

PESTECH

PESTECH INTERNATIONAL BERHAD

(Co. No. 948035-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND YEAR ENDED 30 JUNE 2017

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30 Jun 2017 RM'000	Preceding year corresponding quarter 30 Jun 2016 RM'000	Current year 30 Jun 2017 RM'000	Preceding year corresponding period 30 Jun 2016 RM'000
Revenue	114,582	190,668	508,178	517,551
Cost of sales	(54,985)	(131,501)	(354,478)	(367,843)
Gross profit	59,597	59,167	153,700	149,708
Other income	21,460	(8,552)	33,319	19,300
Administration expenses	(14,457)	(14,819)	(39,396)	(55,404)
Profit from operations	66,600	35,796	147,623	113,604
Finance costs	(4,182)	(6,914)	(11,649)	(9,462)
Profit before taxation	62,418	28,882	135,974	104,142
Income tax expense	(11,559)	5,744	(15,743)	(7,530)
Profit for the period	50,859	34,626	120,231	96,612
Other comprehensive income:				
Exchange translation differences	(11,258)	8,004	(1,720)	7,701
Total comprehensive income for the period	39,601	42,630	118,511	104,313
Profit for the period attributable to:				
Equity holders of the Company	41,683	22,465	90,918	69,876
Non-controlling interest	9,176	12,161	29,313	26,736
	50,859	34,626	120,231	96,612
Total comprehensive income attributable to:				
Equity holders of the Company	32,157	30,258	87,601	76,426
Non-controlling interest	7,444	12,372	30,910	27,887
	39,601	42,630	118,511	104,313
EBITDA	67,976	36,897	152,645	118,016
Earnings Per Share (Sen)				
- Basic (Sen)	5.85	12.08	12.76	37.47

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Unaudited As At 30 Jun 2017 RM'000	Audited As At 30 Jun 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	70,236	45,333
Intangible asset	86,604	80,630
Deferred tax assets	310	310
Derivative financial instruments	4,570	3,690
Concession assets	447,131	219,971
Total non-current assets	608,851	349,934
Current assets		
Inventories	51,770	69,233
Trade receivables	100,971	86,168
Other receivables, deposits and prepayments	45,041	16,798
Amount due from contract customers	343,586	184,799
Amount due from related companies	40	34
Tax recoverable	81	8,005
Short-term deposits with licensed institutions	-	460
Cash and bank balances	22,235	16,031
Total current assets	563,724	381,528
Total assets	1,172,575	731,462

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

(CONT'D)

	Unaudited As At 30 Jun 2017 RM'000	Audited As At 30 Jun 2016 RM'000
EQUITY AND LIABILITIES		
Equity		
Share capital	211,265	182,676
Reserves	194,589	133,375
	405,854	316,051
Non-controlling interest	57,006	26,097
Total equity	462,860	342,148
Liabilities		
Non-current liabilities		
Finance lease liabilities	655	1,471
Loans and borrowings	277,584	112,127
Trade payables	31,275	-
Deferred tax liability	5,293	4,983
Total non-current liabilities	314,807	118,581
Current liabilities		
Trade payables	151,112	19,672
Other payables and accruals	14,250	26,932
Amount due to contract customers	-	1,933
Amount due to Directors	-	872
Finance lease liabilities	1,267	1,447
Loans and borrowings	228,279	215,578
Provision for taxation	-	4,299
Total current liabilities	394,908	270,733
Total liabilities	709,715	389,314
Total equity and liabilities	1,172,575	731,462
Net assets per share (Sen)	60.63	183.37

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER AND YEAR ENDED 30 JUNE 2017

← Attributable to equity holders of the Company →

	Share capital RM'000	Non-distributable Exchange translation reserve RM'000	Distributable Merger reserve RM'000	Distributable Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
Balance as at 30 Jun 2016	182,676	4,979	(33,137)	161,533	316,051	26,097	342,148
Profit for the financial period	-	-	-	90,918	90,918	29,313	120,231
Other comprehensive income for the financial period	-	(3,316)	-	-	(3,316)	1,596	(1,720)
Total comprehensive income for the financial period	-	(3,316)	-	90,918	87,602	30,909	118,511
Transaction with Owners:							
Issue of Share Capital	8,278	-	-	(3,918)	4,360	-	4,360
Dividend paid	20,419	-	-	(22,470)	(2,051)	-	(2,051)
Share issuance expenses	(108)	-	-	-	(108)	-	(108)
Balance as at 30 Jun 2017	211,265	1,663	(33,137)	226,063	405,854	57,006	462,860

*As at 30 Jun 2017, the share premium recorded at RM20,420,059.10

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2017

	30 Jun 2017 RM'000	30 Jun 2016 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	135,974	104,142
Adjustments for:-		
Depreciation on property, plant and equipment	5,022	4,412
Interest expense	11,649	9,462
Interest income	(68)	(717)
Gain on disposal of property, plant and equipment	(114)	188
Finance income arising from financial assets	(18,386)	-
Unrealised gain on foreign exchange	(10,392)	4,896
Unwinding discount of financial liabilities	(3,020)	-
Fair value gain on derivative financial instruments	(880)	(3,690)
Property, plant and equipment written off	26	80
Operating profit before working capital changes	119,811	118,773
Changes in working capital:-		
Inventories	17,463	13,923
Receivables	(25,064)	38,682
Payables	154,251	(26,540)
Contract customers	(160,720)	(47,234)
Cash from operations	105,741	97,604
Tax refunded	-	44
Tax paid	(11,808)	(14,344)
Net cash from operating activities	93,933	83,304
CASH FLOW USED IN INVESTING ACTIVITIES		
Advance to related companies	(5)	(11)
Interest received	68	717
Purchase of property, plant and equipment	(29,989)	(13,937)
Proceed from disposal of property, plant and equipment	151	81
Acquisition of concession assets	(227,160)	(219,970)
Acquisition of intangible assets	(4,500)	-
Placement of bank balances pledged	-	(43)
Placement of fixed deposits with licensed financial institutions	-	(459)
Net cash used in investing activities	(261,435)	(233,622)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2017

