PESTECH

ENERGISING GROWTH SUSTAINABLY

ANNUAL REPORT 2018/2019

INCREASE IN EBIT BY 16% YEAR-ON-YEAR

5,792 PRODUCTS DELIVERED SINCE 2003

PRESENCE IN 7 COUNTRIES

INCREASE IN REVENUE BY 106% OVER 5 YEARS

8th ANNUAL GENERAL MEETING

27 November 2019

10.00 am

Zamrud Room, Ground Floor
The Saujana Hotel Kuala Lumpur
Jalan Lapangan Terbang SAAS
40150 Shah Alam
Selangor Darul Ehsan

INSIDE THIS REPORT

CORPORATE SECTION

LEADERSHIP

PERSPECTIVES

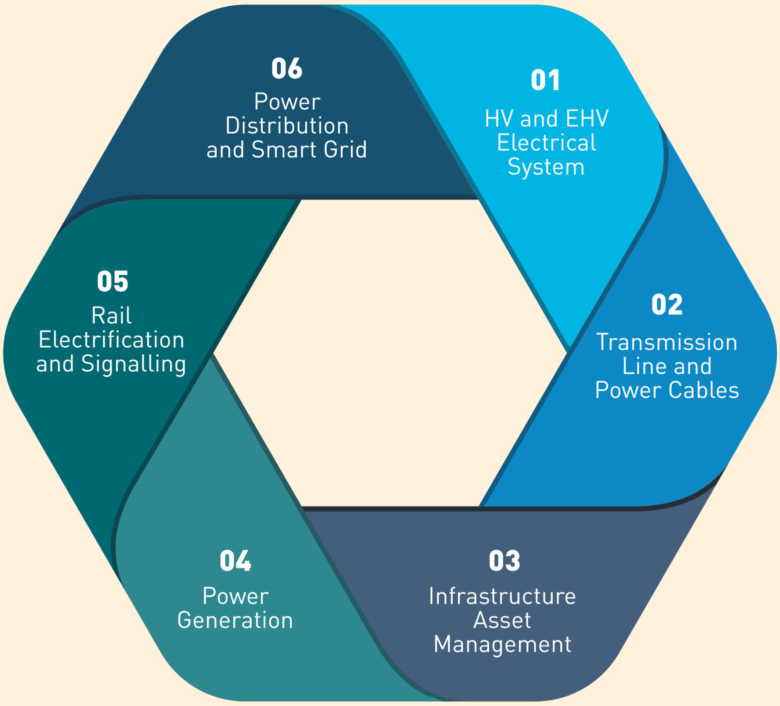
FINANCIAL SECTION

ADDITIONAL INFORMATION

OUR GLOBAL FOOTPRINT

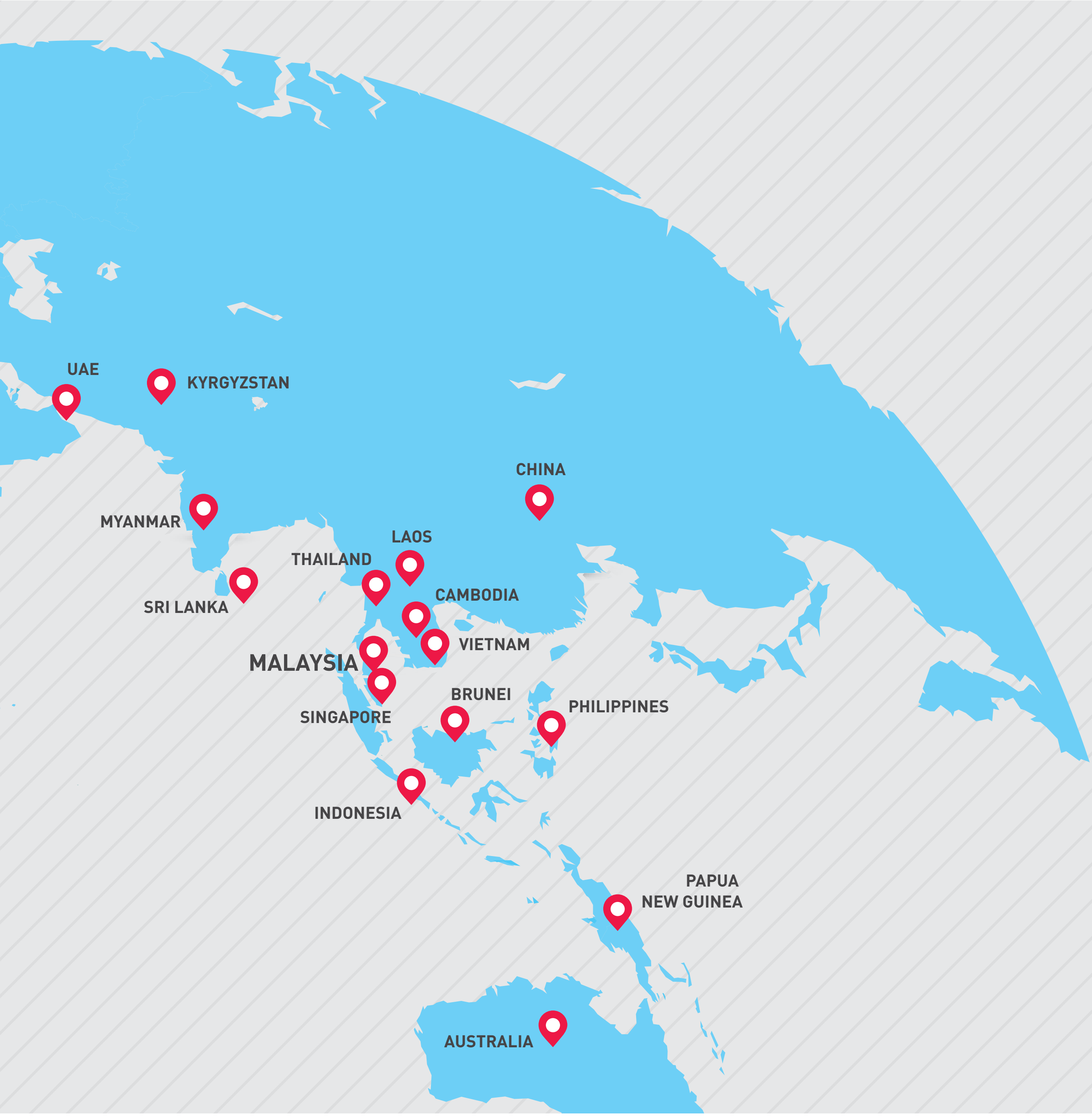
PESTECH International Berhad ("PESTECH" or referred to as "PESTECH Group" collectively with its subsidiaries) is a Malaysian integrated electrical power technology company listed on the Main Market of Bursa Malaysia Securities Berhad (stock code: PESTECH 5219) since 2012.

The Company derived its' name from "**Pow**e**r** **S**ystem **Tech**nology" and our core businesses comprise of:



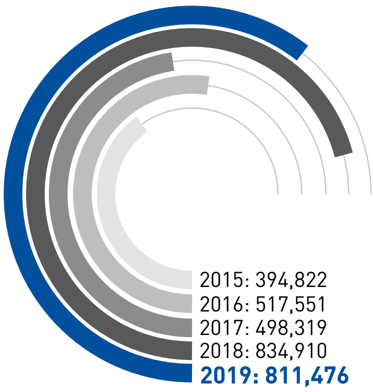
PESTECH is involved in project management, engineering, digitalisation, manufacturing, installation, testing and commissioning of electrical power facilities. To-date, the Company has expanded its market share into 22 countries such as Cambodia, Philippines, China and Papua New Guinea with growing number of other countries. Our commitment is to deliver the best to PESTECH clients by investing in talent development as well as state-of-the-art machines and technology. We strive to build a culture of service excellence, create magic moments for our customers to get us noticed, remembered and referred.

Combining our proactive services and competitive products together with the strongly upholding of the Company's vision, we are confident that PESTECH will continue to be the electrical power solution provider of choice.

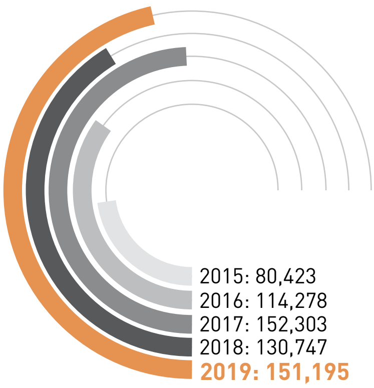

UAE
KYRGYZSTAN
CHINA
MYANMAR
LAOS
THAILAND
SRI LANKA
CAMBODIA
VIETNAM
MALAYSIA
BRUNEI
PHILIPPINES
SINGAPORE
INDONESIA
PAPUA
NEW GUINEA
AUSTRALIA

FINANCIAL HIGHLIGHTS

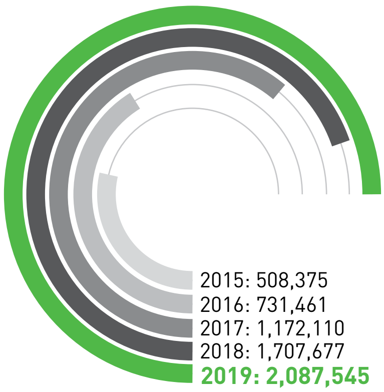
REVENUE
(RM'000)
(CAGR = 15%)



EBIT
(RM'000)
(CAGR = 13%)

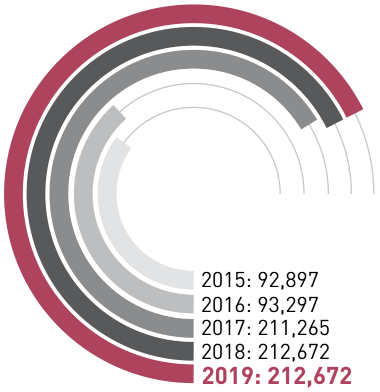


TOTAL ASSETS
(RM'000)
(CAGR = 33%)

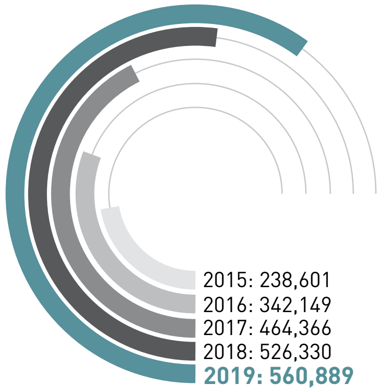


FYE	2014-2015 (Change of FYE to 30 June)	2016	2017	2018	2019
PROFITABILITY					
Revenue [RM'000]	394,822	517,551	498,319	834,910	**811,476**
EBIT [RM'000]	80,423	114,278	152,303	130,747	**151,195**
PBT [RM'000]	73,144	104,142	128,302	92,600	**98,181**
Profit for the year attributable to equity holder [RM'000]	54,833	69,876	94,911	57,970	**78,972**
FINANCIAL POSITION					
Total assets [RM'000]	508,375	731,461	1,172,110	1,707,677	**2,087,545**
Share capital [RM'000]	92,897	93,297	211,265	212,672	**212,672**
Shareholders' equity [RM'000]	238,601	342,149	464,366	526,330	**560,889**
Total bank borrowings [RM'000]	187,615	330,623	507,449	736,159	**1,036,559**

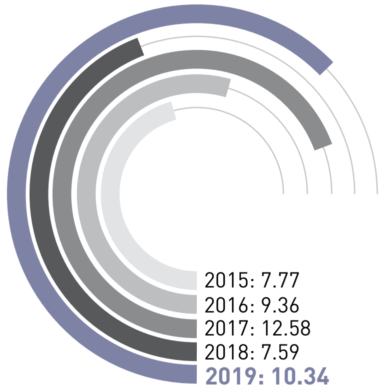
SHARE CAPITAL
(RM'000)
(CAGR = 18%)



SHAREHOLDERS' EQUITY
(RM'000)
(CAGR = 19%)



EARNINGS PER SHARE
(sen)
(CAGR = 6%)



FYE	2014-2015 (Change of FYE to 30 June)	2016	2017	2018	2019
FINANCIAL RATIO					
Return on equity	23%	28%	27%	14%	**14%**
Return on total assets	17%	16%	13%	5%	**5%**
Gearing ratio	0.79	0.97	1.09	1.40	**1.85**
Interest cover	12.33	11.27	6.35	3.44	**2.84**
SHARE INFORMATION					
Total dividend payout [RM'000]	17,270	5,574	22,470	-	**-**
Earnings per share (sen)	7.77	9.36	12.58	7.59	**10.34**
Net assets per share (sen)	128.42	183.37	60.83	68.86	**73.39**
Weighted average number of ordinary shares in issue ['000]	705,364	746,252	754,334	764,058	**764,058**
Number of shares ('000)	185,794	186,594	763,380	764,294	**764,294**

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

HEAD OFFICE

No. 26, Jalan Utarid U5/14
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan.
Tel.: +603 7845 2186

REGISTERED OFFICE

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

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

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.
- PESTECH (Myanmar) Limited, Yangon, Myanmar.
- PESTECH (PNG) Ltd, Papua New Guinea.

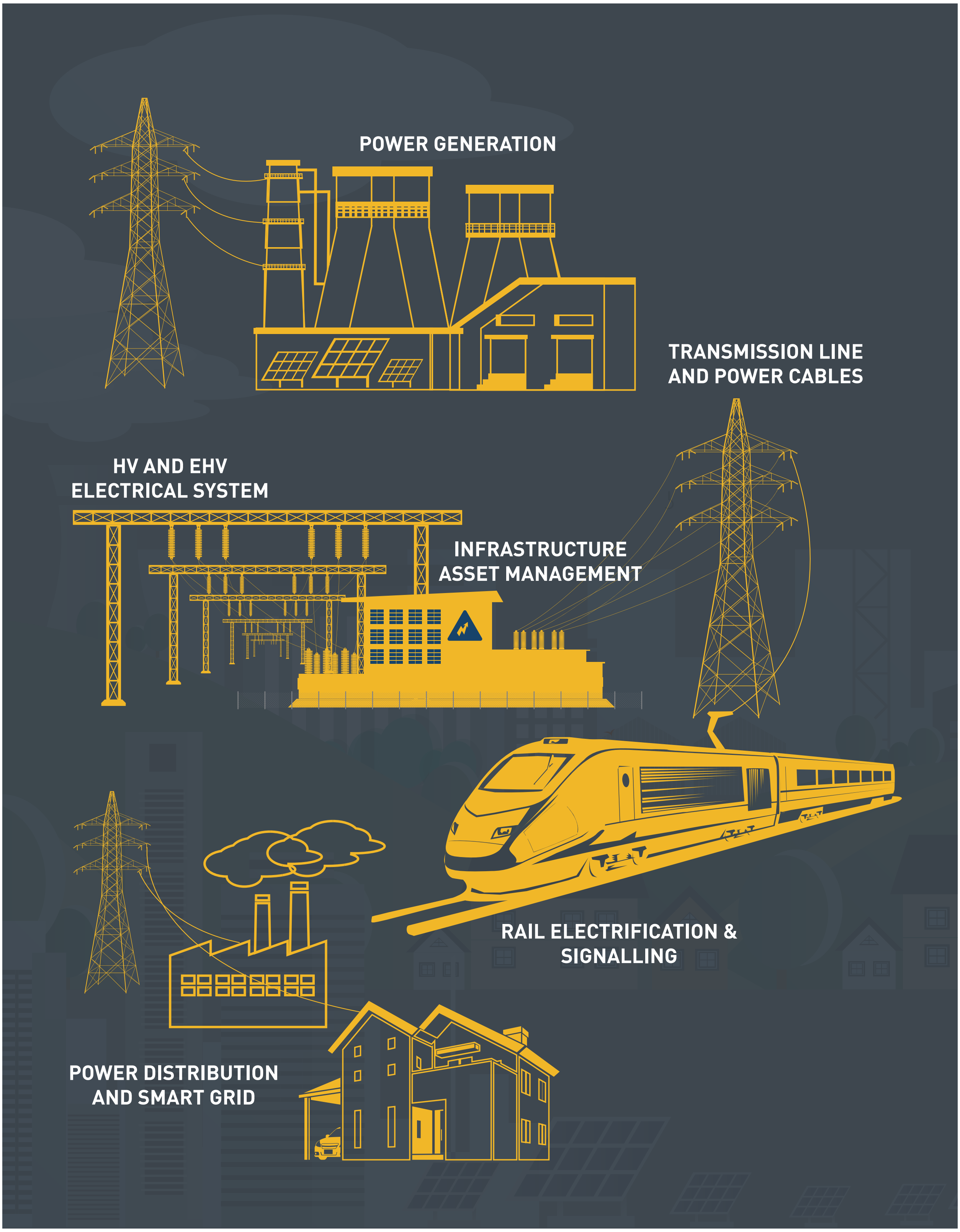
CORPORATE STRUCTURE

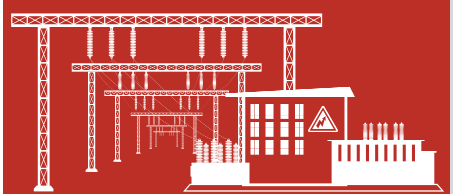
PESTECH

PESTECH INTERNATIONAL BERHAD

- 100% Enersol Co. Ltd.
- 100% PESTECH Energy Sdn. Bhd.
  - 51% SystemCorp Energy Pty. Ltd.
  - 70% PESTECH Solutions Sdn. Bhd.
- 100% PESTECH Engineering Technology China Co. Ltd.
- 100% PESTECH Power Sdn. Bhd.
  - 60% Diamond Power Ltd.
  - 100% PESTECH Power Two Sdn. Bhd.
    - 100% PESTECH Power One Sdn. Bhd.
      - 100% Astoria Solar Farm Sdn. Bhd.
- 100% PESTECH (PNG) Ltd.
- 100% PESTECH (Cambodia) PLC.
  - 99.99% PESTECH (Myanmar) Limited
    - 60% PESTECH Hinthar Corporation Limited
- 100% PESTECH Transmission Sdn. Bhd.
- 100% PESTECH Technology Sdn. Bhd.
  - 100% CRSE Sdn. Bhd. *(formerly known as Colas Rail System Engineering Sdn. Bhd.)*
- 100% PESTECH Sdn. Bhd.
  - 100% Fornix Sdn. Bhd.
    - 100% Forward Metal Works Sdn. Bhd.
  - 100% PESTECH Transmission Limited
  - 90% PESTECH (Brunei) Sdn. Bhd.
- 100% PESTECH (Sarawak) Sdn. Bhd.

MAIN BUSINESS SEGMENTS





HV AND EHV ELECTRICAL SYSTEM

PESTECH is involved in the provision of design, engineering, manufacturing, installation, testing and commissioning of high voltage ("HV") and extra high voltage ("EHV") substations and equipment required in the building of a fully integrated electricity system.

We offer a wide range of tested solutions, led by highly skilled experts with extensive experience in handling diverse projects. This wealth of collective knowledge and skill fuels PESTECH's drive and passion to excel in the electrical industry.

To ensure that our delivery meets customers' requirements and expectations, PESTECH's project execution is helmed by an in-house engineering, construction and commissioning team. Our team is fully equipped with competencies such as design optimisation, multidisciplinary engineering coordination and interfacing in compliance with relevant international standards and electrical safety requirement.

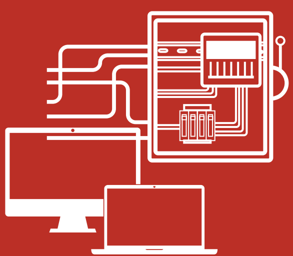
MAIN BUSINESS SEGMENTS

TRANSMISSION LINE AND POWER CABLES

PESTECH services include the design, engineering, installation, testing and commissioning of power transmission lines and underground cables.

We have the experience and turnkey capabilities to handle all project requirements for this sector; from material and equipment procurement, wire stringing, power cable termination and jointing works to overall project management. Our engineering team also has the capabilities to coordinate, design, manage and construct the civil foundation aspects of projects undertaken while ensuring that all requirements are adhered to during project execution.

With a strong project management team spread across various countries, we are poised to play an active role in this sector.



INFRASTRUCTURE ASSET MANAGEMENT

PESTECH caters to the management of power plants, electrical grids and renewable energy assets. We undertake the Build-Operate-Transfer ("BOT") model for the transmission asset segment as an Independent Power Transmitter and Build-Own-Operate ("BOO") Model for the power plant segment. We successfully completed a BOT project that allows us to be the independent power transmitter in Cambodia for a concession period of 25 years. With this BOT project, we have the experience to provide operations and maintenance services to ensure the transmission asset is maintained regularly by qualified personnel in accordance with applicable industry standards and best practices. This is to ensure that we provide maximum operating performance and reliability.

