

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30.09.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2016 RM'000	CURRENT YEAR TO DATE 30.09.2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.09.2016 RM'000
Revenue	10	158,057	130,157	495,996	385,768
Cost of sales		(147,385)	(128,215)	(447,995)	(355,350)
Gross profit		10,672	1,942	48,001	30,418
Administrative and distribution expenses		(5,645)	(6,092)	(23,373)	(22,986)
Other operating (expenses)/income		(3,665)	9,285	4,236	6,876
Income from other investments		1,154	996	3,367	2,775
Finance costs		-	(39)	-	(374)
Profit before tax	10	2,516	6,092	32,231	16,709
Income tax expense	22	(650)	(1,495)	(8,080)	(3,876)
Profit for the period	21	1,866	4,597	24,151	12,833
<u>Other comprehensive income</u>					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences in respect of foreign operations		103	1,725	405	(455)
Other comprehensive income/(loss), net of tax		103	1,725	405	(455)
Total comprehensive income for the period		1,969	6,322	24,556	12,378
Total comprehensive income attributable to:					
- Owners of the Company		1,969	6,322	24,556	12,378
Basic earnings per ordinary share (sen)	26	0.49	1.20	6.29	3.34
Diluted earnings per ordinary share (sen)	26	N/A	N/A	N/A	N/A

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Note	UNAUDITED AS AT 30.09.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
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ASSETS			
Non-current assets			
Property, plant and equipment	8	85,782	90,072
Investment properties		22,013	21,850
Prepaid lease payments		10,509	10,746
Goodwill on consolidation		1,722	1,722
Deferred tax assets		1,702	1,702
Total non-current assets		<u>121,728</u>	<u>126,092</u>
Current assets			
Inventories		154,944	105,557
Trade and other receivables		156,640	172,464
Other financial assets		7,289	3,820
Current tax assets		8,692	10,087
Short-term deposits with licensed banks		51,876	61,461
Cash and bank balances		27,389	42,431
Total current assets		<u>406,830</u>	<u>395,820</u>
TOTAL ASSETS		<u><u>528,558</u></u>	<u><u>521,912</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		76,808	76,808
Reserves		19,021	18,616
Retained earnings		283,110	278,161
Total equity		<u>378,939</u>	<u>373,585</u>
Non-current liabilities			
Deferred tax liabilities		<u>2,947</u>	<u>3,015</u>
Current liabilities			
Trade and other payables		137,231	133,989
Current tax liabilities		9,441	11,323
Total current liabilities		<u>146,672</u>	<u>145,312</u>
Total liabilities		<u>149,619</u>	<u>148,327</u>
TOTAL EQUITY AND LIABILITIES		<u><u>528,558</u></u>	<u><u>521,912</u></u>
NET ASSETS		378,939	373,585
Net Assets Per Share Attributable to Ordinary Equity Holders of the Parent (RM)		0.99	0.97

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

	Share Capital	Treasury Shares	Non- distributable Reserves	Distributable Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Period ended 30 September 2016</u>					
Balance as of 1 January 2016 (Restated)	76,808	-	16,822	268,978	362,608
Net profit for the period	-	-	-	12,833	12,833
Other comprehensive loss for the period	-	-	(455)	-	(455)
Total comprehensive(loss)/income for the period	-	-	(455)	12,833	12,378
Payment of dividends	-	-	-	(26,883)	(26,883)
Balance as of 30 September 2016	<u>76,808</u>	<u>-</u>	<u>16,367</u>	<u>254,928</u>	<u>348,103</u>
<u>Period ended 30 September 2017</u>					
Balance as of 1 January 2017	76,808	-	18,616	278,161	373,585
Net profit for the period	-	-	-	24,151	24,151
Other comprehensive income for the period	-	-	405	-	405
Total comprehensive income for the period	-	-	405	24,151	24,556
Payment of dividends	-	-	-	(19,202)	(19,202)
Balance as of 30 September 2017	<u>76,808</u>	<u>-</u>	<u>19,021</u>	<u>283,110</u>	<u>378,939</u>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

