

PFCE BERHAD
(504718-U)

QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
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	INDIVIDUAL QUARTER CURRENT QUARTER ENDED 30.9.2014	CUMULATIVE PERIOD 3 MONTHS ENDED 30.9.2014
	UNAUDITED RM'000	UNAUDITED RM'000
Revenue	2,403	2,403
Cost of sales	(1,493)	(1,493)
Gross profit	910	910
Other income	150	150
Operating expenses	(1,511)	(1,511)
Other operating expenses	(77)	(77)
Finance costs	(2)	(2)
Loss before taxation	(530)	(530)
Income tax expense	-	-
Loss after taxation	(530)	(530)
Other comprehensive income net of tax :		
- Foreign currency translation	24	24
Total comprehensive expenses	(506)	(506)
Loss after taxation attributable to:-		
Owners of the Company	(530)	(530)
Total comprehensive expenses attributable to:-		
Owners of the Company	(506)	(506)
Loss per share attributable to Owners of the Company (sen):		
Basic	(0.56)	(0.56)
Diluted	NA	NA

(The Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements.)

PFCE BERHAD
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QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30.9.2014 UNAUDITED RM'000	AS AT 30.6.2014 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	27,938	27,968
Prepaid land lease payments	179	175
	<u>28,117</u>	<u>28,143</u>
Current assets		
Inventories	3,731	2,589
Trade receivables	871	2,288
Other receivables, deposits and prepayments	1,065	1,114
Amount owing by related parties	258	340
Tax recoverable	19	15
Fixed deposits with licensed banks	1,508	308
Cash and bank balances	3,404	4,201
	<u>10,856</u>	<u>10,855</u>
TOTAL ASSETS	<u>38,973</u>	<u>38,998</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	47,500	47,500
Share premium	12,361	12,361
Other reserves	219	195
Accumulated losses	(28,267)	(27,737)
Total equity	<u>31,813</u>	<u>32,319</u>
Non-current liabilities		
Borrowings	222	83
Deferred tax liabilities	2,729	2,729
	<u>2,951</u>	<u>2,812</u>
Current liabilities		
Trade payables	1,305	939
Other payables and accruals	2,326	2,317
Amount owing to a director	448	428
Amount owing to related parties	55	142
Borrowings	75	41
	<u>4,209</u>	<u>3,867</u>
Total liabilities	<u>7,160</u>	<u>6,679</u>
TOTAL EQUITY AND LIABILITIES	<u>38,973</u>	<u>38,998</u>
Net assets per share (sen)	33.49	34.02

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements.)

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QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-Distributable			Distributable	Total Equity/ Attributable to Owners of the Company RM'000
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	
At 1.7.2014	47,500	12,361	195	(27,737)	32,319
Loss after taxation for the financial period	-	-	-	(530)	(530)
Other comprehensive income for the financial period, net of tax	-	-	24	-	24
Total comprehensive income/ (expenses) for the financial period	-	-	24	(530)	(506)
At 30.9.2014	47,500	12,361	219	(28,267)	31,813

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial period ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements.)

PFCE BERHAD
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QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
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	3 months ended 30.9.2014 <u>UNAUDITED</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before taxation	(530)
Adjustments for:-	
Amortisation of prepaid land lease payments	1
Depreciation of property, plant and equipment	258
Interest expense	2
Inventories written down	7
Gain on disposal of plant and equipment	(5)
Interest income	- *
Unrealised gain on foreign exchange	(92)
Operating loss before working capital changes	<u>(359)</u>
Net change in inventories	(1,142)
Net change in trade and other receivables	1,579
Net change in trade and other payables	343
Net change in amount owing by related parties	82
Cash flows from operations	<u>503</u>
Interest paid	(2)
Income tax paid	<u>(4)</u>
Net cash from operating activities	<u>497</u>
CASH FLOWS FOR INVESTING ACTIVITIES	
Interest income received	- *
Purchase of equipment	(53)
Proceeds from disposal of plant and equipment	41
Placement of fixed deposits	(1,200)
Net cash for investing activities	<u>(1,212)</u>
CASH FLOWS FOR FINANCING ACTIVITIES	
Repayment of hire purchase payables	(15)
Repayment to a related party	(87)
Advances from a director	20
Net cash for financing activities	<u>(82)</u>

