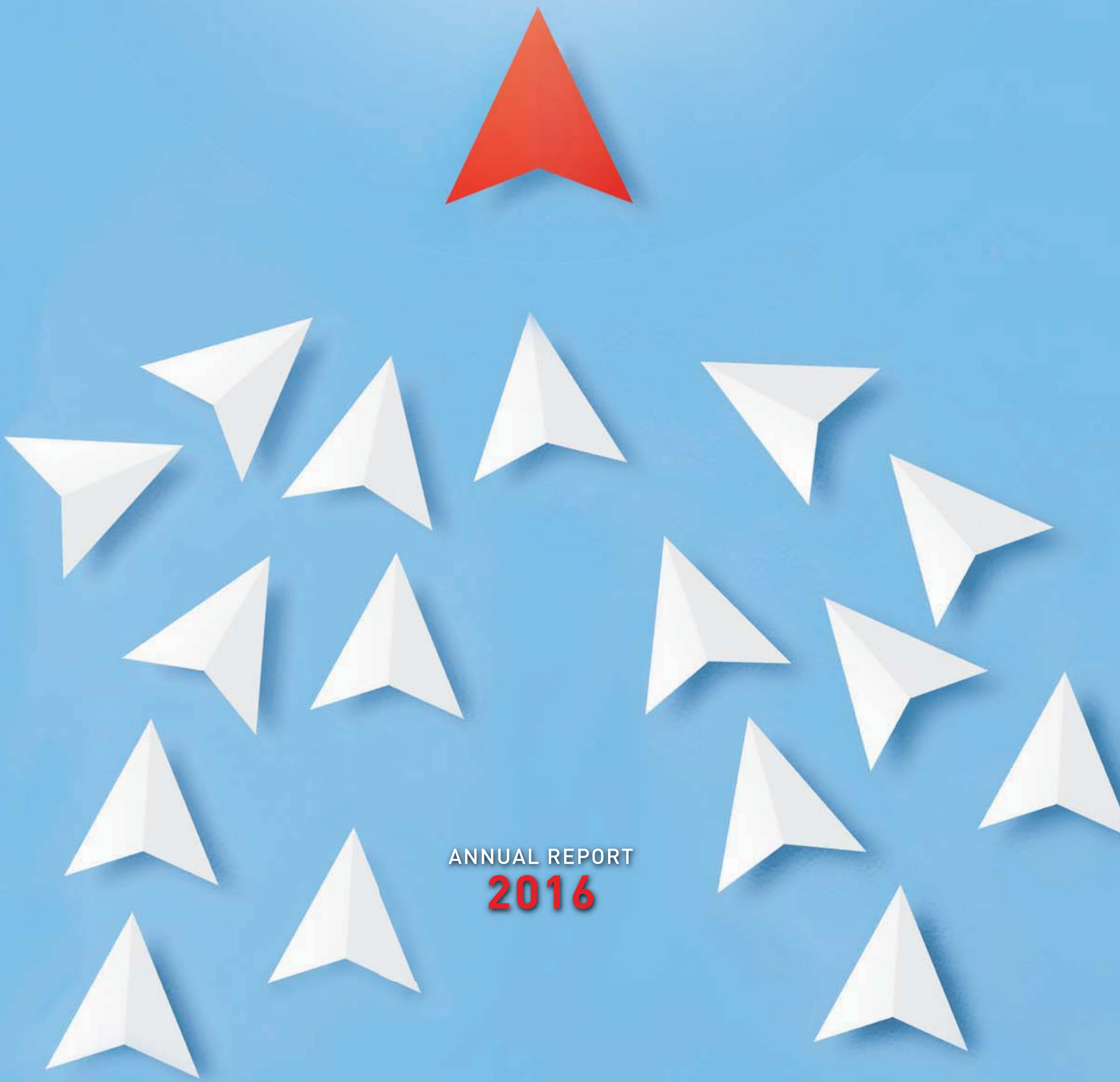
PESTECH

WE SYNERGISED



ANNUAL REPORT

2016

PESTECH
PESTECH International Berhad

CONTENTS

CORPORATE **PROFILE**

Introduction

PESTECH International Berhad (PESTECH) (Company No.: 948035-U) is a Malaysian integrated electrical power technology group of companies listed on the Main Market of Bursa Malaysia (stock code: PESTECH 5219) since 2012.

The Company derived its name from "Power System Technology" and involves in four (4) major business segments:-

1. Power Transmission Infrastructure and Products
2. Power Generation and Rail Electrification
3. Built and Operate of Transmission Asset
4. Embedded System Software and Product Development

Founded in 1991, PESTECH Sdn Bhd, its wholly owned subsidiary has slowly gained industry experience and has grown progressively to an established integrated electric technology company with products and services that not only cater for local market but across the regions. To-date, the Company successfully expands its market share into 19 countries such as Cambodia, Papua New Guinea, The Philippines and Ghana with growing number of other countries consistently.

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

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

FINANCIAL **HIGHLIGHTS**

	1.7.2015 - 30.6.2016 RM'000	1.1.2014 - 30.6.2015 RM'000
PROFITABILITY		
Revenue	517,551	394,822
EBIT	113,604	80,423
PBT	104,142	73,144
Profit for the year attributable to equity	69,876	54,833
BALANCE SHEET		
Total Assets	731,462	508,375
Share Capital	93,297	92,897
Shareholders' equity	342,149	238,601
Total Bank Borrowings	330,623	187,615
FINANCIAL RATIO		
ROE	24%	33%
ROTA	16%	15%
Gearing Ratio	97%	79%
Interest Cover (times)	12.01	12.33
SHARE INFORMATION		
Gross Dividend per share (sen)	3.00	9.00
Earnings per share (sen)	37.53	39.42
Net Assets per share (sen)	183.49	163.89
Weighted average number of ordinary shares in issue	186,472	142,584
No. of share	186,593	185,794

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Lim Ah Hock
(Executive Chairman)

Paul Lim Pay Chuan
(Executive Director/Group CEO)

Ibrahim Bin Talib
(Senior Independent Non-Executive Director)

Tan Puay Seng
(Independent Non-Executive Director)

Khoo Kiak Kern
(Independent Non-Executive Director)

COMPANY SECRETARIES

Teh Bee Choo
(MIA 7562)

Chua Siew Chuan
(MAICSA 0777689)

Pan Seng Wee
(MAICSA 7034299)

AUDITORS

SJ Grant Thornton (AF: 0737)
(Member of Grant Thornton
International Ltd)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No.: (03) 2692 4022

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Telephone No.: (03) 2084 9000

HEAD OFFICE

No. 26, Jalan Utarid U5/14
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan
Telephone No.: (03) 7845 2186
Website: www.pestech-international.com

PRINCIPAL BANKERS

Alliance Bank Berhad
AmIslamic Bank Berhad
Bank Islam Malaysia Berhad
Bank Muamalat Malaysia Berhad
CIMB Bank Berhad
CIMB Islamic Bank Berhad
Citibank Berhad
Export-Import Bank of Malaysia Berhad
Hong Leong Bank Berhad
HSBC Amanah Malaysia Berhad
HSBC Bank (Malaysia) Berhad
Industrial and Commercial Bank of China Limited
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Telephone No.: (03) 2084 9000
Facsimile No.: (03) 2094 9940

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
("Bursa Malaysia"): Main Market
Name & Code: PESTECH & 5219

SOLICITOR

Lo Chambers Advocates & Solicitors

CORPORATE **STRUCTURE**

PESTECH
PESTECH International Berhad

- **100%** PESTECH Engineering Technology China Co. Ltd.
- **100%** PESTECH Power Sdn Bhd
  - 60% Diamond Power Ltd.
- **100%** PESTECH (Sarawak) Sdn Bhd
- **100%** PESTECH Sdn Bhd
  - 100% Enersol Co. Ltd.
  - 100% Fornix Sdn Bhd
    - 100% Forward Metal Works Sdn Bhd
  - 100% PESTECH (Cambodia) Ltd.
  - 100% PESTECH Transmission Ltd.
  - 90% PESTECH (Brunei) Sdn Bhd
  - 50% Tajri-PESTECH JV Sdn Bhd
- **100%** PESTECH Switchgear Sdn Bhd
- **100%** PESTECH Technology Sdn Bhd
- **100%** Xcell ATS (M) Sdn Bhd
- **51%** SystemCORP Embedded Technology Pty Ltd

MAIN BUSINESS SEGMENT

POWER TRANSMISSION INFRASTRUCTURE & PRODUCTS

MALAYSIA

- PESTECH (Sarawak) Sdn Bhd
- PESTECH Sdn Bhd
- PESTECH Switchgear Sdn Bhd
- Tajri-PESTECH JV Sdn Bhd
- Xcell ATS Sdn Bhd

ABROAD

- Enersol Co. Ltd.
- PESTECH (Brunei) Sdn Bhd
- PESTECH (Cambodia) Ltd.
- PESTECH Engineering Technology China Co. Ltd.
- PESTECH Transmission Ltd.

POWER GENERATION & RAIL ELECTRICFICATION

- PESTECH Technology Sdn Bhd

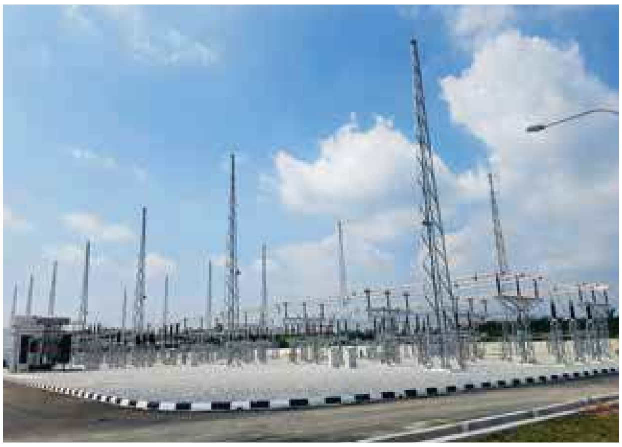
BUILT AND OPERATE OF TRANSMISSION ASSET

- PESTECH Power Sdn Bhd
- Diamond Power Ltd.

EMBEDDED SYSTEM SOFTWARE AND PRODUCT DEVELOPMENT

- SystemCORP Embedded Technology Pty Ltd

MAIN BUSINESS **SEGMENT**
(cont'd)



POWER TRANSMISSION INFRASTRUCTURE & PRODUCTS

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

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

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

POWER GENERATION AND RAIL ELECTRIFICATION

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

This segment of our business undertakes full turnkey engineering, procurement and construction and commissioning ("EPCC") scope for power plant optimization. Our focus encompasses project management, basic and detail engineering, supply, installation and commissioning of control and optimization systems and equipment for power plant and its interconnection substations.

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

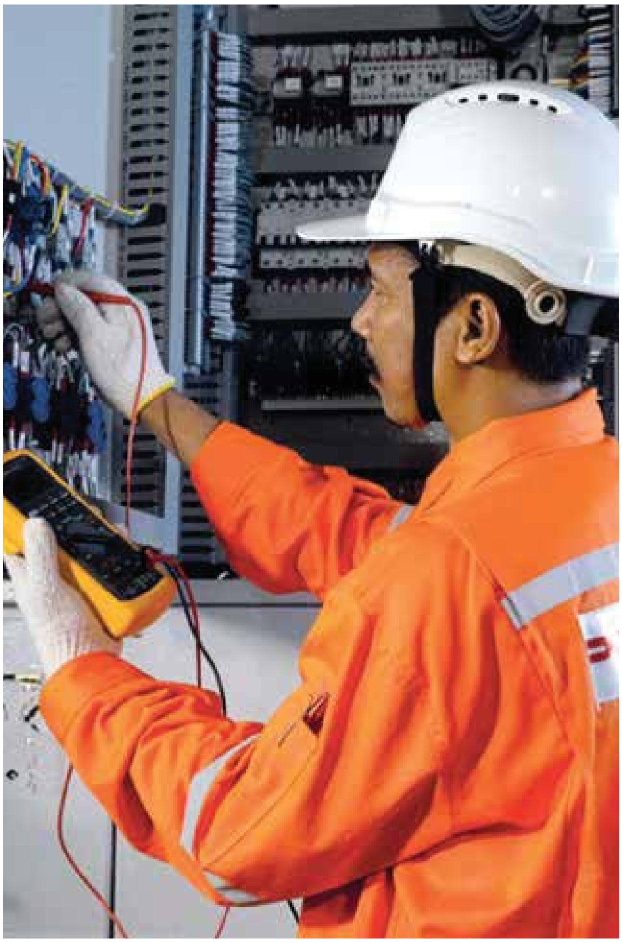
MAIN BUSINESS SEGMENT
(cont'd)

BUILD AND OPERATE OF TRANSMISSION ASSET

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

The BOT that is already secured allows PESTECH to be the independent power transmitter in Cambodia for a concession period of 25 years.

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



EMBEDDED SYSTEM SOFTWARE AND PRODUCT DEVELOPMENT

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

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

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

THE "POWER" TEAM

The road to achieve the Company's vision "Consistently Dependable and Value Add" requires determination and resilience. Each "Power" Team has its own main responsibilities and at the same time working closely together to strive for greater heights of success.

Power Product & Integration

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

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

Power System Construction

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

Power Line and Cable

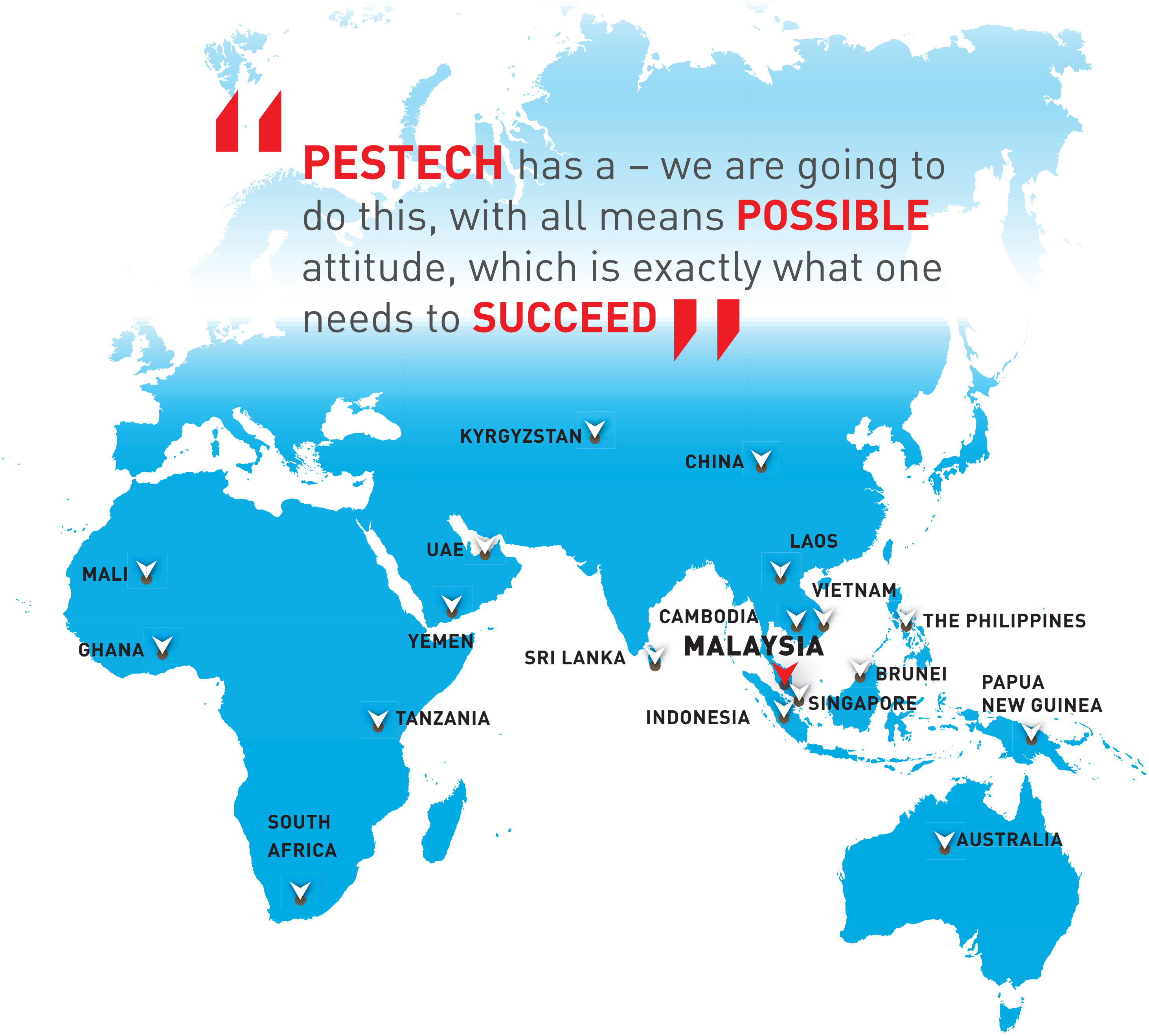
Power Line and Cable Unit ("PLC") is led by Mr. Han Fatt Juan (General Manager). The team is responsible for EPCC contract, which covers project management process, procurement of equipment, implementation of site construction and installation specifically for power transmission line and underground cable.

Power Generation and Rail Electrification

Power Generation and Rail Electrification Unit ("PGRE") is led by Mr. Paismanathan Govindasamy (General Manager). The team is responsible for products and services in automation and electrical system design, which includes system integrator for Power Plant Automation System (DCS) covering greenfield and brownfield (retrofit) for Power Plants & Rail Electrication.

Our clients include utilities companies, private industrial customers, both locally and regionally. We believe that by having us working together as one, we create the synergy by delivering the most cost effective and sustainable products and services to our customers.

GLOBAL PRESENCE



BOARD OF DIRECTORS

1. **Lim Ah Hock**
   Executive Chairman
2. **Paul Lim Pay Chuan**
   Executive Director/Group CEO
3. **Ibrahim Bin Talib**
   Senior Independent Non-Executive Director
4. **Khoo Kiak Kern**
   Independent Non-Executive Director
5. **Tan Puay Seng**
   Independent Non-Executive Director

In Effectiveness, we serve;
In Effeciency, we deliver;
In Excellence, we achieve

PROFILE OF DIRECTORS

LIM AH HOCK

Lim Ah Hock, a Malaysian, aged 64, male, is our Executive Chairman. He was appointed to our 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 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 aftersales service and major boiler repairs. Subsequently, he left Mechmar in 1984 and joined Sing Mah PressureVessels 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. ("PSB") in Johor Bahru. To-date, his responsibilities in our Group include charting major corporate development plans, steering macro business growth direction together with the stewardship of our Group Chief Executive Officer ("GCEO"), monitor the overall financial wellbeing and activities of our Group which includes providing management guidance and direction to our staff.

He is the uncle to Mr Paul Lim Pay Chuan, the Executive Director and GCEO and substantial shareholder of the Company. Apart from that, he has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH except as disclosed in the financial statements and Circular to Shareholders dated 31 October 2016.