	9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	24,151	12,833
Adjustments for:		
Income tax expense	8,080	3,876
Non-cash items	21,688	13,240
Non-operating items	5,599	(4,846)
Operating profit before working capital changes	59,518	25,103
Changes in working capital:		
Net change in current assets	(55,120)	123,472
Net change in current liabilities	8,503	(19,563)
Cash generated from operations	12,901	129,012
Tax refunded	-	346
Income tax paid	(8,636)	(13,626)
Interest received	954	859
Net cash generated from operating activities	5,219	116,591
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of other investments	-	14,709
Proceeds from disposal of property, plant and equipment	185	679
Payment for property, plant and equipment	(7,493)	(11,534)
Proceeds from disposal of income funds	2,877	3,728
Purchase of investment in income funds	(6,224)	(550)
Net cash (used in)/generated from investing activities	(10,655)	7,032
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(19,202)	(26,883)
Net repayment of bank borrowings	-	(83,707)
Interest paid	-	(374)
Bank balances held as security	(1)	-
Net cash used in financing activities	(19,203)	(110,964)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(24,639)	12,659
Effect of foreign exchange rate differences	11	(4,044)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	103,797	120,945
CASH AND CASH EQUIVALENTS AT END OF PERIOD	79,169	129,560

P.I.E. INDUSTRIAL BERHAD (424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

	9 months ended	
	30.09.2017	30.09.2016
	RM'000	RM'000
REPRESENTED BY:-		
Short-term deposits with licensed banks	51,876	40,821
Cash and bank balances	27,389	88,829
Less : Bank balance pledged as security	(96)	(90)
	<u>79,169</u>	<u>129,560</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in compliance with Malaysian Financial Reporting Standards (“MFRSs”) 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB), and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2016, which have been prepared in accordance with MFRS, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia.

The explanatory notes attached to these interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

2 Significant Accounting Policies

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group for the preparation of the interim financial report are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2016 except for the adoption of the following MFRS, IC Interpretations (“IC Int.”) and amendments to MFRS for the financial period beginning on 1 January 2017:-

Amendments to MFRS 12 Disclosure of Interest in Other Entities (under Annual Improvements to MFRS 2014-2016 Cycle)

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives

Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Initial application of the above standards did not have any material impact to the financial statements of the Group.

The Group has not applied the following standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group:

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures

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2 Significant Accounting Policies (Continued)

Effective for annual periods beginning on or after 1 January 2018 (Continued)

Amendments to MFRS 140 Investment Property: Transfer of Investment Property

Annual Improvements to MFRS 2014-2016 Cycle

(except for Amendments to MFRS 12 Disclosure of Interest in Other Entities)

IC Int 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

IC Int 23 Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective date yet to be confirmed

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The existing *MFRS 4* and *Amendments to MFRS 4* will be withdrawn upon the adoption of the new *MFRS 17* which will take effect on or after 1 January 2021.

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group upon adoption except as mentioned below:

MFRS 9 Financial Instruments

MFRS 9 replaces *MFRS 139 Financial Instruments: Recognition and Measurement* and all previous version of *MFRS 9*. This new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of *MFRS 9*, new “expected credit loss model” under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of *MFRS 9*, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group’s investment in unquoted shares, if any, will be measured at fair value through other comprehensive income.

The adoption of *MFRS 9* will result in a change in accounting policy. The Group are currently assessing the financial impact of adopting *MFRS 9*.

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FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

2 Significant Accounting Policies (Continued)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in *MFRS 111 Construction Contracts*, *MFRS 118 Revenue*, *IC Int 13 Customer Loyalty Programmes*, *IC Int 15 Agreements for Construction of Real Estate*, *IC Int 18 Transfers of Assets from Customers* and *IC Int 131 Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of *MFRS 15*, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of *MFRS 15* will result in a change in accounting policy. The Group are currently assessing the financial impact of adopting *MFRS 15*.

MFRS 16 Leases

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (e.g., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (e.g., the lease liability) and an asset representing the right to use the underlying asset during the lease term (e.g., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today’s accounting under *MFRS 117*. Lessors will continue to classify all leases using the same classification principle in *MFRS 117* and distinguish between two types of leases: operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group are currently assessing the financial impact of adopting *MFRS 16*.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

3 Seasonal or Cyclical Factors

The cyclical nature of the manufacturing sector is generally correlated to the global economy and is normally seasonal with demand peaking at the year-end festive seasons.

