

PESTECH INTERNATIONAL BERHAD

(Co. No. 948035-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME FOR THE SECOND QUARTER AND PERIOD ENDED 31 DECEMBER 2016

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31 Dec 2016 RM'000	Preceding year corresponding quarter 31 Dec 2015 RM'000	Current Period 31 Dec 2016 RM'000	Preceding year corresponding period 31 Dec 2015 RM'000
Revenue	119,941	146,325	222,768	194,618
Cost of sales	(81,100)	(100,492)	(159,892)	(135,263)
Gross profit	38,841	45,833	62,876	59,355
Other income	(2,664)	(7,313)	2,839	13,955
Administration expenses	(9,701)	(8,360)	(16,800)	(15,082)
Profit from operations	26,476	30,160	48,915	58,228
Finance costs	(2,562)	(1,737)	(5,220)	(3,269)
Profit before taxation	23,914	28,423	43,695	54,959
Income tax expense	(1,685)	(2,738)	(2,422)	(8,957)
Profit for the period	22,229	25,685	41,273	46,002
Other comprehensive income:				
Exchange translation differences	14,764	(5,738)	9,882	11,057
Total comprehensive income for the period	36,993	19,947	51,155	57,059
Profit for the period attributable to:				
Equity holders of the Company	13,159	17,304	25,100	37,849
Non-controlling interest	9,070	8,381	16,173	(8,153)
	22,229	25,685	41,273	46,002
Total comprehensive income attributable to:				
Equity holders of the Company	24,295	16,643	32,024	48,832
Non-controlling interest	12,698	3,304	19,131	8,227
	36,993	19,947	51,155	57,059
EBITDA	27,729	31,328	51,245	60,403
Earnings Per Share (Sen)				
- Basic (Sen)	3.97	9.31	7.57	20.37

PESTECH INTERNATIONAL BERHAD

(Co. No. 948035-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Unaudited As At 31 Dec 2016 RM'000	Audited As At 30 Jun 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	62,088	45,333
Intangible asset	91,103	80,630
Deferred tax assets	310	310
Derivative financial instruments	4,005	3,690
Concession assets	396,900	219,971
Total non-current assets	554,406	349,934
Current assets		
Inventories	70,432	69,233
Trade receivables	66,355	86,168
Other receivables, deposits and prepayments	29,686	16,798
Amount due from contract customers	283,395	184,799
Amount due from related companies	34	34
Tax recoverable	10,828	8,005
Short-term deposits with licensed institutions	250	460
Cash and bank balances	14,841	16,031
Total current assets	475,821	381,528
Total assets	1,030,227	731,462

PESTECH INTERNATIONAL BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

(CONT'D)

	Unaudited As At 31 Dec 2016 RM'000	Audited As At 30 Jun 2016 RM'000
EQUITY AND LIABILITIES		
Equity		
Share capital	187,250	93,297
Share premium	3,704	89,379
Reserves	161,481	133,375
	352,435	316,051
Non-controlling interest	45,228	26,097
Total equity	397,663	342,148
Liabilities		
Non-current liabilities		
Finance lease liabilities	953	1,471
Loans and borrowings	217,274	112,127
Deferred tax liability	4,983	4,983
Total non-current liabilities	223,210	118,581
Current liabilities		
Trade payables	162,898	19,672
Other payables and accruals	30,431	26,932
Amount due to contract customers	-	1,933
Amount due to Directors	872	872
Finance lease liabilities	1,446	1,447
Loans and borrowings	213,707	215,578
Provision for taxation	-	4,299
Total current liabilities	409,354	270,733
Total liabilities	632,564	389,314
Total equity and liabilities	1,030,227	731,462
Net assets per share (Sen)	53.09	183.37

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND QUARTER AND PERIOD ENDED
31 DECEMBER 2016

	← Attributable to equity holders of the Company →						Total Equity RM'000	
	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	Non- controlling interest 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	-	-	-	-	25,100	25,100	16,173	41,273
Other comprehensive income for the financial period	-	-	6,924	-	-	6,924	2,958	9,882
Total comprehensive income for the financial period	-	-	6,924	-	25,100	32,024	19,131	51,155
Transaction with Owners:								
Issue of Share Capital	93,953	(85,675)	-	-	(3,918)	4,360	-	4,360
Balance as at 31 Dec 2016	187,250	3,704	11,903	(33,137)	182,715	352,435	45,228	397,663

