# **Disclosure Document**

**Disclosure Document for Initial Public Offering of Equity Securities** 



# PESTECH (CAMBODIA) PLC.

(Company No.: 00000957)

(Incorporated in the Kingdom of Cambodia under the Law on Commercial Enterprises)

INITIAL PUBLIC OFFERING OF UP TO 3,945,000 NEW ORDINARY SHARES IN PESTECH (CAMBODIA) PLC. IN CONJUNCTION WITH THE LISTING OF PESTECH (CAMBODIA) PLC. ON THE MAIN BOARD OF CAMBODIA SECURITIES EXCHANGE.

AT AN IPO PRICE OF KHR3,120 (USD0.76) PER ISSUE SHARE, PAYABLE IN FULL UPON APPLICATION.



Principal Advisor and Underwriter



**RHB SECURITIES (CAMBODIA) PLC.** 

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS DISCLOSURE DOCUMENT. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISOR.

FOR INFORMATION CONCERNING RISK FACTORS WHICH INVESTORS SHOULD CONSIDER, SEE RISK FACTORS IN SECTION 3 OF THIS DISCLOSURE DOCUMENT.

"THE COMPANY AND RELATED ENTITIES WHO HAVE PREPARED THIS DISCLOSURE DOCUMENT SHALL BE RESPONSIBLE FOR THE INFORMATION CONTAINED HEREIN."

# PESTECH (CAMBODIA) PLC.

Representative's name of the Issuer	:	Lim Pay Chuan (Paul Lim)
Address	:	No. 6, Street 588, Sangkat Boeung Kok II, Khan Toul Kork, Phnom Penh, Cambodia
Website	:	www.pestech.com.kh
Email	:	info@pestech.com.my
Phone number	:	+855 23 882 105
Fax number	:	+855 23 882 106
Business registration No.	:	00000957 Date : 5 February 2010
License issued by MLMUPC	:	326 Brk.DnS/ASN Date : 20 December 2018

## EQUITY SECURITIES ISSUANCE

 Registration Certificate No
 :

 Issued by SECC, dated
 :

# Principal Advisor and Underwriter RHB SECURITIES (CAMBODIA) PLC.

This Disclosure Document and any supplementary materials can be obtained at:

- PESTECH (Cambodia) Plc.: No. 6, Street 588, Sangkat Boeung Kok II, Khan Toul Kok, Phnom Penh, Cambodia
- RHB Securities (Cambodia) Plc.: M Floor, OHK Tower, Corner of street 110 & 93, Village No. 3, Sangkat Sras Chak, Khan Daun Penh, Phnom Penh, Cambodia
- RHB Bank (Cambodia) Plc.: 1<sup>st</sup> Floor, OHK Tower, Corner of street 110 & 93, Village No. 3, Sangkat Sras Chak, Khan Daun Penh, Phnom Penh, Cambodia

Date	:			
The person i	n charge of providing the Disclosur	e Document		
Name	: Iv Ranarith	Position	:	Chief Executive Officer RHB Securities (Cambodia) Plc.
Phone No.	: +855 23 969 161			
Email	: ranarith.iv@rhbgroup.com			

#### NOTES TO THE INVESTORS

The Board of Directors ("Board") of PESTECH (Cambodia) Plc. ("PESTECH (Cambodia)") have approved this Disclosure Document for the offer/ issuance of equity securities ("Public Offering") and collectively and individually takes full responsibility for the accuracy of the information contained in this document. Having made all reasonable enquiries and to the best of their knowledge and belief, they assure there is no false or misleading statement or other facts if omitted would make any statement in this document false or misleading.

The SECC has approved our Public Offering and a copy of the Khmer version of this Disclosure Document has been registered and filed with the SECC. The approval and registration of the Khmer version of this Disclosure Document is not an indication that the SECC either recommends subscribing to this securities offering or assumes responsibility for the accuracy of information, opinion or statement contained in this Disclosure Document.

The SECC is neither liable for any non-disclosed information and the content of this Disclosure Document, nor certify the accuracy or completeness. The SECC is not liable for any loss that you may suffer from the whole or any part of this Disclosure Document content.

You should rely on your own evaluation to assess the accuracy and risks related to the Public Offering by considering the objective of the investment, risk profile, your own financial position and so on. If you have any doubt about this Disclosure Document or in considering the investment, you should consult with securities firms, investment advisors, or other professional advisors.

Phnom Penh, Date: Signature and name of Chairman

#### DISCLAIMER

#### RESPONSIBILITIES OF THE ISSUER, UNDERWRITER AND OTHER RELEVANT ADVISORS

The information in this Disclosure Document has been provided by the Board of PESTECH (Cambodia) except stated otherwise on the sources of the information. After careful review and to the best of its understanding and believes, the Board of PESTECH (Cambodia) confirms that all the information in this Disclosure Document is accurate and there is no omitted information or misleading material statements on the information or content in this Disclosure Document.

The Board of PESTECH (Cambodia) collectively and individually takes full responsibility for the accuracy and the completeness of the information contained in this Disclosure Document. The Underwriter has taken reasonable measures to ensure the accuracy and completeness of the Disclosure Document. The Underwriter, however, takes no responsibility for the accuracy and the completeness of the information contained in this Disclosure Document.

#### GENERAL

The Khmer version of this Disclosure Document has been registered with the SECC. The English version of this Disclosure Document and the English translations contained herein are, for all intents and purposes, purely for reference only. You acknowledge and understand that with any kind of translation between two different languages, the translation of a particular word or a phrase in one language may not completely accurately convey the full meaning of the corresponding word or a phrase in the other language. We shall not take or assume any kind of liability or responsibility whatsoever in connection with any matters that arise due to or as a result of any inaccuracy, incompleteness or omissions in the English translations of this Disclosure Document as between the Khmer version of the Disclosure Document.

You should rely on your own evaluation to assess the merits and risks of the investment in our Company. If you are in any doubt as to the action to be taken, you should consult with securities firms, investment advisors, or other professional advisors.

#### DISTRIBUTIONS

A copy of Khmer version and English version of Disclosure Document are also available on our website at www.pestech.com.kh, RHB Securities (Cambodia) Plc.'s website at www.rhbgroup.com.kh and appointed selling agents' websites. The electronic Disclosure Document may also be delivered to prospective investors or viewers by email upon their request.

You acknowledge that this Disclosure Document and any of the content contained herein may, without notice, subsequently be altered, changed or updated either (i) during the process of electronic transmission, (ii) pursuant to the applicable laws and regulations, (iii) for the purposes of final registration with the SECC or (iv) at our discretion under proper authority.

If you are in doubt about the validity or integrity of the electronic Disclosure Document, you should immediately request from us or our Underwriter, a paper/printed copy of this Disclosure Document. If there is any discrepancy between the contents of the electronic Disclosure Document and the paper/printed copy of this Disclosure Document, the contents of the paper/printed copy of this Disclosure Document, which is identical to the copy of the Disclosure Document registered with the SECC, shall prevail.

In relation to any reference in this Disclosure Document to third party internet sites (referred to as "**Third Party Internet Sites**") whether by way of hyperlinks or by way of description of the third party internet sites, you acknowledge and agree that:

- we do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we are not responsible for the availability of, or the content or any data, files or other material provided on the Third Party Internet Sites. You bear all risks associated with the access to or use of the Third Party Internet Sites;
- we are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- any data, files or other materials downloaded from the Third Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, files or other materials.

#### PROSPECTIVE INVESTORS IN JURISDICTIONS OUTSIDE CAMBODIA

The distribution of this Disclosure Document and the offer and sale of the IPO Shares may be illegal in certain jurisdictions. It is the responsibilities of investors to observe any restrictions, which may apply to this Disclosure Document and the IPO Shares in relevant jurisdictions. This Disclosure Document does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of PESTECH (Cambodia) in any jurisdiction, to or from any person to whom it is unlawful to make such an offer in such jurisdiction.

Any person in any jurisdictions outside Cambodia, in which the distribution of this Disclosure Document and the offer and sale of the IPO Shares is not restricted, must seek professional advice in relation to the contents of this Disclosure Document, and the relevant laws and system of taxation in Cambodia.

#### PRESENTATION OF INFORMATION

All references to "our Company" or "the Company" or "PESTECH (Cambodia)" in this Disclosure Document are to PESTECH (Cambodia) Plc. and reference to "PESTECH (Cambodia) Group", "our Group", "we", "us", "our" and "ourselves" are to our Company and our subsidiaries, individually or collectively as the case may be. Unless the context otherwise requires, reference to "Management" are to our Executive Directors and key management personnel as at the latest practicable date ("LPD") and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Reference to "PESTECH International Group" or "PIB" are to PESTECH International Berhad and its subsidiaries.

Reference to "project(s)" is to Engineering, Procurement, Construction and Commissioning (EPCC) for substations, transmission lines as well as underground power cable systems for electricity transmission and distribution.

Any discrepancies in the tables between amounts listed and the totals in this Disclosure Document are due to rounding. Other abbreviations and acronyms used herein are defined in the "Definitions" section and technical terms used herein are defined in the "Glossary of Technical Terms" section appearing after that section. Words denoting the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include natural persons, companies and corporations.

Any reference in this Disclosure Document to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Disclosure Document shall be a reference to Cambodian time, unless otherwise specified.

This Disclosure Document includes statistical data provided by our Management and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Disclosure Document, provided that where no source is stated, it can be assumed that the information originated from us.

In particular, certain information in the Disclosure Document is extracted or derived from report(s) prepared by Smith Zander International Sdn Bhd ("**Smith Zander**"), an independent business and market research consulting firm. We believe that the statistical data and projections cited in this Disclosure Document are useful in helping you to understand the major trends in the industry in which we operate. However, neither we, nor our Underwriter have independently verified these data. Neither we, nor our Underwriter make any representation as to the correctness, accuracy or completeness of such data. Similarly, third-party projections cited in this Disclosure Document are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved. You should not place undue reliance on the statistical data and third-party projections cited in this Disclosure Document.

#### FORWARD LOOKING STATEMENTS

This Disclosure Document includes forward-looking statements, which include all statements other than those of historical facts including amongst others, those regarding our Company's financial position, business strategies, plans and objectives of our Management for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our Company's control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. As such, we cannot assure you that the forward-looking statements in this Disclosure Document will be realised.

Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and the environment in which our Company operates. Additional factors that could cause our Company's actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 3 - Risk Factors, Section 4 – Company's Information and Section 7.4 - Management Discussion and Analysis of Financial Condition and Results of Operations.

These forward-looking statements are based on information available to us as at the date of this Disclosure Document. Save as required by Cambodian Law, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statements contained in this Disclosure Document to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward looking statements that are contained herein.

#### THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

#### INDICATIVE TIMETABLE FOR THE OFFERING

The following events are intended to take place on the following tentative dates:-

Events	Tentative Dates and Time
Opening of application for Subscription	8.00 a.m., 27 July 2020
Closing of application for Subscription	4.30 p.m., 4 August 2020
Despatch of notice to successful applicants	7 August 2020
Allotment of the IPO Shares to successful applicants	7 August 2020
Listing Date	12 August 2020

#### Notes:-

Business hours are 8.00 a.m. to 12.00 p.m. and 1.00 p.m. to 4.30 p.m. on Monday to Friday, except national holidays in Cambodia.

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The subscription remains open until 4.30 p.m. on 4 August 2020.

In the event the closing date of the application is extended and notification is made, the date of the allotment and listing date shall be extended accordingly. PESTECH (Cambodia) shall notify the public via both Khmer and English newspapers accredited by the SECC.

## THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

# TABLE OF CONTENTS

ΝΟΤΙ	ES TO THE INVESTORS	ii
DISC	LAIMER	iii
PRES	SENTATION OF INFORMATION	v
FOR	WARD LOOKING STATEMENTS	vi
INDIC	CATIVE TIMETABLE FOR THE OFFERING	vii
TABL	LE OF CONTENTS	viii
DEFI	NITIONS OF ABBREVIATIONS	xv
GLO	SSARY OF TECHNICAL TERMS	xx
1.	SUMMARY OF DISCLOSURE DOCUMENT	1
1.1.	Company overview	1
1.2.	Competitive advantages, future plans and business strategies	2
	1.2.1. Competitive advantages	2
	1.2.2. Future plans and business strategies	3
1.3.	Directors, senior officers and shareholders	3
	1.3.1. Shareholders	3
	1.3.2. Directors	3
	1.3.3. Senior officers	4
1.4.	Historical financial information	4
	1.4.1. Statement of comprehensive income	4
	1.4.2. Statement of financial position	5
1.5.	Significant factors related to the public issuance of equity securities	6
1.6.	Use of proceeds	7
1.7.	Risk factors	8
1.8.	Dividend policy	9
2.	DETAILS OF THE OFFERING	10
2.1.	General information of the Company	10
2.2.	Information of Underwriter	10
	2.2.1. General information of Underwriter	10
	2.2.2. Salient terms of the Underwriting Agreement	10
	2.2.3. Underwriter's benefits in the Company	12
2.3.	Percentage of public floats and lock-up	14
2.4.	Information of professional accounting firm and independent auditor	14
	2.4.1. Professional accounting firm	14
	2.4.2. Independent auditor	15

2.5.	Inform	ation of lawyers	15			
2.6.	Inform	ation of independent market researcher	15			
2.7.	All exp	penses related to public issuance of equity securities	16			
2.8.	Descri	ption of equity securities being offered	17			
	2.8.1.	Offering term	17			
	2.8.1.	Description of equity securities	17			
2.9.	Detern	nination of offering price of equity securities	18			
	2.9.1.	Our financial history	18			
	2.9.2.	Our pro forma consolidated NA	18			
	2.9.3.	Our operating history	18			
	2.9.4.	Our prospects and future plans	18			
	2.9.5.	Prevailing market conditions	19			
2.10.		sets per share, earnings per share, P/E ratio or price earnings multiple per vidend yield per share				
	2.10.1	. NA per Share	21			
	2.10.2	. EPS	21			
	2.10.3. P/E Ratio					
	2.10.4. Dividend yield per Share21					
2.11.	Allotm	ent plan of equity securities	22			
2.12.	Use of	proceeds	22			
2.13.	Investi	ment project	24			
3.	RISK	FACTORS	25			
3.1.	Interes	st rate risks	25			
	3.1.1.	Fluctuations in interest rate	25			
3.2.	Excha	nge rate risks	26			
	3.2.1.	Fluctuations in exchange rate	26			
3.3.		ry risks, risks related to changes in national and international contex es in rules and regulations				
	3.3.1.	Dependency on the demand for electricity supply	27			
	3.3.2.	Changes in political, social and regulatory conditions in Cambodia and countries that we may operate in				
3.4.	Opera	tional Risks	29			
	~	<b>_</b>	20			
	3.4.1.	Day-to-day operational risk and insurance coverage				
		Day-to-day operational risk and insurance coverage Uncertainty in securing new projects and are currently dependant on a f going projects awarded by our major customer	few on-			
	3.4.2.	Uncertainty in securing new projects and are currently dependant on a f	few on- 30			

	3.4.5.	Dependency on third party to source equipment, components and parts in projects	
	3.4.6.	Dependency on the quality of equipment and services from third party	.33
	3.4.7.	Reliance on major customers	33
	3.4.8.	Reliance on licenses, permits and other relevant approvals issued by varion regulatory authorities in Cambodia	
3.5.	Non-o	perational risks	35
	3.5.1.	Ownership and control by controlling shareholder	35
3.6.	Financ	cial Risks Including Liquidity Risk and Credit Risk	35
	3.6.1.	Liquidity risk	35
	3.6.2.	Credit risk	36
	3.6.3.	Future capital needs which will require additional financing	37
3.7.	Litigat	ion risks and contingent liabilities	38
	3.7.1.	Litigation risk	.38
	3.7.2.	Tax disputes	38
3.8.	Risks	relating to investment in the securities	39
	3.8.1.	Limited trading activities on the CSX	39
	3.8.2.	No prior market for our Shares	.40
	3.8.3.	Failure or delay in our Listing	40
3.9.	Other	risk	41
	3.9.1.	Disclosure regarding forward-looking statements	41
4.	COMF	PANY'S INFORMATION	42
4.1.	Busine	ess description	42
	4.1.1.	Company background	42
	4.1.2.	Internal Reorganisation	43
	4.1.3.	Our History	44
	4.1.4.	Our Organisational Structure	46
	4.1.5.	Our Corporate Governance	47
	4.1.6.	Principal products and services	51
	4.1.7.	Business strategies including competitive strength in the market and future	•
	4.1.8.	The sale volume of products or services accounted for more than 10% of company's total revenues	
	4.1.9.	Subsidiary, associates or holding company and their core areas of business	s 67
	4.1.10	. Marketing and distribution methods	68
	4.1.11	. Raw materials and other inputs	69
	4.1.12	Requirement for power, gas and water; or any other utilities	69

	4.1.13	. Customers who purchase 10% or more of the company's products or service	
		. Suppliers who supply 10% or more of the company's total purchases	
	4.1.15	Patents, marks, trade names, licenses and or other agreements on intellect property rights	
	4.1.16	. Number of total employees and full-time employees	71
	4.1.17	Potential of production or service capacity	72
	4.1.18	. Transactions with subsidiaries, holding company or related companies	72
4.2.	Opera	itional plan and financial position	73
	4.2.1.	Projected income statement	73
	4.2.2.	Any expected significant changes in the number of employees	73
	4.2.3.	Internal and external sources of capital	73
	4.2.4.	Material capital expenditure and expected source of funds for such expendit	
	4.2.5.	Material changes in income, cost of sales, other operating expenses and income	
	4.2.6.	Any seasonal aspects of the company's business	74
	4.2.7.	Any known trends, events or uncertainties	74
	4.2.8.	Any change in the assets of the company used to pay off any liabilities	75
	4.2.9.	Any material loan between holding company and subsidiary company	75
	4.2.10	Any future contractual and contingent liabilities	75
	4.2.11	.VAT, tax on profit, customs duty or other unpaid tax liability including a contingent liabilities	
	4.2.12	. Operating and finance leases	. 75
	4.2.13	Provisions related to personnel schemes including retirement benefits t would not involve the issuance of equity securities of the company	
4.3.	Inforn	nation related to the company's asset	. 76
	4.3.1.	Property, plant and equipment, biological assets and intellectual propertrights	
	4.3.2.	Assets valuation and revaluation (including valuation methods, date valuation, name of independent valuers)	
5.		RMATION OF OUR BOARD OF DIRECTORS, SENIOR OFFICERS A	
5.1.	Direct	ors and senior officers	78
	5.1.1.	Short biography of Directors and senior officers specifying their identificat and qualification	
	5.1.2.	Experience of Directors and senior officers for the last five (5) years	81
	5.1.3.	Date of appointment and expiration of current mandate	87

	5.1.4.	If any Director is also a director or shareholder of another company or owner
		or partner of any other company, provide the names of such companies 88
	5.1.5.	Family relationship among Directors, shareholders and senior officers (if any), state the nature and length of relationship91
	5.1.6.	Declaration of insolvency of Directors or shareholder holding a minimum of 5% of our paid-up share
5.2.		ement of Directors and senior officers in certain legal proceedings for the last ) years
5.3.	Remu	neration or compensation of Directors and senior officers
	5.3.1.	Name and position of top five (5) salaried officers including the total remuneration
	5.3.2.	Total amount of remuneration paid to Non-Executive Directors
	5.3.3.	Aggregate amount of remuneration paid to all Directors and senior officers.93
	5.3.4.	Aggregate amount of remuneration proposed to be paid to all Directors and senior officers for one (1) future fiscal year
	5.3.5.	Material increase in remuneration or compensation for Directors and senior officers during the current and future fiscal year
5.4.	Stock	options granted to Directors, senior officers and employees
	5.4.1.	Options granted to Directors
	5.4.2.	Options granted to senior officers
	5.4.3.	Options granted to employees
5.5.	Share	holders
	5.5.1.	Identity of shareholders who own at least 5% of our Shares
	5.5.2.	Identity of Directors holding our Shares
	5.5.3.	Identity of five (5) employees receiving highest remuneration or compensation and holding our Shares
6.	RELA	TIONSHIP AND TRANSACTIONS WITH RELATED PARTIES
	6.1.	Material transactions with shareholders during the last two (2) years
	6.2.	Material transactions with our Directors or senior officers during the last two (2) years
	6.3.	Material transactions with shareholders holding at least 5% of the company's outstanding shares during the last two (2) years
	6.4.	Material transactions with any family member of Directors or senior officers or shareholder holding at least 5% of the company's outstanding shares during the last two (2) years
	6.5.	Material transactions with persons who have relationship with the Directors of our Company, its subsidiary and affiliate or holding company where the relationship occurred during the operations or arrangement by our Company during the last two (2) years

	6.6.	Material transactions with persons who were director or any person with such director of our Company of which the relationship occu the business operations during the last two (2) years	urred during				
	6.7.	Material transactions with directors of any association or non-profit or other companies during the last two (2) years					
	6.8.	Material transactions with directors receiving any interest or prof for services in which the director provided via any firms to the Com the last two (2) years	pany during				
7.	FINA	NCIAL INFORMATION	99				
7.1.	Excha	ange rate	99				
7.2.	Histor	ical financial information	100				
	7.2.1.	Statement of comprehensive income	100				
	7.2.2.	Statement of financial position	101				
7.3.	Capita	alisation and indebtedness	102				
7.4.		gement discussion and analysis of financial condition and tions					
	7.4.1.	Overview of operations	103				
	7.4.2.	Review of results of operations	108				
	7.4.3.	Significant factors affecting profit	110				
7.5.	Liquid	ity and capital resources	113				
	7.5.1.	Working capital	113				
	7.5.2.	Cash flow	114				
	7.5.3.	Borrowings	115				
	7.5.4.	Breach of terms and conditions of covenants associated arrangement, bank loan					
	7.5.5.	Types of financial instruments used	116				
	7.5.6.	Treasury policies and objectives	116				
	7.5.7.	Material commitments	117				
	7.5.8.	Material litigation and contingent liabilities	118				
	7.5.9.	Key financial ratios	119				
	7.5.10	). Trade and other receivables	121				
	7.5.11	7.5.11. Inventories					
	7.5.12. Non-current assets						
	7.5.13. Trade and other payables122						
	7.5.14	Amount due to holding company and related parties	122				
	7.5.15	5. Material contracts	122				
7.6.	Trend	information	124				
7.7.	Divide	end policy	125				

7.8.	Profit forecast1	25
7.9.	Consolidated financial information1	25
7.10.	Off-balance sheet1	25
8.	DIRECTOR'S REPORT1	26
9.	ACCOUNTANTS' REPORT1	27
10.	OTHER INFORMATION	79
10.1.	Resolution of the Board for the last two (2) years prior to filing of application 1	79
10.2.	Financial information audited by the internal auditor for the last two (2) years 1	80
10.3.	Shareholder's resolution during the last two (2) years prior to filing of application 1	80
10.4.	Dividend report during the last two (2) years prior to filing of application	81
10.5.	Report on legal proceeding description during the last two (2) years prior to filing of application	
10.6.	Approvals required 1	81
11.	EXPERTS' CONSENT1	82
12.	SIGNATURES OF CHAIRMAN OF THE BOARD, DIRECTORS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER	83

## APPENDICES

<ol> <li>Code of Conduct</li> </ol>
-------------------------------------

- II. Executive Summary of Independent Market Research Report
- III. Audited Financial Report for the Financial Year Ended 30 June 2019
- IV. Reviewed Financial Report for the Financial Period Ended 31 December 2019
- V. Certification of the Accuracy of Information

# THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

# **DEFINITIONS OF ABBREVIATIONS**

Unless otherwise indicated, the following definitions shall apply throughout this Disclosure Document:-

Alex Corporation		Alex Corporation, previously known as Alex Corporation Co., Ltd., a company incorporated and domiciled in Cambodia	
Application	:	The application for the IPO Shares by way of Application Form	
Application Form	:	The printed application form for the application of the IPO Shares	
Audit Committee	:	A committee of the Board responsible for review and oversight of Company's financial statement, internal and external controls and auditing	
Board	:	Board of Directors of PESTECH (Cambodia)	
CAGR	:	Compound Annual Growth Rate	
Cambodia	:	The Kingdom of Cambodia	
Cambodian Investor		A natural person who has Cambodian nationality or a legal entity in which no less than 51% of its total share capital is owned by a person or persons having Cambodian nationality	
CEO	:	Chief Executive Officer	
Controlling Interest Shareholder	:	As stipulated in the Listing Rules, Controlling Interest Shareholder refers to shareholder or group of related persons holding the voting shares of at least 30% of the voting shares, either directly or indirectly	
CSX	:	Cambodian Securities Exchange	
Diamond Power	:	Diamond Power Limited is a company incorporated and domiciled in Cambodia and is 60% owned by PESTECH Power Sdn Bhd, which in turn is a wholly-owned subsidiary of PIB	
Director(s)	:	Director(s) of our Company shall have the meaning given in Prakas for Corporate Governance for Listed Companies	
Disclosure Document		This disclosure document which contains the description of company, business, financial information, background of Directors and senior officers and other material information which are pertinent to the investors	
EAC		Electricity Authority of Cambodia	
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation	
EDC	:	Electricité Du Cambodge	
EPCC	:	Engineering, Procurement, Construction and Commissioning refers to the responsibility to start, complete and deliver an entire project	
EPS	:	Earnings per share	

Financial Years under Review	:	FYE 30 June 2018 and FYE 30 June 2019
FYE	:	Financial year ended / ending, as the case may be
GDT	:	General Department of Taxation of Cambodia
Germany	:	Federal Republic of Germany
GP	:	Gross Profit
Guideline	:	SECC's guideline on the Book Building and Subscription of Equity Securities
Independent Market Research Report	:	Independent market research report dated 19 December 2019 prepared by Smith Zander
Internal Reorganisation	:	Collectively, the internal reorganisation of our Company which involved the share transfer of our Company from PSB to PIB, increase in the registered share capital from KHR4 million (equivalent to USD1,000) to KHR28.4 billion (equivalent to USD7.1 million) and change of legal form from private limited company to public limited company, details of which are set out in Section 4.1.2 of this Disclosure Document
IPO	:	Initial public officering of PESTECH (Cambodia)
IPO Price	:	The issue price of KHR3,120 (USD0.76) per Issue Share
IPO Share(s)	:	The Issue Share(s)
Issue Share(s)	:	3,945,000 new Shares to be issued at the IPO Price to be issued pursuant to the Public Issue
Kampong Cham – Kratie Project	:	Design, engineering, test delivery, installation and commissioning of the 230kV switchyard in the existing Kampong Cham substation, new Kratie 230/22kV substation and interconnecting 125 km transmission line from Kampong Cham substation to Kratie substation
KHR	:	Khmer Riel, the national currency of Cambodia
Km	:	Kilometre
Lao PDR	:	Lao People's Democratic Republic
Listing	:	Admission to the official list of the 74,945,000 Shares representing the entire enlarged issued and fully paid share capital of PESTECH (Cambodia) on the Main Board of the CSX
Listing Rules	:	The listing rules of CSX including any amendments and modifications thereto that may be made from time to time

Lock-up	:	Pursuant to Article 17 of the Listing Rules, for a period of one (1) year from the listing date, the Controlling Interest Shareholder shall not sell or transfer their shares for the first six (6) months and is able to sell or transfer their shares up to fifty per cent (50%) for the next six (6) months. Whereas shareholders holding voting shares of at least 15% (fifteen percent) and strategic shareholder shall not sell or transfer their shares for a period of at least six (6) months			
LPD	:	19 May 2020, being the latest practicable date prior to the printing of this Disclosure Document			
Market Capitalisation	:	The total market value of a company's share outstanding. Market capitalisation is calculated by multiplying a company's share outstanding by the current market price of one share			
Market Day	:	Any day between Monday and Friday (inclusive) which is not a public holiday and when the CSX is open for trading of securities			
Maschinenfabrik Reinhausen	:	Maschinenfabrik Reinhausen GmbH, a company incorporated in Germany			
MLMUPC	:	Ministry of Land Management, Urban Planning and Construction of Cambodia			
MOC	:	Ministry of Commerce of Cambodia			
MOEF	:	Ministry of Economy and Finance of Cambodia			
Myanmar	:	Republic of the Union of Myanmar			
NA	:	Net assets			
O&M	:	Operations and maintenance of power substation and transmission line			
Okvau Project	:	The project involves the supply, design, construction, erection, installation, testing, commissioning, energisation and handover of 230/11 kV, Okvau Transmission Substation. This project is expected to be completed within 12 months from 1 March 2020, which is the date of commencement.			
P/E	:	Price earnings multiple, being calculated as market price per share divided by earnings per share			
PAT	:	Profit after tax			
PBT	:	Profit before tax			
PESTECH (Cambodia) or Company or Issuer	:	PESTECH (Cambodia) Plc			
PESTECH (Cambodia) Group or our Group	:	Collectively, PESTECH (Cambodia) and its subsidiaries			
		Ordinary shares of KHR400 or USD0.10 each in PESTECH (Cambodia)			
PESTECH International Group	:	Collectively, PIB and its subsidiaries			

PIB	:	PESTECH International Berhad is a company incorporated and domiciled in Malaysia and is listed on the official list of Bursa Malaysia Securities Berhad, the stock exchange of Malaysia. PIB is also the holding company of our Company subsequent to the completion of the Internal Reorganisation			
PPE	:	Property, plant and equipment			
Products	:	Comprise those that are manufactured and value added by PESTECH International Group which are then distributed by us to third (3 <sup>rd</sup> ) parties (i.e. those that are not used for our Projects) and are inclusive of the followings:-			
		<ul> <li>(i) PESTECH International Group's manufactured proprietary power system components and equipment; and</li> </ul>			
		<ul> <li>(ii) Third (3<sup>rd</sup>) party equipment integrated with PESTECH International Group's value added services i.e. configuration (programming and engineering), testing of functionality, after sales services (technical and products support) and where applicable installation of products</li> </ul>			
Projects	:	Collectively, West Phnom Penh – Sihanoukville Project, Kampong Cham – Kratie Project, Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project, Siem Reap – Oddor Meanchey Project and Okvau Project, as the case may be			
PSB	:	PESTECH Sdn Bhd, a wholly-owned subsidiary of PIB and a company incorporated and domiciled in Malaysia			
Public Issue	:	Public issue of up to 3,945,000 new PESTECH (Cambodia) Shares, representing 5.26% of the enlarged issued and fully paid share capital of our Company at the IPO Price, subject to the terms and conditions of this Disclosure Document			
RHB Bank (Cambodia)	:	RHB Bank (Cambodia) Plc.			
RHB Securities (Cambodia) or Principal Advisor or Underwriter	:	RHB Securities (Cambodia) Plc.			
RM	:	Ringgit Malaysia, the national currency of Malaysia			
Sarawak Project	:	Project management and civil construction management service for the construction of 275kV/32kV and 132kV/11kV substations in Sarawak, Malaysia			
Schneitec	:	Schneitec Co.; Ltd.			
SECC	:	Securities and Exchange Commission of Cambodia			
SET	:	Stock Exchange of Thailand			

Siem Reap – Oddor		The project involved the:-		
Meanchey Project		<ul> <li>turnkey construction of approximately 75km ± 3km double circuit transmission line from Oddor Meanchey to Seam Reap;</li> </ul>		
		• turnkey construction of a 115/22kV Oddor Meanchey substation; and		
		• turnkey construction of a 230/22kV Bek Chan substation. This project has been completed in December 2019.		
Smith Zander	:	Smith Zander International Sdn Bhd, the independent market researcher		
Stung Tatay Hydro Power	:	The project involves the:-		
Plant – Phnom Penh Transmission System Project		<ul> <li>design, engineering, manufacturing, installation, testing and commissioning of the 230kV transmission line of approximately 220km from the Stung Tatay Hydro Power Plant to Phnom Penh; and</li> </ul>		
		<ul> <li>supply, installation and connection of two (2) 230kV line bays at Stung Tatay Hydro Power Plant switchyard.</li> </ul>		
		The agreement was entered into between PESTECH (Cambodia) and Alex Corporation on 6 April 2017.		
		This project is expected to be completed by April 2021.		
Subscription	:	A process contemplated under the SECC's Guideline on the Securities Pricing and Subscription of Equity Securities.		
Underwriting Agreement	:	The underwriting agreement entered into between PESTECH (Cambodia) and Underwriter for the underwriting of 2,631,579 Shares under the Public Issue		
USA	:	The United States of America		
USD	:	United States Dollar, the national currency of United States of America		
VAT	:	Value Added Tax		
West Phnom Penh – Sihanoukville Project		The project involved the design, engineering, supply, installation, testing and commissioning of the 230kV West Phnom Penh – Sihanoukville Transmission Line and 230/115/22kV substation extension under the original contract entered into between PESTECH (Cambodia) and Alex Corporation on 7 March 2014.		
		The project was subsequently upgraded to a revised value of USD147.8 million. The upgraded works involved:		
		a. 230kV double circuit transmission line from Stung Hav substation to Chamkar Luong; and		
		b. 500kV double circuit transmission line from Chamkar Luong to Bek Chan.		
	The project has been completed in January 202			

## **GLOSSARY OF TECHNICAL TERMS**

This glossary contains explanations of certain terms used in this Disclosure Document in connection with our Company and business. The terminologies and their meanings may not correspond to the standard industry meanings and usage of these terms.

BCD	:	Binary code decimal, a digital encoding method for decimal numbers where each digit is represented by its own binary sequence. In BCD, a numeral is typically represented by four (4) bits which, in general, represents the decimal range 0 through 9
EHV	:	Extra high voltage, i.e. voltage above 230kV
Gwh	:	Gigawatt hours, a unit of energy representing one (1) billion watt hours or one (1) million kilowatt hours.
HV	:	High voltage, i.e. voltage between 11kV and 230kV
kV	:	Kilovolts, a measure of the potential energy in thousands of a unit charge at any given point in a circuit relative to a reference point (ground)
mVA	:	Megavolt ampere, a measurement of real power in million units, i.e. electrical power consumed by electrical equipment
NER	:	Neutral earthing resistor, used in power utilities to protect power transformers, power generators and other associated equipment against fault currents, which is caused by 50/60Hz faults (short circuit) and transient phenomena (lighting switching operations)
RTU	:	Remote terminal unit, a microprocessor-controlled electronic device that interfaces objects in the physical world to a distributed control system or SCADA system by transmitting telemetry data to the system and/or altering the state of connected objects based on control messages received from the system
SCADA	:	Supervisory control and data acquisition, generally refers to industrial control systems i.e. computer systems that monitor and control industrial, infrastructure or facility-based processes
SIMS	:	Substation integration and monitoring system, a solution that facilitates full control or remote access to various intelligent electronic devices (IED) database by creating a gateway to each IED through the respective manufacturer proprietary software

# THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

#### 1. SUMMARY OF DISCLOSURE DOCUMENT

This section is only a summary of the salient information about our Company and our Listing and is extracted from the full text of this Disclosure Document. You should read carefully and understand this section together with the entire Disclosure Document before you decide whether to invest in us.

## 1.1. COMPANY OVERVIEW

PESTECH (Cambodia) was previously known as Tajri-Pestech JV Limited and was incorporated on 5 February 2010 as a Single Member Private Limited Company in Cambodia. We commenced operations in the same year. We adopted our previous name, PESTECH (Cambodia) Limited on 11 July 2013 and assumed our present name, PESTECH (Cambodia) and status upon the completion of Internal Reorganisation which was approved by MOC on 27 June 2018, to facilitate our Listing. We are a wholly-owned subsidiary company of PIB, a company incorporated and domiciled in Malaysia which is listed on the Main Market of Bursa Malaysia Securities Berhad, the stock exchange of Malaysia.

We were subsequently converted from a private limited company to a public limited company on 27 June 2018 as approved by MOC on even date and assumed our present name to facilitate our Listing on the CSX.

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

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

Our subsidiary, PESTECH (Myanmar) Limited ("PESTECH (Myanmar)") was incorporated on 24 March 2017 as a private limited company under the Myanmar Companies Law. PESTECH (Myanmar)'s principal activities are to provide comprehensive powers system engineering, construction, design and installation related services in power industry.

PESTECH Hinthar Corporation Limited ("PESTECH Hinthar"), a 60%-owned subsidiary of PESTECH (Myanmar), was incorporated on 24 June 2019 as a private limited company under the Myanmar Companies Law. PESTECH Hinthar's principal activities are to establish the infrastructure of power sector and promote the power segments such as power generation, power transmission and power distribution.

PESTECH Microgrid Corporation Limited ("PESTECH Microgrid"), a 90%-owned subsidiary of PESTECH Hinthar, was incorporated on 14 February 2020 as a private limited company under the Myanmar Companies Law. The principal activities of PESTECH Microgrid is to provide microgrid system and other power infrastructure to the rural areas in Myanmar.

Further information on our principal products or services is set out in Section 4.1.6 of this Disclosure Document.

The following diagrams\* set out our corporate structure before and after the Internal Reorganisation:-



Notes:

- Indicates the share ownership of the holding companies in the subsidiaries
- These diagrams do not include all subsidiaries of PIB

#### 1.2. COMPETITIVE ADVANTAGES, FUTURE PLANS AND BUSINESS STRATEGIES

#### 1.2.1. Competitive advantages

Our Group is supported by the following key strengths and competitive advantages to sustain our business as well as to support our growth. These key competitive advantages are as set out below:-

- (i) We are well positioned to benefit from the growth in electricity demand in Cambodia;
- (ii) We have strong technical expertise in power system engineering;
- (iii) We have an integrated business model across the transmission and distribution segment of power system engineering;
- (iv) We place strong emphasis on quality as a key focus in the delivery of our services; and
- (v) We have experienced and dedicated management that is focused on growing our business.

#### 1.2.2. Future plans and business strategies

We intend to embark on the following strategies as part of our future plans in order to achieve growth and maintain our competitive advantages:-

- We intend to continue to enhance our market position in the power transmission and distribution market segment in Cambodia to meet increasing power demand;
- (ii) We are diversifying our power system engineering and technical solutions to include the O&M of power infrastructure;
- (iii) We intend to further expand into power distribution activities that will generate additional revenue for our Group;
- (iv) We intend to pursue expansion opportunities in the power transmission and distribution market in neighbouring countries;
- (v) We intend to establish a product manufacturing facility for power system components in order to diversify our revenue stream; and
- (vi) We intend to explore a secondary listing opportunity on the SET after the completion of our IPO.

Further information on our competitive advantages, and future plans and business strategies is set out in Section 4.1.7 of this Disclosure Document.

#### 1.3. DIRECTORS, SENIOR OFFICERS AND SHAREHOLDERS

#### 1.3.1. Shareholders

Prior to the IPO, we are a wholly-owned subsidiary of PIB.

## 1.3.2. Directors

Name	Designation
Lim Pay Chuan ("Paul Lim")	Executive Chairman
Lim Ah Hock	Executive Director
Han Fatt Juan	Executive Director / CEO
Tan Pu Hooi ("Charles Tan")	Executive Director
Dav Ansan	Independent Director

#### 1.3.3. Senior officers

Name	Designation
Han Fatt Juan	Executive Director / CEO
Teh Bee Choo	Chief Financial Officer
Tann Sochan	Senior Manager / Corporate Secretary
N Saravanan Nadarajah	Head of Project and Tendering
Pablo T. Magpantay	Head of O&M

Further information on our shareholders, Directors, senior officers and their direct and indirect shareholdings in our Company are set out in Section 5 of this Disclosure Document.

## 1.4. HISTORICAL FINANCIAL INFORMATION

#### **1.4.1.** Statement of comprehensive income

The following table sets out a summary of the audited statement of comprehensive income of our Group for the FYE 30 June 2018 and FYE 30 June 2019. The statement of comprehensive income presented for illustrative purpose only and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Report as set forth in Section 9 of this Disclosure Document.

	FYE 30 June 2018		FYE 30 June 2019	
	USD'000	KHR million	USD'000	KHR million
Revenue	77,157	313,486	56,827	231,058
Cost of sales and construction	(62,967)	(255,834)	(49,770)	(202,365)
GP	14,190	57,652	7,057	28,693
Other income	7	29	1,522	6,187
Operating expenses	(4,063)	(16,506)	(2,781)	(11,306)
Operating profit	10,134	41,175	5,798	23,574
Finance income	-	1	12	48
Finance cost	(169)	(688)	(3,467)	(14,094)
PBT	9,965	40,488	2,343	9,528
Income tax expense	(2,384)	(9,684)	(568)	(2,310)
PAT	7,581	30,804	1,775	7,218
Other comprehensive income/(loss)	-	-	(1,824)	(7,417)
Total comprehensive income/(loss) for the years	7,581	30,804	(49)	(199)

	FYE 30 June 2018		FYE 30 June 2019	
	USD'000	KHR million	USD'000	KHR million
GP Margin (%)	18.39	18.39	12.42	12.42
PBT Margin (%)	12.92	12.92	4.12	4.12

#### 1.4.2. Statement of financial position

The following table sets out a summary of the audited statement of financial position of our Group as at FYE 30 June 2018 and FYE 30 June 2019 respectively. The statement of financial position is presented for illustrative purpose only and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Report as set forth in Section 9 of this Disclosure Document.

	As at FYE 30 June 2018		As at FYE 30 June 2019		
	USD'000	KHR million	USD'000	KHR million	
ASSETS					
Non-current assets					
Property, plant and					
equipment	1,913	7,771	2,247	9,135	
Intangible assets	-	-	3	12	
Contract assets	146,587	595,583	173,059	703,658	
Total non-current assets	148,500	603,354	175,309	712,805	
Current assets					
Trade and other					
receivables	846	3,436	10,804	43,928	
Contract assets	-	-	6,042	24,565	
Amounts due from a related					
parties	-	-	1,944	7,907	
Cash and cash equivalents	2,084	8,469	13,056	53,086	
Total current assets	2,930	11,905	31,846	129,486	
TOTAL ASSETS	151,430	615,259	207,155	842,291	
EQUITY AND LIABILITIES					
EQUITY					
Share capital	7,100	28,847	7,100	28,868	
Reserve	52	211	(1,772)	(7,205)	
Retained earnings	20,631	83,824	8,595	34,947	
TOTAL EQUITY	27,783	112,882	13,923	56,610	
Non-current liabilities					
Borrowings	19,945	81,037	95,407	387,925	
Derivative financial instruments	-	-	1,824	7,417	
Total non-current liabilities	19,945	81,037	97,231	395,342	
-					

5

	As at FYE 30 June 2018		As at FYE 30 June 2019	
	USD'000	KHR million	USD'000	KHR million
Current liabilities				
Trade and other payables	48,005	195,043	8,317	33,818
Amounts due to holding company	565	2,296	59,558	242,162
Amounts due to related parties	49,679	201,846	23,018	93,589
Borrowings	2,068	8,402	4,180	16,997
Income tax payable	3,385	13,753	928	3,773
Total Current liabilities	103,702	421,340	96,001	390,339
TOTAL LIABILITIES	123,647	502,377	193,232	785,681
TOTAL EQUITY AND LIABILITIES	151,430	615,259	207,155	842,291

Further information on our financial information is set out in Section 7 of this Disclosure Document.

# 1.5. SIGNIFICANT FACTORS RELATED TO THE PUBLIC ISSUANCE OF EQUITY SECURITIES

The following statistics relating to our IPO are derived from the full text of this Disclosure Document and should be read in conjunction with that text.

	Number of Shares	USD million	KHR million
Issued and fully paid share capital	71,000,000	7.10	28,400
Issue Shares to be issued pursuant to the Public Issue	3,945,000	0.39	1,578
Enlarged issued and fully paid share capital upon Listing	74,945,000	7.49	29,978
IPO Price per Share (USD, KHR)		0.76	3,120
Market capitalisation	-	56.96	233,828

We have only one (1) class of shares, namely ordinary shares of KHR400 (USD0.10) each. The Issue Shares shall rank pari passu in all respects with our existing issue shares, including voting rights, rights to examine list of shareholders and annual financial statements, rights to receive the remaining property of the Company on dissolution and rights to all dividends and distributions that may be declared, paid or made on or subsequent to the date of their allotment thereof.

The IPO Price of KHR3,120 (USD0.76) is payable in full up on application, subject to the terms and conditions of this Disclosure Document.

A minimum subscription amount for this IPO will be one hundred (100) shares, provided, however, that if the pre-calculated number of shares allocated to certain successful investors is less than 100 shares, this minimum amount shall not prevent such investors from subscribing to the afore-mentioned pre-calculated shares.

Further information on our IPO is set out in Section 2 of this Disclosure Document.

#### 1.6. USE OF PROCEEDS

We expect the total gross proceeds from the Public Issue to amount to approximately USD3.00 million or KHR12,308 million based on the IPO Price of KHR3,120 (USD0.76). The proceeds shall accrue to us and we shall bear all expenses relating to the listing of and quotation for our entire issued and paid-up share capital on the CSX.

We intend to utilise the proceeds in the following manner:-

No.	Details of utilisation	Estimated timeframe for utilisation upon Listing	Amount USD'000	Percentage of gross proceeds %
(i)	Financing future projects	Within 12 months	2,000	66.7
(ii)	Working capital	Within 12 months	491	16.4
(iii)	Estimated IPO expenses	Within 3 months	507	16.9
	Total gross proceeds		2,998	100.0

Further information on the utilisation of proceeds is set out in Section 2.12. of this Disclosure Document.

#### 1.7. RISK FACTORS

There are a number of risk factors, both specific to our Group and relating to the general business environment, which may impact the operating performance and financial position of our Group, and affect our future financial performance. Prior to making an investment decision, you should carefully consider, along with other matters set forth in this Disclosure Document, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future:-

- (a) Fluctuations in interest rate;
- (b) Fluctuations in exchange rate;
- (c) Dependency on the demand for electricity supply;
- (d) Changes in political, social and regulatory conditions in Cambodia and other countries that we may operate in;
- (e) Day-to-day operational risk and insurance coverage;
- (f) Uncertainty in securing new projects and are currently dependent on a few ongoing projects awarded by our major customer;
- (g) Project risk;
- (h) Dependency and inability to retain executive directors and senior officers;
- (i) Dependency on third party to source equipment, components and parts in our projects;
- (j) Dependency on the quality of equipment and services from third party;
- (k) Reliance on major customers;
- (I) Reliance on licenses, permits and other relevant approvals issued by various regulatory authorities in Cambodia;
- (m) Ownership and control by controlling shareholder;
- (n) Financial risks including liquidity risk and credit risk and future capital needs which will require additional financing;
- (o) Litigation risks and contingent liabilities;
- (p) Risks relating to investment in the securities; and
- (q) Disclosure regarding forward-looking statements

Further information on our Risk Factors is set out in Section 3 of this Disclosure Document.

#### 1.8. DIVIDEND POLICY

It is our Board's intention to allow shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

The ability to pay future dividends to our shareholders is subject to various factors including but not limited to the financial performance, cash flow requirements, availability of retained earnings, capital expenditure requirements and any other factors considered relevant by our Board.

Upon listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth.

In this regard, it is our intention to recommend and distribute a minimum dividend of thirty percent (30.00%) of our PAT, subject to the conditions as set out above.

The Group may consider making payment of such dividend in the form of cash, shares in the Company for reinvestment opportunities or the combination of the above. When there is an option, the shareholders shall have the rights to elect for cash, shares or the combination of both, subject to compliance with the law and regulatory requirements in Cambodia.

Notwithstanding the above, you should note that the intention to recommend dividends should not be treated as a legal obligation on our Group to do so. The level of dividends should also not be treated as an indication of our future dividend policy. There is no assurance that dividend will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividend in respect of subsequent financial years, consideration will be given to maximise shareholders' value.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

## 2. DETAILS OF THE OFFERING

## 2.1. GENERAL INFORMATION OF THE COMPANY

Name of the Company	:	PESTECH (CAMBODIA) PLC.			
Address	:	No.6, Street 588, Sangkat Boeung Kok II, Khan Toul Kok, Phnom Penh, Cambodia			
Website	:	www.pestech.com.kh			
Email	:	info@pestech.com.kh			
Telephone No.	:	+855 23 882 105			
Fax No.	:	+855 23 882 106			
Business Registration No.	:	00000957	Issued Date :	5 February 2010	
License issued by MLMUPC	:	326 Brk.DnS/ASN	Issued Date :	20 December 2018	

#### 2.2. INFORMATION OF UNDERWRITER

#### 2.2.1. General information of Underwriter

Name Address	:	RHB Securities (Cambodia) Plc. M Floor, OHK Tower, Corner of street 110 & 93, Village No. 3, Sangkat Sras Chak, Khan Daun Penh, Phnom Penh, Cambodia
Website	:	www.rhbgroup.com.kh
Email	:	rhbsc.info@rhbgroup.com
Telephone No.	:	+855 23 969 161
Business Registration No.	:	00003295
- Issued by	:	Ministry of Commerce
- Issue date	:	16 February 2010
License No. issued by SECC	:	009 គ.ម.ក/ក.ធ#
- Issue date	:	20 October 2018

#### 2.2.2. Salient terms of the Underwriting Agreement

We had entered into an Underwriting Agreement with the Underwriter to underwrite 2,631,579 Issue Shares and to use its best endeavour and best efforts to procure subscribers for up to 1,313,421 Issue Shares at the IPO Price.

The underwriting obligations of the Underwriter are subject to certain conditions precedent which must be satisfied prior to the registration of this Disclosure Document with the SECC.

The followings are the extract of salient terms of the Underwriting Agreement where the Underwriter may by notice given to us at any time before the date of the Listing, terminate, cancel and withdraw its underwriting commitment if:

- (a) there has been a breach by the Company of any of its Warranties, obligations or undertakings under this Agreement in any respect;
- (b) material information is withheld by the Company from the Underwriter which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriter, would have a Material Adverse Effect, or affect the success of the Initial Public Offering, or the distribution or the sale of the Firm Shares pursuant to the Initial Public Offering;
- (c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter and the Underwriter by reason of Force Majeure (as defined below) which would have or can reasonably be expected to have, a Material Adverse Effect or is reasonably likely to have the effect of making any material obligation under this Agreement incapable of performance in accordance with its terms. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the party claiming Force Majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:
  - war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;
  - (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or
  - (iii) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other acts of God;
- (d) any government requisition or other occurrence of any nature whatsoever which would have or is reasonably likely to have a Material Adverse Effect;
- (e) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Underwriter would have or is reasonably likely to, have a Material Adverse Effect or a material adverse effect (whether in the primary market or in respect of dealings in the secondary market) on the value or price of the Firm Shares.
- (f) trading of all securities on the CSX has been suspended or other material form of general restriction in trading;
- (g) any new law or regulation or change in law, regulation, directive, policy or ruling in any jurisdiction which in the opinion of the Underwriter may prejudice the success of the Listing or which would have or is reasonably likely to have the effect of making it impracticable to enforce contracts to

allot and/or transfer the Shares or making any obligation under this Agreement incapable of performance in accordance with its terms;

- (h) the Placement and/or the Public Offering is stopped or delayed by the Company, the Selling Shareholder or the regulatory authorities for any reason whatsoever (unless such delay has been approved by the Underwriter);
- (i) the Listing does not take place by 12 August 2020 or such other extended date as may be agreed by the Underwriter; and
- (j) any commencement of legal proceedings or action against any member of the Group or any of their directors, which in the opinion of the Underwriter, would have or is reasonably likely to have a Material Adverse Effect or make it impracticable to enforce contracts to allot and/or transfer the Shares.

#### 2.2.3. Underwriter's benefits in the Company

RHB Securities (Cambodia), being the Principal Advisor and Underwriter for the IPO, confirms that there is no conflict of interest that exists or is likely to exist in relation to its role as the Underwriter for the IPO.

RHB Securities (Cambodia) and/or its related companies ("**RHB Banking Group**") form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, inter-alia brokerage, securities trading, asset and fund management and credit transaction service business in its ordinary course of business with our Company and its persons acting in concert. Furthermore, any member of the RHB Banking Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company and/or its affiliates, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or its affiliates.

