

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 31.12.2016 RM'000	(Audited) Preceding Year Quarter 31.12.2015 RM'000	(Unaudited) Current Year To Date 31.12.2016 RM'000	(Audited) Preceding Year To Date 31.12.2015 RM'000
Revenue	105,790	39,887	393,018	258,777
Cost of sales	(93,383)	(30,374)	(351,715)	(220,956)
Gross profit	12,407	9,513	41,303	37,821
Other operating income	2,031	746	14,292	1,490
Selling and administrative expenses	(7,684)	(5,739)	(25,931)	(22,567)
Profit from operations	6,754	4,520	29,664	16,744
Finance costs	(254)	(157)	(959)	(645)
Profit before tax	6,500	4,363	28,705	16,099
Income tax expense	(2,120)	(1,826)	(8,675)	(4,407)
Profit for the period	4,380	2,537	20,030	11,692
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	4,380	2,537	20,030	11,692
Total comprehensive income attributable to:				
• Owners of the parent	4,380	2,537	20,030	11,692
• Non-controlling interests	-	-	-	-
Earnings per share (Sen)				
• Basic	0.67	0.39	3.06	1.79
• Diluted	0.57	0.33	2.62	1.53

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 2015 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 31 DECEMBER 2016

	(Unaudited) 31.12.2016 RM'000	(Audited) 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	58,461	40,696
Investment properties	12,314	1,800
Goodwill on consolidation	3,035	3,035
Trade receivables	16,336	12,365
	<u>90,146</u>	<u>57,896</u>
Current assets		
Inventories	1,184	1,822
Trade and other receivables	226,291	193,803
Amount due from contract customers	21,590	2,090
Amount due from associated company	2,300	1,800
Tax recoverable	321	2,450
Deposits with licensed financial institutions	2,808	9,036
Cash and bank balances	4,036	14,445
	<u>258,530</u>	<u>225,446</u>
TOTAL ASSETS	<u>348,676</u>	<u>283,342</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	163,684	163,499
Share premium	8,659	8,659
Reverse acquisition reserve	(91,000)	(91,000)
Retained earnings	62,176	55,233
Total equity attributable to owners of the parent	<u>143,519</u>	<u>136,391</u>
Non-current liabilities		
Bank borrowings	4,113	-
Hire purchase	7,700	7,108
Trade payables	13,904	7,003
Deferred tax liabilities	954	1,142
	<u>26,671</u>	<u>15,253</u>
Current liabilities		
Trade and other payables	104,928	74,620
Amount due to contract customers	68,520	54,560
Bank borrowings	1,542	-
Hire purchase	3,496	2,518
	<u>178,486</u>	<u>131,698</u>
TOTAL LIABILITIES	<u>205,157</u>	<u>146,951</u>
TOTAL EQUITY AND LIABILITIES	<u>348,676</u>	<u>283,342</u>
Net assets per share attributable to owners of the parent (Sen)	<u>21.92</u>	<u>20.86</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 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2016**

	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	Total RM'000
As at 1 January 2016	163,499	8,659	(91,000)	55,233	136,391
Total comprehensive income for the year	-	-	-	20,030	20,030
Conversion of warrants	185	-	-	-	185
Dividend	-	-	-	(13,087)	(13,087)
As at 31 December 2016	163,684	8,659	(91,000)	62,176	143,519
As at 1 January 2015	127,551	8,659	(91,000)	43,620	88,830
Total comprehensive income for the year	-	-	-	11,692	11,692
Conversion of warrants	35,948	-	-	-	35,948
Dividend	-	-	-	(79)	(79)
As at 31 December 2015	163,499	8,659	(91,000)	55,233	136,391

The unaudited condensed consolidated statement of statement of changes in equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

	(Unaudited) Current Year to date 31.12.2016 RM'000	(Audited) Preceding Year to date 31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	28,705	16,099
Adjustments for:-		
• Depreciation	11,062	7,666
• Interest income	(13,289)	(1,058)
• Other non-cash operating items	1,279	1,697
Operating profit before working capital changes	27,757	24,404
Changes in inventories	578	2,389
Changes in trade and other receivables	(36,458)	(88,712)
Changes in trade and other payables	37,210	20,905
Changes in amount due from associated company	(500)	(1,800)
Changes in amounts due from/(to) customers for contract	(5,540)	(234)
Cash generated from/(used in) operations	23,047	(43,048)
Interest received	13,289	1,058
Interest paid	(959)	(645)
Tax paid	(6,735)	(2,628)
Net cash generated from/(used in) operating activities	28,642	(45,263)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(39,719)	(12,761)
Proceeds from disposal of property, plant and equipment	113	402
Net cash used in investing activities	(39,606)	(12,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	(13,087)	(5,181)
Proceeds from issuance of shares	185	35,948
Net change in hire purchase	285	(2,184)
Net change in bank borrowings	6,940	(1,249)
Changes in fixed deposits pledged with licensed banks	3,686	4,121
Net cash (used in)/generated from financing activities	(1,991)	31,455
Net change in cash and cash equivalents	(12,955)	(26,167)
Cash and cash equivalents at the beginning of year	17,012	43,173
Net cash and cash equivalents arising from acquisition	-	-
Effect of exchange translation difference on cash and cash equivalents	4	6
Cash and cash equivalents at the end of period	4,061	17,012
Cash and cash equivalents comprise of the following:		
• Fixed deposits with licensed financial institutions	2,808	9,036
• Cash and bank balances	4,036	14,445
	6,844	23,481
Less: Fixed deposits pledged with licensed banks	(2,783)	(6,469)
	4,061	17,012