With interest in solar energy as a key renewable source of power on the rise, PESTECH has spearheaded a "solar-plus-storage" renewables approach as a sustainable long-life cycle solution that mitigates replacement and disposal costs.

We are equipped with state-of-the-art software on the development of Solar projects, leveraging on Satellite data and Artificial Intelligence ("AI") to select the best sites for building new renewable energy plants and provide objective data on likely plant yield. Our "Super Capacitor" storage solution for remote mobile telecommunication towers and substations provides ideal back-up protection and caters to rural electrification needs.

MAIN BUSINESS SEGMENTS

POWER GENERATION

PESTECH delivers power plant automation services where we undertake full turnkey engineering, procurement, construction and commissioning.

Our expertise includes high-knowledge-based system integration for power plant automation systems, distributed control systems, power plant operator training systems, performance optimisation systems, information management systems, enterprise asset information management and electrification of power plants. Our focus also encompasses project management and engineering for combined life cycle, thermal, hydro, waste-to-energy and solar-power plants.

With various power generation projects successfully completed, PESTECH assures a high quality standard of deliverables in the power generation sector.

RAIL ELECTRIFICATION AND SIGNALLING

PESTECH is competitive in the railway sector where we offer turnkey engineering, procurement and commissioning of railways control and electrification. Our project scope includes project management, preliminary and detail engineering, supply, installation, testing and commissioning.

Having thoroughly armed ourselves with necessary rail electrification machinery, PESTECH is one of the most well-equipped rail electrification contractors in the region.

Our services also encompass railway signalling systems to link up all statistics and services for communication, control and monitoring requirements. This is to ensure the efficient flow of railway traffic without compromising the safety of the users.

MAIN BUSINESS SEGMENTS

POWER DISTRIBUTION AND SMART GRID

PESTECH excels in providing holistic and technically viable solutions in connecting grids, building nations through seamless in-house energy technologies and expertise.

We provide a high level of competence in the design and engineering of Distribution and Transmission Grids. Our expertise range from design of Protection systems, SCADA, Distribution Management system to Telecommunications across all vertical energy segments.

Extensive investments in R&D has catalysed our development of a reputed portfolio of Distribution Grids ranging from Air insulated switchgears, Gas insulated switchgears, Ring Main Units and more. These have gained internationally accreditation by independent laboratories.

With Smart Grid, we provide tailor made solutions towards achieving end-to-end Energy 4.0 capabilities. Our Digital substations portfolio uses IIOT devices and IEC 61850 protocols that are designed and developed within the company. As one of the providers for smart meters to Tenaga Nasional Berhad, we are working towards developing the nation's Malaysian Smart City objective, and have further invested in this development through collaboration and technical transfer of knowledge in EV Charging and Advance Metering infrastructure solutions.

BOARD OF DIRECTORS

Tan Puay Seng | Ibrahim Bin Talib | Lim Ah Hock | Paul Lim Pay Chuan | Lee Ting Kiat

PROFILE OF DIRECTORS

LIM AH HOCK

Executive Chairman

› Aged 67 › Malaysian › Male

Lim Ah Hock, a Malaysian, aged 67, 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 PESTECH Sdn. Bhd. in Johor Bahru. To-date, his responsibilities in the Group include charting major corporate development plans, steering macro business growth direction together with the stewardship of the 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 ED cum 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 29 October 2019.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2019.

PAUL LIM PAY CHUAN

Executive Director cum Group Chief Executive Officer

› Aged 49 › Malaysian › Male

Paul Lim Pay Chuan, a Malaysian, aged 49, male, is an ED cum Group CEO of PESTECH. He was appointed to the Board on 18 August 2011.

He graduated from the University of Mississipi, 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 29 October 2019.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2019.

IBRAHIM BIN TALIB

Senior Independent Non-Executive Director

› Aged 71 › Malaysian › Male

Ibrahim Bin Talib, a Malaysian, aged 71, male, is the Senior Independent Non-Executive Director of PESTECH. He was appointed to the Board on 22 February 2012 as Independent Non-Executive Director on 26 October 2015.

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

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

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

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

He has attended four (4) out of five (5) Board of Directors' meetings held in the financial year ended 30 June 2019.

PROFILE OF DIRECTORS

TAN PUAY SENG

Independent Non-Executive Director

› Aged 67 › Malaysian › Male

Tan Puay Seng, a Malaysian, aged 67, male, is an Independent Non-Executive Director of PESTECH. He was appointed to the Board on 22 February 2012.

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

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

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

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2019.

LEE TING KIAT

Independent Non-Executive Director

› Aged 51 › Malaysian › Male

Lee Ting Kiat, a Malaysian, aged 51, male, is an Independent Non-Executive Director of PESTECH. He was appointed to the Board on 26 May 2017.

He is currently 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 currently acting as an Independent Non-Executive Chairman of MTAG Group Berhad and 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 2019.

Save as disclosed above, none of the Directors have:
1. *any other directorship in public companies and listed issuers;*
2. *any conviction for offences within the past five (5) years other than traffic offences, if any; and*
3. *any public sanction or penalty imported by the relevant regulatory bodies during the financial year.*

PROFILE OF KEY SENIOR MANAGEMENT

LIM AH HOCK

Executive Chairman

(Please refer to page 16 for Profile of Director)

PAUL LIM PAY CHUAN

Executive Director cum Group Chief Executive Officer

(Please refer to page 17 for Profile of Director)

TEH BEE CHOO

Chief Financial Officer

Teh Bee Choo, a Malaysian, aged 56, 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 (now known as Toshiba Transmission & Distribution Systems Asia Sdn Bhd) as a Group Accountant, where she worked for eight (8) years. In 2003, she formed her own company, named BCT Advisory Sdn Bhd, which offered corporate management services, which she managed for four (4) years. In 2007, she joined Multi Purpose Holding Bhd as a Senior Manager of Finance. Subsequently, she joined our Group as Chief Financial Officer in 2008, a position she holds until to date.

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

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

CHANG MEI LUN

Chief Operating Officer

Chang Mei Lun, a Malaysian, aged 48, 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 holds a Diploma in Business Administration from the Association of Business Executives, which she obtained in 1996.

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

She does not hold any directorship in 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.

THE "POWER TEAM"

"Consistently Dependable and Value Add" has always been the key thrust for our POWER team to drive the growth for our Group. Helmed by high calibre individuals who are experienced and experts in their respective fields, the heads of our business segments garner the strength of one another and bring synergy to the Group.

PESTECH TECHNOLOGY SDN BHD, led by Paismanathan Govindasamy in the Power Generation, Rail Electrification & Signalling segment, delivers Power Plant automation and electrification solutions and railway system work packages including rail electrification, signalling and communication system.

He graduated from University of Malaya with a Bachelor Degree in Electrical and Electronics Engineering in 1994. He holds a Masters in Electrical Engineering from University of Bath United Kingdom where his area of research is on small signal stability of grid systems. He is a Graduate Member of Board of Engineers Malaysia, Institute of Engineers Malaysia and Member of Institute of Electrical and Electronics Engineers. Currently, he is an Industrial Advisory Panel board member for University of Malaya Electrical Department. He is also a Committee Member of the Malaysian Rail Industry Consortium ("MARIC") where he is responsible for Human Capital Development.

He started his career in ABB (A Swiss and Swedish Power & Automation Company) after graduating in 1994 and was the Vice President of ABB Malaysia before joining our Group. He gained diverse experience and international exposure through his roles in various countries which include Commissioning Engineer for thermal power plants, Engineering Manager and South Asia Regional Technology Manager.

PESTECH SDN BHD, led by Lee Kong Tee, pioneering the portfolio of HV and EHV electrical system segment for more than 15 years in the company. He and his team provide engineering, procurement, construction and commissioning ("EPCC") solutions with the capability to design and manage multi-disciplinary HV and EHV electrical transmission substations. He also plays an instrumental role in establishing solar power generation team in line with the Group's direction to undertake more renewable energy initiatives.

Lee Kong Tee graduated from Universiti Malaya in 1997 with a Bachelor of Engineering (First Class Honours). Subsequently, he advanced himself by obtaining a Master in Business Administration from the same university. He is Corporate Member of the Institute of Engineers Malaysia since 2003. He is also registered as a Professional Engineer with the Board of Engineers Malaysia in 2004.

He began his career in 1997 when he joined KTA Energy Sdn Bhd as an Electrical Engineer, where he gained experience in various electrical projects, and was promoted to Consultant in 2002. He then joined Modern Power Network Sdn Bhd the same year as a Project Manager. In 2004, he joined PESTECH Sdn Bhd as a Project Manager. Over the years, he has a demonstrated history of working in the EHV industry with proven track records in delivery of electrical assets for major utility providers, locally and abroad.

PESTECH TRANSMISSION SDN BHD, led by Han Fatt Juan, mainly focuses on transmission lines and underground cables. He and his team are responsible for EPCC contracts, which cover project management process, procurement of materials and equipment, implementation of site construction and installation for power transmission lines and underground cables. He plays a pivotal role in the Group's penetration into IndoChina region and has successfully executed major transmission lines projects in Phnom Penh, Cambodia.

Han Fatt Juan graduated with a Bachelor of Science in Civil Engineering degree from South Dakota State University, USA in 1990. He later obtained a Master of Science in Management degree in 1992 from the same university.

He began his career in 1984 with Metral Villar Sdn Bhd as a Site Supervisor where he was responsible for supervising and coordinating activities of workers engaged in transporting and mixing ingredients to make concrete. He left in 1988 to pursue further studies at South Dakota State University, USA. While pursuing his Master's degree, he held a Teaching Assistant post in South Dakota State University, USA. In 1992, he joined Zafas Sdn Bhd as a Site Engineer and stayed on for 17 years up to 2009, where he last held the position of Project Director. During his tenure, he was involved in various projects, including transmission line and underground cable installation works, across Malaysia as well as Brunei.

PESTECH ENERGY SDN BHD, led by Vind Sidhu is on the frontier of driving the development into Energy 4.0. The team aims to revolutionise technologies used in power distribution and take projects that are at the forefronts of the smart grid area. The team is capable of design and deliver tailored electrical solutions to meet client requirements at internationally recognized standards.

Graduated from Queen's University Belfast with a Bachelor Degree in Electrical and Electronics Engineering in 1990, his career journey pathed through multinational companies with extensive exposure in local and international scene.

He spent more than 20 years with Siemens group, where he started as Head of Business Development for Americas and Asia Pacific, mainly responsible for the Integration of Reyrolle Protection devices into the Siemens Product Portfolio.

In year 2010, he was promoted as Senior Vice President of Siemens Malaysia Sdn. Bhd. and was in charged of the Division Cluster Lead for Energy Distribution (i.e. Medium Voltage, Energy Automation, Services) division for the ASEAN region. After a year, he expanded his role and led the Division Cluster Lead for Low and Medium voltage division and Smart Grid division (both part of Siemens Infrastructure and Cities Sector) for the ASEAN, Korean and Pacific. Since September 2012, his new responsibility includes as the Division lead for Building Technology in Malaysia, which is a new role enhances cross divisional synergies between the three divisions. All three divisions are part of the Infrastructure and Cities Sector in Siemens.

He progressed his career in year 2014 where he was appointed the CEO of Energy Management Division of Siemens Malaysia Sdn. Bhd. The portfolio under his care consists seven (7) Business Units, i.e., Energy Automation, Smart Grid, Medium Voltage Systems, Transmission Solutions, Transformers, High Voltage products and Low Voltage Products in the region of ASEAN and South Korea.

EXECUTIVE CHAIRMAN/ GROUP CEO AND MANAGEMENT DISCUSSION & ANALYSIS

Dear fellow Shareholders,

It is with great pleasure that we are presenting to you this annual report for financial year ended 2018/2019.

We would like to take this opportunity to not only deliberate the past performance of the Group, but to also share the prospects and direction of the Group going forward as we align our vision and goals to build a formidable power infrastructure brand in the region.

OVERVIEW

The Group experienced a double-digit growth in Earnings Before Interest Tax, depreciation and amortisation ("EBITDA") (31.83%), Profit After Tax ("PAT") (14.37%), and Earning Per Share ("EPS") (36.23%) year-on-year. The growth is sustainable backed by an outstanding order book of RM1.63 billion as at 30 June 2019. And, we are proud to highlight that the Group's order book had been well diversified horizontally to cover substation, underground cable, and rail electrification contracts.

As the Group relentlessly built upon its footprints in the power infrastructure industry in the region, and tenaciously strived for opportunity to deliver consistent positive financial growth, we constantly remind ourselves of our vision in nurturing a regionally respected brand name that is consistently dependable and bring value add to those we serve.

In that regard, the management sets its sight on empowering the group of companies under its stable to push the boundaries in the areas of innovation for power products development and sustainable energy solutions through collaboration with technology partners.

2018

Revenue

RM834.9 million

2019

Revenue

RM811.5 million

FINANCIAL PERFORMANCE

The Group concluded the 2019 financial year with Revenue of RM811 million as compared to RM834 million in the preceding financial year. Albeit a slight dampened sales figure, the EBITDA margin noted an encouraging improvement of 31% for the year under review as compared to the preceding year. The higher EBITDA margin in the current financial year under review was mainly due to different stages of project execution and the margin of certain projects executed during the financial year where the contribution towards the earnings were more significant than those of the previous financial year.

Top line income from build-operation-transfer ("BOT") reduced from RM58 million to RM26 million as the concession assets generates more financial elements in terms of Finance Income in accordance to IC Interpretation 12 *Service Concession Arrangements*. The Revenue was, in turn, supported by higher turnover generated from the substation and rail electrification business segments, which increased 26% and 17% respectively year-on-year.

Though there was an improvement in EBITDA and also Profit from Operation, we incurred higher amount of contract financing for the execution of various projects. The Finance Costs expanded from RM23 million to RM53 million from financial year ended ("FYE") 2018 to FYE 2019. As such, the increment in Profit Before Tax year-on-year has been curtailed to 6%, from RM92 million in 2018 to RM98 million in 2019. Nonetheless, due to the slightly lower Revenue figure, the overall Profit Before Tax margin still managed to register an increase from 11% in FYE 2018 to 12% in the financial year under review.

The Group recorded an increase in PAT of 14% generating a net profit after tax of RM86 million vis-à-vis RM75 million in FYE 2018. We had an effective tax rate of 12% in 2019 as compared to 18% in 2018. That was a reduction of 31%. This is attributable to different tax rate in various jurisdictions the Group operates in.

Overall, we concluded the financial year with a 5-year compounded average growth rate ("CAGR") of 15% for Revenue, 14% for EBITDA, and 10% for PAT. This was complemented by a positive return on capital employed ("ROCE") of 31% in FYE 2019 against 25% in FYE 2018. Thus, it evidenced that the Group kept the momentum in improving the efficiency in the deployment of its capital towards generating profit for the Shareholders.

Naturally, the improvement in ROCE was also partly a result of higher utilisation of debt financing in supporting the growth. In that respect, gearing ratio had nudged up from 1.40 to 1.85.

EXECUTIVE CHAIRMAN/ GROUP CEO AND MANAGEMENT DISCUSSION & ANALYSIS

Net Assets per Share improved from RM0.68 to RM0.73, strengthening 7%

That being the case, we are not overly concerned about this phenomenon as a majority of the borrowings were project specific and repayment source ring-fenced against identified income stream. Further risk mitigating step had also been taken, in the form of political risk insurance, particularly for certain income source that was foreign in nature. As such, the engagement of financing for the Group was very strategic in nature with well-managed servicing and repayment commitment.

Our Total Assets expanded 22% during the year under review. This mainly pushed by about 23% increase in Amount Owing from Contract Customers ("AOCC") under Current Assets. AOCC was contributed significantly by our Cambodian projects where payment stream only kicked off upon completion of the projects. Two of such projects will be completed by end of 2019 and early 2020 calendar year respectively, and the remaining one will be completed by 2021. Thus, AOCC shall be periodically pared down once payment activity starts. Net Assets per Share improved from RM0.68 to RM0.73, strengthening 7%.

On the same token, Total Liabilities also crept up 29% in FYE 2019. Again, this was mainly due to the amplification of Loans and Borrowings, which increased from RM735 million to RM1,030 million. Translating into a roughly 40% increment. All this funding was allocated towards the execution of various projects in the Group, particularly for those contracts with extended payment terms. However, the Group has started to pare down the funding for our concession project through the power transmission payments we received monthly.

Equity of the Group had been more or less maintained at around the same level, with only 6% advance recorded. This is mainly due to the requirement for opening Reserves adjustment per the Malaysian Financial Reporting Standard ("MFRS") 15 Revenue from Contracts with Customers. During the financial year under review, the opening balance of Reserves was adjusted by about RM55 million to reflect the adoption of MFRS 15. The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this standard at the date of initial application of 1 July 2018. The cumulative effect of the adoption of MFRS 15 was recognised at the date of initial application as an adjustment to the opening balance of Reserves.

On a separate note, our Return to Equity followed the trend of ROCE registered a healthy 27% enhancement from FYE 2018 to settle at 14%.

OPERATION PERFORMANCE

PESTECH had an interesting financial year 2019, where it procured a couple of substation projects, a milestone underground cable project, and a noteworthy double track electrification project.

All together, these newly procured projects added more than RM945.8 million to the outstanding order book of the Group. In this regard, we take this opportunity to thank all the hardworking colleagues that incessantly contributed their efforts as a formidable team, but also not forgetting the firm support and trust given to us by our customers.

Backed by this encouraging development, the project team did their part to ensure timely execution of projects in hand in accordance to the respective schedules. We are proud to report that the execution of the first 500kV engineering, procurement, construction and commissioning ("EPCC") project in Cambodia, namely the Sihanoukville – Bekchan 230kV/ 500kV transmission line system ("SHV Bekchan Project") is well on its way to seal the completion by end of 2019 calendar year. This transmission infrastructure is very significant in delivering generated power from Sihanoukville to Phnom Penh in the authority's plan to enhance grid development for Cambodia.

The Siam Reap – Oddor Meanchey 115kV transmission system together with a 115/22kV Oddor Meanchey substation, and a 230/22kV Bekchan (Porsenchey) substation project is also progressing swiftly with expected completion date for Bek Chan substation by December 2019, and Oddor Meanchey substation together with the 115kV transmission line has been completed in October 2019 before this report is published.

The Stung Tatay – Bekchan 230kV transmission line system has quite a period to go before its expected completion in April 2021.

In Papua New Guinea, we are in the midst of executing the Asian Development Bank funded KilaKila 66/11kV substation and 66kV double circuit transmission line,

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

All together, these newly procured projects added more than RM945.8 million to the outstanding order book of the Group. In this regard, we take this opportunity to thank all the hardworking colleagues that incessantly contributed their efforts as a formidable team, but also not forgetting the firm support and trust given to us by our customers.

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 complete by second quarter of 2020.

The execution of the 2 substation projects in Tiwi and Calamba awarded by the National Grid Corporation of the Philippines ("NGCP") is also well on its way. We expect Tiwi project to be completed by December 2019, and Calamba project to be wrapped up by February 2020 respectively.

The Group's rail electrification segment continued its momentum to churn in improved results under PESTECH Technology Sdn Bhd. Its Mass Rail Transit 2 ("MRT2") system project was actively being carried out during the financial year under review. It is targeted to complete fully by May 2021. The Klang Valley Double Track ("KVDT") rehabilitation project is well in its way for completion expected by December 2019.

With the procurement of the Gemas – Johor Bharu Double Track electrification system project during the 2019 financial year for turnkey engineering, procurement, construction and maintenance scope, the Group continued its path to expand the rail electrification segment. It is also looking into other various similar projects overseas, building on its reference on the recently completed Bangkok BTS extension from Bang Sue to Rangsit Red Line project.

Our product business of the Group housed under PESTECH Energy Sdn Bhd ("PEN") had also fought hard for establishing a distinct segment of business in the power products area. PEN was shortlisted as one of the selected few proposed candidates for the smart meter solution supply to Tenaga Nasional Berhad ("TNB"). Though yet considered an offer of contract, we are excited towards the potential prospect this opportunity would bring, if it materialised in eventuality.

PEN was also introducing an innovative micro-grid technology to the market that could bring better power supply solution to rural household, in helping to improve off-grid standard of living through clean and renewable resources.

We are optimistic that PEN will be able to contribute positively to the overall growth of the Group in the near future.

RISK FACTORS AND CHALLENGES

Under the backdrop of growing United States of America - China strategic rivalry and trade friction, there exists a certain uncertainty towards the economical development globally, and particularly in the ASEAN region. This could be even more profound as most of the ASEAN regional countries registered significant trade transactions with both these big countries.

