

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

Financial Report (Announcement)

31 December 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	(Unaudited) As at 31 December 2017 RM'000	(Audited) As at 30 September 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,458	31,905
Investment in quoted shares	304	1,231
Deferred tax asset	1,900	1,900
Fixed deposits with licensed bank	3,573	538
Total non-current assets	<u>37,235</u>	<u>35,574</u>
Current assets		
Inventories	9,886	10,859
Trade receivables	26,273	34,387
Other receivables	3,926	6,637
Other investment	1,631	-
Tax recoverable	13	15
Cash and cash equivalents	17,005	10,633
Total current assets	<u>58,734</u>	<u>62,531</u>
Total assets	<u>95,969</u>	<u>98,105</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	27,072	26,299
Reserves	42,000	40,907
Total equity	<u>69,072</u>	<u>67,206</u>
Current liabilities		
Trade payables	21,264	26,986
Other payables	5,633	3,758
Tax payable	-	155
Total current liabilities	<u>26,897</u>	<u>30,899</u>
Total liabilities	<u>26,897</u>	<u>30,899</u>
Total equity and liabilities	<u>95,969</u>	<u>98,105</u>
Net assets per share (RM)	0.53	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 31 DECEMBER 2017**

	Unaudited Individual Quarter	Unaudited Preceding Year Corresponding Quarter	Unaudited Cumulative Quarter	Unaudited Preceding Year Corresponding Period
	Current Quarter	Current Quarter	Current Year to date	Current Year to date
	(Three (3) months) 31 Dec 2017 RM'000	(Three (3) months) 31 Dec 16 RM'000	(Fifteen (15) months) 31 Dec 2017 RM'000	(Fifteen (15) months) 31 Dec 2016 RM'000
Revenue	23,601	27,928	122,660	123,380
Cost of sales	(20,441)	(23,675)	(107,305)	(103,365)
Gross profit	3,160	4,253	15,355	20,015
Other income	694	535	3,977	1,532
Distribution expenses	(175)	(603)	(3,652)	(603)
Administration expenses	(2,861)	(2,511)	(11,518)	(16,114)
Profit before tax	818	1,674	4,162	4,830
Tax (expense)	(11)	(4)	(71)	(101)
Profit for the financial period	807	1,670	4,091	4,729
Other comprehensive income, net of tax				
- Foreign currencies translation	(2,589)	1,659	(2,225)	(940)
Total comprehensive (expense)/income for the financial period	(1,782)	3,329	1,866	3,789
Earnings per share (sen)				
- Basic	0.61	1.27	3.11	3.60

(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 2017**

	Unaudited Current Period ended 31 December 2017 RM'000	Unaudited Current Period ended 31 December 2016 RM'000
OPERATING ACTIVITIES		
Profit before tax	4,162	1,674
Adjustments for:		
Loss on disposal of other investment	284	-
Depreciation of property, plant and equipment	2,628	92
Impairment loss on quoted shares	39	25
Gross dividends from quoted shares in Malaysia	(8)	-
Allowance for slow moving inventories no longer required	(282)	-
Interest income	(118)	-
Unrealised gain on foreign exchange	(788)	(250)
Loss on disposal of property, plant and equipment	162	-
Operating profit before working capital changes	<u>6,079</u>	<u>1,541</u>
Changes in working capital:		
Inventories	1,255	4,041
Receivables	10,825	(3,526)
Payables	<u>(3,213)</u>	<u>(31)</u>
Cash generated from operations	14,946	2,025
Income tax paid	<u>(68)</u>	<u>(4)</u>
Net cash generated from operating activities	<u>14,878</u>	<u>2,021</u>
INVESTING ACTIVITIES		
Interest received	118	-
Dividends received from quoted shares	8	-
Purchase of property, plant and equipment	(2,181)	-
Investment in quoted shares	(744)	-
Proceeds from disposal of property, plant and equipment	(162)	-
Proceeds from disposal of other investment	(284)	-
Net cash used in investing activities	<u>(3,245)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS		
Net changes	11,633	2,021
Effect of exchange rate changes	(2,225)	1,659
At beginning of the financial period	11,170	11,170
At end of the financial period	<u>20,578</u>	<u>14,850</u>
Cash and cash equivalents comprise of:		
- Cash and bank balances	17,005	12,307
- Fixed deposits with licensed banks **	<u>3,573</u>	<u>2,543</u>
	<u>20,578</u>	<u>14,850</u>

** Fixed deposits RM558 thousand 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.)

PNE PCB Berhad

Company No.168098-V

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED
31 DECEMBER 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	65,748	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 (Audited)	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 –31 DECEMBER 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)
	31.12.2017	31.12.2016		31.12.2017	31.12.2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	23,601	27,928	(4,327)	122,660	123,380	(720)
Operating Profit	3,160	4,253	(1,093)	15,355	20,015	(4,660)
Profit Before Interest and Tax	818	1,674	(856)	4,162	4,830	(668)
Profit Before Tax	818	1,674	(856)	4,162	4,830	(668)
Profit After Tax	807	1,670	(863)	4,091	4,729	(638)
Profit Attributable to Ordinary Equity Holder of the Company	807	1,670	(863)	4,091	4,729	(638)

Review of Group's Results for the current quarter and Period-to-date ended 31 December 2017

The Group recorded a revenue of RM23.601 million for the quarter ended 31 December 2017. The Group's profit before tax ("PBT") and profit after tax ("PAT") for the quarter were RM0.818 million and RM0.807 million for the period respectively.

