

PESONA METRO HOLDINGS BERHAD (Co. No. 957876-T)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.6.2018 RM'000	(Audited) Preceding Year Quarter 30.6.2017 RM'000	(Unaudited) Current Year To Date 30.6.2018 RM'000	(Audited) Preceding Year To Date 30.6.2017 RM'000
Revenue	143,352	180,982	313,974	341,462
Cost of sales	(125,855)	(166,104)	(280,877)	(311,062)
Gross profit	17,497	14,878	33,097	30,400
Other operating income	509	1,683	1,036	3,220
Selling and administrative expenses	(9,895)	(7,919)	(19,818)	(15,998)
Profit from operations	8,111	8,642	14,315	17,622
Finance costs	(2,589)	(549)	(4,943)	(867)
Profit before tax	5,522	8,093	9,372	16,755
Income tax expense	(1,591)	(2,035)	(2,280)	(4,680)
Profit for the period	3,931	6,058	7,092	12,075
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	3,931	6,058	7,092	12,075
Total comprehensive income attributable to:				
• Owners of the parent	3,568	6,058	6,527	12,075
• Non-controlling interests	363	-	565	-
Earnings per share (Sen)				
• Basic	0.51	0.91	0.94	1.81
• Diluted	0.45	0.79	0.82	1.58

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PESONA METRO HOLDINGS BERHAD (Co. No. 957876-T)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	(Unaudited) 30.6.2018 RM'000	(Audited) 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	67,585	71,166
Investment properties	2,342	12,666
Intangible assets	62,838	64,755
Financial receivables	138,045	139,107
Trade receivables	50,443	30,988
	<u>321,253</u>	<u>318,682</u>
Current assets		
Inventories	829	847
Trade and other receivables	216,474	159,038
Amount due from contract customers	29,272	24,190
Amount due from associated company	2,300	2,300
Tax recoverable	1,121	1,048
Deposits with licensed financial institutions	5,794	13,006
Cash and bank balances	9,288	11,797
	<u>265,078</u>	<u>212,226</u>
TOTAL ASSETS	<u>586,331</u>	<u>530,908</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	194,021	194,008
Reverse acquisition reserve	(91,000)	(91,000)
Retained earnings	81,202	74,675
Total equity attributable to owners of the parent	<u>184,223</u>	<u>177,683</u>
Non-controlling interests	8,487	7,922
	<u>192,710</u>	<u>185,605</u>
Non-current liabilities		
Bank borrowings	81,405	90,170
Hire purchase	9,173	9,036
Trade payables	16,042	14,168
Deferred tax liabilities	14,353	15,293
	<u>120,973</u>	<u>128,667</u>
Current liabilities		
Trade and other payables	168,312	161,038
Amount due to contract customers	45,069	25,613
Bank borrowings	54,327	25,044
Hire purchase	4,940	4,941
	<u>272,648</u>	<u>216,636</u>
TOTAL LIABILITIES	<u>393,621</u>	<u>345,303</u>
TOTAL EQUITY AND LIABILITIES	<u>586,331</u>	<u>530,908</u>
Net assets per share attributable to owners of the parent (Sen)	<u>26.51</u>	<u>25.57</u>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PESONA METRO HOLDINGS BERHAD (Co. No. 957876-T)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2018**

	ATTRIBUTABLE TO OWNERS OF THE PARENT					
	Non-distributable			Distributable		
	Share capital RM'000	Share premium RM'000	Reverse acquisition reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000	Total RM'000
As at 1 January 2018	194,008	-	(91,000)	74,675	7,922	185,605
Total comprehensive income for the period	-	-	-	6,527	565	7,092
Conversion of warrants	13	-	-	-	-	13
As at 30 June 2018	194,021	-	(91,000)	81,202	8,487	192,710
As at 1 January 2017	163,684	8,659	(91,000)	62,176	-	143,519
Total comprehensive income for the period	-	-	-	12,075	-	12,075
Conversion of warrants	3,126	-	-	-	-	3,126
Dividend	-	-	-	(6,673)	-	(6,673)
As at 30 June 2017	166,810	8,659	(91,000)	67,578	-	152,047