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2016.

PAUL LIM PAY CHUAN

Paul Lim Pay Chuan, a Malaysian, aged 46, male, is our Executive Director and GCEO. He was appointed to our Board on 18 August 2011. He is presently a member of the Remuneration Committee.

He graduated from the University of Mississippi, USA with a Bachelor of Science in Electrical Engineering (Summa Cum Laude) in 1993. Subsequently, he obtained his Master of Engineering (Electrical) from Cornell University, USA in 1994. He is currently registered as a Corporate 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.

In 1994, he began his career with Motorola Malaysia Sdn Bhd as a Product Engineer. He then joined Toprank Corporation Sdn Bhd (now known as Toshiba Transmission & Distribution Systems Asia Sdn Bhd) in 1995 as a Project Engineer, where he was promoted to Project Manager in 1997, and subsequently promoted to Assistant General Manager in 1998, a position held for two (2) years. In 2000, he joined our 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 our business from a small player primarily involved in trading, to an established home-grown 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 our Group to being an important player in the power transmission and distribution business locally and abroad.

He is the nephew of Mr Lim Ah Hock, the Executive Chairman and substantial shareholder of the Company. Apart from that, he has no family relationship with any other Director and/or substantial shareholder of the Company and does not have any conflict of interest with PESTECH except as disclosed in the financial statements and Circular to Shareholders dated 31 October 2016.

He has attended four (4) out of five (5) Board of Directors' meetings held in the financial year ended 30 June 2016.

PROFILE OF DIRECTORS
(cont'd)

IBRAHIM BIN TALIB

Ibrahim Bin Talib, a Malaysian, aged 68, male, is our Independent Non-Executive Director. He was appointed to our Board on 22 February 2012 and redesignated as Senior Independent Non-Executive Director on 26 October 2015. He is presently the Chairman of the the Audit Committee and a member of the Nomination Committee.

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

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

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

He has attended all five (5) Board of Directors' meetings held in the financial year ended 30 June 2016.

TAN PUAY SENG

Tan Puay Seng, a Malaysian, aged 64, male, is our Independent Non-Executive Director. He was appointed to our Board on 22 February 2012. He is presently the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

He graduated from Nanyang University in Singapore with a Bachelor of Commerce in 1975. He was attached with Kershen, Fairfax & Co, a top 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 accounting practice for over 25 years and is currently practising as a Chartered Accountant based in Melaka in 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 2016.

PROFILE OF DIRECTORS
(cont'd)

KHOO KIAK KERN

Khoo Kiak Kern, a Malaysian, aged 57, male, is our Independent Non-Executive Director. He was appointed to our Board on 25 November 2013. He is presently the Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee.

He graduated from University of Manchester in United Kingdom with a Bachelor of Sciences (Hons) Degree in Chemical Engineering and Master of Sciences in Operation Management. He is a fellow Chartered Chemical Engineer of the Institute of Chemical Engineers in the United Kingdom.

Mr. Khoo has more than 25 years experience in the Oil and Fats Industry, having started his career as a project engineer and then as Plant Manager in one of the leading palm oil refinery in Malaysia.

He joined a renowned international engineering company in 1992 as General Manager for the Malaysia office in promoting and execution of the projects for the Oils and Fats Industry undertaken by the company in the South East Asian region. He was later promoted as the Managing Director of the company's regional officers in Malaysia, Singapore, Indonesia and China covering the South East Asia, Far East Asia and China market.

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 three (3) out of five (5) Board of Directors' meetings held in the financial year ended 30 June 2016.

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 GROUP MANAGEMENT TEAM

LIM AH HOCK

Executive Chairman

(please refer to page 14 for profile of Director)

PAUL LIM PAY CHUAN

Executive Chairman/GCEO

(please refer to page 14 for profile of Director)

TEH BEE CHOO

Teh Bee Choo, a Malaysian, aged 55, female, is the Chief Financial Officer of the Group. She graduated from Suinburne Institute of Technology in 1986 with a Bachelor of Business in Accounting with Data Processing. She is a member of 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 System Asia Sdn Bhd) as a Group Accountant, where she worked for eight (8) years. In 2003, she formed her own company, named BCT Advisory Sdn Bhd, which offered corporate management services, which she managed for four (4) years. In 2007, she joined Multi Purpose Holding Bhd as a Senior Manager of Finance. Subsequently, she joined our Group as Chief Financial Officer in 2008, a position she holds until to date.

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

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

CHANG MEI LUN

Chang Mei Lun, a Malaysian, aged 45, female, is the Chief Operating Officer of the Group. She graduated with a Diploma in Accounting from the London Chamber of Commerce and Industry in 1991. She also held a Diploma in Business Administration from the Association of Business Executives, which she obtained in 1996.

She began her career with Dollarquest Sdn Bhd in 1992 as a Shipping Officer, where she dealt with the documentation and operational procedures for the import and export of goods. From 1995 to 1997 she joined Federal Furniture Holdings (M) Bhd as a Purchasing Executive, procuring raw materials from local and overseas suppliers for use in the production process, with other job functions. Subsequently, she joined Toprank Corporation Sdn Bhd (now known as Toshiba Transmission & Distribution System 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.

Powering up a new chapter

EXECUTIVE CHAIRMAN AND GROUP CEO JOINT STATEMENT

Dear Shareholders:

On behalf of the Board of Directors, it gives us great pleasure to present to you our annual report for financial year 2015/2016. The financial results are inspiration to everyone in the group to continue our uncompromising effort in delivering quality services to the region by bringing electricity to communities to empower social and economic development. However, the more important message is that we are able to meet, and in some instances, exceed the expectation of shareholders and our customers, while making a positive impact in our contribution to construct electrical infrastructure needed for the community we served.

The vision to be "Consistently Dependable and Value Add" drives PESTECH to deliver our promises to our customers and to continue creating value for our shareholders.

We now divide the Group into four (4) main corporate business units that take ownership of simplified operational processes and enhanced accountability in building. For every business unit, its own inspiration and commitment towards delivering the mission of being "Effective, Efficient and Excellent" in realizing the vision of the Group. The focus of empowering our people and the dedication of our employees around the region were critical to continue to deliver strong performance – despite a highly volatile and challenging business environment in the previous year in the ASEAN region.

With continuous improvement and upgrading of tools and skills, we now are able to design and build power plant balance of plant system along with power plant DCS control and automation. We are also capable of undertaking integrated power network infrastructure ("EPCC") works and provide rail electrification solutions.

EXECUTIVE CHAIRMAN AND GROUP CEO JOINT STATEMENT
(cont'd)

96.63%
Adjusted Sales Revenue

111.89%
Adjusted EBIT

42.31%
Adjusted EPS

RM336.071 million
Market Capitalisation

3 SEN per share
Single Tier Final Dividend

Performance in Year 2016

In financial year 2015/2016 PESTECH group recorded sales revenue of 517.551 million Ringgit, a 96.63% growth from the adjusted annual sales revenue of 263.214 million Ringgit for the previous 2014/2015 financial year figure adjusted according to a 12-month period. The growth is generated organically within the Group and an indication of the making of a wholly integrated electrical infrastructure facility builder originated from ASEAN.

On the back of the increase in revenues, the Earnings Before Interest and Tax ("EBIT") on revenue improved to 21.9% compared to 20.4% in the previous year. We also see an increase of 111.89% from 53.615 million Ringgit of the adjusted EBIT for previous year to the current EBIT of 113.604 million Ringgit. Earnings per share grew to 0.37 sen, an increase of 42.31% compared to 0.26 sen of adjusted earning per share in 2014/2015.

It is indeed a successful year where all business units delivered solid growth. The power network infrastructure construction continued to be the main growth driver with a successful breakthrough in rail electrification.

Some of our milestones achieved in the previous year involved the power interconnection of the state of Sarawak in Malaysia to west Kalimantan in Indonesia with electric infrastructure that delivers power to the much needed area of West Kalimantan. We have also completed a main interconnecting substation that will deliver power from the inner state of Sarawak, Malaysia to the load centers. This interconnecting substation will be part of the future 500kV backbone for the state of Sarawak.

We had also secured the construction contract to build a 500kV main substation in the state of Johor, Malaysia to interconnect the various new power plants in the pipeline to be built in Peninsular Malaysia to further fuel the economic and social growth of Malaysia.

In our current main regional market of the Kingdom of Cambodia, the construction of our 230kV asset is well within targeted schedule completing about 47% as of 30 June 2016. We expect the asset to be fully commissioned by fourth quarter of 2017.

The Group had in the last financial year secured a contract in upgrading of the rail electrification infrastructure for Malaysia's Klang Valley Double Track Rail under the malaysian rail system operator, KTM Berhad. The success in procuring this contract put the Group as a rail electrification system supplier. This is a strategic success of the Group venturing into this new business segment. We believe this segment will serve as a catalyst of growth for the Group in the near future as the region embarks on improving rail system connectivity all the way from Singapore to China.

Backed by the performance and trust of our customers, PESTECH received two (2) awards during the financial year. First is the recognition from Construction Industry Development Board during the Malaysia Construction Industry Excellence Award 2015 for International Achievement Award – Special Mention, followed by the recognition from the Institute of Engineers Malaysia for Contribution to Engineering Industry in Malaysia (Energy Sector). These awards show dedication on all level within the Group in our works and recognition in our ability to deliver services in the critical sector of electricity.

PESTECH's market capitalization gained RM336.071 million during this financial year, translated into 36.77% enhancement since 30 June 2015. As of 30 June 2016, our market capitalization is at RM1,250.176 million, which represents more than 10 times capital gain from our initial market capitalization of about RM86 million in May 2012. During the eventful last four years of dynamic change, PESTECH has grown, expanded and increased our capacity and capability to serve our client. The Group, as of 30 June 2016, has 258 employees, among which 117 of them are engineers in various fields. These formed the backbone of the Group to charge into the future to scale greater heights.

EXECUTIVE CHAIRMAN AND GROUP CEO JOINT STATEMENT
(cont'd)

At our Annual General Meeting to be held on 28 November 2016, we will propose to our shareholders a single tier final dividend payment of 3 sen per share. This represents an increase of 37.65% compared to the total dividends paid out in 2015.

In summary, we delivered another excellent year for PESTECH in 2016; we recorded double-digit growth in revenues, profits, share price and our proposed dividend.

Strategy for Growth

In establishing our excellent track records, we continuously lay down our foundation for growth. As electrical infrastructure is the foundation for modernization, a reliable electrical power industry drives a nation forward and provides opportunities for social economic growth.

The Group is strategically positioned in the region of growth in South East Asia that provides us continuous demand for infrastructure improvement prospects throughout the region. The diverse range of economic condition of the nations in the region gives us plenty of opportunities to serve different needs. Industrialization requires additional infrastructure capacity built up to transmit power while social needs require government of a nation to bring electricity to its people for their inclusion in the modernization process.

It is, therefore, our aim to continuously expand our footprint in the region by establishing new markets while leveraging our strong positions with electric utility in the region that we already served to drive the Group performance forward.

Our new subsidiary in China will be strategic in our growth plan. The China office will serve as a competitive platform in our sourcing of components, materials and manpower. The setup will be tasked to expand our market reach in the emerging economy of Central Asia and other markets within the China Government's policy of One-Belt-One-Road economic plan. The vast manufacturing machineries of China industry can also leapfrog the Group into electrical products manufacturing if reliable product development partnerships can be established. This will, again, expand the services that the Group can render to our electric utility customer.

2017 is the last of our 2015-2017 three-year plan. It is our aim to drive the Group by the end of 2017 financial year as a successful service and turnkey EPCC provider in the electric power plant construction and rail electrification system. Considerable effort will be put into these two (2) business segments to achieve the Group's objective of being the first regional EPCC contractor that is able to export their know-how into the region from Malaysia.

Inspiring and empowering the team

Excellent performance is based on a strong committed team that drives effective execution. In order to excel in a highly dynamic and complex business environment, our most important asset is the PESTIONs that are behind the wheels. We would like to thank the PESTECH team of committed individuals, that in many instances, are able to defy the odds and still deliver the jobs in a "consistently dependable" manner.

It is, therefore, our continuous priority to set the stage right for the freedom to perform and to continue to inspire and empower the management and staff in their quest to make a difference in the community we serve.

Commitment to excel

2016 was an excellent year that we broke the first corporate target of 500 million Ringgit sales revenue; we achieved strong financial performance, continued to successfully implement our strategy, and are very thankful to our customers that provided us an opportunity to serve and to make a difference. We are well on track to meet our key targets for 2017.

Driven by the regional development and social economic demands, the need for reliable and safe electric power supply will continue. It is, then, a challenge for the Group to meet its customer's demand, which we do not intend to let down.

We are convinced that the company is well positioned to continue to prosper and grow.

We again would like to express our gratitude towards PESTIONs for their dedication and contribution to our excellent business performance, to our Board of Directors for their contribution in the direction and strategy of the Group, to our customers who continuously believe in us, and to our associates who make our jobs possible in one way or another.

We would also like to thank you, our shareholders, for your continued trust and support. Rest assured that everyone at PESTECH is fully committed to our belief and we will continue to deliver whenever there is an opportunity.

Thank you.

LIM AH HOCK
Executive Chairman

PAUL LIM PAY CHUAN
Group Chief Executive Officer

OPERATION AND **PERFORMANCE**

The power system design, engineering and infrastructure industry has high barriers of entry, which requires broad knowledge of technical know-how and experienced high skilled workers. PESTECH has always strived to serve the most valuable products and services to our customers, which enable us to secure some of the major projects despite of the competitive environment.

■ *N.U.R West 132kV substation project*

N.U.R – Kulim Hi-Tech Park

Early 2015, PESTECH has successfully secured an RM28.8 million contract from N.U.R. Distribution Sdn Bhd ("N.U.R") for the EPCC for the N.U.R West 132kV substation project. This project involved the construction of the substation to be carried on 6.1 acres of land for control building and 132/33kV switchyard with infrastructure. PESTECH has completed the project within the promised timeline and delivered by May 2016 regardless of the unpleasant weather we faced during the project.

The fast-track construction of the substation is a vital part of extension and reinforcement of the infrastructure to supply electricity to current and new customers in Kulim Hi-Tech Park while maintaining the reliability of the power distribution operation. This substation built is to be interconnected to the existing main substation and will provide a significant increase in the system capacity for industrial customers when the Kulim Hi-Tech Park develops its new phase.

PESTECH is committed to high quality standards of deliverables; where from the procurement of electrical equipment to commissioning of the substation were monitored and carried out precisely.

N.U.R is another new additional private utility client to the Group and we truly treasure the opportunity and trust given by the customers to enable PESTECH to continue expands its market share locally and regionally.

MAPAI

Another exciting project completed by PESTECH this financial year was Mapai 275/33kV substation project awarded by Sarawak Energy Bhd (SEB) to undertake design, engineering, procurement, construction, testing and commissioning work.

The fast growing of the Sarawak's economy has led to increasing in electricity demand and consumption in the state. The awarded contract supports the future 500kV switchyard with four (4) future 500/275kV transformer bays for expansion. The substation serves as one of the important nodes for the 500kV backbone transmission project to reinforce Sarawak's existing power transmission system, which its transmission line will provide an alternative source of power supply should the one and only existing line break down.

Mapai project is the second contract awarded by SEB to PESTECH and we were delighted to be part of the project that enhances the power energy infrastructure in Sarawak.

Continuance of innovation and precision has enable us to provide customised and cost optimised electrical engineering solution to meet the client's requirement and target.

■ *Mapai 275/33kV substation project*

OPERATION AND **PERFORMANCE**
(cont'd)

■ *Mambong 275kV substation project*

MAMBONG

Started since January 2014, Mambong project has been completed in February 2016. The project worth RM85 million from SEB included designing, engineering, procurement, construction, testing and commissioning works for the latter's Mambong and Entinggan's substations current capacity of 275/132/33kV and 275kv/33kV respectively.

This completed project also included the installation of 275kV capacitor bank equipment to improve power quality of electrical network around Kuching and protection system retrofitting works at Matang's 275kV and 33kV substation connecting to the Mambong substation. The team has worked effectively even it includes the coordination between few parties and across two (2) countries (Malaysia and Indonesia) during its end to end test and commissioning of Bengkayang Bays.

This project marks the first international interconnection project in Sarawak between SEB and Perusahaan Listrik Negara and we are honored that we are part of this anticipated project.

It also provided us a very good learning path that we managed to construct new switchyard area for 275kV capacity bank bays on the uneven slope area. Despite of the challenges and obstacbles encountered, PESTECH always ensure we work as a team with high determination and passion to complete all the task and projects awarded.

SKYPARK

Other than power system infrastructure and products, our another business segment – Power Generation and Rail Electrification has also achieve its breakthrough by securing our first rail electrification project – Subang – Skypark project.

This project involves the extension of the Port Klang Line commuter service linking Subang Jaya to Subang Skypark. Our scope of work includes design, build, install, testing and commissioning of the overall system works include signalling, communication & electrification for the electrified double track project, with a project value of RM42 million.

MELAWA

In addition, we also secured a project from TNB Remaco for upgrading of LM2500 Gas Turbine Control System at Melawa Power Plant owned by Sabah Electricity Sdn Bhd. In only six (6) months project duration, we successfully replace existing GT control system with Valmet DNA DCS Hardware, ES, OPS, ALS, IMS (combined in two (2) workstations with dual LCD), and other auxiliary systems (turbine vibration monitoring system, excitation system, synchronising system, fire & gas protection system, generator protection system and DC charging system) in this Sabah Power Plant. The project started its commencement in mid 2015 and completed on 31 December 2015.

It is hopeful that the Group will be able to participate in various project related to this business segment and subsequently export the knowhow into the region.

