

PFCE BERHAD
(504718-U)

QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 30 JUNE 2013

The Board of Directors of PFCE Berhad (PFCE) is pleased to announce the following unaudited condensed financial statements of PFCE Group for the second quarter ended 30 June 2013 which should be read in conjunction with Explanatory Notes on pages 5 – 16.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 months ended		6 months ended	
	Note	30.06.2013	30.06.2012	30.06.2013	30.06.2012
		RM'000	RM'000	RM'000	RM'000
Revenue	14	2,113	59,878	7,002	79,734
Cost of sales		(1,618)	(54,931)	(5,182)	(72,203)
Gross profit		495	4,947	1,820	7,531
Other operating income		106	115	161	255
Operating expenses		(1,657)	(1,877)	(3,371)	(3,560)
Other operating expenses		(146)	(75)	(259)	(257)
Finance costs		(24)	(19)	(47)	(42)
(Loss)/Profit before taxation	24	(1,226)	3,091	(1,696)	3,927
Income tax expense	18	-	(670)	-	(850)
(Loss)/Profit after taxation		(1,226)	2,421	(1,696)	3,077
Other comprehensive income net of tax :					
Exchange differences on translating foreign operations		32	21	56	5
Other comprehensive income for the financial period, net of tax		32	21	56	5
Total comprehensive income for the financial period		(1,194)	2,442	(1,640)	3,082
(Loss)/Profit after taxation attributable to:					
Owners of the Company		(1,077)	1,349	(1,321)	1,717
Non-controlling interests		(149)	1,072	(375)	1,360
		(1,226)	2,421	(1,696)	3,077
Total comprehensive income/(expense) attributable to:					
Owners of the Company		(1,045)	1,370	(1,265)	1,722
Non-controlling interests		(149)	1,072	(375)	1,360
		(1,194)	2,442	(1,640)	3,082
Earnings per share:					
- Basic (sen)	23	(1.13)	1.53	(1.39)	1.95
- Diluted (sen)	23	NA	NA	NA	NA

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30.06.2013 RM'000	AS AT 31.12.2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		31,209	31,691
Goodwill on consolidation		2,575	2,575
Prepaid land lease payments		171	172
		<u>33,955</u>	<u>34,438</u>
Current assets			
Inventories		6,184	6,881
Trade receivables		543	1,576
Other receivables and prepaid expenses		2,005	2,050
Amount owing by a related party		42,617	5,517
Amount owing by contract customer		-	39,323
Derivative Financial Instruments		-	4
Tax recoverable		10	10
Deposits with financial institutions		56	56
Cash and bank balances		3,810	3,643
		<u>55,225</u>	<u>59,060</u>
TOTAL ASSETS		<u>89,180</u>	<u>93,498</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		47,500	47,500
Share Premium		12,361	12,361
Other Reserves		139	83
Accumulated Loss		(17,709)	(16,388)
		<u>42,291</u>	<u>43,556</u>
Non-controlling interests		<u>1,094</u>	<u>1,469</u>
Total equity		<u>43,385</u>	<u>45,025</u>
Non-current liabilities			
Borrowings	20	423	328
Deferred tax liabilities		2,962	2,962
		<u>3,385</u>	<u>3,290</u>
Current liabilities			
Borrowings	20	822	1,390
Trade payables		22,373	40,683
Derivative Financial Instruments		40	-
Other payables and accrued expenses		18,234	1,898
Tax Liabilities		941	1,212
		<u>42,410</u>	<u>45,183</u>
Total liabilities		<u>45,795</u>	<u>48,473</u>
TOTAL EQUITY AND LIABILITIES		<u>89,180</u>	<u>93,498</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company							
	Non-Distributable				Distributable	Total	Non-controlling Interests	Total Equity
	Share Capital	Share Premium	Revaluation Reserves	Translation of Foreign Operations	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	44,000	11,661	-	102	(16,416)	39,347	157	39,504
Profit after taxation for the financial period	-	-	-	-	28	28	1,312	1,340
Other Comprehensive expenses for the financial year, net of tax:	-	-	-	(19)	-	(19)	-	(19)
Total comprehensive expenses for the financial period	-	-	-	(19)	28	9	1,312	1,321
Issue of ordinary shares	3,500	700	-	-	-	4,200	-	4,200
Transfer from accumulated losses	-	-	-	-	-	-	-	-
At 31 December 2012/1 January 2013	47,500	12,361	-	83	(16,388)	43,556	1,469	45,025
At 1 January 2013	47,500	12,361	-	83	(16,388)	43,556	1,469	45,025
Loss after taxation for the financial period	-	-	-	-	(1,321)	(1,321)	(375)	(1,696)
Other Comprehensive income for the financial year, net of tax:	-	-	-	56	-	56	-	56
Total comprehensive expenses for the financial period	-	-	-	56	(1,321)	(1,265)	(375)	(1,640)
At 30 June 2013	47,500	12,361	-	139	(17,709)	42,291	1,094	43,385