RHB Banking Group via RHB Bank (Cambodia), had on 17 October 2017 extended an overdraft facility of USD3 million to PESTECH (Cambodia) for general working capital purposes ("Overdraft Facility") of which approximately USD1.99 million remained outstanding as at the LPD.

RHB Securities (Cambodia) as part of the RHB Banking Group, has confirmed that the abovementioned extension of credit facilities does not result in a conflict of interest situation in its capacity as the Underwriter in relation to the IPO as:

- the total credit facilities are not material when compared to the audited consolidated NA of the RHB Banking Group of approximately RM25.8 billion as at 31 December 2019;
- the credit facilities were provided by RHB Bank (Cambodia) in the ordinary course of its business and RHB Securities (Cambodia) does not receive or derive any financial interest or benefit save for the fees received in relation to its appointment as the Underwriter;

- (iii) the team in charge of the IPO in RHB Banking Group is independent from the team handling the credit facilities; and
- (iv) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013 of Malaysia and RHB Banking Group's own internal controls and checks.

## THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

# 2.3. PERCENTAGE OF PUBLIC FLOATS AND LOCK-UP

Pursuant to Article 17 of the Listing Rules, the following table sets out the lock-up and free floats Shares of our Company:

		Pre-IP	0	Post-IPO		
	Type of Shareholder	Number of Shares	%	Number of Shares	%	Lock-up Period
Lock-up Shares	Controlling Interest Shareholder / PIB	71,000,000	100.00	71,000,000	94.74	One (1) year ^
	Sub-total	71,000,000	100.00	71,000,000	94.74	
Free Floats	Masschinenfabrik Reinhausen	-	-	2,631,579	3.51	
Shares	Employees/Directors /Business Associates	-	-	657,895	0.88	
	Public investors			655,526	0.87	
	Sub-total			3,945,000	5.26	
	Grand total	71,000,000	100.00	74,945,000	100.00	

#### Note:

<sup>^</sup> Pursuant to the Listing Rules, PIB has the rights to sell up to 50% of its shareholding after six (6) months of the IPO.

# 2.4. INFORMATION OF PROFESSIONAL ACCOUNTING FIRM AND INDEPENDENT AUDITOR

## 2.4.1. Professional accounting firm

Name of the company	:	Grant Thornton (Cambodia) Limited
Address		20 <sup>th</sup> Floor Canadia Tower
		315 Preah Ang Duong Street
		Sangkat Wat Phnom, Khan Daun Penh Phnom Penh, Cambodia
Website	:	www.grantthornton.com.kh
Email	:	info@kh.gt.com
Telephone No.	:	+855 23 966 520
Business Registration No.	:	00018411
- Issued by	:	Ministry of Commerce
- Issue date	:	16 June 2011
License No. issued by SECC	:	No.064/17
- Issued by	:	SECC
- Issue date	:	16 May 2017
Registration No. accredited by SECC	:	006 គិ.ម.កិ./កិស

# 2.4.2. Independent auditor

Name of independent auditor Address	:	Ronald Coronel Almera 20 <sup>th</sup> Floor Canadia Tower 315 Preah Ang Duong Street Sangkat Wat Phnom, Khan Daun Penh Phnom Penh, Cambodia
Telephone No. Email	:	+855 23 966 520 ronald.almera@kh.gt.com
KICPAA Membership No.	:	No. 00208 dated 21 February 2011
Registration No. accredited by SECC	:	038‡គិ.មិ.កិ./សឯ
Date	:	29 January 2015

## 2.5. INFORMATION OF LAWYERS

Name	:	PYT & Associates LAW OFFICE
Address	:	Room 581 on 5th Floor, Building G, Phnom Penh Center, Samdach Sothearos Blvd (3) (corner Preah Sihanouk Blvd), Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh, Cambodia
Email	:	potim@pyt.com.kh
Telephone No.	:	+855 69 662 888
Professional certificate No.	:	LO274/15
- Issued by	:	Bar Association of the Kingdom of Cambodia
- Issued date	:	10 May 2012
Registration No. accredited by SECC	:	008 គិ.ម.កិ./កិម
- Date	:	3 June 2019

## 2.6. INFORMATION OF INDEPENDENT MARKET RESEARCHER

Name	:	Smith Zander International Sdn Bhd
Address	:	Suite 23-3, Level 23, Office Suite, Menara 1MK, 1 Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur, Malaysia
Email	:	enquiries@smith-zander.com
Telephone No.	:	+603 6211 2121
# 2.7. ALL EXPENSES RELATED TO PUBLIC ISSUANCE OF EQUITY SECURITIES

A summary of all the expenses and fees relating to the listing of and quotation for our entire issued and fully paid share capital on the CSX are set out in the table below:-

Estimated IPO Expenses	Notes	USD*	KHR'000
Underwriter's fees	1	259,964	1,039,856
Submission and registration of Disclosure Document fee (SECC)	2	4,500	18,000
Listing fees (CSX)	3	16,644	66,576
Printing, advertising, travel and roadshow expenses	4	30,000	120,000
Professional fees	5	152,500	610,000
Other miscellaneous and contingencies	6	43,150	172,600
Total		506,758	2,027,032

#### Notes:

- \* For simplicity purposes, we have assumed the following exchange rates:-
- KHR4,000 to USD1.00
- 1. Underwriter's fees

We estimate the Underwriter's fees of approximately USD259,964 (KHR1,040 million). The final fees will be determined based on the final IPO Price and the IPO Shares after the SECC's approval on our terms of offer.

2. Submission and registration of Disclosure Document fee

We will pay to the SECC submission and registration fees of KHR18 million (USD4,500) in respect of our submission and registration of the Disclosure Document with the SECC.

3. Listing fees

We will pay the following fees to the CSX:

- KHR4 million (USD1,000) for the listing eligibility review; and
- Estimated KHR62.6 million (USD15,644) for the initial listing fee. The actual amount will be determined after the IPO Price is fixed.
- 4. Printing, advertising, travel and roadshow expenses

We estimate the printing costs of Disclosure Document and application forms to be approximately USD10,000 (KHR40 million) and advertising, travel and roadshow expenses to be approximately USD20,000 (KHR80 million).

5. Professional fees

Professional fees comprise the legal advisory fee, reporting accountants' fee and independent market researcher's fee.

6. Other miscellaneous and contingencies

We estimate other miscellaneous and contingencies of approximately USD43,150 (KHR172.6 million), comprising:-

- Securities Registrar fee: USD10,000 (KHR40 million);
- Disclosure Document translation fee: USD5,000 (KHR20 million); and
- Other miscellaneous and contingencies: USD28,150 (KHR112.6 million)

## 2.8. DESCRIPTION OF EQUITY SECURITIES BEING OFFERED

## 2.8.1. Offering term

Name of equity securities	:	Ordinary share
Classification of equity securities	:	Ordinary share
Par value	:	KHR400 (USD0.10)
IPO Price	:	KHR3,120 (USD0.76)*
Total quantity of the offer	:	Public Issue: up to 3,945,000 shares
Total value of the offer	:	Public Issue: KHR12,308 million (USD3.0 million)
Opening subscription date	:	27 July 2020
Closing subscription date	:	4 August 2020

#### Note:

*USD1* = *KHR4,108, being the National Bank of Cambodia's average exchange rate in the month of May 2020* 

## 2.8.2. Description of equity securities

We have only one (1) class of shares, namely ordinary shares of KHR400 (USD0.10) each.

The IPO Shares shall rank *pari passu* in all respects with our existing issued shares, including:

- Rights to vote and voice any opinion at any meeting of the shareholder of the Company;
- Rights to examine list of shareholders and annual financial statements;
- Rights to receive the remaining property of the Company on dissolution and rights to all dividends and distributions that may be declared, paid or made on or subsequent to the date of their allotment or transfer thereof; and

• Each shareholder shall be entitled to one (1) vote for every one (1) share held at any of our general meeting either personally or by proxy.

## 2.9. DETERMINATION OF OFFERING PRICE OF EQUITY SECURITIES

Prior to the IPO, there has been no public market for our Shares. The IPO Price KHR3,120 (USD0.76) per Share was determined and agreed upon by our Board and our Underwriter, after taking into consideration the following factors as set out below.

## 2.9.1. Our financial history

We recorded revenue of approximately USD56.83 million for the FYE 30 June 2019, representing a decrease of 26.3% year-on-year from USD77.16 million recorded for the FYE 30 June 2018. Our GP for the FYE 30 June 2019 was USD7.1 million, representing a decrease of 50.0% year-on-year from USD14.19 million for the FYE 30 June 2018.

Furthermore, for the FYE 30 June 2019, we recorded a PAT of approximately USD1.78 million, representing a decrease of 76.6% over PAT for the FYE 30 June 2018 of USD7.58 million.

Further information on our financial history is set out in Section 7 of this Disclosure Document.

Based on our enlarged issued and fully paid share capital upon listing of 74,945,000 Shares, our Group's pro forma net EPS for the FYE 30 June 2019 is USD0.024.

## 2.9.2. Our pro forma consolidated NA

After adjusted for the IPO proceeds and the estimated IPO expenses, our pro forma consolidated NA per Share as at the FYE 30 June 2019 (based on our enlarged issued and fully paid share capital after IPO of 74,945,000 Shares) would be USD0.22.

Further information on our pro forma consolidated NA is set out in Section 2.10 of this Disclosure Document.

## 2.9.3. Our operating history

Our operating history and the nature of our business as described in Section 4.1.3 of this Disclosure Document.

#### 2.9.4. Our prospects and future plans

Our future prospects of the industry in which we operate in, future plans, strategies and our prospects as described in Sections 4.1.7 of this Disclosure Document.

## 2.9.5. Prevailing market conditions

The prevailing market conditions which include the current market trend and investors' sentiment.

You should note that the market price of our Shares upon and subsequent to the listing on the Main Board of the CSX is subject to market forces and other uncertainties, which may affect the price of Shares being traded. Before making an investment decision, you should consider, along with the other matters in the Disclosure Document, the risk factors set out in Section 3 of this Disclosure Document.

## THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

# 2.10. NET ASSETS PER SHARE, EARNINGS PER SHARE, P/E RATIO OR PRICE EARNINGS MULTIPLE PER SHARE AND DIVIDEND YIELD PER SHARE

Statements of Financial Position	As at FYE 30 June 2019 USD'000
ASSETS	
Non-current assets	
Property, plant and equipment	2,247
Intangible assets	3
Contract assets	173,059
Total non-current assets	175,309
Current assets	
Trade and other receivables	10,804
Contract assets	6,042
Amounts due from a related parties	1,944
Cash and cash equivalents	13,056
Total current assets	31,846
TOTAL ASSETS (A)	207,155
EQUITY AND LIABILITIES	
EQUITY	
Share capital	7,100
Reserve	(1,772)
Retained earnings	8,595
TOTAL EQUITY	13,923
Non-Current liabilities	
Borrowings	95,407
Derivative financial instruments	1,824
Total Non-Current liabilities	97,231
Current liabilities	
Trade and other payables	8,317
Amounts due to holding company	59,558
Amounts due to related parties	23,018
Borrowings	4,180
Income tax payable	928
Total Current liabilities	96,001
TOTAL LIABILITIES (B)	193,232
TOTAL EQUITY AND LIABILITIES	207,155
Issued and fully paid share capital before IPO (C) ('000)	71,000
NA (A-B)	13,923
NA per Share (A-B)/(C)	0.20
Issued and fully paid share capital after IPO (D) ('000)	74,945
NA adjusted for IPO proceeds and IPO expenses (E)	16,414
Pro forma NA per Share (E/D)	0.22

## 2.10.1. NA per Share

Our NA per Share as at 30 June 2019 was USD0.20, based on our issued and fully paid share capital of 71,000,000 Shares before adjusting for our IPO.

After giving effect to the Internal Reorganisation, the issue of 3,945,000 new Shares under the Public Issue, and after adjusting for the estimated expenses for our IPO, our pro forma consolidated NA per Share as at 30 June 2019 (based on our enlarged issued and fully paid share capital of 74,945,000 Shares) would be USD0.22.

## 2.10.2. EPS

	FYE 30 June 2019 USD'000
Net income (A)	1,775
Dividend paid (B)	-
(1) = (A) - (B)	1,775
Issued and fully paid share capital after IPO ('000) (2)	74,945
EPS (1) / (2)	0.024

## 2.10.3. P/E Ratio

	FYE 30 June 2019
	USD
IPO Price (1)	0.76
EPS (2)	0.024
P/E Ratio (1) / (2)	31.67

## 2.10.4. Dividend yield per share

	FYE 30 June 2019
	USD
Annual dividend per Share (1)	* -
IPO Price (2)	0.76
Dividend yield per Share (1) / (2)	N/A

#### Note:

\* The Company has not declared any dividend for the FYE 30 June 2019

## 2.11. ALLOTMENT PLAN OF EQUITY SECURITIES

The issuance of a total of 3,945,000 new Shares, representing 5.26% of our enlarged issued and fully paid share capital, at the IPO Price of KHR3,120 (USD0.76) per Issue Share, shall be payable in full upon application, subject to the terms and conditions of this Disclosure Document and, upon acceptance, will be allocated in the manner as set out below:-

Investor	Number of Shares	Allotment Ratio (%)
Maschinenfabrik Reinhausen (i)	2,631,579	66.7
Employees / Directors / Business associates participating in public subscription of the IPO <sup>(ii)</sup>	657,895	16.7
Public investors (ii)	655,526	16.6
Total	3,945,000	100.0

#### Notes:

- (i) Maschinenfabrik Reinhausen is a German-based manufacturer of electrical and electronic equipment as well as solution provider in the field of power quality solutions. The core business of the company is the regulation of transformers and distribution network.
- (ii) The actual allotment of Share for the public investors, employees / Directors / business associates may be different from the above and will be subject to the result of the Subscription. If the IPO Shares allocated to the employees / Directors / business associates are not fully taken up, the IPO Shares which are not taken up, may be allotted to the public investors. Vice versa, if the IPO Shares allocated to the public investors are not fully taken up, the IPO Shares which are not taken up, may be allotted to the employees / Directors / business associates. In the event of an oversubscription in the public investors portion, and the Shares allocated to the employees / Directors / business associates are fully taken up, the Shares allocated to the public investors will be allotted on a pro-rata basis. If after reallocation, the IPO Shares allocated to the employees / Directors / business associates and the public investors are not fully taken up, the Shares which are not taken up will not be issued.

## 2.12. USE OF PROCEEDS

We expect the total gross proceeds from the Public Issue to amount to approximately USD3.00 million or KHR12.308 million based on the IPO Price of KHR3,120 (USD0.76). The proceeds shall accrue to us and we shall bear all expenses relating to the listing of and quotation for our entire issued and fully paid share capital on the CSX.

No.	Details of utilisation	Estimated timeframe for utilisation upon Listing	Amount USD'000	Percentage of gross proceeds %
(i)	Financing future projects	Within 12 months	2,000	66.7
(ii)	Working capital	Within 12 months	491	16.4
(iii)	Estimated IPO expenses	Within 3 months	507	16.9
	Total gross proceeds		2,998	100.0

We intend to utilise the proceeds in the following manner:-

## (i) Financing our future projects

We intend to allocate approximately USD2.00 million from the IPO proceeds to finance the costs of our future projects which include, among others, projects' preliminary works, design of substation and transmission lines, purchases of materials and equipment, construction and installation works as well as labour charges. We are currently tendering for projects relating to HV and EHV underground cable, HV and EHV substations and transmission lines but the outcome has yet to be made known.

Any excess funds not utilised for the financing of our future projects will be utilised to meet the working capital requirements of our Company. However, in the event the allocated proceeds are insufficient for the financing of our future projects, any shortfall will be funded through internally generated funds, working capital, credit from suppliers and/or borrowings/financing.

As we continue to invest in our projects, we will also seek funding resources from financial institutions to support our growth.

## (ii) Working capital

We have earmarked approximately USD0.49 million of the proceeds to finance the day-to-day operations of our Company including, but not limited to our staff costs, upkeep of motor vehicles and upgrading of office equipment and information technology system, as detailed below:-

- Expansion of the workforce required pursuant to the expansion of our business. We anticipate to increase our permanent and contract employees from 59 to 64 and 43 to 53, respectively, who will be mostly involved in the future projects after being secured;
- Upkeep of motor vehicles which includes, maintenance costs, diesel and fuel expenses for our motor vehicles to run our daily operations; and
- Upgrading of office equipment and information technology system, which includes maintenance costs and overheads.

## (iii) Estimated IPO expenses

The estimated IPO expenses of approximately USD0.51 million are set out in Section 2.7 of the Disclosure Document.

If the actual expenses are higher than estimated, the deficit will be funded out of working capital. However, if the actual expenses are lower than estimated, the excess will be utilised for working capital requirements of our Company.

We intend to place the proceeds raised from our IPO or the balance thereof with banks or licensed financial institutions in interest bearing instruments / funds prior to the eventual utilisation of proceeds from the Public Issue for the above intended purposes.

## 2.13. INVESTMENT PROJECT

Not applicable

## THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

## 3. RISK FACTORS

An equity investment is a high-risk investment. You should carefully consider all of the information in this Disclosure Document, and in particular the risks described in this section, prior to making an investment in our Shares. You should seek appropriate advice from an accredited investment advisor representative or advisory firms.

You should read this section entitled "Section 3: Risk Factors" in conjunction with the sections entitled "Section 4: Company's Information" and "Section 7: Financial Information" together with all of the other financial and statistical information contained in this Disclosure Document.

If any of the following risks occur, our business or financial position may be adversely affected, resulting in the decline in the price of our Shares and you may lose all or part of your investment.

The risks discussed in this section are not an exhaustive list of the challenges that we currently face or that may develop in the future. Our business could be adversely affected by additional factors that we are not aware of now, or that we do not presently consider to be material to our business. Unless otherwise stated in the risk factors set forth in this section, we are not in a position to quantify or specify with any accuracy the impact of such risks as mentioned above.

Please be advised that the absence of our view and/or risk mitigation in respect of any risk factor is not an oversight. In respect of many of the risk factors set out below, risk mitigation may not be possible or no action to mitigate such risks has been taken.

## 3.1. INTEREST RATE RISKS

## 3.1.1. Fluctuations in interest rate

## a. Analysis

Interest rate risks refer to risks from fluctuations of interest rate in the future, which may adversely affect financing costs and returns to our Company.

Our Company's ability to expand our business operation is dependent upon our ability to raise sufficient financing either in the form of external debt financing, equity financing or internally generated cash flows.

As at 30 June 2019, our total outstanding borrowings amounted to approximately USD99.6 million, comprising overdraft, revolving credit, Murabahah facilities and syndicated financing facilities. Any additional borrowing and/or unexpected increase in interest rates may result in an increase interest expense, which may affect our profitability and debt repayments obligation.

The following table illustrates the sensitivity of our profit to a reasonably possible change in interest rates of  $\pm 0.25\%$ .

USD'000	+0.25%	- 0.25%
FYE 30 June 2019	(248)	248
FYE 30 June 2018	(55)	55

#### b. Management view and risk mitigation

Although there has been no material impact of interest rate fluctuations on our Company's historical profits for the Financial Years under Review, there can be no assurance that we will not be impacted by interest rate fluctuations in the future.

We have entered into interest rate swap contracts to hedge the company exposure to interest rate risks on our borrowings for a nominal value of USD25.00 million. The swap contract allows the Company to raise borrowings at floating rates and swap into fixed rates.

Furthermore, our management will continue to diligently assess the interest rate risk and determine the need to enter into interest rate hedging contract in the future.

## 3.2. EXCHANGE RATE RISKS

#### 3.2.1. Fluctuations in exchange rate

## a. Analysis

The national currency of Cambodia is KHR. However, we transact our business and maintain our accounting records primarily in USD. Our Management has determined USD to be our Company's functional and presentation currency. As such, our Company's foreign currency exchange risk arises from the transactions denominated in currency other than the USD.

For the Financial Years under Review, all of our revenues and purchases were denominated in USD.

Our Company's exposure to foreign exchange risk arises from the amount due to our holding company and related parties of approximately USD59.6 million and USD1.1 million respectively – which are denominated in USD. The following table demonstrates the sensitivity of our Company's profit for FYE 30 June 2019 to a reasonable possible change in RM of ±5.00%:

RM/USD	USD'000
Strengthened	(3,035)
Weakened	3,035

## b. Management view and risk mitigation

Our Board is of the opinion that exchange rate risk is not material to our Company's business thus far. Hence, we have not entered into currency hedging transactions as our transactions are mostly conducted in USD. Hence, our Board does not believe that exchange rate risk is material to our Company's business. In addition, our Management possesses vast experience in purchasing materials and/or equipment and constantly monitors the market trends on the prices of the materials and/or equipment to ensure the exposure to foreign exchange risk is kept to the minimal.

Notwithstanding the above, there is no assurance that any foreign exchange fluctuations in the future will not adversely affect our Company's financial performance.

# 3.3. INDUSTRY RISKS, RISKS RELATED TO CHANGES IN NATIONAL AND INTERNATIONAL CONTEXTS AND CHANGES IN RULES AND REGULATIONS

## 3.3.1. Dependency on the demand for electricity supply

## a. Analysis

We are dependent on the region's demand for electricity supply to fuel the demand for urbanization, social and economic growth. Our customers are mainly utility and industrial companies and power infrastructure concessionaires who give out contracts of the relevant electricity infrastructure turnkey works. Reliable and secured electrical infrastructure build-ups are the basic key element of social and economic growth of a nation.

Therefore, our business performance is tied closely to the pace of the social and economic growth of the region, which is dependent on the aspiration of each nation.

Any slowdown of expansion or upgrades of power infrastructure in the region, resulting from negative social and economic growth, will have a direct impact on our business operations and prospects of our Company.

## b. Management view and risk mitigation

In most countries, especially in developing countries in the region, there will normally be an underlying electricity demand in tandem with the economic growth and overall power accessibility improvement activities. Smith Zander estimated that the demand for electricity in Cambodia alone will increase from 8,649.98 GWh in 2018 to 12,019.75 GWh in 2020 at a CAGR of 17.88%. Our Board is of the view that the demand for electricity as well as related expansion and upgrades in the region will continue to grow at least up to 2030 based on various electricity demand reports for the region.

# 3.3.2. Changes in political, social and regulatory conditions in Cambodia and other countries that we may operate in

## a. Analysis

We are susceptible to changes in political and regulatory conditions in Cambodia, as well as other countries in which we currently operate in the future. Adverse situations in such countries may potentially cause significant interruptions to our business activities, thus affecting our financial performance and profitability. These situations include, but are not limited to, current global and local economic climates, inflation, credit conditions, political leadership, government regulations and policies, risks of war, methods of taxation, nationalisation, expropriation and renegotiation or nullification of existing contracts.

#### b. Management view and risk mitigation

We have adopted a proactive approach in keeping abreast with economic, political, social and regulatory developments in Cambodia as well as that of the other countries in which we currently operate in. Whilst we will continue to adopt effective measures such as prudent financial management and efficient operating procedures, we cannot be assured that adverse political, economic, social and regulatory factors will not materially affect our Company's performance. On certain projects, political risk insurance will be procured for risk mitigating purposes.

However, our nature of business and our strategy do not require us to make a significant capital investment to generate business. As such we are less impacted by any adverse political, economic, social and regulatory factors as we believe we are able to adapt to such changes due to the level of our minimal capital requirement.

Furthermore, in order to attract continued interest in investment and construction activities for the development of electrical infrastructure facilities, it requires conducive business and investment environment in the developing countries.

As at the LPD, our Company has not experienced any adverse occurrences arising from changes in economic, political, social and regulatory conditions in the region save for the recent outbreak of the Covid-19 virus in early 2020, which has resulted the following:

- (i) Temporary delays to electricity supply projects (including construction of power plants, substations and transmission and distribution systems) due to travel restrictions which prohibit the entry of overseas field experts/partners into Cambodia, as well as delays in the delivery of supplies from overseas suppliers for the electricity supply projects; and
- (ii) Dampening economic growth of Cambodia according to the Asian Development Bank, which could pose completion risk to large-scale electricity supply projects.

Notwithstanding the above, the demand for electricity in Cambodia will remain strong over the long-term as it is an essential factor to support the

growth and development of the nation and hence, it will continue to drive the growth of electricity supply industry players. As an electricity supply industry player, it is envisaged that our Company will be able to leverage on the long-term positive outlook of electricity supply industry.

## 3.4. OPERATIONAL RISKS

## 3.4.1. Day-to-day operational risk and insurance coverage

## a. Analysis

As we are involved in electricity supply industry, our business activities are susceptible to operational risks. Risks in day-to-day operations include risks of accidents, disruption in supply of key components, disruption in supply of utilities, as well as fire, flood, and/or other natural disasters that may cause disruption or delay in implementing our projects and may also cause damage to our materials and equipment thereby possibly disrupting our business operations. In addition, as our projects involve use of heavy equipment and machineries, we may encounter accidents or dangerous incidents at the project sites. Although it is our practice to ensure that we obtain insurance coverage on our assets, employees and projects, there is no assurance that all liabilities or claims for damages arising from our Company's operations will be adequately covered by insurance.

## b. Management view and risk mitigation

We seek to limit the above risks through, inter-alia, the following measures:-

- (i) We have taken up personal accident policy for all staff;
- We ensure that our project sites comply with safety requirements stipulated in various relevant licenses issued by relevant authorities and our approved internal work procedures;
- (iii) We have established an internal project implementation procedure and supply chain management to ensure effective and efficient business operations;
- (iv) We conduct in-house training and briefing on safety requirements and proper use of equipment are conducted to ensure that our employees are adequately trained to minimise risk of accidents at project sites; and
- (v) We seek to ensure the materials supplied by our suppliers are in accordance to the specifications of the projects and the materials are covered by product warranty.

All our projects are covered by sufficient insurance to secure against potential damages and accidents.

As at the LPD, our business operations have not been affected by any such events including other risks such as natural disaster, general strikes, riots and any other operational risks. '

# 3.4.2. Uncertainty in securing new projects and are currently dependent on a few on-going projects awarded by our major customer

## a. Analysis

Our Company's performance is project-driven. For the FYE 30 June 2018 and FYE 30 June 2019, the Projects undertaken have been the key contributor to our revenue. The Projects have contributed approximately 99.9% and 87.4% of our total revenue for the FYE 30 June 2018 and FYE 30 June 2019, respectively. Further information of our ongoing Projects is set out in Section 4.1.6 of this Disclosure Document.

Our ability to replenish contracts in the future is dependent on, *inter-alia*, government policies and general economic conditions, the need to build infrastructure for the electricity supply industry in the region, and changes in general business and credit conditions both locally and abroad. As such, our financial results can be adversely affected in the event that we fail to secure enough order.

In addition, our Company's performance in a particular financial year may depend substantially on a single project and its phases of its execution. For instance, for the FYE 30 June 2019, revenue contribution from West Phnom Penh – Sihanoukville Project contributed approximately 50.1% of total revenue for the year. Whilst we do not expect this trend to always remain as such, there is no assurance that such dependency will not happen in the future.

## b. Management view and risk mitigation

We take the necessary steps to establish a broad customer base in the region as our services and products are similarly in demand in all countries in the region. We strive to ensure high degree of customers' satisfaction, customer retention and referrals by:-

- offering value added solutions or services to our customers through our comprehensive in-house test equipment for commissioning of substation; and
- (ii) providing appropriate solutions to customers at hand and ensuring that customers are satisfied with our project quality and services; and timely execution.

Furthermore, the demand for the electrical infrastructure in the region is fast growing and provides ample opportunities for us to replenish our order book.

In addition, we have secured O&M contracts that will ensure recurring income for our Company for the next 25 years.

## 3.4.3. Project risk

## a. Analysis

As stated in Section 3.4.2 above, our Company's revenue is heavily derived from projects which are entered into on a contractual basis, subject to performance of certain terms and conditions. If our projects are delayed as a result of factors that we are contractually responsible for, especially on those that are within our control, we are liable to pay liquidated and ascertained damages on termination or delay. Any delay may affect our ability to complete our projects and achieve our revenue target and our business plans in a particular period. The difficulties faced in executing projects may also result in incurring higher cost. These developments may, in turn, have an adverse effect on our business, financial condition and results of operations.

Apart from the above, our projects could be subject to cancellation, deferral or rescheduling which could affect our Company's anticipated profitability. Furthermore, any termination of material projects will have an adverse impact on our future revenue.

## b. Management view and risk mitigation

For those situations which are out of our control, such as adverse weather conditions and/or floods, such delays would be compensated by our customer via an extension of time to complete the project. In addition, under the terms of most of the contracts with our customers, our customers may request changes to the contract specifications that may result from unanticipated events affecting the projects. Our contracts generally provide that such additional direct costs and extra time resulting from these types of changes in specifications are allowed in our contracts.

All our projects are based on contractual agreements. Any cancellation and termination of projects shall be subject to terms and conditions set out in the contracts. Generally, claims for works rendered prior to such cancellation or termination would be allowable in any contracts.

In addition, we will seek legal advice before entering into any contracts to ensure the company's interest is safeguarded.

As at the LPD, our Company has not paid or been liable to pay any liquidated and ascertained damages on termination, delay or rescheduling during the financial years under review.

## 3.4.4. Dependency and inability to retain Executive Directors and senior officers

## a. Analysis

We believe that our Company's continued success will depend, to a significant extent, upon the abilities, capabilities and continued efforts of our Executive Directors and senior officers to effectively market our services and products to grow our business. Our Company is led by our experienced Directors and is managed by a team of qualified senior officers who have extensive knowledge and experience in the industry.

Accordingly, the loss of any of our Directors and senior officers may affect our ability to effectively carry out our business activities.

## b. Management view and risk mitigation

Our Board recognises the importance of our Company's ability to attract and retain our Executive Directors and senior officers through the implementation of human resource strategies which include suitable compensation packages and the adoption of succession planning for key positions.

In addition, we adopted business continuity management to ensure uninterrupted business operations.

However, there can be no assurance that the above measures will be successful in attracting and retaining our Executive Directors and senior officers. Nevertheless, we believe, any loss of Executive Directors or senior officers would have only short term impact on our business activities.

# 3.4.5. Dependency on third party to source equipment, components and parts in our projects

## a. Analysis

We were dependent on PSB to supply equipment such as switchgear and transformers for our projects and products. We also rely on PSB to source for third (3<sup>rd</sup>) party fabricators to fabricate metal parts for use in our projects. For the FYE 30 June 2018 and 2019, our purchases from PSB amounted to approximately USD13.6 million and USD36.5 million. Furthermore, PSB is also dependent on third (3<sup>rd</sup>) party manufacturers for components such as relays, current transformers, voltage transformers and switchgear for its products and for supply to us. Our Company's business may be adversely affected if PSB is unable to source and guarantee the supply of the aforementioned components and equipment for our projects.

## b. Management view and risk mitigation

We intend to source for materials and equipment directly from external parties gradually after the IPO. The management and dealings with suppliers will be handled by our Company.

As at the LPD, our Company has not experienced any difficulties in purchasing equipment from PSB or any other suppliers for use in our Projects.

## 3.4.6. Dependency on the quality of equipment and services from third party

#### a. Analysis

In the course of implementation our projects, we need to use third party equipment or products. If such equipment or products are faulty, we would need to request for technical assistance from the original manufacturer to help resolve the problems. Although normally the manufacturer would have a team of experts ready to assist in these circumstances, we would not be able to ascertain that such assistance can be always delivered in a timely and efficient manner.

#### b. Management view and risk mitigation

We would ensure that third party components or equipment are sourced from established brand names with long standing track record on the reliability of their equipment or products to reduce the risk of faulty third party equipment. In addition, the supply chain management of our Company requires registration of suppliers, progress monitoring and factory inspection to ensure quality of products and timely delivery.

As at the LPD, our Company has not experienced any delay of our Projects due to faulty third party equipment or products.

## 3.4.7. Reliance on major customers

#### a. Analysis

As our revenue mainly generated from our projects, we could be reliant on certain projects and thereby certain customers during a particular period of time. For the FYE 30 June 2019, our main customers were Alex Corporation and Schneitec which contributed 57.8% and 25.4% respectively to our total revenue for the year.

Further information of our ongoing Projects is set out in Section 4.1.6 of this Disclosure Document.

## b. Management view and risk mitigation

Our reliance on Alex Corporation and Schneitec is only limited to the respective contract periods for West Phnom Penh – Sihanoukville Project, Stung Tatay Hydro Power Plant - Phnom Penh Power Transmission System Project and Siem Reap - Oddor Meanchey Project. Whilst we do not expect to rely on any particular customers on a recurring basis, it is the nature of our business that we could be reliant on a particular customer at any period of time in the future. The loss of any of these customers, if not replaced, will adversely affect our financial condition and results of our operations. However, our Board is of the view that these risks are mitigated to a certain extent, by the following:-

 (i) we have an established business relationship with Alex Corporation since 2014, when we entered into a contract for the West Phnom Penh – Sihanoukville Project, and revised contracts to upgrade certain specifications of the said project resulting in a revised contract value of USD147.8 million;

Due to our established relationship and our confidence in our business dealings with Alex Corporation thus far, we have further entered into a new contract with Alex Corporation on 6 April 2017 for the Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project;

Further details of the abovementioned projects are set out in Section 4.1.6 of this Disclosure Document;

- (ii) our track record offering value add solutions and quality services have ensured customer retention and referral; and
- (iii) by securing more contracts from different customers and thereby replenishing our project works, we are able to minimise our dependency on any particular customers in the future;

In addition, our Company has maintained and will continuously strive to meet our customers' expectations by working in tandem with their requirements to further improve our service quality. Despite our efforts to broaden our customer base, there is no assurance that the financial performance and operations of our Company will not be adversely affected by our dependence on our major customers.

# 3.4.8. Reliance on licenses, permits and other relevant approvals issued by various regulatory authorities in Cambodia

## a. Analysis

We are required by the regulatory authorities in the countries where we are operating to possess the required licenses, permits and other approvals in order to operate our businesses. Any change in the laws, regulations and government policies could affect our operations. In particular, any decisions by the government or regulatory authorities related to grant or renewal of our licenses or permits could disrupt our

operations and have material adverse effect on our business and financial condition of our Company. Even though we have obtained the required licenses, permits and approvals, we are subject to continuous review under the applicable laws and regulations, the implementation of which is subject to change from time to time.

## b. Management view and risk mitigation

We will continue to remain compliant with the laws and regulations in the countries where we are operating by ensuring we review the regulations, conditions imposed and new directives on an on-going basis. Nonetheless, there is no assurance that our effort is sufficient to mitigate such risk.

## 3.5. NON-OPERATIONAL RISKS

## 3.5.1. Ownership and control by controlling shareholder

## a. Analysis

Following the IPO, PIB will continue to hold majority of our Shares in issue. As a result, they will continue to control the business direction and/or influence the outcome of matters requiring the votes of our shareholders.

## b. Management view and risk mitigation

Our Company has appointed an independent director and set up an Audit Committee to ensure that any future transactions involving related parties are entered into on an arms-length basis and/or on normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not detrimental to our minority shareholders. The setup of an Audit Committee is expected to facilitate good corporate governance whilst promoting greater corporate transparency. In the event of a related party transaction involving the interest of the controlling shareholder, they may be required to abstain from voting either by law and/or by the relevant guidelines or regulations. Furthermore, we believe the controlling shareholder will act in the best interest of the Company.

## 3.6. FINANCIAL RISKS INCLUDING LIQUIDITY RISK AND CREDIT RISK

## 3.6.1. Liquidity risk

## a. Analysis

Liquidity risk is the risk that our Company will encounter difficulty in raising funds to meet our short term payment commitments.

We are exposed to liquidity risk as we generally extend credit terms to our customers and in some cases, we only get paid beyond the construction period. As a result, we may be facing liquidity risk if we are unable to fund the construction cost and the purchase of the machinery and equipment used in the Projects. For instance, for the FYE 30 June 2019, amounts due from customers on contracts were approximately USD179.1 million. The payment terms follow the contractual agreement executed by our Company with the respective customers.

On the other hand, we rely on PIB and other subsidiaries within PESTECH International Group in extending advances to us for the purchase of materials and equipment involved in our Projects to meet our working capital requirement. The amounts due to PIB and other related parties were USD50.2 million and USD82.6 million for the FYE 30 June 2018 and FYE 30 June 2019 respectively. Notwithstanding this, PIB will commence to impose interest charge of 4.50% per annum on our Company on the amount due to PIB after our Listing.

#### b. Management view and risk mitigation

We seek to maintain sufficient cash and cash equivalents to meet our working capital needs after the IPO, and we also maintain good relationships with the financial institutions.

Our Company's policy is to regularly monitor the current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and long term.

Furthermore, our Board believes that PIB will continue to extend us advances for the supply of materials and equipment. PESTECH International Group has pledged to continue to provide the financial support for the Company to meet its short term financial commitment as and when they fall due for at least 12 months from the date of this Disclosure Document and further extended, if required.

The Company will also endeavour to balance the projects with longer payment term via-a-vis projects with shorter payment term in order to lessen the liquidity burden on the Company.

Further discussion on the amounts due to PIB is set out in Section 7.5.1 of this Disclosure Document.

#### 3.6.2. Credit risk

#### a. Analysis

We are exposed to credit risk as we usually invoice our customers based on the stages of completion of our projects or based on terms of payment set out in the contracts with our customers. Terms of payment are usually negotiated up front between the contracted parties.

Adverse economic conditions affecting, or financial difficulties of our customers could impair the ability of our customers to pay for our services or fulfil their contractual obligations or cause them to delay those payments or obligations. We depend on our customers to remit payments on a timely basis.

We have not had any material collection problem or bad debts for FYE 30 June 2018 and FYE 30 June 2019, nonetheless there can be no assurance that we will not encounter bad debt or receivables problems in the future. Should we experience any unexpected delay or difficulty in collections of payments from our customers, our Company's financial performance and operating results may be adversely affected.

## b. Management view and risk mitigation

Our Board is of the opinion that the billing method is in line with the industry standards. The majority of our customers or end-customers are state-owned companies and we have thus far managed to receive payments on timely manner.

In general, we only provide extended credit terms to our customers when we have the direct payment arrangement in place with the endcustomers, which are generally the state-owned utility companies.

Furthermore, in the case of Cambodia, upon commissioning of the transmission lines and/or substations, our customers would receive payments from the EDC as per their concession agreement with EDC. To mitigate the credit risk of our customers, we negotiate for a direct payment contract with the EDC in certain projects. As such, we take comfort on the credit worthiness of EDC which is the state-owned utility company supplying electricity in most parts of Cambodia. We are not aware whether EDC had defaulted on its payment obligation.

## 3.6.3. Future capital needs which will require additional financing

## a. Analysis

We may need to raise additional funds in the future, through public or private financing, to support the growth of our Company, undertake acquisitions, respond to competitive pressure and/or acquire complementary businesses and technologies. There is no assurance that such additional funding, if needed, will be available on favourable terms. Furthermore, any debt financing if available, may involve restrictive covenants, which may limit our Company's operating flexibility. If additional funds are raised through the issuance of equity or equity-linked instruments, our Company's EPS will be diluted and our shareholders may experience dilution in their equity shareholdings in our Company. In addition, such equity or equity-linked instruments may have rights, preferences or privileges over those of our existing shares. Failure to secure adequate funds on acceptable terms would have a material adverse effect on our Company's business, competitiveness and financial performance.

## b. Management view and risk mitigation

We maintain good relationships with financial institutions and in our Board's opinion, we have good prospects of establishing banking relationship with them, should the need arises. Furthermore, we expect most of our future debts funding requirements are projects related which have clear source of repayment.

After our IPO, there will be various fund raising instruments available to the Company to fund our future projects.

## 3.7. LITIGATION RISKS AND CONTINGENT LIABILITIES

#### 3.7.1. Litigation risk

#### a. Analysis

As at the LPD, our Company is not involved in any litigation in Cambodia. Nevertheless, our Company is subject to the risk of litigation and regulatory enforcement actions in the ordinary course of our business, particularly in respect of any breach of contractual covenants, the environmental and construction requirements in relation to our projects, taxation law and labour law requirements.

Any litigation or regulatory enforcement actions could potentially damage our reputation and could expose our Company to financial liability, divert our resources and management's attention away from our day-to-day business and adversely affect our Company's reputation and financial performance.

## b. Management view and risk mitigation

Company is currently not exposed to any litigation that could have a material adverse effect on our Company's financial performance. We always strive to carry out our business to ensure compliance with all applicable laws and best practices in the industry.

## 3.7.2. Tax disputes

## a. Analysis

In 2011, GDT issued a Notice of Tax Reassessment after the limited tax audit of our Company amounting to USD546,971 (KHR2,222 million) to claim a purportedly undeclared prepayment profit tax and value added tax for the period from 1 May 2011 to 31 July 2011.

In 2015, GDT issued a Notice of Tax Reassessment after the limited tax audit of our Company amounting to USD490,912 (KHR1,995 million) to claim a purportedly undeclared prepayment of profit tax and value added tax, for the period from 10 January 2013 to 16 October 2013.

In 2017, GDT issued a Notice of Tax Reassessment after the comprehensive tax audit for the fiscal year 2010 of our Company amounting to USD267,956 (KHR1,088 million) to claim a purportedly undeclared profit tax, value added tax and withholding tax for the fiscal year.

The GDT has conducted a comprehensive tax audits on our Company for the fiscal years from 2011 to 2016. As at LPD, the final tax reassessments for the periods have not been issued.

## b. Management view and risk mitigation

In response, we have filed protest letters to GDT to contest against the misinterpreted assessments. Our Management considers the above reassessment letters to be of no basis and unjustified and the probability that the Company be required to settle the assessed taxes to be remote. As at LPD, the protest is still pending.

Notwithstanding the above, in accordance with the Anukret No. 1 ANK. BK 2019 on tax incentives in the securities industry, any company which has been granted the approval from the SECC and is listed on the Cambodia Securities Exchange, shall entitle to an exemption on tax liabilities including, tax on profit, withholding tax, VAT, specific tax on merchandise and services, accommodation and public lighting taxes, incurred prior to N-3 (N being the listing year).

We will continue to engage with the GDT to reach a settlement in accordance with applicable tax law of Cambodia. Any payment to the GDT in this regard will affect our financial performance for a particular year.

## 3.8. RISKS RELATING TO INVESTMENT IN THE SECURITIES

## **3.8.1.** Limited trading activities on the CSX

## a. Analysis

CSX is a relatively new stock exchange and investors' participation in the market is relatively limited. Accordingly, there may be limited trading activities on the CSX and on our Shares on any particular day or during any particular period. As such, investors may not be able to trade our Shares at a desirable volume and price.

## b. Management view and risk mitigation

As at the LPD, the CSX has been in operation for nine (9) years and there have been gradual increase in number of listed companies as well as number of public investors. We observe that market liquidity will improve overtime as more companies get listed on the CSX which in turn will attract more investors, to participate in the capital market in Cambodia.

We also seek to establish a good investor relation function to ensure efficient flow of information to the public investors and their knowledge of our Company and our Shares.

Furthermore, we will explore a secondary listing opportunity on the SET after our IPO to widen the investor base in addition to increase the overall trading liquidity of our Shares.

Notwithstanding the above, there can be no assurance that our Shares will always be traded actively in the market.

#### 3.8.2. No prior market for our Shares

#### a. Analysis

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market in our Shares will develop, or, if developed, that such a market will be sustained. The IPO Price was determined after taking into consideration various factors and we believe that a variety of factors could cause our share price to fluctuate.

## b. Management view and risk mitigation

There can be no assurance that the market price of our Shares will not decline below the IPO Price. A number of factors, which are beyond our control, could cause our share price to fluctuate, including but not limited to sales of substantial amounts of our Shares in the public market in the immediate future, announcements of developments relating to our Company's business, fluctuations in our Company's operating results, general industry conditions or the performance of the global economy.

## 3.8.3. Failure or delay in our Listing

#### a. Analysis

The occurrence of any one of the following events, which are not exhaustive, may cause a delay or failure in our Listing:

- (i) The SECC and/or CSX may not approve our IPO;
- (ii) Our Underwriter exercising their rights pursuant to the Underwriting Agreement in discharging themselves from its obligations.

#### b. Management view and risk mitigation

Our Board and Underwriter will endeavour to obtain approval from the SECC and CSX for our IPO and ensure the completion of our Listing.

In the event of the failure of our Listing, we will release an announcement immediately on the cancellation of the Disclosure Document in the media recognised by the Director General of the SECC. All monies paid in

respect of any application accepted from you will be returned in full without interest within fifteen (15) working days after the cancellation date. Notwithstanding the above, our Board will take all reasonable steps to fulfil the conditions imposed by the relevant authorities, if any, to ensure the completion of our Listing.

## 3.9. OTHER RISK

## 3.9.1. Disclosure regarding forward-looking statements

## a. Analysis

This Disclosure Document contains certain forward-looking statements that are based on historical data, which may not be reflective of the future performance of our Company and others are forward-looking in nature which are subject to uncertainties and contingencies. Such forwardlooking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forwardlooking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies, the environment in which our present and future business strategies have been developed and the environment in which we will operate in the future.

## b. Management view and risk mitigation

Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this point in time, there can be no assurance that such expectations will be justifiable. Whether or not such statements prove to be accurate would be dependent upon a variety of factors that may have an effect on the business and operations of our Company.

In light of these uncertainties, the inclusion of such forward-looking statements in this Disclosure Document should not be regarded as a representation or warranty by us or our Underwriter that our plans and objectives will be achieved.

## 4. COMPANY'S INFORMATION

## 4.1. BUSINESS DESCRIPTION

#### 4.1.1. Company background

PESTECH (Cambodia) was previously known as Tajri-Pestech JV Limited and was incorporated on 5 February 2010 as a Single Member Private Limited Company in Cambodia. We commenced operations in the same year. We adopted our previous name, PESTECH (Cambodia) Limited on 11 July 2013 and assumed our present name, PESTECH (Cambodia) and status upon the completion of Internal Reorganisation which was approved by MOC on 27 June 2018, to facilitate our Listing. We are a wholly-owned subsidiary of PIB, a company incorporated and domiciled in Malaysia which is listed on the Main Market of Bursa Malaysia Securities Berhad, the stock exchange of Malaysia.

We were subsequently converted from a private limited company to a public limited company on 27 June 2018 as approved by MOC on even date and assumed our present name to facilitate our Listing on the CSX.

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

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

Our subsidiary PESTECH (Myanmar) was incorporated on 24 March 2017 as a private limited company under the Myanmar Companies Law. PESTECH (Myanmar)'s principal activities are to provide comprehensive powers system engineering, construction, design and installation and related services in power industry.

PESTECH Hinthar Corporation Limited ("PESTECH Hinthar"), a 60%-owned subsidiary of PESTECH (Myanmar), was incorporated on 24 June 2019 as a private limited company under the Myanmar Companies Law. PESTECH Hinthar's principal activities are to establish the infrastructure of Power sector and promote the power segments such as power generation, power transmission and power distribution.

PESTECH Microgrid Corporation Limited ("PESTECH Microgrid"), a 90%owned subsidiary of PESTECH Hinthar, was incorporated on 14 February 2020 as a private limited company under the Myanmar Companies Law. The principal activities of PESTECH Microgrid's are to provide microgrid system and other power infrastructure to the rural areas in Myanmar.

Further information on our principal products and services is set out in Section 4.1.6 of this Disclosure Document.

The following diagrams\* set out our corporate structure before and after the Internal Reorganisation:-



#### Notes:

- Indicates the share ownership of the holding companies in the subsidiaries
- \* These diagrams do not include all subsidiaries of PIB

## 4.1.2. Internal Reorganisation

In conjunction with, and as an integral part of our Listing, we had implemented and completed the Internal Reorganisation as follows:

#### a. Shares transfer

The entire equity stake in our Company held by PSB had been transferred to PIB for a nominal sum of USD1,000 on 19 February 2018. As a result of the shares transfer, PIB becomes our Company's immediate holding company.

## b. Increase in issued and fully paid share capital

The issued and fully paid share capital had been increased from KHR4 million or USD1,000, represented by 1,000 Shares of KHR4,000 or USD1.00 per Share, to KHR28.4 billion or USD7.1 million represented by 71 million Shares of KHR400 or USD0.10 per Share.

This was undertaken via a subdivision of shares of 1,000 Shares of USD1.00 each into 10,000 Shares of USD0.10 each and capitalisation of approximately USD7.1 million, comprising amounts due to PIB of USD5 million and retained earnings of approximately USD2.1 million into share capital which represents approximately 71 million Shares.

## c. Change of Company's legal form

Our Company's legal form had been converted from a single member private limited company to a public limited company on 27 June 2018 as approved by MOC on even date.

The Internal Reorganisation was approved by MOC on 27 June 2018.

## 4.1.3. Our History

We commenced commercial operations in February 2010 when we secured a contract involving the construction of HV substations and a HV transmission link between the North Phnom Penh transmission network to the Kampong Cham network in Cambodia (North Phnom Penh – Kampong Cham Project) from Cambodia Transmission Limited. The project involved the design, building, testing and commissioning of a 110km\* long, 230kV double-circuit transmission line from North Phnom Penh to Kampong Cham, along with two (2) substation facilities and upgrades.

#### Remark:

The actual length of the transmission line completed for North Phnom Penh – Kampong Cham Project was 97.18 km. The measurement of any transmission line built is generally different than the length in its original plan mainly due to the difference in the actual route used.

We had successfully completed and handed over the North Phnom Penh – Kampong Cham Project to its owner, Cambodia Transmission Limited in May 2013. This project was a major milestone for our Company, as we had completed the project eight (8) months ahead of schedule.

In addition, in March 2012, we secured a contract from the EDC involving the construction of a 115kV transmission line connection from the 230/115kV substation of Cambodia Power Grid Co., Ltd ("CPG") to the 115/22kV substation of Cambodia Power Transmission Lines Co., Ltd. ("CPTL") in Battambang Province measuring 0.97 km for a contract value of USD223,407 ("Battambang Project"). The project involved the design, engineering, procurement and installation of the transmission line. We had successfully completed the project in August 2012.

In 2014, we entered into a contract with Alex Corporation, a Cambodian multifaceted business entity, in relation to the design, engineering, installation, testing and commissioning of the West Phnom Penh – Sihanoukville Project for the:

- 230kV West Phnom Penh Sihanoukville Transmission Line; and
- 230/115/22kV substation extension project.

This project involved the construction of a transmission line of approximately 190km, which transmits electricity from the power plants in the Sihanoukville area to Phnom Penh city. This involved the upgrading of the existing Stung Hav substation with two (2) 230kV new outgoing transmission line bays that will be connected to the West Phnom Penh substation in Phnom Penh through the new 230kV transmission line to be constructed under this project.

In May 2015, we entered into a contract with Diamond Power to undertake the Kampong Cham – Kratie Project. The project involved the design, engineering, test delivery, installation and commissioning of the 230kV switchyard in the existing Kampong Cham substation, new Kratie 230/22kV substation and interconnecting 125km transmission line from Kampong Cham substation to Kratie substation. We had successfully completed the project in November 2017.

In addition, during the same year we completed a project in Sarawak, Malaysia, where we provided project management and civil construction management service for the construction of 275kV/32kV and 132kV/11kV substations ("Sarawak Project"). The project was subcontracted from PSB for a contract value of USD320,000.

Subsequently on 8 February 2017, an amendment was made to the earlier contract with Alex Corporation to upgrade the specifications of the West Phnom Penh – Sihanoukville Project. Under this amended contract, the upgraded work comprised the design, engineering, installation, testing and commissioning of the:

- 230kV double circuit transmission line of approximately 50km from Stung Hav Substation to Chamkar Luong; and
- 500kV double circuit transmission line of approximately 140km from Chamkar Luong to the proposed new Bek Chan substation.

We had successfully completed the project in January 2020.