Nonetheless, as the economic status of the composition countries in ASEAN is a blend of distinct social and industrial development, it creates a unique situation where their individual development could be negatively correlated. As such, whilst certain member countries maybe experiencing slower pace of growth, others are fueling continuous development through fulfillment of social needs. IndoChina region is an excellent example of this phenomenon.

"Economic growth shows signs of slowing in Emerging Asia- Southeast Asia, China and India. Trade tensions underpin the weakening economic performance. However, domestic private consumption is holding up well. Gross domestic product ("GDP") growth rates are expected to remain encouraging overall. In the near term, Cambodia, Lao PDR and Myanmar will likely continue to lead ASEAN in terms of growth, and Vietnam is on track to lead the ASEAN-5. In China, moderation of GDP growth will persist at a gradual rate. In contrast, India's economy will expand more briskly." (*OECD Publishing, "Economic Outlook for Southeast Asia, China and India 2019 – Update*")

In that respect, the Group is strategically positioned in the ASEAN region to ride on its wave of development, especially in IndoChina, backed by ample project execution experience and references to be a serious contender for market share that is available.

No doubt, many multinational players are also flocking in to participate in these nascent but fast developing markets. PESTECH is well aware of the potential challenges it may face, and has been constantly upgrade itself through technological improvement via forming collaboration for knowledge transfer with reputable technical partners and product manufacturers in order to stay a notch ahead of its competitors in bringing effective, efficient and value-added solutions to its customers.

"In the near term, Cambodia, Lao PDR and Myanmar will likely continue to lead ASEAN in terms of growth, and Vietnam is on track to lead the ASEAN-5."

EXECUTIVE CHAIRMAN/ GROUP CEO AND MANAGEMENT DISCUSSION & ANALYSIS

FUTURE PROSPECTS AND OPPORTUNITIES

PESTECH operates in the power utility industry historically championed by multinational conglomerates. Rare is the scene where ASEAN based players ascent to the international pedestal and carve themselves a respectable market. The fact lies not in the impossibility of such a feat, but the initiative, passion, tenacity and insatiable drives that push towards achieving the vision.

Amidst global primary energy growth of 2.8% in 2018 – the fastest growth since 2010, statistical data shows that much of the surprising strength in energy consumption in 2018 may be related to weather effects. In particular, there was an unusually large number of hot and cold days across many of the world's major demand centers last year, particularly in the US, China and Russia, with the increased demand for cooling and heating services helping to explain the strong growth in energy consumption in each of these countries. (*BP Statistical Review of World Energy 2019*)

The phenomenon of climate change should not be ignored. Major market leaders in the energy sector are seriously looking into decarbonisation as an important part of their corporate goals. In this regard, though PESTECH, currently only plays a small role in this ocean of power indsutry, we set our sight at par with the direction of the industrial evolution for greater renewable and clean energy implementation, promotion of higher energy efficiency, and sustainable power infrastructure development.

In line with that vision, forward direction of PESTECH shall be charted along the involvement into clean energy development, nurturing efficient power generation and transmission, and advocating electrification of traditionally fossil fuel based activities for greater contribution towards decarbonisation.

A good example would be PESTECH's collaboration with Tenaga Nasional Berhad in the development and offering of electric vehicle ("EV") charging station in Malaysia. This initiative would help to bring convenience to EV owners for charging of their vehicles, thus encouraging user friendliness of EV in the country. The technological advancement in the software and mobile application protocol that come together with the solution provide further practicality and security to the user interface. We are excited on the potential with which this type of new energy solution could bring to the community in the advancement of our standard of living.

We are also keen to contribute towards the rural electrification through renewable energy solution to help bring better livelihood and convenience to the off-grid community with effective and efficient power solution.

PESTECH believes in value creation for its shareholders through bringing positive impacts to the community it served. We strive for long-term sustainable growth by developing new market involvements in the energy industry. Expansion of various market reach is key instead of stubbornly deepening existing market, which may not bring positive returns in the long run.

As such, the management would welcome the support from all stakeholders involved in our journey towards building an impactful brandname in the power infrastructure industry. Backed by an ample order book, this would be the best time for us to spearhead the opportunities for future growth, and prepare the path for exciting developments to come.

Thank you.

SUSTAINABILITY STATEMENT

SUSTAINABILITY SCOPE

Our businesses are rapidly growing with wide-reaching operations within Malaysia and overseas. The scope of this Sustainability Statement covers PESTECH's operations mainly in Malaysia for the financial year ended 30 June 2019. This includes business activities conducted by our subsidiaries, i.e. PESTECH Sdn. Bhd., PESTECH Energy Sdn. Bhd., PESTECH Solutions Sdn. Bhd., PESTECH Transmission Sdn. Bhd., PESTECH Technology Sdn. Bhd., CRSE Sdn. Bhd. and PESTECH (Sarawak) Sdn. Bhd.

SUSTAINABILITY GOVERNANCE

In ensuring the implementation and integration of sustainability strategies into our business, we have developed a strong sustainability governance structure. Our commitment to sustainability comes from the top of the organisation and underwritten by the Board of Directors, who oversees overall sustainability framework.

We have established a dedicated Sustainability Committee chaired by the Group Chief Executive Officer to create the most effective governance structure for sustainability. The Committee has an overall responsibility regarding the management of sustainability within the Group. The roles include ensuring that proper programmes and initiatives are effectively implemented and integrated across our operations.

Below is the governance structure that is adopted by the Group:

BOARD OF DIRECTORS

- Review and approve PESTECH's sustainability objectives and strategies.
- Approve the annual sustainability statement.
- Discuss and agree long term goals for sustainability.

GROUP CHIEF EXECUTIVE OFFICER

- Review and discuss sustainability matters with the Committee.
- Report sustainability matters to the Board.

SUSTAINABILITY COMMITTEE

- Identify PESTECH's sustainability objectives and strategies.
- Identify and evaluate Economic, Environment and Social ("EES") risks and opportunities.
- Responsible for stakeholder engagement.
- Responsible for materiality assessment.
- Responsible for monitoring sustainability initiatives.
- Responsible for obtaining data and information from the various departments.

VARIOUS DEPARTMENTS

- Responsible for day-to-day management of sustainability initiatives.
- Provide the data and information to the Committee.

SUSTAINABILITY FRAMEWORK

During this financial year, we developed a sustainability framework to further enhance our sustainability agenda and align our focus towards driving sustainability growth. We hold onto our framework as a tool to lead us to an effective long-term sustainability journey.

Figure 1: PESTECH Sustainability Framework

SUSTAINABILITY STATEMENT

SUSTAINABILITY MATTERS

ECONOMIC

- Economic performance
- Market presence
- Procurement practices/ material sourcing
- Indirect economic impact
- Risk management
- Customer satisfaction
- Governance
- Innovation
- Supply chain management

ENVIRONMENT

- Energy
- Water management
- Air quality
- Biodiversity
- Emissions
- Waste & hazardous materials management
- Environmental Compliance
- Transportation
- Environmental related complaints mechanism

SOCIAL

- Employee engagement
- Employee welfare
- Health & safety at the workplace
- Training & education
- Diversity & equal opportunities
- Complaint resolution mechanism of working practices
- Business behaviour
- The rights of local communities
- Community relation/ CSR
- Customer privacy
- Products quality & safety
- Talent building
- Organisational knowledge

STAKEHOLDER ENGAGEMENT

We believe that proactive stakeholder engagement is vital to ensure our business operations are viable, strategic and relevant. We constantly engage with a diverse group of stakeholders through various channels, formally and informally.

Our stakeholder engagement is shown in the following table:

KEY STAKEHOLDERS	ENGAGEMENT CHANNEL	SUSTAINABILITY MATTERS
Board of Directors	• Board meetings • Annual general meetings • Ongoing communications	• Economic performance • Risk management • Governance • Business behaviour
Shareholders/ Investors	• Annual general meetings • Quarterly financial results • Bursa announcements • Corporate website • Bi-annual analyst briefings • Annual reports • Press releases	• Economic performance • Market presence • Governance • Risk management

KEY STAKEHOLDERS	ENGAGEMENT CHANNEL	SUSTAINABILITY MATTERS
Customers/ Clients	• Customer satisfaction surveys • Corporate website • Regular project meetings • Factory Acceptance Test ("FAT") • Site visits • Environmental site inspection • Project monthly reports	• Customer satisfaction • Environmental compliance • Organisational knowledge • Products quality & safety • Customer privacy
Regulators	• Inspections • Audit	• Governance • Environmental compliance
Employees	• Internal newsletters • Training & development programmes • Annual performance appraisal • Toolbox/ safety training • Panthera Club (sports & recreation) • Staff engagement initiatives	• Economic performance • Employee engagement • Employee welfare • Health & safety at the workplace • Training & education • Diversity & equal opportunities • Organisational knowledge • Talent building
Vendor/ Suppliers/ Subcontractors	• Procurement practices • Contract negotiation • Vendor registration screening • Vendor evaluation	• Procurement practices/ material sourcing • Supply chain management
Media	• Press release • Press conference • Advertisement • Bursa announcements • Corporate website	• Economic performance • Market presence
Communities	• Environmental Aspect Identification and Impact Assessment ("EAIA") • Corporate website • News release • Sponsorship programmes • PESTECH CARE Programme (CSR)	• Waste & hazardous materials management • Environmental related complaints mechanism • Environmental compliance • Community relation/ CSR • The rights of local communities

MATERIALITY

Similar to the previous financial year, we continue to adopt a systematic materiality assessment process to determine the most imperative sustainability aspects that are relevant and important to our business operations. The findings of this process are used to define the material topics that are disclosed in this Sustainability Statement.

Materiality Assessment

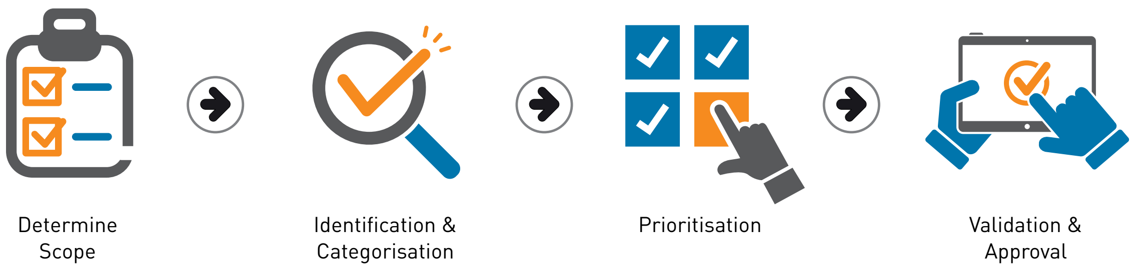


Figure 2: Materiality Assessment Process

SUSTAINABILITY STATEMENT

NO	PROCESS	DESCRIPTION
1	**DETERMINE SCOPE**	The scope was defined as per page 29 taking into consideration the following: • Geographical boundary • Organisational boundary • Our operations (within or outside the organisation)
2	**IDENTIFICATION & CATEGORISATION**	The list of relevant sustainability matters related to our business operations were identified. This list was developed based on our engagements with external and internal stakeholders. The sustainability matters were then further rationalised and refined into categories.
3	**PRIORITISATION**	Several meetings were conducted by the Sustainability Committee to prioritise the sustainability matters. The Committee also identified the key stakeholders to the Group during the meeting. More details on our stakeholder engagement are appended in pages 30 and 31. From the meeting, the Materiality Matrix was generated.
4	**VALIDATION & APPROVAL**	The Materiality Matrix was presented to the Group Chief Executive Officer for approval. The updates on the Group's sustainability journey is presented to Board of Directors on regular basis.

Materiality Matrix

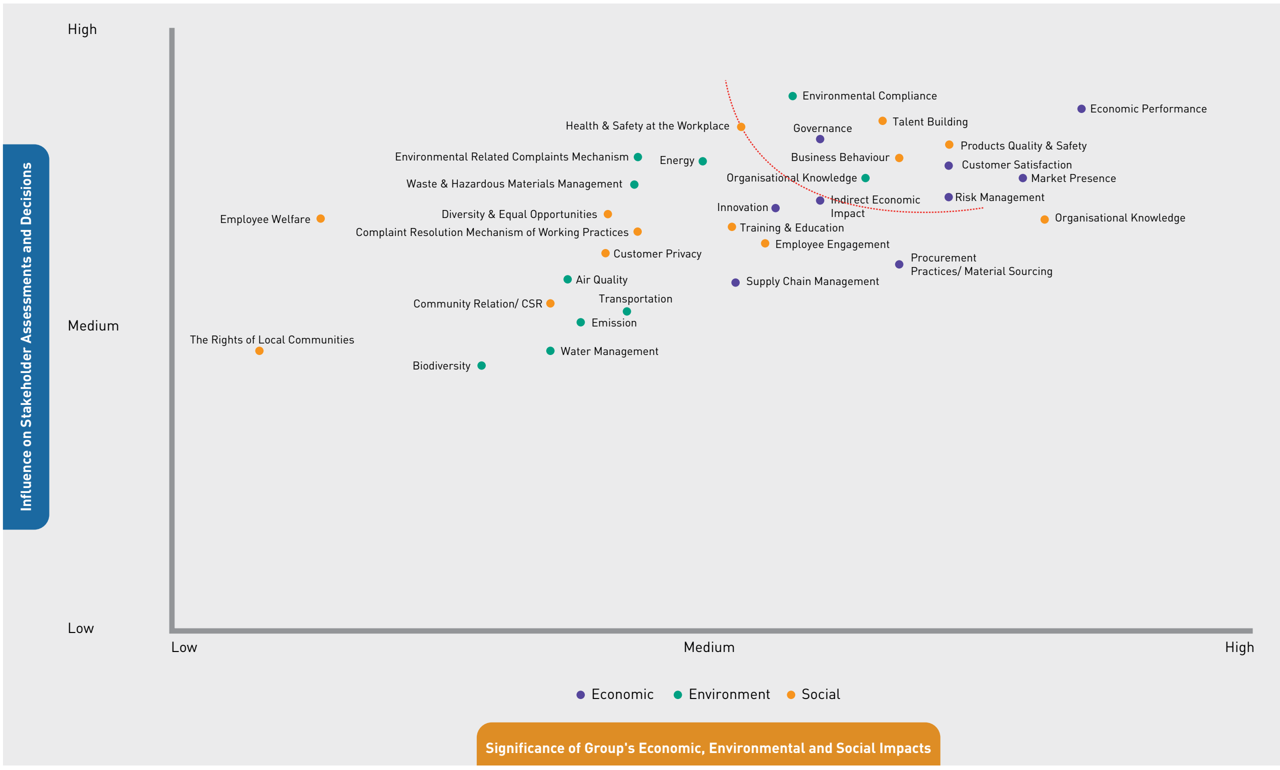


Figure 3: PESTECH's Materiality Matrix

From the above matrix, we will be focusing on twelve (12) key sustainability matters for this year's reporting.

KEY SUSTAINABILITY MATTERS

Economic Performance

During the financial year, we have secured a total of RM945.8 million orders and achieved RM811.5 million Revenue. We have recorded the Profit Before Tax ("PBT") of RM98 million and Profit After Tax ("PAT") of RM86 million.

Indirect Economic Impact

Our responsibility goes beyond creating positive economic value. We had spent RM488,800 for our CSR programmes which covers four (4) aspects, i.e. community, advancement, recuperation and environment. With our contribution through CSR initiatives, we indirectly help to fuel the social and economic growth of the country.

In addition, we have also allocated RM200,000 for PESTECH CARE Undergraduate/ Postgraduate Scholarship Program, as part of our commitment to create a sustainable pool of future talent.

Market Presence

Since our involvement in the power infrastructure industry 28 years ago, PESTECH has grown to become one of the key market leaders in the industry. In addition to maintaining our strong presence in Malaysia, we have shown an outstanding portfolio and maintain track records of international projects across 22 countries such as Cambodia, Philippines, Papua New Guinea, Thailand and Kyrgyzstan.

With our presence in other countries, PESTECH contributed to the economic development in the local communities by providing job opportunities, improving their knowledge and skills, improving their standards of living as well as improving local power infrastructures.

Corporate Governance

Upholding a good corporate governance is crucial in managing an organisation. Thus, the Group complies with applicable laws and regulations of corporate governance and adheres to related best practices. With a high standard of corporate governance, we believe that the Group will be able to maintain its success, remain competitive and sustainable in the long term.

Our corporate governance overview statement is showcased in page 42 of this Annual Report.

SUSTAINABILITY STATEMENT

Risk Management

Risk influences every business aspect of our Group. The exposure to these risks is managed through the practice of Risk Management.

We have worked in accordance with an established Enterprise Risk Management framework across the Group to ensure significant risks are adequately assessed and managed in the face of uncertainty and to provide reasonable assurance regarding the achievement of the Group's objectives. This involves the associated activities of identifying, assessing, mitigating, monitoring, evaluating and reporting the risks.

By understanding and managing the risks appropriately, we enhanced our ability to make better decisions, meet the set objectives, further improve our performance and subsequently assist in the creation, protection and maximisation of value. This also assists the Board of Directors and Management in maintaining a sound internal control system within the Group as envisaged in the Malaysian Code on Corporate Governance 2017, the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers and Section 244 of the Malaysian Companies Act, 2016.

The Risk Management Policy and Guideline documents outlines the Group's risk management process and sets out clear roles, responsibilities and accountabilities in relation to risk management. This will ensure that the risk information is clearly communicated at all levels. It is a general duty and responsibility of all employees to adhere with the policy and, at all times, be conscious of the risks related to their actions and decisions that may adversely affect the operations, reputation and assets of the Group.

Figure 4: Six (6) Key Elements in PESTECH's Risk Management Framework

Customer Satisfaction

For PESTECH, customer satisfaction is our top priority and we are committed on delivering quality products and services to our customers. Assessing customer satisfaction is essential to evaluate our progress and performance.

We adopt the best-in-class standards and always ensure that customers feedback and complaints are properly managed and responded to the customers in order to improve our engineering, procurement, construction and commissioning services and products quality. In addition, we ensure that all non-conformances are properly controlled and corrective actions taken are effective in rectifying the problem to prevent future recurrences.

Effective Communications Channel

- Customer Satisfaction Survey Form
- Letters, Phone Calls, Emails, Faxes

ISO 9001:2015 Quality Management System

- Project Management
- Design engineering/ installation/ testing/ commissioning of HV and EHV electrical substation
- Manufacturing of MV, HV and EHV electrical substation equipment

We have established a customer service creed as a guidance to ensure that we are focused on the same vision and commitment to deliver satisfying experience for each customer.

As fostering a favourable customer experience is important, we have adopted ISO 9001:2015 Quality Management System ("QMS") across main operating subsidiaries. Through the implementation of QMS, we provide assurance to our customers that their needs and expectations are met at every stage of a project.

We also provide customer satisfaction survey forms to our customers to gauge our customer satisfaction level and gain valuable feedback from them. The survey, which is conducted once a year, solicits feedback on the products and services quality, progress performance, project management, responsiveness, site management and technical competencies.

Environmental Compliance

In operating our businesses, PESTECH is committed to protect the environment and comply 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 to practice environmental control and improve its environmental performance. We continue to put in place relevant measures to monitor, protect and conserve the environment as well as implementing environmental management plan to achieve sustainability in the working environment that we are operating in.

SUSTAINABILITY STATEMENT

Business Behaviour

PESTECH has a code of conduct which provides the principles of business ethics and spells out the expectations of employee behaviour and conduct at work. We practice a culture of honesty, trust and integrity while upholding the highest standards of professionalism.

Products Quality and Safety

PESTECH is committed to producing products and solutions that meet the quality and safety requirements. Through continuous improvement of the Quality Management System ("QMS"), we implement high quality standards in our day-to-day operations where the importance of traceability, consistency and reliability are emphasised.

We execute activities such as product testing, quality inspection and calibration for all products before delivering them to customers. These activities are properly handled by testers, QC inspectors as well as production teams to meet customers' requirement and design specification.

Product

Factory Routine Test

- Factory in-house testing.
- Check on the products operation and functionality.
- Check on the defect and rectify it, if any.

QC Inspection

- Inspect and ensure the products are produced according to the design specifications and standard requirements.
- Re-check on the defect and rectify it, if any.
- Segregate all products/ components that fail to meet specification.

Factory Acceptance Test

- Process of customer evaluation and acceptance of the products.
- Test and verify if the products are in accordance with the design specification.
- Ensure that the components and controls of the products are working properly.

Health and Safety at the Workplace

Health and Safety is our pinnacle priority in operations. We continue our commitment to protect the health and safety of our employees and stakeholders, and provide a safe workplace across our diverse operations, be it in corporate offices or construction sites.

We have established an Occupational Health and Safety policy and procedures in accordance to ISO 45001:2018 Occupational Health and Safety Management System ("OHSMS") to monitor the risks at our workplace.