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	30.06.2013 RM'000	30.06.2012 RM'000
(Loss)/profit before tax	(1,696)	3,927
Adjustment for non-cash flow:-		
Non-cash items	697	666
Non-operating items	46	47
Operating (loss)/profit before changes in working capital	<u>(953)</u>	<u>4,640</u>
Changes in working capital		
Net changes in current assets	4,090	(25,501)
Net changes in current liabilities	<u>(1,976)</u>	<u>20,353</u>
Cash flows generated from/(used in) operating activities	1,161	(508)
Interest paid	(47)	(42)
Income tax paid	<u>(271)</u>	<u>(74)</u>
Net cash flows generated from/(used in) operating activities	<u>843</u>	<u>(624)</u>
Investing Activities		
- Purchase of property, plant & equipment	<u>(93)</u>	<u>(1,132)</u>
- Proceeds from disposal of property, plant & equipment	-	2
- Interest Received	1	2
Net cash flow used in investing activities	<u>(92)</u>	<u>(1,128)</u>
Financing Activities		
- Proceeds from issuance of shares	-	-
- Bank borrowings	<u>(739)</u>	<u>(86)</u>
Net cash flow (used in)/generated from financing activities	<u>(739)</u>	<u>(86)</u>
Net Changes in Cash & Cash Equivalents	12	(1,838)
Cash & Cash Equivalents at beginning of period/year	3,065	4,730
Effects of exchange rate changes	56	8
Cash & Cash Equivalents at end of period/year	<u>3,133</u>	<u>2,900</u>
Cash and cash equivalents at end of financial period comprise the following:		
Cash and bank balances	3,810	55
Fixed deposits with licensed banks	56	3,313
Less: Bank overdrafts (included within short term borrowings in Note 20)	<u>(733)</u>	<u>(468)</u>
	<u>3,133</u>	<u>2,900</u>



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**PART B – DISCLOSURE NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING
REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

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”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 2012. 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 2012.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries as at and for the quarter ended 30 June 2013.

2. CHANGES IN ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2013 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2012 except as described below.

As of 1 January 2013, the Group has adopted the following new and revised MFRSs, amendments and IC interpretations (collectively referred to as “pronouncements”) which are effective for annual periods 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 (revised)
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	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 116	Properties, Plant and Equipment (Annual Improvements 2009-2011 Cycle)



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2. CHANGES IN ACCOUNTING POLICIES (Cont.)

Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

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

The adoption of the above pronouncements does not have material impact on the financial statements of the Group.

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

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2012.

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 cyclicity 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.



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

There were no material changes in estimates of the amounts reported in the interim financial statements of the Group for the quarter ended 30 June 2013 that may have a material effect in the current quarter results.

7. PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

8. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchase, resale and repayment of debt and equity securities during the quarter ended 30 June 2013.

9. DIVIDENDS

No dividend was paid for the financial period ended 30 June 2013.

10. SEGMENTAL INFORMATION

The Group has three reporting segments, as described below, which offer different products and services and are managed separately because they require different technologies and marketing strategies. The following summary describes the operations in each of the Group's reporting segments:

- Oil and Gas – activities include fabrication of oil and gas steel structures and platforms.
- Ceramic – activities include retail, trading, manufacturing, exporting and marketing of pottery and porcelain products, ceramic ware and ornaments.

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:

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10. SEGMENTAL INFORMATION (Cont.)

