



PESTECH (CAMBODIA) PLC

Annual Report 2020

**For the financial year ended
30 June 2020**

Vision

To Be ***Consistently Dependable and Value Add*** as a Sustainable Electrical Infrastructure Builder.

Mission

To be **EFFECTIVE** in performing our duties and providing services to internal and external customers.

To be **EFFICIENT** in handling our duties and services to achieve maximum results in shortest possible time.

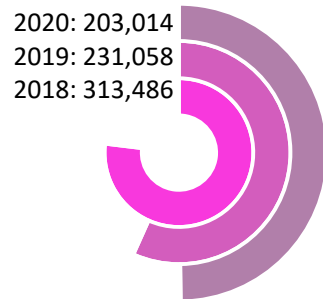
To be **EXCELLENT** in our performance to exceed customer requirements and value add to their investment.

Financial Highlights

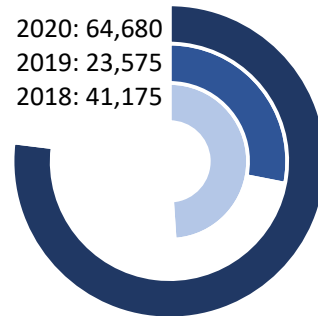
Description		FY2020 KHR'mil	FY2019 KHR'mil	FY2018 KHR'mil
Financial Position				
Total Assets		1,016,112	842,290	615,259
Total Liabilities		946,155	785,679	502,377
Total Shareholders' Equity		69,957	56,611	112,882
Profit/ (Loss)				
Total revenues		203,014	231,058	313,486
Profit/ (Loss) before Tax		37,776	9,529	40,488
Profit/ (Loss) after Tax		29,443	7,218	30,803
Total Comprehensive income		13,325	(199)	30,803
Financial Ratios				
Solvency ratio		7.43%	0.63%	44.23%
Debt to equity ratio		13.52	13.88	4.45
Liquidity ratio	Current ratio	0.28	0.33	0.03
	Quick ratio	0.24	0.33	0.03
Profitability ratio	Return on assets	2.90%	0.86%	5.01%
	Return on equity	42.09%	12.75%	27.29%
	Profit margin	14.50%	3.12%	9.83%
	Gross profit margin	38.02%	12.42%	18.39%
	Earnings per share (for equity listed entity)	KHR 414.69	KHR 101.66	KHR 433.85
Interest Coverage ratio		2.39	1.67	59.85
Dividend per share (if any) (for equity listed entity)		-	-	-
Other Important Ratios (if any)		-	-	-

Financial Summary Charts

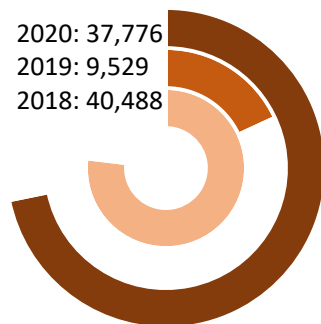
REVENUE (KHR'mil)



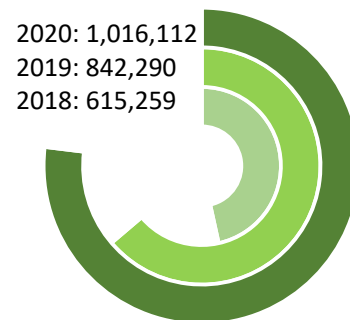
EBIT (KHR'mil)



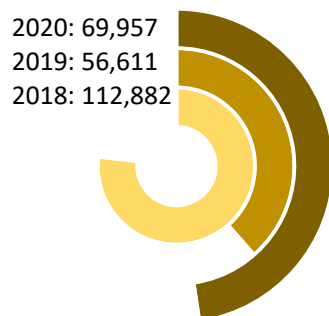
PBT (KHR'mil)



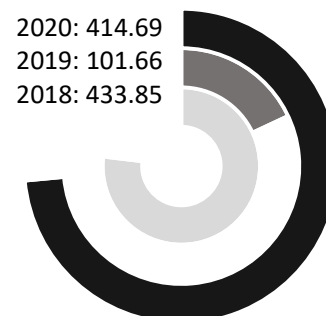
TOTAL ASSETS (KHR'mil)



SHAREHOLDER'S EQUITY (KHR'mil)



EPS (KHR)



Board of Directors



Paul Lim Pay Chuan, Chairman



Lim Ah Hock, Director



Han Fatt Juan, Executive Director/Chief Executive Officer



Charles Tan Pu Hooi, Director



Dav Ansan, Independent Non-Executive Director

Message from Chairman

Dear Shareholders,

It is with great pleasure for me to present to you the inaugural annual report of PESTECH (Cambodia) Plc. ("PCL") post its listing on the Cambodia Securities Exchange ("CSX").