Below is the foundation of our Health and Safety ("HSE") committee organisation chart:

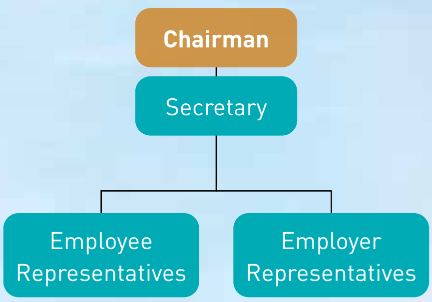


Figure 5: Safety Committee Organisation Chart

SUSTAINABILITY STATEMENT

Safety Training & Communications

Our Quality, Health, Safety and Environment ("QHSE") team always ensure that all employees, in both corporate offices and project sites are trained and educated. The team communicates the policy and procedures to all employees and updates them on a regular basis.

Below are the trainings organised during this financial year to promote the importance of safety at the workplace:

- New Employee Induction and Orientation
- On the Job Training
- Monthly Toolbox at Corporate Offices
- Daily Toolbox at Project Sites
- First Aid Training
- Manual Handling
- Monthly QHSE Alert
- QHSE Awareness Programme
- General Safety Educations and Trainings
- Specific Work-Related Safety Training

Emergency Response Preparedness

Emergency Response Preparedness ("ERP") is our response mechanism in case of emergency. Our QHSE team has developed a procedure which serves as a guide dealing with emergency situations quickly in a systematic manner. An Emergency Response Preparedness Team ("ERPT") is formed and trained to ensure that such procedure is communicated and adhered to.

Below are some of the responsibilities of our ERPT:

- Prepare emergency escape plan
- List the emergency telephone numbers and contact persons
- Identify the emergency exits and how they are marked
- Identify evacuation routes and assembly points
- Signals that alert employees when there is a need to evacuate
- Handle and aid injured persons
- Organise fire drill
- Organise chemical spillage drill
- Organise firefighting training

We also conduct periodic inspections and maintenance on firefighting equipment such as portable fire extinguishers, fire hose reels, hydrant pump systems and sprinkler systems to ensure its operability.

Safety Rules

We impose safety rules on our employees, visitors, vendors and customers who visit our offices and project sites, based amongst other, the following safety measures:

- Strict access and security where only authorised personnel or workers possessing CIDB Green Cards and NIOSH Tenaga Safety Passport ("NTSP")/ Sarawak Energy Safety Passport ("SESP") are allowed to enter our project sites.
- Mandatory use or Personal Protective Equipment ("PPE") when entering into production and project sites.

Hazard Identification Risk Assessment and Determining Control ("HIRADC")

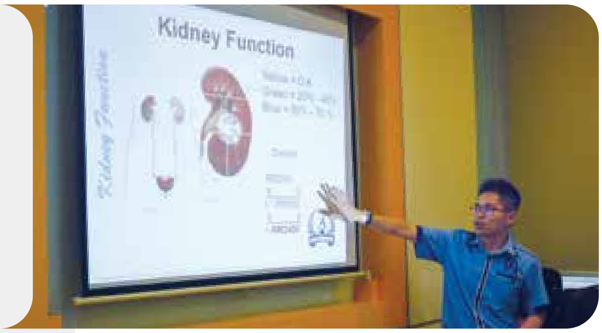
HIRADC is fundamental to the practice of planning, management and operation of a business as a basic of risk assessment. As part of our safety and health requirements, all activities must undergo the HIRADC process before commencement of any projects, productions or events. This process is executed systematically and recorded accordingly so that the results are reliable. With HIRADC, we will be able to identify hazards, analyse and assess its associated risk and then apply suitable control measures.

Health Related Activities

We lined up health related activities to bring health awareness to our staff. Amongst the activities are:

- Health Awareness Programme
  - Health screening – blood pressure and urine test
  - Health talk – Topics: Hypertension & hypotension, health condition, importance of annual medical checkup
- Aerobic Sessions

  Aerobic sessions are organised during the toolbox meeting on monthly basis.



SUSTAINABILITY STATEMENT

- Blood Donation Campaign

  The blood donation event was organised in collaboration with the National Blood Bank. The campaign aims to raise awareness that blood banks need a continuous supply of donations and other benefits of being a blood donor.

- Sports Club

  As part of the Group's initiatives to promote healthy lifestyle and work-life balance, we established the Panthera Club. The Club organises activities such as badminton, paintball and other health-related events. These activities help to support employees' emotional and physical wellbeing.

Occupational Health & Safety Performance

Our ultimate goal is to strive for zero fatality and reduce the number of accidents throughout our operations. This is done through monitoring and constant process improvement.

OBJECTIVE:

- **To achieve Zero reportable accident at office and project work site**
- **To achieve Five (5) star rating for office and project work site**

NO.	COMPANY	TOTAL MANHOURS (as at June 2019)
1.	PESTECH International Berhad	**75,896 hrs.** (since December 2018)
2.	PESTECH Sdn. Bhd.	**7,500,170 hrs.** (since March 2015)
3.	PESTECH Technology Sdn. Bhd.	**426,616 hrs.** (since March 2016)
4.	PESTECH Energy Sdn. Bhd.	**58,544 hrs.** (since September 2018)
	GRAND TOTAL OF MANHOURS	**8,061,226 hrs.**

Figure 7: Total of Manhours

In addition, we also received excellent ratings for our project sites for the following recognition:

- Safety Compliance Audit ("SAFCA")

  This audit is mandatory for all projects awarded by Tenaga Nasional Berhad ("TNB") and will be conducted two (2) times for each project.

PMU 500/275kV Olak Lempit
5 STAR , 95.9%

PMU 275/230kV Plentong Extension
5 STAR, 92.9%

PMU 132/33kV MRT Jinjang
5 STAR, 94.7%

- CIDB Safety and Health Assessment System in Construction ("SHASSIC")

  SHASSIC is an audit conducted by CIDB Malaysia to assess and evaluate the safety and health performance in construction projects.

CIDB MALAYSIA
SHASSIC

SISTEM PENILAIAN KESELAMATAN DAN KESIHATAN DALAM PEMBINAAN (SHASSIC)

TAJUK PROJEK

SUPPLY, ERECT AND COMMISSIONING OF 2 X 1050MVA AUTOTRANSFORMERS, 500KV SWITCHGEARS, 275KV SWITCHGEARS AND ANCILLARY EQUIPMENT WITH ASSOCIATED CIVIL WORKS FOR PMU 500/275KV OLAK LEMPIT, SELANGOR.

PEMAJU / PEMILIK : TENAGA NASIONAL BERHAD

KONTRAKTOR UTAMA : PESTECH SDN. BHD. (G7) 0120001212-JH061358

SATU PENILAIAN TAHAP KESELAMATAN DAN KESIHATAN DALAM PEMBINAAN BERDASARKAN CIS 10:2008 TELAH DIJALANKAN OLEH PIHAK CIDB MALAYSIA DI TAPAK BINA PROJEK PADA 02 & 03 MEI 2019 DI MANA TAHAP KEMAJUAN PEMBINAAN 40%

SKOR SHASSIC BAGI PROJEK DI ATAS ADALAH 86%

ANUGERAH BINTANG ★★★★★

DATUK Ir. ELIAS ISMAIL
Pengurus Besar Kanan
Sektor Pembangunan Teknologi
b.p. Ketua Eksekutif CIDB Malaysia

Lembaga Pembangunan Industri Pembinaan Malaysia
CONSTRUCTION INDUSTRY DEVELOPMENT BOARD MALAYSIA
www.cidb.gov.my

S/No: 1269

Talent Building

At PESTECH, we believe sustainable talent building is vital to thrive in a volatile and competitive business environment. The talent of our future leaders is critical to our future success. This financial year, we developed PESTECH CARE Undergraduate/ Postgraduate Scholarship Program as part of our initiatives to contribute towards the country's nation building. It aims to create a vibrant and sustainable talent pipelines by providing education sponsorship, training and opportunities to new talents into undergraduate/ postgraduate studies. Aside from engineering related courses such as electrical and electronics, mechanical and civil, the scholarship is also awarded for Business and Management, Human Resources and other courses which meets PESTECH's needs.

Organisational Knowledge

"The only thing that gives an organisation a competitive edge, the only thing that is sustainable, is what it knows, how it uses what it knows and how fast it can know something," says Larry Prusak, a long-time researcher in the field of knowledge management.

As an engineering-based organisation, technology competency is an asset of strategic importance to improve the organisation's product portfolio. We value the technology competency and technical know-how as it is knowledge specific to our organisation and it is generally gained by experience. The subsidiaries within PESTECH Group of companies shall identify their respective core competencies and knowledge maintained through preservation of intellectual property; capturing and sharing lessons learned from successful projects and necessary improvements.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

The Board presents this Corporate Governance Overview Statement ("**Statement**") to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year ended ("**FYE**") 30 June 2019. 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. Further information on the Group's sustainability initiatives and efforts can be read in the Sustainability Statement.

Executive Chairman ("EC") and GCEO

As per Practice 1.3 of the MCCG, the positions of the EC and GCEO are held by two (2) different individuals. The distinct and separate roles of the EC 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 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 a member of the Malaysian Institute of Accountant ("**MIA**"). They are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 ("**the Act**").

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

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

Supply of Information

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

Notices of meetings and meeting papers are targeted to be circulated to the Board members seven (7) working days prior to the scheduled Board meetings to ensure sufficient time for all Board members to review and deliberate on such matters accordingly and, where required, to obtain further information and clarification to facilitate well-informed decision making during the meeting. For matters which require the Board's decision on an urgent basis outside of Board Meetings, board papers along with resolutions in writing will be circulated for the Board's consideration. All circular resolutions approved by the Board are tabled for notation at the next Board Meeting.

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

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

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

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

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 11 October 2019 and is publicly available on the Company's website at www.pestech-international.com.

Directors' Code of Conduct and Ethics

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

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

Code of Conduct and Ethics

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

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

Whistle-Blowing Policy

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

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

a) Fraud;

b) Bribery, illicit and corrupt practice;

c) Abuse of Power;

d) Sexual harassment;

e) Criminal breach of trust;

f) Theft or embezzlement;

g) Misappropriation of Company's assets and property;

h) Misuse of confidential information; or

i) Acts or omissions which are deemed to be against the interests of the Company, laws, regulations or policies.

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

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

2. BOARD COMPOSITION

Composition and Board Balance

PIB's Board comprises individuals with sturdy integrity fostered with extensive knowledge and experience in their respective professional backgrounds, i.e., engineering, 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, our Senior Independent Non-Executive Director, Encik Ibrahim Bin Talib serves as a sounding board for the EC and act as an intermediary for other directors. He provides an additional channel for Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in open forum.

The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company. In relation to the call by the Government for female participation in Board and senior management, the NC would ensure that steps will be undertaken to ensure that suitable women candidates who have relevant expertise relative to the Company's businesses are sought from various sources.

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 as at the date of this Statement.

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

Board Diversity

The Company has adopted a Board Diversity Policy, which sets out the approach to diversity on the Board of Directors and the Senior Management level.

In approaching towards diversity on the Board of Directors, the Board does not discriminate on the basis of 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, legal 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 the Board, the two (2) Key Senior Management of the Company are female.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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 FYE 30 June 2019, and was guided by the Corporate Governance Guide, taking into consideration the following key elements for assessment:

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

All assessments and evaluations carried out as well as comments made during the process are properly documented and minuted. The NC also oversees the succession planning of the Senior Management and diversity at Senior Management level is also taken into consideration.

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

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

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

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

The NC shall meet as and when required, at least once a year. During the financial year under review, the NC held 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 Seventh Annual General Meeting ("**AGM**");
- conducted annual assessment on independence for the independent directors; and
- reviewed the Terms of Reference of the NC 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 Ah Hock and Encik Ibrahim Bin Talib 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 FYE 30 June 2019 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	4/5
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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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 2019, the continuous education programmes attended by Directors comprise the following:-

Name	Training	Date
Lim Ah Hock	1. 1H 2019 Investment Outlook & Strategy 2019 2. A Different Take on the Markets 3. Market Outlook Seminar 2019	8 January 2019 1 March 2019 24 April 2019
Paul Lim Pay Chuan	1. ASEAN's Largest Mechanical & Electrical Engineering Show 2. SECC Cambodia – Board Leadership Program 3. Cities 4.0 4. Selangor Smart City & Digital Economy Convention 2018 5. Conference of Electrical Power Supply Industry 2018 (CEPSI 2018) 6. 4th Smart City Asia 2018 7. MIDA National Investment Seminar 2018 8. Global Insights 2019 9. Talk on "Engineering Challenges & Opportunity in South East Asia Infrastructure Project" 10. Malaysia Urban Forum 2019 11. 2nd Annual Smart Cities: "Future Smart Cities: Citizen Centric, Intelligent & Sustainable!"	18 July 2018 9 August 2018 27 – 28 August 2018 13 September 2018 18 September 2018 2 – 3 October 2018 30 October 2018 23 January 2019 24 January 2019 18 February 2019 22 – 23 April 2019
Tan Puay Seng	1. Implementation of SST and GST-Exit Preparation 2. Practical Auditing Methodology for SMPs 3. Post Budget 2019: Tax Implications & Latest Developments	9 August 2018 27 – 28 September 2018 18 February 2019
Lee Ting Kiat	1. Tax and Business Summit 2018	15 November 2018

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)

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

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

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

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

- reviewed and recommended the proposed bonus payment for the EC and GCEO for the financial year ended 30 June 2018;
- reviewed and recommended the proposed remuneration packages of the EC and GCEO for the financial year ended 30 June 2019;
- reviewed and recommended the directors' fees for the financial year ended 30 June 2019;
- reviewed on benefits payable to Directors under Section 230(1) of the Act; and
- reviewed the Terms of Reference of the RC

The details of remuneration of Directors who served during the financial year ended 30 June 2019 are as follows:-

	Salaries & other emoluments (RM)	Fees* (RM)	Benefits (RM)	Meeting Allowance (RM)	Total (RM)
Company					
Lim Ah Hock	1,732,219.80	-	28,000.00	-	1,760,219.80
Lim Pay Chuan	1,599,346.40	-	28,000.00	-	1,627,346.40
Ibrahim Bin Talib	-	58,760.00	-	13,501.00	72,261.00
Tan Puay Seng	-	58,760.00	-	18,501.00	77,261.00
Lee Ting Kiat	-	58,760.00	-	16,501.00	75,261.00
Group					
Lim Ah Hock	2,202,698.80	-	28,000.00	-	2,230,697.80
Lim Pay Chuan	2,069,824.40	-	28,000.00	-	2,097,824.40
Ibrahim Bin Talib	-	58,760.00	-	13,501.00	72,261.00
Tan Puay Seng	-	58,760.00	-	18,501.00	77,261.00
Lee Ting Kiat	-	58,760.00	-	16,501.00	75,261.00

**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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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 2019 are set out in the AC Report of this Annual Report.

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

Cooling period of a Former Key Audit Partner

The terms of reference of the AC stated that a cooling-off period of at least 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 2020. The Board at its meeting held on 11 October 2019 approved the AC's recommendation. The appointment of Messrs. Grant Thornton Malaysia will be presented for shareholders' approval at the forthcoming Eighth 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 2019 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.

Internal Audit Function

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

The AC reviewed the Internal Audit Report presented by NGLTG during the AC meeting. The AC had also undertaken a performance assessment of Internal Auditors and expressed satisfactory over the performance and deliverables of the Internal Auditors.

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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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 2019 ("**FYE 2019**").

A. COMPOSITION

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

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

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

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

B. MEETINGS AND ATTENDANCE

During the FYE 2019, 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	4/5
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 2019

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 2018	Unaudited Fourth Quarter Results for the Financial Year Ended ("FYE") 30 June 2018
November 2018	Unaudited Results for First Quarter ended 30 September 2018
February 2019	Unaudited Results for Second Quarter ended 31 December 2018
May 2019	Unaudited Results for Third Quarter ended 31 March 2019

AUDIT COMMITTEE **REPORT**

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

- Malaysian Financial Reporting Standards ("MFRS");
- MFRS 134 - Interim Financial Reporting;
- Disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and
- Companies Act 2016.

b) Reviewed and recommended to the Board approval for the audited financial statements of the Company and the Group for the FYE 30 June 2018 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 2019 prepared by the External Auditors.

On 11 October 2019, the AC reviewed the audited financial statements of the Company and the Group for FYE 30 June 2019 at its meeting.

ii. External Auditors

a) Reviewed and discussed with the External Auditors at the meetings, the Audit Completion Report for the FYE 30 June 2019 and Audit Approach Memorandum for the FYE 30 June 2019, respectively. During the meetings, the AC discussed with the External Auditors 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 2019 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 2020.

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) Human resources function of PESTECH Sdn Bhd;

b) Remote location monitoring controls of PESTECH Group;

c) Sales, procurement and production function of PESTECH Energy Sdn Bhd;

d) Recurrent related party transactions review; and

e) Risk management function of PESTECH Group.

The AC reviewed and accepted the Internal Audit Plan for year 2019/2020 and audit fees for year 2019/2020 presented by the Internal Auditors.

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

iv. Recurrent Related Party Transactions ("RRPTs")

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

v. 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.

vi. Annual Report

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

vii. Circular to Shareholders

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

- Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading nature; 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 2019, 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 2019 was RM60,000.

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 continuously. This would assist the Group immensely in its quest to achieve its targeted business objectives within the defined and acceptable risk parameters.

The Risk Management Framework ensures that pertinent roles, responsibilities and accountabilities on risk management are clearly defined and communicated at all levels.

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

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

The Group's Risk Management focuses on management 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 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control System

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

- **Control Environment**

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

- **Control Structure**

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

  The key elements of the Group's internal control structure cover series of documented Policy and Procedures to govern the Group's key business processes. These policies and procedures deal with, amongst others, 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 the following areas:-
    - Human Resource function;
    - Remote Location Monitoring Controls of overseas subsidiaries;
    - Recurrent Related party Transactions and
    - Risk management function
  - 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.

  Based on the internal audit review conducted by the outsourced internal auditor, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties to the Group.

- **AC**

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

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

REVIEW AND MONITOR OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

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

ASSURANCE STATEMENT BY THE GROUP CHIEF EXECUTIVE OFFICER 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 2019. 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 11 October 2019.

DIRECTORS' RESPONSIBILITY **STATEMENT**

for the Audited Financial Statements

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

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

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

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

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

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

The Directors confirmed that they have complied with the above requirements for the annual financial statements for the year ended 30 June 2019.

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	46,000	279,000
Non-Audit Fees	5,300	43,100

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 2019 or entered into since the end of the previous financial year ended 30 June 2018.

4. RECURRENT RELATED PARTY TRANSACTIONS

At the Seventh Annual General Meeting of the Company held on 22 November 2018, the Company obtained a mandate from its shareholders for recurrent related party transactions ("**RRPTs**") of a revenue or trading in nature with related parties.

