

PFCE BERHAD
(504718-U)

QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 31 DECEMBER 2013

The Board of Directors of PFCE Berhad (PFCE) is pleased to announce the following unaudited condensed financial statements of PFCE Group for the fourth quarter ended 31 December 2013 which should be read in conjunction with Explanatory Notes on pages 5 – 17.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
		3 months ended		12 months ended	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
		RM'000	RM'000	RM'000	RM'000
Revenue	14	6,409	12,041	16,240	135,386
Cost of sales		(3,754)	(13,944)	(11,104)	(124,953)
Gross profit		2,655	(1,903)	5,136	10,433
Other operating income		297	155	673	496
Operating expenses		(1,702)	(1,603)	(7,362)	(7,331)
Other operating expenses		(133)	(406)	(20,103)	(613)
Finance costs		(19)	(88)	(144)	(148)
Profit/(Loss) before taxation	24	1,098	(3,845)	(21,800)	2,837
Income tax expense	18	(31)	43	(39)	(1,497)
Profit/(Loss) after taxation		1,067	(3,802)	(21,839)	1,340
Other comprehensive income net of tax :					
Exchange differences on translating foreign operations		32	2	118	(19)
Other comprehensive income for the financial period, net of tax		32	2	118	(19)
Total comprehensive income for the financial period		1,099	(3,800)	(21,721)	1,321
Profit/(Loss) after taxation attributable to:					
Owners of the Company		1,099	(2,666)	(14,424)	28
Non-controlling interests		(32)	(1,136)	(7,415)	1,312
		1,067	(3,802)	(21,839)	1,340
Total comprehensive income/(expense) attributable to:					
Owners of the Company		1,131	(2,664)	(14,306)	9
Non-controlling interests		(32)	(1,136)	(7,415)	1,312
		1,099	(3,800)	(21,721)	1,321
Earnings per share:					
- Basic (sen)	23	1.16	(2.81)	(15.18)	0.03
- Diluted (sen)	23	NA	NA	NA	NA

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31.12.2013 RM'000	AS AT 31.12.2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		30,658	31,692
Goodwill on consolidation		2,575	2,575
Prepaid land lease payments		171	171
		<u>33,404</u>	<u>34,438</u>
Current assets			
Inventories		6,375	6,881
Trade receivables		3,517	1,576
Other receivables and prepaid expenses		2,047	2,050
Amount owing by related parties		21,197	5,517
Amount owing by contract customer		-	39,323
Derivative Financial Instruments		-	4
Tax recoverable		5	10
Deposits with financial institutions		56	56
Cash and bank balances		3,117	3,643
		<u>36,314</u>	<u>59,060</u>
TOTAL ASSETS		<u>69,718</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		201	83
Accumulated Loss		(30,812)	(16,388)
		<u>29,250</u>	<u>43,556</u>
Non-controlling interests		<u>(5,946)</u>	<u>1,469</u>
Total equity		<u>23,304</u>	<u>45,025</u>
Non-current liabilities			
Borrowings	20	310	328
Deferred tax liabilities		2,993	2,962
		<u>3,303</u>	<u>3,290</u>
Current liabilities			
Borrowings	20	1,128	1,390
Trade payables		22,052	40,683
Other payables and accrued expenses		18,702	1,898
Tax Liabilities		1,229	1,212
		<u>43,111</u>	<u>45,183</u>
Total liabilities		<u>46,414</u>	<u>48,473</u>
TOTAL EQUITY AND LIABILITIES		<u>69,718</u>	<u>93,498</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company							Non-controlling Interests RM'000	Total Equity RM'000
	Non-Distributable				Distributable		Total RM'000		
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Translation of Foreign Operations RM'000	Accumulated Losses 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	-	-	-	-	(14,424)	(14,424)	(7,415)	(21,839)	
Other Comprehensive income for the financial year, net of tax:	-	-	-	118	-	118	-	118	
Total comprehensive expenses for the financial period	-	-	-	118	(14,424)	(14,306)	(7,415)	(21,721)	
At 31 Dec 2013	47,500	12,361	-	201	(30,812)	29,250	(5,946)	23,304	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended	
	31.12.2013	31.12.2012
	RM'000	RM'000
(Loss)/profit before tax	(21,800)	2,837
Adjustment for non-cash flow:-		
Non-cash items	1,180	1,790
Non-operating items	144	148
Operating (loss)/profit before changes in working capital	<u>(20,476)</u>	<u>4,775</u>
Changes in working capital		
Net changes in current assets	22,457	(37,767)
Net changes in current liabilities	(1,828)	28,960
Cash flows generated from/(used in) operating activities	<u>153</u>	<u>(4,032)</u>
Interest paid	(144)	(148)
Income tax paid	22	(196)
Net cash flows generated from/(used in) operating activities	<u>31</u>	<u>(4,376)</u>
Investing Activities		
- Purchase of property, plant & equipment	(220)	(1,727)
- Proceeds from disposal of property, plant & equipment	-	2
- Interest Received	1	2
Net cash flow used in investing activities	<u>(219)</u>	<u>(1,723)</u>
Financing Activities		
- Proceeds from issuance of shares	-	4,200
- Bank borrowings	(174)	154
Net cash flow (used in)/generated from financing activities	<u>(174)</u>	<u>4,354</u>
Net Changes in Cash & Cash Equivalents	(362)	(1,745)
Cash & Cash Equivalents at beginning of period/year	3,065	4,730
Effects of exchange rate changes	23	78
Cash & Cash Equivalents at end of period/year	<u>2,726</u>	<u>3,063</u>
Cash and cash equivalents at end of financial period comprise the following:		
Cash and bank balances	3,117	3,641
Fixed deposits with licensed banks	56	56
Less: Bank overdrafts (included within short term borrowings in Note 20)	(447)	(634)
	<u>2,726</u>	<u>3,063</u>