	<u>Oil & Gas</u>	<u>Ceramic</u>	<u>Investment</u>	<u>Group</u>
	RM'000	RM'000	RM'000	RM'000
Results for the financial period ended 30 June 2013				
External Revenue	<u>197</u>	<u>6,805</u>	<u>-</u>	<u>7,002</u>
Results				
Segment results	(730)	(264)	(654)	(1,648)
Interest Income	-	(0)	(0)	(0)
Finance Cost	<u>(5)</u>	<u>(43)</u>	<u>(0)</u>	<u>(48)</u>
Loss before taxation	<u>(735)</u>	<u>(307)</u>	<u>(654)</u>	<u>(1,696)</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss after taxation for the financial period	<u>(735)</u>	<u>(307)</u>	<u>(654)</u>	<u>(1,696)</u>
	<u>Oil & Gas</u>	<u>Ceramic</u>	<u>Investment</u>	<u>Group</u>
	RM'000	RM'000	RM'000	RM'000
Results for the financial period ended 30 June 2012				
External Revenue	<u>73,726</u>	<u>6,008</u>	<u>-</u>	<u>79,734</u>
Results				
Segment results	4,737	(535)	(235)	3,967
Interest Income	-	2	-	2
Finance Cost	<u>(1)</u>	<u>(41)</u>	<u>-</u>	<u>(42)</u>
(Loss)/Profit before taxation	<u>4,736</u>	<u>(574)</u>	<u>(235)</u>	<u>3,927</u>
Income tax expense	<u>(850)</u>	<u>-</u>	<u>-</u>	<u>(850)</u>
(Loss)/Profit after taxation for the financial period	<u>3,886</u>	<u>(574)</u>	<u>(235)</u>	<u>3,077</u>



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11. SUBSEQUENT EVENTS

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

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 2012.

14. REVIEW OF GROUP PERFORMANCES

Current quarter against the corresponding quarter

	3 months ended	
	30.06.2013	30.06.2012
	RM'000	RM'000
Revenue	2,113	59,878
(Loss)/Profit before taxation	(1,226)	3,091
(Loss)/Profit for the period	(1,226)	2,421

The Group's revenue for the current quarter was RM2.11 million, a decrease of RM57.76 million as compared to the corresponding quarter in the previous year due to no revenue contribution from oil and gas segment.

Consequently, the significant decrease in the revenue has resulted in loss for the quarter as compared to profit for the corresponding quarter.

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14. REVIEW OF GROUP PERFORMANCE (Cont.)

Current quarter against the corresponding quarter (Cont.)

The following section will provide further analysis of the Group performance by operating segments.

	3 months ended	
	30.06.2013	30.06.2012
	RM'000	RM'000
Revenue		
Segment :-		
Oil and Gas	-	57,738
Ceramic	2,113	2,140
Investment Holding	-	-
	<u>2,113</u>	<u>59,878</u>
(Loss)/Profit before taxation		
Segment :-		
Oil and Gas	(293)	3,732
Ceramic	(639)	(530)
Investment Holding	(294)	(111)
	<u>(1,226)</u>	<u>3,091</u>
(Loss)/ Profit for the period		
Segment :-		
Oil and Gas	(293)	3,062
Ceramic	(639)	(530)
Investment Holding	(294)	(111)
	<u>(1,226)</u>	<u>2,421</u>

Oil and Gas

No revenue for the current quarter as compared to the corresponding quarter in 2012 of RM57.74 million due to completion of project.



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14. REVIEW OF GROUP PERFORMANCE (Cont.)

Current quarter against the corresponding quarter (Cont.)

Ceramic

Ceramic segment registered revenue of RM2.11 million for the current quarter almost same as last corresponding quarter, the segment results for the quarter has slightly decreased by RM0.11 million.

15. COMPARISON WITH PRECEDING QUARTER RESULTS

	3 months ended	
	30.06.2013	31.03.2013
	RM'000	RM'000
Revenue	2,113	4,890
Loss before taxation	(1,226)	(470)
Loss for the period	(1,226)	(470)

For the quarter under review, the Group registered lower revenue of RM2.11 million representing a decrease of RM2.78 million or 56.79% as compared to the immediate preceding quarter of RM4.89 million.

Loss before taxation and Loss for the period for the quarter was both increased by RM0.76 million due to lower revenue recorded.

