

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2017

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2016 RM'000	CURRENT YEAR TO DATE 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2016 RM'000
Revenue	10	183,287	193,518	679,283	579,285
Cost of sales		(169,745)	(161,456)	(617,739)	(516,806)
Gross profit		13,542	32,062	61,544	62,479
Administrative and distribution expenses		(2,094)	(11,437)	(25,468)	(34,422)
Other operating income		18,417	7,347	22,653	14,224
Income from other investments		1,347	1,104	4,714	3,878
Finance costs		-	(53)	-	(427)
Profit before tax	10	31,212	29,023	63,443	45,732
Income tax expense	22	(7,352)	(5,790)	(15,432)	(9,666)
Profit for the period	21	23,860	23,233	48,011	36,066
<u>Other comprehensive income</u>					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences in respect of foreign operations		(767)	2,249	(363)	1,794
Other comprehensive (loss)/income, net of tax		(767)	2,249	(363)	1,794
Total comprehensive income for the period		23,093	25,482	47,648	37,860
Total comprehensive income attributable to: - Owners of the Company		23,093	25,482	47,648	37,860
Basic earnings per ordinary share (sen)	26	6.21	6.05	12.50	9.39
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 31 DECEMBER 2017

	UNAUDITED AS AT 31.12.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
Note	-----	-----
ASSETS		
Non-current assets		
Property, plant and equipment	86,491	90,072
Investment properties	22,047	21,850
Prepaid lease payments	10,430	10,746
Goodwill on consolidation	1,722	1,722
Deferred tax assets	1,702	1,702
	<u>122,392</u>	<u>126,092</u>
Current assets		
Inventories	145,908	105,557
Trade and other receivables	165,783	172,464
Other financial assets	9,448	3,820
Current tax assets	8,343	10,087
Short-term deposits with licensed banks	50,709	61,461
Cash and bank balances	27,376	42,431
Total current assets	<u>407,567</u>	<u>395,820</u>
TOTAL ASSETS	<u>529,959</u>	<u>521,912</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	83,203	76,808
Reserves	11,858	18,616
Retained earnings	306,970	278,161
Total equity	<u>402,031</u>	<u>373,585</u>
Non-current liabilities		
Deferred tax liabilities	3,162	3,015
Current liabilities		
Trade and other payables	111,787	133,989
Current tax liabilities	12,979	11,323
Total current liabilities	<u>124,766</u>	<u>145,312</u>
Total liabilities	<u>127,928</u>	<u>148,327</u>
TOTAL EQUITY AND LIABILITIES	<u>529,959</u>	<u>521,912</u>
NET ASSETS	402,031	373,585
Net Assets Per Share Attributable to Ordinary Equity Holders of the Parent (RM)	1.05	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 4TH QUARTER ENDED 31 DECEMBER 2017

	Share Capital RM'000	--- Non-distributable --- Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
Period ended 31 December 2016					
Balance as of 1 January 2016 (Restated)	76,808	6,395	10,427	268,978	362,608
Net profit for the period	-	-	-	36,066	36,066
Other comprehensive income for the period	-	-	1,794	-	1,794
Total comprehensive income for the period	-	-	1,794	36,066	37,860
Payment of dividends	-	-	-	(26,883)	(26,883)
Balance as of 31 December 2016	<u>76,808</u>	<u>6,395</u>	<u>12,221</u>	<u>278,161</u>	<u>373,585</u>
Period ended 31 December 2017					
Balance as of 1 January 2017	76,808	6,395	12,221	278,161	373,585
Net profit for the period	-	-	-	48,011	48,011
Other comprehensive loss for the period	-	-	(363)	-	(363)
Total comprehensive (loss)/income for the period	-	-	(363)	48,011	47,648
Transition to no-par value regime on 31 January 2017	6,395	(6,395)	-	-	-
Payment of dividends	-	-	-	(19,202)	(19,202)
Balance as of 31 December 2017	<u>83,203</u>	<u>-</u>	<u>11,858</u>	<u>306,970</u>	<u>402,031</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 4TH QUARTER ENDED 31 DECEMBER 2017