On 6 April 2017, we entered into a new contract with Alex Corporation for the Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project for a contract value of approximately USD100.2 million. This project involves the:

- design, engineering, installation, testing and commissioning of the 230kV transmission line of approximately 220km from the Stung Tatay Hydro Power Plant to the proposed new Bek Chan substation in Phnom Penh; and
- supply, installation and connection of two (2) 230kV line bays at Stung Tatay Hydro Power Plant switchyard.

The project is expected to be completed by April 2021.

On 13 December 2017, we entered into a contract with Schneitec for the Siem Reap – Oddor Meanchey Project for a contract value of USD26 million. The project involves the development of a 115kV transmission line from Siem Reap to Oddor Meanchey, 115/22kV Oddor Meanchey Substation and 230/22kV Bek Chan Substation. We had successfully completed the project in December 2019.

On 1 April 2019, we entered into a contract with EDC for the contract value of USD7.49 million. The project involves supply of thermal resistant aluminiumalloy conductors steel reinforced ("TACSR") for HV 230kV transmission line

from Stung Hav Substation to Chamkar Luong Substation. We had successfully completed the project in September 2019.

On 14 March 2020, we entered into a contract with Renaissance Minerals (Cambodia) Ltd. for a contract value of USD7.3 million. The project involves supply, design, construction, erection, installation, testing, commissioning, energisation and handover of 230/11kV Okvau Transmission Substation. The project is expected to be completed within twelve (12) months from 1 March 2020, which is the date of commencement.

## 4.1.4. Our Organisational Structure

PESTECH (Cambodia) is operated under stewardship and governance of our Board. The Chief Executive Officer together with the Head of Departments are involved in leadership roles overseeing the day-to-day operations and management of the Company. Our organisational chart is set out below.



Information of our Directors and senior officers is set out in Section 5 of this Disclosure Document.

## 4.1.5. Our Corporate Governance

## a. Composition of the Board

As set out in the Company's Article of Incorporation duly registered with the MOC on 31 August 2018, the Board (other than alternate directors) shall comprise of not less than five (5) or more than fifteen (15) directors. A director does not need to be a shareholder. When required by the SECC, a director must not be appointed unless he/she satisfies the requirements and qualification fixed by the SECC and pursuant to the Prakas of Corporate Governance for Listed Companies ("PCG").

The composition of Board shall comprise at least one (1) independent director and one (1) executive director or such other number as may be required by laws and regulations from time to time

## b. Appointment and/or removal of Directors

Directors must be elected by an ordinary resolution of shareholders. Unless otherwise provided by the resolution, each director shall be elected for a term of two (2) years and may be re-elected. The shareholder may remove any director, at any time, by an ordinary resolution. If a vacancy occurs on the Board prior to the expiration of the term of the Director, because of removal or otherwise, the Shareholder shall elect another Director to fill the vacancy for the remainder of the term of the departed Director.

## c. Current member list of the Board

No.	Name	Position	Appointment Date as Director	Date of Expiration of Current Mandate
1.	Lim Pay Chuan	Executive Chairman	5 February 2010	Indefinite term
2.	Lim Ah Hock	Executive Director	5 February 2010	Indefinite term
3.	Han Fatt Juan	Executive Director / CEO	27 June 2018	Indefinite term
4.	Tan Pu Hooi	Executive Director	27 June 2018	Indefinite term
5.	Dav Ansan	Independent Director	29 August 2018	28 August 2023

## d. Role of the Board

The Board's primary responsibilities, based on a predetermined assessment of materiality, include giving strategic direction to PESTECH (Cambodia), identifying key risk areas and key performance indicators of PESTECH (Cambodia)'s business, monitoring investment decisions, considering significant financial matters, and reviewing the performance of executive management against business plans, budgets and industry standards.

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

(a) retain full and effective control over the Company, and monitor management in implementing Board plans and strategies;

- (b) ensure that a comprehensive system of policies and procedures is operative;
- (c) identify and monitor non-financial aspects relevant to the business;
- (d) ensure ethical behaviour and compliance with relevant laws and regulations audit and accounting principles, and the Company's own governing documents and codes of conduct;
- (e) 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;
- (f) 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;
- (g) act responsibly towards the Company's relevant stakeholders;
- (h) be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principles is reviewed regularly; and
- (i) review and approve recommendations made by respective committees of the Board.

## e. Board Committees

The Board is authorized to form committees and Board committees shall be formed in compliance with the SECC's PCG. The Board Committees facilitate efficient decision-making to assist the Board in the execution of its duties, power and authorities. Delegating authority to Board committees or management does not in any way mitigate or dissipate the discharge by the Board of their duties and responsibilities.

The Board shall have three (3) Board committees as prescribed under the PCG, namely the Audit Committee, Risk Management Committee and Remuneration & Nomination Committee.

## Audit Committee

The Audit Committee ("AC") shall comprise at least three (3) members and chaired by an independent director. At least one (1) member must be financially literate and others should be preferably with accounting and finance background. The following table sets out the composition of our AC:-

Chairman	Members	Meeting Frequency	
Dav Ansan, Independent Director	• Lim Pay Chuan, Executive Chairman	At least once every three (3) months.	
	<ul> <li>Tan Pu Hooi, Executive Director</li> </ul>		

Roles and duties of the AC shall be determined by the Board and shall include the followings:

- (i) Review of financial statements;
- (ii) Review internal control;
- (iii) Review internal auditing;
- (iv) Review external auditing; and
- (v) Report the committee activities to the Board.

## Internal audit

The Board had, on 02 July 2018, appointed HT & P Partners Company (HT&P) as an independent provider of internal audit service for the Company. HT&P is accountable to the AC and the Board.

The responsibilities of the internal auditor shall include the development of an Audit Plan and executing Internal Control Reviews of key business processes and related controls by undertaking the following:

- Understand and evaluate, through review of documentation, interviews with management and process owners and performing walk-through procedures, business processes and related business controls from a risk perspective along each entire process lifecycle;
- (ii) Review and assess the adequacy of documented policies and procedures;
- (iii) Perform an assessment of the effectiveness of the design of the current system of Internal Controls;
- (iv) Conduct Internal Control testing on sampling basis of the key business processes to assess the integrity and effectiveness of the Internal Controls in place;
- (v) Identify control weaknesses/deficiencies within the key processes;
- (vi) Identify process improvement opportunities within the processes reviewed; and
- (vii) Provide recommendations for improvement.

## **Risk Management Committee**

Risk Management Committee ("RMC") shall comprise at least three (3) members and chaired by an independent director. At least one (1) member shall possess expertise in finance and risk management. The following table sets out the composition of our RMC:

Chairman	Members	Meeting Frequency
Dav Ansan, Independent Director	<ul> <li>Lim Pay Chuan,</li> <li>Executive Chairman</li> </ul>	At least twice a year.
	• Han Fatt Juan,	
	Executive Director / CEO	

Roles and duties of the committee shall be determined by the Board and shall include the followings:

- (i) Risk analysis including: risk description, risk identification, risk estimation;
- (ii) Risk evaluation;
- (iii) Risk reporting;
- (iv) Risk treatment; and
- (v) Risk monitoring

## **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee ("RNC") shall comprise at least three (3) members, and chaired by a non-executive Director. The following table sets out the composition of our RNC:

Chairman	Members	Meeting Frequency
Dav Ansan,	Lim Ah Hock,	At least once every year.
Independent Director	Executive Director	
	Tan Pu Hooi,	
	Executive Director	

Roles and duties of this committee shall be determined by the Board, and shall include:

- 1) Reviewing and evaluating the qualifications of candidates for the position of directors or senior officers appointed by the Board;
- 2) Reviewing and recommending the compensation and remuneration of the Directors and senior officers; and
- Reviewing and updating the mechanism and assessing the effectiveness of the Board, Directors and Committees at least once (1) per year.

## 4.1.6. Principal products and services

#### a. Our principal products and services

We are an integrated electric power technology company. We are principally engaged in the following:

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

We are principally engaged in the provision of comprehensive power system engineering and technical solutions for electricity transmission and distribution in the Indochina region. As part of our power system engineering and technical solutions, we offer the following services:

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

We secure projects via tenders and request for quotations from prospective customers. A typical project for the construction of a HV and EHV substation, HV and EHV transmission line or underground power cable systems refers to a project that includes the design, engineering, procurement, construction, supply, installation, testing and commissioning of the structure and its related equipment. The implementation of a project is in accordance with the procedures established in our project management manual. In summary, the processes involved in a project are depicted below:
Stage	Processes
Planning and procurement	Our Company, in collaboration with PSB, is responsible for the engineering and design of the project as per the project requirements.
	In the planning stage, we discuss the requirements and needs of the customer when designing the layout of the project's system. We take into account the customer's budget, schedule, specifications, land area, location and other factors/constraints. Our engineers will then formulate a design that can be both reliable and cost-effective, while also allowing for expansion, if necessary. The design will outline the structural layout of the project, such as the switchyard layout, earthing system, cabling layout and lightning protection, as well as an integrated control, protection and communication system.
	When the drawing of the design is approved and released for construction, the team will procure the required materials.
	These materials may be proprietary power system components and equipment that are manufactured by PESTECH International Group. We may also source materials from third-party manufacturers or suppliers.
Construction and installation of	Based on the customer-approved drawings, the project team from our Company will prepare the installation layout plan.
equipment	The materials shall be delivered to the site, and the team will commence construction and installation of equipment, based on the customer-approved installation layout plan. The installation of equipment will commence upon the completion of civil construction work.
Site testing and commissioning	Once the equipment has been installed, the reliability and testing team, or a third-party tester, will conduct testing of equipment onsite.
	Commissioning will be carried out after the testing has been completed and passed.
Project completion and handover	Upon completion of the project, a completion certificate will be issued by the client.

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

We trade proprietary power system components and equipment in Cambodia. Some of the power system components and equipment are manufactured by PESTECH International Group.

PESTECH International Group owns several registered brands such as PESTECH, COPS, D-Switch, PROCOM and RETCOMS for power system components and equipment used in electric power substation control, monitoring and protection, which are manufactured at PESTECH International Group's production facility in Malaysia.

Our range of power system control components and equipment include:

- BCD input display;
- control and protection panels;
- HV isolator;
- telecommunication and teleprotection panels;
- neutral earthing resistors ("NER");
- remote terminal unit ("RTU");
- substation integration and monitoring system ("SIMS");
- alarm annunciation panel; and
- Analogue to digital meter ("ADM").

Product	Brand	Description	Visual
BCD converter and BCD input display	PESTECH	The BCD input display is designed to convert binary signals from a BCD converter into numeric value.	
		The BCD converter function is to convert direct current voltage signal into binary signal and able to produce display signal from 0 to 19.	
Control and protection panels	COPS	COPS is a control, protection and monitoring unit which enables remote control operation of primary high voltage equipment and protection systems in substations.	
HV isolator	D-Switch	The disconnector switch (D- switch) is used in power utilities to separate equipment from either the energy source or the ground.	
		This isolator carries customised features with 3 poles and 3 phases, horizontal or vertical according to customer's	

requirement.

Product	Brand	Description	Visual
Telecommunicati on and teleprotection panels	RETCOMS	The telecommunication and teleprotection panel combines communication and protection into one, by incorporating synchronous digital hierarchy as the transmission media, and multiplexer and teleprotection products in one panel.	
NER	RES	The NER protects power equipment against fault currents by limiting the ground fault current to a certain level to prevent damage.	
RTU	PROCOM	To provide interfacing of substation equipment with remote control center under SCADA implementation.	
SIMS	WACS	Facilitates full control or remote access to various intelligent electronic devices ("IEDs") databases through manufacturer's proprietary software	
Alarm Annunciation panel	PESTECH	Device to alert operators of alarm conditions in plant from abnormal events or conditions using audible signals	
ADM	PESTECH	Device functions to convert current signal from transformer and display tap indication on the seven segment display and able to provide tap position from 10-20.	

#### (iii) O&M of the transmission infrastructure

In addition to EPCC work we have also develop our operating and maintenance of power substation and transmission line (O&M) capacity.

Our customers are primarily holders of the build, operate and transfer ("BOT") concession and do not involve in the technical and physical activities of the construction and O&M of the transmission infrastructure.

Those concession holders, generally, engage service providers such as PESTECH (Cambodia) to build the infrastructure as well as to provide the O&M services once the transmission infrastructure is commissioned.

In 2018, our secured combined USD117.3 million O&M contracts for the following transmission systems for 25 years:

- Kampong Cham Kratie transmission system
- West Phnom Penh Sihanoukville transmission system
- Stung Tatay Phnom Penh Project

The combined revenue of the three (3) O&M contracts amounts to approximately USD4.69 million per year and for 25 years.

We aim at introducing O&M standard practices to Cambodia and plan to undertake the O&M services for other existing and future transmission infrastructures as it builds its capabilities and economy of scale.

### b. Details of our past and ongoing projects

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

As at the LPD, we have completed the following projects:

As at the LPD, we are involved in the following ongoing projects in Cambodia:

Project	Client	Project duration	Contract value USD million	Billing method
Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project	Alex Corporation	To commence on 15 June 2020 and to be completed by 30 April 2021	100.2	Monthly claims over a period of eight (8) years commencing from the first (1 <sup>st</sup> ) year of commercial operations of the transmission system
Okvau Project	Renaissance Minerals (Cambodia) Ltd.	Commenced in 1 March 2020 and to complete within 12 month	7.3	Down payment 30% and remaining balance upon progress claims

Apart from the above project, the Company has the following engagements as O&M service providers as below:

Engagement	Projects	Duration	Contract value USD million	
Engagement of O&M service providers	1) Kampong Cham – Kratie Project	25 years commencing from	117.3	
	2) West Phnom Penh – Sihanoukville Project	the date of completion of the construction of the		
	3) Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project	respective projects		

### THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Our past and ongoing projects in Cambodia are depicted in the map below:



#### c. Details of our markets (domestic or international)

For the FYE 30 June 2018 and FYE 30 June 2019, we operated primarily in Cambodia and as such our revenue was solely contributed by our operations in Cambodia.

# 4.1.7. Business strategies including competitive strength in the market and future plan

#### a. Competitive strengths

# (i) We are well positioned to benefit from the growth in electricity demand in Cambodia

The demand for electricity grew from 2,572.74 GWh in 2011 to 8,649.98 GWh in 2018 at a CAGR of 18.91%. Smith Zander estimates electricity demand in Cambodia to grow from 8,649.98 GWh in 2018 to 12,019.75 GWh in 2020 at a CAGR of 17.88%.

The Government of Cambodia (the "Government") has announced its intention to strengthen the electricity transmission system in Cambodia during the 2001 to 2020 period. Under its national targets, the Government aims to strengthen the electricity transmission system in Cambodia by a factor of over 20 times from 120 km in 2001 to 2,582 km by 2020.

Further, the Government targets to expand its rural electrification strategies with the goal of ensuring that all villages in the country would have access to electricity by the year 2020, including access to mini-grid and off-grid electricity, and 70% of households will have electricity by 2030. To this end, the World Bank is supporting two (2) projects, namely the Rural Electrification and Transmission Project and the Greater Mekong Sub-region Power Trade Project.

#### Source: IMR by Smith Zander

We are primed to benefit from the growth in electricity demand in Cambodia, and the Government's effort to improve electrification rates in the country. Of the 2,582 km target for power transmission line length in Cambodia, we have secured a total of approximately 721 km as at the LPD comprising:

- 110 km North Phnom Penh Kampong Cham Project;
- 1 km Batambang Project;
- 190 km West Phnom Penh Sihanoukville Project;
- 125 km Kampong Cham Kratie Project;
- 220 km Stung Tatay Hydro Power Plant Phnom Penh Transmission System Project; and
- 75 km Siem Reap Oddor Meanchey Project

### (ii) We have strong technical expertise in power system engineering

We have proven experience in the power technology and power system engineering industry, through our Management team's knowledge and working experience accumulated over the years. This is especially critical as the power system engineering industry is a highly technical and specialised field, requiring specific knowledge and skills in electrical and mechanical engineering. This complexity serves as a barrier to entry for new players in the industry.

We are able to leverage on our key technical personnel to secure and execute power system engineering projects in Cambodia.

Further information on our Management's background and experiences is set out in Section 5 of this Disclosure Document.

Our Company has developed specific technical expertise and know-how required to execute our business activities in the areas of switchyard layout design, substation layout, current loading as well as switchyard and substation equipment planning, installation and operations.

This has allowed us to develop competency and expertise across the spectrum of our business activities, namely in:

- tower spotting design;
- design, development and planning of indoor and outdoor substations;
- supply, delivery and erection of power transformers, protection and control systems, switchgears, ancillary equipment and associated civil works for transmission and distribution networks, transmission lines and substations;
- design, installation and supply of communication and protection and control systems; and
- substation extension projects.

# (iii) We have an integrated business model across the transmission and distribution segment of power system engineering

We offer a comprehensive range of services across the scope of electrical power transmission and distribution, from project design to commissioning of HV and EHV substations, HV and EHV transmission lines and underground power cable systems. We support our design, construction, installation and commissioning activities with complementary products that are designed and manufactured by PESTECH International Group, which include control and protection panel products, RTU products, HV isolators, substation interrogation monitoring systems and telecommunication panels under the COPS, PROCOM, D-Switch, WACS and RETCOMS brands.

Our team conducts in-house design of power system engineering and technical solutions for substations, transmission lines and underground cables. These engineers work closely with our clients to develop systems layout of the project based on the client's requirements and specifications, such as budget, schedule, land area and location. Based on these requirements and specifications, these engineers will formulate a design that is both reliable and cost effective, while also allowing for future capacity expansion of the substation, if necessary. The design also outlines the structural layout of the project, such as the switchyard layout, earthing system, cabling layout and lightning protection, as well as an integrated control, protection and communication system.

We further undertake the construction of substations, transmission lines and underground cables, where we follow through our design capabilities with civil construction as well as mechanical and electrical engineering expertise to build substations, transmission lines and underground cables. As at the LPD, Our Company has a total workforces of 109 permanent full time employees, of which 86 workforces in the project team that is capable to supervise for civil construction and installation works.

We also undertake installation and commissioning works, where our team will conduct testing of equipment onsite to ensure compliance to our standards. When all the equipment has passed the applicable tests, commissioning will be carried out and the project will then be handed over to our customer.

Our integrated business model allows us to control the quality, cost and schedule of our projects, thereby helping us to improve overall project quality, reduce wastage and ensure timely project completion to maintain and enhance our profitability.

### (iv) We place strong emphasis on quality as a key focus in the delivery of our services

We place strong emphasis on quality management to ensure that the quality of our projects comply with relevant regulations and to maintain our reputation and market standing. Since the inception of business, we have adopted the quality management practices developed by PESTECH International Group.

To achieve and maintain the intent of the quality policy, our management has established the following quality objective, which is reviewed periodically:

- to achieve zero error on drawings submitted to customers for approval; and
- to meet at least 99.9% of customer handover deadline.

As a result, our past project deliverables consistently met the deadline and target quality set by our Company.

We impose safety measures at all stages of our operations in order to minimise the possibility of work-related accidents and injuries. We further strive to ensure that the safety of the public is protected through prudent considerations and decisions during the implementation of safety measures. Our strong focus on quality in service delivery has allowed us to achieve significant strides in Cambodia where we have secured major power transmission and distribution contracts since the inception of business.

# (v) We have experienced and dedicated management that is focused on growing our Company's business

We are led by a qualified senior management team with longstanding experience in the system design, engineering and infrastructure segment of the power transmission and distribution industry. Our Company is led by our Chairman, Lim Pay Chuan and Chief Executive Officer, Han Fatt Juan:

 Lim Pay Chuan graduated with a Bachelor of Science in Electrical Engineering (Summa cum Laude) from the University of Mississippi (United States of America) in 1993. He subsequently obtained a Master of Engineering (Electrical) from Cornell University (United States of America) in 1994. Lim Pay Chuan has 26 years of experience in power transmission and distribution engineering. He is also the Executive Director and Group Chief Executive Officer of PIB.

 Han Fatt Juan graduated with a Bachelor of Science in Civil Engineering from South Dakota State University (United States of America) in 1990. He later obtained a Master of Science in Management in 1992 from the same university. Han Fatt Juan has 28 years of experience in power transmission and distribution engineering. Prior to this, he was the General Manager of Power Lines & Cable of PSB.

Lim Pay Chuan and Han Fatt Juan are supported by the following key management personnel:

Key management	Position	Academic Qualification	Years of relevant working experience
Teh Bee Choo	Chief Financial Officer	<ul> <li>1986 - Bachelor of Business in Accounting with Data Processing from Swinburne Institute of Technology, Australia</li> </ul>	34 years
		<ul> <li>1990 - Professional Qualification Institute of Chartered Accountants, Australia</li> </ul>	
Tann Sochan	Senior Manager / Corporate Secretary	• 2007 - Bachelor of Business Administration major in Business Management from University of Cambodia	17 years
		• 2011 - Master of Business Administration from University of Cambodia	
N Saravanan Nadarajah	Head of Project and Tendering	<ul> <li>2001 - Bachelor of Engineering in Power Electrical Engineering (Honours) from University of Technology, Malaysia</li> </ul>	23 years
Pablo T. Magpantay	Head of O&M	<ul> <li>2003 - Bachelor of Science in Electrical Engineering from University of Batangas, Philippines</li> </ul>	21 years
		<ul> <li>1985 - Bachelor of Science in Industrial Education from Batangas State University formerly PBMIT, Philippines</li> </ul>	

Our management team has contributed significantly to our success, and has the necessary industry experience, knowledge and skills to effectively grow our business moving forward.

b. Future plans and business strategies

#### (i) We intend to continue to enhance our market position in the power transmission and distribution market segment in Cambodia to meet increasing power demand

We plan to strengthen our market position in Cambodia's power transmission and distribution market by ensuring steady growth of our operations, and we aim to increase our overall market share.

Cambodia is an emerging economy with high gross domestic product ("GDP") growth and an expanding energy market. We believe that the energy demand – supply gap in Cambodia, coupled with growing investments in the energy sector, provide for an opportune environment for a company with our competency and financial strength to thrive in.

According to Smith Zander, the demand for power in Cambodia is forecast to grow from 8,649.98 GWh in 2018 to 12,019.75 GWh in year 2020 at a CAGR of 17.88% on the back of long term economic growth. Further, the Government has announced several national development projects to strengthen the domestic transmission system and improve electrification rates in Cambodia.

Specifically, the Government aims to strengthen the transmission system in Cambodia by a factor of over 20 times from 120 km in 2001 to 2,582 km by 2020, as well as to target to expand its rural electrification strategies with the goal of ensuring that all villages in the country would have access to electricity by the year 2020, including access to mini-grid and off-grid electricity, and 70% of households to have electricity by 2030. As at the end of 2018, the total length of transmission lines in Cambodia was 2,031.04 km.

The conducive market environment coupled with our Company's reliable track record provides a platform for our expansion in Cambodia. We aspire to capture the opportunities created by these national development projects in order to expand our domestic market reach in Cambodia. The overall prospects in Cambodia will enable us to grow our business and strengthen our position in the domestic power transmission and distribution market.

### (ii) We are diversifying our power system engineering and technical solutions to include the O&M of power infrastructure

Most concession holders that have been awarded contracts to build, operate and maintain power transmission and distribution infrastructure do not engage in the technical and physical activities involved in building power transmission and distribution infrastructure. As such, these concession holders engage us to provide turnkey design, procurement, construction, installation and commissioning of power infrastructure comprising substations,

transmission lines as well as underground power cable systems for electricity transmission and distribution.

We have also developed capabilities in the O&M of power infrastructure. As such, there are opportunities for us to further engage with power infrastructure asset owners and/or concession holders to offer O&M services during the concession period of the power infrastructure, and before such power infrastructure is transferred back to the EDC.

Specifically, we have secured contracts from Alex Corporation and Diamond Power on 12 January 2018 and 26 February 2018 respectively, to provide the O&M services for the West Phnom Penh – Sihanoukville Project, Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project and Kampong Cham – Kratie Project. As part of the contracts, PESTECH (Cambodia) will provide the O&M for the three (3) projects for 25 years commencing from the first year of commercial operations of the respective transmission systems.

#### (iii) We intend to further expand into power distribution activities that will generate additional revenue for our Company

We further intend to strengthen our market position in Cambodia by acquiring existing electricity distribution infrastructure to tap into power distribution activities. Power distribution is the final stage in the delivery of electricity, where electricity distribution infrastructure carries electricity from the power transmission system to residential, commercial and industrial end consumers.

Electricity distribution infrastructure is also known as a distribution network, and comprises electricity distribution lines. In Cambodia, electricity distribution lines are generally operated by private owner under a build-operate-transfer concession granted by the EAC.

#### (iv) We intend to pursue expansion opportunities in the power transmission and distribution market in neighbouring countries

We aim to expand our geographical presence to other developing countries in the Indochina region where there is a demand for the development, improvement and upgrading of electricity transmission and distribution assets. As an efficient and reliable electrical transmission and distribution system is a key necessity for modern society, this creates opportunities for us to extend our reach and introduce our expertise to these countries.

In terms of expanding our presence to new markets, we plan to prenetrate Laos and Myanmar as these countries currently have increasing electricity demand, fuelling the need for new and/or enhanced infrastructure for electricity generation, transmission and

distribution. In particular, hydro power stations are being built in Laos to supply electricity to its neighbouring countries.

As a result, on 24 March 2017, we incorporated our subsidiary PESTECH (Myanmar), which marked our entry to Myanmar and to allow us to start participating in the public tender and negotiating for contracts in the country. We set up PESTECH Hinthar on 24 June 2019 with a local Myanmar company to accelerate our entry to Myanmar. Subsequent thereto, PESTECH Microgrid was setup in 14 February 2020 to provide microgrid system and other power infrastructure to the rural areas in Myanmar

We will leverage on our presence and resources in Cambodia to serve as a platform to venture into these markets. We believe we can leverage on factors such as familiarity with business practices and similarities in culture within the Indochina region, in addition to our competitive strengths, to compete successfully in these countries.

#### (v) We intend to establish a product manufacturing facility for power system components in order to diversify our revenue stream

As we grow and progress, we intend to develop product manufacturing expertise and a manufacturing facility for power system components and equipment that will allow us to diversify our sources of revenue. Further, this will allow for the expansion of product range under our PESTECH, COPS, PROCOM and RETCOMS brands for application in electric power substation control, monitoring and protection apparatus.

We expect to be able to leverage on PESTECH International Group's present technical collaboration and partnerships with some of the established multinational companies in the industry as well as any future and potential technological partnership with other major companies.

We believe that the technology knowhow and knowledge shared to us by our partners will help to expand and enhance our product base with the introduction of new products in the engineering, design, manufacturing, installation and commissioning of electrical power transmission and distribution facility.

## (vi) We intend to explore a secondary listing opportunity on the SET

We intend to explore a secondary listing opportunity on the SET after the completion of our IPO, subject to the applicable rules and regulations of SET. The secondary listing may entail the listing of and quotation for all the existing shares on the Main Board of CSX (after completion of the IPO) on the SET. The secondary listing opportunity will enhance investor reach and widen the investor base in addition to increase the overall trading liquidity of our Shares.

# 4.1.8. The sale volume of products or services accounted for more than 10% of the company's total revenues

	FYE 30 June 2018		FYE 30 June 2019	
	USD'000	%	USD'000	%
Projects	77,132	99.9	49,650	87.4
Products	25	~(1)	7,177	12.6
Total	77,157	100.0	56,827	100.0

#### Note:

(1) Less than 0.1%, negligible

Further information on our Projects and Products is set out in Section 4.1.6 of this Disclosure Document.

# 4.1.9. Subsidiary, associates or holding company and their core areas of business

Name	Type of relationship	Core areas of business	Business registration date
PIB	Holding company	Investment holding and provision of management services. PIB's subsidiaries are principally engaged in the manufacturing of power system components, operating transmission infrastructure under a build-operate-transfer (BOT) concession and provision of integrated services for the engineering, procurement, construction and commission of power transmission infrastructure and rail electrification.	10 June 2011 (incorporated and domiciled in Malaysia)
PESTECH (Myanmar)	Subsidiary	Provision of comprehensive power system engineering, construction, design, installation and related services in power industry	24 March 2017 (incorporated and domiciled in Myanmar)

Name	Type of relationship	Core areas of business	Business registration date
PESTECH Hinthar	Subsidiary of PESTECH (Myanmar)	Establishment of the infrastructure of power sector and promote the power segments such as power generation, power transmission and power distribution	24 June 2019 (incorporated and domiciled in Myanmar)
PESTECH Microgrid	Subsidiary of PESTECH Hinthar	Provision of microgrid system and other power infrastructure to the rural areas in Myanmar	14 February 2020 (incorporated and domiciled in Myanmar)

#### 4.1.10.Marketing and distribution methods

Our business development, marketing and sales efforts are led by our Chief Executive Officer, Han Fatt Juan, who has 28 years of experience in the power transmission and distribution engineering field. He is assisted by our Head of Project and Tendering, N Saravanan Nadarajah.

Han Fatt Juan and N Saravanan Nadarajah are involved in all business development, marketing and sales activities of our Company. We utilise various sales channels to procure projects as well as to promote greater awareness for our services.

#### a. Tender bidding

We tender for projects from private organisations and Government bodies by submitting our tender to the relevant parties. Tender notices for projects are made available, amongst others in newspapers and relevant websites. We also receive invitations from companies to quote for projects. Once we determined we have the required track record, experience and resources to deliver the specifications, parameters and requirements of the project, we will submit our tender and quotation accordingly.

There are typically two (2) stages in a tender evaluation process. The first (1<sup>st</sup>) stage is the technical evaluation stage, where the candidates are evaluated based on track record, financial strength, experience and resources. Once the competent candidates have been selected, they will move on to the second (2<sup>nd</sup>) stage, which is the commercial stage. In this stage, the candidates, who have all been deemed qualified for the job, will compete based on pricing strategies.

#### b. Referrals

We secure new business opportunities through referrals from companies we have worked with. We obtain referrals for new projects from past and present clients, external consultants and other business associates due to our proven track record and quality service.

#### c. Request for proposals

Through our references in the industry, we also generate leads from proposals we have been invited to submit. These requests for proposals are normally associated with projects that have special requirements, such as fast track projects, projects that require special skills and projects with unconventional designs.

#### d. Technical presentation and training

In collaboration with PSB, we regularly give technical presentations and training sessions to our customers in our effort to keep them up-to-date with the types of technology we can offer, as well as to promote the services that are available in the industry.

#### 4.1.11.Raw materials and other inputs

For the Financial Years under Review, our main purchases for our Projects and Products were as follows:-

			Purch USD n	
No.	Raw materials and inputs	Name suppliers	FYE 30 June 2018	FYE 30 June 2019
1	Power system components and transmission line materials and equipment for our Projects and Products	PSB	13.6	36.5
2.	Sub contract of civil construction works for our Projects	Pharorth Vattanak E&C Co., Ltd	1.5	4.2
3.	Contract Cost	Enersol Co. Ltd.	2.0	38.7
4	Contract Cost	PESTECH Transmission Sdn Bhd	-	1.1

#### 4.1.12. Requirement for power, gas and water; or any other utilities

		FYE 30 June 2018	FYE 30 June 2019
No.	Input	USD'000	USD'000
1.	Petrol and diesel	131.0	78.1
2.	Electricity and water	19.5	21.2

#### 4.1.13.Customers who purchase 10% or more of the company's products or services

Our major customers (i.e. those individually contributing 10% or more of our total revenue for the Financial Years under Review) were as follows:-

				Reve USD m	
No.	Name of customers	Type of products or services	Duration	FYE 30 June 2018	FYE 30 June 2019
1.	Alex Corporation	Project <sup>(1)</sup>	April 2015 to January 2020	50.4	28.5
		Project <sup>(2)</sup>	April 2017 to April 2021	15.3	4.3
2.	Diamond Power	Project <sup>(3)</sup> & O&M	<ul> <li>Project: May 2015 to November 2017</li> </ul>	2.5	2.4
			<ul> <li>O&amp;M: January 2018</li> <li>– January 2043</li> </ul>		
3.	Schneitec	Project <sup>(4)</sup>	January 2018 to December 2019	9.0	14.4
4.	EDC	Supply of material	April 2019 to September 2019	-	7.2

#### Notes:

(1) West Phnom Penh – Sihanoukville Project

Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project (2)

Kampong Cham – Kratie Project and O&M of the transmission system Siem Reap – Oddor Meanchey Project (3)

(4)

Further details of our reliance on major customers are set out in Section 3.4.7 of this Disclosure Document.

#### 4.1.14. Suppliers who supply 10% or more of the company's total purchases

Our major suppliers (i.e. those individually contributing 10% or more of our total purchases for the Financial Years under Review) were as follows:-

			Purchases USD million			
No.	Name of suppliers	Type of products or services	FYE 30 June 2018	FYE 30 June 2019	Contract Duration	
1.	PSB	Supply of materials	13.6	36.5	N/A	
2.	Pharorth Vattanak E &C Co., Ltd	Civil construction services	1.5	4.2	N/A	
3.	Enersol Co., Ltd.	Supply of materials	1.9	38.7	N/A	
4.	PESTECH Transmission Sdn Bhd	Supply of materials	-	1.1	N/A	

Further details of our reliance on PIB Group are set out in Section 3.4.5 and Section 7.5.1 of this Disclosure Document.

# 4.1.15.Patents, marks, trade names, licenses and or other agreements on intellectual property rights

As at the LPD, we do not have any brand names, patents, trademarks, licenses, royalty agreements, and other intellectual property rights for our business operations.

#### 4.1.16.Number of total employees and full-time employees

As at LPD our Company has a total workforce of 109 permanent full time employees, of which 62 are local employees and 47 are foreign employees.

The following table sets out our employees with the relevant education qualification as at the LPD:-

Qualification / type of degree	Number of employees
Master's Degree	10
Bachelor's Degree	35
Diploma	4
Certificate	8
Total	57

#### 4.1.17. Potential of production or service capacity

Our services are mainly provided on a contract basis for the design, procurement, construction, installation and commissioning of HV and EHV substations, HV and EHV transmission lines as well as underground power cable systems for electricity transmission and distribution. The time taken to complete a project from the design stage to the commissioning and handover stage to our customer may vary between six (6) months and as long as a few years. The timeline of the completion of a project will depend on the scope of work to be done and the requirement and specifications of the customer.

Our Company is presently not restricted by capacity in taking on additional contracts for the design, procurement, construction, installation and commissioning of HV and EHV substations, HV and EHV transmission lines as well as underground power cable systems for electricity transmission and distribution. This is as we are able to seek skilled technical manpower support from PESTECH International Group, as the case applies.

#### 4.1.18. Transactions with subsidiaries, holding company or related companies

Save as disclosed below, there are no existing and / or proposed related party transactions entered or to be entered into in respect of the two (2) most recent completed financial years immediately preceding the date of this Disclosure Document:-

No.	Transacting parties	Nature of the relationship	Nature of transaction	FYE 30 June 2018 USD'000	FYE 30 June 2019 USD'000
1.	Diamond Power	Company in which directors have interest through PIB	Provision of services involving design, build, testing and commissioning and O&M of the 230kV Kampong Cham - Kratie transmission system	2,471	2,406
2.	PESTECH Power Sdn Bhd	Company in which directors have interest through PIB	Company in which directors have interest through PIB	-	1,270
3.	PSB <sup>(1)</sup>	Company in which directors have interest through PIB	Purchase of products and equipment for our Projects	13,607	36,501

No.	Transacting parties	Nature of the relationship	Nature of transaction	FYE 30 June 2018 USD'000	FYE 30 June 2019 USD'000
4.	Enersol Co., Ltd.	Company in which directors have interest through PIB	Purchase of products and equipment for our Projects	1,973	38,724
5.	PESTECH Energy Sdn Bhd	Company in which directors have interest through PIB	Purchase of products	9	-
6.	PESTECH Transmission Sdn Bhd	Company in which directors have interest through PIB	Purchase of products and equipment for our Projects	-	1,141
7.	PIB	Company in which our directors have direct and indirect interests	Management fee	533	301

#### Note:

(1) Our former immediate holding company, prior to the Internal Reorganisation

#### 4.2. OPERATIONAL PLAN AND FINANCIAL POSITION

#### 4.2.1. Projected income statement

The Company has gotten the approval from the SECC for the exemption from disclosing our projected income statement.

#### 4.2.2. Any expected significant changes in the number of employees

We do not expect any significant changes in the number of permanent employees within the FYE 30 June 2020.

#### 4.2.3. Internal and external sources of capital

The following table set out our internal and external sources of capital for the Financial Years under review:-

	FYE 30 June 2018 USD'000	FYE 30 June 2019 USD'000
Internal sources of capital:		
Share capital	7,100	7,100
Reserve	52	(1,772)
Retained earnings	20,631	8,595
Sub total	27,783	13,923

	FYE 30 June 2018 USD'000	FYE 30 June 2019 USD'000
External sources of capital:		
Amounts due to holding company	565	59,558
Amounts due to related parties	49,679	23,018
Borrowings	22,013	99,587
Sub total	72,257	182,163
Total	100,040	196,086

# 4.2.4. Material capital expenditure and expected source of funds for such expenditure

We do not expect to incur any material capital expenditure for the FYE 30 June 2020.

### 4.2.5. Material changes in income, cost of sales, other operating expenses and net income

The following table illustrates the material changes in our income, cost of sales, operating expenses and our net profit. The table below should be read in conjunction with the "Management Discussion and Analysis and Results of Operations" set out in Section 7.4 of this Disclosure Document.

	FYE 30 June 2018 USD'000	FYE 30 June 2019 USD'000	Change USD'000	Change %
Revenue	77,157	56,827	(20,330)	(26.3)
Cost sales and Construction	62,967	49,770	(13,197)	(21.0)
Operating Expense	4,063	2,781	(1,282)	(31.6)
PAT	7,581	1,775	(5,806)	(76.6)

#### 4.2.6. Any seasonal aspects of the company's business

Our business does not experience any seasonality.

#### 4.2.7. Any known trends, events or uncertainties

As at LPD, our Company's operations have not been and are not expected to be affected by any significant known trends, uncertainties, demand, commitments or events that are reasonably likely to have a material impact on the financial performance, position and operations of our Company other than those discussed in our Management's Discussion and Analysis and Results of Operations set out in Section 7.4 of this Disclosure Document.

#### 4.2.8. Any change in the assets of the company used to pay off any liabilities

As at LPD, we do not expect any changes in our assets to be used for the repayment of our liabilities for the FYE 30 June 2020.

#### 4.2.9. Any material loan between holding company and subsidiaries

Our Board has confirmed that, to their best knowledge and belief, there are no outstanding loans that have been granted between our Company, our holding company and our subsidiaries to or for the benefits of the related parties during the Financial Years under Review.

#### 4.2.10. Any future contractual and contingent liabilities

As at LPD, save as disclosed in the Contingent Liabilities set out in Section 7.5.8 of this Disclosure Document, our Board is not aware of any contractual or contingent liabilities incurred by us that, upon becoming enforceable, may have a material impact on our financial performance and position.

## 4.2.11. VAT, tax on profit, customs duty or other unpaid tax liability including any contingent liabilities

Save as disclosed in the Contingent Liabilities set out in Section 7.5.8 of this Disclosure Document, our Board is not aware of any VAT, tax on profit, customs duty or other unpaid tax liabilities.

#### 4.2.12. Operating and finance leases

The following table illustrates the operating and finance leases. The table below should be read in conjunction with the "Management Discussion and Analysis and Results of Operations" set out in Section 7.4 of this Disclosure Document.

	FYE 30 June 2018 USD'000	FYE 30 June 2019 USD'000
Within one (1) year	56	56
Within two (2) to five (5) years	74	13
Total	130	69

### 4.2.13. Provisions related to personnel schemes including retirement benefits that would not involve the issuance of equity securities of the company

Our Company offers benefit programmes that are in compliance with the local regulatory requirements and that are competitive with the market practice. Such benefits include seniority payment, annual leave and other kinds of leave, medical benefits and reimbursement of membership fees to professional societies.

Subject to the implementation by the Ministry of Labour and Vocational Training of Cambodia, our Company will provide eligible employee contribution to the National Social Security Fund.

Other than the benefits and contribution mentioned above, our Company does not have in place any pension, retirement or similar benefits for our employees.

#### 4.3. INFORMATION RELATED TO THE COMPANY'S ASSET

### 4.3.1. Property, plant and equipment, biological assets and intellectual properties rights

#### a. Description of PPE

#### (i) Description of property

As at LPD, we do not own any property.

#### (ii) Description of plant

As at LPD, we do not own any plant.

#### (iii) Description of equipment

A summary of equipment owned by our Company is as follows:-

.. . .

Description of equipment	Original cost USD'000	Net book value as at FYE 30 June 2019 USD'000
Equipment	3,187	1,975
Motor vehicles	525	257
Furniture and fittings	31	6
Computers	24	9
Total	3,767	2,247

#### (iv) Valuation on PPE

Our assets comprise mainly of equipment and our Board is of the view that revaluation of our assets is not necessary. We adopted Cambodian International Financial Reporting Standards and our PPE is valued at historical cost less accumulated depreciation and impairment losses.

#### (v) PPE under mortgage

As at LPD, we do not have PPE under mortgage.

#### b. Description of biological assets

As at LPD, we do not own any biological assets.

#### c. Intellectual property rights

As at LPD, we do not own any intellectual property rights

# 4.3.2. Assets valuation and revaluation (including valuation methods, date of valuation, name of independent valuers)

As at LPD, we have not conducted any revaluation of our PPE. Our PPE is valued at historical cost less accumulated depreciation and impairment losses.

### THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

### 5.1. DIRECTORS AND SENIOR OFFICERS

#### 5.1.1. Short biography of Directors and senior officers specifying their identification and qualification

a. Short biography of Directors

No.	Name	Position held	Nationality	Date of Birth	Education & Professional Qualification
1.	Lim Pay Chuan	Executive Chairman	Malaysian	20/09/1970	1993 - Bachelor of Science in Electrical Engineering from University of Mississippi, USA (Summa Cum Laude)
					<ul> <li>1994 - Master of Engineering (Electrical) from Cornell University, USA</li> </ul>
					Certified Project Management Professional® with the Project Management Institute since 2011
					• Fellow Member of the Institute of Engineers, Malaysia since 2017 (Member since 2005)
					Professional Engineer with Practising Certificate, Board of Engineers Malaysia since 2007
					Member of ASEAN Chartered Professional Engineers since 2016
					Member of the Board of Engineers Cambodia since 2017
					<ul> <li>Registered under The Asia Pacific Economic Co-operation Register, The International Register of Professional Engineer and the ASEAN Engineering Register since 2017</li> </ul>
2.	Lim Ah Hock	Executive Director	Malaysian	22/02/1952	• 1978 - Bachelor of Science majoring in Mechanical Engineering (First Class Honours) from University of Strathclyde, Glasgow, United Kingdom
					Member of the Institute of Engineers, Malaysia since 1981

No.	Name	Position held	Nationality	Date of Birth	Education & Professional Qualification
3.	Han Fatt Juan	Executive Director /	Malaysian	10/12/1965	<ul> <li>1990 - Bachelor of Science in Civil Engineering from South Dakota State University, USA</li> </ul>
		CEO			<ul> <li>1992 - Master of Science in Management from South Dakota State University, USA</li> </ul>
4.	Tan Pu Hooi	Executive Director	Malaysian	30/11/1971	<ul> <li>1995 - Bachelor of Science in Business Finance from University of Kansas, Kansas, USA</li> </ul>
					<ul> <li>1996 - Master of Business Administration (Honors) Finance and Investments from Washburn University, Kansas, USA</li> </ul>
					<ul> <li>Holder of Corporate Finance Qualification issued by The Institute of Chartered Accountants in England and Wales (ICAEW) since 2008</li> </ul>
5.	Dav Ansan	Independent	1	20/02/1979	• 2000 - Bachelor of Business Administration (Management) from
		Director			National University of Cambodia
					2001 - Bachelor of Law from Royal University of Law and Economics,
					Cambodia
					• 2003 - Master of Development Economics, Royal Academy of
					Cambodia
					<ul> <li>2009 - Master of Policy Economics, Center for Development Economics, Williams College, Massachusetts, USA</li> </ul>

No.	Name	Position held	Nationality	Date of Birth	Education & Professional Qualification	
1.	Han Fatt Juan	Executive Director / CEO	Malaysian	10/12/1965	<ul> <li>9/12/1965 • 1990 - Bachelor of Science in Civil Engineering from South Dakota State University, USA</li> </ul>	
					<ul> <li>1992 - Master of Science in Management from South Dakota State University, USA</li> </ul>	
2.	Teh Bee Choo	Chief Financial Officer	Malaysian	08/02/1963	<ul> <li>1986 - Bachelor of Business in Accounting with Data Processing from Swinburne Institute of Technology, Australia</li> </ul>	
					<ul> <li>Member of Institute of Chartered Accountants in Australia since 1990</li> </ul>	
					Member of Malaysian Institute of Accountants since 1993	
3.	Tann Sochan	Senior Manager / Corporate Secretary	Cambodian	24/09/1985	2007 - Bachelor degree of Business Administration at University of Cambodia	
					<ul> <li>2011 - Master degree of Business Administration at University of Cambodia</li> </ul>	
4.	N Saravanan Nadarajah	Head of Project and	Malaysian	26/05/1975	<ul> <li>1996 - Diploma in Electrical Engineering (Power) at University Technology Malaysia, Kuala Lumpur, Malaysia</li> </ul>	
		Tendering			<ul> <li>2001 – Bachelor of Engineering in Power Electrical Engineering (Hons) at University Technology of Malaysia, Johor, Malaysia</li> </ul>	
5.	Pablo T. Magpantay	Head of O&M	Filipino	25/01/1963	<ul> <li>1985 - Bachelor of Science in Industrial Education at Batangas State University formerly PBMIT, Philippines</li> </ul>	
	-				<ul> <li>2003 - Bachelor of Science in Electrical Engineering at University of Batangas, Philippines</li> </ul>	

### b. Short biography of senior officers

#### 5.1.2. Experience of Directors and senior officers for the last five (5) years

#### (i) Lim Pay Chuan

Lim Pay Chuan, a Malaysian, aged 50, is our Executive Chairman of the Board. He was appointed to our Board on 5 February 2010. He is presently the Executive Director cum Group Chief Executive Officer ("GCEO") of PIB.

In 1994 he began his career with Motorola Malaysia Sdn Bhd as a Product Engineer. Subsequently in 1995, he joined Toprank Corporation Sdn Bhd (now known as Toshiba Transmission & Distribution System Asia Sdn Bhd) as a Project Engineer, where he was promoted to Project Manager in 1997, and subsequently promoted to Assistant General Manager in 1998. In 2000, he joined PSB as a General Manager and was promoted to CEO in 2008.

He has been playing an instrumental role in the growth and development of PESTECH International Group's business from a small player primarily involved in trading, to an established integrated electric power technology company in the power transmission and distribution business with operations in Malaysia and abroad. He led the PESTECH International Group to establish presence in Brunei, Papua New Guinea, Cambodia, Myanmar, China and Sri Lanka and continues to actively seek new business ventures in both local and overseas markets. He is pivotal in establishing product development and engineering know-how in PESTECH International Group to be competent in handling design in the field of tele-communication, SCADA, protection and control, primary system design, transmission line and underground cable construction. In 2014, the power generation and rail electrification division was established to engage in power system automation and electrical services for power plant and rail industries.

He was awarded the Outstanding Entrepreneurship Award 2010 by Enterprise Asia in 2010 for his dedication and leadership in guiding PESTECH International Group to being an important player in the power transmission and distribution business in Malaysia and abroad.

He is currently registered as a Fellow Member of the Institute of Engineers Malaysia where he had been a member since 2005. He is also 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 USA with regional offices worldwide. He is registered as an ASEAN Chartered Professional Engineer since 2016. In 2017, he was registered under The Asia Pacific Economic Co-operation Register and The International Register of Professional Engineer and the ASEAN Engineering Register.

### (ii) Lim Ah Hock

Lim Ah Hock, a Malaysian, aged 68, is our Executive Director. He was appointed to our Board on 5 February 2010. He is presently the Executive Chairman of PIB.

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 after-sales service and major boiler repairs. Subsequently, he left Mechmar in 1984 and joined Sing Mah Pressure Vessels Co. as a Branch Manager during the period of 1984 to 1989 where he was in charge of the Southern branch's overall sales to the oil palm refineries, food and timber industries as well as other existing industries in Southern Peninsular, Sabah and Sarawak, Malaysia. In 1989, he became a Director of VESTECH Engineering Sdn Bhd, a position he holds until today.

In 1991, he set up PSB in Johor Bahru, Malaysia. To-date, his responsibilities in PESTECH International Group include charting major corporate development plans, steering macro business growth direction with the stewardship of the GCEO, monitor the overall financial wellbeing and activities of PESTECH International Group which includes providing management guidance and direction to the staff.

#### (iii) Han Fatt Juan

Han Fatt Juan, a Malaysian, aged 55, is our Executive Director and CEO. He joined PSB in 2009 and became our Company's CEO on 1 September 2015. He is responsible for achieving the revenue and profitability goals of our Company in accordance with our business plan and ensures that we have requisite goals, plans and budgets to achieve current and long term financial and operational goals as noted in the company's business plan.

He began his career in 1984 with Metral Villar Sdn Bhd as a Site Supervisor where he was responsible for supervising and coordinates activities of workers engaged in transporting and mixing ingredients to make concrete. He left in 1988 to pursue further studies at South Dakota State University, USA. He graduated with a Bachelor of Science in Civil Engineering from South Dakota State University, USA in 1990. He later obtained a Master of Science in Management in 1992 from the same university. While pursuing his Master's degree, he held a Teaching Assistant post in South Dakota State University, USA. In 1992, he joined Zafas Sdn Bhd as a Site Engineer and stayed on for 17 years up to 2009, where he last held the position of Project

Director. During his tenure, he was involved in various projects, including transmission line and underground cable installation works, across Malaysia as well as Brunei.

He joined PESTECH Group in 2009 as a Project Manager and was promoted to General Manager of Strategic Planning (Business Development) in 2011 and later to GM of Power Line and Cable Unit of PESTECH Group. As the GM of Power Line and Cable Unit, 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.

#### (iv) Dav Ansan

Dav Ansan, a Cambodian, aged 39, is our Independent Non-Executive Director. He is a notary public and is a Vice Chairman of Sethavitou Notary Public Office ("SH Notary") since 2014. He has over 10 years of working experience in legal practice and socio-political and economic field. His area of expertise is project and corporate finance. Prior to joining SH Notary, he was a legal practitioner at the Office of the Co-Investigating Judges of the Trial Chamber of the Extraordinary Chambers in the Court of Cambodia ("ECCC") from 2009 to 2013. Prior to joining the ECCC, he was an advisor and researcher of the Embassy of Republic of Korea in Phnom Penh and a public research institution of the Cambodian Government in the fields of law, advocacy, economics, cross-border trade, and business enabling environment. He also gave lectures in public and private universities in Phnom Penh from 2003 to 2013.

Dav Ansan is an advisor to **Samdech Akka Moha Ponhea Chakrei HENG Samrin**, President of the National Assembly of Cambodia. He is also a member of the Central Committee of the Union of Youth Federations of Cambodia, a non-governmental organization chaired by **H.E. HUN Many**, a member of the National Assembly of Cambodia.

Dav Ansan graduated with Master in Policy Economics from Williams College, Massachusetts, USA in 2009 and a Master of Development Economics from the Royal Academy of Cambodia in 2003.

He speaks Khmer as his mother tongue, advanced level of English and he is able to communicate in French.

#### (v) Tan Pu Hooi

Tan Pu Hooi, a Malaysian, aged 49 is our Executive Director. He joined PIB in September 2015 in the Corporate Development. He is responsible for structuring and executing various corporate exercises such as initial public offering, bonus issue, share split, share grant plan and structuring and executing fund raising activities.

