

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

Financial Report (Announcement)

30 September 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	(Unaudited)	(Audited)
	As at 30	As at 30
	September	September
	2017	2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,482	31,905
Investment in quoted shares	309	1,231
Deferred tax asset	1,900	1,900
Fixed deposits with licensed bank	3,166	538
Total non-current assets	<u>36,857</u>	<u>35,574</u>
Current assets		
Inventories	10,154	10,859
Trade receivables	30,509	34,387
Other receivables	6,800	6,637
Other investment	1,281	-
Tax recoverable	12	15
Cash and cash equivalents	9,922	10,633
Total current assets	<u>58,678</u>	<u>62,531</u>
Total assets	<u>95,535</u>	<u>98,105</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	27,072	26,299
Reserves	43,782	40,907
Total equity	<u>70,854</u>	<u>67,206</u>
Current liabilities		
Trade payables	20,575	26,986
Other payables	4,104	3,758
Tax payable	2	155
Total current liabilities	<u>24,681</u>	<u>30,899</u>
Total liabilities	<u>24,681</u>	<u>30,899</u>
Total equity and liabilities	<u>95,535</u>	<u>98,105</u>
Net assets per share (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 30 SEPTEMBER 2017**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 Sep 2017 RM'000	Preceding Year Corresponding Quarter 30 Sep 2016 RM'000	Current Period to date 30 Sep 2017 RM'000	Preceding Year Corresponding Period 30 Sep 2016 RM'000
Revenue	23,965	28,751	99,059	94,834
Cost of sales	(21,748)	(22,773)	(86,865)	(78,970)
Gross profit	2,217	5,978	12,194	15,864
Other income	1,815	915	3,283	997
Distribution expenses	(1,941)	(2,884)	(3,477)	(3,178)
Administrative expenses	(988)	(2,358)	(8,657)	(10,452)
Profit before tax	1,103	1,651	3,343	3,231
Tax expense	7	(3)	(59)	(40)
Profit for the financial period	1,110	1,648	3,284	3,191
Other comprehensive income, net of tax				
- Foreign currencies translation	888	88	364	(2,599)
Total comprehensive income for the financial period	1,998	1,736	3,648	592
Earnings per share (sen)				
- Basic	0.84	1.25	2.50	2.96

(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 SEPTEMBER 2017**

	Current Period ended 30 September 2017 RM'000	Current Period ended 30 September 2016 RM'000
OPERATING ACTIVITIES		
Profit before tax	3,343	3,231
Adjustments for:		
Allowance for doubtful debts	34	4
Allowance for slow moving inventories	46	768
Fair value gain on investment in quoted shares	(203)	-
Other investment written off	-	149
Depreciation of property, plant and equipment	1,998	1,878
Bad debt written off	61	-
Property, plant and equipment written off	5	-
Reversal of impairment on quoted shares	(62)	(2)
Impairment of quoted shares	-	224
Loss on disposal of quoted shares	246	583
Gross dividend from quoted shares in Malaysia	(8)	(7)
Interest income	(90)	(63)
Allowance for slow moving inventories no longer required	(224)	-
Unrealised (gain)/loss on foreign exchange	(309)	221
Gain on disposal of property, plant and equipment	(44)	(8)
Operating profit before working capital changes	4,793	6,978
Changes in working capital:		
Inventories	1,003	(1,781)
Receivables	4,813	(14,997)
Payables	(6,933)	10,791
Director	-	(25)
Cash generated from operations	3,676	966
Tax paid	(211)	(169)
Net cash from operating activities	3,465	797
INVESTING ACTIVITIES		
Interest received	90	63
Gross dividend from quoted shares in Malaysia	8	7
Purchase of property, plant and equipment	(1,727)	(2,621)
Investment in quoted shares	(340)	(3,907)
Placement of fixed deposit under pledged	(16)	(16)
Proceeds from disposal of property, plant and equipment	268	87
Proceeds from disposal of quoted shares	-	2,262
Net cash used in investing activities	(1,717)	(4,125)
CASH AND CASH EQUIVALENTS		
Net changes	1,748	(3,328)
Effect of exchange rate changes	153	(869)
At beginning of the financial period	10,633	14,830
At end of the financial period	12,534	10,633
Cash and cash equivalents comprise of:		
- Cash and bank balances	9,922	10,633
- Fixed deposits with licensed banks **	2,612	-
	12,534	10,633

** Fixed deposits RM554 thousand with a 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.)

PNE PCB Berhad
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED
 30 SEPTEMBER 2017**

	← Non-distributable ←		Attributable to the owners of the Company →		
	Share capital RM'000	Share premium RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	
Balance as at 1 October 2016	26,299	773	8,902	31,232	67,206
Profit for the financial period	-	-	-	3,284	3,284
Other comprehensive income for the financial period, net of tax: - Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	364	-	364
Total comprehensive income for the financial period	-	-	364	3,284	3,648
Transition to no-par value regime on 31 January 2017	773	(773)	-	-	-
Balance as at 30 September 2017	27,072	-	9,266	34,516	70,854

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM 773,300.00 for purposes as set out in Sections 618 (3).

