PCL in Myanmar.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 Addition of subsidiaries (cont'd)

2018 (cont'd)

(d) On 28 June 2018, the Company subscribed additional 700,000 ordinary shares of RM1.00 each of PESB by way of capitalisation of RM700,000 from the amount due from PESB.

(e) On 14 March 2018, the Company had received notification that the Ministry of Commerce of Cambodia had approved the transfer of 1,000 shares with par value of United States Dollar 1.00 per share in PCL (equivalents to RM3,162), representing the entire registered capital of PCL, from PSB to the Company. The shares transfer is part of the Proposed Internal Reorganisation to facilitate the Proposed Listing of PCL on the Cambodia Securities Exchange.

Subsequently, the Company had subscribed additional 5,000,000 ordinary shares of PCL by way of capitalisation of USD5,000,000 (approximately RM19,602,500) from the amount due from PCL to PSB.

(f) During the financial year, the Company had subscribed 100,000 ordinary shares of PGK1.00 amounting to PGK100,000 (equivalents to RM127,000) of PPNG.

2017

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

(b) On 23 November 2016, the Company has incorporated a wholly-owned subsidiary, PPNG in Papua New Guinea with a registered capital of PGK100,000. However, no capital has been injected to this subsidiary and the subsidiary is remained dormant during prior financial year.

(c) On 21 July 2016, Fornix had acquired 1,000,000 ordinary shares of RM1.00 each in FMW, representing 100% of the total issued and paid up share capital of FMW for a total cash consideration of RM4,500,000.

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 (Note 5)	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 previous financial year respectively.

7. INVESTMENT IN ASSOCIATES

	Group 2018 RM'000	Group 2017 RM'000
Unquoted shares, at cost	137	-
Share of post-acquisition reserve	180	-
Translation differences	(8)	-
	309	-

The particulars of the associates are as follows:

Name of company	Place of incorporation	Effective interest 2018 %	Effective interest 2017 %	Principal activities
Pestech Corporation#	Philippines	38	-	Provision of consultancy, testing, commissioning and construction.
Transmission Energy Inc.#	Philippines	40	-	Provision of comprehensive power system and technical solutions for the procurement and installation of substations and transmission lines.

Associates not audited by Grant Thornton Malaysia.

Acquisition of investment in associates

(a) During the financial year, the Group invested 38% in an associate, Pestech Corporation in Philippines with a registered capital of Philippine Peso (PHP) 4,525,000.

The summarised financial information of the associate is as follows:

	2018 RM'000
Financial position as at 30 June	
Non-current assets	19
Current assets	1,579
Current liabilities	(784)
Net assets	814
Summary of financial performance for the financial year ended 30 June	
Net profit/total comprehensive income	475
Reconciliation of net assets to carrying amount as at 30 June	
Group's share of net assets	309
Company's share of results for the financial year ended 30 June	
Group's share of profit/total comprehensive income	180

7. INVESTMENT IN ASSOCIATES (CONT'D)

(b) On 18 April 2018, the Group invested 40% in an associate, Transmission Energy Inc. in Philippines with a registered capital of PHP 10,000,000. However, no capital has been injected to this associate as at to-date and the associate is remained dormant as at the end of reporting period.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
Hedging derivatives:				
Non-current				
Forward currency contracts	199,410	13,474	222,986	4,570

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 2018, 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.

During the financial year, the Group recognised a gain of RM8,903,927 (2017: RM879,410) 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.

9. CONCESSION ASSETS

	Group	
	2018 RM'000	2017 RM'000
Represented by:		
Current	49,459	26,301
Non-current	435,503	416,174
	484,962	442,475

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. During the financial year, DPL has completed the construction and the operation of the transmission system has commenced thereafter. Upon expiry of the concession arrangement, the transmission system is to be transferred back to EDC.

10. AMOUNT DUE FROM/TO CONTRACT CUSTOMERS

	Group 2018 RM'000	Group 2017 RM'000
Cost incurred on contracts to date	1,589,354	1,220,846
Add: Attributable profits	397,961	382,792
	1,987,315	1,603,638
Less: Progress billings	(1,280,679)	(1,278,166)
Translation differences	(3,824)	14,715
	702,812	340,187
Presented as:		
Amount due from contract customers	708,639	342,643
Amount due to a contract customer	(5,827)	(2,456)
	702,812	340,187

11. INVENTORIES

	Group 2018 RM'000	Group 2017 RM'000
Work-in-progress	23,353	31,400
General stocks	10,529	8,117
	33,882	39,517

The amount of inventories recognised as cost of sales in profit or loss for the financial year is RM439,182,381 (2017: RM197,859,091).

12. TRADE RECEIVABLES

	Group 2018 RM'000	Group 2017 RM'000
Trade receivables	64,278	58,991
Retention sums on contracts	58,113	36,803
	122,391	95,794

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 1 to 60 days (2017: 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	925	2,150	-	110
Advance payments to suppliers	4,896	24,630	-	-
Deposits	1,703	2,309	-	-
Prepayments	10,743	16,758	97	12
GST/VAT receivable	15,274	7,768	12	-
	33,541	53,615	109	122

14. AMOUNT DUE FROM/TO RELATED COMPANIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due from:				
Jointly-controlled entity	-	39	-	-
Subsidiaries	-	-	157,821	162,687
Associate	81	-	-	-
	81	39	157,821	162,687
Amount due to:				
Subsidiaries	-	-	42,865	22,988

Included in amount due from subsidiaries was dividend receivable from a subsidiary amounted to RM4,750,920 (2017: RM13,000,000).