4 Unusual Items Due To Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date because of their nature, size or incidence.

5 Changes in Estimates

There were no material changes in estimates of amount reported in either the prior interim period of the current financial period or prior financial years that have a material effect on the results during the current quarter and financial period-to-date.

6 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 30 September 2017.

As of 30 September 2017, total issued and fully paid-up share capital are 384,041,985 ordinary shares.

7 Dividends Paid

	9 months ended	
	<u>30.09.2017</u>	<u>30.09.2016</u>
	RM'000	RM'000
Dividends declared and paid:		
a) Special dividend:		
- 2.6 sen per ordinary share of RM0.20 each, single tier, for 2016	9,985	-
- 23 sen per ordinary share of RM1.00 each, single tier, for 2015	-	17,666
b) First and final dividend:		
- 2.4 sen per ordinary share of RM0.20 each, single tier, for 2016	9,217	-
- 12 sen per ordinary share of RM1.00 each, single tier, for 2015	-	9,217
	<u>19,202</u>	<u>26,883</u>

8 Revaluation of Property, Plant and Equipment

The valuation of property, plant and equipment have been brought forward without amendment from the previous annual audited financial statements for the year ended 31 December 2016.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

9 Material Post Balance Sheet Events

There are no material events subsequent to the end of the current quarter that requires adjustment to, or disclosure in the unaudited interim financial report for the financial period ended 30 September 2017.

10 Operating Segment

Segment information is presented in respect of the Group's business segments.

The Group comprises the following main business segments:

- a) Manufacturing Manufacturing of industrial products
- b) Trading Trading of electrical products
- c) Others Investment holdings

Segments	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
<u>Period ended 30 September 2017</u>					
Revenue	484,317	11,614	65	-	495,996
Inter-segment revenue	173	1,674	20,857	(22,704)	-
	<u>484,490</u>	<u>13,288</u>	<u>20,922</u>	<u>(22,704)</u>	<u>495,996</u>
Segment results	35,330	1,252	13,861	(15,187)	35,256
Investment revenue					3,367
Other gains and losses					(6,392)
Finance costs					-
Profit before tax					<u>32,231</u>
Segments	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
<u>Period ended 30 September 2016</u>					
Revenue	377,965	7,771	32	-	385,768
Inter-segment revenue	309	956	31,267	(32,532)	-
	<u>378,274</u>	<u>8,727</u>	<u>31,299</u>	<u>(32,532)</u>	<u>385,768</u>
Segment results	8,701	1,972	25,347	(26,412)	9,608
Investment revenue					2,775
Other gains and losses					4,700
Finance costs					(374)
Profit before tax					<u>16,709</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

11 Changes in the Composition of the Group

There was no change in the composition of the Group for the current quarter and financial period-to-date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

12 Capital Commitment

There was no capital expenditure contracted but not provided for in the unaudited interim financial report of the Group during the current financial period under review.

13 Fair Value of Instruments

(a) Determination of fair value

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, by class, which are not carried at fair value in the financial statements.

	30.09.2017		31.12.2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial assets :				
Trade and other receivables (excluding prepayments)	155,202	155,202	171,287	171,287
Financial assets carried at fair value through profit or loss	7,289	7,289	3,820	3,820
Cash and cash equivalents	79,265	79,265	103,892	103,892
	<u>241,756</u>	<u>241,756</u>	<u>278,999</u>	<u>278,999</u>
Financial liabilities :				
Trade and other payables	137,231	137,231	133,989	133,989
	<u>137,231</u>	<u>137,231</u>	<u>133,989</u>	<u>133,989</u>

(b) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

13 Fair Value of Instruments (Continued)

(b) Fair value hierarchy (Continued)

As at the reporting date, the Group held the following financial assets and liabilities that were measured at fair value by level of fair value hierarchy :

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>30 September 2017</u>				
Financial assets				
Investment in income fund	7,289	-	-	7,289
	<u>7,289</u>	<u>-</u>	<u>-</u>	<u>7,289</u>
<u>31 December 2016</u>				
Financial assets				
Investment in income fund	3,820	-	-	3,820
	<u>3,820</u>	<u>-</u>	<u>-</u>	<u>3,820</u>

There have been no transfers between any levels during the current quarter under review and the comparative period.