PNE PCB Berhad
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED
 30 SEPTEMBER 2017 (continued)**

	← Attributable to the owners of the Company →				Total equity RM'000
	Share capital RM'000	Share premium RM'000	Exchange fluctuation reserve RM'000	(Accumulated losses)/Retained earnings RM'000	
Balance as at 1 October 2015	65,748	773	11,501	(11,408)	66,614
Profit for the financial period	-	-	-	3,191	3,191
Other comprehensive (expense)/income for the financial period, net of tax:					
- Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	(2,599)	-	(2,599)
Total comprehensive (expense)/income for the financial period	-	-	(2,599)	3,191	592
Transaction with owners:					
- Par value reduction	(52,599)	-	-	52,599	-
- Issuance of bonus shares	13,150	-	-	(13,150)	-
Balance as at 30 September 2016	26,299	773	8,902	31,232	67,206

(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.)

PNE PCB BERHAD
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NOTES TO THE QUARTERLY REPORT –30 SEPTEMBER 2017

1. 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 statement are consistent with those adopted in the audited financial statements for the financial year ended 30 September 2016.

3. Seasonal or cyclical factors

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

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

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

5. Material change in estimates

There were no significant changes in estimates which will have a material effect in the current quarter under review.

6. Changes in Debt and Equity Securities

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

7. Dividends

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

8. Valuation of property and equipment

The Group did not revalue any of its property or equipment during the current period under review.

9. Subsequent Events

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

10. Changes in the composition of the Group

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

11. Changes in Contingent assets and contingent liabilities

There were no material contingent assets and contingent liabilities since the last annual reporting date.

12. Commitments

There were no commitments as at the date of this report.

13. Significant related party disclosures

There were no significant related party transactions during the current period under review.

14. Auditor qualification

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

15. Change in material litigation

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

16. Borrowing and debt securities

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

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

1. Financial review for Current Quarter and Cumulative Quarter

	Individual Period			Cumulative Period		
	Current Period Quarter	Preceding Year Corresponding Quarter	Changes (Amount)	Current Period to- Date	Preceding Year Corresponding Period	Changes (Amount)
	30.09.2017	30.09.2016		30.09.2017	30.09.2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	23,965	28,751	(4,786)	99,059	94,834	4,225
Operating Profit	2,217	5,978	(3,761)	12,194	15,864	(3,670)
Profit Before Interest and Tax	1,103	1,651	(548)	3,343	3,231	112
Profit Before Tax	1,103	1,651	(548)	3,343	3,231	112
Profit After Tax	1,110	1,648	(538)	3,284	3,191	93
Profit Attributable to Ordinary Equity Holder of the Company	1,998	1,736	262	3,648	592	3056

Review of Group's Results for the current quarter and Period-to-date ended 30 September 2017

The Group recorded a revenue of RM23.965 million for the quarter ended 30 September 2017. The Group's profit before tax ("PBT") and profit after tax ("PAT") for the quarter were RM1.103 million and RM1.110 million for the period respectively.

The Group's revenue of RM99.059 million for the period to date 30 September 2017 represents an increase of approximately 4.46% as compared to the preceding corresponding period. The Group achieved PBT and PAT of RM3.343 million and RM3.284 million respectively for the period to date 30 September 2017, as compared to PBT and PAT of RM3.231 million and RM3.191 million respectively for the preceding year to date 30 September 2016.

The reason of the Group's higher revenue for the current period to date was mainly attributable to higher sales orders from existing key customers and an expansion in the client base.

2. Financial review for Current Quarter and Immediate Preceding Quarter

	Current Period Quarter 30.09.2017 RM'000	Immediate Preceding Quarter 30.06.2017 RM'000	Changes (Amount) RM'000
Revenue	23,965	23,656	309
Operating Profit	2,217	2,806	(589)
Profit Before Interest and Tax	1,103	349	754
Profit Before Tax	1,103	349	754
Profit After tax	1,110	290	820
Profit Attributable to the Owners of the Company	1,998	(1,444)	3,442

The Group recorded a higher revenue of RM23.965 million, an increase of RM0.309 million or approximately 1.31% as compared to the immediate preceding quarter ended 30 June 2017. The Group recorded a PBT of RM1.103 million as compared to PBT of RM0.349 million in the immediate preceding quarter ended 30 June 2017. The increase was mainly due to increase of selling price caused by increased of laminate price around 15%.