The listing exercise of PCL is part of our long term corporate development plan. The management of PCL has charted the vision of corporatization of PCL since its inception in 2010, whilst diligently grooming its business expansion, market reach, internal governance and control, and social responsibility activities throughout the years.

The path of initial public offering for PCL took its planned development course until its readiness and fruition on 12 August 2020 when the listing exercise was completed successfully. PCL becomes, currently, the first power infrastructure industry player that is listed on CSX.

This would be an important step for PCL to put its mark on the nascent capital market in Cambodia, incubating the potential of developing a Cambodia home grown power infrastructure brand name to serve the Mekong region, through exportation of knowhow, services, and products in the power industry.

The listing of PCL is not conditional upon the overall macro-economic development. We embarked on the listing exercise in line with our group's aspiration to build a Cambodian power infrastructure industry public company that is able to serve the CLMV region.

PCL has been growing along with the rapid development of the Cambodia since 2010. The management sees an abundance of opportunities for power sector development in this country with stable economic and political environment. In addition to that, most of the power infrastructure development in the CLMV countries are to serve the social development needs rather than industrialization requirements. We, therefore, believe the demand for electric infrastructure will remain robust in the region.

The progressive efforts by Electricite du Cambodge ("EDC") in improving the power infrastructure and quality of energy supply to the people in Cambodia auger well with the long term business development plan of PCL in the country.

One of our aims is to build a capable local Cambodian team, with technical knowhow, engineering and design expertise, and project execution management competency such that PCL is always well equipped and ready to serve the fast growing power infrastructure development requirements in Cambodia.

We are optimistic on the sustainable growth potential of PCL, and hope to gain your continuous support along the way.

Thank you.



Lim Pay Chuan
Chairman



Date : 25 SEP 2020

Message from Chief Executive Officer

Greetings dear Shareholders!

PESTECH (Cambodia) Plc. ("PCL") has remained focused on serving the CLMV market, especially Cambodia, since its establishment in 2010. We have, thus far, completed several high voltage transmission line and substation projects whilst continuously working on a few others in parallel with the nation's grid building masterplan.

During the financial year, PCL managed to complete one of the first 500kV transmission line of about 140km in length, which was part of the 190km transmission line system from Sihanoukville to Bek Chan. We also successfully delivered the 115/22kV Oddor Meanchey Substation and 230/22kV Bek Chan Substation in December 2019, together with the completion of the 115kV transmission line from Siem Reap to Oddor Meanchey.

The completion of these projects triggered their respective payment obligation schedule, which also signified the commencement of cashflow generation phase of these projects for the next few years. The cash inflow will gradually reduce the borrowing exposure of PCL, whilst starting to accumulate free cashflow for the Company.

In the meantime, the sales team already started their effort in identifying new potential projects in order to build up order book that will be able to support the Company in its continuous business growth path.

Currently, our services are mainly provided on a contract basis for the design, procurement, construction, installation and commissioning ("EPCC") of HV and EHV substations, HV and EHV transmission lines as well as underground power cable systems for electricity transmission and distribution. In the near future, PCL will also start to engage in the EPCC of renewable energy related project, including photovoltaic power plant, and waste to energy plant.

PCL strongly believes that sustainable and renewable energy sector will be the forefront of the power industry development in the near future. This will be even more prominent in the rural electrification scenario, where offgrid renewable power supply coupled with green and sustainable power storage solution will be the preferred offering to the rural population in the CLMV region, where most of the demand for power is yet to be satisfied.

We are cognisance in this area, and are well prepared to drive towards renewable energy opportunities especially in Cambodia and Myanmar. PCL has established its subsidiaries in Myanmar, with its local team starting to explore certain identified prospects which mark the first foray of PCL into this segment of power business.

As we move towards the new financial year 2021, our current order in hand of approximately USD104 million will assure our performance of the Company for the next two (2) years. In addition to that, we are confident that there are ample opportunities in the fast growing Mekong region that we are serving to continue replenishing our order book.

We are determined to bring continuous growth to PCL, and deliver positive returns to our shareholders, whilst helping the countries we served in the CLMV region to enhance their power infrastructure.

Thank you

Han Fatt Juan
Chief Executive Officer



Date : 25 SEP 2020

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Appendix: Annual Corporate Governance Report determined by the Director General of the **SECC**.

