

PESTECH INTERNATIONAL BERHAD

(Co. No. 948035-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND PERIOD ENDED 30 SEPTEMBER 2016

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30 Sep 2016 RM'000	Preceding year corresponding quarter 30 Sep 2015 RM'000	Current Period 30 Sep 2016 RM'000	Preceding year corresponding period 30 Sep 2015 RM'000
Revenue	102,827	48,293	102,827	48,293
Cost of sales	(78,792)	(34,771)	(78,792)	(34,771)
Gross profit	24,035	13,522	24,035	13,522
Other income	5,503	21,268	5,503	21,268
Administration expenses	(7,099)	(6,722)	(7,099)	(6,722)
Profit from operations	22,439	28,068	22,439	28,068
Finance costs	(2,658)	(1,532)	(2,658)	(1,532)
Profit before taxation	19,781	26,536	19,781	26,536
Income tax expense	(737)	(6,219)	(737)	(6,219)
Profit for the period	19,044	20,317	19,044	20,317
Other comprehensive income:				
Exchange translation differences	(4,882)	16,795	(4,882)	16,795
Total comprehensive income for the period	14,162	37,112	14,162	37,112
Profit for the period attributable to:				
Equity holders of the Company	11,941	20,545	11,941	20,545
Non-controlling interest	7,103	(228)	7,103	(228)
	19,044	20,317	19,044	20,317
Total comprehensive income attributable to:				
Equity holders of the Company	7,729	32,189	7,729	32,189
Non-controlling interest	6,433	4,923	6,433	4,923
	14,162	37,112	14,162	37,112
EBITDA	23,516	29,075	23,516	29,075
Earnings Per Share (Sen)				
- Basic (Sen)	4.2	11.06	4.2	11.06

PESTECH INTERNATIONAL BERHAD

(Co. No. 948035-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

	Unaudited As At 30 Sep 2016 RM'000	Audited As At 30 Jun 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	51,812	45,333
Intangible asset	84,093	80,630
Deferred tax assets	310	310
Derivative financial instruments	3,690	3,690
Concession assets	286,988	219,971
Total non-current assets	426,893	349,934
Current assets		
Inventories	81,381	69,233
Trade receivables	124,167	86,168
Other receivables, deposits and prepayments	27,913	16,798
Amount due from contract customers	239,992	184,799
Amount due from related companies	34	34
Tax recoverable	9,305	8,005
Short-term deposits with licensed institutions	355	460
Cash and bank balances	27,694	16,031
Total current assets	510,841	381,528
Total assets	937,734	731,462
EQUITY AND LIABILITIES		
Equity		
Share capital	186,594	93,297
Share premium	-	89,379
Reserves	136,516	133,375
	323,110	316,051
Non-controlling interest	33,200	26,097
Total equity	356,310	342,148

PESTECH INTERNATIONAL BERHAD

(Co. No. 948035-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

(CONT'D)

	Unaudited As At 30 Sep 2016 RM'000	Audited As At 30 Jun 2016 RM'000
Liabilities		
Non-current liabilities		
Finance lease liabilities	2,088	1,471
Loans and borrowings	172,729	112,127
Deferred tax liability	4,679	4,983
Total non-current liabilities	179,496	118,581
Current liabilities		
Trade payables	99,794	19,672
Other payables and accruals	107,337	26,932
Amount due to contract customers	-	1,933
Amount due to Directors	872	872
Finance lease liabilities	780	1,447
Loans and borrowings	193,145	215,578
Provision for taxation	-	4,299
Total current liabilities	401,928	270,733
Total liabilities	581,424	389,314
Total equity and liabilities	937,734	731,462
Net assets per share (Sen)	47.74	183.37

PESTECH INTERNATIONAL BERHAD

(Co. No. 948035-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST QUARTER AND PERIOD ENDED 30 SEPTEMBER 2016

← Attributable to equity holders of the Company →

	Share capital RM'000	Share premium 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	93,297	89,379	4,979	(33,137)	161,533	316,051	26,097	342,148
Profit for the financial period	-	-	-	-	11,941	11,941	7,103	19,044
Other comprehensive income for the financial period	-	-	(4,882)	-	-	(4,882)	-	(4,882)
Total comprehensive income for the financial period	-	-	(4,882)	-	11,941	7,059	7,103	14,162
Transaction with Owners:								
Issue of Share Capital	93,297	(89,379)	-	-	(3,918)	-	-	-
Balance as at 30 Sep 2016	186,594	-	97	(33,137)	169,556	323,110	33,200	356,310

