

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

Interim Financial Report (Announcement)

31 March 2016

PNE PCB Berhad
Company No.168098-V
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	(Unaudited) As at 31 March 2016 RM'000	(Audited) As at 30 September 2015 RM'000
Assets		
Property, plant and equipment	31,515	32,018
Investment in quoted shares	270	389
Other investment	-	152
Deferred tax assets	1,900	1,900
Total non-current assets	<u>33,685</u>	<u>34,459</u>
Inventories	10,663	10,337
Trade and other receivables	28,730	27,740
Tax recoverable	36	36
Cash and cash equivalents	11,120	15,351
Total current assets	<u>50,549</u>	<u>53,464</u>
Total assets	<u>84,234</u>	<u>87,923</u>
Equity		
Share capital	26,300	65,749
Reserves	33,099	865
Total equity attributable to shareholders of the company	<u>59,399</u>	<u>66,614</u>
Liabilities		
Deferred tax liability	15	15
Total non-current liability	<u>15</u>	<u>15</u>
Trade and other payables	24,571	21,003
Tax payable	249	291
Total current liabilities	<u>24,820</u>	<u>21,294</u>
Total liabilities	<u>24,835</u>	<u>21,309</u>
Total equity and liabilities	<u>84,234</u>	<u>87,923</u>
Net assets per share of RM 0.20 each and RM 1.00 each (RM)	0.45	0.10

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 September 2015 and accompanying explanatory notes attached to the interim financial statements.)

PNE PCB Berhad
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME FOR THE PERIOD ENDED 31 MARCH 2016**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 March 2016 RM'000	Preceding Year Corresponding Quarter 31 March 2015 RM'000	Current Year to date 31 March 2016 RM'000	Preceding Year Corresponding Period 31 March 2015 RM'000
Revenue	22,285	18,243	42,330	37,260
Cost of sales	(19,734)	(12,677)	(36,315)	(27,799)
Gross profit	2,551	5,566	6,015	9,461
Operating expenses	(2,437)	(5,162)	(5,886)	(8,737)
Profit/(Loss) from operations	114	404	129	724
Other income	-	10	82	25
Profit/(Loss) before tax	114	414	211	749
Tax credit/(expense)	(7)	(4)	(11)	(8)
Profit/(Loss) after tax	107	410	200	741
Foreign currency translation differences for foreign subsidiaries	(6,695)	153	(7,415)	1,532
Total comprehensive income / expenses for the period	(6,588)	563	(7,215)	2,273
Basic earnings per ordinary share (sen)	0.10	0.62	0.23	1.13

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 September 2015 and accompanying explanatory notes attached to the interim financial statements.)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED
 31 MARCH 2016**

	Share Capital RM'000	Non-Distributable Reserves RM'000	<i>Distributable</i> Retained earnings / (Accumulated losses) RM'000	Total Equity RM'000
At 1 October 2015	65,749	12,273	(11,408)	66,614
<i>Net gains recognized directly in equity</i>				
Exchange fluctuation on translation of the financial statements of foreign subsidiaries	-	(7,415)	-	(7,415)
Par value reduction of ordinary shares from RM 1.00 per share to RM 0.20 per share	(52,599)	-	52,599	-
Issuance of bonus shares	13,150	-	(13,150)	-
Gain / (loss) for the period	-	-	200	200
Total comprehensive income / (expenses) for the period	(39,449)	(7,415)	39,649	(7,215)
At 31 March 2016	<u>26,300</u>	<u>4,858</u>	<u>28,241</u>	<u>59,399</u>
At 1 October 2014	65,749	1,835	(9,181)	58,403
<i>Net gains recognized directly in equity</i>				
Exchange fluctuation on translation of the financial statements of foreign subsidiaries	-	10,438	-	10,438
Gain / (loss) for the period	-	-	(2,227)	(2,227)
Total comprehensive income / (expenses) for the period	-	10,438	(2,227)	8,211
At 30 September 2015	<u>65,749</u>	<u>12,273</u>	<u>(11,408)</u>	<u>66,614</u>

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 September 2015 and accompanying explanatory notes attached to the interim financial statements.)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2016**