	12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	48,011	36,066
Adjustments for:		
Income tax expense	15,432	9,666
Non-cash items	9,846	18,564
Non-operating items	9,794	(4,107)
Operating profit before working capital changes	83,083	60,189
Changes in working capital:		
Net change in current assets	(38,939)	80,861
Net change in current liabilities	(22,423)	(8,920)
Cash generated from operations	21,721	132,130
Tax refunded	-	744
Income tax paid	(11,888)	(18,956)
Interest received	1,299	1,138
Net cash generated from operating activities	11,132	115,056
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in other investments	0	0
Proceeds from disposal of other investments	-	16,087
Proceeds from disposal of property, plant and equipment	778	774
Payment for property, plant and equipment	(12,462)	(14,267)
Proceeds from disposal of income funds	2,797	3,728
Purchase of investment in income funds	(8,325)	(4,351)
Net cash (used in)/generated from investing activities	(17,212)	1,971
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(19,202)	(26,883)
Net repayment of bank borrowings	-	(106,620)
Interest paid	-	(427)
Bank balances held as security	1	(4)
Net cash used in financing activities	(19,201)	(133,934)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,281)	(16,907)
Effect of foreign exchange rate differences	(525)	(241)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	103,797	120,945
CASH AND CASH EQUIVALENTS AT END OF PERIOD	77,991	103,797

P.I.E. INDUSTRIAL BERHAD (424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2017

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
REPRESENTED BY:-		
Short-term deposits with licensed banks	50,709	61,461
Cash and bank balances	27,376	42,431
Less : Bank balance pledged as security	(94)	(95)
	<u>77,991</u>	<u>103,797</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 4TH QUARTER ENDED 31 DECEMBER 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

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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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

Amendments to MFRS 9 Financial Instrument : Prepayment Features with Negative Compensation

MFRS 16 Leases

Amendments to MFRS 128 Investments in Associates and Joint Ventures : Long-term Interests in

Associates and Joint Ventures

IC Int 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

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 is currently assessing the financial impact of adopting *MFRS 9*.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 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 is 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 is currently assessing the financial impact of adopting *MFRS 16*.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 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 31 December 2017.

As of 31 December 2017, total issued and fully paid-up share capital are 384,041,985 ordinary shares.

7 Dividends Paid

	12 months ended	
	<u>31.12.2017</u>	<u>31.12.2016</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 2017.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 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 31 December 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 31 December 2017</u>					
Revenue	662,151	16,983	149	-	679,283
Inter-segment revenue	288	2,027	22,759	(25,074)	-
	<u>662,439</u>	<u>19,010</u>	<u>22,908</u>	<u>(25,074)</u>	<u>679,283</u>
Segment results	56,190	140	13,939	(15,219)	55,050
Investment revenue					4,714
Other gains and losses					3,679
Finance costs					-
Profit before tax					<u>63,443</u>

Segments	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
<u>Period ended 31 December 2016</u>					
Revenue	570,105	9,147	33	-	579,285
Inter-segment revenue	407	1,202	34,213	(35,822)	-
	<u>570,512</u>	<u>10,349</u>	<u>34,246</u>	<u>(35,822)</u>	<u>579,285</u>
Segment results	31,384	243	25,044	(26,416)	30,255
Investment revenue					3,878
Other gains and losses					12,026
Finance costs					(427)
Profit before tax					<u>45,732</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 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.

	31.12.2017		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)	162,689	162,689	171,287	171,287
Financial assets carried at fair value through profit or loss	9,448	9,448	3,820	3,820
Cash and cash equivalents	78,085	78,085	103,892	103,892
	<u>250,222</u>	<u>250,222</u>	<u>278,999</u>	<u>278,999</u>
Financial liabilities :				
Trade and other payables	111,787	111,787	133,989	133,989
	<u>111,787</u>	<u>111,787</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 4TH QUARTER ENDED 31 DECEMBER 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>31 December 2017</u>				
Financial assets				
Investment in income fund	9,448	-	-	9,448
	<u>9,448</u>	<u>-</u>	<u>-</u>	<u>9,448</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 31 December 2017.