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

15. FIXED DEPOSIT WITH A LICENSED INSTITUTION

The effective interest rate is 3.40% (2017: Nil) per annum. The maturity period of the fixed deposit is 3 months.

16. SHARE CAPITAL

	Group and Company			
	Number of shares			Amount
	2018	2017	2018	2017
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At 1 July	763,380	186,594	211,265	93,297
Issued during the financial year:				
- Share split	-	186,593	-	-
- Bonus issue	-	373,187	-	93,297
- Share Grant Plan	914	2,627	1,407	656
- Dividend Reinvestment Plan	-	14,379	-	3,595
Transition to no-par value regime on 31 January 2017*	-	-	-	20,420
At 30 June	764,294	763,380	212,672	211,265

Share premium

	Group and Company RM'000
At 1 July 2016	89,380
Increase/(decrease) arising from:	
- Dividend Reinvestment Plan	16,824
- Share Grant Plan	3,704
- Bonus issue	(89,380)
- Share issuance expenses	(108)
Transition to no-par value regime on 31 January 2017*	(20,420)
At 30 June 2017 and 2018	-

* *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.

17. RESERVES

	Group	
	2018 RM'000	2017 RM'000
Non-distributable reserve:		
Merger deficit	(33,137)	(33,137)
Exchange translation reserve	(10,294)	(186)
Capital reserve	8,534	-
	(34,897)	(33,323)

Merger deficit

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

Exchange translation reserve

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

Capital reserve

A subsidiary has increased the share capital from the capitalisation of post-acquisition retained earnings, in effect, a permanent freezing of the portion of the subsidiary's post-acquisition retained earnings is recognised by a transfer from Group's retained earnings to the Group's capital reserves.

18. FINANCE LEASE LIABILITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum lease payments				
- within 1 year	577	1,342	111	-
- after 1 year but not later than 5 years	647	697	362	-
	1,224	2,039	473	-
Less: Future finance charges	(98)	(118)	(42)	-
	1,126	1,921	431	-
Present value of minimum lease payments				
- within 1 year	544	1,267	94	-
- after 1 year but not later than 5 years	582	654	337	-
	1,126	1,921	431	-

The Group's and the Company's finance leases bear interest at rates ranging from 2.25% to 3.86% and 2.35% (2017: 2.25% to 3.86% and Nil) per annum respectively 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.

19. LOANS AND BORROWINGS

	Group 2018 RM'000	Group 2017 RM'000
Secured:		
Non-current		
Secured:		
- Term loans	372,428	274,362
Current		
Secured:		
- Bank overdrafts	9,749	6,852
- Bankers' acceptances	64,488	24,736
- Term loans	25,954	4,768
- Trust receipts	168,477	92,766
- Revolving credit	90,670	99,509
- Foreign currency trade finance	3,267	2,535
	362,605	231,166
Total loans and borrowings	735,033	505,528

The effective interest rates per annum are as follows:

	2018 %	2017 %
Term loans	4.45 – 7.30	4.45 – 6.20
Bank overdrafts	7.00 – 8.65	7.15 – 8.60
Bankers' acceptances	4.46 – 6.42	4.46 – 6.45
Trust receipts	1.47 – 8.17	1.18 – 8.00
Revolving credit	5.57 – 8.50	4.27 – 6.60
Foreign currency trade finance	3.76 – 3.79	3.76 – 3.79

19. LOANS AND BORROWINGS (CONT'D)

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

	Group 2018 RM'000	Group 2017 RM'000
Term loans		
(i) A 9 years term loan of RM37,760,000 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	34,971	17,273
(ii) A 7 years term loan of RM7,600,000 which is repayable by 83 equal monthly installments of RM90,000 and a final installment of RM130,000 commencing 3 July 2015	4,360	5,440
(iii) A 20 years term loan of RM6,750,000 which is repayable by 120 equal monthly installments of RM20,617 and RM21,915 until full settlement of the Facility, commencing 1 month after full drawdown on 1 November 2016	6,396	6,623
(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 in May 2016. 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	272,127	249,794
(v) A 9 years term loan of USD50,000,000 with the 1st installment payable upon the expiry of the 3 years grace period from the date of the first drawdown in June 2018. The principal repayment amounts to USD400,000 per month for the 4th year to 6th year, USD467,000 per month for the 7th year, USD1,200,000 per month for 8th year to 9th year and a final installment of USD2,396,000.	80,528	-
	398,382	279,130

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.

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

19. 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 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.

The term loan (v) is secured by:

(i) Assignment and charge over accounts, assignment of project documents, assignment of Takaful insurances and Letter of Undertaking: and

(ii) Corporate guarantee from the Company.

19. LOANS AND BORROWINGS (CONT'D)

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

(i) Master Facility Agreement;

(ii) Corporate Guarantee by the Company;

(iii) Blanket Counter Indemnity from a subsidiary of the Company;

(iv) Letter of Undertaking from a subsidiary of the Company;

(v) Deed of Legal Assignment over proceeds of MRT2 Project with Notice of Assignment duly acknowledged by project principal/awarder;

(vi) Debenture over the fixed and floating assets, present and future;

(vii) Letter of Undertaking from the company to cover for costs overrun, if any;

(viii) Letter of Negative Pledge;

(ix) Irrevocable Instruction Letter to project principal/awarder, duly acknowledged by the same, to channel all project proceeds to designated Project Escrow Account;

(x) Marginal Deposit to be built by way of Sinking Fund by debit of up to 5% of each progress claim, up to RM25,000,000;

(xi) Letter of Set-Off on the Marginal Deposit, so long the Specific Project Financing Line - MRT2 Project limits subsist; and

(xii) Irrevocable Instruction Letter to authorise the Banks to operate designated escrow account.