OPERATION AND **PERFORMANCE**
(cont'd)

BUSINESS ACTIVITIES OF PESTECH

Factory Audit

- *Factory Audit of 132kV and 275kV power transformer and reactor at SPECO, China*

Factory Acceptance Test (FAT)

- *CT Oil Current Transformer at Trench France Lab, France*

OPERATION AND **PERFORMANCE**
(cont'd)

■ *Capacitor Bank FAT in Sao Paulo, Brazil*

Type Test

■ *Indoor and outdoor TypeTesting for Line String Test at Veiki VNL High Voltage Laboratory, Budapest, Hungary*

OPERATION AND PERFORMANCE
(cont'd)

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

Product	Description
Alarm Annunciator Panel	To alert operators of alarm conditions in plant from abnormal events or conditions using audible signals and a group of LEDs working as central indicator of status of equipment or system in a substation.
Analogue To Digital Meter (ADM)	To convert current signal from transformer and display tap indication on the seven segment display and able to provide tap position from 10-20.
BCD Converter and BCD Display	To convert DC voltage signal into binary signal and able to produce display signal from 0 to 19. Whereby, BCD displays to convert binary signal from BCD converter into numeric value.
Control and Protection Panel	To protect power electrical equipment such as circuit breaker, power transformer and switchgear from all voltage ranging from 11kV to 500kV.
HV Isolator (single-pole)	The disconnector switch (D-Switch) is used in power utilities to separate equipment from either the energy source or the ground.
HV Isolator (three-pole)	To develope Isolator (11kV, 33kV & 135kV) outdoor, double break, air break disconnectors that are normally associated with NER. This Isolator has some special/customizes feature with 3 pole and 3 phase, horizontal or vertical according to customer's requirement.
Neutral Earthing Resistor (NER)	To serve as a resistor to limit the ground fault current to prevent unwanted damage to the power transformer and generator.
Remote Terminal Unit (RTU)	To provide interfacing of substation equipment with remote control center under SCADA implementation.
Substation Interrogation & Monitoring System (SIMS)	To facilitate full control or remote access to various IEDs (Intelligent Electronic Device) database through manufacturer's proprietary software.
Telecommunication and Teleprotection	To combine telecommunication and teleprotection panel into one.
Medium Voltage Air-Insulated Switchgear	To adapt to the electrical power distribution requirement for up to 12kV and can be provided with vacuum circuit breakers that enable for indoor installation.
EFIPRO	Consist of TC GFRC and its lifter as part of the efficient civil construction product range. **TC GFRC** Glass Fibre Reinforced Concrete Trench Cover is "asbestos" free and Portland cement based product that widely used as drain cover, trench cover and lightweight building material. **TC Hydraulic Lifter** This is a special designed hydraulic lifting device to lift EFIPRO – TC GFRC Trench Cover for maintenance purpose.
E House	It offers Prefabricated Modular Substations Solution where substations can be ready for operation in a short period of time, which includes: Prefabricated Substation (EHouse), Skid Mounted Electric Module, and Prefabricated Office and Camp Module.

CORPORATE SOCIAL RESPONSIBILITY

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

As we embarked on our journey as a public listed company, PESTECH formulated a systematic approach to guide us on our CSR activities. Encapsulated within the theme C-A-R-E, our CSR program going forward will revolve around the four key elements of Community, Advancement, Recuperation and Environment (CARE Program).

Community

Simple acts of kindness can bring a smile. Our approach is aimed at bringing value that will benefit the community such as PESTECH joined Bursa Bull Charge as Ongole sponsor to run for others, celebrate "Raikan Syawal" as well as year end party with Orphanage Home, Hari Keputeraan Sultan Kelantan and Cambodia Red Cross.

Advancement

PESTECH supports and organizes activities that contribute towards nation building, particularly in electrical engineering sector by providing education sponsorship, training and opportunities to new talents. During the financial year, we have made contribution to Kriyalakshmi Mandir Shree Srai Gurukul (KMSSG) accordingly.

Recuperation

PESTECH also provided support to health-related care and efforts as we believe everyone should have live life with dignity no matter what state they are in by becoming the Gold Sponsor for Hospis Malaysia Charity Treasure Hunt.

Environment

PESTECH supports environmental protection initiatives and encourages our employees to carry out our environmental duties. PESTECH's policy under its environmental care is based on the tagline "Taking Care of Our Home". We have waste-sorting-practice implement in our office and factory and ensure each employee is complied with the rules set.

CORPORATE SOCIAL RESPONSIBILITY
(cont'd)

■ *Official Kick-off ceremony of the Bursa Bull Charge event, attended by Mr. Paul Lim Pay Chuan, Executive Director/GCEO*

■ *Hari Keputeraan Sultan Kelantan attended by PESTIONs*

■ *Anniversary ceremony of the World Red Cross held in Cambodia, attended by Mr. Lim Ah Hock, Executive Chairman*

■ *Children from KMSSG attending event*

■ *HOSPIS Malaysia Charity Treasure Hunt participated by PESTIONs*

CORPORATE SOCIAL RESPONSIBILITY
(cont'd)

Whereas for our employees welfare, we actively organised teambuilding and outdoor activities to promote work-life balance. In addition, we also have our Annual Dinner end of the year 2015.

At PESTECH, we view CSR programs as a mean to add value to society. Being a responsible corporate citizen means never losing track of our obligations to society and the environment. PESTECH are deeply committed to help empower industries with power system technology to fuel social and economic growth. We believe in creating a positive and lasting impact on employees, the environment and the communities where we live and work.

We understand that to achieve real progress, involvement must come from all sectors of society. And at PESTECH, we will continue to play our part, now and far into the future.

CORPORATE GOVERNANCE **STATEMENT**

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

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

The application of such corporate governance best practices for the financial year ended 30 June 2016 ("FYE 2016") is set out hereunder.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

Board of Directors

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

- retain full and effective control over the Company, and monitor management in implementing Board plans and strategies;
- ensure that a comprehensive system of policies and procedures is operative;
- identify and monitor non-financial aspects relevant to the business;
- ensure ethical behavior and compliance with relevant laws and regulations audit and accounting principles, and the company's own governing documents and codes of conduct;
- strive to act above and beyond the minimum requirements and benchmark performance against international best practices and not only to comply in practice, but be seen to comply;
- 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.

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, Nomination Committee and Remuneration Committee.

Board Charter

The Company has established and adopted a Board Charter which serves as a reference point for Board activities. The Board Charter is publicly available on the Company's website at www.pestech-international.com. In the Board Charter, the Board has established a formal schedule of matters reserved to the Board for its deliberation and decision in order to enhance the delineation of roles between the Board and Management, as well as to ensure the direction and control of the Group's operations are in the Board's hands. The Board Charter was last reviewed on 6 October 2016.

Code of Ethical Conduct

PIB's Code of Ethical Conduct is committed to doing what is right and honourable in all aspect of whether at work, at home and elsewhere.

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

CORPORATE GOVERNANCE **STATEMENT**
(cont'd)

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

Code of Ethical Conduct (cont'd)

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

Whistle-Blowing Policy

The Whistle-Blowing Policy is in place with the aim to provide an avenue for concerns relating to possible breaches of business conduct, non-compliances of laws and regulatory requirements, and other questionable practices to be raised by employees as well as outside parties without fear of reprisals or retaliation by the Company.

Sustainability

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

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 circulated to the Board members prior to the scheduled Board meetings to ensure sufficient time for all Board members to review and deliberate on such matters accordingly and, where required, to obtain further information and clarification to facilitate well-informed decision making during the meeting.

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

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

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

Company Secretaries

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

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

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION

PIB's Board is comprised of individuals with sturdy integrity fostered with extensive knowledge and experience in their respective professional backgrounds.

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

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

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.

Recommendation 3.5 of the Code states that "The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director." In this regard, the Board comprises two (2) Executive Directors (including the EC and 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 safe guard the best interest of the shareholders as a whole. As such, Recommendation 3.5 is deemed complied with.

Nomination Committee

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

The capabilities and qualities of the candidates to be appointed as Board members as well as Board Committee members will be assessed accordingly taking into account the individual's skills, competencies, knowledge, experience, expertise, professionalism and integrity. The Nomination Committee has a formal assessment mechanism in place to assess on an annual basis, the composition and the effectiveness of the Board as a whole, Board Committees and the contribution of each individual Director. The Nomination Committee will ensure that all assessments and evaluations carried out are properly documented.

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

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

Chairman	:	Tan Puay Seng (Independent Non-Executive Director)
Member	:	Ibrahim Bin Talib (Senior Independent Non-Executive Director)
Member	:	Khoo Kiak Kern (Independent Non-Executive Director)

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

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

- 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 Fourth Annual General Meeting ("AGM"); and
- conducted annual assessment on independence for the independent directors.

In accordance with PIB's Board Charter and in line with its Articles of Association, all Board members are subject to retirement by rotation and re-election by the shareholders at least once every three (3) years. At the upcoming AGM, Encik Ibrahim Bin Talib and Mr. Tan Puay Seng will retire by rotation pursuant to Article 95 and being eligible, have offered themselves for re-election.

CORPORATE GOVERNANCE **STATEMENT**
(cont'd)

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

Remuneration Committee

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

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

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

Chairman : Khoo Kiak Kern (Independent Non-Executive Director)
Member : Tan Puay Seng (Independent Non-Executive Director)
Member : Paul Lim Pay Chuan (Executive Director/GCEO)

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

- reviewed and recommended the proposed bonus payment for the executive directors for the financial period ended 30 June 2015;
- reviewed and recommended the proposed remuneration package of the executive directors for year 2016;
- reviewed and recommended the directors' fees for the financial period ended 30 June 2015; and
- reviewed and recommended the Share Grant Plan allocation for the Executive Directors.

The details of remuneration of Directors who served during the financial year ended 30 June 2016 are as follows:-

	Salaries & other emoluments (RM)	Fees* (RM)	Benefits (RM)	Total (RM)
Company				
Executive Directors	2,749,477	-	56,000	-
Non-Executive Directors	-	184,420	-	-
Group				
Executive Directors	2,749,477	-	56,000	-
Non-Executive Directors	-	184,420	-	-

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

CORPORATE GOVERNANCE **STATEMENT**
(cont'd)

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

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

	Company		Group	
Range (RM)	**Executive**	**Non-Executive**	**Executive**	**Non-Executive**
Below 50,000	-	-	-	-
50,000 – 100,000	-	3	-	-
100,001 – 150,000	-	-	-	-
500,001 – 550,000	-	-	-	-
1,250,001 – 1,300,000	1	-	-	-
1,300,001 – 1,350,000	-	-	-	-
1,350,001 – 1,400,000	-	-	-	-
1,400,001 – 1,450,000	1	-	-	-

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

PRINCIPLE 3: REINFORCING INDEPENDENCE

The position of EC and GCEO is held by different individuals, as recommended by the Code. The Board has established the roles and responsibilities of the EC which are distinct and separate from the roles and responsibilities of the GCEO, this is to ensure an appropriate balance of roles, responsibilities and accountability at the Board level.

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

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

PRINCIPLE 4: FOSTERING COMMITMENT

Board meetings

The Board meets at least once every quarter and additional meetings are convened when necessary. There were five (5) Board meetings held during the financial year ended 30 June 2016 and the attendance record of the Directors is as follows:

Directors	Meetings attended
Lim Ah Hock	5/5
Paul Lim Pay Chuan	4/5
Khoo Kiak Kern	3/5
Ibrahim bin Talib	5/5
Tan Puay Seng	5/5

CORPORATE GOVERNANCE **STATEMENT**
(cont'd)

PRINCIPLE 4: FOSTERING COMMITMENT (cont'd)

Board meetings (cont'd)

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

The Board has also stipulated in its Board Charter, the need for Directors to notify the Chairman before accepting new directorships outside the Group and indicating the time that will be spent on the new directorship. Similarly, the Chairman of the Board shall also do likewise, and notify the Board as a whole, before taking up any additional appointment of directorships. This practice is to ensure that Directors devote sufficient time to meet the Company's needs and in the discharge of their fiduciary and leadership roles.

Directors' training

All Directors of the Board 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 2016, the continuous education programmes attended by Directors comprise the following:-

Name	Training	Date
Lim Ah Hock	Nominating Committee Programme Part 2 - Effective Board Evaluations	11 April 2016
	Leadership Skills for Highly Effective Supervisors	27-28 June 2016
Paul Lim Pay Chuan	AORC-CIGRE Technical Meeting	16-19 August 2015
	RHB Fixed Income & Currency Conference 2015	03 September 2015
	Financial Freedom - Growing Dreams	06 October 2015
	2015 Global Transformation Forum (GTF 2015)	21 October 2015
	Productronica 2015	10-13 November 2015
	HSBC Economics & FX Outlook 2016	19 January 2016
	Invest Malaysia 2016	12-13 April 2016
	Indonesia Power Investment Summit 2016	11-13 May 2016
Tan Puay Seng	Malaysian Private Entities Reporting Standards	3 July 2015
	Capital Allowances - Principles and Latest Developments	14 December 2015
Khoo Kiak Kern	Leadership Skills for Highly Effective Supervisors	27 & 28 June 2016

Although Encik Ibrahim bin Talib has not been able to attend a structured training programme during the financial year under review due to work commitments. He continued to gain updates through the briefings by the Company Secretary, Internal and External Auditors during quarterly meetings, communications with other Directors as well as the daily work exposures.

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.

CORPORATE GOVERNANCE **STATEMENT**
(cont'd)

PRINCIPLE 5: UPHOLDING INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board is committed to ensure that the financial statements are prepared and presented in a balanced and fair manner in accordance with the Companies Act 1965 and the applicable approved accounting standards in Malaysia in order to accurately reflect the Group's financial position and prospects.

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

Internal Control

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

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

Relationship with Auditors

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

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

The Audit Committee, after due deliberations have recommended the reappointment of Messrs. SJ Grant Thornton as External Auditors for the financial year ending 30 June 2017. The Board at its meeting held on 6 October 2016 approved the Audit Committee's recommendation. The appointment of Messrs SJ Grant Thornton will be presented for shareholders' approval at the forthcoming Fifth AGM.

Provision of Non-Audit Services

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

PRINCIPLE 6: RECOGNISING AND MANAGING RISKS

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

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

CORPORATE GOVERNANCE **STATEMENT**
(cont'd)

PRINCIPLE 7: ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

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

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

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

PRINCIPLE 8: STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

AGM

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

Poll Voting

The recent changes to Bursa Securities MMLR on 25 March 2016 set out the requirement for poll voting for any resolution set out in the notice of general meetings which will apply for general meetings held on or after 1 July 2016, the Board will consider employing electronic poll voting in future general meetings.

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 2016 ("FYE 2016").

A. COMPOSITION

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

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

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

: Khoo Kiak Kern (Independent Non-Executive Director)

B. ATTENDANCE AT MEETINGS

During the financial year ended 30 June 2016, the AC held a total of five (5) meetings. The details of the attendance of the AC members are as follows:-

Directors	Meetings attended
Ibrahim bin Talib	5/5
Tan Puay Seng	5/5
Khoo Kiak Kern	3/5

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 FINANCIAL YEAR

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

i. Financial reports

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

Date of Meetings	Review of Quarterly Financial Statements
27 August 2015	Financial period ended 30 June 2015
25 November 2015	First quarter results for the Financial Year Ending ("FYE") 2016
24 February 2016	Second quarter results for the FYE 2016
25 May 2016	Third quarter results for the FYE 2016

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

- Malaysian Financial Reporting Standard;
- International Accounting Standards 34 - Interim Financial Reporting Standards;
- Disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad; and
- Section 169 and Ninth Schedule of the Companies Act, 1965.

AUDIT COMMITTEE **REPORT**
(cont'd)

D. SUMMARY OF WORK OF THE AC DURING THE FINANCIAL YEAR (cont'd)

i. Financial reports (cont'd)

b) Reviewed and made recommendations to the Board in respect of the audited financial statements of the Company and the Group for the financial period ended 30 June 2015 at its meeting held on 26 October 2015 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 financial period ended 30 June 2015 prepared by the External Auditors at the meeting held on 27 August 2015 and 26 October 2015.

ii. External Auditors

a) Reviewed and discussed with the External auditors at the meetings held on 27 August 2015, 26 October 2015 and 25 May 2016, the Audit Completion Report for the financial period ended 30 June 2015 and Audit Planning Memorandum for FYE 2016 respectively. Discussed and considered the significant accounting adjustment and auditing issues arising from interim audit as well as the final audit with the External Auditors. The AC also had two (2) private discussions with the External Auditors on 27 August 2015 and 26 October 2015 without the presence of Management and Executive Directors to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries.

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

c) Evaluated the performance of the External Auditors covering areas such as calibre, quality processes, independence, audit team, audit scope, audit communication and 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 2016 at its meeting held on 26 October 2015.

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 at the meetings held on 27 August 2015, 25 November 2015 and 25 May 2016, the Internal Audit Report which covered the internal control review as follows:-

- recurrent related party transactions;
- the business continuity and emergency response plan; and
- operational internal control of PESTECH Technology Sdn. Bhd and power product and integration of PESTECH Sdn. Bhd

On 24 February 2016, the AC reviewed and accepted the Internal Audit Plan for year 2016/2017 and audit fees 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 meeting held on 27 August 2015, 25 November 2015 and 25 May 2016.

iv. Recurrent Related Party Transactions ("RRPTs")

The AC reviewed on a quarterly basis the RRPTs of the Group at its meetings held on 27 August 2015, 25 November 2015, 24 February 2016 and 25 May 2016.

The AC also reviewed the Group's methodology in identifying, monitoring and disclosure of related party transactions within the Group.

AUDIT COMMITTEE **REPORT**
(cont'd)

D. SUMMARY OF WORK OF THE AC DURING THE FINANCIAL YEAR (cont'd)

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 at its meeting held on 27 August 2015.

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 in respect of the financial period ended 30 June 2015.

vii. Circular to Shareholders

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

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

E. Internal Audit Function

The 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 financial year ended 30 June 2016, 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 financial year ended 30 June 2016 was RM44,014.90.

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 period 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 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 effectiveness 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.

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

RISK MANAGEMENT FRAMEWORK

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

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

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

- **Structure**

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

RISK MANAGEMENT FRAMEWORK (cont'd)

- **Risk Awareness Culture**

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

- **Risk Assessment**

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

- **Risk Appetite**

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

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

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

- **Control Environment**

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

- **Control Structure**

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

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

- **Internal Audit**

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

RISK MANAGEMENT FRAMEWORK (cont'd)

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

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

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

  - prepared a detailed annual audit plan in consultation with the senior management for submission to the AC for approval;
  - carried out relevant activities to conduct internal audits in an effective, professional and timely manner;
  - discussed with the auditees in the course of conducting audit on any significant control lapses and/or deficiencies noted from the reviews for their consideration and corrective actions; and
  - submitted quarterly report to the AC for any significant non-compliance, internal control weaknesses and actions taken by Management to resolve the audit issues identified.

- **Audit Committee**

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

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

REVIEW AND MONITOR OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, with the assistance of the Audit Committee confirms that there is an on-going process in reviewing and monitoring the effectiveness, adequacy and integrity of the system of risk management and internal control of the Group for the financial period under review. The process is in place for the financial period 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 period under review as a result of weaknesses in the risk management and internal control system.

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 period under review until the date of approval of this Statement.

ASSURANCE STATEMENT BY THE EXECUTIVE DIRECTOR/GROUP CHIEF EXECUTIVE OFFICER ("GCEO") AND CHIEF FINANCIAL OFFICER

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 30 June 2016. Their review was performed in accordance with the Recommended Practice Guide 5 ("RPG 5") issued by the Malaysian Institute of Accountants.

CONCLUSION

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

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

The statement is made in accordance with a resolution of the Board dated 6 October 2016.

DIRECTORS' RESPONSIBILITY **STATEMENT**
ON PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which provide a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flow of the Group and of the Company for the financial year.

The Board, after due consideration, is satisfied that the financial statements for the financial year ended 30 June 2016 has been prepared adopting appropriate accounting policies and applied them consistently and made judgement and estimation that are reasonable and prudent. The Board also considers that relevant approved accounting standards have been followed and confirms that the financial statements have been prepared on a going concern basis.