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PESONA METRO HOLDINGS BERHAD (Co. No. 957876-T)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	(Unaudited) Current Year to date 30.6.2018 RM'000	(Audited) Preceding Year to date 31.12.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	9,372	29,235
Adjustments for:-		
• Amortisation and depreciation	9,879	16,508
• Interest income	(298)	(4,598)
• Other non-cash operating items	4,628	5,629
Operating profit before working capital changes	23,581	46,774
Changes in inventories	116	246
Changes in trade and other receivables	(75,828)	54,094
Changes in trade and other payables	9,148	(54,056)
Changes in amounts due from/(to) customers for contract	14,373	(45,507)
Cash generated from operations	(28,610)	1,551
Interest received	298	6,728
Interest paid	(4,747)	(3,875)
Tax paid	(3,293)	(9,852)
Net cash (used in)/generated from operating activities	(36,352)	(5,448)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,476)	(22,181)
Acquisition of a subsidiary, net of cash acquired	-	6,631
Proceeds from disposal of property, plant and equipment	10,635	446
Net cash used in investing activities	6,159	(15,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	-	(6,671)
Proceeds from issuance of shares	13	3,126
Net change in hire purchase	136	(4,538)
Net change in bank borrowings	20,322	46,595
Changes in fixed deposits pledged with licensed banks	(1,782)	(2,482)
Net cash generated from /(used in) financing activities	18,689	36,030
Net change in cash and cash equivalents	(11,504)	15,478
Cash and cash equivalents at the beginning of year	19,539	4,061
Effect of exchange translation difference on cash and cash equivalents	1	-
Cash and cash equivalents at the end of period	8,036	19,539
Cash and cash equivalents comprise of the following:		
• Deposits with licensed financial institutions	5,794	13,006
• Cash and bank balances	9,288	11,797
	15,082	24,803
Less: Fixed deposits pledged with licensed banks	(7,046)	(5,264)
	8,036	19,539

The unaudited condensed consolidated cash flow statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PESONA METRO HOLDINGS BERHAD (Co. No. 957876-T)

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

The interim financial statements 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 and its subsidiaries ("The Group") since the financial year ended 31 December 2017.

A2. Changes in Accounting Policies

The Group has adopted the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia for the accounting period beginning 1 January 2018.

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2017 was not qualified.

A4. Seasonal or Cyclical Factors

The business operations of the Group are not significantly affected by any seasonal or cyclical factors.

A5. Unusual Items

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows in the financial quarter under review.

A6. Changes in Estimates

There was no change in estimates of amounts reported in prior interim periods that had a material effect in the current reporting quarter.

PESONA METRO HOLDINGS BERHAD (Co. No. 957876-T)

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A7. Changes in Debt and Equity Securities

As at 30 June 2018, 50,050 new ordinary shares were issued pursuant to the conversion of warrants. The proceeds amounting to RM12,512.50 will be utilized as working capital of the Group.

There were no other changes in debt and equity securities during the quarter under review.

A8. Dividend Paid

There has been no dividend paid during the quarter under review.

A9. Segmental Reporting

The Group’s segmental report for the financial period ended 30 June 2018 is as follows:-

	Investment holding	Construction	Manufacturing	Concessionaire asset and maintenance	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue						
External sales	10	300,631	1,645	11,688	-	313,974
Inter-segment sales	-	34,859	-	2,918	(37,777)	-
Total revenue	10	335,490	1,645	14,606	(22,167)	313,974
Interest income	10	1,926	-	30	(1,668)	298
Interest expense	-	(1,550)	(49)	(5,012)	1,668	(4,943)
Depreciation and amortisation	-	(7,281)	(662)	(19)	(1,917)	(9,879)
Impairment of assets	-	-	-	-	-	-
Results						
Profit/(Loss) from operations	(388)	9,182	(864)	9,970	(3,585)	14,315
Finance costs	-	(1,550)	(49)	(5,012)	1,668	(4,943)
Profit/(Loss) before tax	(388)	7,632	(913)	4,958	(1,917)	9,372
Income tax expense	-	(2,519)	-	(320)	559	(2,280)
Profit/(Loss) after tax	(388)	5,113	(913)	4,638	(1,358)	7,092

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A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A9. Segmental Reporting (Continued)

The Group’s segmental report for the financial period ended 30 June 2017 is as follows:-