14 Contingent Liabilities

Save as disclosed below, there were no obligations and contingent liabilities for the Group as of 30 September 2017.

	RM '000
a) Letter of guarantee by a bank for a foreign subsidiary's import duties	114
b) Corporate guarantees given by the Company to banks for credit facilities granted to certain subsidiary companies	190,594
c) Payment of withholding tax to foreign tax authority if received dividend from foreign subsidiary company out of its non-tax exempted retained earnings	2,536
	<u>193,244</u>
d) Pan-International Electronics (Malaysia) Sdn Bhd (PIESB), a wholly owned subsidiary company of P.I.E. Industrial Berhad, had received demand letters dated 2 February 2015, 19 March 2015, 22 June 2015 and 21 July 2015 from Royal Malaysian Customs (RMC) regarding short collection of import duty and sales tax from PIESB amounted to RM8,432,282.51 and RM841,342.00 respectively.	

PIESB had received a letter from RMC in January 2016 to blacklist the directors of PIESB. Upon request of RMC and advice from consultant, PIESB had paid 20% of the total demand amount by RMC as payment under protest to start the appeal process in January and July 2016 respectively. The consultant, after several discussions with the management and review on the facts, opined that PIESB has a strong base to defend the case.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15 Review of Group Performance

Financial review for current quarter and financial period to date

	Individual Period (3rd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter ended			Current Year Quarter Ended	Preceding Year Corresponding Quarter ended		
	30.09.2017	30.09.2016	RM'000	RM'000	RM'000	RM'000	Amount	%
Revenue by segments								
- Manufacturing	153,192	128,185	25,007	20%	484,317	377,965	106,352	28%
- Trading	4,825	1,972	2,853	145%	11,614	7,771	3,843	49%
- Others	40	-	40	100%	65	32	33	103%
Total revenue	158,057	130,157	27,900	21%	495,996	385,768	110,228	29%
Revenue by geographical locations								
- Malaysia	150,499	126,463	24,036	19%	476,157	371,556	104,601	28%
- Thailand	4,264	3,651	613	17%	13,137	13,995	(858)	-6%
- Singapore	3,294	43	3,251	7560%	6,702	217	6,485	2988%
Total revenue	158,057	130,157	27,900	21%	495,996	385,768	110,228	29%
Operating profit	2,516	6,092	(3,576)	-59%	32,231	16,709	15,522	93%
Profit before tax by segments								
- Manufacturing	1,910	5,455	(3,545)	-65%	32,424	15,163	17,261	114%
- Trading	339	467	(128)	-27%	1,196	2,065	(869)	-42%
- Others	267	170	97	57%	(1,389)	(519)	(870)	168%
Total profit before tax	2,516	6,092	(3,576)	-59%	32,231	16,709	15,522	93%
Profit after tax	1,866	4,597	(2,731)	-59%	24,151	12,833	11,318	88%
Total comprehensive income attributable to:								
- Owners of the Company	1,969	6,322	(4,353)	-69%	24,556	12,378	12,178	98%

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15 Review of Group Performance (Continued)

(a) Comparison with Previous Year Corresponding Quarter's Results

The Group's revenue for the current quarter under review was RM158.057 million and profit before tax was RM2.516 million.

The revenue was increased by RM27.900 million or 21% if compared to preceding year corresponding quarter. The increase was mainly attributable to higher demand from existing customers for electronics manufacturing activities (EMS), raw wire & cable products, wire harness products and trading activities. For comparison of segmental revenue for the respective quarters discussed, please refer to the tables below:

Breakdown of segmental revenue for the quarter ended 30 September 2017:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	118,848	30,080	4,264	153,192	97%
Trading	-	-	-	4,825	3%
Others	-	-	-	40	0%
Total	118,848	30,080	4,264	158,057	100%

Breakdown of segmental revenue for the quarter ended 30 September 2016:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	104,555	19,979	3,651	128,185	98%
Trading	-	-	-	1,972	2%
Others	-	-	-	-	0%
Total	104,555	19,979	3,651	130,157	100%

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15 Review of Group Performance (Continued)

(a) Comparison with Previous Year Corresponding Quarter's Results (Continued)

Compared with the preceding year corresponding quarter, the profit before tax was decreased by RM3.576 million or 59%, which was mainly due to higher provision for doubtful debts and lower gain from foreign currency exchange translation. However, the decrease in profit was partly offset by higher revenue achieved, lower operating expenses and higher income from scrap sales.