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QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 31 DECEMBER 2013

**PART A – DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARDS 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 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 31 December 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 31 December 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 31 December 2013.

9. DIVIDENDS

No dividend was paid for the financial period ended 31 December 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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PART A – DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134

10. SEGMENTAL INFORMATION (Cont.)

	<u>Oil & Gas</u> RM'000	<u>Ceramic</u> RM'000	<u>Investment</u> <u>Holding</u> RM'000	<u>Group</u> RM'000
Results for the financial period ended 31 Dec 2013				
External Revenue	197	16,043	-	16,240
Results				
Segment results	(21,113)	536	(1,080)	(21,657)
Interest Income	-	0	0	1
Finance Cost	(65)	(79)	(0)	(144)
Loss before taxation	(21,178)	457	(1,080)	(21,800)
Income tax expense	(8)	(31)	-	(39)
Loss after taxation for the financial period	(21,186)	426	(1,080)	(21,839)
Results for the financial period ended 31 Dec 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)
(Loss)/Profit before taxation	6,266	(1,144)	(2,286)	2,836
Income tax expense	(1,306)	(190)	-	(1,496)
(Loss)/Profit after taxation for the financial period	4,960	(1,334)	(2,286)	1,340



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11. SUBSEQUENT EVENTS

In light of the completion of the oil and gas project undertaken by one of its subsidiaries, the Group has intention to dispose of the said subsidiary (which has become non-active) and is in the midst of identifying potential buyer.

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.



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QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 31 DECEMBER 2013

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

14. REVIEW OF GROUP PERFORMANCES

Current quarter against the corresponding quarter

	3 months ended	
	31.12.2013	31.12.2012
	RM'000	RM'000
Revenue	6,409	12,041
Profit/(Loss) before taxation	1,098	(3,845)
Profit/(Loss) for the period	1,067	(3,802)

The Group's revenue for the current quarter was RM6.41 million, a decrease of RM5.63 million as compared to the corresponding quarter in the previous year as there were no revenue from oil and gas segment.

However, the Group registered profit before taxation amounting to RM1.09 million, an increase of RM4.94 million as compared to the corresponding quarter.

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REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

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	
	31.12.2013	31.12.2012
	RM'000	RM'000
Revenue		
Segment :-		
Oil and Gas	-	7,748
Ceramic	6,409	4,293
Investment Holding	-	-
	<u>6,409</u>	<u>12,041</u>
Profit/(Loss) before taxation		
Segment :-		
Oil and Gas	(93)	(3,478)
Ceramic	1,297	(47)
Investment Holding	(106)	(320)
	<u>1,098</u>	<u>(3,845)</u>
Profit/(Loss) for the period		
Segment :-		
Oil and Gas	(93)	(3,245)
Ceramic	1,266	(237)
Investment Holding	(106)	(320)
	<u>1,067</u>	<u>(3,802)</u>

Oil and Gas

No revenue for the current quarter as compared to 2012 corresponding quarter of RM7.75 million.



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14. REVIEW OF GROUP PERFORMANCE (Cont.)

Current quarter against the corresponding quarter (Cont.)

Ceramic

Ceramic segment registered revenue of RM6.41 million for the current quarter an increase of RM2.11 million or 49.26% as compared to the corresponding quarter due to increase of export to North America.