20. TRADE PAYABLES

	Group	
	2018 RM'000	2017 RM'000
Current:		
Trade payables	385,148	125,698
Retention sum on contracts	7,208	5,048
	392,356	130,746
Non-current:		
Trade payables	-	31,275
Total	392,356	162,021

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 RM4,445,442 (2017: RM4,775,790) which is unsecured, non-interest bearing and the normal credit term granted by the related parties is 90 days (2017: 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 (2017: 14 days to 2 years).

21. DEFERRED TAX LIABILITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets				
At 1 July	-	309	-	309
Recognised in profit or loss (Note 28)	-	(309)	-	(309)
At 30 June	-	-	-	-
Deferred tax liabilities				
At 1 July	(241)	(4,983)	-	-
Recognised in profit or loss (Note 28)	-	4,742	-	-
At 30 June	(241)	(241)	-	-

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

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	346	889
Provisions	-	(549)
Unutilised industrial building allowances	(105)	(99)
	241	241

22. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables	22,262	18,460	841	408
Accruals	6,508	7,231	162	420
GST/VAT payable	-	1,520	-	-
	28,770	27,211	1,003	828

Included in other payables of the Group are:

(i) an amount of RM2,589,347 (2017: RM2,616,903) due to related parties by virtue of common shareholders and common key management personnel;

(ii) an amount of RM2,266,668 (2017: RM2,385,739) due to corporate shareholders of a subsidiary; and

(iii) an amount of Nil (2017: RM348,260) 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% (2017: 5%) per annum.

23. AMOUNT DUE TO DIRECTORS

The amount due to Directors is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

24. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sales of products	68,055	53,606	-	-
Rendering of services under construction contracts	766,855	444,713	-	-
Management fee income	-	-	6,352	8,300
Dividend income	-	-	4,751	13,000
	834,910	498,319	11,103	21,300

25. OTHER INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fair value gain on derivative financial instruments	8,904	880	-	-
Gain on disposal of property, plant and equipment	78	114	-	-
Interest income	130	67	1	1
Interest income arising from concession assets	35,852	19,376	-	-
Realised gain on foreign exchange	817	46	-	-
Rental income	58	45	-	-
Sundry income	873	549	21	-
Unrealised gain on foreign exchange	-	10,349	27	-
Unwinding discount of financial liability	-	3,021	-	-
	46,712	34,447	49	1

26. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bank overdrafts	1,013	504	-	-
Finance lease liabilities	84	140	16	-
Interest expense charged by shareholder	111	118	-	-
Short-term borrowings	14,460	10,539	-	-
Term loans	20,905	12,700	-	-
Amortisation of unwinding discount of financial liabilities	1,394	-	-	-
	37,967	24,001	16	-
Less: Charged under cost of sales	(14,953)	(12,155)	-	-
	23,014	11,846	16	-

27. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is determined after charging, amongst others, the following items:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration				
- statutory auditors	258	222	38	33
Rental of premises	1,565	1,599	-	-
Rental of motor vehicles	-	26	-	-
Realised loss on foreign exchange	2,907	4,913	-	1

28. TAX EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current year:				
- current tax	15,030	9,663	-	657
- deferred tax (Note 21)	-	(1,905)	-	231
	15,030	7,758	-	888
Under/(over) provision in prior years:				
- current tax	1,783	(873)	-	-
- deferred tax (Note 21)	-	(2,528)	-	78
	1,783	(3,401)	-	78
	16,813	4,357	-	966

Malaysian income tax is calculated at the statutory rate of 24% (2017: 24%) of the estimated taxable profits for the financial year.

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

28. TAX EXPENSE (CONT'D)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) before tax	92,600	128,302	(2,720)	13,737
At Malaysian statutory tax rate of 24% (2017: 24%)	22,224	30,793	(653)	3,297
Effects of different tax rates in overseas subsidiaries	(1,667)	(1,444)	-	-
Tax effects in respect of:-				
- expenses not deductible for tax purposes	3,589	6,497	734	711
- income not subject to tax	(3,182)	(11,945)	(1,140)	(3,120)
- movement of deferred tax assets not recognised during the financial year	4,876	1,420	1,059	-
- exemption under qualified investment project in foreign subsidiary	(10,810)	(17,563)	-	-
Under/(over) provision in prior years	1,783	(3,401)	-	78
	16,813	4,357	-	966

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment	2,383	5,771	598	-
Unabsorbed tax losses	(33,563)	(20,195)	(4,908)	-
Unutilised capital allowances	(5,167)	(3,375)	(103)	-
Unrealised loss on foreign exchange	(1,932)	(165)	-	-
	(38,279)	(17,964)	(4,413)	-

The deductible temporary differences, unabsorbed tax losses and unutilised capital allowances are available for offset against future taxable profits of the Group and the Company respectively in which those items arose. Deferred tax assets have not been recognised in respect of these items as the Group and the Company are not foreseen to realise the above 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	
	2018	2017
Profit attributable to owners of the Company (RM'000)	57,970	94,911
Weighted average number of ordinary shares in issue - basic (Number of shares '000)	764,058	754,334
Basic earnings per share (RM)	0.08	0.13

There are no diluted earnings per share because the Company does not have any convertible financial instruments as at the end of the financial year.