He has extensive corporate finance experience since 1997 working with investment banks in Malaysia and also co-founded a licensed corporate finance advisory firm accredited by the Securities Commission of Malaysia. He is a Corporate Finance qualification holder issued by the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Financial Planning Association of Malaysia ("FPAM").

#### (vi) Teh Bee Choo

Teh Bee Choo, a Malaysian, aged 57, is the Chief Financial Officer of our Company and also the Chief Financial Officer for PIB. She graduated from Swinburne Institute of Technology in 1986 with a Bachelor of Business in Accounting with Data Processing. She is a member of the Institute of Chartered Accountants Australia since 1990 and also a member of the Malaysian Institute of Accountants since 1993.

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 that provides company secretarial services and taxation advices, as a 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 PESTECH International Group as Chief Financial Officer in 2008, a position she holds to date.

#### (vii) Tann Sochan

Tann Sochan, a Cambodian, aged 35, is our Senior Manager/Corporate Secretary. She joined our Company on 5 April 2010. She is responsible for the design and implementation of business strategies and oversees the daily operations of the Company.

She began her career as a cabin flight attendant with Angkor Airways from 2006 to 2008. From 2008 to 2009, she joined David Chanaiwa & Associates, a legal firm as an office assistant where she was responsible for research work, verification of information and preparation of legal documents and minutes.

In 2010, she joined our Company as an office executive where she was involved in the office administrative duties including preparation of all payments.

In 2011, she was promoted to Project and Marketing Coordinator managing the purchase site materials and co-ordinating the staff deployment between the offices of PIB, sub-contractors and our Company. She was later promoted to Operation Manager in 2014 after completing the North Phnom Penh - Kampong Cham Project, the position she holds to date. She has over six (6) years of experiences in operations of our Company and our projects.

#### (viii) N Saravanan Nadarajah ("Saravanan")

Saravanan, Malaysian, aged 45, is our Head of Project and Tendering. He joined PSB as Head of Project and Sales in March 2010 and was transferred to our Company subsequently. He is responsible for execution and coordination of all engineering and construction works relating to the projects undertaken by our Company. He is in charge of the implementation of West Phnom Penh – Sihanoukville Project, Kampong Cham – Kratie Project and Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project.

He began his career as a Technical Assistant with Tenaga Nasional Berhad, Malaysia from 1996 to 1999 where he assisted in the development of proposals and engineering works and in the implementation of secured contracts.

From 1999 to 2001, he continued pursuing his Degree in Electrical Engineering (Power) at University Technology Malaysia. Upon completion, he joined Paremba Kentz MEPC Sdn Bhd, Malaysia as an Electrical Engineer where he was responsible for the installation, testing and precommissioning of equipment in a petrochemical plant from 2001 to 2002.

From 2003 to 2010, he joined TNB Engineering Corporation Sdn Bhd, Malaysia as a Project Manager for the development of the 275kV and 132kV Transmission Line project. During the period, he was also involved in the underground cable project management, including preparation of proposals, open tenders, engineering works and site testing.

In 2010, he joined our Company as the Head of Project and Sales where he was involved in the construction of two (2) 230/115/22kV substations and 98km 230kV transmission line.

#### (ix) Pablo T. Magpantay

Pablo T. Magpantay, Filipino, aged 57, is our Head of O&M. He joined our Company on 1 June 2017. He is currently in charge of the day-to-day operations and maintenance of the substations and transmission lines for which we are contracted to provide such services. He also develops and

ensures the effective implementation and compliance of O&M policy for the substations and transmission lines.

He began his career in 1985 with CMI Contractor, Inc. as an Electrician where he was involved in the crude distillation unit and fluid catalytic cracking unit rehabilitation project in Caltex Refinery, Batangas, Philippines. He subsequently joined the Philippine National Oil Company as an Electrician in 1989 where he was involved in performing electrical layout and installation of site office of a 110MW Bacon – Manito geothermal power plant project in Sorsogon, Bicol Region, Philippines.

From 1993 to 2004, he was an Electrical Technology Instructor in Batangas State University, Philippines where he lectured in various electrical-related subjects.

In 2004, he joined Hyundai Consortium Company as an Electrical Engineer where he was involved in the construction of a 22/0.4kV power distribution project in Banteay Meanchey province, Cambodia.

From 2006 to 2007, he was with Atlantic, Gulf & Pacific Company of Manila, Inc. as a Quality Controller for the installation of the electrical and instrumentation equipment for a project in San Roque, Bauan, Batangas, Philippines.

From 2007 to 2008 he was a Project Engineer with Danway Electrical & Mechanical Engineering in United Arab Emirates where he was involved the construction of the Dubai International Airport.

Prior to joining our Company, he was attached with Cambodian Transmission Limited, a subsidiary company of Leader Cambodia Limited from 2007 to May 2017 where he held various roles such as the monitoring and controls of the 230/115/22kV transmission project in Phnom Penh, and overseeing the operations and maintenance of 230/115/22kV GSKC Kampong Cham Substation.

No.	Name	Appointment date as Director	Date of expiration of current mandate
1.	Lim Pay Chuan	5 February 2010	Indefinite term
2.	Lim Ah Hock	5 February 2010	Indefinite term
3.	Han Fatt Juan	27 June 2018	Indefinite term
4.	Tan Pu Hooi	27 June 2018	Indefinite term
5.	Dav Ansan	29 August 2018	28 August 2023

### 5.1.3. Date of appointment and expiration of current mandate

### THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
# 5.1.4. If any Director is also a director or shareholder of another company or owner or partner of any other company, provide the names of such companies

Save as disclosed below, all of our Company's Executive Directors and senior officers are full-time employees of our Company and they are not involved in the operations of other businesses/corporations outside our Company as at the LPD:

No.	Name of Directors	Name of related entity	Designation	Shareholder
1.	Lim Ah Hock	PIB	Executive Chairman	$\checkmark$
		Astoria Solar Farm Sdn Bhd	Director	_
		PSB	Director	-
		PESTECH Power Sdn Bhd	Director	-
		PESTECH (Sarawak) Sdn Bhd	Director	-
		PESTECH Transmission Sdn Bhd	Director	-
		PESTECH Technology Sdn Bhd	Director	-
		PESTECH Energy Sdn Bhd	Director	-
		PESTECH Solutions Sdn Bhd	Director	-
		PESTECH Power One Sdn Bhd	Director	-
		PESTECH Power Two Sdn Bhd	Director	-
		PESTECH REI Sdn Bhd	Director	-
		Fornix Sdn Bhd	Director	-
		Forward Metal Works Sdn Bhd	Director	-
		CRSE Sdn. Bhd.	Director	-
		PESTECH Engineering Technology China Co., Ltd	Director	-
		Diamond Power Limited	Director	-
		Enersol Co., Ltd	Director	-
		PESTECH Hinthar Corporation Limited	Director	-
		PESTECH System Siam Ltd	Director	$\checkmark$
		ODM Power Line Company Limited	Director	-
		Fornix Biotech Sdn Bhd	Director	$\checkmark$
		Fornix Foodstuffs Sdn Bhd	Director	-
		Fornix Capital Sdn Bhd	Director	$\checkmark$
		Asiapac Machineries Sdn Bhd	Director	-
		Vestech Engineering Sdn Bhd	Director	$\checkmark$
		Batu Sawar Sdn. Bhd	Director	$\checkmark$

No.	Name of Directors	Name of related entity	Designation	Shareholder
2.	Lim Pay Chuan	PIB	Executive Director cum Group CEO	~
		Astoria Solar Farm Sdn Bhd	Director	-
		PSB	Director	-
		PESTECH Power Sdn Bhd	Director	-
		PESTECH (Sarawak) Sdn Bhd	Director	-
		PESTECH Transmission Sdn Bhd	Director	-
		PESTECH Technology Sdn Bhd	Director	-
		PESTECH Energy Sdn Bhd	Director	-
		PESTECH Solutions Sdn Bhd	Director	-
		PESTECH Power One Sdn Bhd	Director	-
		PESTECH Power Two Sdn Bhd	Director	-
		PESTECH REI Sdn Bhd	Director	-
		CRSE Sdn. Bhd.	Director	-
		Fornix Sdn Bhd	Director	-
		Forward Metal Works Sdn Bhd	Director	-
		PESTECH (PNG) Ltd	Director	-
		PESTECH Corporation	Director	$\checkmark$
		Diamond Power Limited	Director	-
		Enersol Co., Ltd.	Director	-
		PESTECH Transmission Ltd	Director	-
		PESTECH (Myanmar) Limited	Director	-
		PESTECH Hinthar Corporation Limited	Director	-
		PESTECH System Siam Ltd	Director	$\checkmark$
		PESTECH Vietnam Company Limited	Director	-
		PESTECH Microgrid Company Limited	Director	-
		ODM Power Line Company Limited	Director	-
		PESTECH (Brunei) Sdn Bhd	Director	-
		Fornix Biotech Sdn Bhd	Director	$\checkmark$
		Fornix Foodstuffs Sdn Bhd	Director	-
		Fornix Capital Sdn Bhd	Director	$\checkmark$
		Asiapac Machineries Sdn Bhd	Director	-
		Imbiss Sdn Bhd	Director	$\checkmark$
		Mercula Sdn Bhd	Director	$\checkmark$
		Wylis Corporation Sdn Bhd	Director	$\checkmark$

No.	Name of Directors	Name of related entity	Designation	Shareholder
		Wylis Sdn Bhd	Director	$\checkmark$
		Asiapac Builders Sdn Bhd	Director	-
		BETSOL Sdn Bhd	Director	$\checkmark$
		BETSOL (Sarawak) Sdn Bhd	Director	$\checkmark$
		BETSOL International Sdn Bhd	Director	$\checkmark$
		Riviera Wylis Sdn Bhd	Director	$\checkmark$
		PC Wylis Sdn Bhd	Director	$\checkmark$
		JAP Wylis Sdn Bhd	Director	$\checkmark$
		De Aroma Imbiss Co., Ltd	Director	$\checkmark$
		Enlightyx Sdn Bhd	Director	$\checkmark$
		Copious Alliance Co., Ltd.	Director	$\checkmark$
		Sustainable Energy Resources Co., Ltd.	Director	$\checkmark$
3.	Han Fatt Juan	De Aroma Imbiss Co., Ltd	Director	$\checkmark$
		Imbiss Sdn Bhd	Director	$\checkmark$
		PESTECH Transmission Ltd	Director	-
		PESTECH (Myanmar) Limited	Director	-
		PESTECH Hinthar Corporation Limited	Director	-
4.	Tan Pu Hooi	PESTECH (PNG) Ltd.	Director	-
		Diamond Power Limited	Director	-
		PESTECH System Siam Ltd	Director	-
		Fornix Biotech Sdn Bhd	Director	$\checkmark$
		Fornix Foodstuffs Sdn Bhd	Director	-
		PESTECH Corporation	Director	$\checkmark$
		ODM Power Line Company Limited	Director	-
		Copious Alliance Co., Ltd.	Director	$\checkmark$
		Sustainable Energy Resources Co., Ltd.	Director	$\checkmark$
5.	Dav Ansan	Sethavitou Notary	Partner and Notary Public	$\checkmark$
		Propey Microfinance Plc.	Director	$\checkmark$
		Sustainable Energy Resources Co., Ltd.	Director	$\checkmark$

Our Executive Directors' involvement in other businesses and corporations outside of PESTECH International Group do not require their daily involvement as those businesses/companies are managed by well qualified and experienced managers and senior officers. As such, their involvement in such other businesses or corporations will neither affect their contribution to our Company nor negatively impact their ability to act as the Directors of our Company.

# 5.1.5. Family relationship among Directors, shareholders and senior officers (if any), state the nature and length of relationship

Save as disclosed below, there are no family relationships and associations between or amongst our Directors, shareholders and senior officers and technical personnel:-

Name	Position held	Name of relative	Position of relative	Relationship
Lim Pay Chuan	Executive Chairman	Lim Ah Hock	Executive Director	Lim Pay Chuan is the nephew of Lim Ah Hock

# 5.1.6. Declaration of insolvency of Directors or Shareholders holding a minimum of 5% of our paid-up share

As at the LPD, none of our Directors or Shareholders holding a minimum of 5% of our paid-up shares has been insolvent during the last five (5) years.

# THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

# 5.2. INVOLVEMENT OF DIRECTORS AND SENIOR OFFICERS IN CERTAIN LEGAL PROCEEDINGS FOR THE LAST FIVE (5) YEARS

None of our Directors and seniors officers is or was involved in any of the following events, whether within or outside Cambodia:-

- Any bankruptcy petition filed by or against any company of which any of our Directors or senior officers was a director, officer or partner at the time of bankruptcy during the last five (5) years;
- (ii) Any conviction of any criminal proceeding or any criminal proceeding pending against our Directors or senior officers;
- (iii) Any permanent or temporary judgment or decree from any court of competent jurisdiction against any of our Directors or senior officers enjoining, barring, suspending or limiting their involvements in any type of business or securities activities; and
- (iv) Any decision of the SECC, foreign securities and exchange commission or other regulatory authorities suspending or limiting the involvement of any of our Directors or senior officers in any type of business, equity securities or banking activities.

# 5.3. REMUNERATION OR COMPENSATION OF DIRECTORS AND SENIOR OFFICERS

# 5.3.1. Name and position of top five (5) salaried officers including the total remuneration

The aggregate remuneration and benefits paid to the top five (5) salaried officers of our Company during the FYE 30 June 2019:-

			Aggregate remuneration		
No.	Name	Position	FYE 30 June 2018 USD	FYE 30 June 2019 USD	
1.	Han Fatt Juan	CEO			
2.	Yaddehige Shirley Manoj Krishantha Perera	Project Manager			
3.	Samaraj Mohan	Chief of Tower & Stringing	268,272	268,272	
4.	Chee Jean Thai	Civil Engineer			
5.	Thlang Komphark	Assistant Manager			

# 5.3.2. Total amount of remuneration paid to Non-Executive Directors

For the FYE 30 June 2018, the total amount of remuneration paid to the nonexecutive directors was USD30,000. There is no change in the total amount of remuneration for FYE 30 June 2019 vis-à-vis FYE 30 June 2018.

# 5.3.3. Aggregate amount of remuneration paid to all Directors and senior officers

For the FYE 30 June 2018, the total amount of remuneration paid to all Directors and senior officers of our Company was USD370,932. There is no change in the total amount of remuneration for FYE 30 June 2019 vis-à-vis FYE 30 June 2018.

# 5.3.4. Aggregate amount of remuneration proposed to be paid to all Directors and senior officers for one (1) future fiscal year

The aggregate amount of remuneration for all Directors and senior officers of our Company proposed for the FYE 30 June 2020 is estimated at USD370,932.

# 5.3.5. Material increase in remuneration or compensation for Directors and senior officers during the current and future fiscal year

Save for the salary increment and adjustment in the ordinary course of our business, there have not been, nor do we expect any material increase in the remuneration or compensation for our Directors and senior officers during the FYE 30 June 2020.

# 5.4. STOCK OPTIONS GRANTED TO DIRECTORS, SENIOR OFFICERS AND EMPLOYEES

# 5.4.1. Options granted to Directors

As at the LPD, there have not been any stock options granted to our Directors.

# 5.4.2. Options granted to senior officers

As at the LPD, there have not been any stock options granted to our senior officers.

#### 5.4.3. Options granted to employees

As at the LPD, there have not been any stock options granted to our employees.

# 5.5. SHAREHOLDERS

#### 5.5.1. Identity of shareholders who own at least 5% of our Shares

As at the LPD, the direct and indirect interests of our shareholders who own more than 5% of Shares in our Company are as set out below:-

			Direct		Indirect	
No.	Name	Registered/Residence Address	No. of Shares	%	No. of Shares	%
1	PIB	No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor, Malaysia	71,000,000	100	-	-
2	Lim Ah Hock	No. 27A, Jalan Permas 1/5, Bandar Baru Permas Jaya, 81750 Masai, Johor, Malaysia.	-	-	<sup>(1)</sup> 23,692,700	33.370
3	Lim Pay Chuan	No. 346, Jalan Yong Pak Kian, Ujong Pasir, 75075 Melaka, Malaysia	-	-	<sup>(2)</sup> 15,110,930	21.283

#### Notes:

<sup>(1)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 33.370%.

<sup>(2)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 21.283%.

# 5.5.2. Identity of Directors holding our Shares

As at the LPD, the direct and indirect interests of our Directors in our Company are as set out below:-

			Direct		Indirect	
No.	Name	Registered/Residence Address	No. of Shares	%	No. of Shares	%
1	Lim Ah Hock	No. 27A, Jalan Permas 1/5, Bandar Baru Permas Jaya, 81750 Masai, Johor, Malaysia.	-	-	<sup>(1)</sup> 23,692,700	33.370
2	Lim Pay Chuan	No. 346, Jalan Yong Pak Kian, Ujong Pasir, 75050 Melaka, Malaysia.	-	-	<sup>(2)</sup> 15,110,930	21.283
3	Han Fatt Juan	31, Jalan SL 7/18, Bandar Sg. Long, 43200 Kajang, Selangor Darul Ehsan, Malaysia.	-	-	<sup>(3)</sup> 381,270	0.537

			Direct		Indirect	
No.	Name	Registered/Residence Address	No. of Shares	%	No. of Shares	%
4	Tan Pu Hooi	No. 71, Jalan PJU 1A/1C, Ara Damansara, 47301, Petaling Jaya, Selangor, Malaysia.	-	-	<sup>(4)</sup> 656,040	0.924

#### Notes:

- <sup>(1)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 33.370%.
- <sup>(2)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 21.283%.
- <sup>(3)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 0.537%.

(4) His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 0.924%.

# 5.5.3. Identity of five (5) employees receiving highest remuneration or compensation and holding our Shares

As at the LPD, the direct and indirect interests of our top five (5) salaried officers in our Company are as set out below:-

			Direct		Indirect	
No.	Name	Position	No. of Shares	%	No. of Shares	%
1	Han Fatt Juan	Executive Director / CEO	-	-	<sup>(1)</sup> 381,270	0.537
2.	Yaddehige Shirley Manoj Krishantha Perera	Project Manager	-	-	<sup>(2)</sup> 2,130	0.003
3.	Loch Chansothear	Project Manager	-	-	<sup>(3)</sup> 1,420	0.002
4.	Samaraj Mohan	Chief of Tower & Stringing	-	-	<sup>(4)</sup> 2,130	0.003
5.	Chee Jean Thai	Civil Engineer	-	-	<sup>(5)</sup> 710	0.001

#### Notes:

- <sup>(1)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 0.537%.
- <sup>(2)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 0.003%.
- <sup>(3)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 0.002%.
- <sup>(4)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 0.003%.
- <sup>(5)</sup> His indirect shareholding in PESTECH (Cambodia) arises from his effective equity interest in PIB of 0.001%.

# 6. RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

### 6.1. MATERIAL TRANSACTIONS WITH SHAREHOLDERS DURING THE LAST TWO (2) YEARS

Save as disclosed below, there are no existing and / or proposed transactions entered or to be entered into with shareholders during the Financial Years under Review:-

		Shareholding		Transacted value USD'000		
Name of shareholders	Nature of transaction	Direct %	Indirect %	FYE 30 June 2018	FYE 30 June 2019	
PSB	Supply of materials	100.0*	-	13,607	36,501	
PIB	Management fee	100.0	-	533	301	

Note:

\* PSB's shareholding in our Company prior to the Internal Reorganisation

# 6.2. MATERIAL TRANSACTIONS WITH OUR DIRECTORS OR SENIOR OFFICERS DURING THE LAST TWO (2) YEARS

There are no existing and / or proposed transactions entered or to be entered into with our Directors and senior officers during the Financial Years under Review.

#### 6.3. MATERIAL TRANSACTIONS WITH SHAREHOLDERS HOLDING AT LEAST 5% OF THE COMPANY'S OUTSTANDING SHARES DURING THE LAST TWO (2) YEARS

Save as disclosed below, there are no existing and / or proposed transactions entered or to be entered into with shareholders holding more than five per cent (5%) of our outstanding shares during the Financial Years under Review:-

		Shareholding		Transact USD	
Name of shareholders	Nature of transaction	Direct %	Indirect %	FYE 30 June 2018	FYE 30 June 2019
PSB	Supply of materials	100.0*	-	13,607	36,501
PIB	Management fee	100.0	-	533	301

Note:

PSB's shareholding in our Company prior to the Internal Reorganisation

# 6. RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES (Cont'd)

#### 6.4. MATERIAL TRANSACTIONS WITH ANY FAMILY MEMBER OF THE DIRECTORS OR SENIOR OFFICERS OR SHAREHOLDER HOLDING AT LEAST 5% OF THE COMPANY'S OUTSTANDING SHARES DURING THE LAST TWO (2) YEARS

There are no existing and / or proposed transactions entered or to be entered into with family members of our Directors or senior officers or shareholders holding at least five per cent (5%) of our outstanding share during the Financial Years under Review.

#### 6.5. MATERIAL TRANSACTIONS WITH PERSONS WHO HAVE RELATIONSHIP WITH THE DIRECTOR OF OUR COMPANY, ITS SUBSIDIARY AND AFFILIATE OR HOLDING COMPANY WHERE THE RELATIONSHIP OCCURRED DURING THE OPERATIONS OR ARRANGEMENT BY OUR COMPANY DURING THE LAST TWO (2) YEARS

Save as disclosed below, there are no existing and / or proposed transactions entered or to be entered into with persons who have relationship with our Directors, our affiliate or holding company during the Financial Years under Review:-

			Transacte USD'	
Transacting parties	Nature of the relationship	Transaction	FYE 30 June 2018	FYE 30 June 2019
Diamond Power	Company in which directors have interest through PIB	Provision of services involving design, build, testing and commissioning of the 230kV Kampong Cham - Kratie transmission system	2,184	-
		O&M service	287	2,406
Enersol Co., Ltd.	Company in which directors have interest through PIB	Purchase of products and equipment for our Projects	1,973	38,724
PESTECH Energy Sdn Bhd	Company in which directors have interest through PIB	Purchase of products	9	-
PESTECH Transmission Sdn Bhd	Company in which directors have interest through PIB	Contract cost	-	1,141

# 6. RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES (Cont'd)

#### 6.6. MATERIAL TRANSACTIONS WITH PERSONS WHO WERE DIRECTORS OR ANY PERSON CONNECTED WITH SUCH DIRECTOR OF OUR COMPANY OF WHICH THE RELATIONSHIP OCCURRED DURING THE BUSINESS OPERATIONS DURING THE LAST TWO (2) YEARS

There are no existing and/or proposed transactions entered or to be entered into with any person who used to be a director or any person connected with such director of the Company of which the relationship occurred during the business operations in respect of the Financial Years under Review.

#### 6.7. MATERIAL TRANSACTIONS WITH DIRECTORS OF ANY ASSOCIATION OR NON-PROFIT ORGANIZATION OR OTHER COMPANIES DURING THE LAST TWO (2) YEARS

There are no existing and/or proposed transactions entered or to be entered into with Directors of any associations, non-profit organisation or other companies in respect of the Financial Years under Review.

#### 6.8. MATERIAL TRANSACTIONS WITH DIRECTORS RECEIVING ANY INTEREST OR PROFESSIONAL FEE FOR SERVICES IN WHICH THE DIRECTOR PROVIDED VIA ANY FIRMS TO ISSUER DURING THE LAST TWO (2) YEARS

There are no existing and/or proposed transactions entered or to be entered into with any Directors receiving any interest or professional fee for services in which the Director provided via any firm to the issuer, in respect of the Financial Years under Review.

#### 7. FINANCIAL INFORMATION

#### 7.1. EXCHANGE RATE

The national currency of Cambodia is the KHR.

Transactions in foreign currencies, other than USD, are translated into USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of comprehensive income.

The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the Law on Corporate Accounts, their Audit and the Accounting Profession of Cambodia and the Law on Accounting and Auditing (April 2016) and have been made using the prescribed official exchange rate of USD1.00 to KHR4,066 and USD1.00 to KHR4,063 published by the GDT on 30 June 2019 and 30 June 2018 respectively. These convenience translations should not be construed as representations that the USD amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

# THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

#### 7.2. HISTORICAL FINANCIAL INFORMATION

The following historical financial information for the Financial Years under Review presented below have been extracted from the Accountant's Report of our Group included in Section 9 of this Disclosure Document.

The following historical financial information should be read in conjunction with the "Management Discussion and Analysis of Financial Condition and Results of Operations" in Section 7.4 and the Accountant's Report of our Group included in Section 9 of this Disclosure Document.

#### 7.2.1. Statement of comprehensive income

The following table sets out a summary of the audited statement of comprehensive income of our Group for the Financial Years under Review:-

	FYE 30 June 2018		FYE 30 June 2019	
-	USD'000	KHR million	USD'000	KHR million
Revenue	77,157	313,486	56,827	231,058
Cost of sales and construction	(62,967)	(255,834)	(49,770)	(202,365)
GP	14,190	57,652	7,057	28,693
Other income	7	29	1,522	6,187
Operating expenses	(4,063)	(16,506)	(2,781)	(11,306)
Operating profit	10,134	41,175	5,798	23,574
Finance income	-	1	12	48
Finance cost	(169)	(688)	(3,467)	(14,094)
PBT	9,965	40,488	2,343	9,528
Income tax expense	(2,384)	(9,684)	(568)	(2,310)
PAT	7,581	30,804	1,775	7,218
Other comprehensive loss	_	_	(1,824)	(7,417)
Total comprehensive income /(loss) for the years	7,581	30,804	(49)	(199)
GP Margin (%)	18.39	18.39	12.42	12.42
PBT Margin (%)	12.92	12.92	4.12	4.12

# 7.2.2. Statement of financial position

The following table sets out a summary of the audited statement of financial position of our Group for the Financial Years under Review:-

	As at 30 June 2018		As at 30 June 2019	
-	USD'000	KHR million	USD'000	KHR million
ASSETS				
Non-current assets				
Property, plant and equipment	1,913	7,771	2,247	9,135
Intangible assets	-	-	3	12
Contract assets	146,587	595,583	173,059	703,658
Total non-current assets	148,500	603,354	175,309	712,805
Current assets				
Trade and other receivables	846	3,436	10,804	43,928
Contract assets	-	-	6,042	24,565
Amounts due from related parties	-	-	1,944	7,907
Cash and cash equivalents	2,084	8,469	13,056	53,086
Total current assets	2,930	11,905	31,846	129,486
TOTAL ASSETS	151,430	615,259	207,155	842,291
EQUITY AND LIABILITIES				
EQUITY				
Share capital	7,100	28,847	7,100	28,868
Reserve	52	211	(1,772)	(7,205)
Retained earnings	20,631	83,824	8,595	34,947
Total equity	27,783	112,882	13,923	56,610
Non-current liabilities				
Borrowings	19,945	81,037	95,407	387,925
Derivative financial instruments	-		1,824	7,417
Total non-current liabilities	19,945	81,037	97,231	395,342
Current liabilities				
Trade and other payables	48,005	195,043	8,317	33,818
Amounts due to holding company	565	2,296	59,558	242,162
Amounts due to related parties	49,679	201,846	23,018	93,589
Borrowings	2,068	8,402	4,180	16,997
Income tax payable	3,385	13,753	928	3,773
Total current liabilities	103,702	421,340	96,001	390,339
TOTAL LIABILITIES	123,647	502,377	193,232	785,681
TOTAL EQUITY AND LIABILITIES	151,430	615,259	207,155	842,291

#### 7.3. CAPITALISATION AND INDEBTEDNESS

The following table summarises our cash and cash equivalents as well as capitalisation and indebtedness of our Group:-

- based on our audited statement of financial position as at the FYE 30 June 2019; and
- (ii) as adjusted for the net proceeds arising from the Public Issue and the estimated IPO expenses as set out in Section 2.12 of this Disclosure Document.

-	Audited as at FYE 30 June 2019 USD'000	Proforma After Public Issue and IPO expenses USD'000
INDEBTEDNESS		
Current (due within 12 months)	4,180	4,180
Non-current (due after 12 months)	95,407	95,407
(A) Total indebtedness	99,587	99,587
CAPITALISATION		
Total equity	13,923	16,414
(B) Total capitalisation	13,923	16,414
Total capitalisation and indebtedness (A+B)	113,510	116,001

# 7.4. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis of financial condition and results of operations of our Group should be read in conjunction with the statement of comprehensive income as set out in Section 7.2.1 and the Accountant's Report included in Section 9 of this Disclosure Document.

The discussion and analysis contains data derived from our audited financial statements as well as forward looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward looking statements. Factors that may cause future results to differ significantly from those included in the forward looking statements include, but are not limited to, those discussed below and elsewhere in this Disclosure Document, particularly the risk factors as set out in Section 3 of this Disclosure Document.

#### 7.4.1. Overview of operations

We were incorporated in 2010 as an integrated electric power technology company. We are principally engaged in the provision of comprehensive power system engineering and technical solutions for the design, procurement, construction, installation and commissioning of HV and EHV substations, HV and EHV transmission lines as well as underground power cable systems for electricity transmission and distribution. We are also engaged in the distribution of power system components and equipment manufactured by PESTECH International Group.

Please refer to Section 4.1 of this Disclosure Document for our Group's detailed business overview.

#### a. Revenue

We derive our revenue mainly from two (2) sources i.e. execution of projects and the distribution of products.

Projects are currently the core contributor to our revenue. We use the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a period of a contract by comparing the proportion that contract costs incurred for work performed to date to the estimated total contract cost. 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 cost respectively by reference to the percentage of completion of the contract activity at the end of the reporting period. The percentage of completion is certified by the contractual parties, typically by our project manager and the customers' engineer.

Our Projects also include Products that are used in the execution of our Projects.

Our products comprise those that are manufactured and value added by PESTECH International Group which are then distributed by us to third  $(3^{rd})$  parties (i.e. those that are not used for our Projects) and are inclusive of the followings:-

- (i) PESTECH International Group's manufactured proprietary power system components and equipment; and
- (ii) Third (3<sup>rd</sup>) party equipment integrated with PESTECH International Group's value added services i.e. configuration (programming and engineering), testing of functionality, after sales services (technical and products support) and where applicable installation of products.

The sale of our Products to third  $(3^{rd})$  parties are generally for use in projects undertaken by third  $(3^{rd})$  parties involving installation of substations and transmission lines. As the specifications and budget for each project is different, our Products are customised and engineered according to the different requirements of our customers.

#### b. Segmental analysis

For the Financial Years under Review, our revenue for Projects was derived from the following contracts:

#### West Phnom Penh – Sihanoukville Project

The project involves the design, engineering, supply, installation, testing and commissioning of the 230kV West Phnom Penh – Sihanoukville Transmission Line and 230/115/22kV substation extension project. The agreement was entered into in 2014 with Alex Corporation at a contract value of USD86.065 million.

On 8 February 2017, an amendment to the earlier contract was signed with Alex Corporation to upgrade the specifications of the West Phnom Penh – Sihanoukville Project with a revised contract value of USD147.8 million. The upgraded works involve:

- (i) 230kV double circuit transmission line from Stung Hav Substation to Chamkar Loung; and
- (ii) 500kV double circuit transmission line from Chamkar Loung to Bek Chan.

The upgraded West Phnom Penh – Sihanoukville Project was completed in January 2020.

#### Kampong Cham – Kratie Project

The project involves the design, build, testing and commissioning of the 230kV Kampong Cham – Kratie Transmission System Project. The agreement was entered into in 2015 with Diamond Power for a contract value of USD17.23 million. The contract relates to the labour portion of the project works which comprises design, factory acceptance testing, delivery for the construction of the transmission line and substation.

The project was completed in October 2017, one month ahead of its November 2017 completion schedule.

# Stung Tatay Hydro Power Plant - Phnom Penh Transmission System Project

The contract for the project was entered into between our Company and Alex Corporation on 6 April 2017 for a contract value of USD100.2 million.

The project involves the:-

- design, engineering, installation, testing and commissioning of the 230kV transmission line of approximately 220 km from the Stung Tatay Hydro Power Plant to Phnom Penh; and
- ii. supply, installation and connection of two (2) 230kV line bays at Stung Tatay Hydro Power Plant switchyard.

The project is scheduled for completion by April 2021.

#### Siem Reap - Oddor Meanchey Project

The contract for the project was entered into between our Company and Schneitec on 13 December 2017 for a contract value of USD26 million.

The project involves the:-

- i. turnkey construction of approximately 75km ± 3km double circuit transmission line from Oddor Meanchey to Siem Reap;
- ii. turnkey construction of a 115/22kV Oddor Meanchey substation; and
- iii. turnkey construction of a 230/22kV Bek Chan substation.

This project was completed in December 2019.

The table below sets out the breakdown of our revenue by segments:-

	FYE 30 June	e 2018	FYE 30 June	2019
Segment	USD'000	%	USD'000	%
Projects	77,132	100.0	49,650	87.4
Products	25	0.0	7,177	12.6
Total	77,157	100	56,827	100

#### c. Cost of construction and cost of sales

Cost of construction and cost of sales of our Projects comprises civil and engineering works, material and equipment costs for the building and erection of substation and transmission lines, labour charges, transportation costs, hire of machinery costs and others. Our contract expenses are accounted for based on percentage of completion method.

Cost of sales of our Products represents costs of materials purchased from PSB, inclusive of freight, insurance and transportation costs and other associated costs.

The table below sets out the breakdown of our cost of sales and cost of construction by segments:-

	FYE 30 Jun	e 2018	FYE 30 June	2019
Segment	USD'000	%	USD'000	%
Cost of construction	62,945	100.0	42,880	86.2
Cost of sales	22	0.0	6,890	13.8
Total	62,967	100	49,770	100

#### d. GP

The table below sets out our GP analysis for the Financial Years under Review:-

	FYE 30 June 2018		FYE 30 June 2019	
Segment	USD'000	%	USD'000	%
Projects	14,187	100.0	6,770	95.9
Products	3	0.0	287	4.1
Total	14,190	100	7,057	100

#### e. GP margin

The table below sets out our GP margin analysis for the Financial Years under Review:-

	FYE 30 June 2018	FYE 30 June 2019
Segment	%	%
Projects	18.4	13.6
Products	12.0	4.0
Overall	18.4	12.4

#### f. Total operating expenses

Our operating expenses mainly comprise unrealised foreign exchange loss, professional fees, staff costs including salaries, bonus and staff welfare, rental of office and upkeep charges, depreciation of PPE, professional fees and other administrative charges.

Our total operating expenses for the FYE 30 June 2018 and the FYE 30 June 2019 amounted to USD4.1 million and USD2.8 million respectively.

#### G. Changes in accounting policies: Cambodian International Financial Reporting Standards ("CIFRS") 15 Revenue from Contracts with Customers

On 1 July 2018, the Group has adopted new guidance for the recognition of revenue from contracts with customers. The new standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment guidance, CIFRS 15 has only been applied to contracts that are incomplete as 1 January 2018.

On the initial application of CIFRS 15, 1 July 2018, the impact to the financial statements is as follows:

	As previously reported at 30 June 2018 USD'000	Effective of Adoption of CIFRS 15 USD'000	1 July 2018 USD'000
Non-current assets			
Contract assets	146,587	(13,811)	132,776
Equity			
Retained earnings	20,631	(13,811)	6,820

#### 7.4.2. Review of results of operations

#### a. Revenue

The table below sets out the analysis of our revenue for the Financial Years under Review:

	FYE 30 June 2018	FYE 30 June 2019	Change
Segment	USD'000	USD'000	%
Projects	77,132	49,650	(35.6)
Products	25	7,177	28,608
Total	77,157	56,827	(26.3)

Total revenue for the FYE 30 June 2019 decreased by 26.3% year-onyear to approximately USD56.8 million from USD77.2 million recorded for the FYE 30 June 2018. The revenue declined in revenue was mainly due to the lower revenue from Projects, which was party off-set by the increase in revenue from Products.

Revenue from our Projects for the FYE 30 June 2019 decreased by approximately USD27.5 million or 35.6% to USD49.6 million from USD77.1 million recorded in the FYE 30 June 2018.

The decline in revenue from Projects was mainly due to the lower percentage of works completed for West Phnom Penh – Sihanoukville Project and Siem Reap – Oddor Meanchey Project in FYE 30 June 2019 compared with those in FYE 30 June 2018. Furthermore, the decline in revenue was partly due to the Company's adoption of the new accounting standard CIFRS 15 which lowered the revenue in FYE 30 June 2019 by approximately USD3.67 million.

Projects contributed to the revenue for the FYE 30 June 2019 were West Phnom Penh – Sihanoukville Project at approximately USD28.5 million, Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project at approximately USD4.35 million and Siem Reap - Oddor Meanchey Project at USD14.4 million.

Further details of our Projects are set out in Section 4.1.6 of this Disclosure Document.

For the FYE 30 June 2019, our revenue from Products was mainly sales to third (3<sup>rd</sup>) parties to subcontractors amounted to USD7.2 million, representing a 35,900% increase year-on-year from USD0.02 million in the FYE 30 June 2018. Generally, we supply our Products to third (3<sup>rd</sup>) parties on a contractual basis, hence our revenue from the Products may fluctuate from time to time.

#### b. GP and GP margin

For the FYE 30 June 2019, we recorded a GP of approximately USD7.1 million, representing a decrease of 50.0% year-on-year from the USD14.2 million in the FYE 30 June 2018. The decrease in GP during the FYE 30 June 2019 was primarily due to the lower revenue contributed by our Projects.

The overall GP margin for the FYE 30 June 2019 decreased to 12.4% from 18.4% in the FYE 30 June 2018. The lower GP and GP margin in FYE 30 June 2019 were due to the lower revenue and the Company's adoption of CIFRS15 which rendered GP lower by approximately USD3.67 million.

Further information of the impact of the Company's adoption of CIFRS 15 is set out in Section 7.4.1 g.

#### c. Total operating expenses

Our total operating expenses in the FYE 30 June 2019 amounted to USD2.8 million, representing a decrease of 31.7% year-on-year from USD4.1 million recorded in FYE 30 June 2018. The decrease in operating expenses in FYE 30 June 2019 was mainly due to the unrealised exchange loss of approximately USD1.8 million recorded in FYE 30 June 2018.

### d. PBT

For the FYE 30 June 2019, we achieved a PBT of approximately USD2.34 million, representing a decrease of 76.5% year-on-year.

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

# e. PAT

For the FYE 30 June 2019, we recorded a PAT of approximately USD1.8 million, representing a decrease of 76.6% year-on-year from USD7.6 million recorded in the FYE 30 June 2018.

The declined in PAT in FYE 30 June 2019 was primarily due to lower revenue and lower GP margin.

# 7.4.3. Significant factors affecting profit

Based on our track record for the Financial Years under Review, including our segmental analysis of revenue and profitability, our Board has observed the following significant factors that may affect our profitability:

### a. Demand and supply of electricity

- (i) Promising industry prospects for system design, engineering and infrastructure in the power transmission and distribution industry in Cambodia where we operate in as well as in Laos and Myanmar where we intend to venture into as set out in Section 4.1.7 of the Disclosure Document. It is important to note that electricity is the foundation for the development and modernisation of a country. This is especially prevalent in the developing countries like Cambodia, Laos and Myanmar where there is a demand to develop, improve and build up the electricity transmission and distribution network to meet growing demands of the consumers and industry.
- (ii) As at FYE 30 June 2019, our outstanding secured contracts amounted to USD71.14 million, comprising outstanding contract values of West Phnom Penh – Sihanoukville Project, Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project and Siem Reap - Oddor Meanchey Project.
- (iii) Our continuous sales and marketing efforts to secure new projects and orders in line with our Company's future plan to enhance our presence in Cambodia and expand into other countries in the region such as Laos and Myanmar where there is a demand for the development, improvement and build up of electricity transmission and distribution assets.
- (iv) Having successfully executed various projects in Cambodia, we have enhanced our profile which has facilitated the procurement of more projects for our Company moving forward. We will leverage on our competitive strengths to procure more jobs in Cambodia and other overseas markets.

# b. Fluctuations in prices of materials

Our costs of power system components and equipment ("Equipment") which comprise a major portion of our cost of sales are based on market prices dictated by the suppliers which are not within our control. However, we believe that we are able to manage the cost of Equipment with the availability of many alternative reliable suppliers where we can source the Equipment at the competitive prices.

PSB is our major supplier of Equipment used in the various power projects in Cambodia. Having the technical expertise and project execution skills, PSB is able to focus on engineering and development

and expansion of its equipment product base. PSB is able to manage the portion of cost of Equipment through manufacturing its equipment product, thereby allowing our Company to better control the project margins if directly sourced from PSB.

Other power components, equipment and materials for power transmission and substation are sourced by PSB from various suppliers from China, Thailand and Europe.

Furthermore, we mitigate the fluctuations in costs of Equipment by procuring within a reasonable timeframe based on the contract specifications and requirements of a project. Hence, any subsequent increase in the costs of Equipment would not affect the total costs of project.

#### c. Tax analysis

In accordance with Cambodian tax laws, our Company has the obligation to pay tax on profit at the rate of 20% of taxable profit. Beside tax on profit, we are also subject to a separate minimum tax. The minimum tax is an annual tax with a liability equal to 1% of annual turnover inclusive of all taxes except valued added tax, and in due irrespective of the Company's profit or loss position.

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amount reported in the financial statements could change at a later date upon final determination by the tax authorities.

Notwithstanding the above, in accordance with the Anukret No. 1 ANK. BK 2019 on tax incentives in the securities industry, the Company shall entitle to a 50% reduction on the tax on profit for three years after listing.

# d. Exceptional and extraordinary items

As at LPD, there are no exceptional and/or extraordinary items that have occurred which may have a material effect on our financial position and results subsequent to the FYE 30 June 2019.

#### e. Material changes in sales and revenue

For the FYE 30 June 2019, we generated approximately USD56.8 million in revenue, representing a decrease of 26.3% from USD77.2 million generated in FYE 30 June 2018. Factors contributing to the decrease in our revenue are discussed in Section 7.4.2 of this Disclosure Document.

#### f. Impact of foreign exchange, interest rates and commodity prices

(i) Impact on foreign exchange

Our sales revenue and purchases are mainly denominated in USD. As such, we have not been materially affected by the fluctuations of the foreign exchange during the Financial Years under Review. Further, we have not entered into currency hedging transactions as our transactions are mostly conducted in USD.

Further details on foreign exchange risk are set out in Section 3.2.1 of this Disclosure Document.

(ii) Impact on interest rates

We are exposed to the changes in market interest rates through our bank loans at variable interest rates. Below is our interest rate profile of the significant interest bearing financial instruments, based on the carrying amounts as at FYE 30 June 2019:

	FYE 30 June 2019
	USD million
Floating rate instrument Financial liabilities Borrowings	99.6
Net financial liabilities	99.6

The following table illustrates the sensitivity of our (loss)/ profit to a reasonably possible change in interest rates of +/- 0.25%. These changes are considered to be reasonably possible based on the observation of the current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at 30 June 2019 that are sensitive to changes in interest rates. All other variables are held constant:

	(Loss)/profit for the Group FYE 30 June 2019 USD'000
Interest rate increase by 0.25%	(248)
Interest rate decrease by 0.25%	248

Further details on interest rate risk are set out in Section 3.1.1 of this Disclosure Document.

#### (iii) Impact on commodity prices

There was no material impact of commodity prices on our financial results for the Financial Years under Review.

#### g. Impact of Inflation

There was no material impact of inflation on our financial results for the Financial Years under Review.

# h. Government / economic / fiscal / monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Sections 3.3.2 and 3.4.8 of this Disclosure Document.

There is no material change in government, economic, fiscal or monetary policies or factors that have materially impacted our financial results for the Financial Years under Review.

Save as disclosed above, including our Management's Discussion and Analysis of Financial Condition and Results of Operation, Section 3 and Section 4 of this Disclosure Document, our Board believes that barring any unforeseen circumstances, there are no other known trends, uncertainty, demand, commitments or events that are reasonably likely to have a material favourable or unfavourable impacts on our financial performance, position and operations of our Group, or that would cause financial information disclosed in this Disclosure Document to be not indicative of our future operating results and financial condition.

# 7.5. LIQUIDITY AND CAPITAL RESOURCES

#### 7.5.1. Working capital

Our working capital is funded through cash generated from our operating activities, credit extended by our suppliers, financial support from PIB as well as our existing cash and cash equivalents.

As at 30 June 2019, we have total current assets of approximately USD31.8 million and current liabilities of approximately USD96.0 million, representing a negative working capital of approximately USD64.2 million and a current ratio of approximately 0.33 times.

We currently rely on PIB and other related companies for financial support in respect of financing our working capital in the form of advances. As at 30 June 2019, the total amount due to PIB and other related parties was approximately USD59.6 million and USD23 million respectively, arising mainly from our purchase of materials and equipment for the execution of the Projects. The working capital position of the Company will improve once we start receiving cash payments from the West Phnom Penh – Sihanoukville Project, Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project and Siem Reap - Oddor Meanchey Project after the completion of the respective projects.

The amount due to PESTECH International Group is unsecured, interest free and repayable on demand. PESTECH International Group is committed to provide financial support to our Group for at least twelve (12) months from the date of this Disclosure Document and further extended, if required. Notwithstanding this, PESTECH International Group will commence to impose interest charge of 4.50% per annum on our Group on the amount due to PESTECH International Group after our Listing.

#### 7.5.2. Cash flow

We set out below a summary of our Group's cash flow for the FYE 30 June 2019:

	FYE 30 June 2019
	USD'000
Net cash used in operating activities	(63,125)
Net cash used in investing activities	(711)
Net cash generated from financing activities	72,936
Net increase in cash and cash equivalents	9,100
Cash and cash equivalents, beginning of the year	563
Cash and cash equivalent, end of the year	9,663

#### a. Net cash flow used in operating activities

During the FYE 30 June 2019, we recorded an operating profit before working capital changes of approximately USD4.7 million. After accounting for working capital changes and payment for tax on profit, our net cash used in operating activities was approximately USD63.1 million.

The increase in working capital for the FYE 30 June 2019 were mainly due to:

- (i) increase in amounts due from customers on contracts of USD46.3 million, mainly in respect of West Phnom Penh - Sihanoukville Project and Stung Tatay Hydro Power Plant - Phnom Penh Transmission System Project;
- (ii) increase in trade and other receivables of USD10.0 million;
- (iii) increase in amount due to related parties of USD27.1 million mainly for the cost of materials and equipment for the use in our Projects;
- (iv) increase in amounts due to ultimate holding company of USD59.0 million; and
- (v) decrease in trade and other payables of USD40.2 million.

#### b. Net cash flow used in investing activities

During the FYE 30 June 2019, our cash flow used in investing activities amounted to approximately USD0.7 million, arising mainly from the purchase of factory equipment, motor vehicles and computers.

#### c. Net cash flow generated from financing activities

During the FYE 30 June 2019, our net cash flow generated from financing activities was USD72.9 million; arising mainly from the borrowings we drew down on during the year to fund our Projects.

#### 7.5.3. Borrowings

The table below set out our borrowings as at FYE 30 June 2019:

	FYE 30 June 2019	
	USD'000	
Current		
Bank overdrafts	2,681	
Revolving credit	1,499	
Non-current		
Murabahah facility	45,407	
Syndicated financing facilities	50,000	
Total	99,587	

# 7.5.4. Breach of terms and conditions of covenants associated with credit arrangement, bank loan

During the Financial Years under Review, we are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which could materially affect our financial position or business operations or the investment by holders of securities in us.

# 7.5.5. Types of financial instruments used

The table below sets out our Group's financial assets and financial liabilities:-

	FYE 30 June 2018 USD'000	FYE 30 June 2019 USD'000
Financial assets		
Trade and other receivables	48	7,912
Contract asset	146,587	179,101
Cash and cash equivalents	2,084	13,056
Amount due from related parties		1,944
Total	148,719	202,013
Financial liabilities		
Trade and other payables	48,005	8,317
Amounts due to holding company	565	59,558
Amounts due to related parties	49,679	23,018
Borrowings	22,013	99,587
Derivative financial instruments		1,824
Total	120,262	192,304

# 7.5.6. Treasury policies and objectives

We are exposed to financial risks arising from operations and the use of financial instruments. We establish financial risk management policy to ensure that adequate resources are available for the development of our business whilst managing our credit risk, liquidity risk, foreign currency risk and interest rate risk.

The main areas of financial risks faced by our Group and its policies are set out below:

#### a. Credit risk

Credit risk is the risk of a financial loss if a customer fails to fulfil its contractual obligation.

In order to minimise our exposure to credit risk, we review the credit worthiness of our counterparties prior to entering into any contract or transaction with our customers.

We have credit policies in place and we use ageing analysis to monitor the credit quality of our trade receivables.

Further discussion on credit risk is set out in Section 3.6.2 of this Disclosure Document relating to.

#### b. Liquidity risk

Liquidity risk is the risk that our Group will encounter difficulty in raising funds to meet our short term payment commitments. Our exposure to liquidity risk arises primarily from trade and other payables and amounts due to related parties.

In order to minimise our exposure to liquidity risk, we have in place a policy to regularly monitor the current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash to meet the liquidity requirements in the short and long term.

Further discussion on liquidity risk is set out in Section 3.6.1 of this Disclosure Document.

#### c. Interest rate risk

Interest rate risk is the risk where the cash flow of the company fluctuates as a result of changes in the market interest rates.

Further discussion on interest rate risk is set out in Section 3.1.1 of this Disclosure Document.

#### d. Foreign currency risk

Foreign currency risk arises from the transactions denominated in foreign currency.

Our exposure to foreign currency risk is minimal as we conduct our business transactions primarily in USD.

Further discussion on foreign currency risk is set out in Section 3.2.1 of this Disclosure Document.

#### 7.5.7. Material commitments

Our Company has committed to purchase a 10-year political risk insurance for the construction of the Stung Tatay Hydro Power Plant – Phnom Penh Project for a total amount of approximately USD4.97 million to secure borrowing facility as disclosed in Section 7.5.3 and Section 9 (note 14) of this Disclosure Document.

#### 7.5.8. Material litigation and contingent liabilities

#### a. Material litigation

As at the LPD, we are not engaged in any material litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

#### b. Contingent liabilities

In 2011, the GDT issued a Notice of Tax Reassessment after the limited tax audit of our Company amounting to USD546,971 (KHR2,222 million) to claim a purportedly undeclared prepayment profit tax and value added tax for the period from 1 May 2011 to 31 July 2011.

In 2015, the GDT issued a Notice of Tax Reassessment to our Company to claim a purportedly undeclared prepayment of profit tax and valueadded tax amounting to USD490,912 (KHR1,995 million) pertaining to the period from 10 January 2013 to 16 October 2013.

In 2017, the GDT issued a Notice of Tax Reassessment to our Company to claim purportedly undeclared prepayment profit tax, value-added tax and 14% withholding tax on service amounting to USD267,956 (KHR1,089 million) for the 2010 comprehensive tax audit.

The GDT has conducted a comprehensive tax audits on our Company for the fiscal years from 2011 to 2016. As at LPD, the final tax reassessments for the periods have not been issued.

In response, we have filed protest letters to GDT to contest against the misinterpreted assessments. Our Management considers the above reassessment letters to be of no basis and unjustified and the probability that the Company be required to settle the assessed taxes to be remote. As at LPD, the protest is still pending.

Notwithstanding the above, in accordance with the Anukret No. 1 ANK. BK 2019 on tax incentives in the securities industry, any company which has been granted the approval from the SECC and is listed on the CSX shall entitle to an exemption on tax liabilities including, tax on profit, withholding tax, VAT, specific tax on merchandise and services, accommodation and public lighting taxes, incurred prior to N-3 (N being the listing year).

Save as disclosed above and as at the LPD, the Board is not aware of any contingent liabilities which, upon becoming enforceable might materially and adversely affect our financial position and business.