PART 1 - GENERAL INFORMATION OF THE LISTED ENTITY

A. Identity of the Listed Entity

Name of the listed entity in Khmer : ផេសតិច (ខេមបូឌា) ម.ក

In Latin : **PESTECH (Cambodia) PLC**

Standard code : **PEPC**

Address : **No. 6, Street 588, Sangkat Boeung Kok II, Khan Toul Kork, Phnom Penh, Cambodia**

Phone number : **+855 23 882 105**

Fax : **+855 23 882 106**

Website : www.pestech.com.kh

Email: **info@pestech.com.my**

Company registration number : **00000957**

Date : **5 February 2010**

License number : **326 Brk.DnS/ASN**

Issued by: **MLMUPC** Date: **20 December 2018**

Disclosure document registration number by SECC : **១៧១/២០ គ.ម.ក / ស.ស.វ. (171/20 SECC/SSR)**

SECC Date : **២២ កក្កដា ២០២០ (22 July 2020)**

Representative of the listed entity : **Paul Lim Pay Chuan**

B. Nature of Business

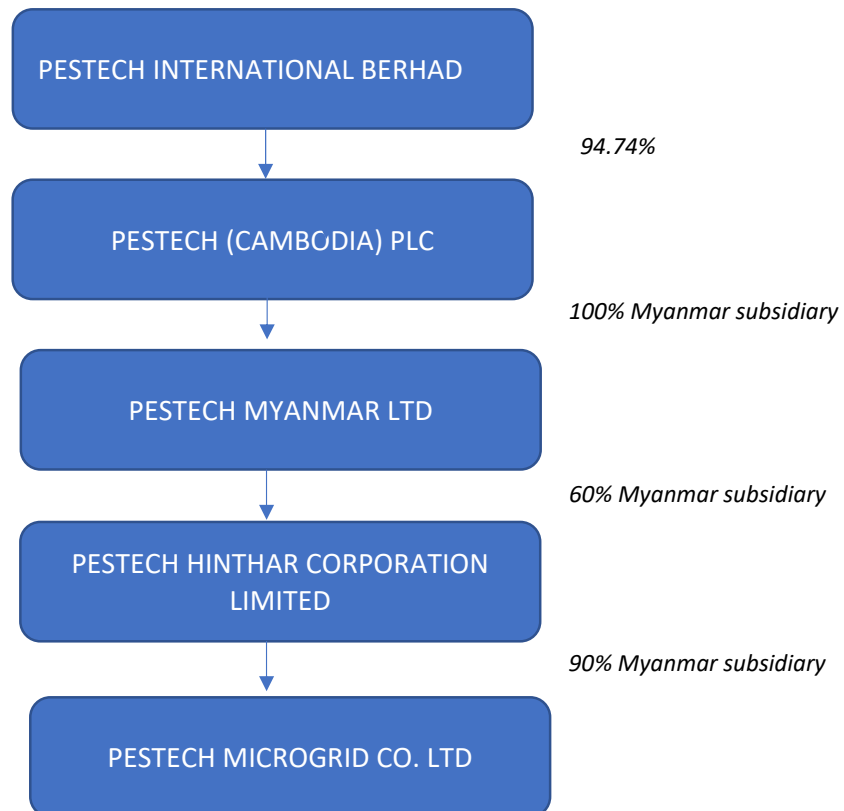
PCL is principally engaged in the provision of comprehensive power system engineering and technical solutions for the:

- 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;
- operation and maintenance (“O&M”) of electric transmission line and substation; and
- trading of proprietary and non-proprietary power system components and equipment.

C. Group Structure of the Listed Entity

No.	Company name	Type of Relation	Percentage of Shareholding	Core Business	Company Registration Date	Business Address
1.	PESTECH International Berhad	Holding company	94.74%	Investment holding and provision of management services	10 June 2011	No. 26, Jalan Utarid U5/14, Seksyen U5, 40150, Shah Alam, Selangor Darul Ehsan, Malaysia
2.	PESTECH (Myanmar) Limited	Subsidiary	100%	Provision of comprehensive powers system engineering, construction, design, installation related services in power industry	24 March 2017	Level 10, Unit 01-05, Junction City Office Tower, Corner of Bogyoke Aung San Road and 27 th Street Pabedan Township, Yangon, Myanmar
3.	PESTECH Hinthar Corporation Limited	Subsidiary	60%	Establish the infrastructure of power sector and promote the power segments such as power generation, power transmission and power distribution, microgrid system and other power infrastructure to the rural areas in Myanmar.	24 June 2019	Thapyaynyo Street, No. 3E Shinsawpu ward, Sannchaung Township, Yangon Myanmar

No.	Company name	Type of Relation	Percentage of Shareholding	Core Business	Company Registration Date	Business Address
4.	PESTECH Microgrid Company Limited	Subsidiary	90%	Provision of microgrid system and other power infrastructure to the rural areas in Myanmar.	14 February 2020	Level 10, Unit 01-05, Junction City Office Tower, Corner of Bogyoke Aung San Road and 27 th Street Pabedan Township, Yangon, Myanmar



D. The Listed Entity's Milestones

PCL was previously known as Tajri-Pestech JV Limited and was incorporated on 5 February 2010 as a Single Member Private Limited Company in Cambodia.

