

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

Financial Report (Announcement)

31 December 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	(Unaudited) As at 31 December 2016 RM'000	(Audited) As at 30 September 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,813	31,905
Investment in quoted shares	1,206	1,231
Deferred tax asset	1,900	1,900
Fixed deposits with licensed bank	2,543	538
Total non-current assets	<u>37,462</u>	<u>35,574</u>
Current assets		
Inventories	11,635	10,859
Trade receivables	34,184	34,387
Other receivables	5,501	6,637
Tax recoverable	314	15
Cash and cash equivalents	12,307	10,633
Total current assets	<u>63,941</u>	<u>62,531</u>
Total assets	<u>101,403</u>	<u>98,105</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	26,299	26,299
Reserves	44,236	40,907
Total equity	<u>70,535</u>	<u>67,206</u>
LIABILITIES		
Current liabilities		
Trade payables	25,099	26,986
Other payables	5,769	3,758
Tax payable	-	155
Total current liabilities	<u>30,868</u>	<u>30,899</u>
Total liabilities	<u>30,868</u>	<u>30,899</u>
Total equity and liabilities	<u>101,403</u>	<u>98,105</u>
Net assets per share of RM 0.20 each (RM)	0.54	0.51

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 September 2016 and accompanying explanatory notes attached to the interim financial statements.)

PNE PCB Berhad
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 (Incorporated In Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
 INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2016 RM'000	Preceding Year Correspond- ing Quarter 31 December 2015 RM'000	Current Period to date 31 December 2016 RM'000	Preceding Year Correspond- ing Period 31 December 2015 RM'000
Revenue	27,928	20,046	27,928	20,046
Cost of sales	(23,675)	(16,581)	(23,675)	(16,581)
Gross profit	4,253	3,465	4,253	3,465
Other income	535	82	535	82
Distribution expenses	(603)	(793)	(603)	(793)
Administration expenses	(2,511)	(2,140)	(2,511)	(2,140)
Other expenses	-	(517)	-	(517)
Profit before tax	1,674	97	1,674	97
Tax expense	(4)	(4)	(4)	(4)
Profit for the financial period	1,670	93	1,670	93
Other comprehensive income, net of tax				
- Foreign currencies translation	1,659	(720)	1,659	(720)
Total comprehensive income/(expense) for the financial period	3,329	(627)	3,329	(627)
Earnings per share (sen)				
- Basic/Diluted	1.27	0.14	1.27	0.14

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 September 2016 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 DECEMBER 2016

	Current Period ended 31 December 2016 RM'000	Current Period ended 31 December 2015 RM'000
OPERATING ACTIVITIES		
Profit before tax	1,674	97
Adjustments for:		
Depreciation of property, plant and equipment	92	488
Impairment on quoted shares	25	-
Gain on disposal of quoted shares	-	(13)
Gross dividends from quoted shares in Malaysia	-	(2)
Interest income	-	(9)
Unrealised (gain)/loss on foreign exchange	(250)	67
Gain on disposal of property, plant and equipment	-	(14)
Operating profit before working capital changes	1,541	614
Changes in working capital:		
Inventories	4,041	(1,553)
Receivables	(3,526)	(827)
Payables	(31)	(150)
Cash generated from/(used in) operations	2,025	(1,916)
Income tax paid	(4)	(342)
Net cash generated from/(used in) operating activities	2,021	(2,258)
INVESTING ACTIVITIES		
Interest received	-	9
Dividends received from quoted shares	-	2
Purchase of property, plant and equipment	-	(396)
Proceeds from disposal of property, plant and equipment	-	30
Proceeds from disposal of quoted shares	-	122
Net cash used in investing activities	-	(233)
CASH AND CASH EQUIVALENTS		
Net changes	2,021	(2,491)
Effect of exchange rate changes	1,659	(626)
At beginning of the financial period	11,170	15,351
At end of the financial period	14,850	12,234
Cash and cash equivalents comprise of:		
- Cash and bank balances	12,307	9,807
- Fixed deposits with licensed banks**	2,543	2,427
	14,850	12,234