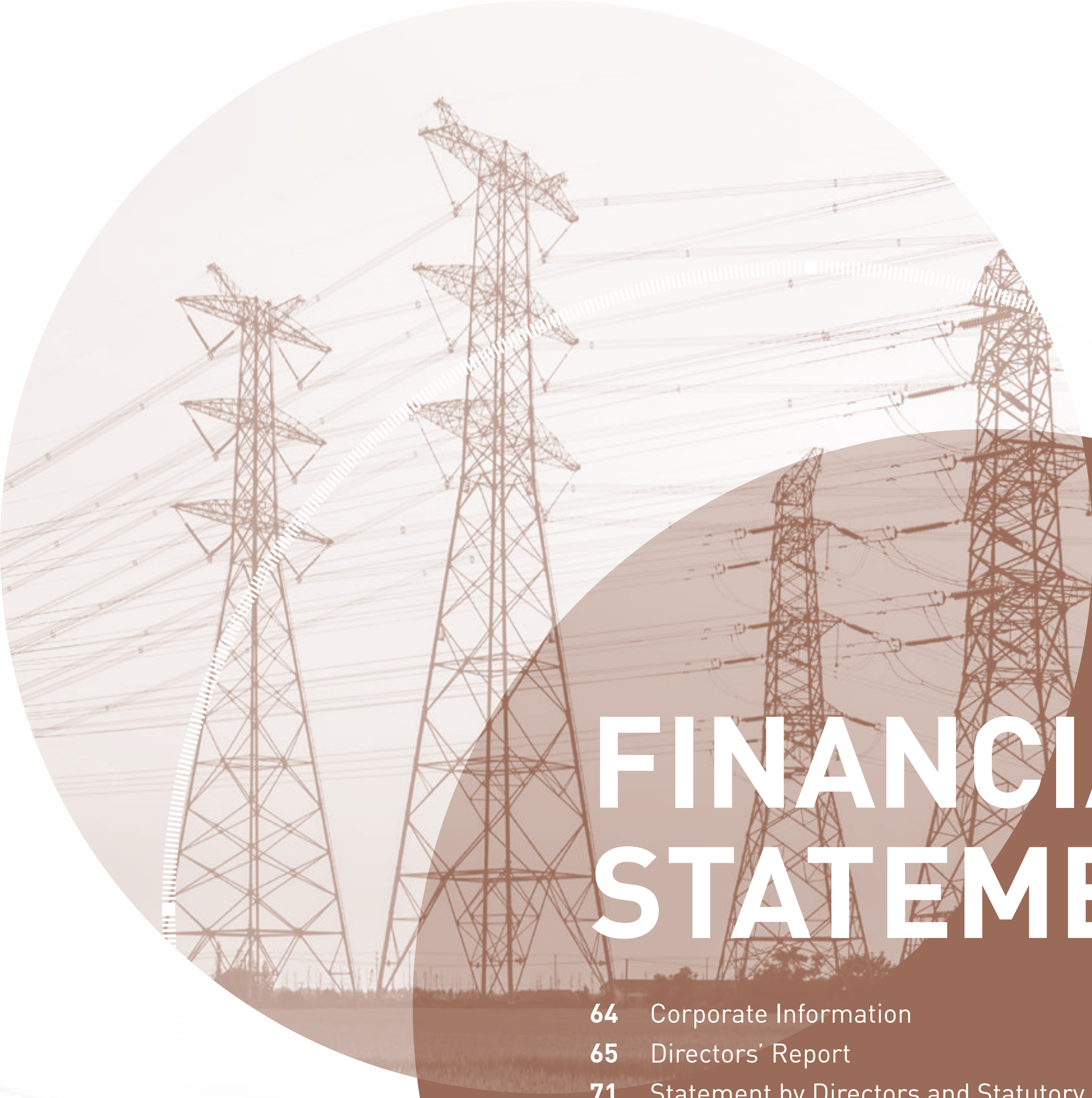
In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of RRPTs conducted during the financial year ended 30 June 2019 pursuant to the shareholders' mandate are set out below:-

Name of Company Involved	Name of Related Party	Nature of Transactions	Aggregate value of Transactions from 1 July 2018 to 30 June 2019 (RM'000)
Pestech Sdn Bhd ("**PSB**")/ Fornix Sdn Bhd ("**FNX**")**/ Pestech Technology Sdn Bhd ("**PTE**")	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	14,226
PSB	System CORP Energy Pty Ltd ("**SEN**")***	Purchases by PSB of embedded system design and related accessories for substation automation	Nil

ADDITIONAL COMPLIANCE **INFORMATION**

Name of Company Involved	Name of Related Party	Nature of Transactions	Aggregate value of Transactions from 1 July 2018 to 30 June 2019 (RM'000)
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	221
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	2,911

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

CORPORATE **INFORMATION**

DIRECTORS	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)
SECRETARIES	Chua Siew Chuan Pan Seng Wee Teh Bee Choo
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	No. 26, Jalan Utarid U5/14 Seksyen U5 40150 Shah Alam Selangor Darul Ehsan
AUDITORS	Grant Thornton Malaysia (Member firm of Grant Thornton International Ltd.) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
PRINCIPAL BANKERS	Al Rajhi Banking & Investment Corporation (Malaysia) Bhd Alliance Bank Berhad AmIslamic Bank Berhad Bangkok Bank Berhad Bank Islam Malaysia Berhad Bank Muamalat Malaysia Berhad Bank of China (Malaysia) Berhad Bank of China (Hong Kong) Limited CIMB Bank PLC CIMB Islamic Bank Berhad CTBC Bank Limited Export-Import Bank of Malaysia Berhad Hong Leong Islamic Bank Berhad HSBC Amanah Malaysia Berhad HSBC Bank Malaysia Berhad Industrial and Commercial Bank of China Limited Malayan Banking Berhad Maybank Islamic Berhad National Australia Bank Limited OCBC Bank (Malaysia) Berhad OCBC Al-Amin Bank Berhad OCBC Al-Amin Bank Limited Optima Bank Limited RHB Indochina Bank Limited Standard Chartered Bank Malaysia Berhad
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	86,675	1,649
Attributable to:		
Owners of the Company	78,972	
Non-controlling interests	7,703	
	86,675	

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the 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' **REPORT**

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:

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

Dato' Mohamed Salleh Bin Mohamed Alli

U Min Banyar San

Daw Kaung Mon San

Zhu ZiBing

DIRECTORS' INTERESTS

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

	At 1.7.2018 '000	Bought '000	Sold '000	At 30.6.2019 '000
The Company				
Direct interests				
Lim Ah Hock	252,851	1,807	-	254,658
Lim Pay Chuan	154,499	3,385	-	157,884
Tan Puay Seng	600	10	(99)	511
Lee Ting Kiat	601	300	-	901
Indirect interests				
Lim Ah Hock#	1,306	2,058	-	3,364
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. and Kumpulan Liva Sdn. Bhd.
(@) 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 interests 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 Directors in office at the end of the financial year had any direct interest in the shares of the Company or its related corporations during the financial year.

DIRECTORS' FEES AND BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Notes 29 and 33 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company or related corporation in which the Director has a substantial financial interest.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, Directors and Officers of the Company together with its subsidiaries are covered under the Professional Indemnity Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Professional Indemnity Insurance effected for the Directors and Officers of the Group is RM10 million. The total amount of premium paid for the Professional Indemnity Insurance by the Group was RM45,000.

ISSUE OF SHARES AND DEBENTURES

There were no shares or 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.

(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.

DIRECTORS' REPORT

SHARE GRANT PLAN (CONT'D)

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

(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, there is no allotment of new ordinary shares under SGP by the Company.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances (cont'd):

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

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

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

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

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

In the opinion of the Directors:

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

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

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

DIRECTORS' **REPORT**

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE

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

AUDITORS

Details of auditors' remuneration are set out in Note 26 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
17 October 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 77 to 155 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 2019 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
17 October 2019

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 77 to 155 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
17 October 2019)

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

Before me:

Commissioner for Oaths

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 2019 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 77 to 155.

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 2019, 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

Revenue and cost recognition for construction contracts and concession arrangement

The risk –

The revenue and cost recognition for construction contracts and concession arrangement are recognised in accordance to the accounting policies as detailed in Notes 3.12, 3.13, 23 and 25 to the Financial Statements.

We focus on this area as significant management's judgement and estimates are involved in determining the followings:

(i) transaction price for construction contracts which include significant financing component;

(ii) relative fair values of the services delivered and allocation of the consideration received or receivable of each concession service;

(iii) stage of completion using the output method which is based on the level of completion of the development phase of the projects which is certified by professional engineers or consultants;

(iv) extent of contract cost incurred to-date;

(v) total construction contract cost and cost to completion; and

(vi) provision for liquidated ascertained damages.

Our response –

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

- perused terms and conditions stipulated in the agreements with customers and subcontractors/suppliers for individually significant contract and assessed their relationship to the revenue and costs recognised;
- assessed total construction contract revenue by examining evidences such as construction contracts, approved variation orders and correspondences with customers and verified the progress billings. In instances where projects have been delayed, assessed the necessity and sufficiency of the provision for liquidated ascertained damages based on the management's estimates and reviewed the supporting documentation such as correspondences with customers or consultants, extension of time approvals and work progress reports indicating reasons for delays;
- evaluated the appropriateness and the consistency of key assumptions used by the management to determine the transaction price for construction contracts which include significant financing component, fair value of the services to be delivered and the basis of the allocation of the consideration received and/or receivable to each service;
- evaluated the competence, capabilities and objectivity of independent qualified engineers or in-house engineers;
- checked the stage of completion of construction contracts on a sample basis to internal progress reports certified by professional engineers or consultants;
- assessed basis used in determining the budgeted contract cost;
- assessed actual costs incurred and accrued costs by examining evidences such as contractors' progress claims and suppliers' invoices issued during the financial year and/or subsequent to the financial year; and
- interviewed management's project team on the achievability of the forecasted costs to completion of the individually significant projects.

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)

Key Audit Matters (cont'd)

Group (cont'd)

Recoverability of trade receivables and contract assets

The risk –

The Group adopted MFRS 9 "Financial Instruments" ("MFRS 9") on 1 July 2018. MFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of significant assumptions about future economic conditions and credit risk of the customers in the calculation of loss allowance. The Group has assessed the lifetime expected credit loss of trade receivables and contract assets amounts using the simplified approach.

As disclosed in Notes 9 and 11 to the Financial Statements, the Group has significant trade receivables and contract assets as at 30 June 2019 and these are subject to credit risk exposure.

We focused on this area because management's assessment of ECL requires significant judgement over the expected loss rates, forward looking information and probability-weighted estimates. The details of the significant estimates and judgement used by the Group have been disclosed in Note 34.2 to the Financial Statements.

Our response –

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

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

Company

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

Information other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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)

Responsibilities of the Directors for the Financial Statements (cont'd)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

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

HOOI KOK MUN
(NO: 02207/01/2020 (J))
CHARTERED ACCOUNTANT

Kuala Lumpur
17 October 2019

STATEMENTS OF **FINANCIAL POSITION**

as at 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	91,418	83,177	2,947	957
Intangible assets	5	87,273	90,520	-	-
Investment in subsidiaries	6	-	-	102,799	93,803
Investment in associates	7	461	309	-	-
Derivative financial assets	8	7,211	13,474	-	-
Contract assets	9	461,902	435,503	-	-
Total non-current assets		648,265	622,983	105,746	94,760
Current assets					
Contract assets	9	996,597	758,098	-	-
Inventories	10	14,133	33,882	-	-
Trade receivables	11	198,142	122,391	-	-
Other receivables	12	45,794	33,541	172	109
Amount due from related companies	13	-	81	404,575	157,821
Tax recoverable		18,045	18,093	3,903	3,903
Fixed deposits with licensed institutions	14	8,046	5,042	-	-
Cash and bank balances		158,523	113,566	144	31
Total current assets		1,439,280	1,084,694	408,794	161,864
Total assets		2,087,545	1,707,677	514,540	256,624
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the Company:					
Share capital	15	212,672	212,672	212,672	212,672
Reserves	16	(33,783)	(34,897)	-	-
Retained earnings/(accumulated losses)		302,703	279,493	1,302	(347)
		481,592	457,268	213,974	212,325
Non-controlling interests	6	79,297	69,062	-	-
Total equity		560,889	526,330	213,974	212,325

STATEMENTS OF **FINANCIAL POSITION**

as at 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
LIABILITIES					
Non-current liabilities					
Derivative financial liabilities	8	7,540	-	-	-
Finance lease liabilities	17	4,922	582	881	337
Loans and borrowings	18	662,276	372,428	-	-
Deferred tax liabilities	19	336	241	-	-
Trade payables	20	66,485	-	-	-
Total non-current liabilities		741,559	373,251	881	337
Current liabilities					
Contract liabilities	9	393	5,827	-	-
Trade payables	20	371,656	392,356	-	-
Other payables	21	31,456	28,770	852	1,003
Amount due to Directors	22	-	31	-	-
Amount due to related companies	13	-	-	271,706	42,865
Finance lease liabilities	17	1,671	544	364	94
Loans and borrowings	18	367,690	362,605	26,763	-
Tax payable		12,231	17,963	-	-
Total current liabilities		785,097	808,096	299,685	43,962
Total liabilities		1,526,656	1,181,347	300,566	44,299
Total equity and liabilities		2,087,545	1,707,677	514,540	256,624

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 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	23	811,476	834,910	27,267	11,103
Cost of sales		(659,411)	(706,447)	-	-
Gross profit		152,065	128,463	27,267	11,103
Other income	24	21,691	10,730	564	48
Administration expenses		(62,639)	(59,741)	(15,873)	(13,856)
Finance income	25	40,078	35,982	2	1
Finance costs	25	(53,166)	(23,014)	(10,101)	(16)
Share of profit of equity-accounted associate	7	152	180	-	-
Profit/(Loss) before tax	26	98,181	92,600	1,859	(2,720)
Tax expense	27	(11,506)	(16,813)	(210)	-
Profit/(Loss) for the financial year		86,675	75,787	1,649	(2,720)
Other comprehensive income/ (loss)					
Items that will be reclassified subsequently to profit or loss					
- Exchange translation differences		11,174	(15,230)	-	-
- Fair value loss on cash flows hedge		(7,528)	-	-	-
Total comprehensive income/(loss) for the financial year		90,321	60,557	1,649	(2,720)
Profit for financial year attributable to:					
Owners of the Company		78,972	57,970		
Non-controlling interests		7,703	17,817		
		86,675	75,787		
Total comprehensive income attributable to:					
Owners of the Company		80,086	47,862		
Non-controlling interests		10,235	12,695		
		90,321	60,557		
Earnings per share attributable to the owners of the Company:					
Basic earnings per share (RM)	28	0.10	0.08		

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

STATEMENTS OF **CHANGES IN EQUITY**

for the financial year ended 30 June 2019

	Attributable to owners of the Company								
	Non-distributable					Distributable			
	Share capital RM'000	Fair value reserve RM'000	Exchange translation reserve RM'000	Capital reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 July 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	1,407	-	-	-	-	-	1,407	-	1,407
Capitalisation of a subsidiary's post acquisition retained earnings	-	-	-	8,534	-	(8,534)	-	-	-
Total transactions with owners	1,407	-	-	8,534	-	(8,534)	1,407	-	1,407
At 30 June 2018, as previously stated	212,672	-	(10,294)	8,534	(33,137)	279,493	457,268	69,062	526,330
Adjustment on initial application of MFRS 15	-	-	-	-	-	(55,762)	(55,762)	-	(55,762)
At 30 June 2018, restated	212,672	-	(10,294)	8,534	(33,137)	223,731	401,506	69,062	470,568
Profit for the financial year	-	-	-	-	-	78,972	78,972	7,703	86,675
Other comprehensive (loss)/income for the financial year	-	(7,528)	8,642	-	-	-	1,114	2,532	3,646
Total comprehensive income for the financial year	-	(7,528)	8,642	-	-	78,972	80,086	10,235	90,321
At 30 June 2019	212,672	(7,528)	(1,652)	8,534	(33,137)	302,703	481,592	79,297	560,889

	Share capital RM'000	Distributable Retained earnings/ (Accumulated losses) RM'000	Total RM'000
Company			
At 1 July 2017	211,265	2,373	213,638
Total comprehensive loss for the financial year	-	(2,720)	(2,720)
Transaction with owners:			
Issuance of share capital	1,407	-	1,407
At 30 June 2018	212,672	(347)	212,325
Total comprehensive income for the financial year	-	1,649	1,649
At 30 June 2019	212,672	1,302	213,974

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

STATEMENTS OF **CASH FLOWS**

for the financial year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
OPERATING ACTIVITIES					
Profit/(Loss) before tax		98,181	92,600	1,859	(2,720)
Adjustments for:-					
Amortisation of intangible assets		5,123	3,177	-	-
Bad debts written off		-	240	-	-
Depreciation of property, plant and equipment		6,724	5,068	713	598
Fair value gain on derivative financial instruments		(2,060)	(8,904)	-	-
Gain on disposal of property, plant and equipment		(933)	(78)	(543)	-
Interest expense		53,166	37,967	10,101	16
Interest income		(388)	(130)	(2)	(1)
Interest income arising from concession assets		(39,690)	(35,852)	-	-
Unwinding discount of financial liabilities		(8,543)	-	-	-
Unrealised (gain)/loss on foreign exchange		(8,243)	12,212	26	(27)
Share grant plan expenses		-	1,407	-	290
Share of profit of equity-accounted associate		(152)	(180)	-	-
Operating profit/(loss) before working capital changes		103,185	107,527	12,154	(1,844)
Changes in working capital:-					
Inventories		19,751	5,633	-	-
Receivables		(82,105)	333	(63)	13
Payables		50,211	232,775	(151)	175
Contract customers		(260,614)	(416,856)	-	-
Cash (used in)/ generated from operations		(169,572)	(70,588)	11,940	(1,656)
Interest received		388	130	2	1
Interest paid		(53,166)	(37,598)	(458)	(16)
Tax refunded		328	275	-	-
Tax paid		(17,738)	(9,811)	(210)	(1,440)
Net cash (used in)/ from operating activities		(239,760)	(117,592)	11,274	(3,111)
INVESTING ACTIVITIES					
Acquisition of subsidiary, net of cash (Note 6.3)		-	(9,836)	(12,147)	-
Advances to subsidiaries		-	-	(4,528)	-
Dividend received (Note 14)		-	-	10,059	13,000
Investment in subsidiaries		-	-	-	(1,847)
Investment in an associate		-	(137)	-	-
Purchase of property, plant and equipment	A	(7,669)	(16,982)	(1,603)	(185)
Proceeds from utilisation of derivative financial instruments		8,323	-	-	-
Proceeds from disposal of investment in subsidiaries		-	-	3,151	-
Proceeds from disposal of property, plant and equipment		933	78	543	-
Repayment from/(Advances to) related companies		81	(42)	-	(7,434)
Net cash from/(used in) investing activities		1,668	(26,919)	(4,525)	3,534

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
FINANCING ACTIVITIES	B				
Repayment to Directors		(31)	(594)	-	-
Repayment to related companies		-	-	(33,113)	(569)
Net (repayment)/drawdown of short term borrowings		(6,446)	105,797	26,714	-
Proceeds from term loans		311,435	136,439	-	-
Repayment of term loans		(27,210)	(1,519)	-	-
Repayment of finance lease payables		(1,637)	(1,339)	(286)	(67)
Net cash from/(used in) financing activities		276,111	238,784	6,685	(636)
CASH AND CASH EQUIVALENTS					
Net changes		38,019	94,273	64	(213)
Brought forward		108,859	15,298	31	244
Effects of translation differences		942	(712)	-	-
Carried forward	C	147,820	108,859	95	31

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 RM14,773,145 and RM2,702,532 (2018: RM17,526,271 and RM682,695) of which RM7,104,336 and RM1,100,000 (2018: RM544,077 and RM498,000) was acquired by means of finance lease respectively. Cash payment of RM7,668,809 and RM1,602,532 (2018: RM16,982,194 and RM184,695) were made to purchase the property, plant and equipment.

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 July 2018 RM'000	Cash flows RM'000	Others RM'000	30 June 2019 RM'000
Group				
Amount due to Directors	31	(31)	-	-
Borrowings	326,902	(6,446)	(155) (a)	320,301
Term loans	398,382	284,225 (d)	8,309 (a)	690,916
Finance lease liabilities	1,126	(1,637)	7,104 (b)	6,593
	726,441	276,111	15,258	1,017,810
Company				
Amount due to related companies	42,865	(33,113)	261,954 (c)	271,706
Finance lease liabilities	431	(286)	1,100 (b)	1,245
Borrowings	-	26,714	-	26,714
	43,296	(6,685)	263,054	299,665

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2019

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

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

	1 July 2017 RM'000	Cash flows 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
	501,223	238,784	(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
	22,988	(636)	20,944	43,296

(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, transfer of property, plant and equipment, cost of investment in a subsidiary, interest expenses and novation of debts (as disclosed in Note 13 to the Financial Statements).

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

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	158,523	113,566	144	31
Fixed deposits with licensed institutions	8,046	5,042	-	-
Bank overdrafts (Note 18)	(18,749)	(9,749)	(49)	-
	147,820	108,859	95	31

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

1. GENERAL INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 October 2019.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

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 new standards/amendments/improvements to MFRSs

The Group applied MFRS 9 and MFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this Standard at the date of initial application of 1 July 2018. The cumulative effect of initially applying MFRS 15 was recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continued to be reported under MFRS 111, MFRS 118 and related Interpretations.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 30 June 2018 as a result of the adoption of MFRS 15. The adoption of MFRS 15 did not have a material impact on other comprehensive income or the Group's operating, investing and financing cash flows.

Consolidated statement of profit or loss for the year ended 30 June 2019

	Amounts prepared under		
	Previous MFRS RM'000	Adjustments RM'000	Effects of adoption of MFRS 15 RM'000
Revenue from contracts with customers	826,605	(15,129)	811,476
Profit before tax	113,310	(15,129)	98,181
Profit for the year	101,804	(15,129)	86,675
Attributable to:			
Owners of the Company	94,101	(15,129)	78,972
Non-controlling interests	7,703	-	7,703
	101,804	(15,129)	86,675
Earnings per share			
Basic, profit for the year attributable to owners of the Company (RM)	0.12	0.02	0.10

Consolidated statement of financial position as at 1 July 2018

	Amounts prepared under		
	Previous MFRS RM'000	Adjustments RM'000	Effects of adoption of MFRS 15 RM'000
Assets			
Amount due from customers	708,639	(708,639)	-
Concession assets	484,962	(484,962)	-
Contract assets	-	1,137,839	1,137,839
Equity			
Retained earnings	279,493	(55,762)	223,731

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of new standards/amendments/improvements to MFRSs (cont'd)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The nature of the adjustments as at 1 July 2018 are described below:

<u>Significant financing component</u>

The Group has certain contracts with customers to construct the power transmission line and systems which the credit term extends more than one year. Before the adoption of MFRS 15, the Group's revenue from the contracts are recognised at its transaction price in accordance with MFRS 111, the debts arising will be measured at amortised cost using the effective interest method less provision for impairment. Upon the adoption of MFRS 15, the Group determined that the contracts contain significant financing components, hence the Group adjusts the promised consideration for the effects of the significant financing component using the discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception.

