

PNE PCB Berhad

(Company No. 168098-V)

(Incorporated in Malaysia)

Financial Report (Announcement)

31 March 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	(Unaudited)	(Audited)
	As at 31	As at 30
	March	September
	2018	2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,078	31,905
Investment in quoted shares	-	1,231
Other investment	1,657	-
Deferred tax asset	1,900	1,900
Fixed deposits with licensed bank	-	538
Total non-current assets	<u>34,635</u>	<u>35,574</u>
Current assets		
Inventories	11,637	10,859
Trade receivables	24,019	34,387
Other receivables	4,300	6,637
Tax recoverable	27	15
Cash and cash equivalents	20,272	10,633
Total current assets	<u>60,255</u>	<u>62,531</u>
Total assets	<u>94,890</u>	<u>98,105</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	27,072	26,299
Reserves	38,870	40,907
Total equity	<u>65,942</u>	<u>67,206</u>
Current liabilities		
Trade payables	21,639	26,986
Other payables	6,746	3,758
Finance Lease	563	-
Tax payable	-	155
Total current liabilities	<u>28,948</u>	<u>30,899</u>
Total liabilities	<u>28,948</u>	<u>30,899</u>
Total equity and liabilities	<u>94,890</u>	<u>98,105</u>
Net assets per share (RM)	0.50	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 MARCH 2018

	Unaudited Individual Quarter		Unaudited Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year to date	Preceding Year Corresponding Period
	(Three (3) months) 31 Mar 2018	(Three (3) months) 31 Mar 17	(Eighteen (18) months) 31 Mar 2018	(Eighteen (18) months) 31 Mar 2017
	RM'000	RM'000	RM'000	RM'000
Revenue	21,000	23,510	143,660	146,890
Cost of sales	(19,057)	(20,592)	(126,363)	(123,957)
Gross profit	1,943	2,918	17,297	22,933
Other income	1,565	563	5,543	2,095
Distribution expenses	(1,037)	(473)	(4,689)	(1,076)
Administration expenses	(2,929)	(2,790)	(14,447)	(18,904)
(Loss) / Profit before tax	(458)	218	3,704	5,048
Tax (expense)	3	(3)	(68)	(104)
(Loss) / Profit for the financial period	(455)	215	3,636	4,944
Other comprehensive income, net of tax				
- Foreign currencies translation	(2,675)	(450)	(4,900)	(1,390)
Total comprehensive (expense)/income for the financial period	(3,130)	(235)	(1,264)	3,554
Earnings per share (sen)				
- Basic	(0.35)	0.16	2.77	3.76

(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 MARCH 2018**

	Unaudited Current Period ended 31 March 2018 RM'000	Unaudited Current Period ended 31 March 2017 RM'000
OPERATING ACTIVITIES		
Profit before tax	3,704	1,892
Adjustments for:		
Loss on disposal of other investment	284	-
Bad debt written off	116	-
Depreciation of property, plant and equipment	3,157	1,009
PPE written off	183	-
Impairment loss / (gain) on quoted shares	291	(43)
Reversal of impairment on property, plant and equipment	(178)	-
Gross dividends from quoted shares in Malaysia	(8)	(1)
Allowance for slow moving inventories no longer required	(267)	-
Interest income	(147)	(5)
Unrealised (gain)/loss on foreign exchange	(2,060)	639
Loss/(Gain) on disposal of property, plant and equipment	130	(100)
Operating profit before working capital changes	<u>5,205</u>	<u>3,391</u>
Changes in working capital:		
Inventories	(1,332)	(4,682)
Receivables	13,178	5,597
Payables	(2,333)	(1,115)
Cash generated from operations	<u>14,718</u>	<u>3,191</u>
Income tax paid	<u>(235)</u>	<u>(7)</u>
Net cash generated from operating activities	<u>14,483</u>	<u>3,184</u>
INVESTING ACTIVITIES		
Interest received	147	5
Dividends received from quoted shares	8	1
Purchase of property, plant and equipment	(2,545)	(688)
Purchase of quoted shares	(1,230)	-
Proceeds from disposal of property, plant and equipment	473	100
Proceeds from disposal of other investment	229	-
Net cash used in investing activities	<u>(2,918)</u>	<u>(582)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of finance lease	<u>(22)</u>	<u>-</u>
Net cash generated from financing activities	<u>(22)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS		
Net changes	11,543	2,602
Effect of exchange rate changes	(2,441)	1,209
At beginning of the financial period	11,170	11,170
At end of the financial period	<u>20,272</u>	<u>14,981</u>
Cash and cash equivalents comprise of:		
- Cash and bank balances	12,391	12,431
- Fixed deposits with licensed banks **	7,881	2,550
	<u>20,272</u>	<u>14,981</u>

** Fixed deposits RM562,139 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

(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

	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	-	-	-	3,636	3,636	
Other comprehensive income for the financial period, net of tax:						
- Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	(4,900)	-	(4,900)	
Total comprehensive income for the financial period	-	-	(4,900)	3,636	(1,264)	
Transition to no-par value regime on 31 January 2017	773	(773)	-	-	-	
Balance as at 31 March 2018 (Unaudited)	27,072	-	4,002	34,868	65,942	