The Directors also have responsibility to ensure that the Company keeps accounting records which disclose reasonable accuracy at any time of the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

ADDITIONAL COMPLIANCE **INFORMATION**

I. UTILISATION OF PROCEEDS

The Company did not raise any fund through any corporate proposal during the financial year.

II. 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	30,000	189,000
Non-Audit Fees	-	8,000

III. 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 2016 or entered into since the end of the previous financial period ended 30 June 2015.

IV. RECURRENT RELATED PARTY TRANSACTIONS

At the AGM to be held on 28 November 2016, the Company intends to seek the renewal of shareholders' mandate for recurrent related party transactions ("RRPTs") which it has entered with its related parties, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to its related parties than those generally available to the public.

Further details of which will be disclosed in the Circular to Shareholders dated 31 October 2016.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year ended 30 June 2016.

RESULTS

	Group	Company
	RM	RM
Net profit for the financial year	96,612,183	8,042,851
Attributable to:-		
Owners of the parent	69,875,920	8,042,851
Non-controlling interest	26,736,263	-
	96,612,183	8,042,851

DIVIDENDS

The amount of dividends paid or declared since the end of last financial period were as follows:-

	RM
Declared	
In respect of financial year ended 30 June 2016:-	
Final single tier dividend of 3.0 sen per ordinary share, paid on 25 February 2016	5,573,813

The Directors proposed a final single tier dividend of 3.0 sen per ordinary share, amounting to RM22,391,216 in respect of the financial year ended 30 June 2016 which is subject to approval of the shareholders at the forthcoming Annual General Meeting and will be accounted for as an appropriation of the retained earnings in the financial year ending 30 June 2017.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions (except as disclosed in the notes to the financial statements) during the financial year.

DIRECTORS' REPORT
(cont'd)

DIRECTORS

The Directors in office since the date of the last report are as follows:-

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)
Khoo Kiak Kern (Independent Non-Executive Director)

DIRECTORS' INTEREST

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and its related corporations during the financial year ended 30 June 2016 as recorded in the Register of Director' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:

	Ordinary shares of RM0.50 each				
Interest in the Company	**At 1.7.2015**	**Bought**	**Dividend Reinvestment Plan**	**Sold**	**At 30.6.2016**
Direct Interest					
Lim Ah Hock	63,501,000	262,000	303,300	(2,000,000)	62,066,300
Paul Lim Pay Chuan	38,336,898	50,000	188,800	(1,000,000)	37,575,698
Ibrahim bin Talib	3,753,633	-	18,400	-	3,772,033
Tan Puay Seng	175,733	-	800	-	176,533
Indirect Interest					
Lim Ah Hock#	318,266	-	1,500	-	319,766
Paul Lim Pay Chuan#	318,266	-	1,500	-	319,766

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

By virtue of their interest in the ordinary shares of the Company, Mr. Lim Ah Hock and Mr. Paul Lim Pay Chuan are also deemed to be interested in the ordinary shares or debentures of the Company and its related corporations to the extent the Company has an interest under Section 6A of the Companies Act, 1965.

Other than as disclosed above, none of the other Director in office at the end of the financial year held any shares or had any direct interest in the shares of the Company or its related corporations during the financial year ended 30 June 2016.

DIRECTORS' BENEFITS

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

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

DIRECTORS' **REPORT**
(cont'd)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 799,700 new ordinary shares at par value of RM0.50 each as follows:

Date of allotment	Number of shares	Issue Price	Total consideration
		RM	RM
Dividend Reinvestment Plan			
25 February 2016	799,700	6.09	4,870,173
Represented by:			
Share capital			399,850
Share premium			4,470,323
			4,870,173

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

There were no debentures issued during the financial year.

SHARE GRANT PLAN

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

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

(a) Any eligible executive who meets the following criteria shall be eligible for consideration and/or selection as a selected executive to whom an offer will be made by the SGP committee:
   i) If he has attained the age of eighteen years and is not an undischarged bankrupt;
   ii) If he is of Grade 8 or above;
   iii) If he is employed on a full time basis or if he is serving under an employment contract for a fixed duration and is on or prior to the date of offer be on the payroll of any corporation in the Group and has not served a notice to resign or received a notice of termination;
   iv) If his employment has been confirmed in writing on or prior to the date of offer;
   v) If he is an executive director or 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 Director or 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.

SHARE GRANT PLAN (cont'd)

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

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

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

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

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

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

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

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

During the financial year, there were no any new ordinary shares issued under SGP to the eligible employees of the Group.

DIVIDEND REINVESTMENT PLAN

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

The salient features of the DRP are as follows:-

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

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

DIRECTORS' **REPORT**
(cont'd)

DIVIDEND REINVESTMENT PLAN (cont'd)

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

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

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

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

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

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

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

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

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

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

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

        (i) the Non-Electable Portion (if any); and

        (ii) the Remaining Portion (if any); or

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

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

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

DIRECTORS' REPORT
(cont'd)

DIVIDEND REINVESTMENT PLAN (cont'd)

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

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

The dividends issued or declared under DRP during the financial year are disclosed as follows:-

		Non cash Dividend Reinvestment Plan		
	Cash	**No. of**		**Total**
	RM	**ordinary shares**	**RM**	**RM**
Declared and issued				
In respect of financial period ended 30 June 2015:-				
Final single tier dividend of 3.0 sen per ordinary share paid on 25 February 2016	703,640	799,700 at RM6.09 per ordinary shares	4,870,173	5,573,813

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' **REPORT**
(cont'd)

OTHER STATUTORY INFORMATION (cont'd)

In the opinion of the Directors:-

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

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 40 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are disclosed in Note 41 to the financial statements.

AUDITORS

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

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

....
LIM AH HOCK

DIRECTORS

....
PAUL LIM PAY CHUAN

Kuala Lumpur
6 October 2016

STATEMENT BY **DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 57 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 132 has been compiled in accordance with the Guidance On Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

....
LIM AH HOCK

....
LIM PAY CHUAN

Kuala Lumpur
6 October 2016

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 57 to 131 and the supplementary information set out on page132 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)
6 October 2016)
)

....
TEH BEE CHOO

Before me:

Commissioner for Oaths
S. ARULSAMY W.490

INDEPENDENT AUDITORS' **REPORT**
TO THE MEMBERS OF PESTECH INTERNATIONAL BERHAD
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of PESTECH International Berhad, which comprise the statements of financial position of the Group and of the Company as at 30 June 2016, 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 57 to 131.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 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, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditor's reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries and that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' **REPORT**

TO THE MEMBERS OF PESTECH INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(cont'd)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 132 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

HOOI KOK MUN
(NO.: 2207/01/18(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
6 October 2016

STATEMENTS OF **FINANCIAL POSITION**
AS AT 30 JUNE 2016

		Group		Company	
	Note	2016	2015	2016	2015
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	45,333,300	35,544,261	17,092	35,105
Intangible asset	5	80,630,000	75,460,000	-	-
Investment in subsidiaries	6	-	-	70,328,644	69,828,644
Deferred tax assets	7	309,412	309,412	309,412	309,412
Derivative financial instruments	8	3,690,137	-	-	-
Concession assets	9	219,970,972	-	-	-
Total non-current assets		349,933,821	111,313,673	70,655,148	70,173,161
Current assets					
Inventories	10	69,233,494	83,156,109	-	-
Trade receivables	11	86,167,603	117,076,338	-	-
Other receivables, deposits and prepayments	12	16,798,313	30,172,281	184,740	217,920
Amount due from contract customers	13	184,798,603	135,631,666	-	-
Amount due from related companies	14	34,430	23,430	161,966,394	109,818,939
Derivative financial instruments	8	-	643,800	-	-
Tax recoverable		8,005,405	-	1,859,613	767,655
Short-term deposits with licensed institutions	15	459,713	122,437	-	-
Cash and bank balances	16	16,030,727	30,235,981	9,234	21,363,853
Total current assets		381,528,288	397,062,042	164,019,981	132,168,367
Total assets		731,462,109	508,375,715	234,675,129	202,341,528
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	93,296,733	92,896,883	93,296,733	92,896,883
Share premium	17	89,379,637	84,971,341	89,379,637	84,971,341
Reserves	18	133,374,899	62,522,792	15,989,097	13,520,059
		316,051,269	240,391,016	198,665,467	191,388,283
Non-controlling interest	6	26,097,317	(1,789,902)	-	-
Total equity		342,148,586	238,601,114	198,665,467	191,388,283

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

STATEMENTS OF **FINANCIAL POSITION**
AS AT 30 JUNE 2016
(cont'd)

		Group		Company	
	Note	**2016**	**2015**	**2016**	**2015**
		RM	**RM**	**RM**	**RM**
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	19	1,470,810	2,909,453	-	-
Loans and borrowings	20	112,126,924	35,731,366	-	-
Deferred tax liabilities	21	4,983,000	5,553,920	-	-
Total non-current liabilities		118,580,734	44,194,739	-	-
Current liabilities					
Trade payables	22	19,672,195	60,584,622	2,499	10,174,130
Other payables and accruals	23	26,931,210	12,737,721	7,315,787	777,315
Amount due to contract customers	13	1,933,381	-	-	-
Amount due to Directors	24	872,004	790,291	5	5
Amount due to subsidiaries	14	-	-	28,691,371	-
Finance lease liabilities	19	1,447,180	1,537,908	-	1,795
Loans and borrowings	20	215,577,912	147,436,692	-	-
Provision for taxation		4,298,907	2,492,628	-	-
Total current liabilities		270,732,789	225,579,862	36,009,662	10,953,245
Total liabilities		389,313,523	269,774,601	36,009,662	10,953,245
Total equity and liabilities		731,462,109	508,375,715	234,675,129	202,341,528

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 2016

	Note	Group 1.7.2015 to 30.6.2016 RM	Group 1.1.2014 to 30.6.2015 RM	Company 1.7.2015 to 30.6.2016 RM	Company 1.1.2014 to 30.6.2015 RM
Revenue	25	517,550,585	394,822,191	18,182,672	58,734,078
Cost of sales		(367,842,626)	(290,116,424)	(65)	(16,648,897)
Gross profit		149,707,959	104,705,767	18,182,607	42,085,181
Other income	26	19,300,440	18,494,826	2,220,206	623,707
Administration expenses		(55,404,041)	(42,777,654)	(12,184,242)	(16,153,719)
Finance costs	27	(9,462,642)	(6,521,689)	(9)	(1,701)
Operating profit		104,141,716	73,901,250	8,218,562	26,553,468
Share of loss in an associate		-	(757,069)	-	-
Profit before tax	28	104,141,716	73,144,181	8,218,562	26,553,468
Tax (expense)/income	29	(7,529,533)	(18,423,386)	(175,711)	205,769
Profit for the financial year/period		96,612,183	54,720,795	8,042,851	26,759,237
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
- Exchange translation differences		7,700,956	(1,953,756)	-	-
Total comprehensive income for the financial year/period		104,313,139	52,767,039	8,042,851	26,759,237
Profit for financial year/period attributable to:					
Owners of the Company		69,875,920	54,833,247	8,042,851	26,759,237
Non-controlling interest		26,736,263	(112,452)	-	-
		96,612,183	54,720,795	8,042,851	26,759,237
Total comprehensive income attributable to:					
Owners of the Company		76,425,920	53,075,286	8,042,851	26,759,237
Non-controlling interest		27,887,219	(308,247)	-	-
		104,313,139	52,767,039	8,042,851	26,759,237
Earnings per share attributable to the owners of the Company:					
Basic earnings per share (RM)	31	0.37	0.38		

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		Attributable to owners of the parent							
		Non-distributable				Distributable			
	Note	Share capital	Share premium	Translation reserve	Merger deficit	Retained earnings	Total	Non-controlling interest	Total equity
Group		RM	RM	RM	RM	RM	RM	RM	RM
1 January 2014		46,218,450	19,344,285	186,922	(33,136,979)	59,667,428	92,280,106	2,435	92,282,541
Profit for the financial period		-	-	-	-	54,833,247	54,833,247	(112,452)	54,720,795
Other comprehensive income for the financial period		-	-	(1,757,961)	-	-	(1,757,961)	(195,795)	(1,953,756)
Total comprehensive income for the financial period		-	-	(1,757,961)	-	54,833,247	53,075,286	(308,247)	52,767,039
Transactions with owners:									
Issue of share capital	17	46,678,433	67,338,263	-	-	-	114,016,696	(1,484,090)	112,532,606
Share issuance expenses		-	(1,711,207)	-	-	-	(1,711,207)	-	(1,711,207)
Dividends	30	-	-	-	-	(17,269,865)	(17,269,865)	-	(17,269,865)
Total transactions with owners		46,678,433	65,627,056	-	-	(17,269,865)	95,035,624	(1,484,090)	93,551,534
30 June 2015		92,896,883	84,971,341	(1,571,039)	(33,136,979)	97,230,810	240,391,016	(1,789,902)	238,601,114
Profit for the financial year		-	-	-	-	69,875,920	69,875,920	26,736,263	96,612,183
Other comprehensive income for the financial year		-	-	6,550,000	-	-	6,550,000	1,150,956	7,700,956
Total comprehensive income for the financial year		-	-	6,550,000	-	69,875,920	76,425,920	27,887,219	104,313,139
Transactions with owners:									
Issue of share capital	17	399,850	4,470,323	-	-	-	4,870,173	-	4,870,173
Share issuance expenses		-	(62,027)	-	-	-	(62,027)	-	(62,027)
Dividends	30	-	-	-	-	(5,573,813)	(5,573,813)	-	(5,573,813)
Total transactions with owners		399,850	4,408,296	-	-	(5,573,813)	(765,667)	-	(765,667)
30 June 2016		93,296,733	89,379,637	4,978,961	(33,136,979)	161,532,917	316,051,269	26,097,317	342,148,586

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

(cont'd)

		Non-distributable		Distributable	
	Note	Share capital	Share premium	Retained earnings	Total
		RM	RM	RM	RM
Company					
At 1 January 2014		46,218,450	19,344,285	4,030,687	69,593,422
Profit for the financial period/Total comprehensive income for the financial period		-	-	26,759,237	26,759,237
Transactions with owners:					
Issue of share capital	17	46,678,433	67,338,263	-	114,016,696
Share issuance expenses		-	(1,711,207)	-	(1,711,207)
Dividends to owners of the Company	30	-	-	(17,269,865)	(17,269,865)
Total transactions with owners		46,678,433	65,627,056	(17,269,865)	95,035,624
At 30 June 2015		92,896,883	84,971,341	13,520,059	191,388,283
Profit for the financial year/Total comprehensive income for the financial year		-	-	8,042,851	8,042,851
Transaction with owners:					
Issue of share capital	17	399,850	4,470,323	-	4,870,173
Share issuance expenses		-	(62,027)	-	(62,027)
Dividends of owners of the Company	30	-	-	(5,573,813)	(5,573,813)
Total transactions with owners		399,850	4,408,296	2,469,038	7,277,184
At 30 June 2016		93,296,733	89,379,637	15,989,097	198,665,467

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

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Group		Company	
		1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
		RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		104,141,716	73,144,181	8,218,562	26,553,468
Adjustments for:-					
Bad debts written off		273	-	-	-
Depreciation of property, plant and equipment		4,411,848	4,831,688	16,670	25,501
Loss/(Gain) on disposal of property, plant and equipment		188,026	(13,023)	-	-
Interest expense		9,462,642	6,521,689	9	1,701
Interest income		(717,539)	(286,577)	(97,478)	(260,655)
Share of loss in an associate		-	757,069	-	-
Employee benefits granted under SGP		-	8,077,108	-	7,083,604
Unrealised loss/(gain) on foreign exchange		4,896,479	(14,773,079)	(2,122,728)	(361,938)
Fair value gain on derivative financial instruments		(3,690,137)	(643,800)	-	-
Property, plant and equipment written off		80,211	-	1,343	-
Operating profit before working capital changes		118,773,519	77,615,256	6,016,378	33,041,681
Changes in working capital:-					
Inventories		13,922,615	(20,499,580)	-	-
Receivables		38,681,586	(47,447,344)	40,685	(159,333)
Payables		(26,540,243)	29,311,007	(3,633,159)	10,819,316
Amount due from contract customers		(47,233,556)	(113,579,162)	-	-
Cash generated from/(used in) operations		97,603,921	(74,599,823)	2,423,904	43,701,664
Tax refunded		44,445	-	-	-
Tax paid		(14,344,024)	(14,178,545)	(1,267,669)	(740,038)
Net cash from/(used in) operating activities		83,304,342	(88,778,368)	1,156,235	42,961,626

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(cont'd)

	Note	Group		Company	
		1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
		RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Advance to related companies		(11,000)	(5,995)	(21,340,861)	(102,483,623)
Acquisition of subsidiary, net of cash		-	-	-	(2,985,127)
Acquisition of right under contractual agreement		-	(75,460,000)	-	-
Interest received		717,539	286,577	97,478	260,655
Concession assets		(219,970,972)	-	-	-
Investment in associate		-	255,973	-	-
Cash injection into subsidary		-	-	(500,000)	-
Purchase of property, plant and equipment	A	(13,936,765)	(7,163,381)	-	(5,064)
Proceed from sale of property, plant and equipment		81,365	73,644	-	-
(Placement)/Uplift of bank balances pledged		(42,872)	374,536	-	-
(Placement)/Uplift of fixed deposits with licensed financial institutions		(459,713)	24,573	-	-
Net cash used in investing activities		(233,622,418)	(81,614,073)	(21,743,383)	(105,213,159)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances received from Directors		81,713	17,958	-	-
Dividend paid		(5,573,813)	(1,343,169)	(5,573,813)	(1,343,169)
Proceeds from issuance of ordinary shares, net of share issuance expenses		4,808,146	84,434,465	4,808,146	84,434,465
Interest paid		(9,865,474)	(6,727,637)	(9)	(1,701)
Net drawndown of short term borrowings		69,138,450	53,294,237	-	-
Proceeds from term loans		106,095,423	54,793,173	-	-
Repayment of term loans		(29,454,500)	-	-	-
Repayment of lease payables		(1,667,971)	(2,703,316)	(1,795)	(31,311)
Net cash from/(used in) financing activities		133,561,974	181,765,711	(767,471)	83,058,284
CASH AND CASH EQUIVALENTS					
Net changes		(16,756,102)	11,373,270	(21,354,619)	20,806,751
Brought forward		25,451,958	17,503,583	21,363,853	557,102
Effects of foreign exchange rate		1,267,781	(3,424,895)	-	-
Carried forward	B	9,963,637	25,451,958	9,234	21,363,853

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(cont'd)

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

GROUP

The Group acquired property, plant and equipment with aggregate costs of RM14,075,365 (2015: RM15,732,008) of which RM138,600 and RMNil (2015: RM968,627 and RM7,600,000) was acquired by means of finance lease and term loan financing respectively. Cash payment of RM13,936,765 (2015: RM7,163,381) was made to purchase the property, plant and equipment.

B. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Short-term deposits with licensed institutions (Note 15)	459,713	122,437	-	-
Cash and bank balances (Note 16)	16,030,727	30,235,981	9,234	21,363,853
Bank overdrafts (Note 20)	(6,023,974)	(4,783,779)	-	-
	10,466,466	25,574,639	9,234	21,363,853
Less : Fixed deposits and bank balance pledged to licensed financial instituitions	(502,829)	(122,681)	-	-
	9,963,637	25,451,958	9,234	21,363,853

Fixed deposits with licensed financial institutions and bank balance amounting to RM459,713 (2015: RM122,437) and RM43,116 (2015: RM244) respectively have been pledged to financial institutions for banking facilities granted to the Group and hence, are not available for general use.

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016

1. GENERAL INFORMATION

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 6 October 2016.

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, 1965 in Malaysia.

2.2 Basis of Measurement

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

2. BASIS OF PREPARATION (cont'd)

2.2 Basis of Measurement (cont'd)

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

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

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

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

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

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

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

2.3 Functional and Presentation Currency

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

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

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

At the beginning of the current financial year, the Group and the Company adopted MFRSs and amendments to MFRSs which are mandatory for the financial periods beginning on or after 1 July 2015.

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

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

MFRS and Amendments to MFRSs effective 1 January 2016:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint-venture
Amendments to MFRS 10	Consolidated Financial Statement, MFRS 12 Disclosure of Interest in Other Entities and MFRS 128 Investments in Associates and Joint Ventures: Investment Entities-Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements: Accounting for acquisitions of interests in joint operations
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 138 Intangible Assets: Clarification of acceptable methods of depreciation and amortisation
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 141 Agriculture: Agriculture-Bearer Plants
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012-2014 Cycle, including the amendments to:

MFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal
MFRS 134	Interim Financial Reporting: Disclosures of information "elsewhere in the interim financial report"

Amendments to MFRS effective 1 January 2017:

Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiatives
Amendments to MFRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

MFRS and Amendments to MFRS effective 1 January 2018:

MFRS 9 Financial Instruments	(IFRS 9 Issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Share-based Payment: Clarification and Measurement of Share-based Payment Transactions
Amendments to MFRS 7	Financial Instruments – Disclosures: Mandatory effective date of MFRS 9 and transitional disclosures

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

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 that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company (cont'd):

MFRS effective 1 January 2019:

MFRS 16	Leases

Effective date yet to be confirmed:

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

MFRS 5 and 14 are not applicable to the Group while MFRS 5, 10, 11 and 14 are not applicable to the Company's operation.

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

<u>MFRS 9 Financial Instruments</u>

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

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

<u>MFRS 15 Revenue From Contracts with Customers</u>

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

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

<u>MFRS 16 Leases</u>

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

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 2016, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

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

A 14% (2015: 6%) difference in the expected useful lives of the property, plant and equipment from the management's estimates would result in approximately 1% (2015: 1%) 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 and investment in subsidiaries are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

Inventories

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

The carrying amount of the Group's inventories at the end of the reporting year is disclosed in Note 10 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

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.

The carrying amount of the Group's provision for taxation and deferred tax liabilities at the end of the reporting period, are disclosed on the face of statements of financial position and in Notes 21 and 29 to the financial statements respectively.

Impairment of loans and receivables

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

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

The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Notes 11 and 12 to the financial statements.

Amount due from contract customers

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

The carrying amount of the Group's construction contract at the end of the reporting period is summarised in Note 13 to the financial statements.

2.6.2 Significant Management Judgement

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Subsidiaries

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

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

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

3.1.2 Basis of Consolidation

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

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

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

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

3.1.3 Business Combinations

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

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 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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

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

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

Common Control Business Combination

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

3.1.4 Loss of Control

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

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

3.1.5 Non-Controlling Interest

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

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

3.1.6 Associate and Joint Arrangement

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

3.1.6 Associate and Joint Arrangement (cont'd)

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

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

3.1.7 Foreign Operations

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Property, Plant and Equipment

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

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

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

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

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

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

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

3.3 Intangible Asset

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Intangible Asset (cont'd)

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

Gain or losses arising from derecognition of an intangible assets 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 Concession Assets

The Group recognises revenue from the construction and upgrading of infrastructure projects under build-operate-transfer agreement ("BOT") in accordance with the accounting policy for construction contracts set out in Note 3.14.1. Where the Group performs more than one service under the arrangement, consideration received or receivable is allocated to the components by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

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

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

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

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

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

3.5 Leases

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

3.5.1 Finance Lease

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Leases

3.5.1 Finance Lease

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

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

3.5.2 Operating Lease

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

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

3.6 Inventories

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

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

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

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

3.7 Financial Instruments

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

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

3.7.1 Financial Assets

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial Instruments (cont'd)

3.7.1 Financial Assets (cont'd)

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

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

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

3.7.2 Financial Liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial Instruments (cont'd)

3.7.2 Financial Liabilities (cont'd)

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

At the reporting date, the Group and the Company only carry other liabilities on their statements of financial position.

Financial liabilities at fair value through profit or loss

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

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

Other liabilities measured at amortised cost

The Group's other liabilities include loans and borrowings, trade and other payables.

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

3.7.3 Offsetting of Financial Instruments

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

3.7.4 Derivative Financial Instruments

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

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

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

Other derivatives are presented as current assets or current liabilities.

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Construction Contracts

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

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the percentage of completion of the contract activity at the reporting date. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a period of the contract by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

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

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

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

3.9 Cash and Cash Equivalents

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

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

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

3.10 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Impairment of Non-Financial Assets (cont'd)

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

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

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

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

3.11 Impairment of Financial Assets

3.11.1 Impairment of Financial Assets Carried at Amortised Cost

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
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(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment of Financial Assets (cont'd)

3.11.2 Unquoted Equity Securities Carried at Cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.12 Equity, Reserves and Dividend Payments

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

Share capital represents the nominal value of shares that have been issued.

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

Retained earnings include all current and prior period retained profits.

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

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

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

3.13 Provisions

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

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

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

3.14 Revenue Recognition

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Revenue Recognition (cont'd)

3.14.1 Construction Contracts

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

3.14.2 Sale of Products

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

3.14.3 Management Fee Income

Management fee income is recognised when services are rendered.

3.14.4 Dividend Income

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

3.15 Employee Benefits

3.15.1 Short-Term Employee Benefits

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

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

3.15.2 Defined Contribution Plans

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

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

3.15.3 Share-Based Compensation

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Employee Benefits (cont'd)

3.15.4 Employee Leave Entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

3.16 Borrowing Costs

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

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

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

3.17 Tax Expense

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

3.17.1 Current Tax

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

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

3.17.2 Deferred Tax

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Tax Expense (cont'd)

3.17.2 Deferred Tax (cont'd)

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

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

3.17.3 Goods and Services Tax

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

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

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

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

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

3.18 Contingent Liabilities

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

3.19 Foreign Currencies

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.19 Foreign Currencies (cont'd)

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

3.20 Operating Segment

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

3.21 Related Parties

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

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

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Capital work in progress	Long leasehold land	Buildings	Renovation	Tools and equipment	Motor vehicles	Motor vehicles under finance lease	Office equipment	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
At 1 January 2014	4,034,671	-	1,657,403	5,745,374	480,858	9,464,217	494,930	4,442,662	4,288,296	30,608,411
Additions	1,857,834	817,780	-	-	4,640	10,619,211	153,938	801,272	1,477,333	15,732,008
Capitalisation of borrowing cost	205,948	-	-	-	-	-	-	-	-	205,948
Disposal	-	-	-	-	-	-	(13,161)	(93,539)	(4,190)	(110,890)
Translation differences	-	-	-	-	1,697	160,270	32,008	-	19,984	213,959
At 30 June 2015	6,098,453	817,780	1,657,403	5,745,374	487,195	20,243,698	667,715	5,150,395	5,781,423	46,649,436
Additions	5,539,699	6,352,920	-	-	241,915	459,107	715,316	-	766,408	14,075,365
Capitalisation of borrowing cost	195,753	207,079	-	-	-	-	-	-	-	402,832
Disposal	-	-	-	-	(24,368)	(444,000)	(92,185)	-	(24,952)	(585,505)
Written off	-	-	-	-	-	-	(91,001)	-	(4,478)	(95,479)
Translation differences	-	-	-	-	1,505	78,924	28,050	-	6,383	114,862
At 30 June 2016	11,833,905	7,377,779	1,657,403	5,745,374	706,247	20,337,729	1,227,895	5,150,395	6,524,784	60,561,511
Accumulated depreciation										
At 1 January 2014	-	-	138,119	459,628	173,811	1,693,968	358,621	1,012,717	2,259,982	6,096,846
Charge for the financial period	-	-	25,897	198,258	70,910	1,948,131	52,680	1,474,604	1,061,208	4,831,688
Disposal	-	-	-	-	-	-	(5,264)	(32,739)	(1,926)	(39,929)
Translation differences	-	-	-	-	500	138,903	63,341	-	13,826	216,570
At 30 June 2015	-	-	164,016	657,886	245,221	3,781,002	469,378	2,454,582	3,333,090	11,105,175
Charge for the financial year	-	-	17,265	114,902	60,856	2,159,896	174,984	1,000,341	883,604	4,411,848
Disposal	-	-	-	-	(10,911)	(201,049)	(87,356)	-	(16,364)	(315,680)
Written off	-	-	-	-	-	-	(12,133)	-	(3,135)	(15,268)
Translation differences	-	-	-	-	484	25,685	12,134	-	3,833	42,136
At 30 June 2016	-	-	181,281	772,788	295,650	5,765,534	557,007	3,454,923	4,201,028	15,228,211
Net carrying amount										
At 30 June 2016	11,833,905	7,377,779	1,476,122	4,972,586	410,597	14,572,195	670,888	1,695,472	2,323,756	45,333,300
At 30 June 2015	6,098,453	817,780	1,493,387	5,087,488	241,974	16,462,696	198,337	2,695,813	2,448,333	35,544,261

Freehold land, long leasehold land and buildings are pledged as securities for the related term loans.

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(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Motor vehicles under finance lease	Office equipment	Total
	RM	RM	RM
Cost			
At 1 January 2014	74,068	4,478	78,546
Additions	-	5,064	5,064
At 30 June 2015	74,068	9,542	83,610
Written off	-	(4,478)	(4,478)
At 30 June 2016	74,068	5,064	79,132
Accumulated depreciation			
At 1 January 2014	22,220	784	23,004
Charge for the financial period	22,220	3,281	25,501
At 30 June 2015	44,440	4,065	48,505
Charge for the financial year	14,814	1,856	16,670
Written off	-	(3,135)	(3,135)
At 30 June 2016	59,254	2,786	62,040
Net carrying amount			
At 30 June 2016	14,814	2,278	17,092
At 30 June 2015	29,628	5,477	35,105

5. INTANGIBLE ASSET

	Group	
	2016	2015
	RM	RM
Right		
Cost		
At 1 July 2015/At 1 January 2014	75,460,000	-
Acquired during the financial period through a contractual agreement	-	75,460,000
Translation differences	5,170,000	-
At 30 June	80,630,000	75,460,000

Prior to the financial year end, the Group has acquired a right to construct, maintain and service a transmission system in Cambodia for a period of 25 years starting from the commencement of the operation of the transmission system.

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016
(cont'd)

6. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost		
At 1 July 2015/At 1 January 2014	69,828,644	37,516,948
Transfer from associates	-	1,166,067
Additions	500,000	30,152,125
Capital contributions	-	993,504
At 30 June	70,328,644	69,828,644

The particulars of the subsidiaries are as follows:-

Name of company	Place of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Xcell (ATS) Sdn. Bhd.	Malaysia	100	100	Provision of design and supply of remote control systems and data communication products and its related services.
PESTECH Sdn. Bhd.	Malaysia	100	100	Provision of comprehensive power system engineering and technical solutions for the design, procurement and installation of substations, transmission lines and underground cables for electricity transmission and distribution, and also manufacture proprietary power system.
PESTECH Switchgear Sdn. Bhd.	Malaysia	100	100	Marketing of medium voltage switchgear products.
PESTECH Technology Sdn. Bhd.	Malaysia	100	100	Provision of design, engineering, supply and commissioning of balance of plant systems for power plants and rail electrification projects.
PESTECH Power Sdn. Bhd.	Malaysia	100	100	To own power transmission assets both locally and overseas.
PESTECH (Sarawak) Sdn. Bhd.	Malaysia	100	100	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
SystemCORP Embedded Technology Pty Ltd	Australia	51	51	Provision of design, manufacture and supply of supervisory control and data acquisition systems, SMART Grid products and associated software and hardware products for the electrical utility industry.

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

The particulars of the subsidiaries are as follows:- (cont'd)

Name of company	Place of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Subsidiaries of PESTECH Sdn. Bhd.:				
Fornix Sdn. Bhd.	Malaysia	100	100	Investment holding company.
PESTECH (Cambodia) Limited*	Cambodia	100	100	Construction of electrical substation and transmission line.
PESTECH (Brunei) Sdn. Bhd.#	Brunei	90	90	Provision of electrical engineering services, specialising in transmission and distribution.
PESTECH Transmission Limited#	Ghana	100	100	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
Enersol Co. Ltd.	Malaysia	100	100	Investment holding, provision of comprehensive power system engineering and technical solution for the design, procurement and installation of substations, transmission lines and underground cables for electricity transmission and distribution.
Subsidiaries of PESTECH Power Sdn. Bhd.:				
Diamond Power Ltd.*	Cambodia	60	60	Own, operate and maintain 230kV Kampong Cham – Kratie power transmission infrastructure system.

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

Capital contributions:

Capital contributions represents the fair value of shares granted under Share Grant Plan to the eligible employees of the Group, which amounts to RMNil (2015: RM989,967) and RMNil (2015: RM3,537) for the employees of PESTECH Sdn. Bhd. and PESTECH (Sarawak) Sdn. Bhd. respectively.

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

Non-controlling interests in a subsidiary:

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

	PESTECH (Brunei) Sdn. Bhd. 1.7.2015 to 30.6.2016	Diamond Power Ltd. 1.7.2015 to 30.6.2016	SystemCORP Embedded Technology Pty. Ltd. 1.7.2015 to 30.6.2016	Total 1.7.2015 to 30.6.2016
Percentage of ownership interest and voting interest (%)	10	40	49	
Carrying amount of non-controlling interests (RM)	(32,007)	27,141,916	(1,012,592)	26,097,317
(Loss)/Profit allocated to non-controlling interests (RM)	(32,631)	26,753,993	14,901	26,736,263
Total comprehensive (loss)/income allocated to non-controlling interest (RM)	(34,159)	27,359,363	562,015	27,887,219

	PESTECH (Brunei) Sdn. Bhd. 1.1.2014 to 30.6.2015	Diamond Power Ltd. 1.1.2014 to 30.6.2015	SystemCORP Embedded Technology Pty. Ltd. 1.1.2014 to 30.6.2015	Total 1.1.2014 to 30.6.2015
Percentage of ownership interest and voting interest (%)	10	40	49	
Carrying amount of non-controlling interests (RM)	2,152	(78,647)	(1,713,407)	(1,789,902)
Loss allocated to non-controlling interests (RM)	(283)	(78,647)	(33,522)	(112,452)
Total comprehensive (loss)/income allocated to non-controlling interest (RM)	(1,372)	3,254	(310,129)	(308,247)

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2016
(cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

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

		2016	
	PESTECH (Brunei) Sdn. Bhd. RM	Diamond Power Ltd. RM	SystemCORP Embedded Technology Pty. Ltd. RM
Financial position as at 30 June			
Non-current assets	-	300,622,085	-
Current-assets	202,286	3,824,817	762,998
Non-current liabilities	-	(93,705,622)	-
Current liabilities	(507,537)	(144,547,473)	(2,206,858)
(Net liabilities)/Net assets	(305,251)	66,193,807	(1,443,860)
Summary of financial performance for the financial year ended 30 June			
(Loss)/Profit for the year	(313,295)	66,036,302	277,235
Other comprehensive loss	(15,283)	(1,513,497)	(1,110,323)
Total other comprehensive (loss)/income	(328,578)	64,522,805	(833,088)
Included in total other comprehensive income is :			
Revenue	-	225,530,948	2,675,183
Summary of cash flows for the financial year ended 30 June			
Net cash (outflow)/inflow from operating activities	(102,995)	(95,623,526)	(82,328)
Net cash inflow/(outflow) from investing activities	16,353	(21,072)	99,514
Net cash inflow/(outflow) from financing activities	-	96,900,801	(99,631)
Net cash (outflow)/inflow	(86,642)	1,256,203	(82,445)

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

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

	2015		
	PESTECH (Brunei) Sdn. Bhd. RM	Diamond Power Ltd. RM	SystemCORP Embedded Technology Pty. Ltd. RM
Financial position as at 30 June			
Non-current assets	35,522	2,664	1,448,950
Current-assets	465,213	13,471,376	357,956
Non-current liabilities	-	-	-
Current liabilities	(477,408)	(11,803,038)	(2,417,678)
Net assets/(Net liabilities)	23,327	1,671,002	(610,772)
Summary of financial performance for the financial period ended 30 June			
Loss for the year	(2,832)	(203,750)	(68,413)
Other comprehensive income/(loss)	(10,258)	204,752	(564,503)
Total other comprehensive income/(loss)	(13,090)	1,002	(632,916)
Included in total other comprehensive income is:			
Revenue	490,769	-	2,425
Summary of cash flows for the financial period ended 30 June			
Net cash inflow/(outflow) from operating activities	133,313	(1,573,208)	(644,127)
Net cash inflow from investing activities	8,409	1,883,858	662,805
Net cash (outflow) from financing activities	-	-	(59,634)
Net cash inflow/(outflow)	141,722	310,650	(40,956)

Acquisition of subsidiaries:

Group

2016

PESTECH (Sarawak) Sdn Bhd

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

Enersol Co. Ltd.

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

7. DEFERRED TAX ASSETS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
At 1 July 2015/At 1 January 2014	309,412	-	309,412	-
Recognised in profit or loss (Note 29)	-	309,412	-	309,412
At 30 June	309,412	309,412	309,412	309,412

The deferred tax assets as at the end of the reporting period are made up of the temporary difference arising from:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Unutilised business losses	309,412	309,412	309,412	309,412

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Carrying amount of qualifying property, plant and equipment in excess of their tax base	17,092	-	17,092	-
Pioneer losses	-	-	-	-
Unabsorbed tax losses	(5,465,658)	-	(5,176,341)	-
Unutilised capital allowances	(64,499)	-	(64,499)	-
	(5,513,066)	-	(5,223,748)	-

The deductible temporary differences, unabsorbed tax losses and unutilised capital allowances are available indefinitely for offset against future taxable profits of the Company and the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of the Company and the subsidiary in the Group and they have arisen in the Company and the subsidiary that have a recent history of losses.