As of to-date, PCL had completed the following projects:-

Project scope	Client	Project duration	Contract value USD million	Contract Value *KHR million
Battambang Project ⁽¹⁾	EDC	Commenced in March 2012 and ended in August 2012	0.2	818.6
North Phnom Penh – Kampong Cham Project ⁽²⁾	Cambodia Transmissi on Limited	Commenced in February 2010 and ended in May 2013	4.5	18,418.5
Sarawak Project ⁽³⁾	PSB	Commenced in May 2015 and ended in July 2015	0.3	1,227.9
Kampong Cham – Kratie Project ⁽⁴⁾	Diamond Power	Commenced in May 2015 and ended in November 2017	17.2	70,399.60
West Phnom Penh – Sihanoukville Project ⁽⁵⁾	Alex Corporatio n	Commenced in April 2015 and ended in January 2020	146.9	601,261.7
Siem Reap – Oddor Meanchey Project ⁽⁶⁾	Schneitec Co., Ltd	Commenced in January 2018 and commissioned in January 2020.	26.0	106,418
Supply TACSR for High Voltage 230kV transmission line from Stung Hav Substation to Chamkarloun Substation.	EDC	Commenced in April 2019 and ended by September 2019	7.5	30,697.5

Notes:

- (1) Contract from the EDC involving the construction of a 115kV transmission line connection from the 230/115kV substation of Cambodia Power Grid Co., Ltd to the 115/22kV substation of Cambodia Power Transmission Lines Co., Ltd. in Battambang Province measuring 0.97 km for a contract value of USD223,407.
- (2) 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.
- (3) Project management and civil construction management service for the construction of 275kV/32kV and 132kV/11kV substations.

- (4) *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.*
- (5) *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 upgraded to 230kV/ 500kV Bek Chan – Sihanoukville Transmission Line and 230/115/22kV substation extension project.*
- (6) *Development of a 115kV transmission line from Siem Reap to Oddor Meanchey, 115/22kV Oddor Meanchey Substation and 230/22kV Bek Chan Substation.*

As at to-date, PCL is involved in the following projects in Cambodia:

<u>Project</u>	<u>Client</u>	<u>Construction duration</u>	<u>Contract value USD million</u>	<u>Contract value *KHR million</u>
Stung Tatay Hydro Power Plant – Phnom Penh Transmission System Project ⁽¹⁾	Alex Corporation	Commenced in April 2017 and ending by April 2021	100.2	410,118.6
Full turnkey engineering, procurement, construction, commissioning of 20 megawatt alternating current (24 megawatt direct current) large scale photovoltaic power plant in Bavet, Suay Rieng Province	Green Sustainable Ventures (Cambodia) Co., Ltd.	9 months	24.0	98,232
Supply, design, construction, erection, installation, testing, commissioning, energisation and handover of 230/11 kV Okvau Transmission Substation	Renaissance Minerals (Cambodia) Ltd	Commenced in March 2020 and ending by March 2021	7.3	29,878.9

Note:

- (1) *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.*

**Based on the exchange rate of USD1: KHR4,093*

E. Market Situation

The consumption or demand for electricity is a key driver of the electricity supply industry, which results in 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 Gross Domestic Product ("**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 kilowatts per hour ("**kWh**") to 532.31 kWh.

Under the Power Development Plan (2008-2021), electricity demand is anticipated to increase rapidly till 2020. Electricity consumption in Cambodia increased from 2,572.74 gigawatts per hour ("**GWh**") in 2011 to 8,649.98 GWh in 2018 at a compound annual growth rate ("**CAGR**") of 18.91%. Smith Zander International Sdn Bhd 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 ("**Government**") to improve electrification rates in the country.

The Government has planned for the increase in installed generation capacity and transmission capacity in order to meet future growth in electricity consumption. 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 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 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 kilometres ("**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 megavolt ampere ("**MVA**").

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 PCL will be able to leverage on the long-term positive outlook of electricity supply industry.

(Source: Report on the Prospects and Outlook of the Electricity Supply Industry in Cambodia as prepared by Smith Zander International Sdn Bhd)

F. Competitive Situation

PCL 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.

G. Future Plan

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

- (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;
- (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 Stock Exchange of Thailand.

H. Risk Factors

(a) Interest rate risks

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.

