

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

Financial Report (Announcement)

30 Jun 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUN 2017

	(Unaudited) As at 30 Jun 2017 RM'000	(Audited) As at 30 September 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,888	31,905
Investment in quoted shares	1,301	1,231
Deferred tax asset	1,900	1,900
Fixed deposits with licensed bank	3,158	538
Total non-current assets	<u>38,247</u>	<u>35,574</u>
Current assets		
Inventories	10,826	10,859
Trade receivables	31,220	34,387
Other receivables	6,598	6,637
Tax recoverable	15	15
Cash and cash equivalents	6,743	10,633
Total current assets	<u>55,402</u>	<u>62,531</u>
Total assets	<u>93,649</u>	<u>98,105</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	26,299	26,299
Reserves	42,557	40,907
Total equity	<u>68,856</u>	<u>67,206</u>
Current liabilities		
Trade payables	18,924	26,986
Other payables	5,869	3,758
Tax payable	-	155
Total current liabilities	<u>24,793</u>	<u>30,899</u>
Total liabilities	<u>24,793</u>	<u>30,899</u>
Total equity and liabilities	<u>93,649</u>	<u>98,105</u>
Net assets per share (RM)	0.52	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.)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME FOR THE PERIOD ENDED 30 JUN 2017**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 Jun 2017 RM'000	Preceding Year Corresponding Quarter 30 Jun 16 RM'000	Current Year to date 30 Jun 2017 RM'000	Preceding Year Corresponding Period 30 Jun 2016 RM'000
Revenue	23,656	24,371	75,094	66,701
Cost of sales	(20,850)	(20,440)	(65,117)	(56,917)
Gross profit	2,806	3,931	9,977	9,784
Other income	370	-	1,468	82
Distribution expenses	(459)	-	(1,536)	-
Administration expenses	(2,368)	(2,638)	(7,669)	(8,361)
Profit before tax	349	1,293	2,240	1,505
Tax (expense)/income	(59)	(83)	(66)	(94)
Profit for the financial period	290	1,210	2,174	1,411
Other comprehensive income, net of tax				
- Foreign currencies translation	(1,734)	4,728	(524)	(2,687)
Total comprehensive (expense)/income for the financial period	(1,444)	5,938	1,650	(1,276)
Earnings/(Loss) per share (sen)				
- Basic	0.22	0.92	1.65	1.38

(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 30 JUN 2017**

	Current Period ended 30 Jun 2017 RM'000	Current Period ended 30 Jun 2016 RM'000
OPERATING ACTIVITIES		
Profit before tax	2,240	1,505
Adjustments for:		
Depreciation of property, plant and equipment	1,565	827
Reversal of impairment on quoted shares	(70)	60
Gain on disposal of quoted shares	-	(14)
Gross dividends from quoted shares in Malaysia	(1)	-
Interest income	(10)	(19)
Unrealised loss on foreign exchange	353	66
Gain on disposal of property, plant and equipment	(100)	(36)
Operating profit before working capital changes	<u>3,977</u>	<u>2,389</u>
Changes in working capital:		
Inventories	33	(155)
Receivables	3,206	(8,760)
Payables	(6,459)	3,050
Cash generated from operations	<u>757</u>	<u>(3,476)</u>
Income tax paid	(66)	(94)
Net cash generated from operating activities	<u>691</u>	<u>(3,570)</u>
INVESTING ACTIVITIES		
Interest received	10	19
Dividends received from quoted shares	1	2
Purchase of property, plant and equipment	(1,547)	(323)
Investment in quoted shares	-	(2,643)
Proceeds from disposal of property, plant and equipment	100	30
Net cash used in investing activities	<u>(1,436)</u>	<u>(2,915)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(745)	(6,485)
Effect of exchange rate changes	(524)	(2,687)
At beginning of the financial period	11,170	15,351
At end of the financial period	<u>9,901</u>	<u>6,179</u>
Cash and cash equivalents comprise of:		
- Cash and bank balances	6,743	5,646
- Fixed deposits with licensed banks **	3,158	533
	<u>9,901</u>	<u>6,179</u>

** Fixed deposits RM549 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 30 JUN 2017**

	←——— Attributable to the owners of the Company ———→				
	←——— Non-distributable ———→				
	Share capital RM'000	Share premium 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	-	-	-	2,174	2,174
Other comprehensive (expense)/income for the financial period, net of tax:					
- Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	(524)	-	(524)
Total comprehensive (expense)/income for the financial period	-	-	(524)	2,174	1,650
Balance as at 30 Jun 2017	26,299	773	8,378	33,406	68,856

(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 30 JUN 2017 (continued)**

	← Attributable to the owners of the Company →				
	← Non-distributable →				
	Share capital RM'000	Share premium RM'000	Exchange fluctuation reserve RM'000	(Accumulated losses)/Retained earnings RM'000	Total equity RM'000
Balance as at 1 October 2015	65,749	773	11,500	(11,408)	66,614
Profit for the financial period	-	-	-	1,411	1,411
Other comprehensive (expense)/income for the financial period, net of tax:					
- Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	(2,687)	-	(2,687)
Total comprehensive (expense)/income for the financial period	-	-	(2,687)	1,411	(1,276)
Transaction with owners:					
- Par value reduction	(52,599)	-	-	52,599	-
- Issuance of bonus shares	13,150	-	-	(13,150)	-
Balance at 30 Jun 2016	26,300	773	8,813	29,452	65,338