PESTECH INTERNATIONAL BERHAD

(Co. No. 948035-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	30 Sep 2016	30 Sep 2015
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	19,781	26,536
Adjustments for:-		
Depreciation on property, plant and equipment	1,077	1,007
Issuance of share expense	3,917	-
Interest expense	2,658	1,532
Interest income	(199)	(61)
Unrealised gain on foreign exchange	(5,064)	(21,039)
Operating profit before working capital changes	22,170	7,975
Changes in working capital:-		
Inventories	(12,148)	(7,037)
Receivables	(47,157)	67,416
Payables	160,770	31
Contract customers	(51,429)	(50,673)
Cash from operations	72,206	17,712
Tax paid	(5,903)	(6,991)
Net cash from operating activities	66,303	10,721
CASH FLOW USED IN INVESTING ACTIVITIES		
Interest received	199	61
Purchase of property, plant and equipment	(7,555)	(33,277)
Concession assets	(61,343)	-
Intangible assets	(1,383)	-
Bank balance realised from financial institution	(355)	(602)
Net cash used in investing activities	(70,437)	(33,818)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(2,658)	(1,532)
Proceeds from borrowings	110,334	66,167
Repayment of borrowings	(88,839)	(62,192)
Net cash from financing activities	18,837	2,443
CASH AND CASH EQUIVALENTS		
Net changes	14,703	(20,654)
Cash and cash equivalents at beginning of the period	9,964	25,574
Effect on foreign exchange translation	(12,771)	4,545
Cash and cash equivalents at end of the period	11,896	9,465

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:

MFRS and Amendments to MFRSs effective 1 January 2016:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint-venture
Amendments to MFRS 10	Consolidated Financial Statement, MFRS 12 Disclosure of Interest in Other Entities and MFRS 128 Investments in Associates and Joint Ventures: Investment Entities-Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements: Accounting for acquisitions of interests in joint operations
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 138 Intangible Assets: Clarification of acceptable methods of depreciation and amortisation
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 141 Agriculture: Agriculture-Bearer Plants
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012-2014 Cycle, including the amendments to:

MFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal
MFRS 134	Interim Financial Reporting: Disclosures of information “elsewhere in the interim financial report”

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

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 (cont'd):

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

MFRS and Amendments to MFRS effective 1 January 2018:

MFRS 9 Financial Instruments	(IFRS 9 Issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Share-based Payment: Clarification and Measurement of Sharebased Payment Transactions
Amendments to MFRS 7	Financial Instruments – Disclosures: Mandatory effective date of MFRS 9 and transitional disclosures

MFRS effective 1 January 2019:

MFRS 16	Leases
---------	--------

Effective date yet to be confirmed:

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

MFRS 5 and 14 are not applicable to the Group while MFRS 5, 10, 11 and 14 are 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.

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

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 (cont'd):

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.

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 September 2016.

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 September 2016.

A6. Changes in Debt and Equity Securities

There were no issuance, cancellation; repurchase, resale and repayments of debt and equity securities during the financial quarter and the year ended 30 September 2016.

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

A7. Dividend Paid

There were no dividend paid during the financial quarter and the period ended 30 September 2016.

A8. Changes in Composition of the Group

On 21 July 2016, the Company incorporated a wholly-owned subsidiary in China, namely PESTECH Engineering Technology China Co. Limited (“**PET**”) (Registration No. 91110113MA0075KC4G) with a registered capital of Chinese Renminbi 50,000,000¥.

The principal activities of PET include engineering, procurement, construction for transmission and distribution project, pre-fabricated compact substation, integrated solution for data centers and project consultancy and project management services.

On 23 November 2016, the Company incorporated a wholly-owned subsidiary in Papua New Guinea, namely PESTECH (PNG) Ltd (Registration No. 1-112642) (“**PPNG**”)

PPNG is a private limited company established with a registered capital of Papua New Guinean Kina 100,000PGK.

The principal activity of PPNG include engineering, procurement, construction and commissioning of power transmission and distribution project, pre-fabricated compact substation, power plant control, automation systems, project consultancy and project management services.

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 September 2016.

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

A10. Segmental Information

The Group is organized into the following operating segments:-

	←————— Results for the quarter ended 30 September 2016 —————→				
	Investment RM’000	Project RM’000	Product RM’000	Elimination RM’000	Total RM’000
Revenue					
Total					
Revenue	141	139,889	1,311	(38,514)	102,827
Inter-segment revenue	(141)	(38,341)	(32)	38,514	-
Revenue from external customer	-	101,548	1,279	-	102,827
Interest income	-	199	-	-	199
Finance costs	-	(2,658)	-	-	(2,658)
Net finance income/ (expense)	-	(2,459)	-	-	(2,459)
Segment profit before taxation	(213)	45,196	228	(25,430)	19,781
Segment profit after taxation	(213)	41,521	210	(22,474)	19,044