3. Current year prospects

With the Group's vertical integration capabilities, it has received substantially higher orders from key customers, particularly during the current quarter of the financial period ending 31 December 2017. The trend of rising orders is expected to sustain going into next financial year. The Group has added automation machinery to cope new orders from existing and new customers. The Group will be able to achieve marginal profit through constant improvement on the costing and production efficient.

4. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	20,149	19,353	1,470	772
Singapore	255	429	(128)	(19)
People's Republic of China	79,052	75,704	3,063	6,217
	<u>99,456</u>	<u>95,486</u>	<u>4,405</u>	<u>6,970</u>
Inter-segment elimination	<u>(397)</u>	<u>(652)</u>	<u>(4,345)</u>	<u>(4,736)</u>
	<u>99,059</u>	<u>94,834</u>		
Segment result			60	2,234
Other income			3,283	997
			<u>3,343</u>	<u>3,231</u>

5. Profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee in any public documents.

6. Taxation

	Current Quarter		Cumulative Quarter	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2017 RM'000
Tax expense				
Malaysian Tax				
-Current period	<u>7</u>	<u>(3)</u>	<u>(59)</u>	<u>(40)</u>

7. Status of corporate proposal announced

On 24 May 2017, Mercury Securities Sdn Bhd ("Mercury") announced on behalf of the Board of Directors of the Company ("BOD") that the Company proposed to undertake the following proposals ("Proposals"):-

- 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 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 ("Proposed Amendments").

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

7. Status of corporate proposal announced (continued)

On 31 July 2017, the Company had obtained its shareholders' approval for the Proposals. The Proposed Amendments has become effective on the event date.

On 22 Nov 2017, Mercury had announced on behalf of the BOD that the Company has submitted an application to seek Bursa Securities' consideration and approval for an extension of time of 6 months from 29 December 2017 up to 29 June 2018 for the Company to implement and complete the Rights Issue of ICPS with Warrants.

Save as disclosed above, there are no other corporate proposals announced, which are pending completion as at the reporting date.

8. Trade Receivable

The Group's normal trade credit terms range from 60 days to 135 days term.

	As at current quarter ended 30 September 2017				
	Current	1-2 months	2-3 months	More than 3 months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Denominated in RM					
Trade receivables	25,963	3,047	86	1,413	30,509

9. Earnings Per Share

	Current Period Quarter 30.09.2017	Preceding Year Corresponding Quarter 30.09.2016	Current Period To Date 30.09.2017	Preceding Year To Date 30.09.2016
(a) Basic Earnings Per share				
Profit after tax (RM'000)	1,110	1,648	3,284	3,192
Weighted average number of ordinary shares in issue ('000)	131,497	131,497	131,497	107,719
Basic Earnings per share (sen)	0.84	1.25	2.50	2.96

(b) Diluted Earnings Per Share

Not applicable.

10. Realised and unrealised profits

The breakdown of retained profits into realised and unrealised profits as at the reporting period as follows:-

	30.09.2017 RM'000	30.09.2016 RM'000
Total retained profits		
- Realised	21,843	19,244
- Unrealised	11,398	10,883
	<u>33,241</u>	<u>30,127</u>
Less: Consolidation adjustments	1,275	1,105
	<u>34,516</u>	<u>31,232</u>

11. Notes to the condensed consolidated statement of comprehensive income

Profit before taxation is arrived at after charging/ (crediting) the following items:-

	Current Period Quarter 30.09.2017 RM'000	Current Period To Date 30.09.2017 RM'000
Depreciation of equipment	433	1,998
Interest income	(80)	(90)
Loss/(Gain) on disposal of property, plant and equipment	56	(44)
Reversal of impairment on quoted share	8	(62)
Foreign exchange (gain)/loss		
- Unrealised	(662)	(309)
Allowance for doubtful debts	34	34
Allowance for slow moving inventories	46	46
Bad debt written off	61	61
Property, plant and equipment written off	5	5
Loss on disposal of quoted share	246	246
Fair value gain on investment in quoted shares	(203)	(203)
Allowance for slow moving inventories no longer required	(224)	(224)