PCL'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.

Management view and risk mitigation

There has been no material impact of interest rate fluctuations on our Company's historical profits. However, PCL has entered into interest rate swaps contract to hedge the company exposure to interest rate risks on our borrowings. The swap contract allows the Company to raise borrowings at floating rates and swap into fixed rates.

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

(b) Exchange rate risks

PCL's foreign currency exchange risk arises from the transactions denominated in currency other than the USD.

Management view and risk mitigation

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.

(c) Industry risks, risks related to changes in national and international contexts and changes in rules and regulations

(i) Dependency on the demand for electricity supply

Our customers are mainly utility and industrial companies and power infrastructure concessionaires who give out contracts of the relevant electricity infrastructure turnkey works. 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.

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.

(ii) Changes in political, social and regulatory conditions in Cambodia and other countries that we may operate in

PCL is susceptible to changes in political and regulatory conditions in Cambodia, as well as other countries in which we may 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.

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 could operate in the future.

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 and our geographical diversification.

(d) Operational Risks

(i) Day-to-day operational risk and insurance coverage

As PCL is 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.

Management view and risk mitigation

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

- (i) We have taken up personal accident policy for all staff;
- (ii) 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) 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.

(ii) Project-driven performance

PCL's performance is project-driven. 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.

In addition, our Company's performance in a particular financial year may depend substantially on a single project and its phases of its execution.

Management view and risk mitigation

PCL takes 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:-

- (i) 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.

(iii) Project risk

PCL' 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. As such, 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 types of 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.

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.

(iv) Dependency and inability to retain executive directors and senior officers

PCL believes 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.

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.

(v) Dependency on third party to source equipment, components and parts in our Projects

PCL was dependent on PESTECH Sdn. Bhd. (“PSB”) to supply equipment such as switchgear and transformers for our projects and products. We also rely on PSB to source for third (3rd) party fabricators to fabricate metal parts for use in our projects. Furthermore, PSB is also dependent on third (3rd) 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.

Management view and risk mitigation

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

(vi) Third party technical utilisation risk

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.

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.

(vii) Reliance on major customers

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.

Management view and risk mitigation

PCL does 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) our track record offering value add solutions and quality services have ensured customer retention and referral; and

- (ii) 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.

- (viii) Reliance on licenses, permits and other relevant approvals issued by various regulatory authorities in Cambodia

PCL is 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.

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.

(e) Non-operational risks

- (i) Financial Risks Including Liquidity Risk and Credit Risk

Liquidity risk

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

PCL is 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.

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.

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.

Credit risk

PCL is 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.

Management view and risk mitigation

PCL 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 end-customers, which are generally the state-owned utility companies.

(ii) Future capital needs which will require additional financing

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 earnings per share 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.

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.

(f) Litigation risks and contingent liabilities

(i) Litigation risk

PCL 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.

Management view and risk mitigation

PCL 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.

(ii) Tax disputes

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

Management view and risk mitigation

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.

PART 2 - INFORMATION ON BUSINESS OPERATION PERFORMANCE

A. Business Operation Performance including business segment

The main contributor to the revenue for the financial year 2020 and financial year 2019 is the services rendered under turnkey construction contract amounting to KHR201,689 million (FY 2019: KHR201,876 million), which comprised about 99.35% (FY 2019: 87.37%) to the total revenue. Sales of products contributed 0.65% (FY2019: 12.63%) or amounting to KHR1,325 million (FY2019: KHR29,182 million) to the total revenue.