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 quarter ended 30 September 2015 —————→				
	Investment RM’000	Project RM’000	Product RM’000	Elimination RM’000	Total RM’000
Revenue					
Total					
Revenue	141	59,288	1,000	(12,136)	48,293
Inter-segment revenue	(141)	(11,969)	(26)	12,136	-
Revenue from external customer	-	47,319	974	-	48,293
Interest income	60	1	-	-	61
Finance costs	-	(1,430)	(102)	-	(1,532)
Net finance income/ (expense)	60	(1,429)	(102)	-	(1,471)
Segment profit before taxation	(222)	51,328	265	(24,835)	26,536
Segment profit after taxation	(228)	45,140	240	(24,835)	20,317

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 period ended 30 September 2016 —————→				
	Investment RM’000	Project RM’000	Product RM’000	Elimination RM’000	Total RM’000
Revenue					
Total					
Revenue	141	139,889	1,311	(38,514)	102,827
Inter-segment revenue	(141)	(38,341)	(32)	38,514	-
Revenue from external customer	-	101,548	1,279	-	102,827
Interest income	-	199	-	-	199
Finance costs	-	(2,658)	-	-	(2,658)
Net finance income/ (expense)	-	(2,459)	-	-	(2,459)
Segment profit before taxation	(213)	45,196	228	(25,430)	19,781
Segment profit after taxation	(213)	41,521	210	(22,474)	19,044

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 period ended 30 September 2015 —————→				
	Investment RM’000	Project RM’000	Product RM’000	Elimination RM’000	Total RM’000
Revenue					
Total					
Revenue	141	59,288	1,000	(12,136)	48,293
Inter-segment revenue	(141)	(11,969)	(26)	12,136	-
Revenue from external customer	-	47,319	974	-	48,293
Interest income	60	1	-	-	61
Finance costs	-	(1,430)	(102)	-	(1,532)
Net finance income/ (expense)	60	(1,429)	(102)	-	(1,471)
Segment profit before taxation	(222)	51,328	265	(24,835)	26,536
Segment profit after taxation	(228)	45,140	240	(24,835)	20,317

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

A11. Income tax expense

	Current year quarter ended 30 Sep 2016 RM'000	Preceding year corresponding quarter 30 Sep 2015 RM'000	Current year to date 30 Sep 2016 RM'000	Preceding year corresponding period 30 Sep 2015 RM'000
Current year taxation	(737)	(6,219)	(737)	(6,219)

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period.

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 Sep 2016	Preceding year corresponding quarter 30 Sep 2015	Current period to date 30 Sep 2016	Preceding year corresponding period 30 Sep 2015
Profit attributable to equity holders of the Company (RM'000)	11,941	20,545	11,941	20,545
Weighted average number of ordinary shares in issue ('000)	284,304	185,794	284,304	185,794
Basic earnings per share (Sen)	4.2	11.06	4.2	11.06

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.

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

A13. Property, plant and equipment

During the current financial quarter ended 30 September 2016, the Group acquired assets at a cost of RM7.555 million.

A14. Trade Receivables

The trade receivables of the Group were as follows:

	Unaudited As At 30 Sep 2016 RM'000	Audited As At 30 Jun 2016 RM'000
Trade Receivables	81,096	52,057
Retention sums on contracts	43,071	34,111
	124,167	86,168

A15. Cash and bank balances

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

	Unaudited As At 30 Sep 2016 RM'000	Preceding year to date 30 Sep 2015 RM'000
Short-term deposits with licensed institutions	355	122
Cash and bank balances	27,964	14,940
Bank overdrafts	(16,153)	(4,995)
	11,896	10,067
Less: Bank balance pledges to licensed financial institutions	-	(602)
	11,896	9,465

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

A16. Borrowings and Debts Securities

Total borrowings of the group were as follows:

	Unaudited As At 30 Sep 2016 RM'000	Audited As At 30 Jun 2016 RM'000
Non-current liabilities		
Secured:		
Finance lease liabilities	2,088	1,471
Term Loans	172,729	112,127
	174,817	113,598
Current liabilities		
Secured:		
Finance lease liabilities	780	1,447
Term loans	15,107	29,301
Bank overdrafts	16,153	6,024
Banker acceptances	15,225	24,269
Trust receipts	92,267	101,595
Revolving credit	54,393	54,389
	193,925	217,025
	368,742	330,623

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

	Unaudited As At 30 Sep 2016 RM'000	Audited As At 30 Jun 2016 RM'000
Ringgit Malaysia	163,385	172,307
United States Dollar	204,590	156,805
Euro	767	1,511
	368,742	330,623

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

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

PESTECH Sdn Bhd (“PSB”), had on 16 August 2016 received the Notice of Award of Contract from the National Grid Corporation of the Philippines (“NGCP”) for the upgrading of secondary devices and construction of a separate protection/control building for the unmanned operation of the TIWI Geothermal Power Plants A and C Substations. The value of the Contract is segregated into two parts as follows:

Foreign currency portion: United States Dollars Seven Million Eight Thousand Only (USD 7,008,000); and Local currency portion: Philippine Pesos One Hundred Eleven Million Only (PhP 111,000,000).