PESTECH INTERNATIONAL BERHAD

(Co. No. 948035-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2016

	31 Dec 2016	31 Dec 2015
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	43,695	54,959
Adjustments for:-		
Depreciation on property, plant and equipment	2,330	2,175
Corporate exercise expense	3,918	-
Share grant plan	4,360	-
Interest expense	5,220	3,269
Interest income	(34)	(63)
Gain on disposal of property, plant and equipment	(33)	-
Unrealised gain on foreign exchange	(2,519)	(250)
Operating profit before working capital changes	56,937	60,090
Changes in working capital:-		
Inventories	(1,199)	942
Receivables	6,610	(81,694)
Payables	146,858	8,048
Contract customers	(73,565)	(47,543)
Cash from operations	135,641	(60,157)
Tax paid	(7,121)	(9,905)
Net cash from operating activities	128,520	(70,062)
CASH FLOW USED IN INVESTING ACTIVITIES		
Interest received	34	63
Purchase of property, plant and equipment	(19,085)	(5,862)
Proceed from disposal of property, plant and equipment	33	-
Acquisition of concession assets	(152,130)	-
Acquisition of intangible assets	(1,383)	-
Bank balance realised from financial institution	(209)	-
Net cash used in investing activities	(172,740)	(5,799)
CASH FLOW FROM FINANCING ACTIVITIES		
Corporate expenses	-	(13)
Interest paid	(5,220)	(3,269)
Drawdown from borrowings	297,040	207,786
Repayment of borrowings	(196,290)	(145,721)
Net cash from financing activities	95,530	58,783
CASH AND CASH EQUIVALENTS		
Net changes	51,310	(17,078)
Cash and cash equivalents at beginning of the period	9,964	25,574
Effect on foreign exchange translation	(53,337)	382
Cash and cash equivalents at end of the period	7,937	8,878

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-Appling 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
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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
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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 31 December 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 31 December 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 31 December 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 31 December 2016.

A8. Changes in Composition of the Group

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

A9. Valuation of Property, Plant and Equipment

There is no valuation of property, plant and equipment during the financial quarter and the period ended 31 December 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 31 December 2016 →				
	Investment RM'000	Project RM'000	Product RM'000	Elimination RM'000	Total RM'000
Revenue					
Total					
Revenue	141	179,810	3,317	(63,327)	119,941
Inter-segment revenue	(141)	(62,362)	(824)	63,327	-
Revenue from external customer	-	117,448	2,493	-	119,941
Interest income	-	-	-	-	-
Finance costs	-	(2,555)	(7)	-	(2,562)
Net finance income/ (expense)	-	(2,555)	(7)	-	(2,562)
Segment profit before taxation	(142)	8,067	510	15,479	23,914
Segment profit after taxation	(153)	3,366	488	18,528	22,229

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 31 December 2015 →				Total RM’000
	Investment RM’000	Project RM’000	Product RM’000	Elimination RM’000	
Revenue					
Total					
Revenue	141	190,565	3,947	(48,328)	146,325
Inter-segment revenue	(141)	(44,321)	(3,866)	48,328	-
Revenue from external customer	-	146,244	81	-	146,325
Interest income	125	-	3	(126)	2
Finance costs	(126)	(1,539)	(198)	126	(1,737)
Net finance income/ (expense)	(1)	(1,539)	(195)	-	(1,735)
Segment profit before taxation	(873)	7,590	575	21,131	28,423
Segment profit after taxation	(867)	5,557	(136)	21,131	25,685

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 31 December 2016 →				Total RM’000
	Investment RM’000	Project RM’000	Product RM’000	Elimination RM’000	
Revenue					
Total					
Revenue	282	319,699	4,628	(101,841)	222,768
Inter-segment revenue	(282)	(100,703)	(856)	101,841	-
Revenue from external customer	-	218,996	3,772	-	222,768
Interest income	-	34	-	-	34
Finance costs	-	(5,213)	(7)	-	(5,220)
Net finance income/ (expense)	-	(5,179)	(7)	-	(5,186)
Segment profit before taxation	(355)	53,263	738	(9,951)	43,695
Segment profit after taxation	(366)	44,887	698	(3,946)	41,273