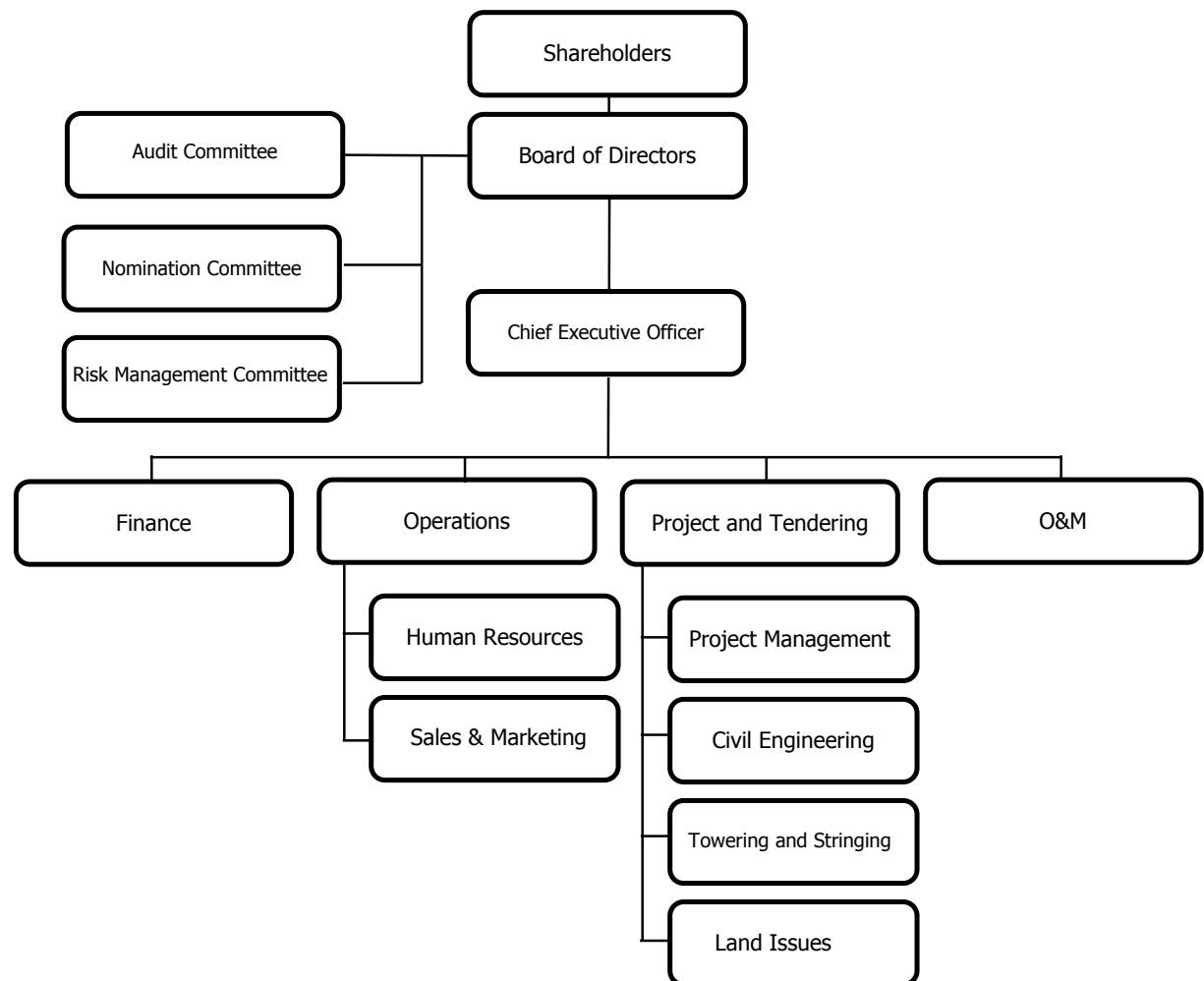
B. Revenue Structure

No	Source of Revenue	FY2020		FY2019		FY2018	
		KHR'mil	%	KHR'mil	%	KHR'mil	%
1	Rendering of services under turnkey construction contract	201,689	99.35	201,876	87.37	313,386	99.97
2	Sale of products	1,325	0.65	29,182	12.63	100	0.03
Total revenue		203,014	100.0	231,058	100.0	313,486	100.0

Please refer to the above

PART 3 - INFORMATION ON CORPORATE GOVERNANCE

A. Organization Structure



B. Board of Director

Board Composition

No	Name	Position	Date of term being director	Expired Date of being Director
1	Paul Lim Pay Chuan	Chairman	5 February 2010	Indefinite
2	Lim Ah Hock	Director	5 February 2010	Indefinite
3	Han Fatt Juan	Executive Director/Chief Executive Officer	27 June 2018	Indefinite
4	Charles Tan Pu Hooi	Director	27 June 2018	Indefinite
5	H.E. Dav Ansan	Independent Non- Executive Director	29 August 2018	28 August 2023

Corporate Secretary Name : Tann Sochan

PART 4 - INFORMATION ON SECURITIES' TRADING AND SHAREHOLDERS OF THE LISTED ENTITY

A. Information on Securities

1. Information on Equity Securities (for equity listed entity)

-Name of equity securities : **PESTECH (Cambodia) PLC**

-Equity securities' symbol : **PEPC**

-Class of equity securities : **Ordinary Share**

-Par value per equity securities : **USD 0.10 or KHR 400**

-IPO Price : **USD 0.76 or KHR3,120**

-The total number of outstanding shares : **74,945,000**

-Market capitalization : **KHR 242,821,800,000 (KHR 3,240 per share as at 22 September 2020)**

-Permitted Securities Market : **Cambodia Securities Exchange** Listing date : **12 August 2020**

