

NOTES TO THE INTERIM FINANCIAL REPORT

SECTION A DISCLOSURE NOTES AS REQUIRED UNDER MFRS 134

1. BASIS OF PREPARATION

The Interim Financial Report is unaudited and has been prepared in accordance with the requirement of Malaysian Financial Reporting Standard 134 “Interim Financial Reporting” and in compliance with Chapter 9 (Part K) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial report should be read in conjunction with the Audited Financial Statements of the Group for the year ended 31 December 2011.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation for this financial report remain unchanged and are consistent with those adopted by the latest Annual Audited Financial Statements as at 31 December 2011.

The Group has not applied in advance the following accounting standards and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

Effective for financial period beginning on or after 1 January 2013

FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interests in Other Entities
FRS 13	Fair Value Measurement
FRS 119 (Revised)	Employee Benefits
FRS 127 (2011)	Separate Financial Statements
FRS 128 (2011)	Investments in Associates and Joint Ventures
Amendments to FRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Effective for financial period beginning on or after 1 January 2014

Amendments to FRS 132 Offsetting Financial Assets and Financial Liabilities

Effective for financial period beginning on or after 1 January 2015

FRS 9	Financial Instruments
Amendments to FRS 9	Mandatory Effective Date of FRS 9 and Transition Disclosures

The Group’s financial statements for the annual period beginning on 1 January 2012 is prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”) issued by the MASB that also comply with International Financial Reporting Standards (“IFRS”). The change of the accounting policies has no material impact on the financial statements of the Group.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The ceramic business is cyclical in nature as it is affected by the seasonal pattern of the export countries, whereas the oil and gas business tends to be less seasonal.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the current quarter and financial period-to-date.

6. CHANGE IN ESTIMATES OF AMOUNTS REPORTED IN PRIOR INTERIM PERIODS OF THE CURRENT FINANCIAL PERIOD OR IN PRIOR FINANCIAL YEARS

There were no changes in estimates that have had a material effect in the current quarter and financial period-to-date results.

7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchase, resale and repayment of debt and equity securities in the current quarter.

8. DIVIDENDS

No dividend was paid for the financial period ended 31 March 2012.

9. SEGMENTAL INFORMATION

The Group segmental report for the current financial period is as follow:

	<u>Oil & Gas</u>	<u>Ceramic</u>	<u>Investment</u>	<u>Group</u>
	RM'000	RM'000	<u> Holding</u> RM'000	RM'000
External Revenue	<u>15,988</u>	<u>3,868</u>	<u>-</u>	<u>19,856</u>
Result				
Segment results	1,005	(24)	(124)	857
Interest Income	-	1	-	1
Finance Cost	<u>(1)</u>	<u>(21)</u>	<u>-</u>	<u>(22)</u>
Profit/(loss) before tax	<u>1,004</u>	<u>(44)</u>	<u>(124)</u>	<u>836</u>
Taxation	<u>(180)</u>	<u>-</u>	<u>-</u>	<u>(180)</u>
Net Profit/(loss) for the period	<u>824</u>	<u>(44)</u>	<u>(124)</u>	<u>656</u>

9. SEGMENTAL INFORMATION (continued)

The Group segmental report for the financial period ended 31 March 2011 is as follow:

	<u>Oil & Gas</u>	<u>Ceramic</u>	<u>Investment</u>	<u>Group</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
External Revenue	<u>-</u>	<u>5,313</u>	<u>-</u>	<u>5,313</u>
Result				
Segment results	-	232	(272)	(40)
Interest Income	-	2	-	2
Finance Cost	<u>-</u>	<u>(31)</u>	<u>-</u>	<u>(31)</u>
Profit/(loss) before tax	<u>-</u>	<u>203</u>	<u>(272)</u>	<u>(69)</u>
Taxation	<u>-</u>	<u>17</u>	<u>-</u>	<u>17</u>
Net Profit/(loss) for the period	<u>-</u>	<u>220</u>	<u>(272)</u>	<u>(52)</u>

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes in the valuation of property, plant and equipment since the latest audited financial statements for the year ended 31 December 2011.

11. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter.

12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter.

13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets, since the last financial year ended 31 December 2011.

NOTES TO THE INTERIM FINANCIAL REPORT

SECTION B DISCLOSURE NOTES AS REQUIRED UNDER LISTING REQUIREMENTS OF BURSA MALAYSIA

14. PERFORMANCE REVIEW

	3 months ended		3 months ended	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	RM'000	RM'000	RM'000	RM'000
Revenue				
Segment:-				
Oil & Gas	15,988	-	15,988	-
Ceramic	3,868	5,313	3,868	5,313
	<u>19,856</u>	<u>5,313</u>	<u>19,856</u>	<u>5,313</u>

The Group achieved higher revenue for the current quarter of RM19.86 million, as compared with RM5.31 million in the same quarter of the last financial year. This was mainly contributed by the oil & gas related business.

For the ceramic segment, the current quarter had lower sales as compared with previous corresponding quarter and this was due to lesser export to overseas market.