The unaudited condensed consolidated cash flow statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

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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 2015.

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 2015.

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, 1965 in Malaysia for the accounting period beginning 1 January 2016.

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 2015 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.

A7. Changes in Debt and Equity Securities

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

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

A8. Dividend Paid

The following dividends were paid during the financial year ended 31 December 2016:

In respect of financial year ended 31 December 2015:

- single tier final dividend of 1 sen per ordinary share, paid on 30 June 2016, amounting to RM6,539,951.59.

In respect of financial year ended 31 December 2016:

- single tier interim dividend of 1 sen per ordinary share, paid on 6 October 2016, amounting to RM6,546,951.59.

A9. Segmental Reporting

The Group’s segmental report for the financial year ended 31 December 2016 is as follows:-

	Investment				Total
	holding	Construction	Manufacturing	Elimination	
	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue					
External sales	195	389,445	3,378	-	393,018
Inter-segment sales	14,000	60,436	-	(74,436)	-
Total revenue	14,195	449,881	3,378	(74,436)	393,018
Interest income	195	13,087	7	-	13,289
Interest expense	-	(677)	(282)	-	(959)
Depreciation	-	(9,667)	(1,395)	-	(11,062)
Loss on disposal of investment	-	-	-	-	-
Results					
Profit/(Loss) from operations	13,492	32,578	(2,406)	(14,000)	29,664
Finance costs	-	(677)	(282)	-	(959)
Profit/(Loss) before tax	13,492	31,901	(2,688)	(14,000)	28,705
Income tax expense	(30)	(8,514)	(131)	-	(8,675)
Profit/(Loss) after tax	13,462	23,387	(2,819)	(14,000)	20,030

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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 year ended 31 December 2015 is as follows:-

	Investment holding	Construction	Manufacturing	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue					
External sales	424	255,657	2,696	-	258,777
Inter-segment sales	7,000	44,772	12,231	(64,003)	-
Total revenue	7,424	300,429	14,927	(64,003)	258,777
Interest income	424	519	115	-	1,058
Interest expense	-	(232)	(413)	-	(645)
Depreciation	-	(6,219)	(1,447)	-	(7,666)
Loss on disposal of investment	-	-	-	-	-
Results					
Profit from operations	6,709	13,416	3,619	(7,000)	16,744
Finance costs	-	(232)	(413)	-	(645)
Profit before tax	6,709	13,184	3,206	(7,000)	16,099
Income tax expense	(15)	(3,723)	(669)	-	(4,407)
Profit after tax	6,694	9,461	2,537	(7,000)	11,692

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.

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

A.13 Capital Commitments

	As at 31.12.2016 RM'000
Approved and contracted for	
- Purchase of property, plant and equipment	<u>5,339</u>

A14. Changes in Contingent Liabilities

	As at 31.12.2016 RM'000
Bank guarantees issued by licensed banks in respect of construction projects	<u>151,366</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 31.12.2016 RM'000	Current Year To date 31.12.2016 RM'000
Provision of construction works to a company in which directors have substantial financial interest	<u>7,917</u>	<u>32,163</u>

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 RM106 million for the quarter under review. The revenue increased by RM66 million or 165% as compared to the same quarter last year. The increase is mainly due to the higher contribution from 3 residential building projects, a road works project and a hospital project.

The Group registered higher profit before tax of RM6.5 million for the quarter, an increase of 49% as compared to the same quarter last year. The increase in profit before tax is mainly due to the contribution from higher revenue recognized and the recognition of project financing interest charged to a customer. However, the increase is offset by higher depreciation charges, provision of slow moving stocks for the manufacturing division and write off of construction equipment.

Current Year To Date:

The Group achieved a revenue of RM393 million for the year ended 31 December 2016 with majority contribution from the construction division. The revenue increased by RM134 million or 52% as compared to last year. The increase is substantially contributed by the residential building projects in Cyberjaya and Kuala Lumpur. During the year, the Group has successfully completed the government complex project in Johor and the student hostels project in Perlis.