The Group's revenue of RM122.660 million for the period to date 31 December 2017 represents a decrease of approximately 0.58% as compared to the preceding corresponding period. The Group achieved PBT and PAT of RM4.162 million and RM4.091 million respectively for the period to date 31 December 2017, as compared to PBT and PAT of RM4.830 million and RM4.729 million respectively for the preceding year to date 31 December 2016.

The reason of the Group's lower revenue for the current period to date was mainly due to weakness of USD currency in comparison with corresponding quarter of the preceding year ended 31 December 2016.

2. Financial review for Current Quarter and Immediate Preceding Quarter

	Current Period Quarter 31.12.2017 RM'000	Immediate Preceding Quarter 30.09.2017 RM'000	Changes (Amount) RM'000
Revenue	23,601	23,965	(364)
Operating Profit	3,160	2,217	943
Profit Before Interest and Tax	818	1,103	(285)
Profit Before Tax	818	1,103	(285)
Profit After tax	807	1,110	(303)
Profit Attributable to the Owners of the Company	807	1,110	(303)

The Group recorded a lower revenue of RM23.601 million, decrease of RM0.364 million or approximately 1.52% as compared to the immediate preceding quarter ended 30 September 2017. The Group recorded a PBT of RM0.818 million as compared to PBT of RM1.103 million in the immediate preceding quarter ended 30 September 2017. The decrease was mainly due to about 15% slowdown of sales in the year end in China as well as Malaysia.

3. Current year prospects

With the Group's vertical integration capabilities, it has received substantially orders from key customers. 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 continuously improvement on the costing and production efficiency. However, due to change of size of semi-conductor such as chip capacitor, resistor, and condenser, the Group have to invest in Photo Imaging line in Malaysia Plant to align with customer requirement. By end of year 2019 we foresee at least 35% of PCBA user will change to 1005 chip which will directly impact to our revenue of 30% to 40% yearly.

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 15 months ended 31 December		Profit/(Loss) before tax 15 months ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	25,410	24,061	1,840	678
Singapore	295	482	(119)	340
People's Republic of China	97,215	98,908	4,066	7,984
	<u>122,920</u>	<u>123,451</u>	<u>5,787</u>	<u>9,002</u>
Inter-segment elimination	<u>(260)</u>	<u>(71)</u>	<u>(5,603)</u>	<u>(5,704)</u>
	<u>122,660</u>	<u>123,380</u>		
Segment result			<u>184</u>	<u>3,298</u>
Other income			<u>3,978</u>	<u>1,532</u>
			<u>4,162</u>	<u>4,830</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	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Tax expense				
Malaysian Tax				
-Current period	<u>(11)</u>	<u>(4)</u>	<u>(71)</u>	<u>(101)</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"):-

- 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
- 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 November 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 31 December 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	12,908	6,288	4,625	2,452	26,273

9. Earnings Per Share

	Current Period Quarter 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016	Current Period To Date 31.12.2017	Preceding Year To Date 31.12.2016
(a) Basic Earnings Per share				
Profit after tax (RM'000)	0.807	1,670	4,091	4,729
Weighted average number of ordinary shares in issue ('000)	131,497	131,497	131,497	131,497
Basic Earnings per share (sen)	0.61	1.27	3.11	3.60

(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:-

	31.12.2017 RM'000	30.09.2016 RM'000
Total retained profits		
- Realised	20,914	19,244
- Unrealised	14,929	10,883
	<hr/> 35,843	<hr/> 30,127
Less: Consolidation adjustments	(520)	1,105
	<hr/> 35,323	<hr/> 31,232
Total accumulated profits	<hr/> <hr/> 35,323	<hr/> <hr/> 31,232

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 31.12.2017 RM'000	Current Period To Date 31.12.2017 RM'000
Depreciation of equipment	630	2,628
Interest income	(28)	(118)
Loss on disposal of property, plant and equipment	206	162
Impairment loss on quoted share	101	39
Foreign exchange (gain)/loss		
-Unrealised	(479)	(788)
Loss on disposal of quoted share	38	284
Allowance for slow moving inventories no longer required	(58)	(282)