30. DIVIDEND

Group and Company

	Cash	DRP		Total 2018	Total 2017
	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

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 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Salaries, wages, bonuses and other emoluments	35,165	30,097	8,672	3,726
Defined contribution plan	3,713	3,140	1,066	439
Social security contributions	227	201	48	4
Directors' fee	170	135	170	135
Share grant expenses	1,407	-	290	-
Other benefits	2,669	1,255	333	34
	43,351	34,828	10,579	4,338

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Executive Directors of the Company:				
Salaries, bonuses and other emoluments	3,880	2,924	2,845	2,614
Defined contribution plan	341	308	341	308
Social security contributions	1	1	1	1
	4,222	3,233	3,187	2,923
Executive Directors of subsidiaries:				
Salaries, bonuses and other emoluments	905	724	-	-
Non-Executive Directors of the Company:				
Directors' fee	170	135	170	135
Director's other emoluments	70	47	70	47
	240	182	240	182

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 RM56,000 (2017: RM84,000).

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 2018 %	Effective interest 2017 %	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. During the financial year, the jointly- controlled entity is in the midst of voluntarily winding-up.

33. COMMITMENTS

33.1 Operating lease commitments - as lessee

The future minimum lease payments payable under non-cancellable operating lease commitments are:

	Group 2018 RM'000	Group 2017 RM'000
Future minimum lease payments payables:		
- Not later than 1 year	113	399
- Later than 1 year but not later than 2 years	183	941
	296	1,340

Operating lease commitments represent rentals payable for rent of the buildings and offices. Leases are negotiated for terms of 1 to 3 years (2017: 1 to 3 years).

33.2 Finance lease commitments

The future minimum lease payments under finance leases are disclosed in Note 18 to the Financial Statements.

33.3 Capital commitments

	Group 2018 RM'000	Group 2017 RM'000
Capital expenditure		
Authorised and contracted for:		
- Property, plant and equipment	9,462	14,207

34. CONTINGENCIES

A subsidiary of the Company received a Notice of Tax Reassessment from the tax authority to claim purportedly the followings:

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

In response, the subsidiary had filed a protest letter to the tax authority to contest the misinterpreted assessment. Management considers this assessment letter to be of no basis and unjustified and the probability that they will be required to settle the assessed taxes is considered to be remote. The protest is still pending as of the date of the financial statements.

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**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Subsidiaries:				
- Management fee income	-	-	6,352	8,300
- Dividend income	-	-	4,751	13,000
- Transfer of property, plant and equipment	-	-	867	-
Related parties by virtue of common shareholders and common key management personnel:				
- Revenue	2,705	829	-	-
- Purchase of materials and services received	14,829	13,030	-	-
- Construction of capital work-in-progress	8,804	11,276	-	-
- Rental income	54	41	-	-
- Rental expenses	55	88	-	-

35. RELATED PARTY DISCLOSURES (CONT'D)

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 and Company 2018 RM'000	2017 RM'000
Other key management personnel:		
- Salaries, bonuses and other emoluments	864	770
- Defined contribution plan	100	92
- Social security contributions	1	2
	965	864

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 are disclosed in Notes 14, 20, 22 and 23 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				
2018				
Financial assets				
Derivative financial instruments	13,474	-	13,474	-
Concession assets	484,962	484,962	-	-
Receivables	125,019	125,019	-	-
Amount due from related companies	81	81	-	-
Fixed deposit with a licensed institution	5,042	5,042	-	-
Cash and bank balances	113,566	113,566	-	-
	742,144	728,670	13,474	-
Financial liabilities				
Payables	421,157	-	-	421,157
Finance lease liabilities	1,126	-	-	1,126
Loans and borrowings	735,033	-	-	735,033
	1,157,316	-	-	1,157,316

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Categories of financial instruments (cont'd)

	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	100,253	100,253	-	-
Amount due from related companies	39	39	-	-
Cash and bank balances	22,150	22,150	-	-
	569,487	564,917	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

	Carrying amount RM'000	L&R RM'000	OL RM'000
Company			
2018			
Financial assets			
Amount due from related companies	157,821	157,821	-
Cash and bank balances	31	31	-
	157,852	157,852	-
Financial liabilities			
Payables	1,003	-	1,003
Amount due to related companies	42,865	-	42,865
Finance lease liabilities	431	-	431
	44,299	-	44,299

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Categories of financial instruments (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 related companies	22,988	-	22,988
	23,816	-	23,816

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.

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.

36. FINANCIAL INSTRUMENTS (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):

36.2 Financial risk management (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 credit risk concentration profile of the total trade receivables of the Group as at the end of the reporting period is as follows:

	Group			
	2018		2017	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	115,112	94.05	83,646	87.32
Cambodia	3,403	2.78	1,148	1.19
Philippines	2,745	2.24	25	0.03
Papua New Guinea	497	0.41	4,998	5.22
Kyrgyzstan	634	0.52	5,977	6.24
	122,391	100.00	95,794	100.00

The aging analysis of trade receivables other than retention sum is as follows:

	2018	2017
	RM'000	RM'000
Group		
Not past due	27,009	32,048
Past due for 0-30 days	12,548	10,633
Past due for 31-60 days	9,478	149
Past due for 61-90 days	1,145	32
Past due for 91-120 days	780	2,689
Past due for more than 120 days	13,318	13,440
Gross/Net carrying amount	64,278	58,991

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 63% (2017: 47%) of the Group's trade receivables were due from four (2017: three) major customers.