	Current Year to 31 March 2016 RM'000	Preceding Year Corresponding Period to 31 March 2015 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	199	749
Adjustments for:-		
Depreciation	520	793
Gain on disposal of property, plant and equipment	(14)	(4)
Unrealized loss on foreign exchange	90	430
Gross dividend of quoted shares in Malaysia	-	(10)
Allowance for diminution in value of quoted shares	120	227
Gain on disposal of quoted shares	-	(113)
Interest income	(15)	(25)
Operating profit/(loss) before changes in working capital	900	2,047
Inventories	(325)	(1,144)
Receivables	(1,260)	(8,601)
Payables	3,527	(1,656)
Cash (absorbed by) / generated from operations	2,842	(9,354)
Tax paid	(11)	(8)
Interest received	15	25
Net cash from/(used in) operating activities	2,846	(9,337)
Cash flows from investing activities		
Purchase of property, plant and equipment	(324)	(1,693)
Dividend received from quoted shares (net)	-	10
Proceeds from disposal of property, plant and equipment	30	4
Proceeds from disposal of quoted shares	-	495
Net cash from/(used in) investing activities	(294)	(1,184)
Exchange differences on translation of the financial statements of foreign subsidiaries	(6,783)	1,522
Net increase/(decrease) in cash and cash equivalents	(4,231)	(8,999)
Cash and cash equivalents at beginning of period	15,351	20,105
Cash and cash equivalents at end of period	11,120	11,106
Cash and cash equivalents comprise:		
Cash and bank balances	8,684	10,606
Fixed deposits with licensed banks	500	500
Other Fixed deposits with licensed banks **	1,936	-
	11,120	11,106

** Fixed deposits with licensed banks have been pledged to licensed banks for banking facilities granted to the Group.

(The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 September 2015 and accompanying explanatory notes attached to the interim financial statements.)

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Notes to the condensed interim financial statements

1. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2015.

2. Significant accounting policies

The significant accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 September 2015.

3. Property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from previous annual report.

4. Changes in composition of the Group

During the quarter under review, there were no changes in the composition of the Group.

5. Dividends

No dividend has been paid and declared by the company since the end of the previous financial year.

6. Seasonal or cyclical factors

The Group's revenue and profits are not materially affected by seasonal or cyclical factors.

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7. Segment information

Segment information is presented in respect of the Group's geographical segments. Inter-segment pricing is determined based on a negotiated basis.

	Revenue 6 months ended 31 March		Profit/(Loss) before tax 6 months ended 31 March	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	9,214	13,260	(591)	7,888
Singapore	207	5,964	69	161
People's Republic of China	33,057	25,221	859	(271)
	42,478	44,445	337	7,778
Inter-segment elimination	(148)	(7,185)	(370)	(7,062)
	42,330	37,260		
Segment result			(33)	724
Other income			244	25
			211	749

8. Changes in contingent liabilities and contingent assets

There were no contingent liabilities and contingent assets since the last annual balance sheet date.

9. Debt and equity securities

Save as disclosed below, there were no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the period under review.

(a) On 12 February 2016, the Group completed the issuance, listing and quotation of 65,748,500 Bonus Shares on the Main Market of Bursa Securities.

10. Related parties

Key management personnel compensation

	6 months ended 31 March	
	2016 RM'000	2015 RM'000
Directors:		
- Fees	22	25
- Remuneration	109	1,564
Total short-term employee benefits	131	1,589
Other key management personnel:		
- Short term employee benefits	-	373

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10. Related parties (continued)

Transactions with related parties of the Group

	6 months ended 31 March	
	2016 RM'000	2015 RM'000
<i>Companies in which certain directors have interests</i>		
Sales	-	2,040
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<i>Companies in which certain shareholders have interests</i>		
Sales	1,756	-
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	6 months ended 31 March	
	2016 RM'000	2015 RM'000
Remuneration paid to staff who are close family member of certain Directors	-	293
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11. Events subsequent to the balance sheet date

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period under review.

12. Audit qualification

The audit report of the Group for the preceding annual financial statements was not subject to any audit qualification.

13. Unusual items affecting the assets, liabilities, equity, net income or cash flows

There are no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter-to-date.

14. Material changes in estimates

There are no material changes in estimates for the current quarter-to-date.

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**Interim Financial Report
31 March 2016**

Additional information required by the
Bursa Malaysia Securities Berhad's Listing Requirements

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Additional information required by the Bursa Malaysia's Listing Requirements

1. Review of performance

The Group recorded revenue of RM23 million and profit before tax ("PBT") of RM0.1 million as compared to revenue of RM18 million and PBT of RM0.4 million in the corresponding previous financial period. Higher operating costs was mainly due to higher labour and material costs, which affected the Group's profitability.

2. Variation of results against preceding quarter

For the quarter under review, the Group recorded a PBT of RM0.1 million as compared to PBT of RM0.09 million in the previous quarter ended 31 December 2015, mainly due to higher revenue generated in the current quarter as a result of an expansion in the client base.

3. Current year prospects

It is expected that for the current year, the Group will be able to achieve marginal profit through constant improvement on the costing and production efficiency.