# 7.5.9. Key financial ratios

The key financial ratios of our Group are as follows:-

		FYE 30 June 2018	FYE 30 June 2019
Des	cription	USD'000	USD'000
1	Solvency ratio (1)/(2)	18.3%	6.7%
	(1): Total net worth	27,783	13,923
	(2): Aggregate of the assets (net amount after deduction of provision and depreciation)	151,430	207,155
2	Liquidity ratios		
2.1	Current ratio (1)/(2)	2.8%	33.2%
	(1): Current assets	2,930	31,846
	(2): Current liabilities	103,702	96,001
2.2	Quick ratio (1)/(2)	2.8%	33.2%
	(1): Current assets – Inventories	2,930	31,846
	(2): Current liabilities	103,702	96,001
3	Profitability ratio		
3.1	Return on asset (1)/(2)	5.0%	0.9%
	(1): PAT	7,581	1,775
	(2): Total assets	151,430	207,155
3.2	Return on equity (1)/(2)	27.3%	12.7%
	(1): PAT	7,581	1,775
	(2): Shareholders' equity	27,783	13,923
3.3	Gross profit margin (1)/(2)	18.4%	12.4%
	(1): Gross profit	14,190	7,057
	(2): Revenue	77,157	56,827
3.4	Profit margin (1)/(2)	9.8%	3.1%
	(1): PAT	7,581	1,775
	(2): Revenue	77,157	56,827

Des	cription	FYE 30 June 2018 USD'000	FYE 30 June 2019 USD'000
3.5	Earnings per share (1)/(2) (USD cent)	10.1	2.4
	(1): Net income after interests and tax - Dividend paid to preference shares	7,581	1,775
	(2) Number of shares in issue <sup>(1)</sup> (million)	74.9	74.9
4	Activity		
4.1	Assets turnover ratio (1)/(2)	51.0%	27.4%
	(1): Revenue	77,157	56,827
	(2): Total assets	151,430	207,155
4.2	Accounts receivable turnover ratio (1)/(2)	2.1	0.9
	(1): Credit sales <sup>(2)</sup>	25	7,177
	(2): Trade receivables <sup>(3)</sup>	12	7,883
4.3	Accounts payable turnover ratio (1)/(2)	0.03	4.7
	(1): Purchases <sup>(4)</sup>	21.6	6,890
	(2): Trade payables	814.7	1,463
4.4	Inventory turnover ratio (1)/(2)	N/A	N/A
	(1): Sales	77,157	56,827
	(2): Inventory	-	-
5	Capital structure analysis ratio		
5.1	Interest coverage ratio (1)/(2)	59.96	1.67
	(1): Profit before interest and tax	10,134	5,798
	(2): Interest expense	169	3,467
5.2	Debt to equity ratio (1)/(2)	0.79	7.15
	(1): Total borrowings <sup>(5)</sup>	22,013	99,587
	(2): Shareholders' equity	27,783	13,923

#### Notes:

- N/A Not applicable
- (1) Based on enlarged issued and fully paid share capital after IPO of 74,945,000 shares at USD0.10 per Share.
- (2) Exclude revenue from Projects.
- (3) Balances in respect of receivables relating sales of Products
- (4) Purchases in respect of sales of products only
- (5) Interest bearing debts only.

#### 7.5.10. Trade and other receivables

As at the FYE 30 June 2019, our trade and other receivables amounted to approximately USD10.80 million, representing an increase of 1,177% year-onyear from USD0.85 million in the FYE 30 June 2018. The increase in trade and other receivables was primarily due to the increase in trade receivables from sales of Products from USD0.01 million in FYE 30 June 2018 million to USD7.88 million in FYE 30 June 2019.

The normal credit terms granted to our customers is 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis after taking into consideration, inter-alia, the background and credit-worthiness of the customer, past collection trend and our relationship with the customer.

#### 7.5.11. Inventories

As at the FYE 30 June 2019, our Group does not have any inventory.

Materials and equipment that are purchased for use in our Projects are typically recognised as project cost immediately after deliveries to project stores or project sites. This method of recognition of project cost is in line with industry practice.

Furthermore, our Products are imported and distributed to our customers directly based on their predetermined requirements and purchase orders. We, therefore, do not hold any inventory for the Products.

We believe we are able to minimise inventory holding cost and inventory holding risk by adopting such practice.

#### 7.5.12. Non-current assets

#### a. PPE

Our PPE comprise factory equipment, motor vehicles, computers and furniture and fittings. For the FYE 30 June 2018 and FYE 30 June 2019, our PPE carried a net book value of approximately USD1.91 million and USD2.25 million respectively. The increase in PPE for the FYE 30 June 2019 was mainly due to the purchases of factory equipment, motor vehicles, and computers.

#### b. Contract assets

The contract assets comprise total costs incurred on contracts to date with the attributable profits and offset against the progress billings of the Projects.

The terms of payments of each contract i.e. the progress billing depends on the contractual arrangement between our Company and customers on contract.

Further details on our revenue recognition policy are set out in Section 7.4.1 of this Disclosure Document.

For the FYE 30 June 2019, the contract assets amounted to approximately USD179.1 million, representing an increase of 22.2% year-on-year from USD146.6 million in the FYE 30 June 2018. The increase in the assets arose from the revenue recognised on the West Phnom Penh – Sihanoukville Project, Stung Tatay Hydro Power Plant - Phnom Penh Transmission System Project and Siem Reap – Oddor Meanchey Project during the FYE 30 June 2019.

Credit risk associated with our Projects is set out in Section 3.6.2 of this Disclosure Document.

#### 7.5.13. Trade and other payables

As at the FYE 30 June 2019, our trade and other payables amounted to approximately USD8.3 million, representing a decrease of 82.7% year-on-year from USD48.0 million in the FYE 30 June 2018. The decrease in trade and other payables during the FYE 30 June 2019 was primarily due to the decrease in the provision for our Project costs of USD41.1 million in FYE 30 June 2018.

#### 7.5.14. Amount due to holding company and related parties

As at the FYE 30 June 2019, the amount due to holding company, PIB, and related parties amounted to approximately USD59.6 million and USD23.0 million respectively. The amount due to PIB and related parties arose from our purchase of materials and equipment for the construction of our Projects. The amount due to PIB and related parties is unsecured, interest free and repayable on demand. Notwithstanding this, PIB will commence to impose interest charge on our Company on the amount due to it after our Listing.

Further details on the amount due to PIB and related parties is set out in Section 3.6.1 of this Disclosure Document.

#### 7.5.15. Material contracts

As at LPD, save as disclosed below and in Section 4.1 in of this Disclosure Document in relation to the contract for our Projects which were entered into in

the ordinary course of our business, we do not have any other material contracts:-

- (i) Direct Agreement dated 2 May 2017 between EDC, Alex Corporation and the Company, whereby Alex Corporation irrevocably authorises and instructs EDC to make payment of a total sum of USD141.9 million over a period of eight (8) years, commencing from the first year of commercial operation date of the West Phnom Penh – Sihanoukville Project to the Company.
- (ii) Direct Agreement dated 9 October 2017 between EDC, Alex Corporation and the Company, whereas Alex Corporation irrevocably authorises and instructs EDC to make payment of a total sum of USD97.2 million over a period of eight (8) years, commencing from the first year of commercial operation date of the Stung Tatay Hydro Power Plan – Phnom Penh Transmission System Project to the Company.
- (iii) Facility agreement dated 27 October 2017 entered into with RHB Bank (Cambodia), a public limited company registered under the laws of Cambodia, in relation to a banking facility of USD3 million to be granted by RHB Bank (Cambodia) to us.
- (iv) Facility agreement dated 27 October 2017 entered into with CIMB Bank PLC ("CIMB Bank"), a public limited company registered under the laws of Cambodia, in relation to banking facilities to be granted by CIMB Bank to us, comprising an overdraft and revolving credit facility of USD0.1 million and USD1.1 million respectively.
- (v) O&M agreement dated 12 January 2018 between Alex Corporation and the Company, in relation to the O&M of the West Phnom Penh – Sihanoukville and Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project.
- (vi) O&M agreement dated 23 February 2018 between Diamond Power and the Company, in relation to the O&M of the Kampong Cham - Kratie Project.
- (vii) Murabahah facility agreement dated 8 February 2018, entered into with OCBC AL-AMIN BANK BERHAD ("OCBC"), a public limited company incorporated under the Laws of Malaysia and CIMB Bank Berhad, a public limited company, incorporated under the Laws of Malaysia, in relation to a syndicated financing facilities to be granted by Oversea-Chinese Banking Corporation Limited, Labuan Branch and CIMB Bank Berhad, Labuan Offshore Branch, comprising USD50 million Islamic term financing facilities and USD3 million bank guarantees.
- (viii) Direct Agreement dated 8 June 2018 between EDC, Schneitec Energy Co., Ltd. ("Schneitec Energy") and the Company, whereby Schneitec Energy irrevocably authorises and instructs EDC to make payment of a total sum of USD26 million over a period of four (4) years, commencing from the first year of commercial operation date of the Siem Reap – Oddor Meanchey Project to the Company.
## 7. FINANCIAL INFORMATION (Cont'd)

- (ix) On 25 October 2018 and 27 December 2018, the Company entered into interest rate swap contracts ("IRS") to hedge the Company's exposure to interest rate risk on its borrowings. The IRS entitles the Company to receive interest at floating rates on notional amounts and obliges the Company to pay interest at fixed interest rates on the same notional amounts, thus allowing the Company to raise borrowings at floating rates and swap into fixed rates.
- (x) Letter of offer from CIMB Bank dated 12 February 2019, for additional facilities of USD3.8 million, comprising USD100,000 overdraft, USD3.4 million revolving credit and USD1.5 million bank guarantee.
- (xi) Syndicated facility agreement dated 25 March 2019, entered into with Industrial and Commercial Bank of China Limited Phnom Penh Branch ("ICBC Phnom Penh") and Industrial and Commercial Bank of China (Malaysia) Berhad ("ICBC Berhad"), in relation to the USD50 million secured term loan to be granted by ICBC Phnom Penh and ICBC Berhad to our Company.
- (xii) A contract for the supply of cable "TACSR" for the transmission of 230KV from Stung Hav Sub Station to Chamkar Loung Substation at a sale price of USD7.49 million executed between the Company and EDC on 1 April 2019, and the cable shall be supplied within 6 months from the signing date.
- (xiii) Letter of offer from Hong Leong Bank (Cambodia) PLC dated 9 September 2019, offering 2 types of facility to the Company: (i) term loan of USD9.5 million, and (ii) term loan of KHR10,310 million, each for 5 years including a grace period of one year or latest payment on April 2020, with repayment of 48 monthly instalments.
- (xiv) On 14 March 2020, contract for the supply, design, construction, erection, installation, testing, commissioning, energisation and handover of 230/11 kV Okvau Transmission Substation at value of USD7.3 million between Renaissance Minerals (Cambodia) Ltd. and the Company.

## 7.6. TREND INFORMATION

As at LPD, our Group's operations have not been and are not expected to be affected by any significant known trends, uncertainties, demand, commitments or events that are reasonably likely to have a material impact on the financial performance, position and operations of our Company other than those discussed in the Management's Discussion and Analysis and Results of Operations set out in Section 7.4 of this Disclosure Document.

## 7. FINANCIAL INFORMATION (Cont'd)

## 7.7. DIVIDEND POLICY

It is our Board's intention to allow shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

The ability to pay future dividends to our shareholders is subject to various factors including but not limited to the financial performance, cash flow requirements, availability of retained earnings, capital expenditure requirements and any other factors considered relevant by our Board.

Upon listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth.

In this regard, it is our intention to recommend and distribute a minimum dividend of thirty percent (30.0%) of our PAT, subject to the conditions as set out above.

The Group may consider making payment of such dividend in the form of cash, shares in the Company for reinvestment opportunities or the combination of the above. When there is an option, the shareholders shall have the rights to elect for cash, shares or the combination of both, subject to compliance with the law and regulatory requirements in Cambodia.

Notwithstanding the above, you should note that the intention to recommend dividends should not be treated as a legal obligation on our Group to do so. The level of dividends should also not be treated as an indication of our future dividend policy. There is no assurance that dividend will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividend in respect of subsequent financial years, consideration will be given to maximise shareholders' value.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

## 7.8. PROFIT FORECAST

We have been granted the exemption on the disclosure of our profit forecast for the FYE 30 June 2020.

## 7.9. CONSOLIDATED FINANCIAL INFORMATION

Not applicable.

## 7.10. OFF-BALANCE SHEET

Our Group does not have any off-balance sheet items as at LPD.



## **PESTECH (Cambodia) Plc.**

Registered Office: No. 6, Street 588 Sangkat Boeung Kok II, Khan Toul Kok Phnom Penh Cambodia

## The Shareholders **PESTECH (Cambodia) PIc.**

Dear Sir/Madam

On behalf of the Board of Directors of PESTECH (Cambodia) Plc. ("**PESTECH (Cambodia)**") ("**Board**"), I wish to report after due enquiry by the Board that for the period between 30 June 2019, being the date to which the last audited financial statements of PESTECH (Cambodia) have been made, up to the date herein, being the date not earlier than 30 days before the date of issue of this Disclosure Document:

- (i) the business of PESTECH (Cambodia) has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of PESTECH (Cambodia) which have adversely affected the trading or value of the assets of PESTECH (Cambodia);
- (iii) the current assets of PESTECH (Cambodia) appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Disclosure Document, there are no contingent liabilities by reason of any guarantee or indemnity given by PESTECH (Cambodia);
- (v) there has been no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowing since the last audited financial statements of PESTECH (Cambodia); and
- (vi) save as disclosed in this Disclosure Document, there has been no material change in the published reserves or any unusual factor affecting the profits of PESTECH (Cambodia) since the last audited financial statements of PESTECH (Cambodia).

Yours faithfully, For and on behalf of the Board of Directors of **PESTECH (Cambodia) PIc.** 

Lim Pay Chuan Executive Chairman



Grant Thornton (Cambodia) Limited 20th Floor Canadia Tower 315 Preah Ang Duong Street (corner Monivong Boulevard) Sangkat Wat Phnom Khan Daun Penh Phnom Penh Kingdom of Cambodia

T +855 23 966 520 www.grantthornton.com.kh

The Board of Directors Pestech (Cambodia) Plc No. 6, Street No. 588 Sangkat Boeung Kok II Khan Toul Kork, Phnom Penh Kingdom of Cambodia

PESTECH (CAMBODIA) PLC ("the Company") ACCOUNTANTS' REPORT ("the Report")

## Introduction

We set out below our Report on the financial statements of Pestech (Cambodia) Plc ("the Company") and its subsidiary (together hereinafter referred to as "the Group"), which includes the statements of financial position of the Group and of the Company as at 30 June 2018 and 30 June 2019 ("the Relevant Financial Years"), and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to financial information, comprising a summary of significant accounting policies and other explanatory information ("the Financial Information") for inclusion in the Disclosure Document ("the Disclosure Document") in connection with the initial listing of the Company's shares on the Cambodia Securities Exchange ("the CSX") and should not be relied on for any other purposes.

## Opinion

In our opinion, the Financial Information present fairly, in all material respects, the financial position of the Group and of the Company as at 30 June 2018 and 30 June 2019, and its financial performance and its cash flows for the years then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

Certified Public Accountants and Auditors

A member of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.

## **Grant** Thornton

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Information, including the disclosures, and whether the Financial Information represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

35 (C25553) 25555 Grant Th Or TONTUAMBODIA LIMITED GRANT THORNTON (CAMBODIA) LIMITED

Certified Public Accountants Registered Auditors

**Rodald C. Almera** Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia 17 October 2019

Certified Public Accountants and Auditors A member of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.

# The Group's statement of financial position

Non-current       Property, plant and equipment     8     2,246,674     9,134,976     1,912,537     7,770,638       Intangible assets     9     173,059,034     703,658,032     146,587,048     595,583,176       Non-current assets     175,308,777     712,805,487     1+8,499,586     603,353,814       Current     Trade and other receivables     10     10,803,774     43,928,145     845,808     3,436,518       Contract assets     9     6,041,667     24,565,418     -     -     -       Amounts due from related parties     21     1,944,474     7,906,231     -     -     -       Carrent assets     21     1,944,474     7,906,231     -     -     -       Carrent assets     21     1,944,674     2,096,231     -     -     -       Carrent assets     21     1,944,474     7,906,231     -     -     -       Carrent assets     21,172,051     129,485,406     2,930,181     1190,569     -       Total assets     207,164,671     342,290,892     161,429,		Notes	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Property, plant and equipment     8     2,246,674     9,134,976     1,912,537     7,770,638       Intangible ossets     3,069     12,479     -     -     -       Contract assets     9     173,059,034     703,658,032     146,687,048     598,563,176       Non-current assets     175,308,777     712,805,487     148,499,585     603,353,814       Current     Trode and other receivables     10     10,803,774     43,928,145     845,808     3,436,518       Contract assets     9     6,041,667     24,565,118     -     -     -       Amounts due from related     parties     21     1,944,474     7,906,231     -	Assets					
equipment     8     2,246,674     9,144,976     1,912,537     7,770,638       Intangible assets     3,069     12,479     -						
Intrangible assets     3,069     12,479     -     -       Contract assets     9     173,059,034     703,658,032     146,587,048     595,583,176       Non-current assets     175,308,777     712,805,487     144,499,585     603,353,814       Current     Trade and other receivables     10     10,803,774     43,928,145     845,808     3,436,518       Contract assets     9     6,041,667     24,565,418     -     -     -       Amounts due from related parties     21     1,944,474     7,906,231     -     -     -       Current assets     9     6,041,667     24,565,418     -     -     -       Cash and bank balances     11     13,055,979     53,085,611     2,084,310     8,468,551       Current assets     207,154,671     842,290,892     151,429,703     615,258,883       Equity and liabilities     2     (1,772,051)     (7,205,159)     52,044     211,454       Retained earnings     8,594,917     34,946,933     20,630,827     83,823,050     Total equity     13,922,866 <t< td=""><td></td><td>0</td><td></td><td>0 104 074</td><td>1 012 527</td><td>7 770 420</td></t<>		0		0 104 074	1 012 527	7 770 420
Contract assets     9     173,069,034     703,668,032     146,587,048     595,583,176       Non-current assets     175,308,777     712,805,487     148,499,585     603,353,814       Current     Trade and other receivables     10     10,803,774     43,928,145     845,808     3,436,518       Cantract assets     9     6,041,667     24,565,4118     -     -     -       Amounts due from related     -		8			1,912,037	7,770,030
Non-current assets     175,308,777     712,805,487     148,499,585     603,353,814       Current     Trade and other receivables     10,803,774     43,928,145     845,808     3,436,518       Contract assets     9     6,041,667     24,565,418     -     -       Amounts due from related     -     -     -     -     -       Darties     21     1,944,474     7,906,231     -     -     -       Cash and bank balances     11     13,055,979     53,085,611     2,084,310     8,468,551       Current assets     207,154,671     842,290,892     151,429,703     615,258,883       Equity and liabilities     -     -     -     -     -       Reserves     12.2     (1,772,051)     (7,205,159)     52,044     21,454,847,300       Reserves     12.2     (1,772,051)     (7,205,159)     52,044     21,454,804       Itabilities     8,594,917     34,946,933     20,630,827     83,823,050       Total equity     13,922,866     56,610,374     27,782,871     112,881,804	0	0			146 597 049	505 593 176
Current     Current       Trade and other receivables     10     10,803,774     43,928,145     845,808     3,436,518       Contract assets     9     6,041,667     24,565,418     -     -       Amounts due from related parties     21     1,944,474     7,906,231     -     -       Cash and bank balances     11     13,055,979     53,085,611     2,084,310     8,468,551       Current assets     31,845,894     129,485,405     2,930,118     11,905,069       Total assets     207,154,671     842,290,892     151,429,703     615,258,883       Equity and liabilities     Equity     -     -     2,868,600     7,100,000     28,847,300       Resorves     12.2     (1,772,051)     (7,205,159)     52,044     211,454       Retained earnings     8,594,917     34,946,933     20,630,827     83,823,050       Total equity     13,922,866     56,610,374     27,782,871     112,881,804       Liabilities     -     -     -     -     -       Non-current     -     97,23		9				
Trade and other receivables     10     10,803,774     43,928,145     845,808     3,436,518       Contract assets     9     6,041,667     24,565,418     -     -       Amounts due from related     -     -     -     -     -       Cash and bank balances     11     13,055,979     53,085,611     2,084,310     8,468,551       Current assets     31,845,894     129,485,405     2,930,118     11,905,069       Total assets     207,154,671     842,290,892     151,429,703     615,258,883       Equity and liabilities     -     -     -     -     -       Reserves     12.2     7,100,000     28,868,600     7,100,000     28,847,300       Reserves     12.2     (1,772,051)     (7,205,159)     52,044     211,454       Retained earnings     8,594,917     34,946,933     20,630,827     83,823,050       Total equity     13,922,866     56,610,374     27,782,871     112,881,804       Liabilities     -     -     -     -     -       Non-current	Non-current assets		1/5,306,777	/12,000,407	1-0, 17,000	000,000,014
Trade and other receivables     10     10,803,774     43,928,145     845,808     3,436,518       Contract assets     9     6,041,667     24,565,418     -     -       Amounts due from related     -     -     -     -     -       Cash and bank balances     11     13,055,979     53,085,611     2,084,310     8,468,551       Current assets     31,845,894     129,485,405     2,930,118     11,905,069       Total assets     207,154,671     842,290,892     151,429,703     615,258,883       Equity and liabilities     -     -     -     -     -       Reserves     12.2     7,100,000     28,868,600     7,100,000     28,847,300       Reserves     12.2     (1,772,051)     (7,205,159)     52,044     211,454       Retained earnings     8,594,917     34,946,933     20,630,827     83,823,050       Total equity     13,922,866     56,610,374     27,782,871     112,881,804       Liabilities     -     -     -     -     -       Non-current	Current					
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$		10	10,803,774	43,928,145	845,808	3,436,518
$\begin{array}{c} \begin{tabular}{ c c c c c c c c c c c c c c c c c c c$				24,565,418	£	<u>.</u>
$\begin{array}{c} \begin{tabular}{ c c c c c c c c c c c c c c c c c c c$	Amounts due from related					
Source of the office     31,845,894     129,485,405     2,930,118     11,905,069       Total assets     207,154,671     842,290,892     151,429,703     615,258,883       Equity and liabilities     207,154,671     842,290,892     151,429,703     615,258,883       Equity and liabilities     Equity     3     842,290,892     151,429,703     615,258,883       Equity and liabilities     Equity     12,1     7,100,000     28,868,600     7,100,000     28,847,300       Reserves     12.2     (1,772,051)     (7,205,159)     52,044     211,454       Retained earnings     8,594,917     34,946,933     20,630,827     83,823,050       Total equity     13,922,866     56,610,374     27,782,871     112,881,804       Liabilities     Non-current     Borrowings     14     95,406,970     387,924,740     19,945,000     81,036,535       Derivative financial instruments     15     1,824,095     7,416,770     -     -       Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     - <td></td> <td>21</td> <td>1,944,474</td> <td>7,906,231</td> <td>8</td> <td>-</td>		21	1,944,474	7,906,231	8	-
Interview     207,164,671     842,290,892     151,429,703     615,258,883       Equity and liabilities     Equity     5     6	Cash and bank balances	11	13,055,979	53,085,611	2,084,310	8,468,551
Equity and liabilities       Equity       Share capital     12.1     7,100,000     28,868,600     7,100,000     28,847,300       Reserves     12.2     (1,772,051)     (7,205,159)     52,044     211,454       Retained earnings     8,594,917     34,946,933     20,630,827     83,823,050       Total equity     13,922,866     56,610,374     27,782,871     112,881,804       Liabilities     Non-current     Borrowings     14     95,406,970     387,924,740     19,945,000     81,036,535       Derivative financial     instruments     15     1,824,095     7,416,770     -     -       Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     Trade and other payables     13     8,317,219     33,817,812     48,004,742     195,043,267       Amount due to holding     company     21     59,557,824     242,162,112     565,042     2,295,766       Amounts due to related     parties     21     23,017,578     93,589,472     49,679,099     201,846,179	Current assets		31,845,894	129,485,405	2,930,118	11,905,069
Equity     Share capital     12.1     7,100,000     28,868,600     7,100,000     28,847,300       Reserves     12.2     (1,772,051)     (7,205,159)     52,044     211,454       Retained earnings     8,594,917     34,946,933     20,630,827     83,823,050       Total equity     13,922,866     56,610,374     27,782,871     112,881,804       Liabilities     Non-current     Borrowings     14     95,406,970     387,924,740     19,945,000     81,036,535       Derivative financial instruments     15     1,824,095     7,416,770     -     -       Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     -     -     -     -     -       Trade and other payables     13     8,317,219     33,817,812     48,004,742     195,043,267       Amount due to holding company     21     59,557,824     242,162,112     565,042     2,295,766       Amounts due to related parties     21     23,017,578     93,589,472     49,679,099     201,846,179       Borrowing	Total assets		207,154,671	842,290,892	151,429,703	615,258,883
Retained earnings     8,594,917     34,946,933     20,630,827     83,823,050       Total equity     13,922,866     56,610,374     27,782,871     112,881,804       Liabilities     Non-current     Borrowings     14     95,406,970     387,924,740     19,945,000     81,036,535       Derivative financial     instruments     15     1,824,095     7,416,770     -     -       Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     7     -     -     -     -     -     -       Amount due to holding     company     21     59,557,824     242,162,112     565,042     2,295,766       Amount due to related     -     -     -     -     -     -       parties     21     23,017,578     93,589,472     49,679,099     201,846,179       Borrowings     14     4,180,282     16,997,027     2,067,929     8,401,996       Income tax payable     927,837     3,772,585     3,385,020     13,753,336       Current liabilities <td>Equity</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Equity					
Total equity     13,922,866     56,610,374     27,782,871     112,881,804       Liabilities     Non-current       Borrowings     14     95,406,970     387,924,740     19,945,000     81,036,535       Derivative financial     instruments     15     1,824,095     7,416,770     -     -       Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     97,231,065     395,341,510     19,945,000     81,036,535       Amount due to holding     98,017,219     33,817,812     48,004,742     195,043,267 </td <td>Reserves</td> <td>12.2</td> <td>• • •</td> <td>•</td> <td></td> <td></td>	Reserves	12.2	• • •	•		
Liabilities       Non-current       Borrowings     14     95,406,970     387,924,740     19,945,000     81,036,535       Derivative financial     instruments     15     1,824,095     7,416,770     -     -       Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     97,231,065     395,341,510     19,945,000     81,036,535       Current     97,231,065     395,341,510     19,945,000     81,036,535       Current						
Non-current       Borrowings     14     95,406,970     387,924,740     19,945,000     81,036,535       Derivative financial     instruments     15     1,824,095     7,416,770     -     -       Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     97,231,065     395,341,510     19,945,000     81,036,535       Current     97,231,065     395,341,510     19,945,000     81,036,535       Current	Total equity		13,922,866	56,610,374	27,782,871	112,881,804
Derivative financial       instruments     15     1,824,095     7,416,770       Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     97,231,065     395,341,510     19,945,000     81,036,535       Current     Trade and other payables     13     8,317,219     33,817,812     48,004,742     195,043,267       Amount due to holding     company     21     59,557,824     242,162,112     565,042     2,295,766       Amounts due to related     parties     21     23,017,578     93,589,472     49,679,099     201,846,179       Borrowings     14     4,180,282     16,997,027     2,067,929     8,401,996       Income tax payable     927,837     3,772,585     3,385,020     13,753,336       Current liabilities     96,000,740     390,339,008     103,701,832     421,340,544       Total liabilities     193,231,805     785,680,518     123,646,832     502,377,079	Non-current	14	95.406,970	387,924,740	19,945,000	81,036,535
Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     Trade and other payables     13     8,317,219     33,817,812     48,004,742     195,043,267       Amount due to holding     company     21     59,557,824     242,162,112     565,042     2,295,766       Amounts due to related     parties     21     23,017,578     93,589,472     49,679,099     201,846,179       Borrowings     14     4,180,282     16,997,027     2,067,929     8,401,996       Income tax payable     927,837     3,772,585     3,385,020     13,753,336       Current liabilities     96,000,740     390,339,008     103,701,832     421,340,544       Total liabilities     193,231,805     785,680,518     123,646,832     502,377,079	0					
Non-current     97,231,065     395,341,510     19,945,000     81,036,535       Current     Trade and other payables     13     8,317,219     33,817,812     48,004,742     195,043,267       Amount due to holding     company     21     59,557,824     242,162,112     565,042     2,295,766       Amounts due to related     parties     21     23,017,578     93,589,472     49,679,099     201,846,179       Borrowings     14     4,180,282     16,997,027     2,067,929     8,401,996       Income tax payable     927,837     3,772,585     3,385,020     13,753,336       Current liabilities     96,000,740     390,339,008     103,701,832     421,340,544       Total liabilities     193,231,805     785,680,518     123,646,832     502,377,079	instruments	15	1,824,095	7,416,770	=	
Trade and other payables138,317,21933,817,81248,004,742195,043,267Amount due to holding company2159,557,824242,162,112565,0422,295,766Amounts due to related parties2123,017,57893,589,47249,679,099201,846,179Borrowings144,180,28216,997,0272,067,9298,401,996Income tax payable927,8373,772,5853,385,02013,753,336Current liabilities96,000,740390,339,008103,701,832421,340,544Total liabilities193,231,805785,680,518123,646,832502,377,079	Non-current			395,341,510	19,945,000	81,036,535
Amount due to holding   21   59,557,824   242,162,112   565,042   2,295,766     Amounts due to related   21   23,017,578   93,589,472   49,679,099   201,846,179     Borrowings   14   4,180,282   16,997,027   2,067,929   8,401,996     Income tax payable   927,837   3,772,585   3,385,020   13,753,336     Current liabilities   96,000,740   390,339,008   103,701,832   421,340,544     Total liabilities   193,231,805   785,680,518   123,646,832   502,377,079		12	Q 317 210	33 817 812	48 004 742	195 043 267
company2159,557,824242,162,112565,0422,295,766Amounts due to relatedparties2123,017,57893,589,47249,679,099201,846,179Borrowings144,180,28216,997,0272,067,9298,401,996Income tax payable927,8373,772,5853,385,02013,753,336Current liabilities96,000,740390,339,008103,701,832421,340,544Total liabilities193,231,805785,680,518123,646,832502,377,079		13	0,017,217	00,017,012	10,001,712	170,010,207
Amounts due to related parties2123,017,57893,589,47249,679,099201,846,179Borrowings144,180,28216,997,0272,067,9298,401,996Income tax payable927,8373,772,5853,385,02013,753,336Current liabilities96,000,740390,339,008103,701,832421,340,544Total liabilities193,231,805785,680,518123,646,832502,377,079	_	21	59 557 824	242 162 112	565.042	2,295,766
parties2123,017,57893,589,47249,679,099201,846,179Borrowings144,180,28216,997,0272,067,9298,401,996Income tax payable927,8373,772,5853,385,02013,753,336Current liabilities96,000,740390,339,008103,701,832421,340,544Total liabilities193,231,805785,680,518123,646,832502,377,079			07,007,021	212,102,112	000,012	_,_ : 0,: 00
Borrowings144,180,28216,997,0272,067,9298,401,996Income tax payable927,8373,772,5853,385,02013,753,336Current liabilities96,000,740390,339,008103,701,832421,340,544Total liabilities193,231,805785,680,518123,646,832502,377,079		21	23.017.578	93.589.472	49.679.099	201,846,179
Income tax payable927,8373,772,5853,385,02013,753,336Current liabilities96,000,740390,339,008103,701,832421,340,544Total liabilities193,231,805785,680,518123,646,832502,377,079						
Current liabilities96,000,740390,339,008103,701,832421,340,544Total liabilities193,231,805785,680,518123,646,832502,377,079	-					
Total liabilities     193,231,805     785,680,518     123,646,832     502,377,079						
			1.1.1		Contra material material	Contract Contract Contract
	Total equity and liabilities		207,154,671	842,290,892	151,429,703	615,258,883

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

3

# The Company's statement of financial position

	Notes	30 Jur	ne 2019	30 June	e 2018
		USD	KHR'000	USD	KHR'000
			(Note 4.2)		(Note 4.2)
Assets					
Non-current					
Investment in a subsidiary	7	25,000	101,650	25,000	101,575
Property, plant and equipment	8	2,246,674	9,134,976	1,912,537	7,770,638
Intangible assets		3,069	12,479	51	5
Contract assets	9	173,059,034	703,658,032	146,587,048	595,583,176
Non-current assets		175,333,777	712,907,137	148,524,585	603,455,389
Current					
Trade and other receivables	10	10,803,774	43,928,145	845,808	3,436,518
Contract assets	9	6,041,667	24,565,418	27.	đ.
Amounts due from related					
parties	21	1,944,474	7,906,231		÷
Amount due from a subsidiary	21	1,010	4,107	1,000	4,063
Cash and bank balances	11	13,039,871	53,020,115	2,058,429	8,363,397
Current assets		31,830,796	129,424,016	2,905,237	11,803,978
Total assets		207,164,573	842,331,153	151,429,822	615,259,367
Equity and liabilities					
Equity	10.1	7 400 000	00.040.400	7 100 000	
Share capital	12.1	7,100,000	28,868,600	7,100,000	28,847,300
Reserves	12.2	(1,772,051)	(7,205,159)	52,044	211,454
Retained earnings		8,607,451	34,997,896	20,630,946	83,823,534
Total equity		13,935,400	56,661,337	27,782,990	112,882,288
Non-current					
Borrowings	14	95,406,970	387,924,740	19,945,000	81,036,535
Derivative financial instruments	15	1,824,095	7,416,770		
Non-current		97,231,065	395,341,510	19,945,000	81,036,535
Liabilities					
Current					
Trade and other payables	13	8,314,587	33,807,110	48,004,742	195,043,267
Amount due to holding					
company	21	59,557,824	242,162,112	565,042	2,295,766
Amounts due to related parties	21	23,017,578	93,589,472	49,679,099	201,846,179
Borrowings	14	4,180,282	16,997,027	2,067,929	8,401,996
Income tax payable		927,837	3,772,585	3,385,020	13,753,336
Current liabilities		95,998,108	390,328,306	103,701,832	421,340,544
Total liabilities		193,229,173	785,669,816	123,646,832	502,377,079
Total equity and liabilities		207,164,573	842,331,153	151,429,822	615,259,367

The accompanying notes are an integral part of these financial statements

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

5

	Notes	Fc	or the year ended 30 June 2019	Fo	or the year ended 30 June 2018
	110200	USD	KHR'000	USD	KHR'000
			(Note 4.2)		(Note 4.2)
Revenue	16	56,826,824	231,057,866	77,156,234	313,485,779
Cost of sales and construction	16	(49,770,031)	(202,364,946)	[62,966,632]	(255,833,426)
Gross profit		7,056,793	28,692,920	14,189,602	57,652,353
Other income	17	1,521,596	6,186,809	7,124	28,945
Operating expenses	18	(2,780,507)	(11,305,541)	(4,062,533)	(16,506,072)
Operating profit		5,797,882	23,574,188	10,134,193	41,175,226
Finance income		11,807	48,007	183	744
Finance cost	19	(3,466,326)	(14,094,082)	(169,412)	(688,321)
Profit before income tax		2,343,363	9,528,113	9,964,964	40,487,649
Tax expense	20.1	(568,268)	(2,310,578)	(2,383,536)	(9,684,307)
Profit for the year		1,775,095	7,217,535	7,581,428	30,803,342
Other comprehensive loss					
Item that will be reclassified					
subsequently to profit or loss					
Fair value loss on cash flow					
hedges	15	(1,824,095)	(7,416,770)		
Total comprehensive (loss)/inco	ome	(49,000)	(199,235)	7,581,428	30,803,342

The accompanying notes are an integral part of these financial statements

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

6

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

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

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

# The Group's statement of changes in equity

~

				Distributable	
				retained	
	Notes	Share capital USD	Reserves USD	earnings USD	Total equity USD
Balance at 1 July 2018		7,100,000	52,044	20,630,827	27,782,871
Effects of adoption of CIFRS 15	3.1	6	¥.	[13,811,005]	[13,811,005]
At 1 July 2018, restated		7,100,000	52,044	6,819,822	13,971,866
Profit for the year		e.	r,	1,775,095	1,775,095
Fair value loss on cash flow hedges	12.2	<u>)</u>	[1,824,095]	a	[1,824,095]
Balance at 30 June 2019		7,100,000	(1,772,051)	8,594,917	13,922,866
Balance at 30 June 2019 (KHR*000)		28,868,600	[7,205,159]	34,946,933	56,610,374
Balance at 1 July 2017		1,000	×	15,148,399	15,149,399
Profit for the year		ġ	ß	7,581,428	7.581.428
Capitalisation of amount due to holding					
company	12.1	5,000,000	E.	£	5.000.000
Capitalisation of retained earnings	12.1	2,099,000	×	[2.099.000]	
Capital contribution reserve	12.2	16	52.044		52.044
Balance at 30 June 2018		7,100,000	52,044	20,630,827	27.782.871
Balance at 30 June 2018 (KHR'000)		28,847,300	211,454	83,823,050	112,881,804

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

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

# The Company's statement of changes in equity

ω

Total equity	27,782,990 [13 811 005]	13,971,985	1,787,510 [1,824.095]	13,935,400	56,661,337	15,149,399 7,581,547	5,000,000	52,044	27.782.990	112,882,288
Distributable retained earnings	20,630,946 [13.811 005]	6,819,941	1,787,510	8,607,451	34,997,896	15,148,399 7,581,547	[2,099,000]	ÿ	20,630,946	83,823,534
Reserves	52 <b>,</b> 0++	52,044	[1,824,095]	[1,772,051]	(7,205,159)	V Ta	2.3	52,044	52,044	211,454
Share capital USD	7,100,000	7,100,000		7,100,000	28,868,600	1,000	5,000,000 2,099,000	*	7,100,000	28,847,300
Notes	3.1		12.2				12.1 12.1	12.21		
	Balance at 1 July 2018 Effects of adoption of CIFRS 15	At 1 July 2018, restated Profit for the year	Fair value loss on cash flow hedges		paratice at 30 June 2019 (KHR 000)	Balance at 1 July 2017 Profit for the year Capitalisation of amount due to holding	company Capitalisation of retained earnings Capital contribution reserve	Balance at 30 huno 2010		balance at 30 June 2018 (KHR 000)

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

134

# The Group's statement of cash flows

9

	Notes	Fo	or the year ended 30 June 2019 KHR'000 (Note 4.2)	F USD	or the year ended 30 June 2018 KHR'000 (Note 4.2)
Operating activities		0.01-0.070	0 500 110	0.041.041	
Profit before income tax Adjustments for:		2,343,363	9,528,113	9,964,964	40,487,649
Depreciation	8	372,540	1,514,748	335,853	1,364,571
Amortisation	0	5,007	20,358	330,855	1,304,071
Interest income		(11,807)	(48,007)	(183)	(744)
Interest expense		3,466,326	14,094,082	169,412	688,321
Unrealised foreign exchange		3,400,320	14,094,002	107,712	000,021
(gain)/loss		(1,517,652)	(6,170,773)	1,825,914	7,418,689
Gain on disposal of property,		[1,017,002]	(0,1/0,7/3)	1,020,714	7,+10,007
plant and equipment		(3,634)	(14,776)	(6,952)	(28,246)
Operating profit before working		[0,00+]	(14,770)	(0,702)	(20,210)
capital changes		4,654,143	18,923,745	12,289,008	49,930,240
Changes in working capital:		4,004,143	10,720,740	12,207,000	77,700,240
Trade and other receivables		(9,957,966)	(40,489,090)	314,232	1,276,725
Contract assets		(46,324,658)	(188,356,059)	(74,661,009)	(303,347,680)
Amount due to a holding company		58,992,782	239,864,652	5,617,086	22,822,220
Amounts due from/to related parties		(27,088,343)	(110,141,203)	(7,181,029)	(29,176,520)
Trade and other payables		(40,183,210)	(163,384,932)	44,261,330	179,833,784
Cash used in operations		(59,907,252)	(243,582,887)	(19,360,382)	(78,661,231)
Interest received		11,807	48,007	183	744
Interest paid		(204,242)	(830,448)	(138,081)	(561,023)
Income tax paid		(3,025,451)	(12,301,484)	(566,071)	(2,299,946)
Net cash used in operating activitie	29	(63,125,138)	(256,666,812)	(20,064,351)	(81,521,456)
Hot sagh used in operating detrifte		[00,120,100]	[200,000,012]	(20,001,001)	(01,021,100)

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

# The Group's statement of cash flows (Continued)

10

	Notes	Fo USD	r the year ended 30 June 2019 KHR'000 (Note 4.2)	Fo	or the year ended 30 June 2018 KHR'000 (Note 4.2)
Investing activities					
Acquisition of property, plant and					
equipment	8	(706,679)	(2,873,357)	(214,988)	(873,496)
Acquisition of intangible assets		(8,076)	(32,837)	7	7
Proceeds from disposal of					
property, plant and equipment		3,636	14,784	6,954	28,254
Net cash used in investing activitie	es	(711,119)	(2,891,410)	(208,034)	(845,242)
Financing activities	11.			(1 400 021)	(4 500 004)
Repayment of borrowings	14	(6,658,477)	(27,073,367)	(1,600,031)	(6,500,926)
Proceeds from borrowings	14	82,810,512	336,707,542	22,354,222	90,825,204
Placement of fixed deposits		(450,000)	(1,829,700)	(262,500)	(1,066,538)
Interest paid		(2,766,397)	(11,248,170)	(27,129)	(110,225)
Net cash from financing activities		72,935,638	296,556,305	20,464,562	83,147,515
Net change in cash and cash					
equivalents		9,099,381	36,998,083	192,177	780,817
Cash and cash equivalents,					
beginning of year		563,072	2,287,760	370,895	1,515,477
Translation exchange difference		÷	1,691		(8,534)
Cash and cash equivalents, end					
of year	11	9,662,453	39,287,534	563,072	2,287,760

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

136

## The Company's statement of cash flows

11

		F	or the year ended		For the year ended
	Notes		30 June 2019		30 June 2018
		USD	KHR'000	USD	KHR'000
			(Note 4.2)		(Note 4.2)
Operating activities					
Profit before income tax		2,355,778	9,578,591	9,965,083	40,488,133
Adjustments for:					
Depreciation	8	372,540	1,514,748	335,853	1,364,571
Amortisation		5,007	20,358	54 (A)	S. 2
Interest income		(11,807)	(48,007)	(183)	(744)
Interest expense		3,466,326	14,094,082	169,412	688,321
Unrealised foreign exchange (gain)/loss		(1,517,652)	(6,170,773)	1,825,914	7,418,689
Gain on disposal of property, plant and					
equipment		(3,634)	[14,776]	(6,952)	(28,246)
Operating profit before working capita	I				
changes		4,666,558	18,974,223	12,289,127	49,930,724
Changes in working capital:					
Trade and other receivables		(9,957,966)	(40,489,090)	314,232	1,276,725
Contract assets		(46,324,658)	(188,356,059)	(74,661,009)	(303,347,680)
Amount due to a holding company		58,992,782	239,864,652	5,617,086	22,822,220
Amounts due from/to related parties		(27,088,343)	(110,141,203)	(7,181,029)	(29,176,520)
Amounts due from a subsidiary		(10)	(41)	(1,000)	(4,063)
Trade and other payables		(40,185,842)	(163,395,634)	44,261,330	179,833,784
Cash used in operations		(59,897,479)	(243,543,152)	(19,361,263)	(78,664,810)
Interest received		11,807	48,007	183	744
Interest paid		(204,242)	(830,448)	(138,081)	(561,023)
Income tax paid		(3,025,451)	(12,301,484)	[566,071]	(2,299,946)
Net cash used in operating activities		(63,115,365)	(256,627,077)	(20,065,232)	(81,525,035)

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

# The Company's statement of cash flows (Continued)

12

	Notes	Fo USD	r the year ended 30 June 2019 KHR'000 (Note 4.2)	USD	For the year ended 30 June 2018 KHR'000 (Note 4.2)
Investing activities					
Acquisitions of property, plant and					
equipment	8	(706,679)	(2,873,357)	(214,988)	(873,496)
Acquisition of intangible assets		(8,076)	(32,837)	2	21
Proceeds from disposal of property,	olant				
and equipment		3,636	14,784	6,954	28,254
Acquisition of a subsidiary			÷.,	(25,000)	(101,575)
Net cash used in investing activitie	S	(711,119)	(2,891,410)	(233,034)	(946,817)
Financing activities					
Repayment of borrowings	14	(6,658,477)	(27,073,367)	(1,600,031)	(6,500,926)
Proceeds from borrowings	14	82,810,512	336,707,542	22,354,222	90,825,204
Placement of fixed deposits		(450,000)	(1,829,700)	(262,500)	(1,066,538)
Interest paid		(2,766,397)	(11,248,170)	(27,129)	(110,225)
Net cash from financing activitics		72,935,638	296,556,305	20,464,562	83,147,515
Net change in cash and cash equiv Cash and cash equivalents, beginnin		9,109,154	37,037,818	166,296	675,663
year	901	537,191	2,182,606	370,895	1,515,477
Translation exchange difference		-	1,613		(8,534)
Cash and cash equivalents, end of			.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
year	11	9,646,345	39,222,037	537,191	2,182,606

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

138

## Notes to the financial statements

## 1 General information

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

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

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

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

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

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

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

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

## 1.1 Share capital

The changes in the Company's issued share capital since its date of incorporation up to the date of this report are as follows:

Date	Number of shares issued	Cumulativ e number of shares issued	Par value KHR'000 (Note 4.2)	Purpose of issue	Cumulative toto and paid-up s USD	•
5 February 2010 27 June 2018	1,000 70,999,000	1,000	4,000 400	Subscribers' shares Subdivision of share par value and capitalization of amount due to holding company and retained earnings	1,000 7,100,000	4,086 28,847,300

## 1.2 Relevant financial years and auditors

The relevant financial years of the audited financial statements presented for the purpose of this report and the statutory auditors of the respective companies within the Group are as follows:

Company	Relevant financial years	Auditor
Pestech (Cambodia) Plc	Years ended 30 June 2018 and 2019	Grant Thornton (Cambodia) Limited
Pestech (Myanmar) Limited	Years ended 30 June 2018 and 2019	Grant Thornton (Cambodia) Limited
Pestech Hinthar Corporation Limited	Period from 1 July 2018 to 30 June 2019	Grant Thornton (Cambodia) Limited

## 2 Statement of compliance with Cambodian International Financial Reporting Standard ("CIFRSs")

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

140

## 3 Changes in accounting policies

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

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

(i) CIFRS 15: Revenue from contracts with customers

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

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

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

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

## (ii) CIFRS 9: Financial instruments

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

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

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

## 3.2 Standards, amendments and interpretations to existing standards that are not yet

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

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

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

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

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

## IFRS effective 1 January 2021:

IFRS 17\* Insurance Contracts

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

## Amendments to IFRSs - effective date deferred indefinitely:

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

\* Not applicable to the Company's operation

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

## 4 Summary of significant accounting policies

## 4.1 Basis of preparation

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

17

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

## 4.2 Functional and presentation currency

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

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

## 4.3 Basis of consolidation

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

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

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

## 4.4 Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in the profit or loss irrespective of whether construction has commenced or not, or of the

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

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

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

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

## Services rendered

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

## Sale of materials

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

## Notional income on unwinding of discounting

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

## 4.5 Costs of sales and construction

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

## 4.6 Operating expense

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

## 4.7 Property, plant and equipment

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

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

Depreciation

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

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

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

## 4.8 Impairment testing of non-financial assets

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

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

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

## 4.9 Financial instruments

## Initial recognition and measurement

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

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

## Classification and initial measurement of financial assets

## Accounting policies applied from 1 July 2018

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

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

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

## The classification is determined by both:

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

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

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

## Accounting policies applied until 30 June 2018

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

## Financial assets – subsequent measurement <u>Accounting policies applied from 1 July 2018</u>

## Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

## Accounting policies applied until 30 June 2018

## Loans and receivables

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

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

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

## Derecognition

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

## Financial assets - impairment

Accounting policies applied from 1 July 2018

CIFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces CIFRS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under CIFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

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

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

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

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

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

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

## Trade receivables and contract assets

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

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

## Accounting policies applied until 30 June 2018

All financial assets, except for financial assets categorised as fair value through profit or loss, investment in subsidiaries, associates, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is objective evidence of impairment.

## Assets carried at amortised cost

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

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

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

## Financial liabilities - classification and measurement

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

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

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

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

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

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

## 4.10 Derivatives and hedging activities

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

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

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

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

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

## (i) Fair value hedge

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

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

## (ii) Cash flow hedge

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

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

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

## (iii) Net investment hedge

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

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

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

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

## 4.11 Cash and cash equivalents

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

## 4.12 Equity, reserves and dividend payments

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

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

## 4.13 Provisions, contingent liabilities and contingent assets

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

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

## 4.14 Income taxes

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

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

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

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

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

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

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

## 4.15 Operating leases

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

## 4.16 Related parties

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

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

## 5 Significant Management judgement in applying accounting policies and estimation uncertainty

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

## Significant Management judgement

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

## Recognition of service and construction contract revenues

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

## Estimation uncertainty

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

## Impairment

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

## Useful life of depreciable assets

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

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

## Construction contract

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

## Deferred tax assets

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

## 6 Going concern

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

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

[The remainder of this page was intentionally left blank.]

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

## 7 Investment in a subsidiary

Ŀ,

		USD	Co 30 June 2019 KHR'000 (Note 4.2)	mpany USD	30 June 2018 KHR'000 (Note 4.2)
At cost					
Unquoted share		25,000	101,650	25,000	101,575
		25,000	101,650	25,000	101,575
Details of the subsidia	ries are as follows: Country of incorporation				
Name	and operation	Effective ir 30 June 2019		Prov manager substations, tr erection a	cipal activities vision of project ment, electrical ansmission line and installation,
Pestech (Myanmar) Limited ("PML")	Myanmar	99.99%	99.99%		n of testing and and civil works.
Subsidiary of PML				power secto the power sec	nfrastructure of or and promote gments such as
Pestech Hinthar Corporation					neration, power sion and power
Limited ("PHC")	Myanmar	60.00%			distribution.