2. Information on Debt Securities (for debt listed entity)

Information	Description
Debt securities' type	NA
Symbol	NA
Issuing date	NA
Total amount of debt securities	NA
Total amount of outstanding debt securities	NA
Maturity	NA
Coupon payment schedule	NA
Coupon rate (%)	NA
Total amount of coupon payment	NA
Credit ratings (If any)	NA

3. Other Securities (if any) - Nil

B. Securities' Price and Trading Volume

Securities		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Trading Price	Maximum								3,990	3,400			
	*Average								3,670	3,295			
	Minimum								3,350	3,190			
Trading volume	Maximum								220,236	20,835			
	*Average								111,985	10,572			
	Minimum								3,733	308			

The above information were extracted from CSX 's website based on information as at 22 September 2020, where available.

*Being the average between the maximum and minimum trading price and volume.

C. Controlling Shareholder(s) (30% or more)

No	Name	National	Number of Shares	Percentage
1	PESTECH International Berhad	Malaysia	71,000,000	94.74%
Total			71,000,000	94.74%

The above information were extracted from CSX 's website based on information as at 22 September 2020, where available.

D. Substantial Shareholder(s) (5% or more but less than 30%)

No	Name	National	Number of Shares	Percentage
	NA			
Total				

The above information were extracted from CSX 's website based on information as at 22 September 2020, where available.

E. Information on dividend distribution in the last 3 (three) years (for equity listed entity)

Details of dividend distribution	N-1	N -2	N -3
Net profit	NA	NA	NA
Total cash dividend	NA	NA	NA
Total share dividend	NA	NA	NA
Other dividend	NA	NA	NA
Dividend payout ratio (%)	NA	NA	NA
Dividend yield (%)	NA	NA	NA
Dividend per share	NA	NA	NA

PART 5 - INTERNAL CONTROL AUDIT REPORT BY THE INTERNAL AUDITORS

Our scope of internal control mainly encompasses areas for business process improvements and governance control is managed by our holding company's Internal Audit team in accordance with applicable International standards.

The Internal Control Audit Report by the Internal Auditors will only be available in the next financial year as PCL was only listed on 12 August 2020.

PART 6 - FINANCIAL STATEMENT AUDITED BY THE EXTERNAL AUDITOR

The Audited Financial Statements for the financial year ended 30 June 2020 is as attached.

PART 7 - INFORMATION ON RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

The Listed entity shall disclose material transactions information, with related parties in the last 2 (two) years, specifying name, relation between the listed entity and related parties, size of transaction and the type of interest which arise from that relationship as follows:

- A. Material Transactions with shareholder who hold at least 5% or more shares of outstanding equity securities.

There were no material transactions with shareholder who hold at least 5% or more shares of outstanding equity securities in the last two (2) years.

- B. Material Transactions with Director and Senior Officer

There were no material transactions with Director and Senior Officer in the last two (2) years.

- C. Transactions with Director and Shareholder related to buy/sell asset and service

There were no transactions with Director and Shareholder to buy/sell asset and service in the last two (2) years.

- D. Material transactions with immediate family members of the director, Senior Officer and Shareholder who hold at least 5% or more shares

There were no material transactions with immediate family members of the director, Senior Officer and Shareholder who hold at least 5% or more shares in the last two (2) years.

- E. Material transactions with the person, who associated with director of the listed entity, its Subsidiary or Holding Company, whose relationship has occurred in any transactions or have been made by the listed entity

There were no material transactions with the person, who associated with director of the listed entity, its Subsidiary or Holding Company, whose relationship has occurred in any transactions or have been made by the listed entity.

- F. Material transactions with former director or person who involved with former director

There were no material transactions with former director or person who involved with former director.

G. Material transactions with director who is holding any position in a non-profit organization or in any other company other than the listed entity

There were no material transactions with director who is holding any position in a non-profit organization or in any other company other than the listed entity.

H. Material transactions with directors who get benefit either finance or non-financial from the listed entity.

There were no material transactions with directors who get benefit either finance or non-financial from the listed entity.

PART 8 - MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")**A. Overview of operations****1. Revenue Analysis**

The revenue for the financial year 2020 recorded at KHR203,014 million representing a decrease of KHR28,044 million or 12% as compared to the financial year 2019. The decrease was mainly due to the delay of project execution and sales of products during the pandemic period from March 2020 to May 2020. In any case, the major part of PCL's revenue derived from contract execution and products sales to the electric utilities that strive to provide reliable and secured electric supply to their clients. This has directly, enable PCL to gain the opportunities to fulfil its clients' demands and requirements.

During the financial year 2020, two (2) of the main projects which are West Phnom Penh Sihanoukville Project and Siem Reap Oddor Meanchey Project have completed. Both the projects contributed KHR96,632 million to the revenue in financial year 2020.