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 31 December 2015 →				Total RM’000
	Investment RM’000	Project RM’000	Product RM’000	Elimination RM’000	
Revenue					
Total					
Revenue	282	249,853	4,947	(60,464)	194,618
Inter-segment revenue	(282)	(56,290)	(3,892)	60,464	-
Revenue from external customer	-	193,563	1,055	-	194,618
Interest income	185	1	3	(126)	63
Finance costs	(126)	(2,969)	(300)	126	(3,269)
Net finance income/ (expense)	59	(2,968)	(297)	-	(3,206)
Segment profit before taxation	(1,095)	58,918	840	(3,704)	54,959
Segment profit after taxation	(1,095)	50,697	104	(3,704)	46,002

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

A11. Income tax expense

	Current year quarter ended 31 Dec 2016 RM'000	Preceding year corresponding quarter 31 Dec 2015 RM'000	Current year to date 31 Dec 2016 RM'000	Preceding year corresponding period 31 Dec 2015 RM'000
Current year taxation	(1,685)	(2,738)	(2,422)	(8,957)

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 31 Dec 2016	Preceding year corresponding quarter 31 Dec 2015	Current period to date 31 Dec 2016	Preceding year corresponding period 31 Dec 2015
Profit attributable to equity holders of the Company (RM'000)	13,159	17,304	25,100	37,849
Weighted average number of ordinary shares in issue ('000)	331,637	185,794	331,637	185,794
Basic earnings per share (Sen)	3.97	9.31	7.57	20.37

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 31 December 2016, the Group acquired assets at a cost of RM11.53 million.

A14. Trade Receivables

The trade receivables of the Group were as follows:

	Unaudited As At 31 Dec 2016 RM'000	Audited As At 30 Jun 2016 RM'000
Trade Receivables	29,327	52,057
Retention sums on contracts	37,028	34,111
	66,355	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 31 Dec 2016 RM'000	Preceding year to date 31 Dec 2015 RM'000
Cash and bank balances	14,841	15,273
Short-term deposits with licensed institutions	250	122
Bank overdrafts	(7,154)	(6,517)
	7,937	8,878

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 31 Dec 2016 RM'000	Audited As At 30 Jun 2016 RM'000
Non-current liabilities		
Secured:		
Finance lease liabilities	953	1,471
Term loans	217,274	112,127
	218,227	113,598
Current liabilities		
Secured:		
Finance lease liabilities	1,446	1,447
Term loans	17,368	29,301
Bank overdrafts	7,154	6,024
Banker acceptances	9,640	24,269
Trust receipts	90,599	101,595
Revolving credit	88,946	54,389
	215,153	217,025
	433,380	330,623

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

	Unaudited As At 31 Dec 2016 RM'000	Audited As At 30 Jun 2016 RM'000
Ringgit Malaysia	172,953	172,307
United States Dollar	256,558	156,805
Euro	3,869	1,511
	433,380	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

On 31 January 2017, the 7th DRP for the final dividend of 3.0 sen for the financial year ended 30 June 2016, as approved on 28 November 2016, has been completed following the listing of and quotation for 14,379,400 New Shares. With the listing of the said New Shares, the enlarged issued and paid-up share capital of PESTECH is RM190,845,018.

On 8 February 2017, PESTECH (Cambodia) Limited, a wholly-owned Cambodian subsidiary of the Company in relation to the design, engineering, manufacturing, installation, testing and commissioning of the 230KV WEST PHNOM PENH - SIHANOUKVILLE TRANSMISSION LINE AND 230/115/22KV SUBSTATION EXTENSION PROJECT at a contract value of USD86.065 million, signed an Amendment Contract Agreement (“ACA”) with Alex Corporation Co. Ltd as a supplement and amendment to the earlier Contract Agreement.

The ACA signifies both parties' agreement to an upgrade of the specifications of the Project, and accordingly, the adjustment to the total price of the Project at a revised value of USD143,904,000 (United States Dollars: One Hundred Forty Three Million Nine Hundred and Four Thousand) only.