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

8 Property, plant and equipment						
	Equipment	Motor vehicles	Computers	Furniture and fittings	Total	
	USD	NSD	NSD	DSN	OSN	KHR'000
Group and Company Gross carrying amount						(Note 4.2)
At 1 July 2018	2,487,053	541,029	18,331	30,805	3.077.218	12.511.968
Additions	699,935	006	5,676	168	706,679	2.873.357
Disposals	2	[17,383]	62	4°	[17,383]	[70,679]
Balance 30 June 2019	3,186,988	524,546	24,007	30,973	3,766,514	15,314,646
Accumulated depreciation						
At 1 July 2018	(952,107)	(180,361)	(10,564)	[21,649]	[1,164,681]	[4,735,593]
Depreciation	(259,478)	[104,819]	(4,939)	(3,304)	(372,540)	[1,514,748]
Disposals		17,381	к		17,381	70,671
Balance 30 June 2019	(1,211,585)	(267,799)	(15,503)	[24,953]	(1,519,840)	(6,179,670)
Carrying amount 30 June 2019	1,975,403	256,747	8,504	6,020	2,246,674	9,134,976

30

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

Equipment Motor vehicles   USD USD   Group and Company USD   Group and Company USD   Gross carrying amount 380,892   At 1 July 2017 380,892   Additions 2,004   Transferred from a related party 2,104,157   Disposals 2,104,157   Balance 30 June 2018 2,487,053   Accumulated depreciation 2,487,053   At 1 July 2017 (16,436)		Computers USD 14,923 3,408 	fittings USD 27,625 3,180	Total USD	
USD d Company rying amount 017 380,892 2,004 d from a related party 2,104,157 2,104,157 2,004 d from a related party 2,104,157 c (182,719) 0 June 2018 2,487,053 ted depreciation (182,719) 0 07 (248,638)	USD 350,433 206,396 (15,800) 541,029	USD 14,923 3,408	USD 27,625 3,180	NSD	
d Company rying amount 017 380,892 3 2,004 d from a related party 2,104,157	350,433 206,396 [15,800] 541,029	14,923 3,408 16 22	27,625 3,180		KHD'NON
rying amount 017 380,892 2,004 d from a related party 2,104,157 0 June 2018 2,487,053 ted depreciation (182,719) 017 (182,719)	350,433 206,396 [15,800] 541,029	14,923 3,408 18.221	27,625 3,180		
017 380,892 2,004 d from a related party 2,104,157 0 June 2018 2,487,053 ted depreciation (182,719) (1000 1000 1000 1000 1000 1000 1000 10	350,433 206,396 [15,800] 541,029	14,923 3,408 16,223	27,625 3,180		(INDLE T.C)
2,004 d from a related party 2,104,157 0 June 2018 2,487,053 ted depreciation (182,719) ( 017 (248,638)	206,396 [15,800] 541,029	3,408 16 221	3,180	773.873	3 144 240
party 2,104,157 2,487,053 2,487,053 (182,719) ( (182,719)	[15,800] 541,029	10 201		214.988	873,496
2,487,053 2,487,053 (182,719) (74,8.438)	(15,800) 541,029	10 221	6	2.104.157	8.549.190
2,487,053 2,487,053 (182,719) (74,8.438)	541,029	10 221	ĸ	[15.800]	[64,195]
[182,719] [124,8438]		100,01	30,805	3,077,218	12.502.737
(182,719) (יכעג גיזמ)					
(182,719) (2148,638)					
	(116,436)	(6,150)	[18,571]	[323,876]	[1.315.908]
	[79,723]	(+,+1+)	(3,078)	[335,853]	[1.364.571]
Transferred from a related party (520,750)	ĸ	- 90	96	[520,750]	[2,115,807]
Disposals - 15,798	15,798	э	UE.	15,798	64,187
Balance 30 June 2018 (952,107) (180,361)	[180,361]	(10,564)	[21,649]	[1,164,681]	[4,732,099]
Carrying amount 30 June 2018 1,534,946 360,668	360,668	7,767	9,156	1,912,537	7,770,638

5

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

## 9 Contract assets

		Group and	Company	
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Balance at 1 July	146,587,048	595,583,176	71,926,039	293,889,795
Effects of adoption of CIFRS 15	(13,811,005)	(56,155,546)	5#:	-
Translation difference		41,433	55t	-
At 1 July 2018, restated	132,776,043	539,469,063	71,926,039	293,889,795
Revenue recognised	47,406,295	192,753,995	74,661,009	303,347,680
Finance income	8		24	-
Receipts entitled	(1,081,637)	(4,397,936)	12	~
Translation difference	÷	398,328	(m)	(1,654,299)
Balance at 30 June	179,100,701	728,223,450	146,587,048	595,583,176

Presented as:

		Group and	Company	
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Current	6,041,667	24,565,418	Sec.	24.1
Non-current	173,059,034	703,658,032	146,587,048	595,583,176
	179,100,701	728,223,450	146,587,048	595,583,176

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

## 10 Trade and other receivables

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

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

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

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

(a) Bank balance of the Group and of the Company amounting to USD9,853,981 have been pledged to syndicated financing facilities as disclosed in note 14d.2. The bank balance earns interest income of 6.43% per annum.

(b) Deposits with a licensed bank of the Group and of the Company have been pledged as security for bank overdrafts as disclosed in note 14a.2. The deposits earn interest income of 4.25% per annum.

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

0	Group				
		30 June 2019		30 June 2018	
	USD	KHR'000	USD	KHR'000	
		(Note 4.2)		(Note 4.2)	
Cash and cash equivalents (as above)	13,055,979	53,085,611	2,084,310	8,468,551	
Fixed deposit pledge to borrowings	(712,500)	(2,897,025)	(262,500)	(1,066538)	
Bank overdrafts (note 14)	(2,681,026)	(10,901,052)	(1,258,738)	(5,114,253)	
Cash and cash equivalents per					
statement of cash flows	9,662,453	39,287,534	563,072	2,287,760	
	Company				
		30 June 2019	0	30 June 2018	
	USD	KHR'000	USD	KHR'000	
		(Note 4.2)		(Note 4.2)	
	13,039,871	53,020,115	2,058,429	8,363,397	
Cash and cash equivalents (as above)					
Fixed deposit pledge to borrowings	(712,500)	(2,897,025)	(262,500)	(1,066,538)	
Bank overdrafts (note 14)	(2,681,026)	(10,901,053)	(1,258,738)	(5,114,253)	
Cash and cash equivalents per					
statement of cash flows	9,646,345	39,222,037	537,191	2,182,606	
#### 12.1 Share capital

	Group and Company							
Authorised and fully paid	Number	of shares	ares Amo			ount		
	2019	2018	20	019	20	18		
			USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)		
At 1 July Subdivision of shares into USD0.10 (KHR400) par	71,000,000	1,000	7,100,000	28,868,600	1,000	4,063		
value per share Creation of shares with USD0.10 (KHR400) par value per share/ capitalisation of amount	-	9,000	-		-	00.045.000		
due to holding company Creation of shares with USD0.10 (KHR400) par value per share/ capitalisation of retained	đ.	50,000,000		9	5,000,000	20,315,000		
earnings		20,990,000			2,099,000	8,528,237		
At 30 June	71,000,000	71,000,000	7,100,000	28,868,600	7,100,000	28,847,300		

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

#### 12.2 Reserves

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

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

34

#### 13 Trade and other payables

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

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

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

#### 14 Borrowings

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

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

#### The effective interest rates of the borrowings are as follows:

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

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

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

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

The above facilities are secured by the following:

Bank overdrafts

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

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

#### Revolving credit

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

#### Murabahah facilities

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

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

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

#### Syndicated financing facilities

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

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

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

37

#### 14.1 Reconciliation of liabilities arising from financing activities

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

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

#### 15 Derivative financial instruments

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

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

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

#### 16 **Revenue and cost of sales and construction**

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

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

### 16.1 Disaggregated revenue information

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

#### 17 Other income

	Group			
	For the year ended		For t	he year ended
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Unrealised foreign exchange				
gain	1,517,652	6,170,773		20
Gain on disposal of property,				
plant and equipment	3,634	14,776	6,953	28,250
Other income	310	1,260	171	695
	1,521,596	6,186,809	7,124	28,945

#### Pestech (Cambodia) Plc and its subsidiaries

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

		Compan	y		
	For th	ne year ended	For th	For the year ended	
		30 June 2019		30 June 2018	
	USD	KHR'000	USD	KHR'000	
		(Note 4.2)		(Note 4.2)	
Unrealised foreign exchange					
gain	1,517,652	6,170,773	2	5	
Gain on disposal of property,					
plant and equipment	3,634	14,776	6,953	28,250	
•	1,521,286	6,185,549	6,953	28,250	

### 18 Operating expenses

	Group				
	For the year ended		For	For the year ended	
		30 June 2019		30 June 2018	
	USD	KHR'000	USD	KHR'000	
		(Note 4.2)		(Note 4.2)	
Realised foreign exchange loss	504,906	2,052,948	-	÷	
Withholding taxes	494,809	2,011,893	197,228	801,337	
Labor costs	491,423	1,998,126	450,031	1,828,476	
Depreciation and amortisation	377,547	1,535,106	335,853	1,364,571	
Management fees	301,404	1,225,509	532,740	2,164,523	
Professional fees	252,957	1,028,523	156,974	637,785	
Bank charges	115,087	467,944	70,497	286,429	
Rental	69,333	281,908	69,333	281,700	
Social contribution	56,357	229,148	173,780	706,068	
Fair value of shares granted under share grant plan of the					
holding company (note 12.2)	-	ā	52,044	211,454	
Unrealised foreign exchange					
loss	272	×	1,825,914	7,418,689	
Other expenses	116,684	474,436	198,139	805,040	
	2,780,507	11,305,541	4,062,533	16,506,072	

	Company			
	For	the year ended	For th	ne year ended
		30 June 2019		30 June 2018
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Declined foreign evolution	504,906	2,052,948	÷.	
Realised foreign exchange loss	494,809	2,011,893	197,228	801,337
Withholding taxes				
Labor costs	491,423	1,998,126	450,031	1,828,476
Depreciation and amortisation	377,547	1,535,106	335,853	1,364,571
Management tees	301,404	1,225,509	532,740	2,164,523
Professional fees	240,345	977,243	156,974	637,784
Bank charges	115,035	467,732	70,207	285,251
Rental .	69,333	281,908	69,333	281,700
Social contribution	56,357	229,148	173,780	706,068
Fair value of shares granted				
under share grant plan of the				
holding company (note 12.2)	1.5		52,044	211,454
Unrealised foreign exchange				
loss		-	1,825,914	7,418,689
Other expenses	116,623	474,191	198,139	805,040
· · · · · · · · · · · · · · · · · · ·	2,767,782	11,253,803	4,062,243	16,504,893

#### 19 Finance cost

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

#### 20 Income tax expense

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

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

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

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

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

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

#### 20.1 Reconciliation between profit before income tax and taxable income

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

Income tax expense

		Grou	IP	
	For t	he year ended:	For the year ended	
		30 June 2019		30 June 2018
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Accounting profit before tax Add:	2,343,363	9,528,113	9,964,964	40,487,649
Non-deductible expenses	37,330	151,784	1,952,714	7,933,877
Taxable profit	2,380,693	9,679,897	11,917,678	48,421,526
Income tax expense at the applicable				
tax of rate 20% (A)	476,139	1,935,981	2,383,536	9,684,307
Minimum tax (B)	568,268	2,310,578	771,562	3,134,856
Estimated income tax expense				
(higher of A or B)	568,268	2,310,578	2,383,536	9,684,307

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

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

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

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

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

[The remainder of this page was intentionally left blank.]

Pestech (Cambodia) Plc and its subsidiaries Financial statements as at and for the year ended 30 June 2019	; 2019				έτ
<b>21 Related party balances and transactions</b> The following balances were outstanding with the related parties:	<b>actions</b> he related parties:				
Related party	Relationship	NSD	Group and Company 30 June 2019 KHR*000	Jompany USD	30 June 2018 KHR*000
Amounts due from related parties			[Note 4.2]		(Note 4.2)
Diamond Power Limited	Fellow subsidiary	674,474	2,742,4-1	Đ	
Pestech Power Sdn Bhd	Fellow subsidiary	1,270,000	5,163,823	ŷ	9
		1,944,474	7,906,231	Ř	ŝ.
Amounts due to related parties					
Pestech Sdn Bhd	Fellow subsidiary	19		47,192,845	191.744.529
Enersol Co., Ltd	Fellow subsidiary	21,876,125	88,948,324	2,477,254	10,065,083
Pestech Energy Sdn Bhd	Fellow subsidiary	2	à	6,000	36,567
Pestech Transmission Sdn Bhd	Fellow subsidiary	1,141,453	4,641,148	8	3
		23,017,578	93,589,472	49,679,099	201,846,179
Amount due to holding company					
Pestech International Berhad	Holding ccmpany	59,557,824	242,162,112	565,042	2,295,766
Amount due from a subsidiary			Company	aug	
Pestech (Myanmar) Limited	Subsidiart	1,010	4,107	1,000	H,063
The amounts due from/to related parties are ur	The amounts due from/to related parties are unsecured, interest free and repayable on demand, subject to the terms in note 6.	subject to the term:	s in note 6.		

During the year, the following transactions with related parties were recorded:	ons with related parti	es were recorded:				
Related party	Relationship	Transactions	For the USD	Group and Company For the year ended 30 June 2019 USD KHR'000 (Note 4.2)		For the year ended 30 June 2018 SD KHR'000 (Note 4.2)
Diamond Power Limited	Fellow subsidiary	Contract revenue Operation and maintenance revenue	е тОБ 949 С	0 782 588	2,183,834 286 841	8,872,918 1.145 Iu35
Pestech Power Sdn Bhd	Fellow subsidiary	Advance payment	1,270,000	5,163,820		· · · · · · · · · · · · · · · · · · ·
Pestech Sdn Bhd	Fellow subsidiary	Contract cost Equipment received	36,501,022 -	148,413,155 -	12,024,061 1,583,408	48,853,760 6,433,387
Enersol Co., Ltd	- Fellow subsidiary	Contract cost	38,723,524	157,449,849	1,973,415	8,017,985
Pestech Energy Sdn Bhd	Fellow subsidiary	Services received	D		9,000	36,567
Pestech Transmission Sdn Bhd	Fellow subsidiary	Contract cost	1,141,453	4,641,149	5	39 T
Pestech International Berhad	Holding company	Management fee	301,400	1,225,509	532,740	2,164,523

÷

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

Pestech (Cambodia) Plc and its subsidiaries

#### 22 Transactions with key management personnel

Key management personnel remuneration includes the following:

		Group and Co	ompany	
	For t USD	he year ended 30 June 2019 KHR'000 (Note 4.2)	For t USD	he year ended 30 June 2018 KHR'000 (Note 4.2)
Salaries and bonus	303,600	1,234,438	176,000	715,088

#### 23 Categories of financial instruments

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

		Grou	ıp	
		30 June 2019		30 June 2018
	USD	KHR,000	USD	KHR'000
Financial assets		(Note 4.2)		(Note 4.2)
Trade and other receivables	7,912,246	32,171,192	47,655	193,622
Contract assets	179,100,701	728,223,450	146,587,048	595,583,176
Cash and cash equivalents	13,055,979	53,085,611	2,084,310	8,468,551
Amounts due from related parties	1,944,474	7,906,231	~	191
	202,013,400	821,386,484	148,719,013	604,245,349

		Comp	any	
		30 June 2019		30 June 2018
	USD	KHR'000	USD	KHR'000
Financial assets		(Note 4.2)		(Note 4.2)
Trade and other receivables	7,912,246	32,171,192	47,655	193,622
Contract assets	179,100,701	728,223,450	146,587,048	595,583,176
Amounts due from related parties	1,944,474	7,906,231	( <b>X</b> )	54
Amounts due from a subsidiary	1,010	4,107	1,000	4,063
Cash and cash equivalents	13,039,871	53,020,115	2,058,429	8,363,397
	201,998,302	821,325,095	148,694,132	604,144,258

		Grou	чр	
Financial liabilities	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Financial liabilities		(11016 4.2)		
Trade and other payables	8,317,219	33,817,812	48,004,742	195,043,267
Amount due to holding company	59,557,824	242,162,112	565,042	2,295,766
Amounts due to related parties	23,017,578	93,589,472	49,679,099	201,846,179
Borrowings	99,587,252	404,921,767	22,012,929	89,438,531
Derivative financial instruments	1,824,095	7,416,770		
	192,303,968	781,907,933	120,261,812	488,623,743

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

46

#### 24 Risk management objectives and policies

#### Financial risk

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and the Company's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and their policies in respect of the major areas of treasury activities are set out below:

#### (a) Credit risk

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

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

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

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

#### Receivables and contract assets

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

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

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

#### Cash and cash equivalents

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

#### Financial instruments used in hedging activities

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

#### (b) Liquidity risk

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

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

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

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

#### Analysis of financial instruments by contractual maturities

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

Group					
	On demand or		More than 5	Tillionaturati	
30 June 2019	within 1 year USD	1 to 5 years USD	years USD	Total contractu USD	KHR'000 (Note 4.2)
Trade and other	0.017.010			8,317,219	22 017 012
payables	8,317,219	-	ă.	0,017,217	33,817,812
Amount due to a holding company	59,557,824	-	-	59,557,824	242,162,112
Amounts due to related					
parties	23,017,578	37	8	23,017,578	93,589,472
Borrowings	10,822,631	74,011,312	49,313,719	134,147,662	545,444,394
	101,715,252	74,011,312	49,313,719	225,040,283	915,013,790

Company					
	On demand or		More than 5		
30 June 2019	within 1 year	1 to 5 years	years	Total contractu	ial cash flows
	USD	USD	USD	USD	KHR'000 (Note 4.2)
Trade and other					
payables	8,314,587	2	-	8,314,587	33,807,110
Amount due to a holding					
company	59,557,824	2		59,557,824	242,162,112
Amounts due to related					
parties	23,017,578	2	(m)	23,017,578	93,589,472
Borrowings	10,822,631	74,011,312	49,313,719	134,147,662	545,444,394
	101,712,620	74,011,312	49,313,719	225,037,651	915,003,088

#### Group and Company

			10,345,000	120,261,812	
Borrowings	2	11,667,929	10,345,000	22,012,929	89,438,531
Amounts due to related parties	49,679,099		Ē	49,679,099	201,846,179
Amount due to holding company	565,042	38.		565,042	2,295,766
Trade and other payables	48,004,742	(#)		48,004,742	195,043,267
30 June 2018	On demand or within 1 year USD	1 to 5 years USD	More than 5 years USD	Total contractu USD	al cash flows KHR'000 (Note 4.2)

#### (c) Interest rate risk

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

#### Interest rate sensitivity analysis

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

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

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

48

	Group and Company				
	profit for the year				
	+0.25% -0.2				
	USD	KHR'000	USD	KHR'000	
		(Note 4.2)		(Note 4.2)	
For the year ended 30 June 2019	(248,968)	(1,012,304)	248,968	1,012,304	
For the year ended 30 June 2018	(55,032)	(223,596)	55,032	223,596	

#### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

#### Foreign currency sensitivity analysis:

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

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

#### 25 Fair value of financial instruments

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

The different levels have been defined as follows:

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

			Group and C	Company	
Financial liabilities Derivative financial	Carrying amount	Level 1	Level 2	Level 3	Total
instruments	2		1,824,095	12) 12)	1,824,095
	ž	(e)	1,824,095	(#)	1,824,095

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

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

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

The fair value of interest rate swaps which is calculated as the present value of the estimated future cash flows based on observable yield curves.

#### 26 Contingencies and commitments

(a) Capital commitments				
		Group and Co	ompany	
	3	0 June 2019	30	) June 2018
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Authorised and contracted for:				
Property, plant and equipment	150,562	612,185		ie.

#### (b) Insurance commitments

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

#### (c) Operating lease commitments

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

The future minimum lease payments are as follows:

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

#### 27 Contingencies

#### Contingent liabilities

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

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

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

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

#### 28 Capital management

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

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

#### 29 Post-reporting date significant events

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

#### **30** Authorisation of the financial statements

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

[The remainder of this page was intentionally left blank.]

### 10. OTHER INFORMATION

# 10.1. RESOLUTION OF THE BOARD FOR THE LAST TWO (2) YEARS PRIOR TO FILING OF APPLICATION

No.	Date	Agenda	Status
1.	October 6, 2017	Direct Agreement with EDC and Alex Corporation	Approved
2.	December 22, 2017	Information disclosed in Disclosure Document and relevant reports	Approved
3.	December 22, 2017	Proposed Initial Public Offering	Approved
4.	December 22, 2017	Appointing the Authorized Representative for the Proposed IPO	Approved
5.	February 2, 2018	Facilities Agreement with Financial Institutions	Approved
6.	February 8, 2018	Acceptance of Syndicated Commodity Murabahah Term Financing Facility	Approved
7.	February 8, 2018	Derivative Transactions for Interest Rate Swap with OCBC Bank (Malaysia) Berhad	Approved
8.	March 23, 2018	Assignment of Advance and Capitalisation of Retained Earnings	Approved
9.	March 23, 2018	Utilisation of Foreign Exchange Contract Limit 2 and Derivative Facility	Approved
10.	March 29, 2018	Appointment of Tann Sochan as Corporate Secretary	Approved
11.	March 30, 2018	Information disclosed in Disclosure Document and relevant reports	Approved
12.	April 17, 2018	Opening of Designated Account	Approved
13.	May 23, 2018	Assignment of Advance and Capitalisation of Retained Earnings	Approved
14.	June 12, 2018	Opening of Account with CIMB Bank Berhad, Labuan Offshore Branch	Approved
15.	June 30, 2018	Fixing of Foreign Exchange Rate	Approved
16.	August 29, 2018	Appointment of Chairman and Member of the Audit Committee and Risk Management Committee	Approved
17.	October 8, 2018	Application of Project Financing or Syndicated Project Financing	Approved
18.	December 21, 2018	Derivatives Facility provided by OCBC Bank (Malaysia) Berhad	Approved
19.	February 7, 2019	Disposal of Motor Vehicles	Approved

### 10. OTHER INFORMATION (Cont'd)

No.	Date	Agenda	Status
20.	February 26, 2019	Utilisation of Multi Option Line-i (MOL-i) of RM40,000,000 by PESTECH (Cambodia) PLC	Approved
21.	March 12, 2019	Disposal of Motor Vehicles	Approved
22.	March 14, 2019	Third-party Utilisation of the Foreign Exchange Contract Limit/Derivative Facility granted by CIMB Bank Berhad	Approved
23.	May 10, 2019	Opening of Bank Account with Acleda Bank PLC	Approved
24.	August 22, 2019	Acceptance of Banking Facilities of USD12,000,000 from Hong Leong Bank (Cambodia) PLC	Approved
25.	August 30, 2019	Change of Bank Signatories with CIMB Bank PLC	Approved
26	September 9, 2019	Acceptance of Banking Facilities of USD12,000,000 from Hong Leong Bank (Cambodia) PLC (Offer letter dated 9 September 2019)	Approved
27.	September 18, 2019	2002 ISDA Master Agreement with OCBC Bank (Malaysia) Berhad	Approved
28.	October 3, 2019	International Swaps & Derivatives Association Master Agreement with CIMB Bank Berhad	Approved
29.	October 3, 2019	Opening of Bank Accounts with Hong Leong Bank (Cambodia) PLC	Approved
30.	February 12, 2020	Opening of Fixed Deposit Accounts with Hong Leong Bank (Cambodia) PLC	Approved

## 10.2. FINANCIAL INFORMATION AUDITED BY THE INTERNAL AUDITOR FOR THE LAST TWO (2) YEARS

N/A

## 10.3. SHAREHOLDER'S RESOLUTION DURING THE LAST TWO (2) YEARS PRIOR TO FILING OF APPLICATION

No.	Date	Age	enda	Status
1	May 23, 2018	(i)	Assignment of amount of USD5 million and acceptance of capitalisation of the same amount	Approved
		(ii)	Acceptance of capitalisation of retained earnings of USD2.1 million	Approved

#### 10. OTHER INFORMATION (Cont'd)

No.	Date	Agenda	Status
2.	May 30, 2018	<ul> <li>(i) Capital increase to USD7.1 million;</li> <li>(ii) Increase of number of shares to 71 million shares with par value of KHR400;</li> </ul>	Approved Approved
		<ul> <li>(iii) Add 2 new directors;</li> <li>(iv) Conversion of legal status of the Company to PLC;</li> <li>(v) Amendment of Articles of Incorporation of the Company</li> </ul>	Approved Approved Approved
3.	June 27, 2018	Appointment of Mr Han Fatt Juan and Mr Tan Pui Hooi as Directors	Approved
4.	July 3, 2018	Appointment of Ms. Teh Bee Choo as Chief Financial Officer	Approved
5.	July 3, 2018	Appointment of Mr Dav Ansan as an Independent Director	Approved
6.	May 30, 2020	Re-appointment of Directors and an Independent Director	Approved

## 10.4. DIVIDEND REPORT DURING THE LAST TWO (2) YEARS PRIOR TO FILING OF APPLICATION

There was no dividend paid during the last two (2) years prior to this Disclosure Document.

#### 10.5. REPORT ON LEGAL PROCEEDING DESCRIPTION DURING THE LAST TWO (2) YEARS PRIOR TO FILING OF APPLICATION

As at the LPD, we are not engaged in any material litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

#### 10.6 APPROVALS REQUIRED

The Listing is subject to the following approvals being obtained:

- (i) The shareholders of PIB for the Listing at an extraordinary general meeting to be convened in Malaysia which was obtained on 1 July 2020;
- (ii) SECC for the Listing and registration of the Disclosure Document;
- (iii) CSX for the Listing; and
- (iv) Any other relevant authorities/parties approval, if required.

#### 11. EXPERTS' CONSENT

- (i) The written consent of our Auditors and Reporting Accountants for the inclusion of its names, the Accountants' Report and all reference thereto in the form and context in which they appear in this Disclosure Document has been given before the issuance of this Disclosure Document and has not subsequently been withdrawn; and
- (ii) The written consent of our Independent Market Researcher for the inclusion of its name, the Executive Summary of its Independent Market Research Report and extract of the said report in the form and context in which they appear in this Disclosure Document has been given before the issuance of this Disclosure Document, and has not subsequently been withdrawn.

#### THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

## 12. SIGNATURES OF CHAIRMAN OF THE BOARD, DIRECTORS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

LIM PAY CHUAN		
Executive Chairman	Signature	Date
LIM AH HOCK Executive Director	Signature	Date
HAN FATT JUAN Executive Director/ Chief Executive Officer	Signature	Date
TAN PU HOOI Executive Director	Signature	Date
DAV ANSAN Independent Director	Signature	Date
TEH BEE CHOO Chief Financial Officer	Signature	Date

#### APPENDICES

- I. Code of Conduct
- II. Executive Summary of Independent Market Research Report
- III. Audited Financial Report for the Financial Year Ended 30 June 2019
- IV. Reviewed Financial Report for the Financial Period Ended 31 December 2019
- V. Certification of the Accuracy of Information

#### CODE OF CONDUCT

#### SHARED VALUES

As employees of PESTECH (Cambodia), we are committed to doing what is right and honourable in all aspect of our lives whether at work, at home and elsewhere.

We believe that ethics must be based on values that are essential for personal leadership, let alone leading, treating and serving others. We believe that we share the following common values as listed and clarified below:

Truth/Honesty	We believe it is a facet of moral character and connotes other positive and virtuous attributes, such as sincerity, trust and integrity that are essential parts of our character.
Trust	We believe it is an attribute for circular relationships and interactions, social influence (trusting and trustworthiness) and hence, leadership – the commitment to deliver on a promise.
Integrity	We believe it is an uncompromising and predictably consistent commitment to honour a set of moral values and principles; it is a big part of good character – to do what is good and right even when no one is watching.
Equality	We believe it 'levelises' status, positions and conditions for the application of rules, regulations and justice.
Justice	We believe it is an attainment of moral/ethical corrections, rationality, law, equity and fairness.
Fairness	We believe it is a perceived appropriateness of the application of interpersonal treatment, rules and procedures.
Care For Others	We believe it is the ability to consider others above ourselves and treat others in the way that we want to be treated, not to condone selfish ambition, deception and vengeance.

As such we set high standards of behaviour. Ultimately, we use these values to build substance in our character and also to build our credibility and reputation that are observable through our behaviour, individually and collectively as a team and as a company.

In serving our customers and in dealing with our suppliers, vendors and subcontractors, we strive to put their interest ahead of other personal interests and to uphold our reputation and their trust in us. We are committed to provide efficient, effective and excellent products and services in an impartial manner.

#### CODE OF ETHICS

Every Employee of PESTECH (Cambodia) shall:

- adhere to all set rules, regulations and guidelines.
- refuse to elicit, accept or pay any bribes and to encourage others to do the same.
- be trusting and trustworthy.
- be prepared to explain our work and reasons behind them.
- make decisions and act impartially and objectively.
- respect confidentiality, expressed or implied.
- do not engage in fraudulent, corrupt or criminal conduct.
- treat others with respect and dignity without discrimination or harassment.
- adopt an open and honest attitude in all aspects.
- perform to our best ability with highest standards whilst continuously improving the quality of our products and services.
- do the work wholeheartedly and be committed to deliver on a promise.
- be entirely truthful in all I say and do.
- not hold other employments or undertake other jobs or freelance work without consent from the Company.

# SMITH ZANDER

The Board of Directors **PESTECH (CAMBODIA) PLC** No. 06, Street 588 Sangkat Boeung Kok II Khan Tuol Kork Phnom Penh Cambodia

Dear Sirs,

Executive Summary of the Independent Market Research Report on the Electricity Supply Industries in the Kingdom of Cambodia, Republic of the Union of Myanmar and Lao People's Democratic Republic in conjunction with the Listing of PESTECH (CAMBODIA) PLC on the Cambodia Securities Exchange

This Executive Summary of the Independent Market Research Report on the Electricity Supply Industries in the Kingdom of Cambodia, Republic of the Union of Myanmar and Lao People's Democratic Republic is prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Disclosure Document of PESTECH (CAMBODIA) PLC.

For and on behalf of SMITH ZANDER:

DENNIS TAN MANAGING PARTNER

#### **COPYRIGHT NOTICE**

No part of this Executive Summary of the Independent Market Research Report may be given, lent, resold, or disclosed to non-customers or any other parties, in any format, either for commercial or non-commercial reasons, without express consent from SMITH ZANDER. Further, no part of this Executive Summary of the Independent Market Research Report may be extracted, reproduced, altered, abridged, adapted, modified, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, for purposes other than the listing of PESTECH (CAMBODIA) PLC on the Cambodia Securities Exchange, without express consent from SMITH ZANDER.

Any part of this Executive Summary of the Independent Market Research Report used in third party publications, where the publication is based on the content, in whole or in part, of this Executive Summary of the Independent Market Research Report, or where the content of this Executive Summary of the Independent Market Research Report is combined with any other material, must be cited and sourced to SMITH ZANDER.

The research for this Executive Summary of the Independent Market Research Report was completed on 17 December 2019.

For further information, please contact:

#### SMITH ZANDER INTERNATIONAL SDN BHD

15-01, Level 15, Menara MBMR 1, Jalan Syed Putra 58000 Kuala Lumpur Malaysia Tel: + 603 2732 7537

www.smith-zander.com

© 2019, All rights reserved, SMITH ZANDER INTERNATIONAL SDN BHD

#### About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

### 1 ELECTRICITY SUPPLY INDUSTRY IN THE KINGDOM OF CAMBODIA

#### Industry Structure and Value Chain

The electricity supply industry is governed by the Government of Kingdom of Cambodia ("Cambodia") via the Ministry of Mines and Energy and the Electricity Authority of Cambodia. The Ministry of Mines and Energy is primarily responsible for the power sector as a whole, and tasked to set and administrate energy policies, electric power strategies and power development plans. Further, the Ministry of Mines and Energy is also responsible for technical, safety and environmental standards for the power sector.

The Electricity Authority of Cambodia is responsible for overseeing electricity services and its usage. This agency is responsible for the monitoring, guiding and co-ordinating of operators in the power sector to abide by the policies, guidelines and technical standards issued by Ministry of Mines and Energy. The Electricity Authority of Cambodia also has the duty to issue, revise, revoke or suspend the licenses for electric power services, approve tariffs, issue regulations to control, impose penalty and to resolve disputes related to the electric power services and its usage. The Electricity Authority of Cambodia issues and regulates eight (8) categories of licensees, whereby:

#### Generation licence

A generation licence grants the right to generate electric power from specified generation facilities.

#### Transmission licence

A transmission licence grants the right to provide transmission services. There are two (2) types of transmission licences, namely the National Transmission licence and the Special Purpose Transmission licence.

The National Transmission licence can only be issued to state power transmission companies under Government control. The National Transmission licence grants these companies with the right to provide transmission services for the delivery of electric power to distribution companies and bulk power consumers in Cambodia.

The Special Purpose Transmission licence grants the right to build, own and operate specified transmission facilities in Cambodia for its specified purpose.

#### Distribution licence

A distribution licence grants the right to provide electricity distribution services in a determined area.

#### Consolidated licence

A consolidated licence combines more than one (1) type of licence. It can be issued to the Electricite du Cambodge ("EDC") and to the isolated systems. The consolidated license grants the rights for the generation, transmission, dispatching, distribution and sale of electric power to consumers.

#### Dispatch licence

A dispatch licence grants the right to control, manage and operate the dispatch facilities for facilitating the delivery and receiving of electricity from generation, transmission and distribution systems.

#### Bulk sale licence

A bulk sale licence grants the right to purchase electricity from generation licensees or from the power systems of neighbouring countries, with the intent to sell this electricity to distribution licensees or to large customers in one (1) connected power system.

S<mark>M</mark>ITH ZAND<mark>E</mark>R

#### Retail licence

A retail licence grants the right to engage in the sale of electric power to consumers in a determined service territory.

#### Subcontract licence

A subcontract licence grants the right to provide electric power services according to the subcontract agreement with the existing licensees.

#### Structure of the electricity supply industry in Cambodia



Sources: Ministry of Mines and Energy, SMITH ZANDER analysis

The electricity supply industry in Cambodia comprises electricity generation, transmission and distribution activities. The EDC is an electricity generation company that is wholly owned by the Ministry of Mines and Energy and the Ministry of Economy and Finance. The EDC is responsible for the generation, transmission and distribution of electricity throughout Cambodia. Apart from the EDC, independent power producers ("IPPs"), private electricity companies and rural electricity enterprises such as the Power Transmission Lines Co. Ltd, are also involved in the electricity supply business.

The electricity supply chain comprises fuel supply, power generation, transmission to grid and distribution to customers, where:

#### Fuel supply

Fuel is a key raw material in the generation of electricity. Cambodia primarily utilises hydro power for the generation of electricity. Other sources of fuel supply include coal, diesel and heavy fuel oil, biomass and solar.

#### Power generation

In Cambodia, power generation for transmission over the National Grid is primarily generated by IPPs. The EDC and consolidated licensees also generate electricity. IPPs are private firms which have been awarded concessions to develop, finance, build, own and operate power plants. IPPs generate electricity which is sold to utility companies and selected large end users. IPPs are only involved in electricity generation. IPPs are not licensed by the Government of Cambodia to transmit or distribute electricity to the population at large.

Instead, IPPs are permitted to generate and sell electricity to the EDC, in compliance with the power purchase agreements. However, consolidated licensees, which include the EDC, may generate electricity to supply to consumers through their distribution system.

#### Transmission to grid

Transmission refers to the transfer of large volumes of electricity from power plants to electrical substations across high voltage transmission lines. These high voltage transmission lines are operated by the EDC, Sinohydro Kamchay Hydroelectric Project Co Ltd, Cambodian Power Grid Co Ltd, (Cambodia) Power Transmission Lines Co Ltd, China Huadian LSRC HEP (Cambodia) Co Ltd, Cambodian Transmission Limited, CETIC Int. Hydropower Dev. Co Ltd, and CHD (Cambodia) Hydropower Dev. Co Ltd.

#### Distribution to consumers

Electricity is distributed over a distribution system network to consumers, primarily in the industrial, commercial and residential segments by distribution licensees, which includes EDC.

Cambodia is partly dependent on the imports of electricity from Vietnam, Thailand and Lao People's Democratic Republic ("Lao PDR"), where power is imported at medium voltage. As such, electricity is generated, transmitted and distributed from various energy sources to consumers through various supply systems, which include power grids connected to the electricity supply systems in Vietnam, Thailand and Lao PDR respectively. The grids in Cambodia are as follows:

#### National Grid

The National Grid provides electric power supply to areas around the grid substation. Electricity supply via the National Grid is available in Phnom Penh and the provinces of Kandal, Kampong Speu, Takeo, Kampot, Sihanoukville, Kampong Cham, Kampong Thom, Prey Veng, Banteay Meanchey, Battambang, Siem Reap, Pursat and Kampong Chhnang.

#### Vietnam Grid

Electricity imports from Vietnam is at 22 kilovolts ("kV") through 16 locations in the provinces of Kampong Cham, Svay Rieng, Kampot, Mondulkiri, Kandal, Takeo, Kratie, Prey Veng and Ratanakiri. Electricity is also imported from Vietnam at 230 kV through the Vietnam – Takeo – Phnom Penh line. The electricity supply is then extended to other licensees.

#### Thailand Grid

Electricity imports from Thailand is at 22 kV through eight (8) locations in the provinces of Battambang, Pailin, Banteay Meanchey, Koh Kong and Oddor Meanchey. Electricity is also imported from Thailand at 115 kV through the Thailand – Banteay Meanchey – Battambang and Siem Reap line. The Ministry of Mines and Energy has granted a number of private companies with the right to purchase electricity from the Provincial Electricity Authority of Thailand for the supply of electricity to areas near the Cambodia – Thailand border.

#### Laos Grid

Electricity imports from Lao PDR is at 22 kV to the Stung Treng area.

#### Isolated supply systems

Electricity supply in certain parts of Cambodia are through isolated supply systems. Each isolated supply system generates and supplies its own electricity to a small area. Areas which are supplied with electricity through isolated supply systems are located across several provinces in Cambodia, including but not limited to, Kampong Thom, Preah Vihear, Siem Reap, Kratie, Oddor Meanchay and Kampong Cham.

Transmission and distribution licensees typically engage third party engineering firms such as PESTECH (Cambodia) PLC for power system engineering and technical solutions, where these firms are tasked to design, develop and/or commission transmission and distribution infrastructure, connecting residential, commercial and industrial consumers to the National Grid. Large industrial users also engage these third party engineering firms to erect electricity substations within their operating premises.

Industry value chain of the power system engineering and technical solutions segment of the electricity supply industry in Cambodia



<sup>a</sup> Includes large industrial consumers such as mining operators, cement plants, steel mills and refineries Source: SMITH ZANDER analysis

#### Industry Performance, Outlook and Prospects

#### **Generation Capacity**

Cambodia's electricity supply is primarily derived from hydro, coal and diesel or heavy fuel oil power plants. Cambodia also imports electricity from Thailand, Vietnam and Lao PDR. Energy supply in Cambodia, as measured by total installed capacity, increased from 569.04 megawatts ("MW") in 2011 to 2,186.99 MW in 2018 at a compound annual growth rate ("CAGR") of 21.21%, driven by the growth in the installed capacity of coal and hydro power plants. Between 2011 and 2018, the installed capacity for coal power plants increased from 13.00 MW to 551.20 MW at a strong CAGR of 70.80%. During the same period, the installed capacity for hydro power plants grew from 207.06 MW to 1,329.70 MW at a CAGR of 30.43%. Cambodia is heavily dependent on hydro, coal and diesel / heavy fuel oil for power generation, which respectively accounted for 60.80 %, 25.20% and 12.20% respectively of total installed capacity in Cambodia in 2018.

As Cambodia imports diesel and heavy fuel oil from neighbouring countries, the tariffs for electricity generated from diesel and heavy fuel oil are subject to price fluctuations. As such, hydro and coal are emerging as alternative fuels for power generation in the country. As at the end of 2018, Cambodia had a total of ten (10) operating hydro power plants and two (2) operating coal power plants.

#### [The rest of this page is intentionally left blank]

Fuel course	Installed capacity (MW)								
Fuel source	2011	2012	2013	2014	2015	2016	2017	2018	CAGR (%)
Hydro	207.06	225.43	683.43	929.43	929.70	930.00	979.70	1,329.70	30.43
Diesel / heavy fuel oil	342.48	321.01	323.99	291.27	304.63	304.22	295.14	266.82	-3.50
Biomass	6.50	22.50	14.57	22.64	19.95	17.57	28.57	29.27	23.98
Coal	13.00	13.00	133.00	268.00	403.00	429.20	564.20	551.20	70.80
Solar	-	-	-	-	-	-	10.00	10.00	-
Total	569.04	581.94	1,154.99	1,511.34	1,657.27	1,680.99	1,877.61	2,186.99	21.21

#### Installed capacity of electricity supply industry in Cambodia <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019

Sources: Electricity Authority of Cambodia, SMITH ZANDER analysis

Between 2011 and 2018, the generation volume of energy in Cambodia increased from 1,018.54 gigawatts per hour ("GWh") to 8,172.27 GWh at a CAGR of 34.65%. To further increase the electricity supply in the country, Cambodia imports electricity from Vietnam, Thailand and Lao PDR. In 2018, electricity from Vietnam comprised 69.64% of electricity imports in Cambodia, while Thailand and Lao PDR formed approximately 26.17% and 4.18% respectively. While Cambodia is still dependent on electricity imports from Vietnam, Thailand and Lao PDR, its dependency has decreased marginally as imports decreased from 1,829.78 GWh in 2011 to 1,566.51 GWh in 2018. In 2018, imported electricity accounted for approximately 16.09% of total electricity supply in Cambodia, in comparison to 2011, when imported electricity accounted for approximately 64.24% of total electricity supply in Cambodia.

	Cambodia's				
Year	generation volume (GWh)	Vietnam	Thailand	Lao PDR	Total (GWh)
2011	1,018.54	1,392.39	430.79	6.60	2,848.32
2012	1,423.10	1,560.23	535.08	9.01	3,527.42
2013	1,769.96	1,691.31	579.59	10.73	4,051.59
2014	3,058.36	1,265.72	523.55	13.77	4,861.40
2015	4,489.27	1,200.39	307.39	18.31	6,015.36
2016	5,482.96	1,177.12	335.66	37.41	7,033.15
2017	6,633.69	1,094.66	290.93	53.56	8,072.84
2018	8,172.27	1,090.98	409.98	65.55	9,738.78
CAGR (%)	34.65%	-3.42%	-0.70%	38.81%	19.20%

#### Cambodia's imports of electricity a

<sup>a</sup> Latest available as at 17 December 2019

Sources: Electricity Authority of Cambodia, SMITH ZANDER analysis

#### Growth Drivers and Future Expansion Plans for Generation Capacity

The Power Development Plan (2008 – 2021) outlines national strategies to be taken in the development of generation capacities, transmission capacities, and power trading with neighbouring countries. The Government is committed to accelerating the development of rural electrification in Cambodia. As such, the Government has set a two (2)-step target in rural electrification, through the Ministry of Mines and Energy. Firstly, the Government targets that all villages in Cambodia will have electricity supply by the year 2020. Secondly, the Government targets to have at least 70% of the total households supplied with grid quality electricity by 2030.

SMITH ZANDER

Cambodia faces the challenge of reliable power supply. Cambodia is in a position where electricity cost and access are constraining the growth of the nation's manufacturing sector. The Ministry of Mines and Energy forecasts power demand to increase by more than two (2) times between 2012 and 2020. According to the latest Generation Master Plan, two (2) solar power plants with capacities totalling 120 MW, six (6) coal power plants with capacities totalling 1,950 MW and two (2) hydro power plants with capacities totalling 340 MW are targeted to be operational between 2020 and 2030.

Project name	Туре	Capacity (MW)	Target operational year
Solar park power plant	Solar	60	2020
Solar park power plant	Solar	60	2020
Coal-fired power plant Cambodia International Investment Development Group ("CIIDG")	Coal	350	2023
Pursat I	Hydro	80	2023
Coal-fired power plant CIIDG	Coal	350	2024
Lower Sesan III	Hydro	260	2025
Coal-fired power plant I	Coal	200	2027
Coal-fired power plant II	Coal	350	2028
Coal-fired power plant III	Coal	350	2029
Coal-fired power plant IV	Coal	350	2030

## Government-driven generation expansion plans for the electricity supply industry in Cambodia with target operational year between 2020 and 2030

Source: EDC

#### Transmission and Distribution Capacity

The growth of the power system engineering and technical solutions segment of the electricity supply industry in Cambodia is dependent on the growth in transmission and distribution infrastructure in the country. In Cambodia, electricity is generated, transmitted and distributed from various energy sources to consumers through the high voltage National Grid, the medium voltage Vietnam Grid, the medium voltage Thailand Grid, the medium voltage Laos Grid and isolated supply systems.

Transmission lines are used to transfer generated electricity from power plants to substations. The electricity is then transferred from the transmission system to end users through distribution lines. The growth in Cambodia's transmission and distribution network supports the growth of power generation infrastructure in the country. Growth in Cambodia's power transmission industry is represented by the nation's growth in transmission system capacity between 2011 and 2018. The total length of transmission lines in Cambodia increased from 557.03 kilometres ("km") in 2011 to 2,031.04 km in 2018 at a CAGR of 20.30%. Over the same period, the 230 kV transmission lines recorded the highest growth rate, increasing from 181.00 km to 1,223.88 km at a CAGR of 31.40%. In 2018, there were 61 transmission substations in Cambodia with a total capacity of 2,686.30 megavolt ampere ("MVA"). The capacity of Cambodia's transmission substations increased from 672.30 MVA in 2011 to 2,686.30 MVA in 2018 at a CAGR of 21.88%.

#### [The rest of this page is intentionally left blank]

	2011	2012	2013	2014	2015	2016	2017	2018	CAGR (%)			
	Transmission lines (km)											
115 kV	376.03	395.42	432.67	432.67	497.67	497.67	777.67	807.16	11.53			
230 kV	181.00	606.38	864.18	864.18	950.18	950.18	1,192.18	1,223.88	31.40			
Total	557.03	1,001.80	1,296.85	1,296.85	1,447.85	1,447.85	1,969.85	2,031.04	20.30			
	Transmission substations											
Number	16	20	31	33	41	45	45	61	21.07			
Capacity (MVA)	672.30	962.30	1,337.30	1,565.00	2,122.30	2,322.30	2,550.00	2,686.30	21.88			

#### Transmission system capacity in Cambodia <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019

Sources: Electricity Authority of Cambodia, SMITH ZANDER analysis

Distribution lines are typically medium voltages of 22 kV and low voltages of 0.4 kV or 0.22 kV. The growth in Cambodia's power distribution industry is represented by the nation's growth in the length of the distribution lines between 2011 and 2017. The total length of EDC's distribution lines in Cambodia increased from 5,784 circuit kilometres ("cct km") in 2011 to 18,839 cct km in 2017 at a CAGR of 21.75%. Over the same period, Kratie province registered the highest growth rate, where distribution lines in this province increased from 47 cct km to 552 cct km at a CAGR of 50.77%. The following table shows the top five (5) locations in Cambodia with the highest total length of distribution lines in 2017.

Location		Distribution lines (cct km)							
Location	2011	2012	2013	2014	2015	2016	2017	(%)	
Phnom Penh and Kandal	2,058	2,573	3,586	3,779	4,187	4,421	4,647	14.54	
Battambang	643	643	692	691	696	2,276	2,465	25.10	
Siem Reap	626	658	736	808	1,129	1,309	2,356	24.72	
Kampong Cham	144	145	150	667	732	845	1,024	38.67	
Sihanoukville	298	298	304	362	503	889	984	22.03	
Others <sup>b</sup>	2,015	2,484	3,749	4,533	4,377	6,384	7,363	24.11	
Total <sup>c</sup>	5,784	6,800	9,216	10,838	11,622	16,127	18,839	21.75	

#### Distribution facilities of the EDC system in Cambodia <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019 (data for 2018 is not yet publicly available)

<sup>b</sup> Others comprise Kampong Speu, Svay Rieng, Ponhea Kraek, Memot, Takeo, Kampot, Kampong Trach, Banteay Meanchey, Mongkol Borei, Stung Treng, Ratanakiri, Prey Veng, Bavet, Mondulkiri, Keosiema, Kratie and Snuol

<sup>c</sup> Figures may not add up due to rounding

Sources: EDC, SMITH ZANDER analysis

#### Growth Drivers and Future Expansion Plans for Transmission and Distribution Capacity

The Government has implemented several plans and initiatives to further develop the energy sector in Cambodia. These plans and initiatives include the Rural Electrification Plan and the Power Development Plan. Under its national targets, the Government aims to strengthen the transmission system in Cambodia by a factor of over 20 times, from 120 km in 2001 to 2,582 km by 2020. As at the end of 2018, the total length of transmission lines in Cambodia was 2,031.04 km. In order to meet the national target to strengthen the transmission system, an additional 550.96 km of transmission lines would need to be constructed for Cambodia's transmission system to reach 2,582 km by 2020.


National targets for transmission capacity expansion in Cambodia

Sources: Ministry of Mines and Energy, SMITH ZANDER analysis

The Rural Electrification Plan aims to promote rural electrification coverage. This will allow the population of Cambodia to have access to electricity at affordable price for economic, social and household usage. This is anticipated to contribute to poverty reduction, and to encourage the private sector to participate in providing sustainable rural electrification services, particularly through the use of proven new technologies and renewable energy technologies. To facilitate this, the Rural Electrification Fund was established to accelerate the development of rural electrification in Cambodia. The Rural Electrification Fund is currently under the EDC. The Royal Decree states that the mandate of Rural Electrification Fund shall last until the Rural Electrification Fund achieves the goals outlined in the Government's policy on rural electrification. The funding sources for the Rural Electrification Fund are from:

- social budget packages provided in the electricity tariff of EDC and other donations of EDC;
- donations and grants which have been deemed acceptable by the Ministry of Mines and Energy as well as the Ministry of Economy and Finance; and
- other sources from the Government of Cambodia.

Examples of the programmes that were implemented in Cambodia under the Rural Electrification Fund in 2018 were:

#### Power to the Poor

The Power to the Poor Programme aims to aid poor households in rural areas in the provision and access to electricity from grid supply. This will be carried out by providing interest free loans to meet various costs, including the connection fees of the electricity supplier, deposit to the electricity supplier, purchase of materials and labour for the installation of wires from the connection point to the house, and purchase of materials and labour for the installation of in-house wiring. Loan amounts are not to exceed Cambodian riel ("KHR") 480,000 per household. During 2018, 257 households in the provinces of Koh Kong and Takeo benefitted from this programme.

#### Programme for Providing Assistance to Develop Electricity Infrastructure in Rural Areas

The Programme for Providing Assistance to Develop Electricity Infrastructure in Rural Areas aims to assist private electricity suppliers in rural areas to attain legal licence to access funds for the expansion of electricity supply infrastructure in order to fully cover their respective authorised distribution areas. This would allow all rural households to have access to electricity. During 2018, 106 licensees (equivalent to the network length of 1,689.45 km) had directly benefitted from this programme.

In the Rectangular Strategy Phase III, the electricity supply industry is a key focus where physical infrastructure development has been identified as a focus area. The National Strategic Development Plan (2014 – 2018) also identifies the electricity supply industry as a priority area. To this end, the Government of Cambodia is prioritising further expansion of low cost, advanced power development and enhancement of the electricity transmission and distribution system in the country. Phnom Penh is an area of importance in light of its position as the economic center of Cambodia. Nationally, the Government targets to increase the transmission system capacity in Cambodia to 2,671 km by 2025, comprising 827 km of 115 kV transmission lines, 1,456 km of 230 kV transmission lines and 388 km of 500 kV transmission lines.

#### Government-driven transmission expansion plans for the electricity supply industry in Cambodia

Project	Length (km)	Target operational year
115 kV transmission line		
Grid Station ("GS") 2 – GS Hunsen Park and Grid Substation	5	2019
GS Rottanak Mundul – GS Pailin	45	2019
GS3 – GS Toul Kork	5	2019
GS5 – GS Chroy Changvar	18	2019
GS Kampong Cham – GS Praek Prosab (Kratie)	91	2019
GS Svay Antor – GS Kampong Soeng	46	2019
GS Preah Sihanouk – GS Ream	12	2019
GS Ream – GS Chamkar Loung	60	2019
GS Kampong Thom – GS Preah Vihear	140	2019
Underground line from GS1 – GS EDC Headquarter – GS Samdech Hunsen Park – GS Olympic Stadium – National Control Center ("NCC") – GS3	14	2020
GS Praek Prosab – GS Kratie	30	2021
GS Krolanh – GS Oddar Meanchey	80	2022
GS Chamkar Loung – Kirirom III Hydro Power	30	2024
GS Kampot – GS Chip Mong	46	2024
GS Chrak Mates – GS Pornhea Krek	75	2025
GS Pornhea Krek – GS Suong	45	2025
GS7 – GS Koh Thom	40	2025
GS Koh Thom – GS Takeo	45	2025
Total	827	
230 kV transmission line		
GS Battambang – East Siem Reap – Kampong Thom – Kampong Cham	350	2019
Phnom Penh loop line (Phase 2) (North Phnom Penh – Chroy Changvar – East Phnom Penh – North Phnom Penh)	96	2019
Tatay Hydropower – Phnom Penh	182	2019
GS Koh Kong – GS Koh Kong City	20	2019
GS Chamkar Loung – GS Botumsakor	54	2019
GS Botumsakor – Tatay hydro power	70	2019
GS Kratie – GS Mondulkiri	170	2019

Project	Length (km)	Target operational year
GS Ratanakiri – GS Stung Treng	120	2019
GS Beak Chan – GS5 – NCC	20	2021
GS4 – GS Kampong Speu (New) – GS Kampong Speu	48	2021
GS Steung Hav – GS Outres	16	2021
GS Suong – GS Svay Antor	45	2021
GS2 – GS Prek Hou	15	2021
GS5 – GS Sensok	6	2022
GS Steung Treng – GS North Siem Reap	200	2025
GS North Siem Reap – GS East Siem Reap	44	2025
Total	1,456	
500 kV transmission line		
GS Chamkar Loung – GS Bek Chan	198	2019
GS Steung Treng – Lao Border	55	2021
GS Bek Chan – GS East Phnom Penh	45	2021
GS East Phnom Penh – GS Suong	90	2022
Total	388	

Sources: EDC and Ministry of Mines and Energy

The World Bank, Australian Agency for International Development, Asian Development Bank and other development partners are co-ordinating their support towards bringing affordable power to rural households to foster economic growth. The focus of World Bank's support for rural electrification in Cambodia is to:

- improve power sector efficiency and reliability;
- reduce electricity costs, improve standards of living; and
- enhance economic growth.