<u>Presentation of contract assets and contract liabilities in the statements of financial position</u>

MFRS 15 requires separate presentation of contract assets and contract liabilities in the statements of financial position. This results in some reclassification as of 1 July 2018 and 30 June 2018, which were previously named as amount due from/(to) contract customers/concession assets.

MFRS 9 Financial Instruments

MFRS 9 addresses the classification, recognition, derecognition, measurement and impairment of financial assets and financial liabilities, as well as general hedge accounting. It replaces MFRS 139.

MFRS 9 requires financial assets to be classified into three measurement categories, i.e. FVTPL, FVOCI and amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements.

MFRS 9 contains a new impairment model based on expected losses (as oppose to 'incurred loss' model under MFRS 139), i.e. a loss event need not occur before an impairment loss is recognised, which will result in earlier recognition of losses.

The Group applied MFRS 9 prospectively, with an initial application date of 1 July 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. There were no material differences arising from the adoption of MFRS 9.

All of the Group's and the Company's financial assets previously classified and measured as loans and receivables under MFRS 139 are classified and measured as amortised cost under MFRS 9 as at 1 July 2018 based on the business model assessment done.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective

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

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 MFRS 3*	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

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)

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

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:

MFRS 16 Leases

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MRFS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

<u>Transition to MFRS 16</u>

The Group plans to adopt the MFRS 16 retrospectively to each prior reporting period presented with the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IC Interpretation 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value.

Due to the adoption of MFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the changes in the accounting for expenses of leases that were classified as operating leases under MFRS 117.

The overall effects of MFRS 16 is currently being assessed and a reliable estimation of the quantitative effects is not yet available.

2. BASIS OF PREPARATION (CONT'D)

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 2019, 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 year is disclosed in Note 4 to the Financial Statements.

A 1% (2018: 1%) difference in the expected useful lives of the property, plant and equipment from the management's estimates would result in approximately 12% (2018: 8%) variance in the Group's profit for the financial year.

Impairment of non-financial assets

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

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.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

During the financial year, the reversal of retained earnings of a subsidiary of the Company upon the adoption of MFRS 15 on 1 July 2018 resulted in an overpayment of income tax amounting to approximately RM11,417,558 (approximately USD2,762,201) in prior years. The deferred tax asset has not been recognised as a tax credit on 30 June 2019 as the subsidiary has not obtained an official confirmation from the tax authority if the overpayment can be utilised to offset income tax expense in the subsequent years.

Revenue and cost recognised from construction contracts

Revenue is recognised when or as the control of the asset is transferred to the customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress, based on the stage of completion method. The stage of completion is measured using the output method, which is based on the level of completion of the development phase of the project as certified by professional engineers or consultants.

Significant judgement is required in determining the progress towards complete satisfaction of that performance obligation based on the certified work-to-date corroborated by the level of completion of the development based on actual costs incurred to date over the estimated total property development costs. The total estimated costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgements, management relies on past experience and the work of specialists.

Provision for expected credit losses ("ECLs") of trade receivables and contract assets

The Group and the Company use a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, coverage by letters of credit and other forms of credit insurance).

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Provision for expected credit losses ("ECLs") of trade receivables and contract assets (cont'd)

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the power distribution and transmission and rail electrification sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 34.2 to the Financial Statements.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries and entities controlled by the Company (including structured entities) made up to the end of the financial year.

The Company controls an investee if and only if the Company has all the followings:

(i) power over the investee;

(ii) exposure, or rights, to variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect the amount of the investor's returns.

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

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

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

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

Changes of interests in subsidiaries

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

3.1.3 Business combinations

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business combinations (cont'd)

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 9 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 9, it is measured in accordance with the appropriate MFRS.

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

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

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

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

Common control business combination

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

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

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Loss of control

When the Company loses control of a subsidiary:

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

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

(iii) It recognises any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant MFRS. That fair value shall be regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

3.1.5 Non-controlling interests

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

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

3.1.6 Associate 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 Statements 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.6 Associate and joint arrangement (cont'd)

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 statements 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 statements of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the associate or joint venture.

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

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

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

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

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

In the Company's separate financial statements, investments in an associate 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 year, 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.

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.7 Foreign operations (cont'd)

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

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

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

3.2 Property, plant and equipment

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment (cont'd)

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.

3.4 Foreign currencies

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

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

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

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

3.5 Leases

The 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

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.

3.6 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

3.7.1 Initial recognition and measurement

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7.2 Financial assets - classification and subsequent measurement

Accounting policies applied from 1 July 2018

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

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

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

The classification is determined by both:

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

In the year presented, the Group's financial assets categorised as amortised cost and FVTPL. The Company's financial assets only categorised as amortised cost.

All income and expenses relating to financial assets that are recognised in profit or loss.

Financial assets at amortised cost

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's fixed deposits with licensed institutions, cash and bank balances, amount due from related companies, trade and most other receivables fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Financial asset at FVTPL included derivatives entered by the Group that do not meet the hedge accounting criteria. Derivative assets are measured in accordance with accounting policy set out in Note 3.7.5.

Accounting policies applied until 30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.2 Financial assets - classification and subsequent measurement (cont'd)

Accounting policies applied until 30 June 2018 (cont'd)

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 3.7.5.

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.

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.

3.7.3 Financial liabilities - classification and subsequent measurement

As the accounting for financial liabilities remains largely the same under MFRS 9 as compared to MFRS 139, the Group's and the Company's financial liabilities were not impacted by the adoption of MFRS 9.

The Group's financial liabilities include loans and borrowings, finance lease liabilities, trade and most of the other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method, except for derivatives and financial liabilities designated at FVTPL which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.4 Offsetting of financial instruments

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

3.7.5 Derivative financial instruments

The Group applies the new hedge accounting requirements in MFRS 9 prospectively.

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statements of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the fair value reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

3.8 Impairment of assets

3.8.1 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment of assets (cont'd)

3.8.1 Non-financial assets (cont'd)

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or 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.

3.8.2 Financial assets

Accounting policies applied from 1 July 2018

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. This replaces MFRS 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment of assets (cont'd)

3.8.2 Financial assets (cont'd)

Accounting policies applied from 1 July 2018 (cont'd)

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

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

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

Trade receivables and contract assets

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

The Group assesses impairment of trade receivables and contract assets on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due. Note 34.2 to Financial Statements discloses a detailed analysis of how the impairment requirements of MFRS 9 are applied.

Accounting policies applied until 30 June 2018

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.

3.9 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Equity, reserves and dividend payments

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

Retained earnings/(accumulated losses) include all current year's profit and prior years' retained profits.

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

3.11 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.

3.12 Concession assets

The Group recognises revenue from the construction and upgrading of infrastructure project under build-operate-transfer agreement ("BOT") in accordance with the accounting policy for construction contracts set out in Note 3.13.

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

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

When the Group has contractual obligations that it must fulfil as a condition of its BOT agreement to maintain the infrastructure to a specified standard or to restore the infrastructure when the infrastructure has deteriorated below a specified condition, it recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 3.11.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue

3.13.1 Revenue from contract customer

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

Revenue is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, net of discount. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

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

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

If none of the above conditions are not met, the Group recognises revenue at a point in time when the performance obligation is satisfied.

<u>Construction contracts</u>

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

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

The transaction price is adjusted for the effects of time value of money if the timing of payments provides the customer with a significant benefit of financing the transfer of goods or services to the customer.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue (cont'd)

3.13.1 Revenue from contract customer (cont'd)

Construction contracts (cont'd)

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is measured using the output method, which is based on the level of completion of the development phase of the project as certified by professional engineers or consultants.

Where the outcome of a contract cannot be reasonably estimated, revenue is recognised to the extent of construction contract costs incurred that is probable will be recoverable, and the contract costs shall be recognised as an expense in the year in which they are incurred.

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in the profit or loss irrespective of whether construction work has commenced or not, or of the stage of completion of development activity, or of the amounts of profits expected to arise on other unrelated construction contracts.

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

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

Sale of manufactured goods and construction materials

Sales are recognised based on the transaction prices specified in the contracts, which are at a point in time upon delivery of products and customer acceptance, and performance of after-sales services, if any, net of tax and discounts. There is no element of financing present as the Group's sales of goods are on credit terms which is consistent with the market practice.

Revenue from concession arrangement

Under the concession agreement, the Group is engaged to construct the infrastructure project and provide asset management services, which are separate performance obligations. The fair value of revenue, which is based on fixed price under the agreement have been allocated based on relative stand-alone selling price of the considerations for each of the separate performance obligations. The Group recognised construction revenue over time as the project being constructed has no alternative use to the Group and it has an enforceable right to the payment for the performance completed to date.

Maintenance service charges are recognised in the accounting period in which the services are rendered.

3.13.2 Other revenue

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits

3.14.1 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.

3.14.2 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").

3.14.3 Share-based compensation

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

In its separate financial statements of the Group, the grant by the Group 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 Group.

3.15 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.

3.16 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.

3.16.1 Current tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax expenses (cont'd)

3.16.2 Deferred tax

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

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

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

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

3.17 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.

3.18 Operating segment

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

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	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 2017	3,999	24,160	3,937	15,406	1,031	26,542	7,967	7,068	90,110
Additions	-	13,636	-	364	13	496	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	1,044	26,159	9,544	8,470	107,743
Reclassification	-	(39,166)	-	31,903	3,099	-	-	4,164	-
Additions	-	346	-	-	229	6,788	4,445	2,965	14,773
Disposals	-	-	-	-	-	-	(2,875)	-	(2,875)
Translation differences	-	-	-	-	-	239	68	3	310
At 30 June 2019	3,999	-	3,937	47,673	4,372	33,186	11,182	15,602	119,951
Accumulated depreciation									
At 1 July 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
Charge for the financial year	-	-	60	851	378	2,328	1,507	1,600	6,724
Disposals	-	-	-	-	-	-	(2,875)	-	(2,875)
Translation differences	-	-	-	-	-	93	22	3	118
At 30 June 2019	-	-	350	2,081	838	12,963	4,684	7,617	28,533
Carrying amount									
At 30 June 2019	3,999	-	3,587	45,592	3,534	20,223	6,498	7,985	91,418
At 30 June 2018	3,999	38,820	3,647	14,540	584	15,617	3,514	2,456	83,177

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

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

	Motor Vehicles RM'000	Office equipment RM'000	Toolsand equipment RM'000	Renovation RM'000	Total RM'000
Company					
Cost					
At 1 July	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
Additions	1,403	1,125	-	175	2,703
Disposals	(1,442)	-	-	-	(1,442)
At 30 June 2019	2,277	1,946	3	175	4,401
Accumulated depreciation					
At 1 July 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
Charge for the financial year	475	226	-	12	713
Disposals	(1,442)	-	-	-	(1,442)
At 30 June 2019	630	812	-	12	1,454
Carrying amount					
At 30 June 2019	1,647	1,134	3	163	2,947
At 30 June 2018	719	235	3	-	957

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

	Group 2019 RM'000	Group 2018 RM'000
Freehold land	3,999	3,999
Capital work-in-progress	-	38,820
Buildings	38,933	8,077
Tools and equipment	6,840	7,062
	49,772	57,958

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Motor vehicles	4,286	1,151	1,496	471
Tools and equipment	2,725	930	-	-

5. INTANGIBLE ASSETS

	Rights RM'000	Goodwill RM'000	Total RM'000
Group			
Cost			
At 1 July 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
Translation differences	1,920	-	1,920
At 30 June 2019	92,303	3,304	95,607
Accumulated amortisation			
At 1 July 2017	-	-	-
Amortisation during the financial year	3,177	-	3,177
Translation differences	(10)	-	(10)
At 30 June 2018	3,167	-	3,167
Amortisation during the financial year	5,123	-	5,123
Translation differences	44	-	44
At 30 June 2019	8,334	-	8,334
Carrying amount			
At 30 June 2019	83,969	3,304	87,273
At 30 June 2018	87,216	3,304	90,520

Rights

i. Cambodia's concession asset – RM77,710,000 (2018: RM79,135,000)

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

The construction works for the development of the transmission system 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.

ii. Mass Rapid Transit 2 ("MRT2") Project – RM6,259,199 (2018: RM8,080,704)

The right was acquired through a business combination to provide engineering, procurement, construction, testing and commissioning of power supply and distribution system of MRT2 Project.

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

NOTES TO THE
FINANCIAL STATEMENTS

30 JUNE 2019

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	
	2019 RM'000	2018 RM'000
Forward Metal Works Sdn. Bhd.	715	715
CRSE Sdn. Bhd. (formerly known as Colas Rail System Engineering Sdn. Bhd.)	2,589	2,589
	3,304	3,304

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

- Cash flows were projected based on actual operating results and a 5-years business plans.
- Revenue was projected at anticipated annual revenue growth of approximately 1% to 5% (2018: 1% to 5%) per annum.
- Expenses were projected at annual increase of approximately 1% to 10% (2018: 1% 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	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	99,672	90,676
Contributions to subsidiaries - Share Grant Plan	3,127	3,127
	102,799	93,803

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
PESTECH Sdn. Bhd. ("PSB")	Malaysia	100	100	Provision of comprehensive power system engineering and technical solutions for design, procurement and installation of substations, transmission lines and underground cables for electricity transmission and distribution, and also manufacture proprietary power system components and equipment. It is also an investment holding company.
PESTECH (Cambodia) PLC ("PCL")(a)	Cambodia	100	100	Construction of electrical substation and transmission line.
PESTECH Energy Sdn. Bhd. ("PEN")	Malaysia	100	100	Provision of design and supply of remote control systems and data communication products and its related services.
PESTECH Engineering Technology China Co. Limited ("PCN")(b)	People's Republic of China	100	100	Provision of project management, electrical substations and transmission line erection and installation, supervision of testing and commissioning and civil works.
PESTECH Power Sdn. Bhd. ("PPW")	Malaysia	100	100	Investment holding and provision of establishing electric power transmission concessions.
PESTECH (PNG) Ltd. ("PNG")(b)	Papua New Guinea	100	100	Provision of project management, electrical substations and transmission line erection and installation, supervision of testing and commissioning and civil works.
PESTECH (Sarawak) Sdn. Bhd. ("PSW")	Malaysia	100	100	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
PESTECH 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. ("PTR")	Malaysia	100	100	Provision of comprehensive power system engineering and technical solutions for design, procurement, construction, commissioning of High Voltage ("HV") and Extra High Voltage ("EHV") substations.
SystemCorp Energy Pty Ltd ("SET")(b)#	Australia	-	51	Provision of design, manufacture and supply of supervisory control and data acquisition systems, SMART Grid products and associated software and hardware products for the electrical utility industry.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

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 2019 %	Effective interest 2018 %	Principal activities
ENERSOL Co. Ltd. ("ENR")#	Malaysia (Labuan)	100	-	Investment holding, provision of comprehensive power system engineering and technical solution for design, procurement, and installation of substations, transmission lines and underground cables for electric power transmission and distribution.
Subsidiaries of PSB:				
ENR#	Malaysia (Labuan)	-	100	Investment holding, provision of comprehensive power system engineering and technical solution for design, procurement, and installation of substations, transmission lines and underground cables for electric power transmission and distribution.
Fornix Sdn. Bhd. ("FNX")	Malaysia	100	100	Investment holding company.
PESTECH (Brunei) Sdn. Bhd.("PBR")(c)	Brunei	90	90	Inactive.
PESTECH Transmission Limited ("PTL")(b)	Ghana	100	100	Inactive.
Subsidiary of PPW:				
Diamond Power Ltd. ("DPL")(a)	Cambodia	60	60	Own, operate and maintain 230kV Kampung Cham – Kratie power transmission infrastructure system.
Subsidiary of FNX:				
Forward Metal Works Sdn. Bhd. ("FMW")	Malaysia	100	100	Investment holding company.
Subsidiary of PEN:				
SET#	Australia	51	-	Provision of design, manufacture and supply of supervisory control and data acquisition systems, SMART Grid products and associated software and hardware products for the electrical utility industry.

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 2019 %	Effective interest 2018 %	Principal activities
PESTECH Solutions Sdn. Bhd. ("PES")(c)*#	Malaysia	70	-	Inactive.
Subsidiary of PCL:				
PESTECH (Myanmar) Limited ("PML")(b)	Myanmar	99.99	99.99	Provision of comprehensive powers system engineering, construction, design, installation related services in power industry through PCL in Myanmar.
Subsidiary of PTECH:				
CRSE Sdn. Bhd. (formerly known as Colas Rail System Engineering Sdn. Bhd.) ("CRSE")	Malaysia	100	100	Provision of project management, engineering, design, procurement, construction and related support services in relation to railway electrical and mechanical projects.
Subsidiary of PML:				
PESTECH Hinthar Corporation Limited ("PHL")(b)*	Myanmar	60	-	Inactive.
Subsidiary of PPW:				
PESTECH Power One Sdn. Bhd. ("PP1") (c)*	Malaysia	100	-	Inactive.

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

(b) Companies not required to be audited in their countries of incorporation. The financial statements have been audited for consolidation purpose.

(c) The audited financial statements are not available. The unaudited financial statements have been audited for consolidation purpose.

** Newly incorporated during the financial year.*

 # The Group has undertaken and completed an internal reorganisation of group structure, which entailed the transfer of shares in the following direct and indirect subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

The information of NCI are as follows:

	PBR	DPL	SET	Total
Percentage of ownership interest and voting interest	10%	40%	49%	
2019				
Carrying amount of NCI	(31)	80,907	(1,579)	79,297
Profit/(Loss) allocated to NCI	-	8,213	(510)	7,703
Total comprehensive income/(loss) allocated to NCI	(2)	10,706	(469)	10,235
2018				
Carrying amount of NCI	(29)	70,201	(1,110)	69,062
Profit/(Loss) allocated to NCI	-	18,015	(198)	17,817
Total comprehensive income/(loss) allocated to NCI	2	12,784	(91)	12,695

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material NCI are as below:

	DPL RM'000	SET RM'000
2019		
Financial position as at 30 June		
Non-current assets	539,627	-
Current assets	95,054	350
Non-current liabilities	(315,094)	-
Current liabilities	(117,310)	(3,572)
Net assets/(Net liabilities)	202,277	(3,222)
Summary of financial performance for the financial year ended 30 June		
Profit/(Loss) for the year	20,533	(1,042)
Other comprehensive income	6,232	85
Total comprehensive income/(loss)	26,765	(957)
Included in total comprehensive income/(loss) is:		
Revenue	26,885	1,210
Summary of cash flows for the financial year ended 30 June		
Net cash from/(used in) operating activities	38,145	(406)
Net cash used in financing activities	(36,393)	-
Net cash inflow/(outflow)	1,752	(406)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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

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

6.3 Addition/disposal of subsidiaries

2019

(a) On 2 July 2018, the Company disposed its 51% equity interest in SET representing 2,079,735 ordinary shares to PEN for the total consideration of AUD1,060,665 (equivalents to RM3,151,188). Upon the completion of the disposal, SET has become the subsidiary of PEN.

(b) On 1 August 2018, PSB has disposed its 100% equity interest in ENR representing 500,000 ordinary shares to the Company for the total consideration RM2,146,749. Upon the completion of the disposal, ENR has become the wholly-owned subsidiaries of the Company.

(c) On 2 April 2019, the Group has incorporated an indirect 70% owned subsidiary, PES through PEN, with paid up capital of RM7 comprising 7 shares of RM1 each.

(d) On 29 April 2019, the Company had subscribed additional 9,999,998 ordinary shares of RM1 each of PPW by way of capitalisation of RM9,999,998 from the amount due from PPW.

(e) On 13 June 2019, the Group has incorporated an indirect 100% owned subsidiary, PP1 through PPW, with paid up capital of RM1 comprising 1 share of RM1 each.

(f) On 24 June 2019, the Group has incorporated an indirect 60% owned subsidiary, PHL through PML, with paid up capital of USD30,000 comprising 30,000 shares of RM1 each.