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2016
(cont'd)

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Contract/ notional amount	Assets/ (Liabilities)	Contract/ notional amount	Assets/ (Liabilities)
	RM	RM	RM	RM
Hedging derivatives:				
Non - Current				
Forward currency contracts	96,585,000	3,690,137	-	-
Current				
Forward currency contracts	-	-	5,668,000	643,800

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

As at 30 June 2016, the Group has forward currency contracts outstanding designated as hedges of expected future collection from customers for which the Group has high probable forecasted transactions. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

9. CONCESSION ASSETS

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

10. INVENTORIES

	Group 2016 RM	Group 2015 RM
At cost:-		
Work-in-progress	58,457,618	82,906,541
General stocks	10,775,876	249,568
	69,233,494	83,156,109

The amount of inventories recognised as cost of sales in profit or loss for the financial year/period is RM175,590,021 (2015: RM253,630,488).

11. TRADE RECEIVABLES

	Group 2016 RM	Group 2015 RM
Trade receivables	52,056,432	79,295,550
Retention sum on contracts (Note 13)	34,111,171	37,780,788
	86,167,603	117,076,338

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 0 to 60 days (2015: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other receivables	14,146,319	20,861,199	162,928	197,176
Deposits	1,408,885	1,077,647	-	-
Prepayments	1,243,109	8,233,435	21,812	20,744
	16,798,313	30,172,281	184,740	217,920

As at 30 June 2016, included in other receivables of the Group was advance payment paid to suppliers of RM6,883,000 (2015 : RM14,412,638).

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

13. AMOUNT DUE FROM CUSTOMERS ON CONTRACTS

	Group	
	2016	2015
	RM	RM
Cost incurred on contracts to date	1,071,256,051	601,453,714
Add: Attributable profits	383,963,885	260,685,009
	1,455,219,936	862,138,723
Less: Progress billings	(1,272,354,714)	(726,507,057)
Amount due from customers for contract works	182,865,222	135,631,666
Presented as:		
Amount due from contract customers	184,798,603	135,631,666
Amount due to a contract customer	(1,933,381)	-
	182,865,222	135,631,666
Retention sum on contracts included in trade receivables (Note 11)	34,111,171	37,780,788
Retention sum on contracts included in trade payables (Note 22)	3,013,444	1,711,090

14. AMOUNT DUE FROM/(TO) RELATED COMPANIES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Amount due from:				
Jointly-controlled entity	34,430	23,430	-	-
Subsidiaries	-	-	161,966,394	109,818,939
	34,430	23,430	161,966,394	109,818,939
Amount due to:				
Subsidiaries	-	-	28,691,371	-

Included in amount due from a subsidiary is dividend receivable from the subsidiary amounting to RM12,000,000 (2015: RM4,000,000).

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

NOTES TO THE **FINANCIAL STATEMENTS**
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(cont'd)

15. SHORT-TERM DEPOSITS WITH LICENSED INSTITUTIONS

	Group	
	2016	2015
	RM	RM
Fixed deposits with licensed institutions	459,713	-
Sinking funds	-	122,437

The fixed deposits with licensed institutions and sinking funds are pledged to financial institutions for banking facilities granted to the Group and hence, are not available for general use.

The effective interest rates on short-term deposits range from 2.90% to 3.30% (2015: 2.80% to 3.20%) per annum. The average maturity periods of the short-term deposits range from 2 months to 12 months (2015: 1 month to 12 months).

16. CASH AND BANK BALANCES

Group

Included in cash and bank balances of the Group is an amount of RM43,116 (2015: RM244) which is pledged to financial institutions for guarantee facilities granted to a subsidiary and are not available for general use.

17. SHARE CAPITAL AND SHARE PREMIUM

Group and Company

Share capital

	2016		2015	
	Number of ordinary shares of RM0.50 each	Amount	Number of ordinary shares of RM0.50 each	Amount
		RM		RM
Authorised:				
At 1 July 2015/At 1 January 2014	1,000,000,000	500,000,000	100,000,000	50,000,000
Created during the financial year/period	-	-	900,000,000	450,000,000
At 30 June	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid:				
At 1 July 2015/At 1 January 2014	185,793,766	92,896,883	92,436,900	46,218,450
Issued during the financial year/period:				
-Private placement	-	-	20,343,600	10,171,800
-Dividend Reinvestment Plan	799,700	399,850	5,585,800	2,792,900
-Share Grant Plan	-	-	1,779,400	889,700
-Bonus issue	-	-	65,648,066	32,824,033
	799,700	399,850	93,356,866	46,678,433
At 30 June	186,593,466	93,296,733	185,793,766	92,896,883

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2016
(cont'd)

17. SHARE CAPITAL AND SHARE PREMIUM (cont'd)

Group and Company (cont'd)

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.

Share premium

	2016 RM	2015 RM
At 1 July 2015/At 1 January 2014	84,971,341	19,344,285
Increase on issuance of share capital		
-Private placement	-	75,973,872
-Dividend reinvestment plan	4,470,323	17,001,016
-Share grant plan	-	7,187,408
	4,470,323	100,162,296
Utilisation in bonus issue exercise	-	(32,824,033)
Share issuance expenses	(62,027)	(1,711,207)
At 30 June	89,379,637	84,971,341

18. RESERVES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable reserve:				
Merger deficit	(33,136,979)	(33,136,979)	-	-
Exchange translation reserve	4,978,961	(1,571,039)	-	-
	(28,158,018)	(34,708,018)	-	-
Distributable reserve:				
Retained earnings	161,532,917	97,230,810	15,989,097	13,520,059
	133,374,899	62,522,792	15,989,097	13,520,059

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.

NOTES TO THE **FINANCIAL STATEMENTS**

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(cont'd)

19. FINANCE LEASE LIABILITIES

The finance lease liabilities are payables as follows:-

Group	Current liabilities Not later than one year RM	Non-current liabilities Later than one year but not later than five years RM	Total RM
2016			
Future minimum lease payments	1,555,832	1,555,069	3,110,901
Less: Unexpired interest	(108,652)	(84,259)	(192,911)
Present value of minimum lease payments	1,447,180	1,470,810	2,917,990
2015			
Future minimum lease payments	1,754,041	3,092,018	4,846,059
Less: Unexpired interest	(216,133)	(182,565)	(398,698)
Present value of minimum lease payments	1,537,908	2,909,453	4,447,361

Company	Current liabilities Not later than one year RM	Non-current liabilities Later than one year but not later than five years RM	Total RM
2015			
Future minimum lease payments	1,804	-	1,804
Less: Unexpired interest	(9)	-	(9)
Present value of minimum lease payments	1,795	-	1,795

The Group's finance leases bear interest at rates ranging from 2.25% to 3.80% (2015: 2.25% to 3.86%) per annum and are secured over the leased assets and corporate guarantee of the Company.

The Company's finance leases bear interest at Nil (2015: 3.33%) per annum and are secured over the leased assets.

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

NOTES TO THE **FINANCIAL STATEMENTS**
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(cont'd)

20. LOANS AND BORROWINGS

	Group	
	2016	2015
	RM	RM
Non-current liabilities		
Secured:		
Term loans	106,686,924	2,890,366
Unsecured:		
Loan from third party	-	26,411,000
Term loans	5,440,000	6,430,000
	112,126,924	35,731,366
Current liabilities		
Secured:		
Bank overdrafts	6,023,974	4,783,779
Bankers' acceptances	24,268,673	24,914,000
Trust receipts	101,595,557	65,952,554
Revolving credit	54,389,208	20,327,182
	186,277,412	115,977,515
Unsecured:		
Loan from third party	28,220,500	30,184,000
Term loans	1,080,000	1,275,177
	29,300,500	31,459,177
	215,577,912	147,436,692
Total borrowings:		
Term loans	113,206,924	10,595,543
Bank overdrafts	6,023,974	4,783,779
Bankers' acceptance	24,268,673	24,914,000
Trust receipts	101,595,557	65,952,554
Revolving credit	54,389,208	20,327,182
Loan from third party	28,220,500	56,595,000
	327,704,836	183,168,058

The effective interest rates per annum are as follows:

	2016	2015
	%	%
Term loans	4.70 – 5.69	5.69
Bank overdrafts	7.85 – 8.60	4.70 – 5.54
Bankers' acceptances	4.97 – 6.56	3.89 – 7.10
Trust receipts	1.53 – 8.20	2.05 – 6.95
Revolving credit	5.76 – 6.60	5.90

NOTES TO THE **FINANCIAL STATEMENTS**
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20. LOANS AND BORROWINGS (cont'd)

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

		2016 RM	2015 RM
	Term loans		
(i)	A nine (9) years term loan of RM22,960,000 which is repayable by 107 equal monthly installments of RM220,000 and a final installment of RM5,392,109, the first of which is to commence on the first day of the 14th month from the date of full disbursement or upon expiry of the availability period or upon notification from the bank	6,628,382	2,960,000
(ii)	A seven (7) years term loan of RM9,500,000 which is repayable by 83 equal monthly installments of RM90,000 and a final installment of RM130,000 commencing 3 July 2015	6,520,000	7,635,543
(iii)	A three (3) years term loan of RM6,750,000 which is repayable by 36 equal monthly installments of RM20,617 and RM21,015 until full settlement of the Facility, commencing 1 month after full drawdown, or 1 month after the expiry of the availability period, whichever earlier	6,352,920	-
(iv)	A ten (10) years term loan of RM271,723,100 which is repayable by quarterly basis over 7 years with the first installment payable upon the expiry of the 3 years grace period from the date of the first drawdown. The principal repayment amounts to USD5,948,571 for the 4th year to 6th year and USD12,888,571 for the 7th to 10th years from the date of first drawdown	93,705,622	-
		113,206,924	10,595,543
	Loan from third party		
	A two (2) years term loan of RM56,595,000 which is repayable by 5 installments based on the payment schedule of the collaboration agreement commencing 14 March 2015	28,220,500	56,595,000
		141,427,424	67,190,543

Term loan (i) consists of two tranches:-

(a) Tranche A of RM2,960,000

To finance up to 80% of the purchase of a freehold industrial land. The term loan was disbursed on 27 September 2013.

(b) Tranche B of RM20,000,000

To finance up to 80% of the total development costs (excluding land cost) of no less than RM25,000,000 of a 4 1/2 storey factory annexed with an office building ("the subject factory") to be constructed on the subject land. The term loan is pending certain documentation prior to full disbursement of the amount.

The term loan (i) is secured by:

(i) Facility Agreement for RM22,963,520 together with profit, commission and all other charges thereon;
(ii) A first party fixed charge over the subject land;
(iii) A debenture limited to the subject land incorporating with a power of attorney to empower the bank in the event of default, to sell and/or to appoint a developer or contractor to commence and/or continue with the subject factory and to effect any subsequent transfer and do all acts to ensure the full completion of the subject factory; and
(iv) Corporate guarantee from the Company.

NOTES TO THE **FINANCIAL STATEMENTS**
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20. LOANS AND BORROWINGS (cont'd)

The term loan (ii) is obtained by way of corporate guarantee by the Company.

The term loan (iii) is secured by:-

(i) Letter of Offers;
(ii) Master Facility Agreements;
(iii) Asset Sale Agreements over Shariah compliant commodities;
(iv) Pending issuance of the individual titles, Deeds of Assignment of the Sale and Purchase Agreement with Power Attorney to transfer or otherwise deal with the property held under Master Title, Geran 317242, Lot 92087, Mukim Damansara, Daerah Petaling, Selangor known as B2-1001 and B2-1002, Meritus Tower, Oasis Corporate Park, 43701 Ara Damansara, Selangor; and subsequently, upon issuance of the individual, a Legal Charge over the property; and
(v) Corporate guarantee from the Company.

The term loan (iv) is secured by:-

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

Other loans and borrowings of the Group are secured by:-

(i) Facilities Agreements;
(ii) Leasehold land and building of a subsidiary;
(iii) Fixed deposits and bank balances;
(iv) Corporate guarantee by the Company;
(v) Blanket Counter Indemnity from a subsidiary of the Company;
(vi) Letter of Undertaking from a subsidiary of the Company; and
(vii) Assignment of contract proceeds in relation to the financed projects.

NOTES TO THE **FINANCIAL STATEMENTS**
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(cont'd)

21. DEFERRED TAX LIABILITIES

The deferred tax liabilities are made up of the following:

	Group	
	2016	**2015**
	RM	**RM**
At 1 July 2015/At 1 January 2014	5,553,920	1,101,200
Recognised in profit or loss (Note 29)	(1,404,000)	4,298,720
	4,149,920	5,399,920
Underprovision in prior year	833,080	154,000
At 30 June	4,983,000	5,553,920

The deferred tax liabilities as at the end of the reporting period are derived from the following:

	Group	
	2016	**2015**
	RM	**RM**
Property, plant and equipment	2,206,000	2,013,000
Unrealised gain on foreign exchange	2,777,000	3,540,920
	4,983,000	5,553,920

The corporate tax rate will be reduced to 24% from the year of assessment 2016 onwards as announced in the Malaysian Budget 2014. Consequently, deferred tax assets and liabilities are measured using 24%.

22. TRADE PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Trade payables	16,658,751	58,873,532	2,499	10,174,130
Retention sum on contracts (Note 13)	3,013,444	1,711,090	-	-
	19,672,195	60,584,622	2,499	10,174,130

Included in trade payables of the Group is an amount due to related parties amounting RM2,645,255 (2015: RM770,173) which is unsecured, non-interest bearing and the normal credit terms granted by the party is 90 days (2015: 90 days).

Trade payables are non-interest bearing and the normal credit terms granted by the trade payables range from Group: 14 days to 90 days, Company: 61 days to 90 days (2015: Group: 14 days to 90 days, Company: 61 days to 90 days).

NOTES TO THE **FINANCIAL STATEMENTS**
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(cont'd)

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other payables	15,604,887	11,934,374	572,778	646,485
Deposits received	394,268	-	-	-
Accruals	10,932,055	803,347	6,743,009	130,830
	26,931,210	12,737,721	7,315,787	777,315

24. AMOUNT DUE TO DIRECTORS

The amount due to Directors is unsecured, bears no interest and repayable upon demand.

25. REVENUE

Revenue of the Group and the Company was derived from engineering, procurement, manufacturing, construction and commissioning of power substations and transmission lines which consist of sales of products and rendering of services under contract.

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Sales of products	49,808,775	43,892,013	379,675	17,899,581
Rendering of services under construction contracts	467,741,810	350,930,178	-	-
Management fee income	-	-	5,802,997	12,234,497
Dividend income	-	-	12,000,000	28,600,000
	517,550,585	394,822,191	18,182,672	58,734,078

26. OTHER INCOME

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Interest income	717,539	286,847	97,478	260,655
Gain on disposal of property, plant and equipment	-	13,023	-	-
Realised gain on foreign exchange	13,726,106	766,756	-	-
Unrealised gain on foreign exchange	-	14,773,079	2,122,728	361,938

NOTES TO THE **FINANCIAL STATEMENTS**
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26. OTHER INCOME (cont'd)

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Fair value gain on derivative financial instruments	3,690,137	643,800	-	-
Sundry income	1,158,858	1,998,466	-	1,114
Rental income	7,800	12,855	-	-
	19,300,440	18,494,826	2,220,206	623,707

27. FINANCE COSTS

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Interest expense on:				
Term loans	1,716,960	43,853	-	-
Finance lease liabilities	218,983	502,391	9	1,701
Bank overdrafts	467,591	440,395	-	-
Bankers' acceptance/Letter of credit/Trust receipts/Project financing facility/Revolving credit	6,958,969	5,535,050	-	-
Interest expense charged by shareholder	100,139	-	-	-
	9,462,642	6,521,689	9	1,701

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

28. PROFIT BEFORE TAX

Profit before tax is determined after charging, amongst others, the following items:-

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Auditors' remuneration:				
Auditors of the Company				
- statutory audit	189,000	169,793	30,000	25,000
- underprovision in prior year	4,951	-	-	-
- other services	8,000	8,000	8,000	8,000
Other auditors				
- statutory audit	122,169	86,358	-	-
Bad debts written off	273	-	-	-
Depreciation of property, plant and equipment	4,411,848	4,831,688	16,670	25,501
Directors' remuneration:				
- fee	139,920	190,800	139,920	190,800
- other emoluments	9,546,473	12,424,809	9,114,595	12,424,809
Interest expense	9,462,642	6,521,689	9	1,701
Loss on disposal of property, plant and equipment	188,026	-	-	-
Rental of premises	1,268,278	817,036	-	-
Rental of motor vehicles	32,141	66,740	-	-
Realised loss on foreign exchange	883,522	17,104	849,267	118,916
Unrealised loss on foreign exchange	4,896,479	-	-	-
Property, plant and equipment written off	80,211	-	1,343	-
Share of loss in an associate	-	757,069	-	-

29. TAX EXPENSE/(INCOME)

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Current year taxation	8,660,678	14,613,530	175,711	103,643
Deferred taxation				
- Assets (Note 7)	-	(309,412)	-	(309,412)
- Liabilities (Note 21)	(1,404,000)	4,298,720	-	-
	7,256,678	18,602,838	175,711	(205,769)

NOTES TO THE **FINANCIAL STATEMENTS**
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(cont'd)

29. TAX EXPENSE/(INCOME) (cont'd)

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Under/(Over) provision in prior years				
- current tax	(560,225)	(333,452)	-	-
- deferred tax	833,080	154,000	-	-
	272,855	(179,452)	-	-
	7,529,533	18,423,386	175,711	(205,769)

Malaysian income tax is calculated at the statutory rate of 24% (2015: 25%) of the estimated taxable profits for the financial year.

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

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

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Profit before tax	104,141,716	73,144,181	8,218,562	26,553,468
At Malaysian statutory tax rate of 24% (2015: 25%)	24,994,012	18,286,045	1,972,455	6,638,367
Effects of different tax rates in overseas subsidiaries	(944,991)	(171,431)	-	-
Tax effects in respect of:-				
- expenses not deductible for tax purposes	3,197,614	663,433	44,030	305,864
- income not subject to tax	(21,138,324)	(105,709)	(2,880,000)	(7,150,000)
- deferred tax assets not recognised during the financial year/period	1,148,367	(69,500)	1,039,226	-
	7,256,678	18,602,838	175,711	(205,769)
Under/(Over) provision in prior years	272,855	(179,452)	-	-
	7,529,533	18,423,386	175,711	(205,769)

NOTES TO THE **FINANCIAL STATEMENTS**

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(cont'd)

30. DIVIDENDS

	Cash RM	Non-Cash Dividend Reinvestment Plan No. of ordinary shares	Non-Cash Dividend Reinvestment Plan RM	1.7.2015 to 30.6.2016 Total RM	1.1.2014 to 30.6.2015 Total RM
In respect of the financial year 31 December 2013:					
Final single tier dividend of 2.0 sen per ordinary share, paid on 17 September 2014	456,759	1,789,600 at RM3.42 per ordinary share	6,120,432	-	6,577,191
In respect of the financial period ended 30 June 2015:					
First interim single tier dividend of 2.0 sen per ordinary share, paid on 21 November 2014	268,467	856,000 at RM3.57 per ordinary share	3,055,920	-	3,324,387
Second interim single tier dividend of 4.0 sen per ordinary share, paid on 14 May 2015	418,979	1,586,600 at RM4.38 per ordinary share	6,949,308	-	7,368,287
In respect of financial year ended 30 June 2016:					
Final single tier dividend of 3.0 sen per ordinary share	703,640	799,700 at RM6.09 per ordinary shares	4,870,173	5,573,813	-
				5,573,813	17,269,865

The Directors proposed a final single tier dividend of 3.0 sen per ordinary share, amounting to RM22,391,216 in respect of the financial year ended 30 June 2016 which is subject to approval of the shareholders at the forthcoming Annual General Meeting and will be accounted for as an appropriation of the retained earnings in the financial year ending 30 June 2017.