This is being achieved by expanding rural electrification and other energy supplies, and strengthening electricity institutions while boosting the regulatory framework and the "enabling environment" for energy sector commercialisation.

The Government of Cambodia has targeted to expand its rural electrification strategies to ensure that all villages would have access to electricity by the year 2020, including access to mini-grid and off-grid electricity, and 70% of households will have electricity by 2030. To this end, the World Bank is supporting two (2) projects, namely the Rural Electrification and Transmission Project and the Greater Mekong Sub-region Power Trade Project.

The World Bank committed to providing a credit of USD40 million for the Rural Electrification and Transmission Project. The Rural Electrification and Transmission Project is a joint effort among donors such as the World Bank, Australian Agency for International Development and Asian Development Bank. In addition to the Rural Electrification and Transmission Project, the World Bank supported the Greater Mekong Sub-region Power Trade Project with a grant of USD18.5 million for the construction of infrastructure for the transmission of electricity from Lao PDR to Cambodia's Stung Treng Province. This project will eventually supply electricity to the main load center in Phnom Penh once the transmission backbone line is completed. In March 2011, the Government of Cambodia further committed to investing USD500 million over the next five (5) years for the development of power transmission lines to transport power from hydroelectric plants and other power plants to household consumers within the country. Based on publicly available information, a total of USD278.60 million worth of investments have been targeted for transmission and distribution capacity expansion in Cambodia.

The measures to provide sufficient electricity to meet the anticipated increase in electricity demand in the long run comprise:

- the development of generation and transmission expansion plans;
- the continuous power trades with neighbouring countries; and
- the implementation of provincial and rural electrification programs.

In order to support these measures, the transmission and distribution infrastructure in Cambodia must likewise be sufficiently expanded. This will lead to substantial increases in transmission and distribution expenditure incurred by the Government, thereby benefitting industry players that offer power system engineering and technical solutions.

#### Selected targeted investments in the electricity supply industry in Cambodia <sup>a</sup>

Project description	Targeted investment (USD million)	
Rural Energy Project (formerly known as Rural Energy Pilot Project)	6.1	
3i Investing in Infrastructure	24.4	
Phnom Penh City Transmission and Distribution System Expansion Project Phase 2 (I)	34.0	
Rural Electrification and Transmission Project	40.0	
Medium Voltage Sub-Transmission Expansion Sector Project (formerly known as Rural Electrification Project)	55.0	
Development of 230 kV transmission lines from Sihanoukville, Takeo and Kampot provinces to Phnom Penh	119.1	
Total	278.60	

<sup>a</sup> List of projects is not exhaustive but captures major targeted investments in the electricity supply industry, target period of investment is not publicly available

Sources: World Bank, Cambodian Business Review, SMITH ZANDER analysis

#### Electricity Consumption

Electricity is an integral infrastructural element for economic growth and a main input for production activities. Electricity underpins a wide range of products and services that improve the quality of life, increases productivity and promotes entrepreneurial activity. Thus, electricity consumption is positively and highly correlated with per capita gross domestic product ("GDP"). Further economic development in a nation leads to higher electricity consumption per capita.

Cambodia's GDP increased by 62.76%, from KHR32.55 trillion in 2011 to KHR52.98 trillion in 2018. The International Monetary Fund estimates that Cambodia's GDP to reach KHR56.57 trillion in 2019. GDP per capita in Cambodia increased by 47.16% from KHR2.29 million in 2011 to KHR3.37 million in 2018. Between 2011 and 2018, Cambodia's per capita demand for electricity increased from 176.15 kilowatts per hour ("kWh") to 532.31 kWh as a result of population growth, progressive urbanisation and globalisation trends.



Electricity consumption per capita and GDP per capita in Cambodia <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019

Sources: Electricity Authority of Cambodia, National Institute of Statistics of Cambodia, International Monetary Fund, SMITH ZANDER analysis

There are three (3) major economic activities in Cambodia, namely industry, services and agriculture sectors. Between 2011 and 2018, the agriculture, industry and services sectors in Cambodia registered CAGRs of 1.49%, 10.61% and 7.59% respectively. The industry sector registered the highest growth, increasing from KHR9.26 trillion in 2011 to KHR18.76 trillion in 2018. The industry sector is expected to have higher electricity consumption compared to the agriculture and services sectors. As such, the high growth in the industry sector is expected to further increase electricity demand in the country.

Year	Agriculture (KHR billion)	Industry (KHR billion)	Services (KHR billion)
2011	8,567.0	9,259.3	12,449.0
2012	8,935.9	10,123.8	13,457.8
2013	9,075.9	11,209.7	14,625.9
2014	9,101.4	12,340.6	15,903.3
2015	9,119.9	13,787.8	17,026.6
2016	9,240.6	15,285.1	18,181.6
2017	9,401.2	16,781.5	19,457.2
2018	9,504.5	18,759.1	20,772.5
CAGR (%)	1.49	10.61	7.59

#### GDP by economic activity in Cambodia <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019

Sources: National Institute of Statistics of Cambodia, SMITH ZANDER analysis

For the period between 2011 and 2018, electricity demand in Cambodia, as measured by the sales of electricity, grew from 2,572.74 GWh to 8,649.98 GWh at a CAGR of 18.91%. The growth in energy demand for each province in Cambodia correlates to the number of users in each province. The total number of consumers in Cambodia increased from 810,984 in 2011 to 2,705,505 in 2018 at a CAGR of 18.78%.

Year	Electricity sold (GWh)	Number of consumers		
2011	2,572.74	810,984		
2012	3,265.81	992,597		
2013	3,552.59	1,198,844		
2014	4,144.12	1,424,735		
2015	5,205.34	1,859,204		
2016	6,229.67	2,170,682		
2017	7,038.53	2,412,759		
2018	8,649.98	2,705,505		
CAGR (%)	18.91	18.78		

#### Consumption of electricity in Cambodia <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019

Sources: Electricity Authority of Cambodia, SMITH ZANDER analysis

#### Growth Drivers and Forecast Consumption Growth

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

The Government of Cambodia implemented the Rectangular Strategy in three (3) phases commencing the year 2004. The Rectangular Strategy aims to promote economic growth, full employment for Cambodian workers, and equity and social justice. Under the Rectangular Strategy, the Government aims to achieve a favourable macroeconomic and financial environment for the country where an economic growth of 6% to 7% is achieved each year. The Government also aims to integrate Cambodia regionally and globally to promote free trade, and provide the country with the opportunity to attract investments, create employment, generate increased incomes and accelerate economic growth to reduce poverty. Under the Rectangular Strategy, Cambodia's economic growth will be fuelled by the implementation of the following measures:

#### Enhancement of the agricultural sector

The nation's agricultural sector will be developed by improving agricultural productivity and diversification, land reform and clearing of mines, fisheries reform and forestry reform.

#### Continued rehabilitation and construction of physical infrastructure

This will involve the continued restoration and construction of transport infrastructure, management of water resources and irrigation, development of energy and power grids, and development of information and communication technology. The development of the transport infrastructure in Cambodia will facilitate the transformation of the country into an integrated economy. This encompasses inland, marine and air transport infrastructure.

#### Private sector growth and employment

The private sector is considered to be an engine of economic growth and is key to Cambodia's economic development. Thus, the Government aims to strengthen the private sector through the implementation of the policy of economic integration of Cambodia into the regional and world economy. The Government also aims to facilitate the growth of the nation's private sector through:

- the development of software and hardware infrastructure networks;
- strengthening the legal framework for enterprises;

- strengthening public and corporate governance;
- facilitating trade and improving the investment climate;
- promoting human resource development to effectively respond to market needs;
- promoting small and medium enterprises;
- the implementation of policies to create more jobs and ensure better working conditions for workers and employees; and
- the establishment of social safety nets for employees and workers, including civil servants.

#### Capacity building and human resource development

This will be carried out through the increase in quality of education, improvement of health services, fostering of gender equity, and implementation of population policy.

Under the Power Development Plan of Cambodia, electricity demand is anticipated to increase rapidly till 2020. Electricity consumption in Cambodia increased from 2,572.74 GWh in 2011 to 8,649.98 GWh in 2018 at a CAGR of 18.91%. SMITH ZANDER estimates electricity demand to increase from 8,649.98 GWh in 2018 to 12,019.75 GWh in 2020<sup>1</sup> at a CAGR of 17.88% on the back of economic growth and initiatives by the Government of Cambodia to improve electrification rates in the country.

<sup>&</sup>lt;sup>1</sup> SMITH ZANDER's estimate based on historical electricity consumption and research on prevailing electricity consumption drivers

#### **Competitive Landscape**

The performance of the power system engineering and technical solutions segment of the electricity supply industry in Cambodia is a function of the growth in transmission and distribution infrastructure in the country. In Cambodia, electricity is generated, transmitted and distributed from various energy sources to consumers through the high voltage National Grid, the medium voltage Vietnam Grid, the medium voltage Thailand Grid, the medium voltage Lao PDR Grid and isolated supply systems.

Industry players that provide power system engineering and technical solutions for transmission systems are involved in the design, development and/or commissioning of electricity transmission infrastructure such as transmission lines, transmission towers and transmission substations. These industry players include ABB Limited, China Datang Corporation, China Heavy Machinery Corporation, PESTECH (Cambodia) PLC and Siemens Limited.

PESTECH (Cambodia) PLC is an integrated electric power technology company principally engaged in the provision of comprehensive power system engineering and technical solutions for the design, procurement, construction, installation and commissioning of high voltage and extra high voltage substations, transmission towers and transmission lines as well as power cable systems for electricity transmission and distribution; and distribution of proprietary power system components and equipment. PESTECH (Cambodia) PLC has completed three (3) transmission projects in Cambodia, namely the:

- North Phnom Penh Kampong Cham Transmission Project, which involved the design, building, testing and commissioning of a 97.18 km long 230 kV double-circuit transmission line from North Phnom Penh to Kampong Cham, along with two (2) substation facilities and upgrades;
- Battambang Project, which involved the design, engineering, procurement and installation of a 0.97 km long 115 kV transmission line connection from the 230/115 kV substation of Cambodia Power Grid Co., Ltd to the 115/22 kV substation of Cambodia Power Transmission Lines Co., Ltd in the Battambang province; and
- Kampong Cham Kratie Project, which involved the design, engineering, test delivery, installation and commissioning of the 230 kV switchyard in the existing Kampong Cham substation, new Kratie 230/22 kV substation and interconnecting 125 km transmission line from Kampong Cham substation to Kratie substation.

#### 2 ELECTRICITY SUPPLY INDUSTRY IN THE REPUBLIC OF THE UNION OF MYANMAR

#### Industry Performance, Outlook and Prospects

#### **Generation Capacity**

The electricity supply of The Republic of the Union of Myanmar's ("Myanmar") is primarily derived from hydro and gas-fired power plants. Energy supply in Myanmar, as measured by total installed capacity, increased from 3,413 MW in 2011 to 5,642 MW in 2018 at a CAGR of 7.44%, strongly driven by the growth in the installed capacity of gas-fired power plants. Between 2011 and 2018, the installed capacity for gas-fired power plants increased from 550 MW to 1,881 MW at a CAGR of 19.20%.

Myanmar has abundant hydro and natural gas resources. As such, Myanmar is heavily dependent on hydro and gas for power generation, which respectively accounted for 57.69% and 33.34% of total installed capacity in 2018.

Fuel source	Installed capacity (MW)						CAGR (%)		
	2011	2012	2013	2014	2015	2016	2017	2018	
Thermal	285	285	285	285	285	300	378	414	5.48
Diesel	56	60	78	85	89	95	94	92	7.35
Hydro	2,522	2,693	2,813	3,005	3,185	3,215	3,255	3,255	3.71
Gas	550	550	550	771	1,246	1,515	1,663	1,881	19.20
Total	3,413	3,588	3,726	4,146	4,805	5,125	5,390	5,642	7.44

#### Installed capacity of electricity supply industry in Myanmar<sup>a, b</sup>

<sup>a</sup> Latest available as at 17 December 2019

<sup>b</sup> Data ended as at 31 March for each year

Sources: Central Statistical Organisation Myanmar, SMITH ZANDER analysis

#### Growth Drivers and Future Expansion Plans for Generation Capacity

The Government of Myanmar has implemented the 15-year Power Development Plan (2016 – 2031) which aims to construct 41 new power plants, increase installed capacity to more than 29 gigawatt ("GW"), upgrade the grid to reduce transmission and distribution losses, and expand electricity access by 2031.

From the 41 planned power plants, 12 power plants will be coal-fired and 20 power plants will be hydro plants. The 12 coal-fired power plants will have a total installed capacity of 12,780 MW while the 20 hydro power plants will have a total installed capacity of 6,270 MW. Other than generation from coal and hydro, the Government of Myanmar also plans to generate electricity from alternate energy sources such as natural gas, solar and wind. The Government of Myanmar aims to generate 1,301 MW, 520 MW and 4,032 MW from natural gas, solar and wind respectively. Investments for the construction of these 41 new power plants can be carried out in three (3) methods, namely through ventures owned by the Ministry of Electricity and Energy ("MOEE"), investments by local enterprises under the build, operate and transfer scheme, or investments by foreign firms through build, operate and transfer scheme.

Presently, seven (7) power plants are under construction in Myanmar, with capacities totalling 1,165.54 MW and are targeted to be operational in 2020. The Thanlyin power plant is anticipated to be the largest power plant in Myanmar upon its completion, with its capacity totalling 400 MW.

#### Transmission and Distribution Capacity

In Myanmar, generated electricity from power plants is transferred to substations via 230 kV, 132 kV and 66 kV transmission lines. Typically, the transmission lines in Myanmar are single circuit transmission lines. The growth in Myanmar's transmission and distribution network supports the growth of power generation infrastructure in the country. Growth in Myanmar's power transmission industry is represented by the nation's growth in transmission system capacity, as indicated by the length of transmission lines and the capacity of the transmission substations in the country.

As at June 2017, the total length of transmission lines in Myanmar was 11,366.83 km. Of this, 66 kV transmission lines accounted for approximately 41.39% (4,704.94 km), while the 132 kV and 230 kV transmission lines formed approximately 19.28% (2,191.36 km) and 39.33% (4,470.53 km) respectively. There were a total of 277 transmission substations in Myanmar as at June 2017, with a total capacity of 10,308.05 MVA.

As at June 2017							
Transmission lines (km)							
4,704.94							
2,191.36							
4,470.53							
11,366.83							
15							
277							
10,308.05							

#### Transmission system capacity in Myanmar <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019 (data for 2018 is not yet publicly available)

Source: MOEE

The growth in Myanmar's power distribution industry is represented by the country's length of distribution lines. In 2016, the total length of distribution lines in Myanmar was recorded at 58,801.60 km. Of this, 0.4 kV distribution lines accounted for approximately 46.27% (27,205.30 km), while the 6.6 kV, 11 kV and 33 kV distribution lines formed approximately 2.36% (1,390.50 km), 36.16% (21,260.00 km) and 15.21% (8,945.80 km) respectively. Further in June 2017, MOEE announced that there will be expansion plan of 15,861.00 km on distribution lines to be implemented during 2017 to 2021.

#### Distribution system capacity in Myanmar<sup>a</sup>

	2016
Distribution lines (km)	
0.4 kV	27,205.30
6.6 kV	1,390.50
11 kV	21,260.00
33 kV	8,945.80
Total	58,801.60
<sup>a</sup> Latest available as at 17 Dec	ember 2019 (data for 2017 and 2018 is not yet publicly available)

Source<sup>,</sup> MOFF

#### Growth Drivers and Future Expansion Plans for Transmission and Distribution Capacity

The MOEE has implemented several plans and initiatives to further develop the energy sector in Myanmar, namely the National Electrification Plan and the 15-year Power Development Plan (2016 – 2031). Under the National Electrification Plan, the Government of Myanmar aims to achieve universal access to electricity in the country by 2030. The expansion of electricity services in Myanmar will be achieved through grid and off-grid solutions such as solar power and mini-grid connections. The National Electrification Plan will be carried out in three (3) phases, where the first phase will be targeted at providing electricity access to 50% of the population in Myanmar by 2020, increasing to 75% by 2025, and 100% by 2030.

In September 2015, the World Bank approved a USD400 million loan to support the Government of Myanmar's National Electrification Plan. The National Electrification Project will be implemented by the MOEE and the Ministry of Livestock, Fisheries and Rural Development. There are four (4) components in the National Electrification Project, namely grid extension, off-grid electrification, technical assistance and project management, and contingent emergency response:

#### Grid extension

Under the National Electrification Project, USD300 million will be allocated to grid extensions in Myanmar, whereby electricity access will be provided to communities and households closest to the existing national grid. This includes the expansion of existing medium voltage substations and construction of new medium voltage substations; construction of approximately 12,900 miles (approximately 20,760.0 km)<sup>2</sup> of medium voltage and low voltage lines, and 772 MVA of medium voltage and low voltage transformers; and the provision of 11,600 community connections (health clinics, schools and other public buildings), 750,000 household connections, and 132,000 public lights.

#### Off-grid electrification

Under the National Electrification Project, USD80 million will be allocated to off-grid electrification in Myanmar, whereby electricity access will be provided to communities located far beyond the existing national grid and thus, are unlikely to receive grid-based access in the next ten (10) or more years. The technology used for off-grid electrification will depend on a technology assessment that will be undertaken for target communities. Technologies include solar photovoltaic, mini hydro, wind, diesel, as well as hybrid technologies such as diesel and solar.

#### Technical assistance and project management

Under the National Electrification Project, USD20 million will be allocated to technical assistance and project management for the electricity industry in Myanmar. This includes capacity building; training; improving the policy and regulatory framework related to electrification; development of an

<sup>&</sup>lt;sup>2</sup> Conversion from miles to km, at the ratio of 1 mile = 1.6093 km

integrated geographic information system framework for electrification planning, monitoring and evaluations; technical advice and consulting services; and project management.

#### Contingent emergency response

There is no pre-determined budget for this component, thus allowing a rapid reallocation of credit from the other components for emergency recovery and reconstruction support in the event of a declared disaster. This component will finance public and private sector expenditure on a positive list of goods and/or specific works, goods, services and emergency operation costs required for emergency recovery.

The Asian Development Bank is assisting with the rehabilitation of the existing transmission and distribution network in Myanmar in order to improve the power supply and electrification rate in the country. In December 2013, the Asian Development Bank approved a USD60 million loan for the Power Distribution Improvement Project in Myanmar. The Government of Myanmar also provided additional funding of USD13.7 million for the project. Under the Power Distribution Improvement Project, the rehabilitation of the distribution network in Myanmar includes upgrading the existing 66/11 kV and 33/11 kV substations, replacing existing 33 kV and 11 kV distribution lines, replacing existing 11/0.4 kV transformers, replacing existing bare low voltage distribution lines with more efficient aerial bundled conductor distribution, and replacing existing old revenue meters with digital revenue meters. The Power Distribution Improvement Project will result in reduced power distribution losses, improved energy efficiency and improved infrastructure for the provision of reliable and sustainable electricity to the affected areas under the project. The affected areas are five (5) townships in the Yangon region, four (4) districts in the Mandalay region, five (5) districts in the Sagaing region and two (2) townships in the Magway region.

In November 2015, the Asian Development Bank also approved a USD80 million loan for the Power Transmission Improvement Project in Myanmar. The Government of Myanmar also provided additional funding of USD3.3 million for the project. The Power Transmission Improvement Project involves the construction of the following:

- construction of 8.2 km 230 kV transmission line between the Thida and Thaketa substations;
- construction of 8.6 km 230 kV transmission line between the Thaketa and Kyaikkasan substations;
- extension of the switchyard of the existing 230 kV Thaketa substation;
- upgrade of the existing 66 kV Kyaikkasan substation to a 230 kV substation; and
- construction of new 230 kV substations at Okkalapa and West University.

The Power Transmission Improvement Project is expected to be completed by June 2019. The Power Transmission Improvement Project will help to complete the 230 kV transmission ring supplying electricity to the Yangon region, thus improving the reliability of the Yangon power transmission system.

The National Power Transmission Network Development Project is expected to increase the transmission capacity and improve system reliability of the national grid in Myanmar through the construction of 500 kV transmission lines and substations. Due to the high costs, the National Power Transmission Network Development Project will be carried out in three (3) phases. In March 2015, the Japan International Cooperation Agency approved a loan for JPY24,678 million for the National Power Transmission Network Development Project Phase One (1). Under the National Power Transmission Network Development Project Phase One (1). Under the National Power Transmission Network Development Project Phase One (1), the construction of two (2) transmission substations in Meikhtila and Taungoo in the Mandalay and Bago regions respectively is expected to be completed by September 2020.

In October 2016, the Japan International Cooperation Agency approved a loan of JPY41,115 million for the National Power Transmission Network Development Project Phase Two (2) for the construction of two (2) 500 kV substations in Phayargyi and Hlaingthayar respectively, and a 95 km 500 kV transmission line between Phayargyi and Hlaingthayar. Phase Two (2) of the National Power

SMITH ZANDER

Transmission Network Development Project is expected to be completed in January 2021. To further increase transmission capacity in Myanmar, a private Serbian company has provided equipment and materials for the construction of the 234 km 500 kV transmission line from Meikhtila to Taungoo, which was completed and commenced operation in 2019.

#### **Electricity Consumption**

Myanmar's GDP increased by 60.46%, from Myanmar kyat ("MMK") 39.78 trillion in 2011 to MMK63.83 trillion in 2018. The International Monetary Fund estimates that Myanmar's GDP to reach MMK69.30 trillion in 2019. Between 2011 and 2018, GDP per capita in Myanmar increased by 53.16% from MMK0.79 million to MMK1.21 million. Myanmar's per capita demand for electricity increased from 129.06 kWh in 2011 to 326.54 kWh in 2018 as a result of progressive urbanisation and globalisation trends.

Myanmar's GDP can be broadly divided into three (3) main economic sectors, namely agriculture, industry and services. Between 2011 and 2018, the agriculture, industry and services sectors in Myanmar registered CAGRs of 1.65%, 9.77% and 9.29% respectively. The industry sector registered the highest growth, followed by the services sector. The industry and services sectors consume more electricity compared to the agriculture sector. Thus, the high growth in these sectors is expected to further increase electricity demand in the country.

According to the Asian Development Bank, electricity consumption per capita in Myanmar is among the lowest among the Association of Southeast Asia Nations (ASEAN) countries, whereby the low national average per capita electricity consumption is due to the low electrification rate, low industrial development and lack of investment. Electrification refers to the number of electrified households connected to the grid over the total number of households. In Myanmar, the number of electrified towns and villages in the country increased at a rate of 341.89% from 2,736 towns and villages in 2011 to 12,090 towns and villages in 2018.

For the period between 2011 and 2018, electricity demand in Myanmar, as measured by the sales of electricity, grew from 6,312.08 GWh to 17,115.47 GWh at a CAGR of 15.32%. The sale of electricity in Myanmar can be classified into four (4) types of end user categories, where the:

- general purpose category refers to electricity used by the residential sector;
- industrial power category refers to electricity used by the industrial sector;
- bulk refers to electricity used by the commercial sector; and
- other includes electricity used for public amenities such as street lighting and temporary lighting.

From 2011 to 2018, sale of electricity is highest in the "Other" category, increasing from 65.60 GWh to 8,129.74 GWh at a strong CAGR of 99.08%.

Year	Sale of electricity (GWh)							
rear	General purpose	Industrial power	Bulk	Other	Total			
2011	2,653.33	2,286.77	1,306.38	65.60	6,312.08			
2012	3,380.97	2,727.37	1,531.71	76.81	7,716.86			
2013	3,655.18	2,676.57	1,642.81	280.63	8,255.19			
2014	3,764.00	2,699.00	1,692.12	1,457.52	9,612.64			
2015	4,112.83	2,984.60	1,754.58	2,402.94	11,254.95			
2016	3,567.15	2,144.85	1,463.75	6,220.80	13,396.55			
2017	3,451.07	2,119.75	1,377.92	8,406.35	15,355.09			
2018	4,509.82	2,772.87	1,703.04	8,129.74	17,115.47			
CAGR (%)	7.87	2.79	3.86	99.08	15.32			

#### Sale of electricity in Myanmar<sup>a, b</sup>

<sup>a</sup> The data are ended as at 31 March for each year

<sup>b</sup> Latest available as at 17 December 2019

Sources: Central Statistical Organisation Myanmar, SMITH ZANDER analysis

#### Growth Drivers for Electricity Consumption

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

The Government of Myanmar has implemented the National Comprehensive Development Plan (2011 - 2031), a 20-year plan which targets to increase the country's GDP to USD180 billion, and its per capita GDP to USD3,000 by 2030.

The National Comprehensive Development Plan will be implemented through four (4) five-year plans which each five-year plan focusing on the implementation of a number of the strategic thrusts. The Government of Myanmar has implemented the First Five-Year Plan (2011-12 to 2015-16), whereby the priorities focused on food, clothing and shelter for the public in line with the changing trend of the country. The Second Five-Year Plan (2016-17 to 2020-21) has been implemented in April 2016, and aims to promote economic growth by encourage investments in the public and private sectors through the process of industrialisation.

#### 3 ELECTRICITY SUPPLY INDUSTRY IN LAO PEOPLE'S DEMOCRATIC REPUBLIC

#### Industry Performance, Outlook and Prospects

#### **Generation Capacity**

Lao PDR's electricity supply is derived from hydro power plants. Energy supply in Lao PDR, as measured by total installed capacity, increased from 2,569.70 MW in 2011 to 6,614.14 MW in 2017 at a CAGR of 17.07%. In 2017, Lao PDR had a total of 61 hydro power plants.

Lao PDR is strategically located, intercepting monsoons from two (2) directions, namely from the Gulf of Thailand and the Gulf of Tonkin. Coupled with the Mekong River sub basins found in the country, Lao PDR has large hydropower potential. Electricity generated from hydro power plants in the country are used to provide electricity to domestic consumers, as well as for export to neighbouring countries, including Thailand, Vietnam, the People's Republic of China, Cambodia and Myanmar.

Year	Installed capacity (MW)
2011	2,569.70
2012	2,973.15
2013	2,980.24
2014	3,058.48
2015	6,264.80
2016	6,373.18
2017	6,614.14
CAGR (%)	17.07

#### Installed capacity of electricity supply industry in Lao PDR <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019 (data for 2018 is not yet publicly available)

Sources: Electricite du Laos ("EDL"), SMITH ZANDER analysis

Theoretically, Lao PDR has a hydroelectric potential of approximately 26,500 MW, where an estimated 18,000 MW of this capacity is exploitable. In 2017, the installed capacity of hydro power plants in Lao PDR was 6,614.14 MW, forming approximately 36.75% of the country's theoretical exploitable capacity.

Aside from hydroelectric potential, coal is a viable fuel source for electricity generation in Lao PDR. However, the use of coal as a fuel source for electricity generation is still in its nascent stage. The Hongsa Power Plant, a lignite coal-fired power plant with three (3) generators and a capacity of 1,878 MW was constructed in phases. This entire project was completed at the end of 2015. Most of the electricity generated from the Hongsa Power Plant is exported to Thailand. When all three (3) generators are operational, this will be the highest capacity power plant in Lao PDR. The Hongsa Power Plant will provide sustainable energy for both Lao PDR and Thailand. The Hongsa Power Plant will generate 1,473 MW of electricity to be sold to the Electricity Generating Authority of Thailand for 25 years while the balance will be used domestically.

Further, as a mostly agrarian country, biomass may also be an alternative fuel source for electricity supply in Lao PDR. Potential biomass sources include wastes from wood, rice husks and sugarcane bagasse. According to the Asian Development Bank, approximately 33 tonnes of rice husk can generate 1 MW of power.

#### Growth Drivers and Future Expansion Plans for Generation Capacity

The Power System Development Plan (2005 – 2020) outlines a plan for the development of the power sector in Lao PDR for domestic use and for export purposes. Under the Power System Development Plan, the Government of Lao PDR targets to electrify 90% of the households in the country by 2020 through off-grid development and grid extension. The Government of Lao PDR also aims to utilise the country's geographical location and potential energy supply to position Lao PDR as a significant player in the promotion of regional power trade within the Greater Mekong Subregion.

The electricity supply development plan of Ministry of Energy and Mines ("MEM") depends on the expansion of electricity generation capacity in Lao PDR. Presently, there are 5 hydro power plants with a total capacity of 2,160 MW which are under construction and anticipated to be operational in 2019 and 2020. Further, two (2) additional hydro power plants with a total capacity of 972 MW are currently under construction, although the target operational years are not publicly available.

#### Generation expansion plans for the electricity supply industry in Lao PDR with target operational year of 2019 and onwards

Project	Туре	Capacity (MW)	Target operational year
Xayaboury (Mekong)	Hydro	1,285	2019
Xe-Pian Xe-Namnoy	Hydro	410	2019
Nam Ngiep 1	Hydro	290	2019
Nam Pha	Hydro	130	2019
Nam Phak	Hydro	45	2020
Don Sahong	Hydro	240	Not available
Nam Ou 1,3,4 and 7	Hydro	732	Not available
	Total	3,132	

Sources: Department of Energy Business ("DEB"), SMITH ZANDER analysis

#### Transmission and Distribution Capacity

In Lao PDR, generated electricity from power plants is transferred domestically to substations via 115 kV transmission lines. There are four (4) separate transmission systems in Lao PDR, where each transmission system transfers electricity to one (1) of the four (4) regional centres in the country. The four (4) transmission systems are the Northern Region, Central Region 1, Central Region 2, and Southern Region.

The growth in Lao PDR's transmission and distribution network supports the growth of power generation infrastructure in the country. Growth in Lao PDR's power transmission industry is represented by the nation's growth in transmission system capacity between 2011 and 2017. The total length of the 115 kV transmission lines in Lao PDR increased from 3,342.76 km in 2011 to 6,646.50 km in 2017 at a CAGR of 12.14%. The capacity of Lao PDR's transmission substations increased from 2,467.40 MVA in 2011 to 4,550.10 MVA in 2017 at a CAGR of 10.74%.

Generated electricity from power plants which is transferred to Thailand and Vietnam utilise 110 kV, 115 kV, 230 kV and 500 kV transmission lines. The total length of these transmission remained at 793.67 km between 2011 and 2017.

#### Transmission system capacity in Lao PDR <sup>a</sup>

	2011	2012	2013	2014	2015	2016	2017	CAGR (%)
Transmissi	on lines (km)							
115 kV	3,342.76	4,553.53	4,356.66	4,538.53	5,257.18	6,968.23	6,646.50	12.14
230 kV	736.44	736.44	736.44	736.44	1,371.14	N/A	N/A	16.81 <sup>b</sup>
500 kV	330	330	330	330	340.00	N/A	N/A	0.75 <sup>b</sup>
Transmissi	on substation	IS						
Capacity (MVA)	2,467.40	2,855.70	3,175.50	3,506.74	3,837.46	4,136.93	4,550.10	10.74

<sup>a</sup> Latest available as at 17 December 2019 (data for 2018 is not yet publicly available)

<sup>b</sup> CAGR was calculated for the period of 2011 to 2015, as data for 2016 and 2017 is not yet publicly available

Sources: EDL, SMITH ZANDER analysis

The distribution network in Lao PDR consists of 35 kV, 25 kV, 22 kV, 12.7 kV, 0.4 kV and 0.22 kV distribution lines. The growth in Lao PDR's power distribution industry is represented by the nation's growth in the length of the distribution lines between 2011 and 2017. The total length of distribution lines in Lao PDR increased from 31,623 km in 2011 to 49,250.35 km in 2017 at a CAGR of 7.66%.

	2011	2012	2013	2014	2015	2016	2017	CAGR (%)
Distributio	on lines (km)	)						
35 kV	188	152	199	220	237	260	288	7.37
25 kV	167	158	105	9.64	0	0	0	-100.00
22 kV	17,127	20,613	22,474	24,688	26,450	28,264	29,720	9.62
12.7 kV	268	279	290	296.24	244.75	236.64	312.44	2.59
0.4 kV	13,813	15,172	15,971	17,128	17,766.47	18,376	18,903	5.37
0.22 kV	60	77	119	68.74	47.84	47.27	26.91	-12.51
Total	31,623	36,451	39,158	42,410.62	44,746.06	47,183.91	49,250.35	7.66

#### Distribution system capacity in Lao PDR <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019 (data for 2018 is not yet publicly available)

Sources: EDL, SMITH ZANDER analysis

#### Growth Drivers and Future Expansion Plans for Transmission and Distribution Capacity

The Government of Lao PDR aims to electrify 90% of the households in the country by 2020. This will be achieved either through off-grid development or grid extension. Off-grid electricity access will be provided to households without electricity access from the grid. The Government of Lao PDR targets to provide off-grid electricity access to 150,000 households by 2020. Grid extension works will also be carried out to provide electricity access to the rest of the households in the country in order to meet the Government of Lao PDR's target to electrify 90% of the households in the country by 2020. In 2017, the electrification rate of districts, villages and households in Lao PDR were 100.00%, 90.15% and 94.23% respectively. The percentage of households in the country with access to electricity increased from 78.53% in 2011 to 94.23% in 2017, which the target of electrifying 90% of household by 2020 has been achieved.

Year	Electrified districts	Electrification (%)	Electrified villages	Electrification (%)	Electrified households	Electrification (%)
2011	139	97.20	6,010	68.99	821,295	78.53
2012	145	100.00	6,448	74.49	876,762	82.25
2013	143	98.62	6,924	80.32	943,599	87.34
2014	145	99.32	7,203	84.04	986,435	88.70
2015	148	100.00	7,373	85.90	1,038,248	90.51
2016	148	100.00	7,554	88.41	1,078,712	92.39
2017	148	100.00	7,667	90.15	1,092,611	94.23

#### Electrification rate in Lao PDR <sup>a</sup>

<sup>a</sup> Latest available as at 17 December 2019 (data for 2018 is not yet publicly available)

Sources: EDL, SMITH ZANDER analysis

Several transmission line projects have been identified under the Long-term Power Development Plan (2012 – 2022). Transmission line projects in the country includes the construction of the transmission network in the Northern and Central 1 regions, the Central 2 and Southern regions, a 500 kV transmission line in the Northern and Central 1 regions, and a 230 kV to 500 kV transmission line in the Central 2 and Southern regions. Additionally, existing interconnections with Thailand and Vietnam will also be extended, with planned cross-border interconnections to be implemented by 2020.

Further, EDL plans to expand the transmission network in Lao PDR through the construction of 38 substations and installation of at least 6,000 km of high voltage power lines by 2025. The expansion of the transmission network in the country will facilitate the development of the electricity sector in Lao PDR, as well as facilitate the country's export of electricity to Thailand and Vietnam, which serves as a foreign currency earner for the country.

#### **Electricity Consumption**

Lao PDR's GDP increased by 51.57%, from Lao kip ("LAK") 81.61 trillion in 2012 to LAK123.70 trillion in 2018. The International Monetary Fund estimates that Lao PDR's GDP to reach LAK131.66 trillion in 2019. Between 2012 and 2018, GDP per capita in Lao PDR increased by 38.39% from LAK12.66 million to LAK17.52 million. Lao PDR's per capita demand for electricity increased from 377.97 kWh in 2011 to 714.27 kWh in 2017 as a result of progressive urbanisation and globalisation trends.

Lao PDR's GDP can be divided into three (3) main economic activities, namely agriculture, industry and services. Between 2012 and 2018, the agriculture, industry and services sectors in Lao PDR registered CAGRs of 2.90%, 8.89% and 6.95% respectively. The industry sector registered the highest growth, followed closely by the services sector. The industry and services sectors consume more electricity compared to the agriculture sector, and as such, the high growth in both sectors is expected to further increase electricity demand in the country.

For the period between 2011 and 2017, electricity consumption in Lao PDR increased from 2,399.36 GWh to 4,966.32 GWh at a CAGR of 12.89%. The industry and residential end-user categories accounted for a large percentage of electricity consumption in 2017, forming approximately 42.01% and 36.54% respectively.

	Electricity consumption (GWh)									
Categories	2011	2012	2013	2014	2015	2016	2017	CAGR (%)		
Residential	1,004.07	1,160.98	1,278.42	1,424.15	1,594.65	1,735.17	1,814.46	10.36		
Commercial, education and sports businesses	598.74	799.73	740.33	540.44	615.55	697.97	758.26	4.02		
Entertainment	7.78	8.83	9.16	9.49	10.64	11.33	11.64	6.96		
Government offices	149.07	173.92	189.15	204.24	228.06	252.21	255.93	9.43		
Agriculture	46.19	39.45	35.22	35.61	32.59	34.24	27.46	-8.30		
Embassies	9.43	10.43	10.47	12.99	12.34	12.81	12.07	4.20		
Industry	584.09	680.87	1,118.21	1,564.41	1,745.32	1,916.38	2,086.51	23.64		
Total	2,399.36	2,874.21	3,380.96	3,791.33	4,239.16	4,660.11	4,966.32	12.89		

#### Electricity consumption in Lao PDR<sup>a, b</sup>

<sup>a</sup> Latest available as at 17 December 2019 (data for 2018 is not yet publicly available)

<sup>b</sup> Figures may not add up due to rounding

Sources: EDL, SMITH ZANDER analysis

The growth in the demand of electricity in Lao PDR correlates to the number of consumers in the country. The total number of consumers in Lao PDR increased from 863,528 in 2011 to 1,365,722 in 2017 at a CAGR of 7.94%.

#### Growth Drivers of Electricity Consumption

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

The Government of Lao PDR will implement the 8<sup>th</sup> National Socio-Economic Development Plan ("NSEDP") (2016 – 2020), where the main objective is to graduate Lao PDR from its least developed country status by 2020. The 8<sup>th</sup> NSEDP also aims to promote economic growth of not less than 7.5% per annum. To graduate from its least developed country status, Lao PDR will be evaluated based on its gross national income ("GNI") per capita, human asset index and economic vulnerability index.

#### 4 PROSPECTS AND OUTLOOK FOR PESTECH (CAMBODIA) PLC

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

Cambodia's GDP increased by 62.76%, from KHR32.55 trillion in 2011 to KHR52.98 trillion in 2018. GDP per capita in Cambodia increased by 47.16% from KHR2.29 million in 2011 to KHR3.37 million in 2018. Between 2011 and 2018, Cambodia's per capita demand for electricity increased from 176.15 kWh to 532.31 kWh as a result of population growth, progressive urbanisation and globalisation trends.

Under the Power Development Plan of the Kingdom of Cambodia, electricity demand is anticipated to increase rapidly till 2020. Electricity consumption in Cambodia increased from 2,572.74 GWh in 2011 to 8,649.98 GWh in 2018 at a CAGR of 18.91%. SMITH ZANDER estimates electricity demand to increase from 8,649.98 GWh in 2018 to 12,019.75 GWh in 2020 at a CAGR of 17.88% on the back of economic growth and initiatives by the Government of Cambodia to improve electrification rates in the country.

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

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

# Financial statements and independent auditor's report

# Pestech (Cambodia) Plc and its subsidiaries

30 June 2019

### Contents

	Page
Report of the Board of Directors	1
Independent auditor's report	4
The Group's statement of financial position	7
The Company's statement of financial position	8
The Group's statement of profit or loss and other comprehensive income	9
The Company's statement of profit or loss and other comprehensive income	10
The Group's statement of changes in equity	11
The Company's statement of changes in equity	12
The Group's statement of cash flows	13
The Company's statement of cash flows	15
Notes to the financial statements	17

## Report of the Board of Directors

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

#### The Company

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

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

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

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

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

The registered office of the Company is No. 6, Street 588, Sangkat Boeung Kok II, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia. The registered offices of the subsidiaries are Level 8, Centrepoint Towers, No. 65, corner of Sule Pagoda Road & Merchant Street, Kyauktada Township, Yangon, Republic of the Union of Myanmar and Thapyaynyo Street, No. 3E, Shinsawpu Ward, Sannchaung Township Yangon, Republic of the Union of Myanmar, respectively. There have been no significant changes in the nature of the Company's and its subsidiaries' activities during the reporting period.

#### **Results of operations**

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

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

#### **Board of Directors**

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

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

#### **Auditors**

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

#### **Directors' benefits**

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

Since the end of the previous financial year, the directors have not received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the Director is a member, or with a company in which the director has a substantial financial interest, except for the benefit as disclosed in note 21 to the financial statements.

#### Board of Directors' responsibility in respect of the financial statements

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

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

#### Read and the second second second second

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

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

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

#### **Statement by the Board of Directors**

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

On behalf of the Board of Directors

65 E27) 35 C PESTECH (CAMBODI) DOMOF CAME Lim Pay Q nuan Chairman

Phnom Penh, Kingdom of Cambodia 17 October 2019

## Independent auditor's report

#### Grant Thornton (Cambodia) Limited

20th Floor Canadia Tower 315 Preah Ang Duong Street (corner Monivong Boulevard) Sangkat Wat Phnom Khan Daun Penh Phnom Penh Kingdom of Cambodia

T +855 23 966 520 www.grantthornton.com.kh

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

#### Opinion

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

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

#### **Basis for opinion**

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

#### **Other information**

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

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

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

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

#### **Responsibilities of the Management for the financial statements**

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

#### Grant Thornton

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

Grani GRANT THORNTON (CAMBODIA) IMUTED **Certified Public Accountants Registered Auditors** 

**Ronald C. Almera** Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia 17 October 2019

Certified Public Accountants and Auditors

A member of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.

# The Group's statement of financial position

	Notes	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)
Assets					
Non-current					
Property, plant and	0		0 101 07/		
equipment	8	2,246,674	9,134,976	1,912,537	7,770,638
Intangible assets	9	3,069	12,479		
Contract assets	9	173,059,034 175,308,777	703,658,032 712,805,487	146,587,048 148,499,585	<u>595,583,176</u> 603,353,814
Non-current assets		1/0,000,///	/12,000,40/	140,499,000	003,303,014
Current					
Trade and other receivables	10	10,803,774	43,928,145	845,808	3,436,518
Contract assets	9	6,041,667	24,565,418	-	-
Amounts due from related		0,011,007	_ ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
parties	21	1,944,474	7,906,231	_	-
Cash and bank balances	11	13,055,979	53,085,611	2,084,310	8,468,551
Current assets		31,845,894	129,485,405	2,930,118	11,905,069
Total assets		207,154,671	842,290,892	151,429,703	615,258,883
					· · ·
Equity and liabilities					
Equity					
Share capital	12.1	7,100,000	28,868,600	7,100,000	28,847,300
Reserves	12.2	(1,772,051)	(7,205,159)	52,044	211,454
Retained earnings		8,594,917	34,946,933	20,630,827	83,823,050
Total equity		13,922,866	56,610,374	27,782,871	112,881,804
Liabilities					
Non-current					
Borrowings	14	95,406,970	387,924,740	19,945,000	81,036,535
Derivative financial					
instruments	15	1,824,095	7,416,770	-	-
Non-current		97,231,065	395,341,510	19,945,000	81,036,535
Current					
Trade and other payables	13	8,317,219	33,817,812	48,004,742	195,043,267
Amount due to holding					
company	21	59,557,824	242,162,112	565,042	2,295,766
Amounts due to related					
parties	21	23,017,578	93,589,472	49,679,099	201,846,179
Borrowings	14	4,180,282	16,997,027	2,067,929	8,401,996
Income tax payable		927,837	3,772,585	3,385,020	13,753,336
Current liabilities		96,000,740	390,339,008	103,701,832	421,340,544
Total liabilities		193,231,805	785,680,518	123,646,832	502,377,079
Total equity and liabilities		207,154,671	842,290,892	151,429,703	615,258,883

# The Company's statement of financial position

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

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

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

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

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

## The Group's statement of changes in equity

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

## The Company's statement of changes in equity

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

# The Group's statement of cash flows

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

# The Group's statement of cash flows (Continued)

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

		Fo	or the year ended	F	or the year ended
	Notes		30 June 2019		30 June 2018
		USD	KHR'000	USD	KHR'000
			(Note 4.2)		(Note 4.2)
Operating activities					
Profit before income tax		2,355,778	9,578,591	9,965,083	40,488,133
Adjustments for:					
Depreciation	8	372,540	1,514,748	335,853	1,364,571
Amortisation		5,007	20,358	-	-
Interest income		(11,807)	(48,007)	(183)	(744)
Interest expense		3,466,326	14,094,082	169,412	688,321
Unrealised foreign exchange (gain)/loss		(1,517,652)	(6,170,773)	1,825,914	7,418,689
Gain on disposal of property, plant and					
equipment		(3,634)	(14,776)	(6,952)	(28,246)
Operating profit before working capit	al				
changes		4,666,558	18,974,223	12,289,127	49,930,724
Changes in working capital:					
Trade and other receivables		(9,957,966)	(40,489,090)	314,232	1,276,725
Contract assets		(46,324,658)	(188,356,059)	(74,661,009)	(303,347,680)
Amount due to a holding company		58,992,782	239,864,652	5,617,086	22,822,220
Amounts due from/to related parties		(27,088,343)	(110,141,203)	(7,181,029)	(29,176,520)
Amounts due from a subsidiary		(10)	(41)	(1,000)	(4,063)
Trade and other payables		(40,185,842)	(163,395,634)	44,261,330	179,833,784
Cash used in operations		(59,897,479)	(243,543,152)	(19,361,263)	(78,664,810)
Interest received		11,807	48,007	183	744
Interest paid		(204,242)	(830,448)	(138,081)	(561,023)
Income tax paid		(3,025,451)	(12,301,484)	(566,071)	(2,299,946)
Net cash used in operating activities		(63,115,365)	(256,627,077)	(20,065,232)	(81,525,035)

# The Company's statement of cash flows (Continued)

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

# Notes to the financial statements

# 1 General information

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

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

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

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

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

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

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

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

# 2 Statement of compliance with Cambodian International Financial Reporting Standard ("CIFRSs")

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

# 3 Changes in accounting policies

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

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

# (i) CIFRS 15: Revenue from contracts with customers

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

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

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

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

# (ii) CIFRS 9: Financial instruments

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

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

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

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

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

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

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

Annual Improvements to CIFRS Standards 2015 – 201/ Cycle^

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

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

<u>IFRS effective 1 January 2021:</u>

IFRS 17\*

Insurance Contracts

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

Amendments to IFRSs - effective date deferred indefinitely:

Amendments to IFRS 10 and	Consolidated Financial Statements and Investments in
128*	Associates and Joint Venture: Sale or Contribution of Assets
	between an Investor and its Associate or Joint Venture
* N	, ,.

\* Not applicable to the Company's operation

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

# 4 Summary of significant accounting policies

# 4.1 Basis of preparation

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

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

# 4.2 Functional and presentation currency

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

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

# 4.3 Basis of consolidation

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

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

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

# 4.4 Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in the profit or loss irrespective of whether construction has commenced or not, or of the

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

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

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

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

### Services rendered

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

### Sale of materials

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

### Notional income on unwinding of discounting

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

### 4.5 Costs of sales and construction

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

### 4.6 Operating expense

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

#### 4.7 Property, plant and equipment

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

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

#### Depreciation

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

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

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

# 4.8 Impairment testing of non-financial assets

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

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

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

# 4.9 Financial instruments

### Initial recognition and measurement

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

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

# Classification and initial measurement of financial assets

### Accounting policies applied from 1 July 2018

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

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

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

The classification is determined by both:

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

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

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

### Accounting policies applied until 30 June 2018

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

# Financial assets – subsequent measurement Accounting policies applied from 1 July 2018

### Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

### Accounting policies applied until 30 June 2018

### Loans and receivables

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

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

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

# Derecognition

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

### Financial assets - impairment

### Accounting policies applied from 1 July 2018

CIFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces CIFRS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under CIFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

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

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

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

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

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

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

### Trade receivables and contract assets

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

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

### Accounting policies applied until 30 June 2018

All financial assets, except for financial assets categorised as fair value through profit or loss, investment in subsidiaries, associates, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is objective evidence of impairment.

### Assets carried at amortised cost

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

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

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

### Financial liabilities - classification and measurement

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

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

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

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

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

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

### 4.10 Derivatives and hedging activities

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

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

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

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

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

(i) Fair value hedge

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

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

### (ii) Cash flow hedge

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

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

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

### (iii) Net investment hedge

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

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

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

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

# 4.11 Cash and cash equivalents

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

# 4.12 Equity, reserves and dividend payments

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

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

### 4.13 Provisions, contingent liabilities and contingent assets

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

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

### 4.14 Income taxes

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

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

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

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

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

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

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

### 4.15 Operating leases

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

### 4.16 Related parties

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

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

# 5 Significant Management judgement in applying accounting policies and estimation uncertainty

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

### Significant Management judgement

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

### Recognition of service and construction contract revenues

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

### Estimation uncertainty

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

### Impairment

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

### Useful life of depreciable assets

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

### Construction contract

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

### Deferred tax assets

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

# 6 Going concern

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

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

[The remainder of this page was intentionally left blank.]

# 7 Investment in a subsidiary

		USD	Co 30 June 2019 KHR'000 (Note 4.2)	mpany 30 June 20 USD KHR'0( (Note 4.	
At cost					
Unquoted share		25,000	101,650	25,000	101,575
		25,000	101,650	25,000	101,575
Details of the subsidiar	ies are as follows: Country of incorporation				
Name	and operation	Effective ir			
		30 June 2019	30 June		
			2018	Prov manage substations, tr	cipal activities vision of project ment, electrical ransmission line and installation,
Pestech (Myanmar)				supervisio	n of testing and
Limited ("PML")	Myanmar	99.99%	99.99%	commission	and civil works.
					nfrastructure of or and promote
<u>Subsidiary of PML</u>				the power se	gments such as
Pestech Hinthar					neration, power
Corporation		(0.000)		transmis	sion and power
Limited ("PHC")	Myanmar	60.00%	-		distribution.

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

# 8 Property, plant and equipment

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

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

# 9 Contract assets

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

Presented as:

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

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

### 10 Trade and other receivables

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

# 11 Cash and bank balances

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

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

(a) Bank balance of the Group and of the Company amounting to USD9,853,981 have been pledged to syndicated financing facilities as disclosed in note 14d.2. The bank balance earns interest income of 6.43% per annum.

(b) Deposits with a licensed bank of the Group and of the Company have been pledged as security for bank overdrafts as disclosed in note 14a.2. The deposits earn interest income of 4.25% per annum.