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 31 Dec 2016 RM'000	Audited As At 30 Jun 2016 RM'000
Secured outstanding as at:-		
Finance lease liabilities of subsidiaries	2,399	2,717
Loan and borrowings of subsidiaries	430,981	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 31 Dec 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	23,782	1,495
Performance bonds	88,823	55,109
Tender bonds	17,953	12,033
	130,558	68,637

A19. Capital Commitments

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

	Unaudited As At 31 Dec 2016 RM’000	Audited As At 30 Jun 2016 RM’000
Amount authorised but not contracted for	21,195	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 31 Dec 2016 RM’000	Audited As At 30 Jun 2016 RM’000
Related companies by virtue of common shareholders:		
Purchased of material and services rendered	18,674	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 RM119.9 million and profit after taxation of RM22.2 million for the financial quarter under review. Revenue contributed by Projects and Products accounted for RM117.4 million or 98.0% and RM2.5 million or 2.0% respectively.

The group recorded a gross profit margin of 32.4% for the financial year ended 31 December 2016 as compared to 31.3% for the preceding year quarter.

B2. Profit before taxation

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

	Current year quarter 31 Dec 2016 RM'000	Preceding year corresponding quarter 31 Dec 2015 RM'000	Current year to date 31 Dec 2016 RM'000	Preceding year corresponding period 31 Dec 2015 RM'000
Interest income	-	(2)	(34)	(63)
Interest expenses	2,562	1,737	5,220	3,269
(Gain) / Loss on foreign exchange:				
- Realised	1,130	(12,967)	1,254	(12,813)
- Unrealised	2,545	20,789	(2,519)	(250)
Gain on disposal of property, plant and equipment	(33)	-	(33)	-
Depreciation of property, plant and equipment	1,253	1,168	2,330	2,175

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 RM119.9 million representing a decrease of RM26.4 million or 18% as compared to RM146.3 million in the preceding year corresponding financial quarter due to the current project phases.

For the financial period under review, we have recorded a revenue of RM222.8 million representing an increase of RM28.2 million or 14% as compared to RM194.6 million in the preceding year corresponding financial period.

During the current financial quarter, our Project revenue had decreased from RM146 million in preceding year corresponding financial quarter to RM117.4 million, representing a decrease of RM28.6 million or 19.6%.

For the financial period under review, we have recorded a Project revenue of RM219.0 million representing an increase of RM25.4 million or 13% as compared to RM193.5 million in the preceding year corresponding financial period.

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)

As for Product revenue, the Group recorded RM2.5 million during the financial quarter representing an increase of RM2.4 million from RM0.08 million recorded in the preceding year corresponding financial quarter. For the cumulative quarter under review, the Group recorded Product revenue of RM3.7 million representing an increase of RM2.7 million or 258% as compared to RM1.06 million in the preceding year corresponding financial period.

The Group recorded a profit after taxation of RM22.2 million, a decrease of RM3.4 million or 13.4% as compared to preceding year corresponding financial quarter of RM25.6 million. For the cumulative quarter under review, the Group recorded profit after tax of RM41.3 million representing a decrease of RM4.7 million or 10% as compared to RM46.0 million in the preceding year corresponding financial period.

B4. Prospects

The World Economic Forum estimates that the current global investment gap for infrastructure is USD1 trillion per annum against an annual global investment demand of USD3.7 trillion. Between now and 2030 the world is facing a vast USD14 trillion shortfall. (*Source: Arcadis, "THIRD GLOBAL INFRASTRUCTURE INVESTMENT INDEX 2016"*)

As such, the demand for infrastructure investment is abundant, including the demand for investment in the power infrastructure facilities. PESTECH has always readied itself to embrace such an immense and pressing requirements for power infrastructure build up in the region. The Group continuously expand its business reach in the regional countries that it has built solid footprints, and also diligently explore potential new markets to sustain its momentum for growth.

We anticipate to experience positive business contribution from our home turf, Malaysia, Indochina area, especially Cambodia, and the Central Asia region. Whilst charting its growth path, the management is always mindful to endeavor the equitable development of its power transmission, rail electrification, power plant control systems, and power products business segments. The eventual cohesive and integrated development of all those segments of business would propel the further transformation of the Group into a well-rounded power infrastructure services and products corporation in the region.

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 22 February 2017.