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
 Company No.168098-V
 (Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018 (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 (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 MARCH 2018

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 (“Bursa Securities”) 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)
	31.03.2018	31.03.2017		31.03.2018	31.03.2017	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	21,000	23,510	(2,510)	143,660	146,890	(3,230)
Operating Profit/Loss	1,943	2,918	(975)	17,297	22,933	(5,636)
Loss/Profit Before Interest and Tax	(458)	218	(676)	3,704	5,048	(1,344)
Loss/Profit Before Tax	(458)	218	(676)	3,704	5,048	(1,344)
Loss/Profit After Tax	(455)	215	(670)	3,636	4,944	(1,308)
Loss/Profit Attributable to Ordinary Equity Holder of the Company	(455)	215	(670)	3,636	4,944	(1,308)

Review of Group's Results for the current quarter and Period-to-date ended 31 March 2018

The Group recorded a revenue of RM21.000 million for the quarter ended 31 March 2018. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter were RM0.458 million and RM0.455 million for the period respectively.

The Group's revenue of RM143.660 million for the period to date 31 March 2018 represents a decrease of approximately 2.20% as compared to the preceding corresponding period. The Group achieved PBT and PAT of RM3.704 million and RM3.636 million respectively for the period to date 31 March 2018, as compared to PBT and PAT of RM5.048 million and RM4.944 million respectively for the preceding year to date 31 March 2017.

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 March 2017.

2. Financial review for Current Quarter and Immediate Preceding Quarter

	Current Period Quarter 31.03.2018 RM'000	Immediate Preceding Quarter 31.12.2017 RM'000	Changes (Amount) RM'000
Revenue	21,000	23,601	(2,601)
Operating Profit	1,943	3,160	(1,217)
Profit Before Interest and Tax	(458)	818	(1,276)
Profit Before Tax	(458)	818	(1,276)
Profit After tax	(455)	807	(1,262)
Profit Attributable to the Owners of the Company	(455)	807	(1,262)

The Group recorded a lower revenue of RM21.000 million, decrease of RM2.601 million or approximately 11.02% as compared to the immediate preceding quarter ended 31 December 2017. The Group recorded LBT of RM0.458 million as compared to PBT of RM0.818 million in the immediate preceding quarter ended 30 December 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

Overall market demands expected to slow down by about 10%-15% especially China domestic market. However, cost of goods sold expected to remain unchanged or 5% of increasement, and other cost such of environmental control, water treatment will increase significantly. This will impact about 10% of profit projected.

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 18 months ended 31 March		Profit/(Loss) before tax 18 months ended 31 March	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	30,583	29,099	1,147	755
Singapore	312	596	69	(446)
People's Republic of China	113,368	117,382	4,056	8,554
	<u>144,263</u>	<u>147,077</u>	<u>5,272</u>	<u>8,863</u>
Inter-segment elimination	<u>(603)</u>	<u>(187)</u>	<u>(7,111)</u>	<u>(5,910)</u>
	<u>143,660</u>	<u>146,890</u>		
Segment result			<u>(1,839)</u>	<u>2,953</u>
Other income			<u>5,543</u>	<u>2,095</u>
			<u>3,704</u>	<u>5,048</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	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Tax expense				
Malaysian Tax				
-Current period	<u>3</u>	<u>(3)</u>	<u>(68)</u>	<u>(104)</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 ("PNE 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 ("Proposed Amendments").

7. Status of corporate proposal announced (continued)

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 Conversation 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 Company had obtained its shareholders' approval for the Proposals. The Proposed Amendments has become effective on the event date.

On 22 November 2017, Mercury 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. Bursa Securities had on 18 December 2017 approved the said application.

On 2 May 2018, Mercury announced on behalf of the BOD that the Company has submitted an application to seek Bursa Securities' consideration and approval for a further extension of time of 6 months from 29 June 2018 to 29 December 2018 for the Company to implement and complete the Right Issue of ICPS with Warrants. Bursa Securities had on 24 May 2018 approved the said application.

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 March 2018				
	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	6,599	7,611	4,984	4,824	24,018
Trade receivables					

9. Earnings Per Share

	Current Period Quarter 31.03.2018	Preceding Year Corresponding Quarter 31.03.2017	Current Period To Date 31.03.2018	Preceding Year To Date 31.03.2017
(a) Basic Earnings Per share				
(Loss)/Profit after tax (RM'000)	(455)	215	3,636	4,944
Weighted average number of ordinary shares in issue ('000)	131,497	131,497	131,497	131,497
Basic Earnings per share (sen)	(0.35)	0.16	2.77	3.76

(b) Diluted Earnings Per Share

Not applicable.

10. Notes to the condensed consolidated statement of comprehensive income

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

	Current Period Quarter 31.03.2018 RM'000	Current Period To Date 31.03.2018 RM'000
Depreciation of equipment	529	3,157
Interest income	(29)	(147)
Loss on disposal of property, plant and equipment	(32)	130
Impairment loss on quoted share	252	291
Foreign exchange (gain)/loss -Unrealised	(1,272)	(2,060)
Loss on disposal of quoted share	0	284
Allowance for slow moving inventories no longer required	15	(267)