One major customer of our EMS segment changed its receiving system in March 2017. As there was a major technical glitch discovered in their new system, the customer is unable to process their payments to the Group. Based on our Group's policy on credit control, we are required to provide impairment for doubtful debts which are overdue over a certain period, therefore a provision of RM11.243 million is made during this quarter. Management estimates that these debts will be able to collect by the fourth quarter and maintaining such provision during this quarter is necessary in accordance with our Group's policy. For comparison of segmental profit before tax for the respective quarters discussed, please refer to the tables below:

Breakdown of segmental profit before tax for the quarter ended 30 September 2017:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	(2,487)	3,326	1,071	1,910	76%
Trading	-	-	-	339	13%
Others	-	-	-	267	11%
Total	(2,487)	3,326	1,071	2,516	100%

Breakdown of segmental profit before tax for the quarter ended 30 September 2016:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	2,503	2,234	718	5,455	89%
Trading	-	-	-	467	8%
Others	-	-	-	170	3%
Total	2,503	2,234	718	6,092	100%

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15 Review of Group Performance (Continued)

(b) Comparison with Previous Year Corresponding Period's Results

For the financial period ended 30 September 2017, the Group recorded revenue of RM495.996 million, an increased of 29% or RM110.228 million as compared to the corresponding period ended 30 September 2016 of RM385.768 million.

The increase of revenue was mainly attributable to increased orders received from both new and existing customers from our EMS, raw wire & cables products and trading segments. For comparison of segmental revenue for the respective periods discussed, please refer to the tables below:

Breakdown of segmental revenue for the period ended 30 September 2017:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	380,880	90,301	13,136	484,317	98%
Trading	-	-	-	11,614	2%
Others	-	-	-	65	0%
Total	380,880	90,301	13,136	495,996	100%

Breakdown of segmental revenue for the period ended 30 September 2016:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	304,542	59,428	13,995	377,965	98%
Trading	-	-	-	7,771	2%
Others	-	-	-	32	0%
Total	304,542	59,428	13,995	385,768	100%

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15 Review of Group Performance (Continued)

(b) Comparison with Previous Year Corresponding Period's Results (Continued)

For the financial period ended 30 September 2017, the Group recorded profit before tax of RM32.231 million, an increased of 93% or RM15.522 million as compared to the corresponding period ended 30 September 2016 of RM16.709 million.

The improvement recorded in our profit before tax was mainly due to increase in revenue, investment income, foreign currency exchange gain and reversal of inventories written down and this was offset against higher provision for doubtful debts, as discussed in 15 (a).

For comparison of segmental profit before tax for the respective periods discussed, please refer to the tables below:

Breakdown of segmental profit before tax for the period ended 30 September 2017:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	19,107	10,493	2,824	32,424	100%
Trading	-	-	-	1,196	4%
Others	-	-	-	(1,389)	-4%
Total	19,107	10,493	2,824	32,231	100%

Breakdown of segmental profit before tax for the period ended 30 September 2016:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	4,755	6,570	3,838	15,163	91%
Trading	-	-	-	2,065	12%
Others	-	-	-	(519)	-3%
Total	4,755	6,570	3,838	16,709	100%

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16 Comparison with Immediate Preceding Quarter's Results

Financial review for current quarter compared with immediate preceding quarter

	Individual Quarter Ended		Changes	
	30.09.2017	30.06.2017	Amount	Variance
	RM '000	RM '000	RM '000	%
Revenue				
Manufacturing segments				
- EMS activities	118,848	134,265	(15,417)	-11%
- Raw cables & wire	30,080	32,576	(2,496)	-8%
- Wire harness	4,264	3,825	439	11%
Trading segment	4,825	5,383	(558)	-10%
Other segment	40	20	20	100%
	<u>158,057</u>	<u>176,069</u>	<u>(18,012)</u>	<u>-10%</u>
Operating profit	2,516	13,590	(11,074)	-81%
Profit before tax	2,516	13,590	(11,074)	-81%
Profit after tax	1,866	10,699	(8,833)	-83%
Total comprehensive income attributable to:				
- Owners of the Company	1,969	9,948	(7,979)	-80%

The Group's revenue for the quarter under review has decreased by 10% as compared with the preceding quarter. The decrease was mainly due to lower demand recorded for EMS, raw wire & cable products and trading segments.