The 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.

36. FINANCIAL INSTRUMENTS (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):

36.2 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):

(ii) Intercompany balances

The maximum exposure to credit risk is represented by their carrying amounts in the Statements of Financial Position.

The Group and the Company provide unsecured advances to related companies and monitor the results of the related companies regularly.

As at the end of the reporting period, there was no indication that the advances to the related parties are not recoverable.

(iii) Financial guarantee

The maximum exposure of the Company to credit risk amounted to RM735,233,031 (2017: RM505,885,546), 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	Contractual interest rate	Contractual cash flows	Maturity: Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Non-derivative financial liabilities							
2018							
Secured:							
Finance lease liabilities	1,126	2.25% – 3.86%	1,224	577	397	250	-
Loans and borrowings	735,033	1.47% – 8.65%	825,821	380,972	91,895	170,503	182,451
	736,159		827,045	381,549	92,292	170,753	182,451
Unsecured:							
Payables	421,157		421,157	421,157	-	-	-
Total undiscounted financial liabilities	1,157,316		1,248,202	802,706	92,292	170,753	182,451
2017							
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

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	Maturity: Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
2018							
Non-derivative financial liabilities							
Company							
Secured:							
Finance lease liabilities	431	2.35%	473	111	111	251	-
Unsecured:							
Payables	43,868		43,868	43,868	-	-	-
Total undiscounted financial liabilities	44,299		44,341	43,979	111	251	-
Financial guarantee to subsidiaries	-		735,233	735,233	-	-	-
2017							
Unsecured:							
Payables/Total undiscounted financial liabilities	23,816		23,816	23,816	-	-	-
Financial guarantee to subsidiaries	-		505,886	505,886	-	-	-

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), 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 RM'000	Other receivables RM'000	Cash and bank balances RM'000	Trade payables RM'000	Other payables RM'000	Loans and borrowings RM'000	Total RM'000
2018							
Denominated in:							
USD	12,509	32	68,650	(37,784)	(3,151)	(26,705)	13,551
EURO	-	250	6	(2,845)	-	(4,743)	(7,332)
PHP	-	-	-	(756)	-	-	(756)
Others	-	-	19	(61)	-	-	(42)
2017							
Denominated in:							
USD	12,080	2,725	1,377	(3,575)	(10,734)	(53,230)	(51,357)
EURO	-	251	7	(455)	-	(1,871)	(2,068)
PHP	25	-	675	-	-	-	700
CNY	-	2,404	-	(67)	-	(114)	2,223
Others	-	19	-	(52)	-	-	(33)

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 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	
	2018 RM'000	2017 RM'000
USD/RM		
- Strengthened	678	(2,568)
- Weakened	(678)	2,568
EURO/RM		
- Strengthened	(367)	(103)
- Weakened	367	103
PHP/RM		
Strengthened	(38)	35
Weakened	38	(35)
CNY/RM		
- Strengthened	N/A	111
- Weakened	N/A	(111)

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(d) Interest rate risk

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

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's and the Company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company target a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

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):

(d) Interest rate risk (cont'd)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments:				
Financial assets	5,042	-	-	-
Financial liabilities	(1,126)	(1,921)	(431)	-
	3,916	(1,921)	(431)	-
Floating rate instruments:				
Financial liabilities	(735,033)	(505,528)	-	-

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in 50 basis point (bp) in interest rates at the end of the reporting period would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit for the year	
	+ 50 bp RM'000	- 50 bp RM'000
Group		
2018		
Floating rate instruments	(3,675)	3,675
2017		
Floating rate instruments	(2,528)	2,528

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), 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.

	2018		2017	
	Carrying amounts RM'000	Fair value at Level 2 RM'000	Carrying amounts RM'000	Fair value at Level 2 RM'000
Group				
Financial asset carried at fair value:				
Forward exchange contracts - asset	13,474	13,474	4,570	4,570
Financial liability not carried at fair value:				
Finance lease liabilities	1,126	1,109	1,921	1,907
Company				
Financial liability not carried at fair value:				
Finance lease liability	431	401	-	-

There were no transfers between Level 1 and Level 2 during the financial year (2017: no transfer in either direction).

<u>Policy on transfer between levels</u>

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.

<u>Level 1 Fair Value</u>

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.

<u>Level 2 Fair Value</u>

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) <u>Derivatives</u>

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) <u>Non-derivatives financial liabilities</u>

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.

<u>Level 3 Fair Value</u>

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

37. OPERATING SEGMENT (CONT'D)

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, Australia, Brunei, Philippines, Papua New Guinea, Kyrgyzstan 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.