4. Profit forecast

Not applicable.

5. Tax expense

	6 months ended 31 March		6 months ended 31 March	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Tax expense				
Malaysian Tax				
-Current period	7	4	11	8

6. Status of corporate proposal announced

On behalf of the Board of Directors of PNE, Mercury Securities Sdn Bhd ("Mercury") had on 23 October 2015 announced to Bursa Malaysia Securities Berhad ("Bursa Securities") that the Company would like to undertake the following Proposals;

- 1) Par value reduction via the cancellation of RM0.80 from the par value of every existing ordinary share of RM1.00 each in the issued and paid-up share capital of the company pursuant to Section 64 the Companies Act, 1965 ("Act") ("Proposed Par Value Reduction");

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6. Status of corporate proposal announced (continued)

- 2) Bonus issue of up to 65,748,500 new ordinary shares of RM0.20 each in PNE (after the Proposed Par Value Reduction) (“Bonus Shares”) on the basis of one (1) Bonus Share for every one (1) existing Share held by entitled shareholders of the company (“Entitled Shareholders”) on an entitlement date to be determined (“Bonus Entitlement Date”) (“Proposed Bonus Issue”);
- 3) Renounceable rights issue of up to 262,994,000 new Shares (“Rights Shares”) together with up to 197,245,500 free warrants (“Warrants”) on the basis of four (4) Rights Shares together with three (3) Warrants for every two (2) existing Shares held by the Entitled Shareholders on an entitlement date to be determined (after the Proposed Bonus Issue) (“Rights Entitlement Date”) (“Proposed Rights Issue with Warrants”);
- 4) Establishment of an employee share option scheme (“ESOS or Scheme”) involving up to 15% of the issued and paid-up share capital of PNE for eligible Directors and employees of the company and its subsidiaries (“Eligible Persons”) (“Group” or “PNE Group”) (“Proposed ESOS”);
- 5) increase in the authorised share capital of PNE from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each to RM200,000,000 comprising 1,000,000,000 ordinary shares of RM0.20 each (“Proposed Increase in Authorised Share Capital”); and
- 6) amendments to the Memorandum and Articles of Association of the company (“Proposed Amendments”).

Mercury had also on 26 November 2015 announced that an approval for the Proposals has been obtained from Bursa Securities vide its letter dated 25 November 2015.

On 19 January 2016, Mercury announced that the High Court had on 19 January 2016 granted an order confirming the Proposed Par Value Reduction. Mercury further announced on 22 January 2016 that this sealed Court Order dated 19 January 2016 was lodged with the Companies Commission of Malaysia, making the Proposed Par Value Reduction effective on 22 January 2016.

On 12 February 2016, Mercury announced that the issuance, listing and quotation of 65,748,500 Bonus Shares on the Main Market of Bursa Securities was completed.

As at the date of this report, the Rights Shares and ESOS have not yet been completed.

7. Borrowing and debt securities

There are neither borrowings nor debt securities at the date of this quarterly report.

8. Changes in material litigation

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

9. Dividends

No dividend has been paid and declared by the Company since the end of the previous financial year.

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10. Earnings / (loss) per ordinary share

(a) Basic earnings per share

For the purpose of calculating basic earnings per share:-

(i) The amount used as the numerator is the net profit after tax of RM0.1 million attributable to ordinary shareholders for the current quarter and 6 months ended 31 March 2016.

(ii) The weighted average number of ordinary shares used as the denominator for the current quarter is 109,596,512 and for the financial year to date is 87,696,231.

(b) Diluted earnings per share.

Not applicable.

11. Capital commitments

There is no capital commitments contracted which is not provided for as at the date of this quarterly report.

12. Realised and unrealised profits

The breakdown of retained profits into realized and unrealized profits as at the reporting period as follows:-

	31.03.2016	31.03.2015
	RM'000	RM'000
Total retained profits / (accumulated losses)		
- Realised	20,327	(19,157)
- Unrealised	8,509	10,139
	<u>28,836</u>	<u>(9,018)</u>
Less: Consolidation adjustments	595	578
	<u>28,241</u>	<u>(8,440)</u>

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13. Notes to the condensed consolidated statement of comprehensive income

Profit / (Loss) before tax is arrived after charging / (crediting) the following items:

	3 months Ended 31.03.2016 RM'000	Year To Date 31.03.2016 RM'000
Interest income	(6)	(15)
Depreciation	32	520
Gain on disposal of property, plant and equipment	-	(14)
Gain on disposal of quoted investment	-	(13)
Foreign exchange (gain) / loss		
- Realised	(175)	(242)
- Unrealised	(107)	(90)
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