NOTES TO THE INTERIM FINANCIAL REPORT

SECTION A
DISCLOSURE NOTES AS REQUIRED UNDER MFRS 134

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provision of the Listing Requirements of the Bursa Malaysia Securities Berhad and Malaysia Financial Reporting Standard 134: *Interim Financial Reporting* ("MFRS 134").

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011. The explanatory notes attached to the condensed consolidated interim financial statements 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 2011.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The transition to MFRS framework does not have any material impact to the condensed consolidated financial statements of the Group.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those applied by the Group in its audited financial statements for the year ended 31 December 2012.

The following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

Effective for financial period beginning on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12	Transition Guidance

2. CHANGES IN ACCOUNTING POLICIES (Cont.)

Effective for financial period beginning on or after 1 January 2013 (Cont.)

IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Annual improvement 2012	

Effective for financial period beginning on or after 1 January 2014

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities

Effective for financial period beginning on or after 1 January 2015

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

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial 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 has not been materially affected by any seasonality or cyclicality during the current quarter and financial period-to-date under review.

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 under review.

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 31st December 2012.

9. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments which are based on the internal reporting structure presented to the management of the Company.

The Group operates mainly in Malaysia and accordingly, information by geographical location of the Group's operations is not presented.

Segmental information is provided based on business segment, as follows:

	Oil and Gas	Ceramic	Investment Holding	Group
	RM'000	RM'000	RM'000	RM'000
Results for the financial period ended 31 December 2012				
External Revenue	123,553	11,833	-	135,386
Results				
Segment results	6,338	(1,070)	(2,286)	2,982
Interest income	-	2	-	2
Finance cost	(72)	(76)	-	(148)
Profit/(Loss) before taxation	6,266	(1,144)	(2,286)	2,836
Income tax expense	(1,307)	(190)	-	(1,497)
Profit/(Loss) after taxation for the financial period	4,959	(1,334)	(2,286)	1,339

	Oil and Gas	Ceramic	Investment Holding	Group
	RM'000	RM'000	RM'000	RM'000
Results for the financial period ended 31 December 2011				
External Revenue	9,215	14,153	-	23,368
Results				
Segment results	601	(2,436)	(564)	(2,399)
Interest income	-	8	-	8
Finance cost	-	(118)	-	(118)
Profit/(Loss) before taxation	601	(2,546)	(564)	(2,509)
Income Tax expense	(151)	624	-	473
Profit/(Loss) after taxation for the financial period	450	(1,922)	(564)	(2,036)

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

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.

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

14. PERFORMANCE REVIEW

	3 months ended		**12 months ended**	
	31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue				
Segment:-				
Oil and gas	7,748	6,222	123,553	9,215
Ceramic	4,293	3,724	11,833	14,153
	12,041	9,946	135,386	23,368

The Group's revenue for the current quarter was RM12.04 million, an increase by 17.39% or RM2.09 million as compared to the corresponding quarter in the previous year.

Oil and gas revenue for the current quarter amount to RM7.75 million as compared to RM6.22 million for the corresponding period in the previous year.

Ceramic revenue for the current quarter recorded revenue of RM4.29 million as compared to RM3.72 million for the corresponding period in the previous year, representing an increase of 13.25% or RM0.57 million in revenue due to increase in export sales.

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

	3 months ended	
	31.12.2012	30.09.2012
	RM'000	RM'000
Revenue		
Segment:-		
Oil & Gas	7,748	42,079
Ceramic	4,293	1,532
Investment holding	-	-
	12,041	43,611
Profit/(Loss) before taxation		
Segment:-		
Oil and gas	(3,478)	4,227
Ceramic	(47)	(574)
Investment holding	(320)	(901)
	(3,845)	2,754

For the quarter under review, the Group's turnover of RM12.04 million represented a decrease of almost 3 folds or RM31.57 million when compared to the turnover of the immediate preceding quarter of RM43.61 million. Loss before tax for the current quarter was RM(3.85) million, a decrease of almost 2 folds or RM6.59 million from the immediate preceding quarter of RM2.75 million.

The **oil and gas segment** recorded a Loss before taxation of RM(3.48) million in the current quarter as compared to Profit before taxation of RM4.23 million in the preceding quarter, representing a decrease of 2 folds or RM7.71 million. The losses are due to pending claims being finalized.

The **ceramic segment** recorded a Loss before taxation of RM(0.05) million in the current quarter as compared to Loss before taxation of RM(0.57) million in the preceding quarter.

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. INCOME TAX EXPENSE

	Current Quarter Ended 31.12.2012 RM'000	12 Months Ended 31.12.2012 RM'000
Deferred tax	(190)	(190)
Current tax	223	(1,307)
Income tax expenses	43	(1,497)

19. CORPORATE PROPOSALS

1. 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").

2. In conjunction with the Proposed Acquisition, the Board has also resolved to undertake the following:-
   a. 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;
   b. 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
   c. Proposed amendments to the Memorandum of Association of the Company.

   (The Proposed Acquisition and (a) to (c) above are collectively referred to as "the Proposals")

   In view of the Proposed Private Placement of 8,800,000 shares by the Company on 13 May 2011, the Board had on 26 July 2012 proposed to vary the quantum of the Proposed Restricted Offer to 61,638,100 shares in total. On 6 September 2012, the Company has completed the Private Placement, following the listing of and quotation for the 7,000,000 million new ordinary shares of RM0.50 each. The placement price for the 7,000,000 million new ordinary shares is RM0.60 each. The gross proceed raised from the Private Placement is RM4, 200,000.

   Upon completion of the Proposed Acquisition, PFC Engineering will be a wholly-owned subsidiary of the Company. The relevant applications in relation to the Proposals has been submitted to the SC on 31 July 2012.

20. BORROWINGS AND DEBT SECURITIES

Borrowings in Ringgit Malaysia :-	**As At 31.12.2012 RM'000**
Secured Short-Term Borrowings	1,643
Secured Long-Term Borrowings	2,952

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. PROPOSED DIVIDEND

There were no dividends proposed or 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 Company by the weighted number of ordinary shares in issue during the reporting period.

	Current Quarter Ended 31.12.2012	**12 months Ended 31.12.2012**
Profit attributable to owners of the Company (RM'000)	(2,666)	28
Weighted average number of ordinary shares in issue ('000)	95,000	95,000
Basic earning per share (in sen)	(2.81)	0.03

Fully diluted earnings per share were not computed as there were no outstanding potential ordinary shares to be issued as at the end of the reporting period.

24. PROFIT/(LOSS) BEFORE TAXATION

	3 months ended		**12 months ended**	
	31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before taxation is arrived after charging/(crediting):-				
Interest income	(2)	(2)	(4)	(8)
Other income including investment income	(33)	(28)	(136)	(69)
Interest expense	88	23	146	118
Depreciation and amortisation	408	645	1,476	1,510
Unrealised (gain)/loss on foreign exchange	(18)	32	(3)	(167)
Realised loss on foreign exchange	(1)	75	55	120
Loss/(Gain) on derivative	(4)	(127)	14	21

Other than the above items, there were no exceptional items for the current quarter and financial period ended 31st December 2012.

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 profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad is as follows:-

	As At 31.12.2012 RM'000	As At 31.12.2011 RM'000
Total retained profit of the Company and its subsidiaries		
- Realised	19,158	5,417
- Unrealised	589	571
	19,747	5,988
Less : Consolidation adjustments	(35,923)	(24,380)
Accumulated losses as per financial statements	(16,176)	(18,392)

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 Berhad's Board in accordance with a resolution of the directors on 28th February 2013.

By Order of the Board
Dated: 28th February 2013