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Note	Investment RM'000	EPMCC (local) RM'000	EPMCC (overseas) RM'000	Adjustments and Eliminations RM'000	Total RM'000
2018						
Revenue						
External customers		-	445,945	388,965	-	834,910
Inter-segment	i	11,919	206,468	32,846	(251,233)	-
Total revenue		11,919	652,413	421,811	(251,233)	834,910
Results						
Dividend income		4,751	6,056	-	(10,807)	-
Interest income		2,727	1,508	2	(4,107)	130
Interest income from concession assets		-	-	35,852	-	35,852
Finance costs		(1,984)	(15,432)	(22,559)	2,008	(37,967)
Depreciation and amortisation		(614)	(2,607)	(3,098)	(1,926)	(8,245)
Non-cash items other than depreciation	ii	(3,424)	7,244	(7,368)	180	(3,368)
Tax expense		(59)	(6,912)	(9,842)	-	(16,813)
Segment profit	iii	(5,059)	12,977	82,040	(14,171)	75,787
Assets						
Segment assets		490,723	828,383	1,308,865	(920,294)	1,707,677
Investment in associates		-	149	-	160	309
Additions to non-current assets (other than financial instruments)	iv	15,795	13,939	1,038	-	30,772
Liabilities						
Segment liabilities		(267,139)	(698,745)	(934,489)	719,026	(1,181,347)

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 RM'000	EPMCC (local) RM'000	EPMCC (overseas) RM'000	Adjustments and Eliminations RM'000	Total 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		(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)

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 2018 RM'000	Group 2017 RM'000
Fair value gain on derivative financial instruments	8,904	880
Unrealised (loss)/gain on foreign exchange	(12,212)	10,349
Unwinding discount of financial liability	-	3,021
Property, plant and equipment written off	-	(26)
Bad debts written off	(240)	-
Share of profit of equity-accounted associate	180	-
	(3,368)	14,224

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 (cont'd):

iii. The following items are added to/(deducted from) segment profit to arrive at "Profit after tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	Group	
	2018 RM'000	2017 RM'000
Segment profit	94,585	132,860
Interest income	130	67
Interest income from concession assets	35,852	19,376
Finance costs	(37,967)	(24,001)
Tax expense	(16,813)	(4,357)
	75,787	123,945

iv. Additions to non-current assets consists of:

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	18,550	29,342
Intangible assets	12,222	715
	30,772	30,057

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group				
Malaysia	458,135	217,533	86,738	68,890
Cambodia	364,895	279,769	86,875	87,837
Australia	374	1,017	-	-
Papua New Guinea	1,486	-	137	-
Philippines	1,196	-	173	-
Kyrgyzstan	8,760	-	-	-
China	64	-	83	115
	834,910	498,319	174,006	156,842

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

37. OPERATING SEGMENT (CONT'D)

37.3 Information about major customers

Revenue from two (2017: two) major customers amounted to RM303,453,651 (2017: RM90,596,950) and RM61,441,520 (2017: RM189,171,918) 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 safeguards the Group's ability to going concern in order to support the current business, to sustain the future development of business and to the 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, issue new shares or sell assets to reduce debts.

There were no changes in the Group's approach to capital management during the financial year.

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition/incorporation of subsidiaries/associates during the financial year are as disclosed in Notes 6.3 and 7 to the Financial Statements.

(b) Proposed Listing

On 22 December 2017, PESTECH (Cambodia) PLC (formerly known as PESTECH (Cambodia) Limited) ("PCL") has submitted the applications to the Securities and Exchange Commission of Cambodia ("SECC") and Cambodia Securities Exchange ("CSX") in relation to the Proposed Listing.

On 7 June 2018, CSX has informed PCL vide its letter dated 6 June 2018 that CSX has granted the approval in principle on 31 May 2018 for the Application for Listing Eligibility Review of PCL based on the information submitted to the CSX.

PCL shall fulfil the following conditions in order to obtain the final approval to list on the CSX:

(i) PCL shall submit a copy of its new Articles of Incorporation registered with the Ministry of Commerce.

(ii) PCL shall obtain approval for the IPO from the SECC.

(iii) PCL shall deposit all its shares with the securities depository operator of the CSX prior to the IPO.

(iv) PCL shall obtain CSX's confirmation on the share price prior to the IPO.

(v) PCL should clearly define its dividend policy, especially the pay-out ratio and the guarantee period of dividend distribution, in the Disclosure Document.

PCL have submitted the amended Articles of Incorporation dated 30 May 2018 to the Ministry of Commerce of Cambodia ("MOC") on 30 May 2018.

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(b) Proposed Listing (cont'd)

The Company has received notification on 2 July 2018 that the MOC has vide its letter dated 27 June 2018 approved the following:

(i) Increase in registered capital of PCL from KHR4,000,000 (USD1,000) to KHR28,400,000,000 (USD7,100,000);

(ii) Decrease in par value of PCL Shares from KHR4,000 (USD1.00) to KHR400 (USD0.10);

(iii) Registration of issued and fully paid share capital of 71,000,000 PCL Shares, with a par value of KHR400 (USD0.10) per PCL Share;

(iv) The Company being a direct shareholder of PCL holding 71,000,000 PCL Shares;

(v) Appointment of new members of the Board of Directors of PCL namely, Lim Pay Chuan (Chairman), Lim Ah Hock (Director), Han Fatt Juan (Director) and Tan Pu Hooi (Director);

(vi) Change of PCL's legal form from "Private Limited Company" to "Public Limited Company"; and

(vii) Change of PCL's name from "PESTECH (Cambodia) Limited" to "PESTECH (Cambodia) PLC".

PCL has received notification on 9 July 2018 that SECC has, vide its letter dated 6 July 2018, granted the approval-in-principle to PCL, a public limited company, for the Proposed Listing in the Kingdom of Cambodia in accordance with the laws and regulations in force.