(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 9 months ended 30 Jun		Profit/(Loss) before tax 9 months ended 30 Jun	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	14,475	14,231	(582)	(2,021)
Singapore	205	324	(433)	69
People's Republic of China	60,605	41,359	3,255	3,456
	75,285	66,821	2,240	1,504
Inter-segment elimination	(191)	(120)	(1,468)	(81)
	<u>75,094</u>	<u>66,701</u>		
Segment result			772	1,423
Other income			1,468	82
			<u>2,240</u>	<u>1,505</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

	9 months ended 30 Jun	
	2017 RM'000	2016 RM'000
Directors:		
- Fees	32	34
- Remuneration	236	135
	<u>268</u>	<u>169</u>

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10. Related parties (continued)

Transactions with related parties of the Group

	9 months ended	
	30 Jun	
	2017	2016
	RM'000	RM'000
<i>Companies in which certain shareholders have interests</i>		
Sales	3,632	5,543

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
30 Jun 2017

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 RM75.094 million and profit before tax ("PBT") of RM 2.240 million as compared to revenue of RM 66.701 million and PBT of RM1.505 million in the corresponding previous financial year. This higher revenue and profit resulted from an expansion in the client base.

2. Variation of results against preceding quarter

For the quarter under review, the Group recorded a profit before tax ("PBT") of RM 0.349 million as compared to a PBT of RM0.218 million in the previous quarter ended 31 March 2017. The increase was mainly due to improve of productivity and efficiency through automation and reduced of manpower in both China and Malaysia which has improved performance of the group of the current 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 continuous improvement on the costing and production efficiency improvement.

4. Profit forecast

Not applicable.

5. Tax expense

	9 months ended 30 Jun		3 months ended 30 Jun	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Tax expense				
Malaysian Tax				
-Current period	<u>(66)</u>	<u>(94)</u>	<u>(59)</u>	<u>(83)</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 ("Proposals 1"):-

- 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 (“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 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) (“Previous 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 ;
- 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; and
- 6) amendments to the Memorandum and Articles of Association of the Company.

Mercury had also on 26 November 2015 announced on behalf of the BOD that an approval for the Proposals 1 has been obtained from Bursa Securities vide its letter dated 25 November 2015.

On 22 December 2015, the BOD announced that the Proposal 1 has been approved by the Shareholders at an Extraordinary General Meeting held on 22 December 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 11 February 2016, Mercury announced on behalf of the BOD that 65,748,500 Bonus Shares were issued pursuant to the Proposed Bonus Issue.

On 12 February 2016, Mercury announced on behalf of the BOD that the Bonus Issue has been completed following the listing and quotation of 65,748,500 Bonus Shares on the Main Market of Bursa Securities.

On 17 October 2016, Mercury announced on behalf of the BOD that the effective date for the implementation of the ESOS was 17 October 2016.

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 Previous Rights Issue with Warrants.

On 24 May 2017, Mercury announced on behalf of the BOD that the Board had resolved to revise the Previous Rights Issue with Warrants to the following Proposals (“Proposals 2”):-

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6. Status of corporate proposal announced (continued)

- i. Proposed renounceable rights issue of up to 907,329,300 new irredeemable convertible preference shares in PNE (“ICPS”) together with up to 75,610,775 free detachable warrants (“Warrants”) on the basis of 12 ICPS together with 1 Warrant for every 2 existing ordinary shares in PNE (“PNE Shares” or “Shares”) held by the entitled shareholders on an entitlement date to be determined (“Proposed Rights Issue of ICPS with Warrants”); and
- ii. Proposed amendments to the Constitution of the Company.

On 07 June 2017, Mercury announced on behalf of the BOD that the application in respect of the Proposed Rights Issue of ICPS with Warrants has been submitted to Bursa Securities.

On 29 June 2017, Mercury announced on behalf of the BOD that Bursa Securities had, vide its letter dated 29 June 2017, approved the following:-

- i. Admission to the Official List and the listing of up to 907,329,300 ICPS and up to 75,610,775 Warrants to be issued pursuant to the Proposed Rights Issue of ICPS with Warrants;
- ii. Listing of up to 907,329,300 new PNE Shares to be issued pursuant to the conversion of ICPS; and
- iii. Listing of up to 75,610,775 new PNE Shares to be issued pursuant to the exercise of the Warrants.

On 4 July 2017, Mercury announced on behalf of the BOD that the Company has resolved to fix the Conversion Price of the ICPS at RM0.40 and the exercise price of the Warrants at RM0.50 per Warrant on 4 July 2017.

On 31 July 2017, the BOD announced that the Proposals 2 has been approved by the Shareholders at an Extraordinary General Meeting held on 31 July 2017.

As at the date of this report, the Proposals 2 have not yet been completed and the Company has not issue any option to the eligible Directors and employees of the Group under the ESOS.

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 profit after tax of RM0.290 million attributable to ordinary shareholders for the current quarter and RM2.174 million for the 9 months ended 30 Jun 2017.

(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:-

	30.06.2017	30.06.2016
	RM'000	RM'000
Total retained profits / (accumulated losses)		
- Realised	20,914	34,045
- Unrealised	12,219	66
	<u>33,133</u>	<u>34,111</u>
Less: Consolidation adjustments	273	(4,659)
Total accumulated profits	<u>33,406</u>	<u>29,452</u>

13. Notes to the condensed consolidated statement of comprehensive income

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

	3 months	Year To
	Ended	Date
	30.06.2017	30.06.2017
	RM'000	RM'000
Depreciation	556	1,565
Interest income	(5)	(10)
Gain on disposal of property, plant and equipment	0	(100)
Reversal of impairment on quoted shares	(27)	(70)
Foreign exchange (gain)/loss		
- Unrealised	(286)	353
	<u> </u>	<u> </u>