15. COMMENTARY ON MATERIAL CHANGE IN PROFIT/(LOSS) BEFORE TAXATION

	3 months ended	
	31.03.2012	31.12.2011
	RM'000	RM'000
Profit/(loss) before taxation		
Segment:-		
Oil & Gas	1,004	369
Ceramic	(44)	(1,233)
Investment Holding	(124)	(202)
	<u>836</u>	<u>(1,066)</u>

The Group achieved profit before taxation of RM836,000 for current quarter, as compared with loss before taxation of RM1.06 million recorded in the immediate preceding quarter. The profit achieved was due to revenue generated in the Oil & Gas related business.

16. COMMENTARY ON PROSPECTS

As PFCE business activities now includes the oil and gas sector, the outlook for the Group remains positive.

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group did not publish any profit forecast.

18. TAXATION

	Current Quarter Ended 31.03.2012 RM'000	3 Months Ended 31.03.2012 RM'000
Deferred tax	-	-
Current tax	(180)	(180)
Tax Expenses	<u>(180)</u>	<u>(180)</u>

19. CORPORATE PROPOSALS

1. Maybank Investment Bank Berhad announced on 13 May 2011, on behalf of the Board of PFCE that, the Company is proposing to undertake a private placement. On 1 December 2011, Bursa Malaysia has granted the Company an extension period of six months (until 6 June 2012) to complete the implementation of the private placement.
2. On 12 March 2012, the Company entered into a conditional Sales and Purchase Agreement with DAT Group Sdn. Bhd. (“DAT” or “Vendor”), for the acquisition of the entire equity interest in PFC Engineering Sdn. Bhd. (“PFC Engineering”) from the Vendor for a purchase consideration of RM300 million, to be satisfied by the issuance of 500,000,000 new shares of the Company at an issue price of RM0.60 per share (“Proposed Acquisition”).

In conjunction with the Proposed Acquisition, the Board has also resolved to undertake the following:-

- a. Proposed exemption to DAT and the parties acting in concert with from the obligation to extend a mandatory general offer for all the remaining shares not already held by them upon completion of the Proposed Acquisition under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers 2010;
- b. Proposed placement of up to 90,000,000 shares by DAT and proposed restricted offer for sales or issue by DAT or the Company of up to 52,838,100 shares at an issue or offer price to be determined later;
- c. Proposed increase in the authorised share capital of the Company from RM50,000,000 comprising 100,000,000 shares to RM400,000,000 comprising 800,000,000 shares; and
- d. Proposed amendments to the Memorandum of Association of the Company.

(The Proposed Acquisition and (a) to (d) above are collectively referred to as “the Proposals”)

Upon completion of the Proposed Acquisition, PFC Engineering will be a wholly-owned subsidiary of the Company. Currently, the Proposals are subject to the relevant regulatory approvals and shareholders’ approval.

20. BORROWINGS AND DEBT SECURITIES

	As At 31.03.2012 RM'000
Borrowings in Ringgit :-	
Secured Short-term Borrowings	<u>1,098</u>
Secured Long-term Borrowings	<u>325</u>

The above borrowings are denominated in Ringgit Malaysia.

21.CHANGES IN MATERIAL LITIGATION

The Directors were not aware of any material litigation, which, if enforced, may have a material impact on the profit or net asset value of the Group.

22.DIVIDEND PAYABLE

There were no dividends declared by the Company for the current quarter and financial period-to-date.

23.EARNINGS PER SHARE

The basic earnings per ordinary share of the Group were calculated by dividing the net profit attributed to owners of the parent by the weighted number of ordinary shares outstanding during the financial year.

	Current Quarter Ended 31.03.2012	3 months Ended 31.03.2012
Profit attributable to owners of the parent (RM'000)	368	368
Weighted average number of ordinary shares in issue ('000)	88,000	88,000
Basic earning per share (in sen)	0.42	0.42

24.PROFIT BEFORE TAX

	Current Quarter Ended 31.03.2012 RM'000	3 months Ended 31.03.2012 RM'000
Profit/(loss) before tax is arrived at after charging/(crediting):-		
Interest income	(1)	(1)
Other income including investment income	(33)	(33)
Interest expense	22	22
Depreciation and amortization	325	325
Write off of receivables	-	-
Inventories written-down	-	-
loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Unrealised loss/(gain) on foreign exchange	63	63
Realised loss on foreign exchange	10	10
(Gain)/loss on derivative	(7)	(7)

Other than the above items, there were no exceptional items for the current quarter and financial period ended 31 December 2011.

25. REALISED AND UNREALISED PROFIT OR LOSSES

The breakdown of the accumulated losses of the Group as at the end of reporting period into realised and unrealised profit/(loss) is presented in accordance with the directive of Bursa Malaysia Securities Bhd is as follows,

	As At 31.03.2012 RM'000	As At 31.12.2011 RM'000
Total retained profit of the Company and its Subsidiaries		
- Realised	5,422	5,440
- Unrealised	546	546
	<u>5,968</u>	<u>5,986</u>
Less : Consolidation adjustments	(24,381)	(24,381)
Accumulated losses as per financial statements	<u>(18,413)</u>	<u>(18,395)</u>

26. AUTHORISATION FOR ISSUE

The interim financial report for the period under review is authorised and approved for issue and announcement to Bursa Malaysia by PFCE's Board in accordance with a resolution of the directors on 17th May 2012.

By Order of the Board
Dated: 17th May 2012