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

lonowing.	USD	Group 30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)	
Cash and cash equivalents (as above) Fixed deposit pledge to borrowings Bank overdrafts (note 14)	13,055,979 (712,500) (2,681,026)	53,085,611 (2,897,025) (10,901,052)	2,084,310 (262,500) (1,258,738)	8,468,551 (1,066538) (5,114,253)	
Cash and cash equivalents per statement of cash flows	9,662,453	39,287,534	563,072	2,287,760	
	Company				
	USD	30 June 2019 KHR'000 (Note 4.2)	USD	30 June 2018 KHR'000 (Note 4.2)	
Cash and cash equivalents (as above) Fixed deposit pledge to borrowings Bank overdrafts (note 14)	13,039,871 (712,500) (2,681,026)	53,020,115 (2,897,025) (10,901,053)	2,058,429 (262,500) (1,258,738)	8,363,397 (1,066,538) (5,114,253)	
Cash and cash equivalents per statement of cash flows	9,646,345	39,222,037	537,191	2,182,606	

### 12.1 Share capital

			Group and	d Company		
Authorised and fully paid	Number	of shares		Amount		
	2019	2018	20	)19	20	18
			USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
At 1 July	71,000,000	1,000	7,100,000	28,868,600	1,000	4,063
Subdivision of shares into USD0.10 (KHR400) par value per share	-	9,000	-	-	-	-
Creation of shares with USD0.10 (KHR400) par value per share/ capitalisation of amount due to holding company	_	50,000,000	_	_	5,000,000	20,315,000
Creation of shares with USD0.10 (KHR400) par value per share/ capitalisation of retained						
earnings	-	20,990,000	-	-	2,099,000	8,528,237
At 30 June	71,000,000	71,000,000	7,100,000	28,868,600	7,100,000	28,847,300

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

#### 12.2 Reserves

	Group and Company			
	<b>30 June 2019</b> 30 June 20			
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Capital contribution reserve	52,044	211,611	52,044	211,454
Cash flow hedge reserve	(1,824,095)	(7,416,770)	-	-
	(1,772,051)	(7,205,159)	52,044	211,454

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

# 13 Trade and other payables

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

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

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

# 14 Borrowings

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

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

The effective interest rates of the borrowings are as follows:

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

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

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

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

The above facilities are secured by the following:

Bank overdrafts

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

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

Revolving credit

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

# Murabahah facilities

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

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

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

# Syndicated financing facilities

(d.1) Granting certain direct rights to the Company of the Direct Agreement dated 17 February 2015, entered into between the Company and Alex Corporation;(d.2) Pledge of bank account opened by the Company;

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

# 14.1 Reconciliation of liabilities arising from financing activities

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

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

# 15 Derivative financial instruments

		Group and Company				
		<b>30 June 2019</b> 30 June 2				
	Notional value		Fair value	liabilities		
	USD	USD	KHR'000	USD	KHR'000	
			(Note 4.2)		(Note 4.2)	
Interest rate swaps	25,000,000	1,824,095	7,416,770	-	-	

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

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

# 16 Revenue and cost of sales and construction

	Group and Company For the year ended 30 June 2019					
	Construction	i the gear chat		,		
	contract and					
	service	Sale of				
	rendered	materials	Т	otal		
	USD	USD	USD	KHR'000		
				(Note 4.2)		
Revenue	49,649,817	7,177,007	56,826,824	231,057,866		
Cost of sales and construction	(42,880,154)	(6,889,877)	(49,770,031)	(202,364,946)		
	6,769,663	287,130	7,056,793	28,692,920		
		Group and	Company			
	Fo	or the year ende	ed 30 June 2018	3		
	Construction					
	contract and	Sale of				
	service rendered	materials	Т	otal		
	USD	USD	USD	KHR'000		
				(Note 4.2)		
Revenue	77,131,684	24,550	77,156,234	313,485,779		
Cost of sales and construction	(62,945,051)	(21,581)	(62,966,632)	(255,833,426)		
	14,186,633	2,969	14,189,602	57,652,353		
16.1 Disaggregated revenue information						

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

# 17 Other income

	Group			
	For th	e year ended	For t	he year ended
		30 June 2019		30 June 2018
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Unrealised foreign exchange				
gain	1,517,652	6,170,773	-	-
Gain on disposal of property,				
plant and equipment	3,634	14,776	6,953	28,250
Other income	310	1,260	171	695
	1,521,596	6,186,809	7,124	28,945

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

# 18 Operating expenses

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

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

### 19 Finance cost

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

### 20 Income tax expense

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

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

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

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

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

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

### 20.1 Reconciliation between profit before income tax and taxable income

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

### Income tax expense

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

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

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

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

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

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

# 21 Related party balances and transactions

The following balances were outstanding with the related parties:

Polated party	Relationship		Group and Co 30 June 2019	ompany	30 June 2018
Related party	Relationship	USD	KHR'000	USD	KHR'000
			(Note 4.2)	002	(Note 4.2)
Amounts due from related parties					
Diamond Power Limited	Fellow subsidiary	674,474	2,742,411	-	-
Pestech Power Sdn Bhd	Fellow subsidiary	1,270,000	5,163,820	-	-
		1,944,474	7,906,231	-	-
Amounts due to related parties					
Pestech Sdn Bhd	Fellow subsidiary	-	-	47,192,845	191,744,529
Enersol Co., Ltd	Fellow subsidiary	21,876,125	88,948,324	2,477,254	10,065,083
Pestech Energy Sdn Bhd	Fellow subsidiary	-	-	9,000	36,567
Pestech Transmission Sdn Bhd	Fellow subsidiary	1,141,453	4,641,148	-	-
		23,017,578	93,589,472	49,679,099	201,846,179
Amount due to holding company					
Pestech International Berhad	Holding company	59,557,824	242,162,112	565,042	2,295,766
			Compo	ուս	
Amount due from a subsidiary			1.407	1000	
Pestech (Myanmar) Limited	Subsidiary	1,010	4,107	1,000	4,063

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

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

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

### 22 Transactions with key management personnel

Key management personnel remuneration includes the following:

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

### 23 Categories of financial instruments

Cash and cash equivalents

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

	Group			
		30 June 2019		30 June 2018
	USD	KHR'000	USD	KHR'000
Financial assets		(Note 4.2)		(Note 4.2)
Trade and other receivables	7,912,246	32,171,192	47,655	193,622
Contract assets	179,100,701	728,223,450	146,587,048	595,583,176
Cash and cash equivalents	13,055,979	53,085,611	2,084,310	8,468,551
Amounts due from related parties	1,944,474	7,906,231	-	-
	202,013,400	821,386,484	148,719,013	604,245,349
	Company			
		Comp	any	
		Comp 30 June 2019	any	30 June 2018
	USD	•	any USD	30 June 2018 KHR'000
Financial assets	USD	30 June 2019	0	
Financial assets Trade and other receivables	USD 7,912,246	30 June 2019 KHR'000	0	KHR'000
		30 June 2019 KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Trade and other receivables	7,912,246	30 June 2019 KHR'000 (Note 4.2) 32,171,192	USD 47,655	KHR'000 (Note 4.2) 193,622

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

13,039,871

201,998,302

53,020,115

821,325,095

2,058,429

148,694,132

8,363,397

604,144,258

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

### 24 Risk management objectives and policies

# Financial risk

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and the Company's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and their policies in respect of the major areas of treasury activities are set out below:

### (a) Credit risk

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

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

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

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

### Receivables and contract assets

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

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

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

### Cash and cash equivalents

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

### Financial instruments used in hedging activities

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

### (b) Liquidity risk

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

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

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

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

### Analysis of financial instruments by contractual maturities

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

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

	On demand or		More than		
30 June 2019	within 1 year	1 to 5 years	5 years	Total contractu	al cash flows
	USD	USD	USD	USD	KHR'000
					(Note 4.2)
Trade and other					
payables	8,314,587	-	-	8,314,587	33,807,110
Amount due to a holding					
company	59,557,824	-	-	59,557,824	242,162,112
Amounts due to related					
parties	23,017,578	-	-	23,017,578	93,589,472
Borrowings	10,822,631	74,011,312	49,313,719	134,147,662	545,444,394
	101,712,620	74,011,312	49,313,719	225,037,651	915,003,088
Group and Company					
	On demand or		More than 5		
30 June 2018	within 1 year	1 to 5 years	years	Total contractu	
	USD	USD	USD	USD	KHR'000
					(Note 4.2)
Trade and other payables	48,004,742	-	-	48,004,742	195,043,267
Amount due to holding					
company	565,042	-	-	565,042	2,295,766
Amounts due to related					
parties	49,679,099	-	-	49,679,099	201,846,179
Borrowings	-	11,667,929	10,345,000	22,012,929	89,438,531
	98,248,883	11,667,929	10,345,000	120,261,812	488,623,743

#### (c) Interest rate risk

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

#### Interest rate sensitivity analysis

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

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

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

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

#### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

	30 June 2019
Denominated in RM USE	KHR'000
	(Note 4.2)
Amount due to holding company 59,557,824	242,162,112
8 1 6	
Amounts due to related parties 1,141,453	4,641,148
60,699,277	246,803,260

#### Foreign currency sensitivity analysis:

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

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

#### 25 Fair value of financial instruments

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

The different levels have been defined as follows:

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

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

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

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

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

The fair value of interest rate swaps which is calculated as the present value of the estimated future cash flows based on observable yield curves.

#### 26 Contingencies and commitments

[a] Capital commitments				
		Group and Co	mpany	
	30	0 June 2019	30	) June 2018
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Authorised and contracted for:				
Property, plant and equipment	150,562	612,185	-	-

#### (b) Insurance commitments

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

#### (c) Operating lease commitments

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

The future minimum lease payments are as follows:

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

#### 27 Contingencies

#### Contingent liabilities

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

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

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

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

#### 28 Capital management

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

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

#### 29 Post-reporting date significant events

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

#### **30** Authorisation of the financial statements

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

## Interim condensed financial information

## Pestech (Cambodia) Plc and its subsidiaries

As at and for the six-month period ended 31 December 2019

## Contents

Report on review of condensed interim financial information 1
Interim statement of financial position 3
Interim statement of profit or loss and other comprehensive income 5
Interim statement of changes in equity 7
Interim statement of cash flows 8
Notes to the condensed interim financial information 10

## Report on review of condensed interim financial information

Grant Thornton (Cambodia) Limited 20th Floor Canadia Tower 315 Preah Ang Duong Street (corner Monivong Boulevard) Sangkat Wat Phnom Khan Daun Penh Phnom Penh Kingdom of Cambodia

T +855 23 966 520 www.grantthornton.com.kh

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

We have reviewed the interim condensed financial statements of Pestech (Cambodia) Plc and its subsidiaries ("the Group"), which comprise the interim condensed statement of financial position as at 31 December 2019, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Board of Directors of the Company is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

#### Scope of review

We conducted our review in accordance with Cambodian International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information of the Company is not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

#### **Other matter**

The comparative information on the statement of financial position is based on the audited financial statements as at 30 June 2019, while the comparative information on the statements of profit or loss and other comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 31 December 2018 has not been audited or reviewed.

Grant Thornto

**GRANT THORNTON (CAMBODIA) LIMITED** Certified Public Accountants Registered Auditors

11 29584

Ø

**Ronald C. Almera** Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia 30 June 2020

# Interim statement of financial position

		(Reviewed		(Audited)	
	31 December 2019				30 June 2019
	Note	USD	KHR'000	USD	KHR'000
			(Note 3)		(Note 3)
Assets					
Non-current					
Property, plant and equipment	6	15,826,314	64,492,230	2,246,674	9,134,976
Intangible assets		6,620	26,977	3,069	12,479
Right-of-use assets	7	115,142	469,204	-	-
Contract assets	8	184,338,060	751,177,595	173,059,034	703,658,032
Non-current assets		200,286,136	816,166,006	175,308,777	712,805,487
Current					
Trade and other receivables	9	4,531,797	18,467,073	10,803,774	43,928,145
Contract assets	8	14,183,507	57,797,791	6,041,667	24,565,418
Inventories	10	3,626,488	14,777,939	-	-
Amounts due from related parties	22	3,226,058	13,146,186	1,944,474	7,906,231
Cash and bank balances	11	5,005,547	20,397,604	13,055,979	53,085,611
Current assets		30,573,397	124,586,593	31,845,894	129,485,405
Total assets		230,859,533	940,752,599	207,154,671	842,290,892

## Interim statement of financial position (continued)

	Note	•	but unaudited) December 2019 KHR'000	USD	(Audited) 30 June 2019 KHR'000
Equity and liabilities			(Note 3)		(Note 3)
Equity					
Share capital	12	7,100,000	28,868,600	7,100,000	28,868,600
Reserves	12.1	(2,555,686)	(10,376,023)	(1,772,051)	(7,205,159)
Retained earnings		15,199,211	61,703,107	8,594,917	34,946,933
Currency translation difference		-	259,156	-	
Total equity attributable to the p	arent	19,743,525	80,454,840	13,922,866	56,610,374
Non-controlling interest		(1,092)	(4,425)	-	
Total equity		19,742,433	80,450,415	13,922,866	56,610,374
Liabilities					
Non-current					
Borrowings	14	101,832,847	414,968,852	95,406,970	387,924,740
Lease liabilities – net of current					
portion	7	47,572	193,856	-	-
Derivative financial					
instruments	15	2,607,729	10,626,496	1,824,095	7,416,770
Non-current liabilities		104,488,148	425,789,204	97,231,065	395,341,510
Current					
Trade and other payables	13	8,151,158	33,215,969	8,317,219	33,817,812
Amount due to holding company	22	60,803,388	247,773,806	59,557,824	242,162,112
Amounts due to related parties	22	24,531,959	99,967,733	23,017,578	93,589,472
Lease liabilities	7	69,000	281,175	-	-
Borrowings	14	11,113,995	45,289,530	4,180,282	16,997,027
Income tax payable		1,959,452	7,984,767	927,837	3,772,585
Current liabilities		106,628,952	434,512,980	96,000,740	390,339,008
Total liabilities		211,117,100	860,302,184	193,231,805	785,680,518
Total equity and liabilities		230,859,533	940,752,599	207,154,671	842,290,892

## Interim statement of profit or loss and other comprehensive income

		(Reviewe	d but unaudited)	(Unreviewed and unaudited)	
		For the six-month period ended		For the six-mo	nth period ended
		3	1 December 2019	3	1 December 2018
	Note	USD	KHR'000	USD	KHR'000
			(Note 3)		(Note 3)
Revenue	16	21,316,779	86,375,589	16,029,665	64,839,995
Cost of sales and construction	16	(8,666,938)	(35,118,433)	(13,495,344)	(54,588,666)
Gross profit		12,649,841	51,257,156	2,534,321	10,251,329
Other income	17	186	754	1,137,418	4,600,856
Other expenses		(10,582)	(42,879)	-	-
Operating expenses	18	(1,469,583)	(5,954,750)	(991,674)	(4,011,321)
Operating profit		11,169,862	45,260,281	2,680,065	10,840,864
Finance income		11,211	45,427	1,725	6,978
Finance cost	19	(3,071,090)	(12,444,057)	(1,215,708)	(4,917,539)
Profit before income tax		8,109,983	32,861,651	1,466,082	5,930,303
Tax expense	20.1	(1,506,781)	(6,105,477)	(195,248)	(789,778)
Profit for the period		6,603,202	26,756,174	1,270,834	5,140,525
Profit for the period attributable	to:				
Owners of the Company		6,604,294	26,760,599	1,270,834	5,140,525
Non-controlling interest		(1,092)	(4,425)	-	-
		6,603,202	26,756,174	1,270,834	5,140,525

## Interim statement of profit or loss and other comprehensive income (continued)

	Note	For the six-mon	l but unaudited) th period ended December 2019 KHR'000 (Note 3)	For the six-mon	and unaudited) th period ended December 2018 KHR'000
Profit for the period		6,603,202	(Note 3) 26,756,174	1,270,834	(Note 3) 5,140,525
		0,000,202	20,700,174	1,270,004	0,170,020
Other comprehensive income Item that will be reclassified subsequently to profit or loss Fair value loss on cash flow					
hedges	15	(783,635)	(3,175,289)	(427,825)	(1,730,552)
Currency translation difference		-	259,156	-	-
Total comprehensive income for t	he				
period		5,819,567	23,840,041	843,009	3,409,973
Total comprehensive income for t period attributable to:	he				
Owners of the Company		5,820,659	23,844,466	843,009	3,409,973
Non-controlling interest		(1,092)	(4,425)	-	
		5,819,567	23,840,041	843,009	3,409,973

## Interim statement of changes in equity

		← At	tributable to own	ers of the Companı	, — <b>—</b>			
		Non-distri	butable 🔶	Distributable				
				Retained		Non-controlling		
		Share capital	Reserves	earnings	Total	interest	Total e	quity
	Note	USD	USD	USD	USD	USD	USD	KHR'000
								(Note 3)
(Reviewed but unaudited)								
Balance at 1 July 2019	12.1	7,100,000	(1,772,051)	8,594,917	13,922,866	-	13,922,866	56,610,374
Profit for the period		-	-	6,604,294	6,604,294	(1,092)	6,603,202	26,756,174
Fair value loss on cash flow					(783,635)	-		(3,175,289)
hedges	12.2	-	(783,635)	-			(783,635)	
Currency translation difference		-	-	-	-	-	-	259,156
Balance at 31 December 2019		7,100,000	(2,555,686)	15,199,211	19,743,525	(1,092)	19,742,433	80,450,415
(Unreviewed and unaudited)								
Balance at 1 July 2018	12.1	7,100,000	52,044	20,630,827	27,782,871	-	27,782,871	112,881,804
Effects of adoption of CIFRS 15		-	-	(15,047,945)	(15,047,945)	-	(15,047,945)	(60,868,938)
At 1 July 2018, restated		7,100,000	52,044	5,582,882	12,734,926	-	12,734,926	52,012,866
Profit for the period		-	-	1,270,834	1,270,834	-	1,270,834	5,140,524
Fair value loss on cash flow hedges		-	(427,825)	-	(427,825)	-	(427,825)	(1,730,552)
Currency translation difference		-	-	-	-	-	-	(866,695)
Balance at 31 December 2018		7,100,000	(375,781)	6,853,716	13,577,935	-	13,577,935	54,556,143

## Interim statement of cash flows

		(Reviewe	d but unaudited)	(Unreviewed	l and unaudited)
		For the six-mo	onth period ended	For the six-mo	nth period ended
	Note	;	31 December 2019	3	31 December 2018
		USD	KHR'000	USD	KHR'000
			(Note 3)		(Note 3)
Operating activities					
Profit before income tax		8,109,983	32,861,651	1,466,082	5,930,303
Adjustments for:					
Depreciation	6 & 7	589,440	2,388,411	182,381	737,731
Amortisation		1,248	5,057	2,100	8,495
Interest income		(11,211)	(45,427)	(1,725)	(6,978)
Interest expense	19	3,071,090	12,444,057	1,215,708	4,917,539
Operating profit before working co	ıpital				
changes		11,760,550	47,653,749	2,864,546	11,587,090
Changes in working capital:					
Trade and other receivables		6,271,977	25,558,306	(2,578,108)	(10,358,838)
Contract assets		(19,420,866)	(79,140,029)	(16,316,506)	(65,559,721)
Inventories		(3,626,488)	(14,777,939)	-	-
Amount due to a holding company		1,245,564	5,075,673	54,931	220,713
Amounts due from/to related parties		232,797	948,648	7,743,735	31,114,327
Trade and other payables		(762,048)	(3,105,346)	(16,312,474)	(65,543,521)
Cash used in operations		(4,298,514)	(17,786,938)	(24,543,876)	(98,539,950)
Interest received		11,211	45,427	1,725	6,978
Interest paid		(130,542)	(528,956)	-	-
Income tax paid		(475,167)	(1,925,377)	(390,882)	(1,581,118)
Net cash used in operating activiti	es	(4,893,012)	(20,195,844)	(24,933,033)	(100,114,090)

# Interim statement of cash flows (continued)

	Note	For the six-mon	d but unaudited) th period ended December 2019 KHR'000 (Note 3)	For the six-mon	and unaudited) th period ended December 2018 KHR'000 (Note 3)
Net cash used in operating act	ivities	(4,893,012)	(20,195,844)	(24,933,033)	(100,114,090)
<b>Investing activities</b> Acquisition of property, plant and equipment Acquisition of intangible assets	6	(14,137,973) (4,799)	(57,287,067) (19,446)	(75,841) (8,031)	(306,777) (32,485)
Net cash used in investing activ	vities	(14,142,772)	(57,306,513)	(83,872)	(339,262)
Financing activities Repayment of borrowings Proceeds from borrowings Repayment of lease liabilities Placement of fixed deposits Interest paid	21 21 21	(4,175,049) 17,384,865 (29,677) (387,500) (2,344,561)	(16,917,299) 70,443,473 (120,251) (1,570,150) (9,500,161)	(3,283,561) 28,398,695 - (487,500) (1,215,708)	(13,282,004) 114,872,721 - (1,971,938) (4,917,539)
Net cash from financing activit	ies	10,448,078	42,335,612	23,411,926	94,701,240
Net change in cash and cash equivalents Cash and cash equivalents,		(8,587,706)	(35,166,745)	(1,604,979)	(5,752,112)
beginning of period		9,662,453	39,287,534	825,572	3,354,298
Translation exchange difference			258,805	- -	(733,843)
Cash and cash equivalents,					
end of period	11	1,074,747	4,379,594	(779,407)	(3,131,657)

## Notes to the condensed interim financial information

#### 1 General information

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

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

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

The principal activity of PML is provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.

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

The Company considers PHCL as an indirect subsidiary.

The principal activity of the indirect subsidiary is to establish the infrastructure of power sector and promote the power segments such as power generation, power transmission and power distribution.

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

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

The condensed interim financial information of Pestech (Cambodia) Plc and its subsidiaries ("the Group") was approved for issue by the Board of Directors on 30 June 2020.

The condensed interim financial information for the six-month period ended 31 December 2019, has been reviewed but not audited.

#### 2 Basis of preparation

This condensed interim financial information for the six-month period ended 31 December 2019 has been prepared in accordance with Cambodian International Accounting Standards 34 – Interim financial reporting ("CIAS 34"). This condensed interim financial information does not include all the notes of the type normally included in the annual audited financial statements. Accordingly, this report is to be read in conjunction with the annual audited financial statements as at and for the year ended 30 June 2019, which have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). The significant accounting policies used in preparing the condensed interim financial information are consistent with the significant accounting policies used in the preparation of the 30 June 2019 audited financial statements.

The Group is in process of filling a disclosure document with the Securities and Exchange Commission of Cambodia ("SECC") as part of the Group's initial public offering exercise, unless otherwise stated in note 4 below. Under the requirements of the SECC, the Group is required to prepare and submit the interim financial information for the six-month period ended 31 December 2019 to the SECC, prepared in accordance with CIFRSs.

#### 3 Functional and presentation currency

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

Transactions in foreign currencies other than USD, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of profit or loss and other comprehensive income.

The translations of USD amounts into KHR as presented in the financial information are included solely to comply with the requirement pursuant to Law on Accounting and Auditing (April 2016) and been made using the prescribed official exchange rate as presented in KHR base on the following applicable exchange rate per USD1 as announced by the General Department of Taxation:

	2019	2018
Average rate	4,052	4.045
Closing rate	4,075	4.018

Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate.

#### **3.1** Foreign operations

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the USD are translated into USD upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting periods.

On consolidation, assets and liabilities have been translated into USD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into USD at the closing rate. Income and expenses have been translated into USD at the average rate over the reporting periods. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

#### 4 Significant accounting policies

The accounting policies and methods of computation adopted are consistent with those adopted in the Group's audited financial statements for the financial year ended 30 June 2019, except for new standard, as disclosed below:

### 4.1 Standards, amendments and interpretations to existing standards that are affective and adopted by the Company as at 1 July 2019

#### CIFRS 16 'Leases'

CIFRS 16 'Leases' replaced CIAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting CIFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period, if any. Prior periods have not been restated.

Upon initial application of CIFRS 16, the Company has elected to measure the right-of-use assets at an amount equal to the lease liabilities adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of CIFRS 16.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from CIAS 17 to CIFRS 16 at 1 July 2019:

	Carrying amount at 30 June 2019 USD	Effects of adoption of CIFRS 16 USD	Carrying amount at 1 July 2019 USD
Right-of-use asset	-	146,249	146,249
Lease liabilities Total	-	(146,249)	(146,249)

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements to 30 June 2019) to the lease liabilities recognised at 1 July 2019.

	USD
Total operating lease commitments disclosed at 30 June 2019	159,300
Operating lease liabilities before discounting	159,300
Discounted using incremental borrowing rate	13,051
Operating lease liabilities	146,249

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

• the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

#### Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use assets, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising right-of-use assets and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities are presented separately.

#### Accounting policy applicable before 1 July 2019

#### The Group as a lessee

#### Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### 5 Management estimates

When preparing the interim condensed financial information, Management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income, and expenses. The actual results may differ from the judgements, estimates and assumptions made by Management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim condensed financial information, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual audited financial statements for the year ended 30 June 2019, except for:

(i) Income tax

The Group recognises liabilities for expected tax expenses based on an estimate of whether the taxes are due through Management's current interpretation of the various tax legislations which are subject to periodic changes. The final determination of tax expenses will be made following examination by the tax authorities.

(ii) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using revolving credit borrowing rate.

[The remainder of this page was intentionally left blank.]

#### 6 Property, plant and equipment

				Furniture and		
	Equipment	Motor vehicles	Computers	fittings	Toto	1
	USD	USD	USD	USD	USD	KHR'000
(Reviewed but unaudited)						(Note 3)
Gross carrying amount						
At 1 July 2019	3,186,988	524,546	24,007	30,973	3,766,514	15,261,915
Additions	14,069,067	67,500	1,406	-	14,137,973	57,287,067
Currency translation difference	-	-	-	-	-	411,803
Balance 31 December 2019	17,256,055	592,046	25,413	30,973	17,904,487	72,960,785
Accumulated depreciation						
At 1 July 2019	(1,211,585)	(267,799)	(15,503)	(24,953)	(1,519,840)	(6,158,392)
Depreciation	(495,289)	(58,780)	(2,597)	(1,667)	(558,333)	(2,262,365)
Currency translation difference	-	-	-	-	-	(47,798)
Balance 31 December 2019	(1,706,874)	(326,579)	(18,100)	(26,620)	(2,078,173)	(8,468,555)
Carrying amount 31 December 2019	15,549,181	265,467	7,313	4,353	15,826,314	64,492,230

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

#### 7 Right-of-use assets and lease liabilities

#### Company as a lessee

The Company has a lease contract for the properties that are used as its office space and staff accommodation for a period of 3 to 5 years, with details as disclosed in note 7.1.

The carrying amounts of right-of-use assets recognised and the movements during the period are as follows:

		(Reviewed but unaudited)		
		31 December 2019		
	USD	KHR'000		
		(Note 3)		
Building				
At 1 July	146,249	592,601		
Depreciation	(31,107)	(126,046)		
Currency translation difference	-	2,649		
At 31 December	115,142	469,204		

Lease liabilities are presented in the interim statement of financial position as follows:

	(Reviewed b	(Reviewed but unaudited)		
	31 De	31 December 2019		
	USD	KHR'000		
		(Note 3)		
Current	69,000	281,175		
Non-current	47,572	193,856		
	116,572	475,031		

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	(Reviewed but unaudited) 2019		
	USD	KHR'000 (Note 3)	
At 1 July	146,249	587,628	
Accretion of interest	4,823	19,543	
Payments	(34,500)	(139,794)	
Currency translation difference	-	7,654	
At 31 December	116,572	475,031	

The weighted average incremental borrowing rate applied to lease liabilities recognised under CIFRS 16 was 7.2%.

7.1 The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised on statement of financial position.

	No. of			No. of leases	
Right-of-use	right-of-	Range of	Average remaining	with extension	No. of leases with
assets	use assets	remaining term	lease term	options	termination options
House	5	1 to 2 years	1.5 years	1	5

The details of future minimum lease payments are summarized below:

	Minimum lease payments due			
			Total	Total
	Within one year	1-2 years	USD	KHR'000
				(Note 3)
Lease payments	75,353	49,447	124,800	508,560
Finance charges	(6,353)	(1,875)	(8,228)	(33,529)
Net present value	69,000	47,572	116,572	475,031

#### 8 Contract assets

	(Reviewed	but unaudited)		(Audited)
	31 December 2019			30 June 2019
	USD	KHR'000	USD	KHR'000
		(Note 3)		(Note 3)
Balance at 1 July	179,100,701	728,223,450	146,587,048	595,583,176
Effects of adoption of CIFRS 15	-	-	(13,811,005)	(56,155,546)
Translation difference	-	-	-	41,433
At 1 July, restated	179,100,701	728,223,450	132,776,043	539,469,063
Revenue recognised	20,992,868	79,776,809	47,406,295	192,753,995
Receipts entitled	(1,572,002)	(1,083,460)	(1,081,637)	(4,397,936)
Translation difference	-	2,058,587	-	398,328
	198,521,567	808,975,386	179,100,701	728,223,450
		· ·		

Presented as: (Reviewed but unaudited) (Audited) 31 December 2019 30 June 2019 KHR'000 USD USD KHR'000 (Note 3) (Note 3) 24,565,418 Current 14,183,507 57,797,791 6,041,667 Non-current 173,059,034 703,658,032 184,338,060 751,177,595 198,521,567 808,975,386 179,100,701 728,223,450

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

#### 9 Trade and other receivables

(Reviewed but unaudited)				(Audited)
	31 December 2019			30 June 2019
	USD	KHR'000	USD	KHR'000
		(Note 3)		(Note 3)
Trade receivables	323,913	1,319,945	7,882,696	32,051,042
Deposits	25,780	105,054	29,550	120,150
Financial assets	349,693	1,424,999	7,912,246	32,171,192
Prepayments	2,732,316	11,134,188	2,311,465	9,398,417
Value-added tax	1,256,551	5,120,445	446,551	1,815,676
Staff advances	193,237	787,441	133,512	542,860
Non-financial assets	4,182,104	17,042,074	2,891,528	11,756,953
	4,531,797	18,467,073	10,803,774	43,928,145

	(Reviewed but u	(Reviewed but unaudited)	
	31 Dece	mber 2019	
	KHR'000	KHR'000	
	(Note 3)	(Note 3)	
Construction materials	3,626,488	14,777,939	
	3,626,488	14,777,939	

#### 11 Cash and bank balances

	(Reviewed but unaudited) 31 December 2019			(Audited) 30 June 2019
	USD	KHR'000	USD	KHR'000
		(Note 3)		(Note 3)
Cash in banks (a)	3,904,078	15,909,118	12,342,193	50,183,357
Deposits with a licensed bank (b)	1,100,000	4,482,500	712,500	2,897,025
Cash on hand	1,469	5,986	1,286	5,229
	5,005,547	20,397,604	13,055,979	53,085,611

(a) One of the bank accounts has been pledged to syndicated financing facilities as disclosed in note 14(d.2).

(b) Deposits with a licensed bank of the Group have been pledged as security for bank overdrafts as disclosed in note 14(a.2). The deposits earn interest income of 4.25% per annum.

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

	•	but unaudited) December 2019 KHR'000 (Note 3)	USD	31 Decem	(Audited) hber 2018 KHR'000 (Note 3)
Cash and bank balances (as above)	5,005,547	20,397,604	2,590,830	10	,409,955
Fixed deposit pledge to borrowings	(1,100,000)	(4,482,500)	(487,500)	(1	,958,775)
Bank overdrafts (note 14)	(2,830,800)	(11,535,510)	(2,882,737)	(11,	,582,837)
Cash and cash equivalents per					
statement of cash flows	1,074,747	4,379,594	(779,407)	(3	3,131,657)
<b>12 Share capital</b> Number of sl	hares		Amount		
31 December 2019	30 June 2019	31 Dec	ember 2019		30 June 2019
(Reviewed but	t	(Re	eviewed but		
unaudited)	(Audited)		unaudited)		(Audited)
		USD	KHR'000	USD	KHR'000
			(Note 3)		(Note 3)
Authorised, issued and					
fully paid 71,000,000	71,000,000	7,100,000	28,868,600 7	7,100,000	28,868,600

#### 12.1 Reserves

	(Reviewed but unaudited) 31 December 2019			(Audited) 30 June 2019
	USD	KHR'000 (Note 3)	USD	KHR'000 (Note 3)
Capital contribution reserve Cash flow hedge reserve	52,044 (2,607,730)	212,079 (10,626,500)	52,044 (1,824,095)	211,611 (7,416,770)
Currency translation difference	-	38,398	-	-
	(2,555,686)	(10,376,023)	(1,772,051)	(7,205,159)

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

#### 13 Trade and other payables

	(Reviewed I	but unaudited)		(Audited)
	31 [	December 2019		30 June 2019
	USD	USD KHR'000 USD	KHR'000	
		(Note 3)		(Note 3)
Trade payables	3,342,193	13,619,436	1,463,209	5,949,408
Provision for project cost	3,707,494	15,108,038	5,133,624	20,873,315
Accruals	1,005,975	4,099,348	1,002,826	4,077,491
Other payables	95,496	389,147	717,560	2,917,598
Financial liabilities	8,151,158	33,215,969	8,317,219	33,817,812

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

#### 14 Borrowings

·	•	l but unaudited) December 2019		(Audited) 30 June 2019
	USD	KHR'000	USD	KHR'000
		(Note 3)		(Note 3)
Current				
Secured:				
Bank overdrafts	2,830,800	11,535,510	2,681,026	10,901,052
Revolving credit	2,783,195	11,341,520	1,499,256	6,095,975
Syndicated financing facilities (b)	3,000,000	12,225,000	-	-
Term Ioan (c)	2,500,000	10,187,500	-	-
	11,113,995	45,289,530	4,180,282	16,997,027
Non-current				
Secured:				
Murabahah facilities (a)	47,315,970	192,812,578	45,406,970	184,624,740
Syndicated financing facilities (b)	47,000,000	191,525,000	50,000,000	203,300,000
Term Ioan (c)	7,516,877	30,631,274	-	-
	101,832,847	414,968,852	95,406,970	387,924,740

(a) A 9-year term loan of USD50,000,000 with the 1<sup>st</sup> instalment payable upon the expiry of the 3 years grace period from the date of the first drawdown in June 2018. The principal repayment amounts to USD400,000 per month for the 4<sup>th</sup> year to 6<sup>th</sup> year, USD467,000 per month for the 7<sup>th</sup> year, USD1,200,000 per month for 8<sup>th</sup> year to 9<sup>th</sup> year and a final instalment of USD2,396,000 on the last month in the 9<sup>th</sup> year.

(b) Term loan of USD50,000,000 for a maximum of 9 years from the date of first drawdown. The first year's principal repayment amounts to USD3,000,000 on 20 December 2020, USD2,500,000 per semi-annual

for the 2<sup>nd</sup> year, USD3,000,000 per semi-annual for the 3<sup>rd</sup> year, USD3,500,000 per semi-annual for the 4<sup>th</sup> year to 6<sup>th</sup> year, USD3,750,000 per semi-annual for the 7<sup>th</sup> year to 8<sup>th</sup> year.

(c) A 5 years term loan of USD9,500,000 and KHR10,310,000,000 which will be paid upon the expiry of the 1-year grace period from the date of disbursement or in April 2020, whichever is later. Each monthly instalment shall be a fixed principal amount and interest accrues. The monthly principal instalment is amounting to USD197,917 and KHR214,791,700 for a period of 48 months upon the same date of the following month of the disbursement.

The effective interest rates of the borrowings are as follows:

	(Reviewed but	
	unaudited)	(Audited)
	31 December 2019	30 June 2019
	%	%
Bank overdrafts (a)	8.5	8.5
Revolving credit (b)	7.2 to 8.5	7.2 to 8.5
Murabahah facilities (c)	6.3 to 6.5	6.3 to 6.5
Syndicated financing facilities (d)	6.4	6.4
Term Ioan (e)	8	-

(a) The Group entered into facility agreement to pay for its business activities.

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

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

(e) On 9 September 2019, the Group entered into a term loan agreement with a bank to support the development of (i) A 115kV double circuits transmission line for 75km + 3km from Oddor Meanchey to Siem Reap, (ii) A 115/22kV Oddor Meanchey substation, and (iii) A 230/22kV Bek Chan (Posenchey) substation.

The above facilities are secured by the following:

Bank overdrafts

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

(a.2) Deposits with a licensed bank of the Group have been pledged as security for overdrafts, as disclosed in note 11 (b).

#### Revolving credit

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

#### Murabahah facilities

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

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

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

Syndicated financing facilities

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

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

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

(d.4) Corporate guarantee from ultimate holding company, Pestech International Berhad.

#### Term loan

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

15	Derivative financial instruments				
		(Reviewed	but unaudited)		(Audited)
		31 [	December 2019		30 June 2019
	Notional value		Fair value	e liabilities	
	USD	USD	KHR'000	USD	KHR'000
			(Note 3)		(Note 3)
Interest	rate swaps 50,000,000	2,607,729	10,626,496	1,824,095	7,416,770

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

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

#### 16 Revenue and cost of sales and construction

		(Reviewed but diluddited)			
		For the six-month period ended 31 December 201			
	Construction				
	contract and	Sale of			
	service rendered	materials	То	tal	
	USD	USD	USD	KHR'000	
				(Note 3)	
Revenue	20,992,868	323,911	21,316,779	86,375,589	
Cost of sales and construction	(8,338,884)	(328,054)	(8,666,938)	(35,118,433)	
	12,653,984	(4,143)	12,649,841	51,257,156	

#### (Unreviewed and unaudited)

(Reviewed but unaudited)

For the six-month period ended 31 December 2018

	Construction			
	contract and	Sale of		
	service rendered	materials	То	tal
	USD	USD	USD	KHR'000
				(Note 3)
Revenue	16,029,665	-	16,029,665	64,839,995
Cost of sales and construction	(13,495,344)	-	(13,495,344)	(54,588,666)
	2,534,321	-	2,534,321	10,251,329

	(Reviewed bu	ut unaudited)	(Unreviewed a	Ind unaudited)
	For the six-month	period ended	For the six -mon	th period ended
	31 C	December 2019	31	December 2018
	USD	KHR'000	USD	KHR'000
		(Note 3)		(Note 3)
Timing of revenue recognition:				
Over time	20,992,868	85,063,101	16,029,665	64,839,995
Point in time	323,911	1,312,488	-	-
	21,316,779	86,375,589	16,029,665	64,839,995

#### 17 Other income

17 1	Other Income					
		(Reviewed but unaudited)		(Unreviewed and unaudited)		
		For the six-month	period ended	For the six-mon	th period ended	
		31 De	ecember 2019	31	December 2018	
		USD	KHR'000	USD	KHR'000	
			(Note 3)		(Note 3)	
Unrealise	d foreign exchange gain	129	523	1,137,272	4,600,265	
Other inc	ome	57	231	146	591	
		186	754	1,137,418	4,600,856	

#### **Operating expenses** 18

18 Operating expenses				
	(Reviewed but unaudited)		(Unreviewed and unaudited)	
	For the six-month	n period ended	For the six-month period ende	
	31 D	December 2019	31	December 2018
	USD	KHR'000	USD	KHR'000
		(Note 3)		(Note 3)
Depreciation	589,440	2,388,411	182,381	737,731
Withholding taxes	530,371	2,149,063	210,284	850,599
Labor costs	267,957	1,085,762	224,220	906,970
Bank charges	23,675	95,931	49,393	199,795
Professional fees	16,827	68,183	219,616	888,347
Amortisation	1,248	5,057	2,100	8,495
Social contribution	500	2,026	16,357	66,164
Rental	-	-	34,667	140,228
Other expenses	39,565	160,317	52,656	212,992
	1,469,583	5,954,750	991,674	4,011,321

#### 19 Finance cost

	(Reviewed but unaudited) For the six-month period ended		<i>(Unreviewed and unaudited</i> For the six-month period end	
	31 D	ecember 2019	31	December 2018
	USD	KHR'000	USD	KHR'000
		(Note 3)		(Note 3)
Interest expense for:				
Bank overdrafts	115,360	467,439	113,116	457,554
Revolving credit	71,795	290,913	31,670	128,105
Murabahah facilities	1,383,741	5,606,919	1,070,922	4,331,880
Syndicated financing facilities	1,441,837	5,842,324	-	-
Term loan	53,534	216,919	-	-
Interest expense related to lease				
liabilities	4,823	19,543	-	-
	3,071,090	12,444,057	1,215,708	4,917,539

#### 20 Income tax expense

#### Company

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

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

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

#### **Subsidiaries**

In accordance with the Income Tax Law of the Republic of the Union of Myanmar, PML and PHCL have the obligation to pay corporate income tax at the rate of 25% of taxable income. They are not subject to corporate income tax for the year ended 30 June 2019 and period ended 31 December 2019 as they have not started their commercial operations.

#### Group

The major components of tax expense and the reconciliation of the expected tax expense based on the statutory tax rate of 20% and the reported tax expense in the Group's interim statement of profit or loss and other comprehensive income are as follows:

			(Unre	eviewed and
	(Reviewed but unaudited)		unaudited)	
	For the six-	month period	For the six-r	nonth period
	ended 31 De	ecember 2019	ended 31 De	cember 2018
	USD	KHR'000	USD	KHR'000
		(Note 3)		(Note 3)
Estimated accounting profit before tax	8,109,983	32,861,651	1,466,026	5,930,076
Adjustment for:				
Less: Tax credit	(576,077)	(2,334,263)	(489,785)	(1,981,180)
Estimated taxable income	7,533,906	30,527,388	976,241	3,948,896
Income tax expense (at 20%)	1,506,781	6,105,477	195,248	789,778
Minimum tax (at 1%)	213,168	863,757	160,297	648,401
Estimated income tax expense, whichever is higher	1,506,781	6,105,477	195,248	789,778
Estimated income tax expense comprises:				
Current tax expense	1,506,781	6,105,477	195,248	789,778
Estimated income tax expense	1,506,781	6,105,477	195,248	789,778

The Group's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported in the condensed interim financial information could change at a later date upon final determination by the tax authorities.

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

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

#### 21 Reconciliation of liabilities arising from financing activities

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

	(Audited)			(Reviewe	ed but unaudited)
	1 July 2019	Cash f	lows		31 December 2019
		Proceeds	Repayment		
	USD	USD	USD	USD	KHR'000
					(Note 3)
Borrowings					
Revolving credit	1,499,256	5,458,988	(4,175,049)	2,783,195	11,341,520
Murabahah facilities	45,406,970	1,909,000	-	47,315,970	192,812,578
Syndicated financing					
facilities	50,000,000	-	-	50,000,000	203,750,000
Term loan	-	10,016,877	-	10,016,877	40,818,774
Lease liabilities	146,249	-	(29,677)	116,572	475,031
	97,052,475	17,384,865	(4,204,726)	110,232,614	449,197,903

[The remainder of this page was intentionally left blank.]

#### 22 Related party balances and transactions

The following balances are outstanding with the related parties:

		(Reviewe	ed but unaudited)		(Audited)
Related party	Relationship		31 December 2019		30 June 2019
		USD	KHR'000	USD	KHR'000
			(Note 3)		(Note 3)
Amounts due from related parties					
Diamond Power Limited	Fellow subsidiary	1,275	5,195	674,474	2,742,411
Pestech Sdn Bhd	Fellow subsidiary	924,783	3,768,491	-	-
Pestech Power Sdn Bhd	Fellow subsidiary	2,300,000	9,372,500	1,270,000	5,163,820
		3,226,058	13,146,186	1,944,474	7,906,231
Amounts due to related parties					
Enersol Co., Ltd	Fellow subsidiary	23,238,273	94,695,962	21,876,125	88,948,324
Pestech Energy Sdn Bhd	Fellow subsidiary	862,000	3,512,650	-	-
Pestech Transmission Sdn Bhd	Fellow subsidiary	431,686	1,759,121	1,141,453	4,641,148
	v.	24,531,959	99,967,733	23,017,578	93,589,472
Amount due to holding company					
		60,803,388	247,773,806	59,557,824	242,162,112

The amounts due from/to related parties are unsecured, interest free and repayable on demand.

During the period/year, the following transactions with related parties are recorded:

Related party	Relationship	nship Transactions		(Reviewed but unaudited) For the six-month period ended 31 December 2019		(Audited) For the six-month period ended 30 June 2019	
			USD	KHR'000 (Note 3)	USD	KHR'000 (Note 3)	
Diamond Power Limited	Fellow subsidiary	Operation and maintenance revenue	675,745	2,738,119	2,405,949	9,782,588	
Pestech Power Sdn Bhd	Fellow subsidiary	Advance payment	1,030,000	4,173,560	1,270,000	5,163,820	
Pestech Sdn Bhd	Fellow subsidiary	Contract cost Advance received	2,928,725 750,000	11,867,194 3,039,000	36,501,022 -	148,413,155 -	
Enersol Co., Ltd	Fellow subsidiary	Contract cost	1,050,000	4,254,600	38,723,524	157,449,849	
Pestech Transmission Sdn Bhd	Fellow subsidiary	Contract cost	-	-	1,141,453	4,641,149	
Pestech International Berhad	Holding company	Management fee	1,208,482	4,896,769	301,400	1,225,509	

#### 23 Transactions with key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management includes the directors of the Company.

(Reviewed but unaudited)		(Unreviewed and unaudited		
For the six-month period ended		For the six-month	period ended	
31 December 2019		31 D	ecember 2018	
USD	KHR'000	USD	KHR'000	
	(Note 3)		(Note 3)	
142,000	575,384	155,954	630,834	
	For the six-mo	For the six-month period ended 31 December 2019 USD KHR'000 (Note 3)	For the six-month period endedFor the six-month31 December 201931 DUSDKHR'000USD(Note 3)	

#### 24 Categories of financial instruments

The table below provides an analysis of financial assets instruments categorised as and measured at amortised cost and financial liabilities categorised as other liabilities measured at amortised cost.

	(Reviewed but unaudited) 31 December 2019			(Audited) 30 June 2019
	USD	KHR'000	USD	KHR'000
Financial assets		(Note 3)		(Note 3)
Trade and other receivables	349,693	1,424,999	7,912,246	32,171,192
Cash and cash equivalents	5,005,547	20,397,604	13,055,979	53,085,611
Amounts due from related parties	3,226,058	13,146,186	1,944,474	7,906,231
	8,581,298	34,968,789	22,912,699	93,163,034
	(Reviewed	d but unaudited)		(Audited)
	31	l December 2019		30 June 2019
	USD	KHR'000	USD	KHR'000
Financial liabilities		(Note 3)		(Note 3)
Trade and other payables	8,151,158	33,215,969	8,317,219	33,817,812
Amount due to holding company	60,803,388	247,773,806	59,557,824	242,162,112
Amounts due to related parties	24,531,959	99,967,733	23,017,578	93,589,472
Borrowings	112,946,842	460,258,382	99,587,252	404,921,767
Lease liabilities	116,572	475,031	-	-
Derivative financial instruments	2,607,729	10,626,496	1,824,095	7,416,770
	209,157,648	852,317,417	192,303,968	781,907,933

#### 25 Contingencies and commitments

(a) Capital commitments

	(Reviewed but unaudited) 31 December 2019		(Audited) 31 June 2019	
	USD	KHR'000 (Note 3)	USD	KHR'000 (Note 3)
Authorised and contracted for: Property, plant and equipment	31,800	129,585	150,562	612,185

#### 26 Contingencies

#### Contingent liabilities

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

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

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

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

#### 27 Subsequent events

On 11 March 2020, the World Health Organisation (WHO) officially declared Covid-19, the disease caused by novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the Company, the economy and the general population in the Kingdom of Cambodia. The extent of the impact of Covid-19 on the Company's operational and financial performance will depend on future developments, including the duration and spread of the outbreak. Management has not yet determined the financial impact of these events.

[The remainder of this page was intentionally left blank.]



#### ຎີອິສບຕຸກກໍ່ຕີກາຕສູຍເສຼອໄລຕໍ່ສົຍເລ

យើងខ្ញុំបានផ្ទៀងផ្ទាត់ព័ត៌មានដែលមានក្នុងឯកសារផ្តល់ព័ត៌មាននេះ ដោយយកចិត្តទុកដាក់ក្នុងនាមយើងខ្ញុំជាអ្នក តំណាងរបស់ **ក្រុមហ៊ុន វេសថិក (ខេមប្ចូឌា) ម.ក**។ យើងខ្ញុំស្ងួមបញ្ជាក់ថា ព័ត៌មានទាំងនេះគឺពិតប្រាកដ ត្រឹមត្រូវ និងពេញលេញ ហើយមិនមានសេចក្តីផ្លែងណាមួយ ក្នែងបន្ធំ ឬខុស ឬការលុបចោល នូវព័ត៌មានពិតសំខាន់១ណាមួយ ដែលគួរត្រូវបានបញ្ជាក់នៅក្នុងឯកសារផ្តល់ព័ត៌មាននេះ។ យើងខ្ញុំស្ងួមអះអាងថា របាយការណ៍ហិរញ្ញវត្ថុ និងព័ត៌មានហិរញ្ញវត្ថុទាំងអស់ ដែលជាផ្នែកមួយនៃឯកសារផ្តល់ព័ត៌មាននេះ ដែលបានបង្ហាញ គឺជាព័ត៌មានពិតប្រាកដ ត្រឹមត្រូវ និងពេញលេញ និងមានព័ត៌មានសំខាន់១ទាំងអស់ ដែលទាក់ទងនឹងស្ថានភាពហិរញ្ញវត្ថុ ប្រតិបត្តិការ អាជីវកម្ម និងលំហូរសាច់ប្រាក់របស់ ក្រុមហ៊ុន វេសថិក (មេមហ្វូខា) ម.ក ពិតប្រាកដមែន ។

ដូចច្នេះ ដើម្បីជាសក្ខីកម្មបង្ហាញថា ឯកសារទាំងអស់គឺដូចគ្នានឹងឯកសារច្បាប់ដើមរបស់ **ក្រុមហ៊ុន វេសថិក** (ខេមហ្វូខា) ម.ក ឯកសារទាំងអស់ត្រូវបានប្រថាប់ត្រារបស់ក្រុមហ៊ុន នៅគ្រប់ទំព័រនៃឯកសារទាំងអស់។ ប្រសិនបើ គ្មានត្រារបស់ **ក្រុមហ៊ុន វេសថិក (ខេមហ្វូខា) ម.ក** ទេ យើងខ្ញុំនឹងចាត់ទុកថា ឯកសារនោះមិនមែនជាព័ត៌មានដែល យើងខ្ញុំបានបញ្ជាក់នោះទេ។

អ្នកតំណាងត្រូវបានប្រគល់ត	បិទ្ធិរបស់ <b>ក្រុមហ៊ុន ផេសថិក (</b>	ខេមបូខា) ម.ក៖	
ណ្មោះ	មុខដំណែង	្រ ហត្ថលេខា	/ កាលបរិច្ឆេទ
លោក LIM PAY CHUAN	ប្រធានក្រុមប្រឹក្សាភិបាលប្រ	ñuĝ	>06-2223-6060
ឈ្មោះ	មុខដំណែង	រ ហត្ថលេខា	កាលបរិច្ឆេទ
លោត LIM AH HOCK	អភិបាល	Alle	06-222-6000
PESTECH (CA	MBODIA) PLC. (	0000057)	CONSTRANCE CONSTRANCE (CONSTRANCE) CONSTRANCE PESTECH (CAMBODIA) PLC CONTOF CAMBODIA
(A PESTECH Compar		0000957)	

No. 06, St. 588, Sangkat Boeung Kok II, Khan Toul Kork, Phnom Penh, CAMBODIA. Tel: +855 23 882 105 | Fax: +855 23 882 106 Customer care line: 1700 81 9001 [Within Malaysia] | +6012 236 9226 [Outside Malaysia] Website: www.pestech-international.com

### PESTECH (CAMBODIA) PLC. Registration No.: 00000957

#### Corporate Office:

No. 06, St. 588 Sangkat Boeung Kok II Khan Tuol Kork, Phnom Penh, CAMBODIA. Tel : +855 23 882 105 Fax: +855 23 882 106 Website : www.pestech.com.kh