Further, SECC has granted the approval-in-principle and the registration-in-principle for the Disclosure Document of the Proposed Listing, subject to the following conditions:

(i) PCL shall appoint an independent director, establish an audit committee, a risk management committee and an internal audit unit and shall furnish to the SECC the underwriting agreement prior to obtaining the final approval from the SECC on the Proposed Listing; and

(ii) PCL and responsible parties for the Proposed Listing as well as other stakeholders shall determine the share price based on the Disclosure Document which has been approved-in-principle and registered-in-principle by the SECC and in compliance with the laws and regulations as well as other relevant guidelines of the SECC.

With the SECC's approval-in-principle for the Proposed Listing, approval-in-principle and registration-in-principle for the Disclosure Document, and subsequently final approval to be obtained from the SECC, the Proposed Listing is now subject to and conditional upon the remaining approvals being obtained from the following parties/authorities:

(i) the approval of CSX for the admission of PCL to its official list and the listing of and quotation for PCL's entire enlarged issued and fully paid share capital on the Main Board of CSX;

(ii) the approval of the shareholders of the Company for the Proposed Listing at an Extraordinary General Meeting to be convened; and

(iii) any other relevant authorities and/or parties, if required.

As at todate, the Disclosure Document of the Proposed Listing granted by the SECC still remain as conditional.

ANALYSIS OF SHAREHOLDINGS

as at 28 September 2018

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	82	3.08	1,714	0.00
100 — 1,000	287	10.77	179,910	0.02
1,001 — 10,000	1,240	46.53	6,433,941	0.84
10,001 — 100,000	748	28.07	24,554,628	3.21
100,001 — 38,214,677*	306	11.48	523,354,879	68.48
38,214,678 and above**	2	0.08	209,768,500	27.45
	2,665	**100.00**	**764,293,572**	**100.00**

Remarks:

* *Less than 5 % of the issued holdings*

** *5% and above of the issued holdings*

SUBSTANTIAL SHAREHOLDERS

(as shown in the Register of Substantial Shareholdings)

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	252,851,304	33.08	[1] 1,306,064	0.17
2. Lim Pay Chuan	154,699,096	20.24	[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.*

DIRECTORS' SHAREHOLDINGS

(as shown in the Register of Directors' Shareholdings)

	Number of Shares			
Name of Director	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	252,851,304	33.08	[1] 1,306,064	0.17
2. Lim Pay Chuan	154,699,096	20.24	[1] 1,306,064	0.17
3. Ibrahim Bin Talib	-	-	[2] 15,406,732	2.02
4. Tan Puay Seng	600,932	0.08	-	-
5. Lee Ting Kiat	701,300	0.09	-	-

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.*

ANALYSIS OF **SHAREHOLDINGS**

as at 28 September 2018

THIRTY LARGEST REGISTERED HOLDERS

	Name	No. of Shares	%
1.	Lim Ah Hock	159,437,700	20.86
2.	Lim Pay Chuan	50,330,800	6.59
3.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	34,355,232	4.50
4.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Bank AG Singapore for Lim Pay Chuan (Maybank SG)*	31,604,600	4.14
5.	Lim Ah Hock	31,102,204	4.07
6.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ah Hock (504021612634)*	24,991,400	3.27
7.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	24,408,464	3.19
8.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Ah Hock (PB)*	22,902,000	3.00
9.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt An for Citibank New York (Norges Bank 14)*	17,734,000	2.32
10.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Ah Hock (PB)*	14,418,000	1.89
11.	Maybank Nominees (Tempatan) Sdn. Bhd. *Maybank Private Wealth Management for Lim Pay Chuan (PW-M00029) (412996)*	14,000,000	1.83
12.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad – Kenanga Growth Fund*	13,182,964	1.72
13.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *SSBT Fund LL0A for Legato Capital Management Investments, LLC*	11,412,878	1.49
14.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund*	11,144,500	1.46
15.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	8,594,232	1.12
16.	Jauhari Arif Bin Ibrahim	8,258,932	1.08
17.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt An for Phillip Capital Management Sdn. Bhd. (EPF)*	7,516,558	0.98
18.	Cartaban Nominees (Tempatan) Sdn. Bhd. *PBTB for Takafulink Dana Ekuiti*	7,168,400	0.94
19.	Joanna Binti Ibrahim	7,147,800	0.94
20.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)*	6,772,764	0.89

	Name	No. of Shares	%
21.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (RHBISLAMIC)*	6,344,400	0.83
22.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (CIMB PRIN)*	6,324,000	0.83
23.	Cartaban Nominees (Tempatan) Sdn. Bhd. *PAMB for Prulink Dana Unggul*	6,157,800	0.81
24.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	5,876,132	0.77
25.	Lim Hon Seng	5,802,400	0.76
26.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ee Chong*	5,717,900	0.75
27.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for* *Eastspring Investm Ents Islamic Small-Cap Fund*	5,684,800	0.74
28.	Amanahraya Trustees Berhad *ASN Umbrella for ASN Equity 3*	5,663,900	0.74
29.	Amanah Raya Berhad Kumpulan Wang Bersama Syariah	5,350,000	0.70
30.	Ng Tiang Yong	4,884,456	0.64
	Total	**564,289,216**	**73.83**