31. EARNINGS PER ORDINARY SHARE

Basic earnings per share

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

	Group 1.7.2015 to 30.6.2016	Group 1.1.2014 to 30.6.2015
Profit attributable to owners of the Company (RM)	69,875,920	54,833,247
Weighted average number of ordinary shares in issue - basic (no. of shares):		
- Issued ordinary shares at 1 July 2015/at 1 January 2014	185,793,766	92,436,900
- Effect of ordinary shares issued during the financial year/period	677,907	53,147,274
	186,471,673	145,584,174
Basic earnings per share (RM)	0.37	0.38

NOTES TO THE **FINANCIAL STATEMENTS**
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(cont'd)

31. EARNINGS PER ORDINARY SHARE (cont'd)

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

32. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Salaries, wages, bonuses and other emoluments	29,558,421	38,941,642	3,460,175	4,149,640
Social security contributions	1,832,863	2,284,491	2,922	4,073
Defined contribution plan	1,115,350	1,094,441	414,706	495,802
Directors' fee	139,920	190,800	139,920	190,800
Fair value of shares granted under Share Grant Plan	6,375,555	10,784,996	6,375,555	9,479,159
Other benefits	1,340,914	2,015,599	86,337	48,383
	40,363,023	55,311,969	10,479,615	14,367,857

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

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Executive Directors:				
Salaries, bonuses and other emoluments	9,219,339	12,079,759	8,824,930	12,079,759
Defined contribution plan	326,071	343,456	288,602	343,456
Social security contributions	1,063	1,594	1,063	1,594
	9,546,473	12,424,809	9,114,595	12,424,809
Non-Executive Directors:				
Directors' fee	139,920	190,800	139,920	190,800

The estimated monetary value of benefit-in-kind received and receivable by the Executive Directors otherwise than in cash from the Group amounted to RM54,000 (2015: RM84,000).

NOTES TO THE **FINANCIAL STATEMENTS**
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(cont'd)

33. 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 2016 %	Effective interest 2015 %	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.

34. COMMITMENTS

34.1 Operating lease commitments - as lessee

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

	Group 1.7.2015 to 30.6.2016 RM	Group 1.1.2014 to 30.6.2015 RM
Future minimum lease payments payables:		
Not later than 1 year	1,060,326	673,559
Later than 1 year but not later than 2 years	1,054,396	166,062
	2,114,722	839,621

Operating lease commitments represent rentals payable for rent of the buildings and offices. Leases are negotiated for terms of 1 to 3 years (2015: 3 years).

34.2 Finance lease commitments

The future minimum lease payments under finance leases are disclosed in Note 19 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

34. COMMITMENTS (cont'd)

34.3 Capital commitments

	Group	
	2016	2015
	RM	RM
Capital expenditure		
Authorised and contracted for:		
- Property, plant and equipment	794,520	7,147,440

35. CONTINGENCIES

35.1 Corporate guarantees extended by the Company to financial institutions for credit facilities granted to subsidiaries at the end of the reporting year are as follows:-

	Company	
	2016	2015
	RM	RM
Secured		
Finance lease liabilities of subsidiaries		
- Outstanding as at 30 June 2016/30 June 2015	2,716,677	4,621,428
Loans and borrowings of subsidiaries		
- Outstanding as at 30 June 2016/30 June 2015	181,463,486	126,573,059
Unsecured		
Suppliers of a subsidiary		
- Outstanding as at 30 June 2016/30 June 2015	-	100,000

The corporate guarantees do not have a determinable effect on the terms of the credit facilities due to the banks, financial institutions and suppliers requiring parent guarantees as a pre-condition for approving the credit facilities granted to the subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiaries. As such, there is no value on corporate guarantee to be recognised in the financial statements.

35.2 A subsidiary of the Company received a Notice of Tax Reassessment from the tax authority to claim a purportedly undeclared prepayment profit tax and value-added tax amounting to USD 555,586 (approximately RM2,096,226) pertaining to the period from 1 May 2011 to 31 July 2011. 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.

NOTES TO THE **FINANCIAL STATEMENTS**
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36. RELATED PARTY DISCLOSURES

36.1 Related party transactions

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

	Group		Company	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM	RM	RM
Subsidiaries				
- Sale of products	-	-	379,675	18,355,464
- Management fee received	-	-	5,828,797	12,277,147
- Dividend received	-	-	12,000,000	28,600,000
Related parties by virtue of common shareholders and common key management personnel				
- Purchase of materials and services received	30,691,448	27,232,990	-	-

36.2 Compensation of key management personnel

The Group has no other members of key management personnel apart from the Board of Directors.

36.3 Outstanding balances arising from related party transactions with related parties related by virtue of common shareholders and common key management personnel

	Group	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
	RM	RM
Payable to related parties	(2,645,225)	(3,284,010)

37. FINANCIAL INSTRUMENTS

37.1 Categories of financial instruments

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

(i) Loans and receivables (L&R);
(ii) Financial assets at fair value through profit or loss (FVTPL);
(iii) Other liabilities measured at amortised cost (OL).

NOTES TO THE **FINANCIAL STATEMENTS**
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(cont'd)

37. FINANCIAL INSTRUMENTS (cont'd)

37.1 Categories of financial instruments (cont'd)

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

	Carrying amount RM	L&R RM	FVTPL RM	OL RM
Group				
2016				
Financial assets				
Derivative financial instrument	3,690,137	-	3,690,137	-
Receivables	286,555,840	286,555,840	-	-
Short-term deposit with licensed institutions	459,713	459,713	-	-
Cash and bank balances	16,030,727	16,030,727	-	-
	306,736,417	303,046,280	3,690,137	-
Financial liabilities				
Payables	49,408,790	-	-	49,408,790
Finance lease liabilities	2,917,990	-	-	2,917,990
Loans and borrowings	327,704,836	-	-	327,704,836
	380,031,616	-	-	380,031,616
2015				
Financial assets				
Derivative financial instrument	643,800	-	643,800	-
Receivables	274,670,280	274,670,280	-	-
Short-term deposit with licensed institutions	122,437	122,437	-	-
Cash and bank balances	30,235,981	30,235,981	-	-
	305,672,498	305,028,698	643,800	-
Financial liabilities				
Payables	74,112,634	-	-	74,112,634
Finance lease liabilities	4,447,361	-	-	4,447,361
Loans and borrowings	183,168,058	-	-	183,168,058
	261,728,053	-	-	261,728,053

NOTES TO THE **FINANCIAL STATEMENTS**
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37. FINANCIAL INSTRUMENTS (cont'd)

37.1 Categories of financial instruments (cont'd)

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

	Carrying amount RM	L&R RM	OL RM
Company			
2016			
Financial assets			
Receivables	162,928	162,928	-
Amount due from related companies	161,966,394	161,966,394	-
Cash and bank balances	9,234	9,234	-
	162,138,556	162,138,556	-
Financial liabilities			
Payables	7,318,291	-	7,318,291
Amount due to subsidiaries	28,691,371	-	28,691,371
	36,009,662	-	36,009,662
2015			
Financial assets			
Receivables	197,176	197,176	-
Amount due from related companies	109,818,938	109,818,938	-
Cash and bank balances	21,363,853	21,363,853	-
	131,379,967	131,379,967	-
Financial liabilities			
Payables	10,951,450	-	10,951,450
Finance lease liabilities	1,795	-	1,795
	10,953,245	-	10,953,245

37.2 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, interest rate risk and market price 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.

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2016
(cont'd)

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 Financial risk management (cont'd)

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

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the Group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

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

(i) Receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an on-going basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

The credit risk concentration profile of the Group as at end of the reporting period is as follows:

	Group			
	2016		2015	
	RM	% of total	RM	% of total
By country:				
Malaysia	86,144,951	99.97	116,967,970	99.91
Sri Lanka	-	-	21,506	0.01
Brunei	-	-	53,954	0.05
Others	22,652	0.03	32,908	0.03
	86,167,603	100.00	117,076,338	100.00

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2016
(cont'd)

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 Financial risk management (cont'd)

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

(a) Credit risk (cont'd)

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

(i) Receivables (cont'd)

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

	2016 RM	2015 RM
Not past due	31,583,978	48,829,089
Past due for 0-30 days	1,691,540	12,195,604
Past due for 31-60 days	27,973	1,025,665
Past due for 61-90 days	1,051,660	304,818
Past due for 91-120 days	472,742	795,498
Past due for more than 121 days	17,228,539	16,144,876
	52,056,432	79,295,550

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables of the Group amounting to RMNil (2015: RM1,472,262) have been arranged for settlement via letters of credit issued by financial institutions in countries where the customers are located.

The net carrying amount of trade receivables is considered a reasonable approximate of fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above.

At the reporting date, approximately 89% (2015: 89%) of the Group's trade receivables other than retention sum were due from three (2015: four) major customers.

Trade receivables consist of a large number of customers which is mainly in Malaysia. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

(ii) Intercompany balances

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 Financial risk management (cont'd)

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

(a) Credit risk (cont'd)

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

(iii) Corporate guarantee

The maximum exposure to credit risk is disclosed in the Note 35 to the financial statements, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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 period, there was no indication that any subsidiary would default on repayment.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its 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.

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 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:

Group	Carrying amount RM	Repayment term months	Contractual interest rate	Contractual cash flows RM	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2016								
Financial assets								
Fixed deposits with licensed institutions	459,713	2 - 13	2.90%-3.30%	459,713	459,713	-	-	-
Non-derivative financial liabilities								
Secured:								
Finance lease liabilities	2,917,990	35 - 60	2.25%-3.86%	3,110,901	1,555,832	1,212,243	342,826	-
Loans and borrowings	292,964,336	18 - 107	4.45%-4.65%	292,964,336	186,870,499	835,236	3,117,887	102,140,714
	295,882,326			296,075,237	188,426,331	2,047,479	3,460,713	102,140,714
Unsecured:								
Payables	49,408,790			49,408,790	49,408,790	-	-	-
Loans and borrowings	34,740,500	1 - 84	1.53%-8.05%	34,740,500	29,300,500	1,080,000	4,360,000	-
	84,149,290			84,149,290	78,709,290	1,080,000	4,360,000	-
Total undiscounted financial liabilities	380,031,616			380,224,527	267,135,621	3,127,479	7,820,713	102,140,714

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 Financial risk management (cont'd)

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

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below: (cont'd)

Group (cont'd)	Carrying amount RM	Repayment term months	Contractual interest rate	Contractual cash flows RM	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2015								
Financial assets								
Fixed deposits with licensed institutions	122,437	1 - 12	2.80%-3.20%	122,437	122,437	-	-	-
Non-derivative financial liabilities								
Secured:								
Finance lease liabilities	4,447,361	19 - 60	2.25%-3.86%	4,843,067	1,754,041	1,657,558	1,431,468	-
Loans and borrowings	59,555,000	107	-	60,320,408	30,253,634	26,828,803	1,253,408	1,984,563
	64,002,361			65,163,475	32,007,675	28,486,361	2,684,876	1,984,563
Unsecured:								
Payables	74,112,634			74,112,634	74,112,634	-	-	-
Loans and borrowings	123,613,058	1-140	2.05%-7.10%	123,649,351	117,219,351	1,080,000	3,240,000	2,110,000
	197,725,692			197,761,985	191,331,985	1,080,000	3,240,000	2,110,000
Total undiscounted financial liabilities	261,728,053			262,925,460	223,339,660	29,566,361	5,924,876	4,094,563

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 Financial risk management (cont'd)

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

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below: (cont'd)

Company	Carrying amount	Repayment term months	Contractual interest rate	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
	RM			RM	RM	RM	RM	RM
2016								
Non-derivative financial liabilities								
Unsecured:								
Payables	7,318,291			7,318,291	7,318,291	-	-	-
Amount due to subsidiaries	28,691,371			28,691,371	28,691,371	-	-	-
Total undiscounted financial liabilities	36,009,662			36,009,662	36,009,662	-	-	-

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 Financial risk management (cont'd)

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

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below: (cont'd)

Company (cont'd)	Carrying amount RM	Repayment term months	Contractual interest rate	Contractual cash flows RM	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2015								
Non-derivative financial liabilities								
Secured:								
Finance lease liabilities	1,795	19	3.33%	1,804	1,804	-	-	-
Unsecured:								
Payables	10,951,450			10,951,450	10,951,450	-	-	-
Total undiscounted financial liabilities	10,953,245			10,953,254	10,953,254	-	-	-

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2016
(cont'd)

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 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.

To mitigate the Group's exposure to foreign currency risk, 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 Group entities. The currency giving rise to this risk is primarily United States Dollar (USD), Singapore Dollar (SGD), Euro (EURO), Sri Lanka Rupee (LKR), Japanese Yen (JPY), Brunei Dollar (BND) and Chinese Yuan (CNY).

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

2016	Trade receivables	Other receivables	Cash and bank balances	Trade payables	Other payables	Loan and borrowings
	RM	RM	RM	RM	RM	RM
Denominated in:						
USD	14,973,870	2,367,229	2,669,229	(492,081)	(28,348,349)	(30,591,026)
EURO	-	321,308	18,895	(901,243)	-	(1,510,982)
JPY	-	-	-	(4,860)	-	-
LKR	-	-	23,718	(46,757)	-	-
BND	-	-	610	(155,366)	-	-
CNY	-	2,267,086	241	(64,451)	-	-
Others	-	-	19,347	(176,043)	-	-

2015	Trade receivables	Other receivables	Cash and bank balances	Trade payables	Other payables	Loan and borrowings
	RM	RM	RM	RM	RM	RM
Denominated in:						
USD	1,767,519	8,530,259	3,391,418	(26,211,520)	(494,922)	(40,598,630)
EURO	-	3,588,286	1,390,113	(1,987,773)	-	(6,792,980)
JPY	-	28,366	-	-	-	-
LKR	-	287	27,503	(39,756)	-	-
Others	-	193,727	622,844	(11,032)	(19,449)	-

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 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 forward contracts

The Group enters into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on trade transactions denominated in foreign currencies.

The following table details the forward foreign currency contracts outstanding at the end of the reporting year:

Outstanding contracts	Average exchange rate	Contracts value USD	Contracts value RM	Closing rate RM	Fair value RM
2016					
Sell USD					
- More than 1 year	4.4250 to 4.3800	22,000,000	96,585,000	3.947	86,834,000
2015					
Sell USD					
- Less than 1 year	3.3228 to 3.5298	1,700,000	5,768,000	3.772	6,412,400

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit for the financial period to a reasonably possible change in the USD, EURO, JPY, BND and CNY exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Increase/(Decrease) Group 2016		2015	
	Profit for the year RM	Equity RM	Profit for the period RM	Equity RM
USD/RM				
- Strengthened 0.65% (2015:12%)	(254,499)	(254,499)	(6,626,447)	(6,626,447)
- Weakened 0.65% (2015:12%)	254,499	254,499	6,626,447	6,626,447
EURO/RM				
- Strengthened 0.65% (2015:8%)	(13,553)	(13,553)	308,567	308,567
- Weakened 0.65% (2015:8%)	13,553	13,553	(308,567)	(308,567)
JPY/RM				
- Strengthened 2.14% (2015:6%)	(104)	(104)	(1,570)	(1,570)
- Weakened 2.14% (2015: 6%)	104	104	1,570	1,570

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 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 contracts (cont'd)

The following table demonstrates the sensitivity of the Group's profit for the financial period to a reasonably possible change in the USD, EURO, JPY, BND and CNY exchange rates against the respective functional currencies of the Group entities, with all other variables held constant. (cont'd)

	Increase/(Decrease)			
	Group			
	2016		2015	
	Profit for the year	Equity	Profit for the year	Equity
	RM	RM	RM	RM
BND/RM				
- Strengthened 0.58% (2015:Nil)	(894)	(894)	-	-
- Weakened 0.65% (2015:Nil)	894	894	-	-
CNY/RM				
- Strengthened 0.04% (2015:Nil)	961	961	-	-
- Weakened 0.04% (2015:Nil)	(961)	(961)	-	-

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 exposures to foreign currency risk.

(d) Interest rate risk

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

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

Fair value sensitivity analysis for fixed rate instruments

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

NOTES TO THE **FINANCIAL STATEMENTS**

30 JUNE 2016
(cont'd)

37. FINANCIAL INSTRUMENTS (cont'd)

37.2 Financial risk management (cont'd)

(d) Interest rate risk (cont'd)

Fair value sensitivity analysis for fixed rate instruments (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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Fixed rate instruments:				
Financial assets	459,713	122,437	-	-
Financial liabilities	(2,917,990)	(4,447,361)	-	(1,795)
	(2,458,277)	(4,324,924)	-	(1,795)
Floating rate instruments:				
Financial liabilities	(299,484,336)	(183,168,058)	-	-

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 and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit for the year/ period		Equity	
	+ 50 bp	- 50 bp	+ 50 bp	- 50 bp
	RM	RM	RM	RM
2016				
Floating rate instruments	1,497,422	(1,497,422)	1,497,422	(1,497,422)
2015				
Floating rate instruments	(915,840)	915,840	(915,840)	915,840

37.3 Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings (except for finance lease liabilities and term loans), are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

37. FINANCIAL INSTRUMENTS (cont'd)

37.3 Fair value of financial instruments (cont'd)

The fair value of non-current financial liabilities, together with their carrying amounts is disclosed as below:

Fair value of financial instruments not carried at fair value

	2016		2015	
	Carrying amounts	Fair value at Level 2	Carrying amounts	Fair value at Level 2
	RM	RM	RM	RM
Finance lease liabilities	4,450,833	3,105,845	4,447,361	4,450,833

38. OPERATING SEGMENT

38.1 Business segments

For the management purposes, the Group is organised into business units based on their products and services, which comprises the following:

Investment — Investment and property holding

EPMCC — Engineering, procurement, manufacturing, construction and commissioning of power substations and transmission lines

Management monitors the operating results to its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explain in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer price between operating segments are on arm's length basis in a manner similar to transactions with third parties.