In line with the increase in revenue, the Group generated higher profit before tax of RM28.7 million for the year ended 31 December 2016, representing an increase of 78% as compared to RM16.1 million. The increase is mainly due to the contribution from higher revenue recognised and the recognition of project financing interest charged to a customer. However, the increase is offset by the higher depreciation charges as a result of higher capital expenditure on construction equipment as well as operating loss incurred by the manufacturing division.

For the year ended 31 December 2016, the Group generated net cash flow of RM29 million from its operating activities. The trade receivables increased by RM33 million, mainly due to the project financing granted to the concessionaire asset to be acquired. Subsequent receipts from customers until middle of February 2017 was RM60 million. Excluding the RM91 million due from the concessionaire holder, the balance of trade receivables are within the credit terms.

During the year, the Group incurred approximately RM40 million of capital expenditure. This is necessary to cater for the requirement of the secured projects. Accordingly, the depreciation charges increased by 55% for the construction division as compared to last year.

In line with the increase in project value, the short term working capital requirements have increased. Hence, the Group has secured RM60 million short term project financing facilities from banks to support the operating cash flows.

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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

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter	Preceding Quarter	Variance	
	31.12.2016	30.9.2016	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	105,790	102,640	3,150	3
Profit before tax	6,500	5,828	672	12

The increase in revenue and profit before tax is mainly due to higher recognition of work done for building projects.

B3. Prospects for the Financial Year ending 31 December 2017

As at 31 December 2016, the Group has an outstanding order book of RM2.1 billion, comprising 10 on-going projects. These projects are expected to deliver over the next 3 years and hence, the construction revenue contribution to the Group is expected to further increase as compared to last year.

Accordingly, barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance in year 2017.

B4. Financial Forecast

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

B5. Taxation

	Current Year Quarter 31.12.2016 RM'000	Current Year To date 31.12.2016 RM'000
Current year tax	2,236	8,864
Deferred tax	(116)	(189)
	2,120	8,675

The effective tax rate is higher than the statutory tax rate due to certain non-allowable expenses and the losses incurred by the manufacturing division.

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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

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 31.12.2016 RM'000	Current Year To date 31.12.2016 RM'000
Interest income	(1,440)	(13,289)
Other income	(315)	(585)
Interest expense	254	959
Depreciation charges	3,133	11,062
Foreign exchange (gain)/loss	14	(5)
Provision for and write off of receivables	-	-
Loss/(Gain) on disposal of property, plant and equipment	(54)	(114)

B7. Status of Corporate Proposal

Proposed Acquisition of SASB

On 27 April 2015, the Company entered into a sale of shares agreement ("SSA") with Semarak Korporat Sdn Bhd to acquire 90% equity interest in Selasih Asli Sdn Bhd ("SASB") comprising 180,000 ordinary shares of RM1.00 each for a purchase consideration of RM60 million, to be satisfied in accordance with the terms and conditions of the SSA.

On 30 December 2016, the Company and the Vendor mutually agreed to terminate the SSA as the conditions precedent are not fulfilled during the Conditional Period.

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

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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

B7. Status of Corporate Proposal (Continued)

(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. Accordingly, the Phase 1 Acquisition of SEP is expected to be completed in the first quarter of 2017.

B8. Group's Borrowings and Debt Securities

The Group's borrowings as at 31 December 2016 were as follows:-

	As at 31.12.2016 RM'000
Long term borrowings	
Secured:	
• Term loan	4,113
• Hire purchase	7,700
	<u>11,813</u>
Short term borrowings	
Secured:	
• Term loan	1,542
• Hire purchase	3,496
	<u>5,038</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

The Directors recommend a single tier final dividend of 1 sen per ordinary share, amounting to RM6,547,351.59 in respect of the financial year ended 31 December 2016, which will be subject to the approval of members at the forthcoming Annual General Meeting.

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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 31.12.2016	Current Year To date 31.12.2016
Profit for the period (RM'000)	4,380	20,030
Number of shares:		
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	654,735	654,735
Effect of dilutive potential ordinary shares from the exercise of warrants ('000)	110,569	110,569
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	765,304	765,304
Basic earnings per share (Sen)	0.67	3.06
Diluted earnings per share (Sen)	0.57	2.62

B13. Realised and unrealised earnings or losses disclosure

	As at 31.12.2016 RM'000
Total retained earnings for the Group:	
• Realised	59,797
• Unrealised	1,538
• Consolidated adjustment	841
	<u>62,176</u>

B14. Authorisation for Issue

This interim financial report was authorized for issuance by the Board of Directors of the Company on 24 February 2017.