	30 Jun 2017 RM'000	30 Jun 2016 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment to)/advances from Directors	(872)	81
Dividend paid	(2,051)	(5,574)
Proceeds from issuance of ordinary shares, net of share issuance expenses	(108)	4,808
Interest paid	(11,649)	(9,865)
Drawdown from borrowings	566,076	175,234
Repayment of borrowings	(371,703)	(31,122)
Net cash from financing activities	179,693	133,562
CASH AND CASH EQUIVALENTS		
Net changes	12,191	(16,756)
Cash and cash equivalents at beginning of the year	9,964	25,452
Effect on foreign exchange translation	(6,772)	1,268
Cash and cash equivalents at end of the year	15,383	9,964

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PART A : EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

A1. Accounting Policies and Basis of Preparation

The condensed financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed financial report should be read in conjunction with the audited annual financial report of the Company for the financial year ended 30 June 2016.

The explanatory notes attached to the condensed financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company, its subsidiaries and jointly-controlled entity since the financial year ended 30 June 2016.

The accounting policies and methods of computation adopted by the Company in this condensed financial report are consistent with those adopted in the most recent annual financial report for the year ended 30 June 2016, except for the adoption of new accounting standards.

A2. Adoption of new accounting standards

MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective

At the date of authorisation of the condensed financial report, the following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:

Amendments to MFRS effective 1 January 2017:

Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiatives
Amendments to MFRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 12*#	Disclosure of Interests in Other Entities (under Annual Improvements to MFRS Standards 2014-2016 Cycle)

MFRS, Amendments to MFRS and IC Interpretation effective 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 Issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
MFRS 15	Revenue from Contracts with Customers: Clarifications to MFRS 15
Amendments to MFRS 2	Share-based Payment: Clarification and Measurement of Share-based Payment Transactions
Amendments to MFRS 7	Financial Instruments – Disclosures: Mandatory effective date of MFRS 9 and transitional disclosures
Amendments to MFRS 4*#	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts)
Amendments to MFRS 140*#	Investment Property: Transfers of Investment Property
Annual Improvements to MFRS	Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)
IC Interpretation 22#	Foreign Currency Transactions and Advance Consideration

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PART A : EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

A2. Adoption of new accounting standards (CONT'D)

MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective (CONT'D)

MFRS effective 1 January 2019:

MFRS 16# Leases

Amendments to MFRSs (deferred effective date to be announced by the MASB)

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

- * Not applicable to the Group’s operations
- # Not applicable to the Company’s operation

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

MFRS 9 Financial Instruments

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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A2. Adoption of new accounting standards (CONT'D)

MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective (CONT'D)

MFRS 16 Leases

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

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

A3. Seasonal or Cyclical Factors

The Group's operations are not subjected to seasonal or cyclical factors.

A4. Items of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter and the year ended 30 June 2017.

A5. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial year that have had a material effect in the current financial quarter and the period ended 30 June 2017.

A6. Changes in Debt and Equity Securities

There was no issuance, cancellation; repurchase, resale and repayments of debt and equity securities during the financial quarter and the period ended 30 June 2017.

A7. Dividend Paid

There was no dividend paid during the financial quarter and the year ended 30 June 2017.

A8. Changes in Composition of the Group

There is no material change in the composition of the Group during the financial quarter.

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A9. Valuation of Property, Plant and Equipment

There is no valuation of property, plant and equipment during the financial quarter and the period ended 30 June 2017.

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A10. Segmental Information

The Group is organized into the following operating segments:-

	← Results for the quarter ended 30 June 2017 →				Total RM'000
	Investment RM'000	Project RM'000	Product RM'000	Elimination RM'000	
Revenue					
Total					
Revenue	799	191,036	5,726	(82,979)	114,582
Inter-segment revenue	(799)	(81,248)	(932)	82,979	-
Revenue from external customer	-	109,788	4,794	-	114,582
Interest income	-	25	-	-	25
Finance costs	-	(4,182)	-	-	(4,182)
Net finance income/ (expense)	-	(4,157)	-	-	(4,157)
Segment profit before taxation	8,525	27,605	765	25,523	62,418
Segment profit after taxation	6,941	17,957	724	25,237	50,859

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A10. Segmental Information (Cont'd)

The Group is organized into the following operating segments:-

	← Results for the quarter ended 30 June 2016 →				Total RM'000
	Investment RM'000	Project RM'000	Product RM'000	Elimination RM'000	
Revenue					
Total					
Revenue	141	297,871	2,660	(110,004)	190,668
Inter-segment revenue	(141)	(109,801)	(62)	110,004	-
Revenue from external customer	-	188,070	2,598	-	190,668
Interest income	483	-	-	(467)	16
Finance costs	(467)	(6,914)	-	467	(6,914)
Net finance income/ (expense)	16	(6,914)	-	-	(6,898)
Segment profit before taxation	11,424	84,902	465	(67,909)	28,882
Segment profit after taxation	11,410	84,226	424	(61,434)	34,626