

# PESTECH

PESTECH INTERNATIONAL BERHAD  
(Co. No. 948035-U)

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

### A10. Segmental Information (Cont'd)

The Group is organized into the following operating segments:-

	← Results for the year ended 30 June 2017 →				Total RM'000
	Investment RM'000	Project RM'000	Product RM'000	Elimination RM'000	
Revenue					
Total					
Revenue	1,756	701,893	14,382	(209,853)	508,178
Inter-segment revenue	(1,756)	(204,006)	(4,091)	209,853	-
<b>Revenue from external customer</b>	-	497,887	10,291	-	508,178
Interest income	-	68	-	-	68
Finance costs	-	(11,626)	(23)	-	(11,649)
<b>Net finance income/ (expense)</b>	-	(11,558)	(23)	-	(11,581)
Segment profit before taxation	8,420	116,938	2,293	8,323	135,974
Segment profit after taxation	6,819	98,549	2,169	12,694	120,231

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### A10. Segmental Information (Cont’d)

The Group is organized into the following operating segments:-

	← Results for the year ended 30 June 2016 →				Total RM'000
	Investment RM'000	Project RM'000	Product RM'000	Elimination RM'000	
Revenue					
Total Revenue					517,551
Revenue Inter-segment revenue	564	703,497	6,534	(193,044)	-
<b>Revenue from external customer</b>	(564)	(191,943)	(537)	193,044	517,551
Interest income	-	511,554	5,997	-	717
Finance costs	97	620	-	-	(9,462)
<b>Net finance income/ (expense)</b>	(9)	(9,889)	(157)	593	(8,745)
Segment profit before taxation	88	(9,269)	(157)	593	104,142
Segment profit after taxation	7,823	115,311	610	(19,602)	96,612
	7,627	110,017	458	(21,490)	

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### A11. Income tax expense

	Current year quarter ended 30 Jun 2017 RM'000	Preceding year corresponding quarter 30 Jun 2016 RM'000	Current year 30 Jun 2017 RM'000	Preceding corresponding year 30 Jun 2016 RM'000
Current year taxation	(11,559)	5,744	(15,743)	(7,530)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 25%) of the estimated assessable profit for the period.

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

### A12. Earnings Per Share

#### A12.1 Basic Earnings Per Share

The calculation of basic earnings per share for the financial period is based on the net profit attributable to equity holders of the parent company and divided by the weighted average number of ordinary shares outstanding during the financial period.

	Current year quarter ended 30 Jun 2017	Preceding year corresponding quarter 30 Jun 2016	Current year 30 Jun 2017	Preceding corresponding year 30 Jun 2016
Profit attributable to equity holders of the Company (RM'000)	41,683	22,465	90,918	69,876
Weighted average number of ordinary shares in issue ('000)	712,322	186,005	712,322	186,472
<b>Basic earnings per share (Sen)</b>	<b>5.85</b>	<b>12.08</b>	<b>12.76</b>	<b>37.47</b>

#### A12.2 Diluted Earnings Per Share

Diluted earnings per share were not computed as Company does not have any dilutive potential ordinary shares in issue as at the end of the financial period under review.

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### A13. Property, plant and equipment

During the current financial quarter ended 30 June 2017, the Group acquired assets at a cost of RM6.87 million.

### A14. Trade Receivables

The trade receivables of the Group were as follows:

	<b>Unaudited As At 30 Jun 2017 RM'000</b>	<b>Audited As At 30 Jun 2016 RM'000</b>
Trade Receivables	59,948	52,057
Retention sums on contracts	41,023	34,111
	<b>100,971</b>	<b>86,168</b>

### A15. Cash and bank balances

For the purpose of the statement of cash flows, cash and cash equivalents comprising the following:

	<b>Unaudited As At 30 Jun 2017 RM'000</b>	<b>Preceding year to date 30 Jun 2016 RM'000</b>
Cash and bank balances	22,235	16,031
Short-term deposits with licensed institutions	-	460
Bank overdrafts	(6,852)	(6,024)
	<b>15,383</b>	<b>10,467</b>
Less: Bank balance pledges to licensed financial institutions	-	(503)
	<b>15,383</b>	<b>9,964</b>

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### A16. Borrowings and Debts Securities

Total borrowings of the group were as follows:

	Unaudited As At 30 Jun 2017 RM'000	Audited As At 30 Jun 2016 RM'000
<b>Non-current liabilities</b>		
Secured:		
Finance lease liabilities	655	1,471
Term loans	277,584	112,127
	278,239	113,598
<b>Current liabilities</b>		
Secured:		
Finance lease liabilities	1,267	1,447
Term loans	1,551	29,301
Bank overdrafts	6,852	6,024
Banker acceptances	24,736	24,269
Trust receipts	95,631	101,595
Revolving credit	99,509	54,389
	229,546	217,025
	507,785	330,623

The currencies exposure profile of borrowings of the Group was as follows:-

	Unaudited As At 30 Jun 2017 RM'000	Audited As At 30 Jun 2016 RM'000
Ringgit Malaysia	152,277	172,307
United States Dollar	353,637	156,805
Euro	1,871	1,511
	507,785	330,623

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### A17. Material Event Subsequent to the end of financial period reported

On 14 August 2017, Pestech Sdn Bhd, a wholly-owned subsidiary of the Company, has accepted a Letter of Acceptance from Tenaga Nasional Berhad for the supply, erect and commissioning of 2X1050 MVA Autotransformers, 500kV Switchgears, 275kV Switchgears and ancillary equipment with associated civil works for PMU 500/275kV Olak Lempit, Selangor for a contract value of RM79.5 million.

### A18. Contingent Assets and Liabilities

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

	Unaudited As At 30 Jun 2017 RM'000	Audited As At 30 Jun 2016 RM'000
Secured outstanding as at:-		
Finance lease liabilities of subsidiaries	1,576	2,717
Loan and borrowings of subsidiaries	505,787	327,705

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

Details of contingent liabilities of the Group were as follows:-

	Unaudited As At 30 Jun 2017 RM'000	Audited As At 30 Jun 2016 RM'000
Bank guarantees given to customers / suppliers and potential customers are for:		
Advance payment bonds	29,373	1,495
Performance bonds	68,975	55,109
Tender bonds	33,541	12,033
	131,889	68,637

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### A19. Capital Commitments

The outstanding capital commitments at the end of the financial quarter were as follow:-

	<b>Unaudited As At 30 Jun 2017 RM'000</b>	<b>Audited As At 30 Jun 2016 RM'000</b>
Amount authorised but not contracted for	14,207	22,794

### A20. Significant Related Party Transactions

The Group had the following transactions during the financial period under review with the related parties in which certain directors of the Company have substantial financial interest:-

	<b>Unaudited As At 30 Jun 2017 RM'000</b>	<b>Audited As At 30 Jun 2016 RM'000</b>
Related companies by virtue of common shareholders: Purchased of material and services rendered	27,191	28,768

The Directors of the Company are of the opinion that the above transactions were conducted in the ordinary course of business, carried out on an arm's length basis and on normal commercial terms which are not more favorable to the related parties and are not detrimental to the minority shareholders of the Company.

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## PART B : ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

### B1. Review of performance of the Group

The Group recorded revenue of RM114.6 million and profit after taxation of RM50.9 million for the financial quarter under review. Revenue contributed by Projects and Products accounted for RM109.8 million or 95.8% and RM4.8 million or 4.2% respectively. The group recorded a gross profit margin of 52.0% for the financial quarter under review as compared to 31.0% for the preceding year quarter.

### B2. Profit before taxation

Included in the profit before taxation are the following items:-

	Current year quarter 30 Jun 2017 RM'000	Preceding year corresponding quarter 30 Jun 2016 RM'000	Current year to date 30 Jun 2017 RM'000	Preceding corresponding year 30 Jun 2016 RM'000
Interest income	(25)	(16)	(68)	(717)
Interest expenses	4,182	6,914	11,649	9,462
(Gain) / Loss on foreign exchange:				
- Realised	4,344	6,813	4,854	884
- Unrealised	928	(838)	(10,392)	4,896
(Gain)/Loss on disposal of property, plant and equipment	(2)	-	(114)	188
Property, plant and equipment written off	26	-	26	80
Depreciation of property, plant and equipment	1,377	1,101	5,022	4,412

Save as disclosed above, the other items required under Appendix 9B, Part A (16) of the Listing Requirements of Bursa Securities are not applicable.