2. Revenue by segment analysis

The main contributor to the revenue for the financial year 2020 and financial year 2019 is the services rendered under turnkey construction contract amounting to KHR201,689 million (FY 2019: KHR201,876 million), which comprised about 99.3% (FY 2019: 87.4%) to the total revenue. Sales of products contributed 0.7% (FY2019: 12.6%) or amounting to KHR1,325 million (FY2019: KHR29,182 million) to the total revenue.

3. Gross profit margin analysis

Gross profit in the financial year 2020 was recorded at 38% as compared to 13% in the financial year 2019, representing an increase of 25%. Higher gross profit margin in financial year 2020 was attributable to completion of two majors projects. Our average gross profit margin is in the region of 20% to 25%.

4. Profit/ (Loss) before tax analysis

Profit before Tax ("**PBT**") for the financial year recorded at KHR37,776 million, representing an increase of KHR28,247 million as compared to the PBT for the financial year 2019 at KHR9,529 million. The higher PBT in financial year 2020 was due to higher profit margin attributable to completion of two majors projects.

5. Profit/ (Loss) after tax analysis

Profit After Tax ("**PAT**") recorded at KHR29,443 million, representing an increase of KHR22,225 million as compared to the PAT for the financial year 2019 at KHR7,218 million. The higher PAT in financial year 2020 was due to higher profit margin attributable to completion of two majors projects.

B. Significant factors affecting profit

The significant factors affecting our profit are mainly contributed by the cycle of the ongoing project during the year under review. This includes the various stages of the project, such as design, planning, civil construction, delivery, installation and commissioning phases. With the ongoing of various projects at the same times, these effects maybe mitigated through different phases of each projects that average our gross profit margin.

The cost of equipment or raw materials incurred in the execution of our projects are subject to price fluctuations, the percentage of the raw materials and consumables for the year under review will affect the profitability of the company. In the year under review, the percentage of raw materials and consumables to revenue is 48% compared to 77% in financial year 2019. However, the equipment and raw materials associated to each job sourced and budgeted during the proposal stage were costed for each project accordingly. The fluctuations of raw material prices are generally passed on the component manufacturers, wherever possible.

Any delay in the delivery of major third party equipment from overseas may delay our project execution and incur extra cost to the project that was not budgeted.

C. Material changes in sales and revenue

For the financial year 2020, the revenue for the financial year 2020 recorded at KHR203,014 million representing a decrease of KHR28,044 million or 12% as compared to the financial year 2019. The decrease was mainly due to the delay of project execution and sales of products during the pandemic period from March 2020 to May 2020.

D. Impact of foreign exchange, interest rates and commodity prices

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 year. The exposure on foreign exchange is mainly due to reporting purpose.

For interest rate risk, PCL is exposed to the changes through floating rate instrument, i.e. borrowings at variable rates.

There was no material impact due to fluctuations of commodity prices.

E. Impact of inflation

Our overheads are subject to the impact of inflation, which is about 15% of our revenue. However, the inflation in Cambodia of 3.22% (as of June 2020), only posed about 0.48% impact to our profit. All other operating costs are fixed price for the whole duration of the contract. Other than the aforesaid, there was no other material impact due to inflation.

F. Economic / fiscal / monetary policy of Royal Government

There was no material change in the economic, fiscal, monetary policy of Royal Government or factors that have materially impacted to the financial result during the year.

PART 9 - OTHER NECESSARY INFORMATION FOR INVESTORS PROTECTION (IF ANY)

There was no other necessary information for investors protection to be disclosed.

Signature of Director of the Listed Entity

Read and Approved by:

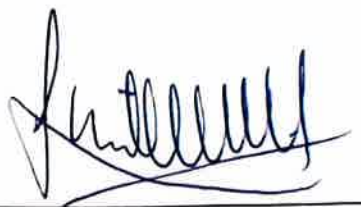


Signature

Name : Paul Lim Pay Chuan

Position : Executive Chairman

Read and Approved by:

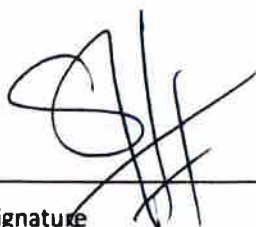


Signature

Name : Lim Ah Hock

Position : Director

Read and Approved by:



Signature

Name : Han Fatt Juan

Position : Executive Director/Chief Executive
Officer

Read and Approved by:



Signature

Name : Charles Tan Pu Hooi

Position : Director

Read and Approved by:



Signature

Name : Dav Ansan

Position : Independent Non-Executive Director