	RM '000
a) Letter of guarantee by a bank for a foreign subsidiary's import duties	112
b) Corporate guarantees given by the Company to banks for credit facilities granted to certain subsidiary companies	185,397
c) Payment of withholding tax to foreign tax authority if received dividend from foreign subsidiary company out of its non-tax exempted retained earnings	2,488
	<u>187,997</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. PIESB also filed Judicial Review to Penang high court on January 19, 2018. 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 4TH QUARTER ENDED 31 DECEMBER 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 (4th quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter ended			Current Year Quarter Ended	Preceding Year Corresponding Quarter ended		
	31.12.2017	31.12.2016	Amount	%	31.12.2017	31.12.2016	Amount	%
	RM'000	RM'000			RM'000	RM'000		
Revenue by segments								
- Manufacturing	177,834	192,140	(14,306)	-7%	662,151	570,105	92,046	16%
- Trading	5,369	1,376	3,993	290%	16,983	9,147	7,836	86%
- Others	84	2	82	4100%	149	33	116	352%
Total revenue	183,287	193,518	(10,231)	-5%	679,283	579,285	99,998	17%
Revenue by geographical location of the Group's operations								
- Malaysia	174,975	188,726	(13,751)	-7%	651,132	560,282	90,850	16%
- Thailand	5,024	4,741	283	6%	18,161	18,736	(575)	-3%
- Singapore	3,288	51	3,237	6347%	9,990	267	9,723	3642%
Total revenue	183,287	193,518	(10,231)	-5%	679,283	579,285	99,998	17%
Operating profit	31,212	29,023	2,189	8%	63,443	45,732	17,711	39%
Profit before tax by segments								
- Manufacturing	32,137	30,566	1,571	5%	64,561	45,730	18,831	41%
- Trading	(977)	(1,730)	753	-44%	218	335	(117)	-35%
- Others	52	187	(135)	-72%	(1,336)	(333)	(1,003)	301%
Total profit before tax	31,212	29,023	2,189	8%	63,443	45,732	17,711	39%
Profit after tax	23,860	23,233	627	3%	48,011	36,066	11,945	33%
Total comprehensive income attributable to:								
- Owners of the Company	23,093	25,482	(2,389)	-9%	47,648	37,860	9,788	26%

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 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 RM183.287 million and profit before tax was RM31.212 million.

The revenue was decreased by RM10.231 million or 5% if compared to preceding year corresponding quarter. The decrease was mainly attributable to lower demand from existing customers for electronics manufacturing activities (EMS) but partly offset by higher revenue recorded for 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 31 December 2017:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	140,740	32,070	5,024	177,834	97%
Trading	-	-	-	5,369	3%
Others	-	-	-	84	0%
Total	140,740	32,070	5,024	183,287	100%

Breakdown of segmental revenue for the quarter ended 31 December 2016:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	161,393	26,006	4,741	192,140	99%
Trading	-	-	-	1,376	1%
Others	-	-	-	2	0%
Total	161,393	26,006	4,741	193,518	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 increased by RM2.189 million or 8%. The increase is mainly attributable to lower administrative and distribution expenses, higher income from scrap sales, reversal of impairment of trade receivables and reversal of provision for slow moving inventories in the current quarter compared to the corresponding quarter. However, the improvement noted above were offset against lower revenue recorded, lower gain from foreign currency exchange translation and higher cost of sales for the current quarter which reduced the gross profit for the current quarter compared to the corresponding quarter.

The reversal of impairment of trade receivables for EMS customers is approximately RM 8 million during this quarter. The reversal of impairment of trade receivables was mainly due to successful collection of overdue debts from customer.

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 31 December 2017:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	26,517	4,714	906	32,137	103%
Trading	-	-	-	(977)	-3%
Others	-	-	-	52	0%
Total	26,517	4,714	906	31,212	100%

Breakdown of segmental profit before tax for the quarter ended 31 December 2016:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	23,551	4,906	2,109	30,566	105%
Trading	-	-	-	(1,730)	-6%
Others	-	-	-	187	1%
Total	23,551	4,906	2,109	29,023	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 31 December 2017, the Group recorded revenue of RM679.283 million, an increased of 17% or RM99.998 million as compared to the corresponding period ended 31 December 2016 of RM579.285 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 31 December 2017:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	521,620	122,371	18,160	662,151	97%
Trading	-	-	-	16,983	3%
Others	-	-	-	149	0%
Total	521,620	122,371	18,160	679,283	100%

Breakdown of segmental revenue for the period ended 31 December 2016:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	465,935	85,434	18,736	570,105	98%
Trading	-	-	-	9,147	2%
Others	-	-	-	33	0%
Total	465,935	85,434	18,736	579,285	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 31 December 2017, the Group recorded profit before tax of RM63.443 million, an increased of 39% or RM17.711 million as compared to the corresponding period ended 31 December 2016 of RM45.732 million.

The improvement recorded in our profit before tax was mainly due to increase in revenue, higher investment income, lower administrative and distribution expenses and reversal of provision for slow moving inventory. The improvement was partially offset against a net impairment of trade receivables recorded in current year and lower foreign currency translation gain.