On 22 September 2016, PSB together with Shandong Power Equipment Co Ltd (“SPECO”), had via a consortium formed by both parties called “PESTECH & SPECO Joint Venture”, received the Notification of Award from Severelectro JSC for the design, supply and installation of three (3) substations for Severelectro under Electricity Supply Accountability and Reliability Improvement Project, for a contract value of United States Dollars Eight Million Four Hundred and Sixty Thousands Only (USD8,460,000.00).

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 Sep 2016 RM’000	Audited As At 30 Jun 2016 RM’000
Secured outstanding as at:-		
Finance lease liabilities of subsidiaries	2,395	2,717
Loan and borrowings of subsidiaries	365,874	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.

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

A18. Contingent Assets and Liabilities (Cont’d)

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

	Unaudited As At 30 Sep 2016 RM’000	Audited As At 30 Jun 2016 RM’000
Bank guarantees given to customers / suppliers and potential customers are for:		
Advance payment bonds	19,258	1,495
Performance bonds	63,270	55,109
Tender bonds	12,440	12,033
	94,968	68,637

A19. Capital Commitments

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

	Unaudited As At 30 Sep 2016 RM’000	Audited As At 30 Jun 2016 RM’000
Amount authorised but not contracted for	30,772	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:-

	Unaudited As At 30 Sep 2016 RM’000	Audited As At 30 Jun 2016 RM’000
Related companies by virtue of common shareholders:		
Purchased of material and services rendered	12,910	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.

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 RM102.8 million and profit after taxation of RM19.0 million for the financial quarter under review. Revenue contributed by Projects and Products accounted for RM101.5 million or 98.8% and RM1.3 million or 1.2% respectively.

The group recorded a gross profit margin of 23.4% for the financial year ended 30 September 2016.

B2. Profit before taxation

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

	Current year quarter 30 Sep 2016 RM'000	Preceding year corresponding quarter 30 Sep 2015 RM'000	Current year to date 30 Sep 2016 RM'000	Preceding year corresponding period 30 Sep 2015 RM'000
Interest income	199	61	199	61
Interest expenses	(2,658)	(1,532)	(2,658)	(1,532)
Gain / (Loss) on foreign exchange:				
- Realised	(124)	(154)	(124)	(154)
- Unrealised	5,064	21,039	5,064	21,039
Depreciation of property, plant and equipment	(1,077)	(1,007)	(1,077)	(1,007)

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 RM102.8 million representing an increase of RM54.5 million or 112.8% as compared to RM48.3 million in the preceding year corresponding financial quarter. This is mainly due to project phases we are at, in addition to the recognition of revenue from the construction and upgrading of infrastructure projects under build-operate-transfer agreement in accordance with the accounting policy for construction contracts.

During the financial quarter, our Project revenue had increased significantly from RM47.3 million in preceding year corresponding financial quarter to RM101.5 million, representing an increase of RM54.2 million or 114.6%. The increased in Project revenue was mainly due to the recognition of revenue from the construction and upgrading of infrastructure projects under build-operate-transfer agreement in accordance with the accounting policy for construction contracts.

During the financial quarter, our Group recorded Product revenue of RM1.3 million, an increase of RM0.3 million or 30% from RM1.0 million recorded in the preceding year corresponding financial quarter.

The Group recorded a profit after taxation of RM19.0 million, a decrease of RM1.3 million or 6.4% as compared to preceding year corresponding financial quarter of RM20.3 million. This is mainly due a lower unrealised foreign exchange gain in the quarter under review.

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

B4. Prospects

The financial performance of PESTECH during the first quarter of financial year 2017 was a good start for the year.

Moving forward, the management is confident of the prospects of the Group supported by its current project-in-hand, and promising market potential in the region.

The Group has widen its market reach with its maiden projects in Kyrgyzstan and the Philippines. And, also recently makes a return to the Papua New Guinea market. These invigorating developments coupled with continuous project procurement effort in our deep rooted markets such as Cambodia and Malaysia, shall provide us with good quality prospects as we solicit for greater business opportunities.

On the other hand, the management is also focusing its endeavour towards projects in the rail electrification sector. Regional prospects in this area of business is abundance due to massive investment by various countries for the improvement in public transportation to support social growth. With its experience via jobs in hand, the Group is ready to explore new rail electrification opportunities in the region.

Owing to the multiple efforts set forth above, the management is positive on the future business prospects of the Group.

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 dividend had 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 29 November 2016.