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2019

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 Addition/disposal of subsidiaries (cont'd)

2018

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

On 25 October 2017, PTECH entered into another Sales and Purchase Agreement to purchase remaining 367,500 shares, representing 49% equity interest in 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. In previous financial year, 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 from the date of acquisition.

(b) On 27 October 2017, the Company had injected additional USD75,808 (approximately RM319,999) in PCN.

(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.

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

(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 USD 1 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 2018, the Company had subscribed 100,000 ordinary shares of PGK1 each amounting to PGK100,000 (equivalents to RM127,000) of PNG.

7. INVESTMENT IN ASSOCIATES

	Group 2019 RM'000	Group 2018 RM'000
Unquoted shares, at cost	137	137
Share of post-acquisition reserve	324	172
	461	309

The particulars of the associates are as follows:

Name of company	Place of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Pestech Corporation (a)	Philippines	38	38	Provision of consultancy, testing, commissioning and construction.
Transmission Energy Inc. (a)	Philippines	40	40	Provision of comprehensive power system and technical solutions for the procurement and installation of substations and transmission lines.

(a) *Associates not audited by Grant Thornton Malaysia. The financial statements have been reviewed for consolidation purpose.*

The Group's associates are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group. Therefore, the summary financial information of the associates is not presented.

There is no restriction on the ability of associates to transfer funds to the Group in the form of dividend.

There are no contingent liabilities that are incurred jointly with other investors and those that arise because the investor is severally liable for all or part of the liabilities of the associates.

Acquisition of investment in associates

(a) On 16 November 2017, the Group invested 38% in an associate, Pestech Corporation in Philippines with a registered capital of Philippine Peso (PHP) 4,525,000.

(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 remained dormant as at the end of reporting period.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 Contract/ notional amount RM'000	2019 Assets/ (Liabilities) RM'000	2018 Contract/ notional amount RM'000	2018 Assets RM'000
Group				
Non-current				
FVTPL:				
Derivative financial assets:				
Forward currency contracts	178,107	7,211	199,410	13,474
Hedging derivative:				
Derivative financial liabilities:				
Interest rate swap contracts	164,832	(7,540)	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

FVTPL

These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with current transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

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

The Group recognised a gain of RM2,060,406 (2018: RM8,903,927) arising from fair value changes of derivative assets and the proceeds from utilisation of derivative financial instruments amounting RM8,323,147 (2018: Nil). 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 34.3 to the Financial Statements.

Cash flow hedges

The Group had entered into interest rate swap ("IRS") to hedge the 50% cash flow risk in relation to the floating interest rates of term loans amounting to of RM164.8 million. The interest rate swaps have the same nominal value and settled every quarterly over first 3 years and monthly over remaining 6 years, consistent with the interest repayment schedule of the term loans.

The Group applies a hedge ratio 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

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

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

The Group recognised a loss of RM7,539,897 (2018: Nil) arising from fair value changes of derivative liabilities.

9. CONTRACT ASSETS/CONTRACT LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Contract assets		
Contract assets from a customer on concession arrangement (a)	512,537	484,962
Contract assets from customers on construction contracts (b)	945,962	708,639
	1,458,499	1,193,601
Presented by:		
Non-current	461,902	435,503
Current	996,597	758,098
	1,458,499	1,193,601
Contract liabilities - current		
Contract assets from customers on construction contracts (b) (c)	393	5,827

(a) Concession arrangement

	Group	
	2019 RM'000	2018 RM'000
At 1 July	484,962	442,473
Revenue recognised during the year	26,885	58,389
Interest income - Concession receivables	39,690	35,852
Progress billings issued during the year	(50,556)	(24,886)
Translation differences	11,556	(26,866)
At 30 June	512,537	484,962
Presented by:		
Non-current	461,902	435,503
Current	50,635	49,459
	512,537	484,962

Concession assets from customer on concession arrangement represent revenue recognised from concession agreement entered by PPW, which subsequently novated to DPL and Electricite Du Cambodge on 6 April 2015, for the construction, manufacture and services the Kampong Cham - Kratie 230 kV Transmission System (KTS) in the Kingdom of Cambodia. The project is undertaken on a build - operate - transfer ("BOT") basis.

The terms of the arrangement allow DPL to operate the transmission system for up to a period of 25 years ("Concession Period") after the completion of construction. DPL will receive a certain sum from EDC over the operation period of 25 years in exchange for the service performed. DPL has completed the construction in October 2017 and the operation of the transmission system has commenced on 1 January 2018. Upon expiry of the concession arrangement, the transmission system is to be transferred back to EDC.

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2019

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

(b) Construction contracts

The Group issued progress billings to the customers when the billings milestones are attained while the revenue recognised when the performance obligation is satisfied.

	Group	
	2019 RM'000	**2018 RM'000**
Contract assets	945,962	708,639
Contract liabilities	(393)	(5,827)
	945,569	702,812
At 1 July	702,812	368,162
Revenue recognised during the year	689,610	708,466
Progress billings issued during the year	(461,375)	(353,097)
Translation differences	14,522	(20,719)
At 30 June	945,569	702,812

(c) Unsatisfied performance obligations

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

10. INVENTORIES

	Group	
	2019 RM'000	**2018 RM'000**
Work-in-progress	7,229	23,353
General stocks	6,904	10,529
	14,133	33,882

The amount of inventories recognised as cost of sales in profit or loss for the financial year is RM483,220,954 (2018: RM439,182,381).

11. TRADE RECEIVABLES

	Group 2019 RM'000	Group 2018 RM'000
Trade receivables	117,183	64,278
Retention sums on contracts	80,959	58,113
	198,142	122,391

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 30 to 60 days (2018: 30 to 60 days).

12. OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	1,959	925	63	-
Advance payments to suppliers	1,766	4,896	-	-
Deposits	2,383	1,703	6	-
Prepayments	26,152	10,743	102	97
GST/VAT receivable	13,534	15,274	1	12
	45,794	33,541	172	109

13. AMOUNT DUE FROM/TO RELATED COMPANIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amount due from:				
Subsidiaries	-	-	404,575	157,821
Associate	-	81	-	-
	-	81	404,575	157,821
Amount due to:				
Subsidiaries	-	-	271,706	42,865

Included in amount due from subsidiaries was dividend receivable from subsidiaries amounted to RM9,965,266 (2018: RM4,750,920).

During the financial year, PSB novated the amount of RM242,225,575 due from PCL to the Company.

The amount due from/to subsidiaries/related companies is unsecured, repayable on demand and interest free, except for RM260,677,270 (2018: Nil) of amount due to a subsidiary which is interest bearing is 4.73% (2018: Nil) per annum.

14. FIXED DEPOSITS WITH LICENSED INSTITUTIONS

The effective interest rate of fixed deposits with licensed institutions are ranging from 3.10% to 3.50% (2018: 3.40%) per annum. The maturity period of the fixed deposit are ranging from 1 to 31 days (2018: 3 months).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

15. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
At 1 July	764,294	763,380	212,672	211,265
Issued during the financial year:				
- Share Grant Plan	-	914	-	1,407
At 30 June	764,294	764,294	212,672	212,672

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

16. RESERVES

	Group	
	2019 RM'000	2018 RM'000
Non-distributable reserve:		
Merger deficit	(33,137)	(33,137)
Exchange translation reserve	(1,652)	(10,294)
Capital reserve	8,534	8,534
Fair value reserve	(7,528)	-
	(33,783)	(34,897)

Merger deficit

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

Exchange translation reserve

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

Capital reserve

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

Fair value reserve

The fair value reserve represents the effective portion of changes in the fair value of the derivative financial instruments that are designation and qualified as cash flow hedge.

17. FINANCE LEASE LIABILITIES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Minimum lease payments:				
- within 1 year	1,792	577	411	111
- after 1 year but not later than 5 years	5,218	647	925	362
- More than 5 years	497	-	-	-
	7,507	1,224	1,336	473
Less: Future finance charges	(914)	(98)	(91)	(42)
	6,593	1,126	1,245	431
Present value of minimum lease payments				
- within 1 year	1,671	544	364	94
- after 1 year but not later than 5 years	4,511	582	881	337
- more than 5 years	411	-	-	-
	4,922	582	881	337
	6,593	1,126	1,245	431

The Group's and the Company's finance leases bear interest at rates range from 2.00% to 3.86% and 2.26% to 2.35% (2018: 2.25% to 3.86% and 2.35%) per annum respectively and are secured over the leased assets and corporate guarantee of the Company.

18. LOANS AND BORROWINGS

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-Current				
Secured:				
- Term loans	662,276	372,428	-	-
Current				
Secured:				
- Bank overdrafts	18,749	9,749	49	-
- Bankers' acceptances	50,736	64,488	-	-
- Term loans	28,640	25,954	-	-
- Trust receipts	126,585	168,477	-	-
- Revolving credit	142,980	90,670	26,714	-
- Foreign currency trade finance	-	3,267	-	-
	367,690	362,605	26,763	-
	1,029,966	735,033	26,763	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

18. LOANS AND BORROWINGS (CONT'D)

The particulars of term loans are as follows:

		Group 2019 RM'000	Group 2018 RM'000
Term loans			
(a)	A 9 years term loan of RM37,760,000 which is repayable by 107 equal monthly installments of RM350,000 and a final installment of RM5,392,109 commencing on 1 June 2018.	32,386	34,971
(b)	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 on 3 July 2015.	3,280	4,360
(c)	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.	6,167	6,396
(d)	A 10 years term loan of USD67,400,000 which is repayable by quarterly installments commencing after the expiry of the 3 years grace period from the date of the first drawdown in May 2016. The installments is range from USD5,948,571 and USD12,888,571 per quarter.	254,718	272,127
(e)	A 9 years term loan of USD50 million which is repayable by 72 monthly installments commencing 3rd year after first drawdown in June 2018. The installments is range from USD400,000 to USD2.36 million per month.	187,690	80,528
(f)	A 9 years term loan of USD50 million which is repayable by 16 semi-annual installments commencing 18 months after first drawdown in April 2019. The installments is range from USD2.5 million to USD3.75 million per-semi-annual.	206,675	-
		690,916	398,382

The term loan (a) and (c) are secured by:

(i) Letter of offers;

(ii) Master facility agreements;

(iii) Asset sale agreements over shariah compliant commodities;

(iv) Deeds of assignment of the sale and purchase agreement with power attorney to transfer or otherwise deal with the land and buildings of the subsidiary; and subsequently, upon issuance of the individual title, a legal charge over the land and buildings of the subsidiary;

(v) A first party fixed charge over the landed properties;

(vi) Facility agreement together with profit, commission and all other charges thereon;

(vii) A third limited debenture ranking pari passu to the existing debenture limited to the land; and

(viii) Corporate guarantee from the Company.

18. LOANS AND BORROWINGS (CONT'D)

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

The term loan (d) is secured by:

(i) Assignment of rights and benefits 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) Insurance premium covered during and after the construction of the project;

(vii) Corporate guarantee from the Company;

(viii) Irrevocable and unconditional undertaking from the subsidiary 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 (e) is secured by:

(i) Assignment and charge over accounts, assignment of project documents, assignment of takaful insurances and letter of undertaking;

(ii) Insurance premium covered during and after the construction of the project; and

(iii) Corporate guarantee from the Company.

The term loan (f) is secured by:

(i) Granting certain direct rights to the Direct Agreement;

(ii) Pledge of bank account opened by the subsidiary;

(iii) Insurance premium covered during and after the construction of the project; and

(iv) Corporate guarantee from the Company.

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

(i) Master facility agreement;

(ii) Corporate guarantee by the Company;

(iii) Blanket counter indemnity from a subsidiary;

(iv) Letter of undertaking from a subsidiary;

(v) Deed of legal assignment over proceeds of MRT2 Project with notice of assignment duly acknowledged by project principal/awarder;

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

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

(viii) Letter of negative pledge;

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

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2019

18. LOANS AND BORROWINGS (CONT'D)

Other than term loans, other borrowings of the Group are secured by (cont'd):

(x) Marginal deposit to be built by way of sinking fund by debit of up to 5% of each progress claim, up to RM25,000,000;

(xi) Letter of set-off on the marginal deposit, so long the specific project financing line - MRT2 Project limits subsist;

(xii) Irrevocable instruction letter to authorise the banks to operate designated escrow account;

(xiii) Securities acceptable to the Bank as may be advised by the Bank's panel solicitors;

(xiv) Overdraft undertaking; and

(xv) Banker Acceptance undertaking and indemnity.

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

The effective interest rates per annum are as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Term loans	4.25 – 7.70	4.45 – 7.30	-	-
Bank overdrafts	5.00 – 8.40	7.00 – 8.65	7.85	-
Bankers' acceptances	3.72 – 6.64	4.46 – 6.42	-	-
Trust receipts	1.55 – 6.03	1.47 – 8.17	-	-
Revolving credit	4.67 – 8.50	5.57 – 8.50	4.67	-
Foreign currency trade finance	-	3.76 – 3.79	-	-

19. DEFERRED TAX LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
At 1 July	241	241
Recognised in profit or loss (Note 27)	95	-
At 30 June	336	241

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

	Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment	441	346
Unutilised industrial building allowances	(105)	(105)
	336	241

20. TRADE PAYABLES

	Group 2019 RM'000	Group 2018 RM'000
Non-current:		
Trade payables	66,485	-
Current:		
Trade payables	358,190	385,148
Retention sum on contracts	13,466	7,208
	438,141	392,356

Included in trade payables of the Group is an amount due to related parties by virtue of common Directors amounting to RM3,411,800 (2018: RM4,445,442) which is unsecured, non-interest bearing and the normal credit term granted by the related parties is 90 days (2018: 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 (2018: 14 days to 2 years).

21. OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables	20,925	22,262	660	841
Accruals	8,900	6,508	192	162
Sales Tax and Service Tax payable	1,631	-	-	-
	31,456	28,770	852	1,003

Included in other payables of the Group are:

(i) an amount of RM2,311,378 (2018: RM2,266,668) due to NCI;

(ii) an amount of RM2,813,019 (2018: RM2,747,688) arising from the land compensation for a project carrying out by a subsidiary.

The above amounts are unsecured, non-interest bearing and repayable on demand, except for the amount due to NCI is subject to interest rate of 5% (2018: 5%) per annum.

22. AMOUNT DUE TO DIRECTORS

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

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2019

23. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contract with customers:				
Sales of products	94,981	68,055	-	-
Rendering of services under construction contracts	689,610	708,466	-	-
Concession revenue	26,885	58,389	-	-
Management fee income	-	-	11,994	6,352
Revenue from other sources:				
Dividend income	-	-	15,273	4,751
	811,476	834,910	27,267	11,103
Timing of recognition				
Performance obligations:				
- Satisfied over time	716,495	766,855	-	-
- Satisfied at point in time	94,981	68,055	11,994	6,352
	811,476	834,910	11,994	6,352

24. OTHER INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fair value gain on derivative financial instruments	2,060	8,904	-	-
Gain on disposal of property, plant and equipment	933	78	543	-
Realised gain on foreign exchange	346	817	-	-
Rental income	-	58	-	-
Sundry income	1,566	873	21	21
Unrealised gain on foreign exchange	8,243	-	-	27
Unwinding discount of financial liabilities	8,543	-	-	-
	21,691	10,730	564	48

25. FINANCE INCOME/COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income				
Interest income	388	130	2	1
Interest income arising from concession assets	39,690	35,852	-	-
	40,078	35,982	2	1

25. FINANCE INCOME/COSTS (CONT'D)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Finance costs				
Bank overdrafts	1,336	1,013	-	-
Finance lease liabilities	275	84	51	16
Interest expenses charged by NCI	112	111	-	-
Interest expenses charged by a subsidiary	-	-	9,643	-
Short-term borrowings	14,130	14,460	407	-
Term loans	35,831	20,905	-	-
Amortisation of unwinding discount of financial liabilities	1,482	1,394	-	-
	53,166	37,967	10,101	16
Less: Charged under cost of sales	-	(14,953)	-	-
	53,166	23,014	10,101	16

Included in the interest expenses charged by a subsidiary on the Company is the interest expenses bear on behalf of a subsidiary an amounting RM8,564,448 (2018: Nil).

26. PROFIT/ (LOSS) BEFORE TAX

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Auditors' remuneration:				
- audit services	279	258	46	38
- non-audit services	43	43	5	5
Rental of premises	2,957	1,565	471	-
Rental of motor vehicles	151	-	-	-
Rental of equipment	558	-	-	-
Realised loss on foreign exchange	5,138	2,907	-	-

27. TAX EXPENSE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current year:				
- current tax	11,543	15,030	210	-
- deferred tax (Note 19)	94	-	-	-
	11,637	15,030	210	-
Prior years:				
- current tax	(132)	1,783	-	-
- deferred tax (Note 19)	1	-	-	-
	(131)	1,783	-	-
	11,506	16,813	210	-

Malaysian income tax is calculated at the statutory rate of 24% (2018: 24%) of the estimated taxable profits for the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

27. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before tax	98,181	92,600	1,859	(2,720)
At Malaysian statutory tax rate of 24% (2018: 24%)	23,563	22,224	446	(653)
Effects of different tax rates in overseas subsidiaries	(420)	(1,667)	-	-
Tax effects in respect of:				
- expenses not deductible for tax purposes	7,871	3,589	883	734
- income not subject to tax	(13,689)	(3,182)	(3,715)	(1,140)
- movement of deferred tax assets not recognised during the financial year	(760)	4,876	2,596	1,059
- exemption under qualified investment project in foreign subsidiary	(4,928)	(10,810)	-	-
- (Over)/underprovision in prior years	(131)	1,783	-	-
	11,506	16,813	210	-

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment	2,599	2,061	1,338	390
Unabsorbed tax losses	(21,537)	(20,734)	(16,930)	(5,435)
Unutilised capital allowances	(1,124)	(4,318)	(393)	(121)
Others	(1,707)	(1,944)	-	-
	(21,769)	(24,935)	(15,985)	(5,166)

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.

28. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing consolidated profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019	2018
Profit attributable to owners of the Company (RM'000)	78,972	57,970
Weighted average number of ordinary shares in issue - basic (Number of shares '000)	764,294	764,058
Basic earnings per share (RM)	0.10	0.08

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.

29. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, wages, bonuses and other emoluments	47,879	35,165	9,552	8,672
Defined contribution plan	4,572	3,713	1,155	1,066
Social security contributions	401	227	55	48
Directors' fee	177	170	177	170
Share grant expenses	-	1,407	-	290
Other benefits	2,525	2,669	252	333
	55,554	43,351	11,191	10,579

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive Directors of the Company:				
Salaries, bonuses and other emoluments	3,914	3,880	2,973	2,845
Defined contribution plan	357	341	357	341
Social security contributions	1	1	1	1
	4,272	4,222	3,331	3,187
Executive Directors of subsidiaries:				
Salaries, bonuses and other emoluments	875	905	-	-
Non- Executive Directors of the Company:				
Directors' fee	177	170	177	170
Directors' other emoluments	49	70	49	70
	226	240	226	240

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 (2018: RM56,000).

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2019

30. 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 2019 %	Effective interest 2018 %	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.

31. COMMITMENTS

31.1 Operating lease commitments - as lessee

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

	Group 2019 RM'000	Group 2018 RM'000
Future minimum lease payments payables:		
- Not later than 1 year	231	113
- Later than 1 year but not later than 5 years	55	183
	286	296

Operating lease commitments represent rentals payable for rent of the buildings and offices. Leases are negotiated for terms of 1 to 3 years (2018: 1 to 3 years).

31.2 Capital commitments

	Group 2019 RM'000	Group 2018 RM'000
Capital expenditure		
Authorised and contracted for:		
- Property, plant and equipment	-	7,995

32. CONTINGENCIES

Contingency liabilities

(a) 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.

(b) Via a letter of award dated 10 January 2017 ("Impugned LOA"), Transgrid Ventures Sdn. Bhd. ("TGV") entered into an alleged sub-contract with CRSE for works in relation to Project MRT2. TGV had commenced an arbitration by way of notice of arbitration against CRSE for an alleged outstanding sum of RM29,362,000 under the alleged sub-contract which made of 10% of the subcontract sum with 6% GST, the arbitration having was held during the financial year.

CRSE disputes these claims as the Impugned LOA was issued without the authority of the Company, which occurred prior to the sale and purchase of CRSE by PTECH and there is no goods and services being delivered nor performed by TGV.

The said matter is currently under arbitration and the ultimate outcome of the matter cannot be presently be determined.