	Investment holding RM’000	Construction RM’000	Manufacturing RM’000	Concessionaire asset and maintenance RM’000	Elimination RM’000	Total RM’000
Revenue						
External sales	6	335,120	1,229	5,107	-	341,462
Inter-segment sales	-	36,881	-	-	(36,881)	-
Total revenue		372,001	1,229	5,107	(36,881)	341,462
Interest income	6	2,887	-	-	-	2,893
Interest expense	-	(766)	(101)	-	-	(867)
Depreciation	-	(6,188)	(676)	-	-	(6,864)
Loss on disposal of investment	-	-	-	-	-	-
Results						
Profit/(Loss) from operations	(355)	15,133	(1,058)	3,902	-	17,622
Finance costs	-	(766)	(101)	-	-	(867)
Profit/(Loss) before tax	(355)	14,367	(1,159)	3,902	-	16,755
Income tax expense	-	(3,901)	157	(936)	-	(4,680)
Profit/(Loss) after tax	(355)	10,466	(1,002)	2,966	-	12,075

A10. Valuation of Property, Plant and Equipment

The Group’s property, plant and equipment are stated at cost. There is no policy of regular revaluation of its property, plant and equipment as at the end of the financial period under review.

A11. Material Events Subsequent to the End of the Interim Period

There were no other material events subsequent to the end of the interim period.

A12. Changes in Composition of the Group

There have been no changes in composition of the Group.

PESONA METRO HOLDINGS BERHAD (Co. No. 957876-T)

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING

A.13 Capital Commitments

	As at 30.6.2018 RM'000
Approved and contracted for	
- Purchase of property, plant and equipment	<u>1,404</u>

A14. Changes in Contingent Liabilities

	As at 30.6.2018 RM'000
Bank guarantees issued by licensed banks in respect of construction projects	<u>138,949</u>

A15. Significant Related Party Transactions

The significant related party transactions during the quarter under review in which directors of the Company have substantial financial interest are as follows:-

	Current Year Quarter 30.6.2018 RM'000	Current Year To date 30.6.2018 RM'000
Provision of construction works to a company in which directors have substantial financial interest	<u>15,394</u>	<u>28,624</u>

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 AND PART A OF APPENDIX 9B OF THE LISTING REQUIREMENT OF BURSA SECURITIES

B1. Review of Performance

Current Year Quarter:

The Group achieved a revenue of RM143 million for the quarter under review. The revenue decreased by RM38 million or 21% as compared to the same quarter last year. The decrease is mainly due to the slower construction progress recognized from the on-going projects.

The Group registered lower profit before tax of RM5.5 million for the quarter. Despite increase in gross profit margin from the completed projects, the profit before tax is offset by the higher depreciation charges as well as the additional interest cost arising from the concessionaire asset acquired in October 2017.

Current Year To Date:

The Group achieved a revenue of RM314 million for the first half of year 2018 with majority contribution from the construction division. The revenue decreased by RM28 million or 8% as compared to the same period last year. The decrease is mainly due to the slower construction progress recognized from the on-going projects.

The Group registered a lower profit before tax of RM7.1 million for the period ended 30 June 2018. The decrease in profit before tax is mainly due to higher construction cost and depreciation charges incurred as well as the additional interest cost arising from the concessionaire asset acquired in October 2017.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter	Preceding Quarter	Variance	
	30.6.2018	31.3.2018	RM'000	%
Revenue	143,352	170,622	(27,270)	(16%)
Profit before tax	5,522	3,851	1,672	43%

The revenue decreased by 16% as compared to the preceding quarter. The decrease is mainly due to slower construction progress recognized from the on-going projects.

Despite lower revenue, the profit before tax increased by 43% as compared to the preceding quarter. The increase is mainly due to the cost saving from the completed projects which was recognized during the quarter.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 AND PART A OF APPENDIX 9B OF THE LISTING REQUIREMENT OF BURSA SECURITIES

B3. Prospects for the Financial Year ending 31 December 2018

As at 30 June 2018, the Group has an outstanding order book of RM1.6 billion, comprising 9 on-going projects. Coupled with the new project secured in August 2018, the total outstanding order book increased to RM1.9 billion. These projects are expected to be delivered over the next 2 years and hence, the construction revenue contribution to the Group is expected to increase as compared to last year. However, the increase in construction material and labour costs may further impact the construction profit for the existing projects.

With the completion of Phase 1 acquisition of SEP in October 2017, it will provide a stable revenue and profit to the group for the current financial year.

Accordingly, barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance for the year ending 31 December 2018.

B4. Financial Forecast

There was no financial forecast announced in relation to the financial quarter under review.