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 31 December 2017:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	45,624	15,207	3,730	64,561	102%
Trading	-	-	-	218	0%
Others	-	-	-	(1,336)	-2%
Total	45,624	15,207	3,730	63,443	100%

Breakdown of segmental profit before tax for the period ended 31 December 2016:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	28,307	11,476	5,947	45,730	100%
Trading	-	-	-	335	1%
Others	-	-	-	(333)	-1%
Total	28,307	11,476	5,947	45,732	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	
	31.12.2017	30.09.2017	Amount	Variance
	RM '000	RM '000	RM '000	%
Revenue				
Manufacturing segments				
- EMS activities	140,740	118,848	21,892	18%
- Raw cables & wire	32,070	30,080	1,990	7%
- Wire harness	5,024	4,264	760	18%
Trading segment	5,369	4,825	544	11%
Other segment	84	40	44	110%
	<u>183,287</u>	<u>158,057</u>	<u>25,230</u>	<u>16%</u>
Operating profit	31,212	2,516	28,696	1141%
Profit before tax	31,212	2,516	28,696	1141%
Profit after tax	23,860	1,866	21,994	1179%
Total comprehensive income attributable to:				
- Owners of the Company	23,093	1,969	21,124	1073%

The Group's revenue for the quarter under review has increased by 16% as compared with the preceding quarter. The increase was mainly due to higher demand recorded for EMS, raw cables & wire, wire harness products and trading segments.

The Group profit before tax for the current quarter has soared by 1141% as compared to preceding quarter. The increase was mainly due to higher revenue and higher margin of products mix, lower operating expenses, higher scrap sale, reversal of impairment of trade receivables and reversal of provision for slow moving inventories but was offset against lower foreign currency translation gain and investment income.

17 Review of Group Assets and Liabilities

	As at	As at	Changes	
	31.12.2017	31.12.2016	Amount	Variance
	RM'000	RM'000	RM '000	%
Total assets	529,959	521,912	8,047	2%
Total liabilities	127,928	148,327	(20,399)	-14%
Total equity	402,031	373,585	28,446	8%

Total assets

As at 31 December 2017, the Group's total assets increased by 2% or RM8.047 million to RM529.959 million from RM521.912 million as at 31 December 2016. The growth was mainly contributed by the increase in inventories. The increase in inventories was to fulfil sales order received from new and existing customers with delivery expected to materialised in the next quarter.

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17 Review of Group Assets and Liabilities (Continued)

Total liabilities

As at 31 December 2017, the Group's total liabilities decreased by 14% or RM20.399 million to RM127.928 million from RM148.327 million as at 31 December 2016. The decrease was due to decrease in account payables.

Total equity

The Group's total equity as at 31 December 2017 slightly increased by 8% or RM28.446 million to RM402.031 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 RM48.011 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 decreased by RM0.363 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 31.12.2017	USD 1	RM4.0620	THB 1	RM0.1243
Revenue	2,795	11,353	303,932	37,779
Profit before tax	28	114	29,463	3,662
Profit after tax	28	114	29,463	3,662
Total assets	1,210	4,915	343,156	42,654
Total liabilities	854	3,469	55,198	6,861

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 (97%).

For EMS activities (79%), 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 USD will be the main factors affecting its performance in the near future. Its major customers continue to repay overdue debts to the Group. It will reduce provision for doubtful debt made in previous quarters and increase profit before tax.

Revenue derived from the manufacturing activity of raw wire & cable (18%) will continue to grow, with consistent profit margin in coming 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 coming 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 (3%) 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 a slightly growing performance for the coming year.

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging) :				
Interest income	346	279	1,299	1,043
Investment income	1,001	825	3,415	2,835
Interest expenses	-	(53)	-	(427)
Depreciation and amortisation	(3,711)	(4,050)	(15,759)	(16,115)
Net reversal/(addition) of impairment losses				
- trade receivables	8,089	854	(5,358)	1,302
Net reversal/(addition) of inventories written down	7,390	(2,201)	11,058	(3,824)
Net gain/(loss) on disposal of :				
- property, plant and equipment	115	10	255	2
- investment	-	-	8	12
Bad debts written off	-	(3)	-	(3)
Net foreign exchange gain	1,804	6,386	8,522	10,645
Gain from fair value adjustment of investment properties	75	75	214	75
(Loss)/Gain from fair value adjustment of financial assets through profit and loss	(12)	2	38	(8)

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	7,524	7,469	16,079	11,413
Underprovision in prior year	(386)	(1,658)	(793)	(1,645)
Deferred tax income	214	(21)	146	(102)
	<u>7,352</u>	<u>5,790</u>	<u>15,432</u>	<u>9,666</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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Profit attributable to ordinary equity shareholders (RM'000)	23,860	23,233	48,011	36,066
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>6.21</u>	<u>6.05</u>	<u>12.50</u>	<u>9.39</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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	'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