

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

Financial Report (Announcement)
30 September 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

| | (Unaudited) As at 30 September 2016 RM'000 | (Audited) As at 30 September 2015 RM'000 |
|---|--|--|
| Assets | | |
| Property, plant and equipment | 31,803 | 32,018 |
| Investment in quoted shares | 1,231 | 389 |
| Other investment | - | 152 |
| Deferred tax assets | 1,900 | 1,900 |
| Total non-current assets | <u>34,934</u> | <u>34,459</u> |
| Inventories | 10,858 | 10,337 |
| Trade and other receivables | 41,023 | 27,740 |
| Tax recoverable | - | 36 |
| Cash and cash equivalents | 11,171 | 15,351 |
| Total current assets | <u>63,052</u> | <u>53,464</u> |
| Total assets | <u>97,986</u> | <u>87,923</u> |
| Equity | | |
| Share capital | 26,299 | 65,749 |
| Reserves | 40,774 | 865 |
| Total equity attributable to shareholders of the company | <u>67,073</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 | 30,743 | 21,003 |
| Tax payable | 155 | 291 |
| Total current liabilities | <u>30,898</u> | <u>21,294</u> |
| Total liabilities | <u>30,913</u> | <u>21,309</u> |
| Total equity and liabilities | <u>97,986</u> | <u>87,923</u> |
| Net assets per share of RM 0.20 each and RM 1.00 each (RM) | 0.51 | 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
Company No.168098-V
(Incorporated In Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016**

| | <u>INDIVIDUAL QUARTER</u> | | <u>CUMULATIVE QUARTER</u> | |
|--|---|--|---|---|
| | Current Quarter 30 September 2016 RM'000 | Preceding Year Corresponding Quarter 30 September 2015 RM'000 | Current Year to date 30 September 2016 RM'000 | Preceding Year Corresponding Period 30 September 2015 RM'000 |
| Revenue | 28,751 | 19,000 | 95,452 | 75,244 |
| Cost of sales | (22,773) | (19,457) | (79,690) | (61,372) |
| Gross profit/(loss) | 5,978 | (457) | 15,762 | 13,872 |
| Operating expenses | (5,242) | (4,840) | (13,603) | (18,349) |
| Profit/(loss) from operations | 736 | (5,297) | 2,159 | (4,477) |
| Other income | 915 | 609 | 997 | 637 |
| Profit/(loss) before tax | 1,651 | (4,688) | 3,156 | (3,840) |
| Tax expense | (3) | 1,631 | (97) | 1,613 |
| Profit/(loss) after tax | 1,648 | (3,057) | 3,059 | (2,227) |
| Gain on fair value of available for sale financial asset | - | (192,343) | - | (192) |
| Foreign currency translation differences for foreign subsidiaries | 88 | 4,665 | (2,599) | 10,631 |
| Total comprehensive income for the year | <u>1,736</u> | <u>1,608</u> | <u>460</u> | <u>8,212</u> |
| Basic earnings per ordinary share (sen) | 0.01 | (4.65) | 2.79 | (5.85) |

(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.)

PNE PCB Berhad

Company No.168098-V

(Incorporated In Malaysia)

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

| | Current Year ended 30 September 2016 RM'000 | Preceding Year ended 30 September 2015 RM'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit/(Loss) before tax | 3,156 | (3,841) |
| Adjustments for:- | | |
| Allowance for impairment on trade receivable | - | 36 |
| Allowance for slow moving inventories | 723 | 386 |
| Reversal of impairment on other investment | - | (64) |
| Depreciation of property, plant and equipment | 1,174 | 2,110 |
| Impairment on quoted shares | 48 | 281 |
| Reversal of impairment on quoted shares | - | (193) |
| Loss/(Gain) on disposal of quoted shares | 583 | (113) |
| Loss on disposal of other investment | 152 | - |
| Gross dividends from quoted shares in Malaysia | - | (20) |
| Interest income | (55) | (38) |
| Unrealised loss on foreign exchange | 615 | 841 |
| Gain on disposal of property, plant and equipment | (4) | (78) |
| Operating profit/(loss) before changes in working capital | 6,392 | (693) |
| Inventories | (1,245) | 821 |
| Receivables | (13,865) | (4,995) |
| Payables | 9,607 | (2,441) |
| Director | - | 25 |
| Cash generated / (absorbed by) from operations | 889 | (7,283) |
| Tax paid | (97) | 19 |
| Net cash from/(used in) operating activities | 792 | (7,264) |
| Cash flows from investing activities | | |
| Interest received | 55 | 37 |
| Dividends received from quoted shares | - | 21 |
| Purchase of property, plant and equipment | (959) | (1,646) |
| Proceeds from disposal of property, plant and equipment | 4 | 103 |
| Investment in quoted shares | (3,825) | - |
| Proceeds from disposal of quoted shares | 2,352 | 495 |
| Net cash (used in) investing activities | (2,373) | (990) |
| Exchange differences on translation of the financial statements of foreign subsidiaries | (2,599) | 3,500 |
| Net (decrease) in cash and cash equivalents | (4,180) | (4,754) |
| Cash and cash equivalents at beginning of year | 15,351 | 20,105 |
| Cash and cash equivalents at end of year | 11,171 | 15,351 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 10,638 | 14,830 |
| Fixed deposits with licensed banks** | 533 | 521 |
| | 11,171 | 15,351 |