### B3. Variation of results against preceding year corresponding quarter

For the current financial quarter under review, we recorded revenue of RM114.6 million representing a decrease of RM76.1 million or 39.9% as compared to RM190.7 million in the preceding year corresponding financial quarter.

For the financial year under review, we have recorded a revenue of RM508.2 million representing a decrease of RM9.4 million or 1.8% as compared to RM517.6 million in the preceding corresponding financial year.

During the current financial quarter, our Project revenue had decreased from RM188.1 million in preceding year corresponding financial quarter to RM109.8 million, representing a decrease of RM78.3 million or 41.6%.



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## PART B : ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

### B3. Variation of results against preceding year corresponding quarter (Cont'd)

For the financial year under review, we have recorded a Project revenue of RM497.9 million representing a decrease of RM13.7 million or 2.7% as compared to RM511.6 million in the preceding year corresponding financial year due to few projects progressed in preceding year have been completed during this financial year.

As for Product revenue, the Group recorded RM4.8 million during the financial quarter representing an increase of RM2.2 million from RM2.6 million recorded in the preceding year corresponding financial quarter. For the financial year, the Group recorded Product revenue of RM10.3 million representing an increase of RM4.3 million or 71.6% as compared to RM6.0 million in the preceding year corresponding financial period.

The Group recorded a profit after taxation of RM50.9 million, an increase of RM16.3 million or 47.1% as compared to preceding year corresponding financial quarter of RM34.6 million.

For the financial year, the Group recorded profit after tax of RM120.2 million representing an increase of RM23.6 million or 24.4% as compared to RM96.6 million in the preceding corresponding financial year mainly due to higher gross profit margin arising from one of the subsidiaries of the group.

### B4. Prospects

PESTECH Group closed the current financial year with an encouraging result beating previous financial year's achievement.

Looking into the next financial year, the Group remains confident that the prospects are encouraging and the desired performance growth is within reach. The Group has a total tender book of RM1.798 billion as at 31 July 2017 and an order book of RM1.369 billion as at 30 June 2017, which can possibly last until financial year 2019. Thus, it is imperative that execution of projects are carried out efficiently and on a timely manner to ensure continuous sustainability of growth.

"With a combined gross domestic product (GDP) of US\$2.4 trillion, and ranked as the world's seventh largest economy, Southeast Asia is on route to accelerated economic growth. By 2030, its high urban share of 45% of its 600 million population, coupled with the region's young demographic, presents an optimal setting for heavy investment by MNCs (Multi National Corporations) while governments follow through on infrastructure improvement and economic enhancements to support increasing urbanisation."\*

"In line with projection by Goldman Sachs, infrastructure spending in power and transport for four ASEAN countries alone (Thailand, Malaysia, Indonesia, Philippines) would amount to about US\$524 billion come 2020." Out of that, an estimated USD228 billion is allocated to transmission infrastructure investment alone from 2013-2020."\*

It is forecasted that "by 2035, total projected market demand for power in eight ASEAN countries is projected to reach 1,958 terawatt-hour (TWh)."\*

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### **B4. Prospects (Cont'd)**

Assuming an averaged yearly transmission infrastructure spending of about USD28.5 billion (USD228 billion for 8 years), with a turnover of about USD121 million (RM508.87 million), the Group is just scrapping the surface of the market in ASEAN. As such, the demand for the services offer by PESTECH is strong and potential for growth is vast. The Management, in that respect, is confident that the prospects for the Group shall remain positive for years to come.

*\* Source: ASEAN's half a trillion dollar infrastructure opportunity / Goldman Sachs 2013, ASEAN Power Grid / ASEAN Centre for Energy 2015, ASEAN Poised for Accelerated Economic Growth / KPMG International Cooperative 2015, An Overview of Infrastructure Opportunities in ASEAN / KPMG International Cooperative 2015, Master Plan on ASEAN Connectivity / Ministry of Foreign Affairs of the Kingdom of Thailand*

### **B5. Profit forecast and profit guarantee**

There were no profit forecast or profit guarantee in any public document by the Group.

### **B6. Material litigation**

There was no material litigation as at the date of issuance of this quarterly report.

### **B7. Proposed dividend**

No dividends have been declared during the current financial quarter under review.

### **B8. Auditors' report**

There were no qualifications to the audited financial statements of PESTECH Group for previous financial period ended 30 June 2016.

### **B9. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 24 Aug 2017.