The Group profit before tax for the current quarter has dropped by 81% as compared to preceding quarter. The decrease was mainly due to lower revenue and lower margin of products mix, higher provision for doubtful debts and slow moving inventories but was offset against higher foreign currency translation gain and lower operating expenses.

17 Review of Group Assets and Liabilities

	As at	As at	Changes	
	30.09.2017	31.12.2016	Amount	Variance
	RM'000	RM'000	RM '000	%
Total assets	528,558	521,912	6,646	1%
Total liabilities	149,619	148,327	1,292	1%
Total equity	378,939	373,585	5,354	1%

Total assets

As at 30 September 2017, the Group's total assets increased by 1% or RM6.646 million to RM528.558 million from RM521.912 million as at 31 December 2016. The growth was mainly contributed by the increase in inventories and other financial assets. The increase in inventories was to fulfill sales order from new and existing customers.

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17 Review of Group Assests and Liabilities (Continued)

Total liabilities

As at 30 September 2017, the Group's total liabilities increased by 1% or RM1.292 million to RM149.619 million from RM148.327 million as at 31 December 2016. The increase was due to increase in account payables. During the year, the Company increased the purchases of raw materials to meet customers sales order.

Total equity

The Group's total equity as at 30 September 2017 slightly increased by 1% or RM5.354 million to RM378.939 million as compared to RM373.585 million as at 31 December 2016. The increased in total equity is due to increased in distributable retained earnings as a result of increase in net profit of RM24.151 million for the current financial period under review and payment of dividends amounting to RM19.202 million. During the financial period under review, non-distributable reserves also increased by RM0.405 million due to changes in foreign exchange translation reserve.

18 Key Finance Information of Foreign Operation

	Functional Currency USD'000	Reporting Currency RM'000	Functional Currency THB'000	Reporting Currency RM'000
Exchanges rate as at 30.09.2017	USD 1	RM4.2275	THB 1	RM0.1267
Revenue	1,934	8,176	216,632	27,447
Profit before tax	13	55	22,239	2,818
Profit after tax	13	55	22,239	2,818
Total assets	1,280	5,411	341,958	43,326
Total liabilities	939	3,970	61,224	7,757

Above information highlight the key financial information of foreign subsidiaries of the Group. The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

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19 Current Year Prospect

The major source of revenue and earning of the Group comes from its manufacturing segment (98%).

For EMS activities (77%), orders are expected to increase steadily from existing customers and potential customers through its fully built-up vertical integrated manufacturing facilities which have been in operation for the past 5 years. Nevertheless, shortage of labor and certain electronics component as well as any drastic fluctuation of Ringgit Malaysia against US will be the main factors affecting its performance up to this year end. Besides, significant provision of doubtful debts made under this division during quarter ended 30 September 2017 is expected to be reversed before year end after its major customer repay its debt to the Group, which will result in an expected hike in profit before tax.

Revenue derived from the manufacturing activity of raw wire & cable (18%) will continue to grow, with consistent profit margin for the rest of the financial year. The cost of its two main raw material i.e copper and PVC are expected to increase in the near future, enhancing its selling price and securing more orders from its customers.

The revenue from cable assembly & wire harness (3%) activities in Thailand will remain flat for the rest of the year. However, with its newly set-up small-scale facilities for plastic parts and PCB assembly, this division is expected to explore wider market in Thailand in 2018.

The trading segment (2%) will continue to promote our parent company's products for the ASEAN market. Management doesn't expect growth from this segment in the near future due to lack of attractive electronics products from our parent company.

Based on the foregoing, the Group expect an average performance for the financial year ending 2017.

20 Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was announced and published.