B5. Taxation

	Current Year Quarter 30.6.2018 RM'000	Current Year To date 30.6.2018 RM'000
Current year tax	1,777	3,220
Deferred tax	(186)	(940)
	<u>1,591</u>	<u>2,280</u>

The effective tax rate is lower than the statutory tax rate due to the utilization of unabsorbed tax losses and capital allowances for the concession entity during the period.

B6. Note to the Statement of Comprehensive Income

The note to the statement of comprehensive income is arrived at after charging or crediting the following items:

	Current Year Quarter 30.6.2018 RM'000	Current Year To date 30.6.2018 RM'000
Interest income	(137)	(298)
Other income	(60)	(130)
Interest expense	2,589	4,943
Depreciation and amortisation	4,828	9,879
Impairment of assets	-	-
Loss/(Gain) on disposal of property, plant and equipment	(71)	(153)

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 AND PART A OF APPENDIX 9B OF THE LISTING REQUIREMENT OF BURSA SECURITIES

B7. Status of Corporate Proposal

Proposed Acquisition of SEP

On 9 August 2016, PMHB entered into a Supplemental Agreement with the Vendors to vary, amongst others, the Conditions Precedent such that PMHB will be able to comply with the UKAS Bumi Equity Condition as well as certain terms and conditions of the SSA that relate to the UKAS Approval.

Pursuant to the SSA and Supplemental Agreement, the Purchase Consideration for the entire equity interest of SEP shall remain at RM29.15 million. The Purchase Consideration shall now be satisfied in the following manner:

(a) Phase 1 Acquisition of SEP

Allotment and issuance of 27,650,000 First Tranche Consideration Shares in favour of the Vendors' nominee, SEP Capital, within six (6) months from the First Tranche Completion Date with an aggregate value of all the First Tranche Consideration Shares of RM19,355,000; and

(b) Phase 2 Acquisition of SEP

Allotment and issuance of 11,850,000 Second Tranche Consideration Shares in favour of the Vendors' nominee, SEP Capital with an aggregate value of all the Second Tranche Consideration Shares of RM8,295,000.

On 2 December 2016, the shareholders approved the Proposed Acquisition of SEP. On 6 April 2017, the Company and the Vendors mutually agreed to extend the conditional period to 30 November 2017 to fulfill the conditions precedent. On 6 October 2017, the Company issued 27,650,000 new ordinary shares to the Vendor, which marks the completion of the Phase 1 Acquisition of SEP.

On 30 March 2018, Bursa Securities has granted the extension of time until 30 September 2018 to complete the Phase 2 Acquisition of SEP. There has been no further development during the quarter.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 AND PART A OF APPENDIX 9B OF THE LISTING REQUIREMENT OF BURSA SECURITIES

B8. Group's Borrowings and Debt Securities

The Group's borrowings as at 30 June 2018 were as follows:-

	As at 30.6.2018 RM'000
Long term borrowings	
Secured:	
• Commodity Murabahah Term Financing-i	81,405
• Hire purchase	9,173
	<u>90,578</u>
Short term borrowings	
Secured:	
• Commodity Murabahah Term Financing-i	10,620
• Structure commodity financing and Contract financing	43,707
• Hire purchase	4,940
	<u>59,267</u>

B9. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk.

B10. Material Litigation

During the quarter under review, neither the Group nor the Company involves in any material litigation.

B11. Dividend

No dividend has been proposed during the quarter under review.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 AND PART A OF APPENDIX 9B OF THE LISTING REQUIREMENT OF BURSA SECURITIES

B12. Earnings per Share

	Current Year Quarter 30.6.2018	Current Year To date 30.6.2018
Profit for the period attributable to owners (RM'000)	3,568	6,527
Number of shares:		
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	694,941	694,941
Effect of dilutive potential ordinary shares from the exercise of warrants ('000)	98,013	98,013
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	792,954	792,954
Basic earnings per share (Sen)	0.51	0.94
Diluted earnings per share (Sen)	0.45	0.82

B13. Realised and unrealised earnings or losses disclosure

	As at 30.6.2018 RM'000
Total retained earnings for the Group:	
• Realised	66,746
• Unrealised	13,650
• Consolidated adjustment	806
	<u>81,202</u>

B14. Authorisation for Issue

This interim financial report was authorized for issuance by the Board of Directors of the Company on 23 August 2018.