15. COMPARISON WITH PRECEDING QUARTER RESULTS

	3 months ended	
	31.12.2013	30.09.2013
	RM'000	RM'000
Revenue	6,409	2,829
Profit/(Loss) before taxation	1,098	(21,202)
Profit/(Loss) for the period	1,067	(21,210)

For the quarter under review, the Group registered higher revenue of RM6.41 million representing an increase of RM3.58 million as compared to the immediate preceding quarter of RM2.83 million mainly due to increase in export.

In addition, the recorded profit for the quarter as compared with the loss in preceding quarter was mainly due to general impairment of RM19.52 million made for a long outstanding debtor.

16. COMMENTARY ON PROSPECTS

The outlook for the Group especially ceramic activities remains positive.

17. PROFIT FORECAST OR PROFIT GUARANTEE

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



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

18. TAXATION

	Current Quarter Ended 31.12.2013	12 months ended 31.12.2013
	RM'000	RM'000
Deferred tax	(31)	(31)
Current tax	-	(8)
Income tax expense	<u>(31)</u>	<u>(39)</u>

The effective rate of taxation for the Group is higher than the statutory tax rate mainly due to losses in certain subsidiaries that are not available for set-off against taxable profits in other companies within the Group.

Domestic current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the taxable profit for the year. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax expense for the current quarter was mainly due to:

- a) non-deductibility of certain expenses for tax purposes;
- b) deferred tax recognized

19. CORPORATE PROPOSALS

On 9 January 2014, the Company had announced to the Bursa Malaysia that the Board of Directors of the Company has approved the change of financial year of the Company from 31 December to 30 June. The next audited financial statements of the Company shall be for a period of eighteen (18) months, made up from 1 January 2013 to 30 June 2014.

Thereafter, the subsequent financial years of the Company shall end on 30 June every year.

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

20. BORROWINGS AND DEBT SECURITIES

Particulars of Group's borrowings are as follow:

	<u>As at 31.12.2013</u>	<u>As at 31.12.2012</u>
	RM'000	RM'000
Non Current		
Term Loan	-	-
Finance lease liabilities	310	328
	<u>310</u>	<u>328</u>
Current		
Term Loan	-	210
Finance lease liabilities	118	104
Bank Overdraft	447	634
Bankers Acceptance	563	442
	<u>1,128</u>	<u>1,390</u>
	<u>1,438</u>	<u>1,718</u>

	<u>Total</u>	<u>< 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>> 5 years</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Term Loan	-	-	-	-	-
Finance Lease					
Liabilities	428	118	123	187	-
	<u>428</u>	<u>118</u>	<u>123</u>	<u>187</u>	<u>-</u>

	<u>As at 31.12.2013</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	137	19	118
Between 1 - 2 years	138	14	124
2 - 5 years	195	9	186
More than 5 years	-	-	-
	<u>470</u>	<u>42</u>	<u>428</u>



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

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.

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit/(Loss) attributable to owners of the Company (RM'000)	1,099	(2,666)	(14,423)	28
Weighted average number of ordinary shares issue ('000)	95,000	95,000	95,000	95,000
Basic earning per share (in sen)	1.16	(2.81)	(15.18)	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.

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

24. PROFIT/(LOSS) BEFORE TAXATION

	3 months ended 31.12.2013	12 months ended 31.12.2013
	RM'000	RM'000
Profit/(Loss) before taxation is arrived at after Charging/(crediting):		
Depreciation and amortization	302	1,421
Gain on derivative	-	44
Impairment of receivable	-	19,520
Interest expense	20	144
Interest income	(0)	(1)
Net realised loss on foreign exchange	71	68
Net unrealised gain on foreign exchange	(81)	(266)
Other income including investment income	62	(157)

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

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 31.12.2013	As at 31.12.2012
	RM'000	RM'000
Total Retained Profits of PFCE and its subsidiaries:		
- Realised	1,549	19,845
- Unrealised	(2,328)	(310)
	<u>(779)</u>	<u>19,535</u>
Less: Consolidation Adjustments	(30,033)	(35,923)
Total Group retained profits	<u><u>(30,812)</u></u>	<u><u>(16,388)</u></u>



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

26. AUTHORISATION FOR ISSUE

The interim financial report for the period under review is authorised and approved for issue and announcement to Bursa Malaysia Securities Berhad by PFCE's Board in accordance with a resolution of the directors on 28th February 2014.

By Order of the Board
Dated: 28th February 2014.