LIST OF
PROPERTIES

Registered and Beneficial Owner	Property Address/ Title Details	Description and Existing Use	Category of Land Use/ Tenure of Property	Land Area/ Gross Built-Up Area	Carrying Amount @ 30 June 2018 (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	6,185
	No. 5, Jalan Jasmine 5 Seksyen BB10 Bandar Bukit Beruntung 48300 Bukit Beruntung Selangor Darul Ehsan. Lot No. 9366 Title No. GRN 207566 Mukim Bandar Serendah District Ulu Selangor Selangor Darul Ehsan.	Construction of office and factory building	Industry/ Freehold	8,575 square meters/ 19,600 square meters	42,819
	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	8,077
Forward Metal Works Sdn Bhd	Lot 1264, Block 8 Muara Tebas Land District Demak Laut Industrial Estate Phase IIA, Off Jalan Bako 93050 Kuching, Sarawak.	A 2-storey detached factory with a 2-storey office section at the front and a single-storey factory at the rear	Industry/ Leasehold of 60 years, expiring on 16 September 2069	5,260 square meters	3,925

NOTICE OF ANNUAL **GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Seventh 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, 22 November 2018 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 2018 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (i)]**

2. To approve the payment of Directors' fees for an amount up to RM230,000/- which is payable on a quarterly basis and Directors' benefits up to RM80,000/- to the Non-Executive Directors for the period commencing from 22 November 2018 until the next Annual General Meeting in year 2019. **Ordinary Resolution 1**

3. To re-elect the following Directors who retire in accordance with Article 95 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:
   (i) Mr. Lim Pay Chuan **Ordinary Resolution 2**
   (ii) Mr. Tan Puay Seng **Ordinary Resolution 3**

4. To re-appoint Messrs. Grant Thornton Malaysia as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 4**

AS SPECIAL BUSINESS

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

5. **ORDINARY RESOLUTION** **Ordinary Resolution 5**

   AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

   "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."

6. **ORDINARY RESOLUTION** **Ordinary Resolution 6**

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

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to PESTECH International Berhad Group ("**the Group**") to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in Part A Section 1.3 of the Circular to Shareholders dated 24 October 2018, 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."

7. **ORDINARY RESOLUTION** **Ordinary Resolution 7**

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

"**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 all other applicable laws, rules and regulations and guidelines for the time being in force and the approvals of all relevant governmental and/or regulatory authority, approval be and is hereby given to the Company, to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that:

(i) the aggregate number of ordinary shares to be purchased and/or held by the Company pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase.

THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares purchased in their absolute discretion in the following manner:

(i) cancel all the shares so purchased; and/or

(ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; and/or

(iii) retain part thereof as treasury shares and cancel the remainder; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

THAT such authority conferred by this resolution shall commence upon the passing of this resolution and shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following this AGM at which such resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting;

whichever occurs first;

AND THAT the Directors of the Company be authorised to do all acts, deeds and things as they may consider expedient or necessary in the best interest of the Company to give full effect to the Proposed Renewal of Authority for Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps, and do all such acts and things as the Board may deem fit and expedient in the best interest of the Company."

8. **ORDINARY RESOLUTION** **Ordinary Resolution 8**

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

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

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

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

By Order of the Board

TEH BEE CHOO (MIA 7562)
CHUA SIEW CHUAN (MAICSA 0777689)
PAN SENG WEE (MAICSA 7034299)
Company Secretaries

Kuala Lumpur
24 October 2018

NOTICE OF ANNUAL **GENERAL MEETING**

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 November 2018 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.
2. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
4. A member of the Company may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
8. Explanatory Notes on Ordinary and Special Business

   (i) Item 1 of the Agenda

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

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

   The proposed Resolution 1, if passed, will authorise the payment of the Directors' fees up to RM230,000/- which is payable on quarterly basis and Directors' benefits to the Non-Executive Directors with effect from 22 November 2018 until the next AGM of the Company in year 2019. The Directors' benefits payable to the Non-Executive Directors comprise meeting allowances, which will only be accorded based on actual attendance of meetings by the Non-Executive Directors during the period from 22 November 2018 until the next Annual General Meeting in year 2019.

(iii) Ordinary Resolution 5 – 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 Seventh 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 Sixth Annual General Meeting of the Company held on 23 November 2017 (*"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.

(iv) Ordinary Resolution 6 – 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 24 October 2018 for further information.

(v) Ordinary Resolution 7 – Proposed Renewal Share Buy-Back Authority

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

Please refer to the Circular to Shareholders dated 24 October 2018 for further information.

(vi) Ordinary Resolution 8 – 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)-day volume weighted average market price of PESTECH Shares immediately prior to the price-fixing date.

STATEMENT ACCOMPANYING **NOTICE OF ANNUAL GENERAL MEETING**

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

There were no Directors standing for election at the forthcoming Seventh Annual General Meeting of the Company.

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 Seventh 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, 22 November 2018 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 for an amount up to RM230,000/- which is payable on a quarterly basis and Directors' benefits up to RM80,000/- to the Non-Executive Directors for the period commencing from 22 November 2018 until the next Annual General Meeting in year 2019.		
2.	To re-elect Mr. Lim Pay Chuan who retires in accordance with Article 95 of the Company's Articles of Association, and being eligible, offers himself for re-election.		
3.	To re-elect Mr. Tan Puay Seng 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-appoint Messrs. Grant Thornton Malaysia as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.		
5.	Authority to Issue Shares pursuant to the Companies Act 2016		
6.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions		
7.	Proposed Renewal of Share Buy-Back Authority		
8.	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 ____________________2018

____
*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 15 November 2018 (**"General Meeting Record of Depositors"**) shall be eligible to attend the Meeting.*
2. *A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*
4. A member of the Company may appoint more than one (1) proxy to attend the same meeting, Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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