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

	Note	Investment	EPMCC	Adjustments and Eliminations	Total
2016		RM	RM	RM	RM
Revenue					
External customers		-	517,550,585	-	517,550,585
Inter-segment	i	18,746,672	174,297,477	(193,044,149)	-
Total revenue		18,746,672	691,848,062	(193,044,149)	517,550,585

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

38. OPERATING SEGMENT (cont'd)

38.1 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)

2016	Note	Investment RM	EPMCC RM	Adjustments and Eliminations RM	Total RM
Results					
Dividend income		20,063,000	-	(20,063,000)	-
Interest income		97,478	620,061	-	717,539
Finance costs		(9)	(10,055,134)	592,501	(9,462,642)
Depreciation of property, plant equipment		(16,669)	(4,263,012)	(132,167)	(4,411,848)
Income tax expense		(199,507)	(7,330,026)	-	(7,529,533)
Segment profit	ii	8,933,812	109,168,719	(21,490,348)	96,612,183
Assets					
Segment assets		271,566,080	1,203,123,248	(743,227,219)	731,462,109
Additions to non-current assets other than financial instruments and deferred tax assets	iii	11,892,619	222,153,718	-	234,046,337
Liabilities					
Segment liabilities		(67,273,287)	(995,267,676)	673,227,440	(389,313,523)
2015					
Revenue					
External customers		-	394,822,191	-	394,822,191
Inter-segment	i	59,580,078	-	(59,580,078)	-
Total revenue		59,580,078	394,822,191	(59,580,078)	394,822,191
Results					
Dividend income		28,600,000	-	(28,600,000)	-
Interest income		261,385	747,206	(721,744)	286,847
Finance costs		(1,701)	(6,519,988)	-	(6,521,689)
Depreciation of property, plant and equipment		(25,501)	(4,582,032)	(224,155)	(4,831,688)
Shares of an associate's result		-	-	(757,069)	(757,069)
Income tax expense		45,542	(18,468,928)	-	(18,423,386)
Other material non-cash items:					
- Gain on disposal of property, plant and equipment		-	13,023	-	13,023
- Unrealised gain on foreign exchange		-	(15,349,471)	-	(15,349,471)
Segment profit	ii	27,520,182	55,484,589	(28,283,976)	54,720,795

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

38. OPERATING SEGMENT (cont'd)

38.1 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)

2015	Note	Investment RM	EPMCC RM	Adjustments and Eliminations RM	Total RM
Assets					
Segment assets		221,298,656	626,718,656	(339,641,597)	508,375,715
Additions to non-current assets other than financial instruments and deferred tax assets	iii	5,064	25,126,988	(8,394,544)	16,737,508
Liabilities					
Segment liabilities		(25,174,008)	(477,926,172)	233,325,579	(269,774,601)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

i. Inter-segment revenues are eliminated on consolidation.

ii. The following items are added to/(deducted from) segment profit to arrive at "Total Comprehensive Income" presented in the statement of profit or loss and other comprehensive income:

	Group 1.7.2015 to 30.6.2016 RM	Group 1.1.2014 to 30.6.2015 RM
Segment profit	112,886,819	79,656,124
Interest income	717,539	766,815
Finance cost	(9,462,642)	(6,521,689)
Share of loss in an associate	-	(757,069)
Income tax expense	(7,529,533)	(18,423,386)
	96,612,183	54,720,795

iii. Non-current assets are referring to property, plant and equipment and concession assets.

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

38. OPERATING SEGMENT (cont'd)

38.2 Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

Group	Revenue		Non-current assets	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015	30.6.2016	30.6.2015
	RM	RM	RM	RM
Malaysia	191,587,057	369,379,831	344,535,067	110,053,541
Cambodia	323,684,061	24,958,414	1,399,205	915,198
Brunei	-	481,521	-	35,522
Australia	2,279,467	2,425	-	-
	517,550,585	394,822,191	345,934,272	111,004,261

Non-current assets are referring to property, plant and equipment and concession assets.

38.3 Information about major customers

Revenue from three (2015: three) major customers amounted to RM34,773,691 (2015:RM260,096,411), arising from the sales by the EPMCC segment.

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic condition including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

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

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

PESTECH (Sarawak) Sdn Bhd

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

Enersol Co. Ltd

On 31 December 2016, PESTECH Sdn Bhd, a wholly-owned subsidiary of the Company had subscribed additional 499,999 ordinary shares of USD 1 of Enersol Co. Ltd, for a cash consideration of USD 499,999 (approximately RM2,146,746).

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 26 May 2016, the Company had proposed the following:-

(i) share split involving the subdivision of every one (1) existing ordinary share of RM0.50 each in the Company into two (2) ordinary shares of RM0.25 each in the Company ("subdivided share(s)") held by the entitled shareholders of the Company on 29 July 2016 ("entitlement date") ("share split").

(ii) bonus issue of 373,186,932 new subdivided ordinary shares of RM0.25 each ("subdivided share(s)") ("bonus share(s)") to be credited as fully paid-up on the basis of one (1) bonus share for every one (1) subdivided share held by the entitled shareholders on 29 July 2016 ("entitlement date") ("bonus issue").

The above was approved by the members on 15 July 2016.

(b) On 21 July 2016, Fornix Sdn Bhd, the wholly-owned subsidiary of the Company had acquired 1,000,000 ordinary shares of RM1.00 each in Forward Metal Works Sdn Bhd ("FMWSB") representing 100% of the total issued and paid up share capital of FMWSB for a total consideration of RM2,277,549.

(c) On 2 August 2016, the Company had received a notification on the incorporation of A wholly-owned subsidiary in China, namely 湃思科工程技术（中国）有限公司 (Registration No. 91110113MA0075KC4G) [PESTECH Engineering Technology China Co. Limited] ("PET") which was incorporated on 21 July 2016.

NOTES TO THE **FINANCIAL STATEMENTS**
30 JUNE 2016
(cont'd)

DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdowns of unappropriated profits as at the reporting date that has been prepared in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:-

Total unappropriated profits of the Company and its subsidiaries:

	Group RM	Company RM
- Realised	191,671,605	15,989,097
- Unrealised	(5,218,816)	-
	186,452,789	15,989,097
Consolidation adjustments	(24,919,872)	-
	161,532,917	15,989,097

The above disclosures were reviewed and approved by the Board of Directors in accordance with a resolution of the Directors on 6 October 2016.

ANALYSIS OF **SHAREHOLDING**
as at 30 September 2016

Authorised share capital	:	RM1,000,000,000.00
Issued and fully paid-up capital	:	RM186,593,466.00
Class of shares	:	Ordinary Shares of RM0.25 each
Total number of shares issued	:	746,373,864
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	50	2.20	900	0.00
100 — 1,000	220	9.67	130,368	0.02
1,001 — 10,000	1,020	44.84	5,333,980	0.71
10,001 — 100,000	688	30.24	22,176,116	2.97
100,001 — 37,318,692*	295	12.97	463,653,568	62.12
37,318,693 and above**	2	0.09	255,078,932	34.18
	2,275	**100.00**	**746,373,864**	**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)

	Number of Ordinary Shares of RM0.50 each			
Name of Substantial Shareholder	**Direct Interest**	**%**	**Indirect Interest**	**%**
1. Lim Ah Hock	248,265,200	33.26	[1]1,279,064	0.17
2. Lim Pay Chuan	150,502,792	20.16	[1]1,279,064	0.17

<u>*Note:*</u>
[1] *Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.*

ANALYSIS OF **SHAREHOLDING**
as at 30 September 2016
(cont'd)

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

	Number of Ordinary Shares of RM0.25 each			
Name of Director	Direct Interest	%	Indirect Interest	%
1. Lim Ah Hock	248,265,200	33.26	[1]1,279,064	0.17
2. Lim Pay Chuan	150,502,792	20.16	[1]1,279,064	0.17
3. Ibrahim Bin Talib	-	-	[2]15,088,132	2.02
4. Tan Puay Seng	706,132	0.09	-	-
5. Khoo Kiak Kern	-	-	-	-

Note:

[1] *Deemed interested pursuant to Section 6A of the Companies Act, 1965 ("the Act") by virtue of his substantial shareholdings in VESTECH Projects Sdn. Bhd.*

[2] *Deemed interested by virtue of his children's shareholdings pursuant to Section 134(12)(c) of the Act.*

THIRTY LARGEST REGISTERED HOLDERS

Name		No. of Shares	%
1.	Lim Ah Hock	193,352,800	25.91
2.	Lim Pay Chuan	61,726,132	8.27
3.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	33,644,532	4.51
4.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Bank AG Singapore for Lim Pay Chuan (Maybank SG)*	30,950,800	4.15
5.	Lim Ah Hock	30,438,000	4.08
6.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ah Hock (504021612634)*	24,474,400	3.28
7.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Pay Chuan*	23,903,464	3.20
8.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (CIMB PRIN)*	17,122,800	2.29
9.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt AN for Citibank New York (Norges Bank 14)*	16,050,300	2.15
10.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *SSBT Fund LL0A for Legato Capital Management Investments, LLC*	14,785,034	1.98
11.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (NOMURA)*	10,741,800	1.44
12.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad – Kenanga Growth Fund*	10,394,264	1.39
13.	Jauhari Arif Bin Ibrahim	8,088,132	1.08
14.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	7,851,532	1.05
15.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	7,718,732	1.03
16.	Joanna Binti Ibrahim	7,000,000	0.94

ANALYSIS OF **SHAREHOLDING**
as at 30 September 2016
(cont'd)

THIRTY LARGEST REGISTERED HOLDERS (cont'd)

	Name	No. of Shares	%
17.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)*	6,964,764	0.93
18.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)*	6,787,200	0.91
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (RHBISLAMIC)*	6,313,200	0.85
20.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt AN for Phillip Capital Management Sdn. Bhd. (EPF)*	6,021,852	0.81
21.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Ee Chong*	5,932,800	0.79
22.	Lim Hon Seng	5,795,200	0.78
23.	Ng Tiang Yong	4,783,456	0.64
24.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Kidsave Trust*	4,546,800	0.61
25.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt AN for Phillip Capital Management Sdn. Bhd.*	4,083,000	0.55
26.	Han Fatt Juan	4,026,800	0.54
27.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Tan Pu Hooi (MY2357)*	3,781,600	0.51
28.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Dividend Fund (5311-401)*	3,423,464	0.46
29.	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. *CIMB Islamic Trustee Berhad – Kenanga Syariah Growth Fund*	3,308,664	0.44
30.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund*	3,182,300	0.43
	Total	**567,193,822**	**75.99**

LIST OF **PROPERTIES**

Registered and Beneficial Owner	Property Address/Title Details	Description and Existing Use	Category of Land Use/ Tenure of Property	Land Area/ Gross Built-Up Area	Net Carrying Amount @ 30 June 2016
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	RM7,402,777
	Lot No. 9366 Title No. GRN 207566 Mukim Bandar Serendah District Ulu Selangor Selangorr Darul Ehsan	Construction of office and factory building	Industry/ Freehold	8,575 square meters	RM11,833,905
	B2-1001 & 1002, Meritus Tower Oasis Corporate Park 43701, Ara Damansara Selangorr 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	RM7,377,779

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of PESTECH International Berhad ("PESTECH" or "the Company") will be held at Mauna Lani Room Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Monday, 28 November 2016 at 10:00 a.m. to transact the following business:-

A G E N D A

1. To receive the Audited Financial Statements for the financial period ended 30 June 2016 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (i)]**

2. To approve a single tier final dividend of 3 sen per share for the financial year ended 30 June 2016. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of RM184,420/- for the financial year ended 30 June 2016. **Ordinary Resolution 2**

4. To re-elect the following Directors who retire in accordance with Article 95 of the Company's Articles of Association and being eligible, offer themselves for re-election

   (a) En. Ibrahim Bin Talib **Ordinary Resolution 3**
   (b) Mr. Tan Puay Seng **Ordinary Resolution 4**

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

AS SPECIAL BUSINESS

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

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

   - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965

   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the total issued capital 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 Malaysia Securities Berhad; AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF **ANNUAL GENERAL MEETING**
(cont'd)

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

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

"THAT, subject to the provision of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to PESTECH International Berhad Group ("the Group") to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in Part A Section 1.3 of the Circular to Shareholders dated 31 October 2016, 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 143(1) of the Companies Act 1965 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is the earlier;

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

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

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

"THAT subject always to the Companies Act, 1965 ("the Act"), the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the approvals of all relevant governmental and/or regulatory authorities, the Company be authorised, to the extent permitted by the law, to buy back such amount of ordinary shares of RM0.25 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors deem fit and expedient in the interest of the Company provided that:-

NOTICE OF **ANNUAL GENERAL MEETING**
(cont'd)

i) the aggregate number of shares bought-back does not exceed 10% of the total issued and paid-up share capital of the Company at any point in time;

ii) the maximum amount of funds to be utilised for the purpose of the Proposed Renewal of Share Buy-Back Authority shall not exceed the Company's aggregate of the retained profits and/or share premium based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

iii) The shares purchased are to be treated in either of the following manners:-

(a) cancel the purchased ordinary shares; or
(b) retain the purchased ordinary shares as treasury shares for distribution as dividend to shareholders and/or resell on the market of Bursa Securities; or
(c) retain part of the purchased ordinary shares as treasury shares and cancel the remainder;

THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:-

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

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

iii) revoked or varied by ordinary resolution passed by shareholders of the Company in general meeting,

whichever occurs first;

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities, and all other relevant governmental and/or regulatory authorities."

NOTICE OF **ANNUAL GENERAL MEETING**
(cont'd)

9. **ORDINARY RESOLUTION** **Ordinary Resolution 9**

- PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW ORDINARY SHARES OF RM0.25 EACH IN PESTECH INTERNATIONAL BERHAD ("PESTECH SHARES"), FOR THE PURPOSE OF THE DIVIDEND REINVESTMENT PLAN ("DRP") OF THE COMPANY WHICH WILL PROVIDE THE SHAREHOLDERS OF PESTECH ("SHAREHOLDERS") WITH THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN PESTECH SHARES ("PROPOSED RENEWAL OF DRP AUTHORITY")

"THAT pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting of the Company held on 9 October 2013 and subject to the approval of the relevant regulatory authorities (if any), approval be and is hereby given to the Company to allot and issue such number of new PESTECH Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting upon such terms and conditions as stated in Circular to Shareholders dated 23 September 2013, PROVIDED THAT the issue price of the said new PESTECH Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the five (5)-market day volume weighted average market price ("VWAP") of PESTECH Shares immediately prior to the price-fixing date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and the issue price may not be less than the par value of PESTECH Shares at the material time;

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

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

- PROPOSED AMENDMENTS OF THE ARTICLES OF ASSOCIATION ("PROPOSED AMENDMENTS OF AA")

"THAT the Proposed Amendments of AA as set out in Part C of the Circular to Shareholders dated 31 October 2016, be and are hereby approved.

AND THAT the Directors and Secretaries of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary to give full effects to the aforesaid Proposed Amendments of AA with full power to assent to any conditions, modifications, variations and/or amendments as may be required and/or as the Directors deem fit, appropriate and in the best interest of the Company."

11. To transact any other ordinary business to which due notice has been given.

By Order of the Board

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

Kuala Lumpur
31 October 2016

NOTICE OF **ANNUAL GENERAL MEETING**
(cont'd)

NOTES:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 November 2016 ("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 and a member may appoint any person to be his proxy without limitation and the provisions of Sections 149(1)(a) and (b) of the Companies Act 1965 shall not apply to the Company. 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. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.*

4. *A member of the Company may not appoint more than two (2) proxies to attend the same meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.*

5. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.*

6. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

8. *Explanatory Notes on Ordinary and Special Business*

    (i) *Item 1 of the Agenda*

    This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

    (ii) *Ordinary Resolution 1 – Payment of Single Tier Final Dividend*

    The Dividend Reinvestment Plan will be applied to the whole portion of the Single Tier Final Dividend of 3 sen per ordinary share. Pursuant to Paragraph 8.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Single Tier Final Dividend, if approved, shall be paid not later than three (3) months from the date of the shareholders' approval. The Book Closure Date will be announced by the Company after the Annual General Meeting.

    (iii) *Ordinary Resolution 6 – Authority to Issue Shares pursuant to Section 132D of the Companies Act 1965*

    The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 at the Fifth 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 Fourth Annual General Meeting of the Company held on 21 December 2015 ("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.

NOTICE OF **ANNUAL GENERAL MEETING**
(cont'd)

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

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

Please refer to the Circular to Shareholders dated 31 October 2016 for further information.

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

The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total issued and paid-up capital of the Company by utilising the funds allocated which shall not exceed the retained profit and/or share premium account of the Company.

Please refer to the Circular to Shareholders dated 31 October 2016 for further information.

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

The proposed resolution, if passed, will allow the Company to allot and issue new PESTECH Shares pursuant to DRP in respect of the Single Tier Final Dividend declared and approved at this Fifth Annual General Meeting until the conclusion of the next Annual General Meeting of the Company. It would also allow the Directors to fix the issue price of such new PESTECH Shares at a discount of up to 10% of the five (5)-market day volume weighted average market price of PESTECH Shares immediately prior to the price-fixing date.

(vii) Special Resolution – Proposed Amendments of AA

The proposed amendments of AA is to streamline the Company's Articles of Association to be aligned with the amendments in the Bursa Malaysia Securities Berhad Main Market Listing Requirement.

CDS Account No.

Number of Ordinary Shares

FORM OF **PROXY**

I/We ______________________________ NRIC No./Passport No./Company No. ______________

of ____

being a member/members of Pestech International Berhad hereby appoint:-

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

*and/or *delete if not applicable

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 Fifth Annual General Meeting of the Company to be held at Mauna Lani Room, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Monday, 28 November 2016 at 10:00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

Item	**Agenda**			
1.	To receive the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports of the Directors and the Auditors thereon			
		Resolution	**For**	**Against**
2.	To approve a single tier final dividend of 3 sen per share for the financial year ended 30 June 2016	1		
3.	To approve the payment of Directors' fees of RM184,420/- for the financial year ended 30 June 2016	2		
4(a).	To re-elect En. 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	3		
4(b).	To re-elect Mr. Tan Puay Seng who retires in accordance with Article 95 of the Company's Articles of Association and being eligible, offers himself for re-election	4		
5.	To re-appoint Messrs. SJ Grant Thornton as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration	5		
Special Business				
6.	Authority to Issue Shares pursuant to Section 132D of the Companies Act 1965	6		
7.	Proposed Renewal of Existing Shareholders' Mandate	7		
8.	Proposed Renewal of Share Buy-Back Authority	8		
9.	Proposed Renewal of DRP Authority	9		
10.	Proposed Amendments of AA	10		

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 ________________ 2016

*Signature of Shareholder/Common Seal
* Delete if not applicable

Notes:
1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 November 2016 ("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 and a member may appoint any person to be his proxy without limitation and the provisions of Sections 149(1)(a) and (b) of the Companies Act 1965 shall not apply to the Company. 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. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
4. A member of the Company may not appoint more than two (2) proxies to attend the same meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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AFFIX
STAMP

Securities Services (Holdings) Sdn. Bhd.
PESTECH INTERNATIONAL BERHAD (948035-U)
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1st Fold Here

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