33. RELATED PARTY DISCLOSURES

33.1 Related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subsidiaries:				
Management fee income	-	-	11,994	6,352
Dividend income	-	-	15,273	4,751
Transfer of property, plan and equipment	-	-	-	867
Rental expenses	-	-	471	-
Interest expenses	-	-	1,078	-
Interest expenses paid on behalf of a subsidiary	-	-	8,565	-
Related parties by virtue of common shareholders and/or key management personnel:				
Revenue	-	2,705	-	-
Purchase of materials and services received	12,278	14,829	-	-
Rental income	-	54	-	-
Rental expenses	198	55	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

33. RELATED PARTY DISCLOSURES (CONT'D)

33.2 Compensation of key management personnel

The Directors' remuneration is disclosed in Note 29 to the Financial Statements. Other key management personnel compensation is as follows:

	Group and Company	
	2019 RM'000	2018 RM'000
Other key management personnel:		
Salaries, bonuses and other emoluments	872	864
Defined contribution plan	105	100
Social security contributions	1	1
	978	965

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.

33.3 Outstanding balances arising from related party transactions with related parties are disclosed in Notes 13, 20, 21 and 22 to the Financial Statements.

34. FINANCIAL INSTRUMENTS

34.1 Categories of financial instruments

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

	2019			2018		
	Amortised cost RM'000	FVTPL RM'000	Derivatives used for hedging RM'000	Loans and receivables RM'000	FVTPL RM'000	Other financial Liabilities cost measured at amortised RM'000
Group						
Financial assets						
Derivative financial assets	-	7,211	-	-	13,474	-
Trade and other receivables	202,484	-	-	125,019	-	-
Amount due from related companies	-	-	-	81	-	-
Fixed deposit with licensed institutions	8,046	-	-	5,042	-	-
Cash and bank balances	158,523	-	-	113,566	-	-
	369,053	7,211	-	243,708	13,474	-
Financial liabilities						
Derivative financial liabilities	-	-	7,540	-	-	-
Trade and other payables	467,966	-	-	-	-	421,126
Amount due to Directors	-	-	-	-	-	31
Finance lease liabilities	6,593	-	-	-	-	1,126
Loans and borrowings	1,029,966	-	-	-	-	735,033
	1,504,525	-	7,540	-	-	1,157,316

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Categories of financial instruments (cont'd)

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

	2019	← 2018	→
	Amortised cost RM'000	Loans and receivables RM'000	Other financial liabilities measured at amortised cost RM'000
Company			
Financial assets			
Other receivables	69	-	-
Amount due from related companies	404,575	157,821	-
Cash and bank balances	144	31	-
	404,788	157,852	-
Financial liabilities			
Other payables	852	-	1,003
Amount due to related companies	271,706	-	42,865
Finance lease liabilities	1,245	-	431
Loans and borrowings	26,763	-	-
	300,566	-	44,299

34.2 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.

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) Credit risk (cont'd)

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

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

Receivables and contract assets

Maximum exposure of the Group to credit risk is represented by the carrying amount of financial assets recognised at reporting date summarised below:

	Group	
	2019 RM'000	2018 RM'000
Trade receivables	198,142	122,391
Contract assets	1,458,499	1,193,601
	1,656,641	1,315,992

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

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

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

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

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

	Group			
	2019		2018	
	RM'000	%	RM'000	%
Top 4 customers (2018: 4)	81,468	41	77,066	63

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) Credit risk (cont'd)

Receivables and contract assets (cont'd)

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

	Group			
	2019		2018	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	146,382	73.89	115,112	94.05
Cambodia	40,370	20.37	3,403	2.78
Philippines	3,100	1.56	2,745	2.24
Papua New Guinea	7,300	3.68	497	0.41
Kyrgyzstan	-	-	634	0.52
Others	990	0.50	-	-
	198,142	100.00	122,391	100.00

At 30 June 2019, the Group assesses its credit losses on trade receivables and contract assets to be immaterial.

	Expected credit loss %	Total gross carrying amount RM'000
2019		
Group		
Not past due	-	152,291
Past due for 1-30 days	-	9,373
Past due for 31-60 days	-	16,889
Past due for 61-90 days	-	1,441
Past due for 91-120 days	-	865
Past due for more than 120 days	-	17,283
Trade receivables	-	198,142
Contract assets		1,458,499

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) Credit risk (cont'd)

Receivables and contract assets (cont'd)

The ageing analysis of the trade receivables as at 30 June 2018 is as follow:

	Gross/ net carrying amount RM'000
2018	
Group	
Not past due	85,122
Past due for 1-30 days	12,548
Past due for 31-60 days	9,478
Past due for 61-90 days	1,145
Past due for 91-120 days	780
Past due for more than 120 days	13,318
	122,391

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 year, there was no indication that the advances to the related parties are not recoverable.

Financial guarantee

The maximum exposure of the Company to credit risk amounted to RM1,003,242,471 (2018: RM735,233,031), 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.

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:

	Carrying amount RM'000	Contractual cash flows RM'000	Maturity: Less than 1 year RM'000	Maturity: 1 to 5 years RM'000	Maturity: More than 1 to 5 years RM'000
Group					
2019					
Non-derivative financial liabilities					
Secured:					
Finance lease liabilities	6,593	7,507	1,792	5,218	497
Loans and borrowings	1,029,966	1,095,042	384,759	326,557	383,726
	1,036,559	1,102,549	386,551	331,775	384,223
Unsecured:					
Trade and other payables	467,966	467,966	467,966	-	-
	1,504,525	1,570,515	854,517	331,775	384,223
Derivative financial liabilities					
Interest rate swap contracts	7,540	164,832	-	-	164,832
2018					
Non-derivative financial liabilities					
Secured:					
Finance lease liabilities	1,126	1,224	577	647	-
Loans and borrowings	735,033	825,821	380,972	262,398	182,451
	736,159	827,045	381,549	263,045	182,451
Unsecured:					
Trade and other payables	421,126	421,126	421,126	-	-
Amount due to Directors	31	31	31	-	-
	1,157,316	1,248,202	802,706	263,045	182,451

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:

	Carrying amount RM'000	Contractual cash flows RM'000	Maturity: Less than 1 year RM'000	1 to 5 years RM'000	More than 1 to 5 years RM'000
Company (cont'd)					
2019 (cont'd)					
Non-derivative financial liabilities					
Secured:					
Finance lease liabilities	1,245	1,336	411	925	-
Loans and borrowings	26,763	26,763	26,763	-	-
	28,008	28,099	27,174	925	-
Unsecured:					
Other payables	852	852	852	-	-
Amount due to related companies	271,706	271,706	271,706	-	-
	300,566	300,657	299,732	925	-
Financial guarantee to subsidiaries	-	1,003,202	1,003,202	-	-
2018					
Non-derivative financial liabilities					
Secured:					
Finance lease liabilities	431	473	111	362	-
Unsecured:					
Other payables	1,003	1,003	1,003	-	-
Amount due to related companies	42,865	42,865	42,865	-	-
Total undiscounted financial liabilities	44,299	44,341	43,979	362	-
Financial guarantee to subsidiaries	-	735,233	735,233	-	-

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 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 currencies giving rise to this risk are primarily United States Dollar (USD), Euro (EURO) and Philippine Peso (PHP).

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
2019							
Denominated in:							
USD	21,688	5	46	(185,231)	(2,813)	(36,799)	(203,104)
EURO	-	-	10	(1,061)	-	(1,674)	(2,725)
PHP	1,493	-	-	(1,548)	-	-	(55)
Others	-	-	69	(488)	-	-	(419)
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)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 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% (2018: +/-5%) change in the USD, EURO and PHP exchange rates at the reporting period against the respective functional currency of the companies within the Group, with all variables held constant.

	Group Profit for the year	
	2019 RM'000	2018 RM'000
USD/RM		
- Strengthened	(10,155)	678
- Weakened	10,155	(678)
EURO/RM		
- Strengthened	(136)	(367)
- Weakened	136	367
PHP/RM		
Strengthened	(3)	(38)
Weakened	3	38

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

(d) Interest rate risk

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

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

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

The Group has entered into interest swap with a notional contract amount of RM164.8 million (2018: Nil) in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 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)

Foreign currency sensitivity analysis (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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments:				
Fixed deposits	8,046	5,042	-	-
Finance lease liabilities	(6,593)	(1,126)	(1,245)	(431)
Amount due to a subsidiary	-	-	(260,677)	-
	1,453	3,916	(261,922)	(431)
Floating rate instruments:				
Loans and borrowings	(1,029,966)	(735,033)	(26,763)	-

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		
2019		
Floating rate instruments	(5,150)	5,150
2018		
Floating rate instruments	(3,675)	3,675

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 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)

Cash flow sensitivity analysis for variable rate instruments (cont'd)

	Profit for the year + 50 bp RM'000	Profit for the year - 50 bp RM'000
Company		
2019		
Floating rate instruments	(134)	134

34.3 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.

	2019		2018	
	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	7,211	7,211	13,474	13,474
Financial liability carried at fair value:				
Interest rate swap contracts	(7,540)	(7,540)	-	-
Financial liability not carried at fair value:				
Finance lease liabilities	(6,593)	(6,215)	(1,126)	(1,109)
Company				
Financial liability not carried at fair value:				
Finance lease liabilities	(1,245)	(1,195)	(431)	(401)

There were no transfers between Level 1 and Level 2 during the financial year (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Fair value of financial instruments (cont'd)

Level 2 Fair Value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

(i) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate (based on government bonds).

(ii) Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases that market rate of interest is determined by reference to similar lease agreements.

Level 3 Fair Value

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

35. OPERATING SEGMENT

35.1 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, 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.

35. OPERATING SEGMENT (CONT'D)

35.1 Business segments (cont'd)

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

	Note	Investment RM'000	EPMCC (local) RM'000	EPMCC (overseas) RM'000	Adjustments and Eliminations RM'000	Total RM'000
2019						
Revenue						
External customers		-	547,976	263,500	-	811,476
Inter-segment	i	13,612	213,820	181,439	(408,871)	-
Total revenue		13,612	761,796	444,939	(408,871)	811,476
Results						
Dividend income		-	8,039	7,234	(15,273)	-
Interest income		2	5,515	90	(5,219)	388
Interest income from concession assets		-	-	39,690	-	39,690
Finance costs		(4,656)	(14,514)	(39,599)	5,603	(53,166)
Depreciation and amortisation		(1,335)	(3,311)	(4,912)	(2,289)	(11,847)
Non-cash items other than depreciation	ii	(26)	6,123	12,749	152	18,998
Tax expense		(360)	(7,097)	(4,049)	-	(11,506)
Segment profit	iii	(7,977)	27,811	68,831	(1,990)	86,675
Assets						
Segment assets		83,787	545,266	1,556,659	(98,167)	2,087,545
Investment in associates		-	137	-	324	461
Additions to non-current assets (other than financial instruments)	iv	2,814	8,661	2,952	346	14,773
Liabilities						
Segment liabilities		(70,252)	(698,101)	(854,089)	95,786	(1,526,656)
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

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2019

35. OPERATING SEGMENT (CONT'D)

35.1 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
2018 (cont'd)						
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)

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 2019 RM'000	Group 2018 RM'000
Fair value gain on derivative financial instruments	2,060	8,904
Unrealised gain/(loss) on foreign exchange	8,243	(12,212)
Unwinding discount of financial liabilities	8,543	-
Bad debts written off	-	(240)
Share of profit of equity-accounted associates	152	180
	18,998	(3,368)

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 2019 RM'000	Group 2018 RM'000
Segment profit	111,269	94,585
Interest income	388	130
Interest income from concession assets	39,690	35,852
Finance costs	(53,166)	(37,967)
Tax expense	(11,506)	(16,813)
	86,675	75,787

35. OPERATING SEGMENT (CONT'D)

35.1 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):

iv. Additions to non-current assets consists of:

	2019 RM'000	2018 RM'000
Property, plant and equipment	14,773	18,550
Intangible assets	-	12,222
	14,773	30,722

35.2 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group				
Malaysia	547,976	458,135	91,785	86,738
Cambodia	251,483	364,895	87,023	86,875
Australia	742	374	-	-
Papua New Guinea	6,257	1,486	105	137
Philippines	5,018	1,196	175	173
Kyrgyzstan	-	8,760	-	-
China	-	64	64	83
	811,476	834,910	179,152	174,006

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

35.3 Information about major customers

Revenue from three (2018: three) major customers amounted to RM135,455,471 (2018: RM267,041,598), RM29,574,740 (2018: RM61,441,520) and RM59,521,941 (2018: RM36,412,053) respectively, arising from the sales by the EPMCC (Overseas) segment.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and to safeguard the Group's ability to going concern in order to support the current business, to sustain the future development of business and to maximise the 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.

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2019

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

(a) 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 22 December 2017.

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 Initial Public Offering ("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.

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.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE (CONT'D)

(a) Proposed Listing (cont'd)

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 to-date, the Proposed Listing is yet to be completed.

(b) Acquisition/disposal of subsidiaries during the financial year are as disclosed in Notes 6.3 to the Financial Statements.

(c) On 8 August 2019, PPW incorporated a 100%-owned subsidiary namely PESTECH Power Two Sdn. Bhd. ("PP2"). The total issued share capital of PP2 is RM1.00 comprising 1 ordinary share. The intended principal activity of PP2 is to carry on the business of establishing, commissioning, setting up, operating, maintaining, distributing, dealing and acquiring any manner of electric power generation concessions.

(d) On 14 August 2019, PPW had transferred its 100% equity interest in PP1 representing one share to PP2.

(e) On 14 August 2019, the Company announced that PP1 had acquired of 1 ordinary share in Astoria Solar Farm Sdn. Bhd. ("ASF") at a total consideration of RM1.00 only.

(f) On 21 June 2019, the Group has refinanced the term loan as disclosed in Note 18 (d) to the Financial Statements.

ANALYSIS OF **SHAREHOLDINGS**

as at 1 October 2019

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	104	3.32	2,090	0.00
100 — 1,000	389	12.40	243,704	0.03
1,001 — 10,000	1,530	48.77	7,898,806	1.03
10,001 — 100,000	831	26.49	26,972,459	3.53
100,001 — 38,214,677*	280	8.93	472,026,981	61.76
38,214,678 and above**	3	0.10	257,149,532	33.65
	3,137	**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	254,658,604	33.32	[1] 3,364,264	0.44
2. Lim Pay Chuan	149,582,996	19.57	[2] 1,306,064	0.17
3. Prudential PLC	39,421,800	5.16	-	-

Note:
[1] *Deemed interested pursuant to Section 8 of the Companies Act 2016 ("the Act") by virtue of his substantial shareholdings in Kumpulan Liva Sdn. Bhd. and VESTECH Projects Sdn. Bhd.*
[2] *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.*

DIRECTORS' SHAREHOLDINGS

(as shown in the Register of Directors' Shareholdings)

	Number of Shares			
Name of Director	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	254,658,604	33.32	[1] 3,364,264	0.44
2. Lim Pay Chuan	149,582,996	19.57	[2] 1,306,064	0.17
3. Ibrahim Bin Talib	-	-	[3]15,406,732	2.02
4. Tan Puay Seng	511,532	0.07	-	-
5. Lee Ting Kiat	901,300	0.12	-	-

Note:
[1] *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Kumpulan Liva Sdn. Bhd. and VESTECH Projects Sdn. Bhd.*
[2] *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.*
[3] *Deemed interested by virtue of his children's shareholdings pursuant to Section 59(11)(c) of the Act.*

THIRTY LARGEST REGISTERED HOLDERS

	Name	No. of Shares	%
1.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Ah Hock (PB)*	164,418,000	21.51
2.	Lim Pay Chuan	51,199,300	6.70
3.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	41,532,232	5.43
4.	Lim Ah Hock	31,709,004	4.15
5.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Bank AG Singapore for Lim Pay Chuan (Maybank SG)*	31,604,600	4.14
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*	24,783,464	3.24
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)*	16,054,000	2.10
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Exempt An for AIA Bhd.*	13,169,500	1.72
11.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad – Kenanga Growth Fund*	12,287,400	1.61
12.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund*	11,144,500	1.46
13.	Lim Ah Hock	10,638,200	1.39
14.	Maybank Investment Bank Berhad *Ivt (10)*	8,823,000	1.15
15.	Jauhari Arif Bin Ibrahim	8,258,932	1.08
16.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	7,957,732	1.04
17.	Cartaban Nominees (Tempatan) Sdn. Bhd. *PBTB for Takafulink Dana Ekuiti*	7,168,400	0.94
18.	Joanna Binti Ibrahim	7,147,800	0.94
19.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)*	6,656,864	0.87
20.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	6,417,932	0.84

ANALYSIS OF **SHAREHOLDINGS**

as at 1 October 2019

	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.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ee Chong*	5,867,700	0.77
25.	Lim Hon Seng	5,742,400	0.75
26.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investm Ents Islamic Small-Cap Fund*	5,684,800	0.74
27.	Amanahraya Trustees Berhad *ASN Umbrella for ASN Equity 3*	5,635,600	0.74
28.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *SSBT Fund LL0A for Legato Capital Management Investments, LLC*	5,115,518	0.67
29.	Ng Tiang Yong	5,041,456	0.66
30.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (LPF)*	4,437,800	0.58
	Total	**565,215,734**	**73.95**

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 2019 (RM'000)	Date of Acquisition
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	6,052	11 January 2003
	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	35,366	2 April 2013
	B2-1001 & 1002 Meritus Tower Oasis Corporate Park 43701 Ara Damansara Selangor Darul Ehsan. Lot No. 92087 Title No. GRN 317343 Mukim Damansara Daerah Petaling Selangor Darul Ehsan.	Commercial office lots	Commercial/ Freehold	1,080 square meters	7,912	26 March 2015
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	3,849	10 February 2016

NOTICE OF ANNUAL **GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Eighth 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 Wednesday, 27 November 2019 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 2019 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 RM260,000/- which is payable on a quarterly basis and Directors' benefits up to RM90,000/- to the Non-Executive Directors for the period commencing from 27 November 2019 until the next Annual General Meeting in year 2020. **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 Ah Hock **Ordinary Resolution 2**
   (ii) Encik Ibrahim bin Talib **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 and Special 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/Statement to Shareholders dated 29 October 2019, 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 ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), and all other applicable laws, rules and regulations and guidelines for the time being in force and the approvals of all relevant governmental and/or regulatory authority, approval be and is hereby given to the Company, to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem 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.

NOTICE OF ANNUAL **GENERAL MEETING**

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

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

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

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

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

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

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

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

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

whichever occurs first;

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

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. **SPECIAL RESOLUTION** **Special Resolution**

PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

"**THAT** approval be and is hereby given for the existing Memorandum and Articles of Association of the Company to be revoked with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix I of the Circular/Statement to Shareholders dated 29 October 2019 accompanying the Company's Annual Report 2019, be and is hereby adopted as the Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect of the foregoing."

10. 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
29 October 2019

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 November 2019 ("**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.

NOTICE OF ANNUAL **GENERAL MEETING**

(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 RM260,000/- which is payable on quarterly basis and Directors' benefits to the Non-Executive Directors with effect from 27 November 2019 until the next AGM of the Company in year 2020. 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 27 November 2019 until the next Annual General Meeting in year 2020.

(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 Eighth 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 Seventh Annual General Meeting of the Company held on 22 November 2018 ("**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 Part A of the Circular/Statement to Shareholders dated 29 October 2019 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 Part B of the Circular/Statement to Shareholders dated 29 October 2019 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.

(vii) Special Resolution – Proposed Adoption of New Constitution of the Company

The proposed Special Resolution, if passed, will primarily bring the Company's Constitution in line with the Companies Act 2016 and the changes made to the Main LR of Bursa Securities as well as to enhance administrative efficiency.

In view of the substantial amendments to be made, the existing Memorandum and Articles and Association be revoked in its entirety and be replaced with a new Constitution. Please refer to the new Constitution as set out in Appendix I of the Circular/Statement to Shareholders dated 29 October 2019.

STATEMENT ACCOMPANYING **NOTICE OF ANNUAL GENERAL MEETING**

(Pursuant to Paragraph 8.27(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

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

PESTECH INTERNATIONAL BERHAD (948035-U)
(Incorporated in Malaysia)

FORM OF **PROXY**

CDS Account No.

Number of Ordinary Shares

I/We ______________________________ NRIC No./Passport No./Company No. ______________________

of ____

being a member/members of Pestech International Berhad hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	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 Eighth 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 Wednesday, 27 November 2019 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 RM260,000/- which is payable on a quarterly basis and Directors' benefits up to RM90,000/- to the Non-Executive Directors for the period commencing from 27 November 2019 until the next Annual General Meeting in year 2020.		
2.	To re-elect Mr. Lim Ah Hock who retires in accordance with Article 95 of the Company's Articles of Association, and being eligible, offers himself for re-election.		
3.	To re-elect Encik Ibrahim bin Talib 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		
9.	Special Resolution - Proposed Adoption of New Constitution of the Company		

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 ________________________2019

____
*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 21 November 2019 ("**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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AFFIX STAMP

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

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