16. COMMENTARY ON PROSPECTS

As PFCE business activities includes the oil and gas sector, the outlook for the Group remains positive once the corporate exercise is completed.

17. PROFIT FORECAST OR PROFIT GUARANTEE

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



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18. TAXATION

	Current Quarter Ended 30.06.2013	6 months ended 30.06.2013
	RM'000	RM'000
Deferred tax	-	-
Current tax	-	-
Income tax expense	-	-

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 exemption to DAT and the parties acting in concert with (“PACs”) 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 Code;
 - (b) proposed placement of up to 90,000,000 shares by DAT and proposed restricted offer for sale or issue by DAT or the Company of up to 59,838,100 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

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



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19. CORPORATE PROPOSALS (Cont.)

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.

On 11 March 2013, it was announced that the SC had on the same date granted its approval under Section 214(1) of the Capital Markets and Services Act 2007 for the proposals, subject to, amongst others, certain conditions with regards to the properties of PFC Engineering ("Conditions").

On behalf of the Board of Directors of PFCE, RHB Investment Bank wishes to announce that an application for an extension of time of six (6) months for the Company to complete the Proposals and to comply with the Conditions was submitted to the SC on 27 August 2013.

In addition, an application for a waiver from complying with Section 7.05(b) of the Equity Guidelines issued by the SC was also submitted to the SC on the same day.

An announcement will be made upon receipt of the decision of the SC on the above.

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20. BORROWINGS AND DEBT SECURITIES

Particulars of Group's borrowings are as follow:

	As at 30.06.2013 RM'000	As at 31.12.2012 RM'000			
Non Current					
Term Loan	-	-			
Finance lease liabilities	423	328			
	<u>423</u>	<u>328</u>			
Current					
Term Loan	50	209			
Finance lease liabilities	39	104			
Bank Overdraft	733	634			
Bankers Acceptance	-	443			
	<u>822</u>	<u>1,390</u>			
	<u>1,245</u>	<u>1,718</u>			
	<u>1,245</u>	<u>1,718</u>	Total	< 1 year	1-2 years
	<u>1,245</u>	<u>1,718</u>	RM'000	RM'000	RM'000
Term Loan	50	50	-	-	-
Finance Lease Liabilities	462	39	119	304	-
	<u>512</u>	<u>89</u>	<u>119</u>	<u>304</u>	<u>-</u>

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20. BORROWINGS AND DEBT SECURITIES (Cont.)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	<u>As at 30.06.2013</u>		
	<u>Minimum lease payments</u>	<u>Future finance charges</u>	<u>Present Value</u>
	RM'000	RM'000	RM'000
Less than one year	110	22	89
Between 1 - 2 years	136	17	119
2 - 5 years	320	16	304
More than 5 years	-	-	-
	566	54	512

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.

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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.

	3 months ended		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
(Loss)/Profit attributable to owners of the Company (RM'000)	(1,077)	1,349	(1,321)	1,717
Weighted average number of ordinary shares issue ('000)	95,000	88,000	95,000	88,000
Basic earning per share (in sen)	(1.13)	1.53	(1.39)	1.95

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. LOSS BEFORE TAXATION

	3 months ended	6 months ended
	30.06.2013	30.06.2013
	RM'000	RM'000
Profit before taxation is arrived at after Charging/(crediting) :-		
Interest income	(1)	(1)
Other income including investment income	(60)	(148)
Interest expense	24	47
Depreciation and amortization	377	743
Net unrealised gain on foreign exchange	(29)	(91)
Net realised loss on foreign exchange	12	37
Gain on derivative	-	(1)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.



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QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 30 JUNE 2013

**PART B – DISCLOSURE NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING
REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

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:-

	<u>30.06.2013</u>	<u>31.12.2012</u>
	RM'000	RM'000
Total Retained Profits of PFCE and its subsidiaries:		
- Realised	19,457	21,314
- Unrealised	(91)	(310)
	<u>19,366</u>	<u>21,004</u>
Less: Consolidation Adjustments	(37,075)	(37,392)
Accumulated losses as per financial statements	<u>(17,709)</u>	<u>(16,388)</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 Berhad's Board in accordance with a resolution of the directors on 30th August 2013.

By Order of the Board
Dated: 30th August 2013