** 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.)

PNE PCB Berhad

Company No.168098-V

(Incorporated In Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
30 SEPTEMBER 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 | 65,748 | 12,273 | (11,408) | 66,613 |
| <i>Net gains recognized directly in equity</i> | | | | |
| Exchange fluctuation on translation of foreign subsidiaries | - | (2,599) | - | (2,599) |
| Par value reduction of ordinary shares from RM 1 per share to RM 0.20 per share | (52,599) | - | 52,599 | - |
| Issuance of bonus shares | 13,150 | - | (13,150) | - |
| Profit for the year | - | - | 3,059 | 3,059 |
| Total comprehensive income / (expenses) for the period | (39,449) | (2,599) | 42,508 | 460 |
| At 30 September 2016 | 26,299 | 9,674 | 31,100 | 67,073 |
| At 1 October 2014 | 65,748 | 1,835 | (9,181) | 58,402 |
| <i>Net gains recognized directly in equity</i> | | | | |
| Exchange fluctuation on translation of the financial statements of foreign subsidiaries | - | 10,631 | - | 10,631 |
| Fair value loss of available for sale financial assets | - | (193) | - | (193) |
| Loss for the year | - | - | (2,227) | (2,227) |
| Total comprehensive income / (expenses) for the period | - | 10,438 | (2,227) | 8,211 |
| At 30 September 2015 | 65,748 | 12,273 | (11,408) | 66,613 |

(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.)

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

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.

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

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 12 months ended 30 September | | Profit/(Loss) before tax 12 months ended 30 September | |
|----------------------------|--|----------------|---|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Malaysia | 19,353 | 19,348 | 742 | 15,842 |
| Singapore | 429 | 6,945 | (119) | 95 |
| People's Republic of China | 75,897 | 56,594 | 3,670 | 231 |
| | 95,679 | 82,887 | 4,293 | 16,168 |
| Inter-segment elimination | (227) | (7,643) | (2,231) | (19,032) |
| | <u>95,452</u> | <u>75,244</u> | | |
| Segment result | | | 2,062 | (2,864) |
| Other income | | | 997 | 637 |
| | | | <u>3,059</u> | <u>(2,227)</u> |

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

There were no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the period under review.

10. Related parties

Key management personnel compensation

| | 12 months ended 30 September | |
|------------------------------------|---------------------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Directors: | | |
| - Fees | 45 | 50 |
| - Remuneration | 170 | 1,299 |
| Total short-term employee benefits | 215 | 1,349 |
| Other key management personnel: | | |
| - Short term employee benefits | 9 | 402 |

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

**Interim Financial Report
30 September 2016**

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

PNE PCB Berhad

(Company No. 168098-V)

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Additional information required by the Bursa Malaysia's Listing Requirements

1. Review of performance

The Group recorded revenue of RM95.4 million and profit before tax ("PBT") of RM3.1 million as compared to revenue of RM75.2 million and loss before tax ("LBT") of RM3.8 million in the corresponding previous financial year. This higher revenue resulted from the expansion in the client base. Cost reduction measures taken during the year also contributed to improvement in the Group's profitability.

2. Variation of results against preceding quarter

For the quarter under review, the Group recorded a PBT of RM1.6 million as compared to PBT of RM1.3 million in the previous quarter ended 30 June 2016, mainly due to higher revenue generated in the current quarter at RM28.7 million compared to RM24.4 million in the previous quarter.

3. Current year prospects

It is expected that for the current financial year ended 30 September 2017, 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

| | 3 months ended | | 12 months ended | |
|-----------------|----------------|--------------|-----------------|--------------|
| | 30 September | | 30 September | |
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Tax expense | | | | |
| Malaysian Tax | | | | |
| -Current period | <u>(3)</u> | <u>1,631</u> | <u>(97)</u> | <u>1,613</u> |

6. Status of corporate proposal announced

On behalf of the Board of Directors of PNE ("BOD"), 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");

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

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 on behalf of the BOD 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 on behalf of the BOD 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 on behalf of the BOD that the issuance, listing and quotation of 65,748,500 Bonus Shares on the Main Market of Bursa Securities was completed.

On 9 November 2016, Mercury announced on behalf of the BOD that PNE has obtained the approval of Bursa Securities vide its letter dated 8 November 2016 for an extension of time of 6 months from 25 November 2016 up to 25 May 2017, for PNE to implement and complete the Rights Issue with Warrants.

As at this 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.

PNE PCB Berhad

(Company No. 168098-V)

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9. Dividends

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

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 RM1.7 million attributable to ordinary shareholders for the current quarter and RM3.1 million for the 12 months ended 30 September 2016.

(ii) The weighted average number of ordinary shares used as the denominator for the current quarter is 131,497,000 and for the financial year to date is 109,643,740.

(b) Diluted earnings per share.

Not applicable.

11. Capital commitments

There are 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:-

| | 30.09.2016 | 30.09.2015 |
|---|----------------------|------------------------|
| | RM'000 | RM'000 |
| Total retained profits / (accumulated losses) | | |
| - Realised | 35,344 | (23,834) |
| - Unrealised | 615 | 11,930 |
| | <u>35,941</u> | <u>(11,904)</u> |
| Less: Consolidation adjustments | (4,841) | 496 |
| Total accumulated profits / (losses) | <u><u>31,100</u></u> | <u><u>(11,408)</u></u> |

PNE PCB Berhad

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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 30.09.2016 RM'000 | Year To Date 30.09.2016 RM'000 |
|---|---|---|
| Interest income | (36) | (55) |
| Depreciation | 347 | 1,174 |
| Allowance for slow moving inventories | 723 | 723 |
| Impairment of quoted shares | (12) | 48 |
| Gain on disposal of property, plant and equipment | 32 | (4) |
| Loss on disposal of other investment | 152 | 152 |
| Loss on disposal of quoted investment | 596 | 583 |
| Foreign exchange (gain) / loss | | |
| - Realised | 12 | (230) |
| - Unrealised | 549 | 615 |
| | <hr/> | <hr/> |