** 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 2016 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 DECEMBER 2016**

	←----- Attributable to the owners of the Company -----→					Total equity RM'000
	←----- Non-distributable -----→		Fair value reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	
	Share capital RM'000	Share premium RM'000	Fair value reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 October 2016	26,299	773	-	8,902	31,232	67,206
Profit for the financial period	-	-	-	-	1,670	1,670
Other comprehensive income for the financial period, net of tax: - Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	-	1,659	-	1,659
Total comprehensive income for the financial period	-	-	-	1,659	1,670	3,329
Balance at 31 December 2016	26,299	773	-	10,561	32,902	70,535

(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 2016 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 DECEMBER 2016 (continued)

	←----- Attributable to the owners of the Company -----→					Total equity RM'000
	Share capital RM'000	Share premium RM'000	Fair value reserve RM'000	Exchange fluctuation reserve RM'000	(Accumulated losses)/Retained earnings RM'000	
Balance as at 1 October 2015	65,749	773	-	11,500	(11,409)	66,613
Profit/(Loss) for the financial period	-	-	-	-	93	93
Other comprehensive (expense)/income for the financial period, net of tax:						
- Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	-	(720)	-	(720)
Total comprehensive (expense)/income for the financial period	-	-	-	(720)	93	(627)
Balance at 31 December 2015	65,749	773	-	10,780	(11,316)	65,986

(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 2016 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 2016.

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 2016.

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 3 months ended 31 December		Profit/(Loss) before tax 3 months ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	4,708	4,114	(94)	(222)
Singapore	53	183	359	19
People's Republic of China	23,204	15,935	1767	332
	27,965	20,232	2,032	129
Inter-segment elimination	(37)	(186)	(893)	(114)
	27,928	20,046		
Segment result			1,139	15
Other income			535	82
			1,674	97

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

	3 months ended 31 December	
	2016 RM'000	2015 RM'000
Directors:		
- Fees	11	11
- Remuneration	45	74
	56	85

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10. Related parties (continued)

Transactions with related parties of the Group

	3 months ended 31 December	
	2016 RM'000	2015 RM'000
<i>Companies in which certain shareholders have interests</i>		
Sales	930	1,102

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 December 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 RM 27.928 million and profit before tax ("PBT") of RM 1.674 million as compared to revenue of RM 20.046 million and PBT of RM 0.097 million in the corresponding previous financial year. This higher revenue and profit resulted from the expansion in the client base.

2. Variation of results against preceding quarter

For the quarter under review, the Group recorded a PBT of RM 1.674 million as compared to a PBT of RM 1.648 million in the previous quarter ended 30 September 2016. While revenue decreased from RM 28.751 million to RM 27.928 million, cost control measures enabled the Group to maintain its profitability.

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 31 December		3 months ended 31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian Tax				
-Current period	<u>(4)</u>	<u>(4)</u>	<u>(4)</u>	<u>(4)</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");

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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 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.

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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 RM 1.6 million attributable to ordinary shareholders for the current quarter and RM 1.6 million for the 3 months ended 31 December 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 131,497,000.

(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:-

	31.12.2016	31.12.2015
	RM'000	RM'000
Total retained profits / (accumulated losses)		
- Realised	20,914	(21,477)
- Unrealised	10,883	9,509
	<u>31,797</u>	<u>(11,968)</u>
Less: Consolidation adjustments	1,105	652
Total accumulated profits / (losses)	<u><u>32,902</u></u>	<u><u>(11,316)</u></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 31.12.2016 RM'000	Year To Date 31.12.2016 RM'000
Depreciation	92	92
Impairment of quoted shares	25	25
Foreign exchange gain		
- Unrealised	(250)	(250)
	<hr/>	<hr/>