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21 Profit for the Period

	Quarter Ended		Period Ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging) :				
Interest income	344	207	954	764
Investment income	810	789	2,413	2,011
Interest expenses	-	(39)	-	(374)
Depreciation and amortisation	(3,787)	(4,088)	(12,048)	(12,065)
Net (allowance)/reversal of impairment losses				
- trade receivables	(11,243)	1,051	(13,447)	448
Net (write down)/reversal of inventories	(183)	(22)	3,668	(1,623)
Net (loss)/gain on disposal of :				
- property, plant and equipment	(1)	(8)	140	(8)
- investment	4	-	8	12
Net foreign exchange gain	4,342	7,003	6,718	4,259
Gain from fair value adjustment of investment properties	1	-	139	-
Gain/(Loss) from fair value adjustment of financial assets through profit and loss	15	-	49	(10)

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Securities Main Market Listing Requirements are not applicable.

22 Income Tax Expense

	Quarter Ended		Period Ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	1,079	1,518	8,555	3,944
Underprovision in prior year	(407)	-	(407)	13
Deferred tax income	(22)	(23)	(68)	(81)
	<u>650</u>	<u>1,495</u>	<u>8,080</u>	<u>3,876</u>

The Group's taxation for the current quarter and financial period-to-date reflects an effective tax rate which is lower than the statutory income tax rate mainly due to certain income which is not taxable and investment tax incentives enjoyed by the certain subsidiaries in the Group.

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23 Status of Corporate Proposals Announced

There were no corporate proposals announced but pending completion as at the date of this unaudited interim financial report.

24 Changes in Material Litigation

The Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings, pending or threatened, against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

25 Dividends

The following Dividends for the year ended 31 December 2016, has been approved by the Company's shareholders at the Twentieth Annual General Meeting on 26 May 2017 and have been paid on 14 June 2017 to depositors registered in the Record of Depositors on 2 June 2017:

- (a) A Special Single Tier Dividend of 2.6 sen per share; and
- (b) A First and Final Single Tier Dividend of 2.4 sen per share.

26 Earnings Per Ordinary Share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing profit attributable to the ordinary equity shareholders by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	Quarter Ended		Period Ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Profit attributable to ordinary equity shareholders (RM'000)	1,866	4,597	24,151	12,833
Weighted average number of ordinary share in issue (units'000)	384,042	384,042	384,042	384,042
Basic earnings per ordinary share (sen)	<u>0.49</u>	<u>1.20</u>	<u>6.29</u>	<u>3.34</u>

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26 Earnings Per Ordinary Share (Continued)

(a) Basic earnings per ordinary share (Continued)

The weighted average number of ordinary shares in issue for the current quarter and financial year-to-date are calculated as follows:

	Quarter Ended		Period Ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	'000	'000	'000	'000
Issued ordinary shares at beginning of the period	384,042	76,808	384,042	76,808
* Effect of share split	-	307,234	-	307,234
Weighted average number of ordinary shares	<u>384,042</u>	<u>384,042</u>	<u>384,042</u>	<u>384,042</u>

* On 15 July 2016, every existing ordinary share of the Company of RM1.00 each was sub-divided into five ordinary shares of RM0.20 each.

(b) Diluted earnings per ordinary share

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter and financial period-to-date.

27 Derivative Financial Instruments

There were no material outstanding derivatives entered into by the Group as at the end of the quarter under review.

28 Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities.

29 Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the Group's most recent annual audited financial statements did not contain any qualification.

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30 Disclosure of Realised and Unrealised Profits

The breakdown of the retained profits of the Group as at 30 September 2017, into realised and unrealised profits, pursuant to directives by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows:

	<u>As at</u> 30.09.2017	<u>As at</u> 31.12.2016
	RM'000	RM'000
		(Restated)
Total retained profits of P.I.E. Industrial Berhad and it's subsidiaries		
- Realised	318,484	304,401
- Unrealised	7,783	17,840
	<u>326,267</u>	<u>322,241</u>
Total share of retained loss from associate company		
- Realised	<u>(25)</u>	<u>(25)</u>
	326,242	322,216
Add : Consolidation adjustments	<u>(43,132)</u>	<u>(44,055)</u>
Total Group retained profits as per consolidated accounts	<u><u>283,110</u></u>	<u><u>278,161</u></u>

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purpose of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.