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QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	3 months ended 30.9.2014 <u>UNAUDITED</u> RM'000
Net changes in cash and cash equivalents	(797)
Cash and cash equivalents at beginning of period	4,201
Effect of foreign exchange translation	-
Cash and cash equivalents at end of period	<u>3,404</u>
Cash and cash equivalents at end of financial period comprised:-	
Cash and bank balances	3,404
Fixed deposits with licensed banks	<u>1,508</u>
	4,912
Less: Fixed deposits pledged with licensed banks	<u>(1,508)</u>
	<u>3,404</u>

Note:-

* - Amount less than RM1,000

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements.)



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QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

**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 (“Bursa Securities”) and Malaysia Financial Reporting Standard 134: *Interim Financial Reporting* (“MFRS 134”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Securities.

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the period ended 30 June 2014. 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 period ended 30 June 2014.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries as at and for the quarter ended 30 September 2014.

2. COMPARATIVE FIGURES

The Group and the Company changed its financial year end from 31 December to 30 June. The first financial statements that made up to 30 June was for a 18-month period ended 30 June 2014. There are no comparative figures presented for the current quarter under review and cumulative period ended in the current quarter in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flow as there are no comparable interim periods in the immediate preceding financial period. Comparative figures for the interim periods will be available in the quarterly reports for the financial year ending 30 June 2016 onwards.

3. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial period ended 30 June 2014.

The adoption of the following MFRSs, Amendments to MFRSs and IC Interpretation that came into effect on or after 1 July 2014 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities

Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations

QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

**PART A – DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARDS 134**

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

MFRS 15: Revenue from Contracts with Customers

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

Annual Improvements to MFRSs 2010 – 2012 Cycle

Annual Improvements to MFRSs 2011 – 2013 Cycle

4. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial period ended 30 June 2014 was not qualified.

5. 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.

6. 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.

7. 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 current quarter ended 30 September 2014 that may have a material effect in the current quarter results.

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QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

PART A – DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134

8. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchase, resale and repayment of debt and equity securities during the current quarter ended 30 September 2014.

9. DIVIDENDS

No dividend was paid during the current quarter ended 30 September 2014.

10. SEGMENTAL INFORMATION

The Group has a main business segment as follows:-

Ceramic - activities include retail, trading, manufacturing, exporting and marketing of pottery and porcelain products, ceramic ware and ornaments.

The Group operates principally in Malaysia.

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

	<u>Investment</u>	<u>Ceramic</u>	<u>The Group</u>
	<u>Holding</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current quarter ended 30.9.2014			
External revenue	-	2,403	2,403
Results			
Segment results	(39)	(282)	(321)
Interest income	-	-	-
Gain on disposal of plant and equipment	-	5	5
Unrealised gain on foreign exchange	-	92	92
Amortisation of prepaid land lease payments	-	(1)	(1)
Depreciation of property, plant and equipment	-	(258)	(258)
Inventories written down	-	(7)	(7)
Realised loss on foreign exchange	-	(38)	(38)
	(39)	(489)	(528)
Finance costs			(2)
Income tax expense			-
Loss after taxation			(530)

Note:-

* - Amount less than RM1,000

QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

**PART A – DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARDS 134**

10. SEGMENTAL INFORMATION (COND'T)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>The Group</u> RM'000
Assets			
Segment assets	93	38,861	38,954
Tax refundable			19
Consolidated total assets			<u>38,973</u>
Liabilities			
Segment liabilities	852	3,579	4,431
Deferred tax liabilities			2,729
			<u>7,160</u>

Geographical Information for Revenue

	Current quarter ended 30.9.2014 RM'000	3 months ended 30.9.2014 RM'000
United States	716	716
Australia	994	994
Europe	82	82
Malaysia	510	510
Others	101	101
	<u>2,403</u>	<u>2,403</u>

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the current quarter up to 18 November 2014, being the last practicable date from the date of the issue of this report that is expected to have an operational or financial impact on the Group.

QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

PART A – DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134

12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 30 September 2014.

13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets, since the last financial period ended 30 June 2014.

14. CAPITAL COMMITMENTS

There were no capital commitments as at 18 November 2014 (the latest practicable date not earlier than 7 days from the date of issue of this report).

15. RELATED PARTY TRANSACTIONS

The Group's related party transactions in the current quarter and the 3 months ended 30 September 2014 are as follows:

	Current quarter ended 30.9.2014 RM'000	3 months ended 30.9.2014 RM'000
Sales to a related party	14	14
Sales of business assets to a related party	160	160

16. CHANGES IN FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES, TRANSFERS AND CLASSIFICATIONS

There have been no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities in the current quarter ended 30 September 2014.

QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

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

17. REVIEW OF GROUP PERFORMANCE

Current quarter ended 30.9.2014/3 months ended 30.9.2014

	Investment Holding RM'000	Ceramic RM'000	The Group RM'000
Revenue	-	2,403	2,403
Loss before taxation	(39)	(491)	(530)
Loss after taxation	(39)	(491)	(530)

As tabulated above, the Group generated revenue of RM2.40 million and recorded a loss before taxation of RM0.53 million in the current quarter. The loss before taxation of the Group is mainly due to loss from ceramic segment. The ceramic business in the current quarter is affected by the seasonal pattern of the export countries and resulted in the decrease in export sales. Therefore, the profit generated is not able to cover the fixed operating costs and resulted in a net loss of RM0.53 million in the current quarter.

18. MATERIAL CHANGE IN PERFORMANCE AS COMPARED TO PRECEEDING QUARTER

	Current quarter ended 30.9.2014 RM'000	Previous quarter ended 30.6.2014 RM'000
Revenue	2,403	4,491
Loss/(Profit) before taxation	(530)	16,377
Loss/(Profit) after taxation	(530)	16,950

The revenue in the current quarter has decreased by RM2.09 million, representing a decrease of 46% as compared to the previous quarter, which due to the decrease in export sales. This quarter is a non-peak season for ceramic business which affected by the seasonal pattern of the export countries.

The Group recorded a loss before taxation of RM0.53 million in the current quarter as compared to a profit before taxation of RM16.38 million in the previous quarter. The profit in the previous quarter was mainly due to a gain of RM23.46 million from the disposal of a subsidiary, PFCE Offshore Worldwide Sdn. Bhd. (“POW”). By excluding the effect of the gain on disposal of POW, the Group’s loss before taxation has decreased from RM7.08 million to RM0.53 million. This is mainly due to the impairment losses provided on goodwill, inventories and property, plant and equipment in the previous quarter.



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QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

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

19. COMMENTARY ON PROSPECTS

The outlook for the Group on ceramic activities remains positive.

20. PROFIT FORECAST OR PROFIT GUARANTEE

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

21. TAXATION

There was no income tax expense provided for in the financial statements during the current quarter ended 30 September 2014.

22. CORPORATE PROPOSALS

Proposed Private Placement

On 21 May 2014, TA Securities Holdings Berhad (“TA”) on behalf of the Board of Directors of PFCE announced that the Company proposes to undertake a proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of PFCE (“Proposed Private Placement”).

On 22 May 2014, TA on behalf of the Board of Directors of PFCE announced that the listing application for the Proposed Private Placement has been submitted to Bursa Securities.

Other than the above, there was no other corporate proposal as at 18 November 2014 (the latest practicable date not earlier than seven (7) days from the date of issue of this report) pending for completion.

QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

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

23. BORROWINGS AND DEBT SECURITIES

The Group's borrowings are as follows:

	<u>As at 30.9.2014 RM'000</u>	<u>As at 30.6.2014 RM'000</u>
Current:-		
Hire purchase payables	75	41
Non-current:-		
Hire purchase payables	<u>222</u>	<u>83</u>
	<u>297</u>	<u>124</u>

24. 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.

25. PROPOSED DIVIDEND

There were no dividends proposed or declared by the Company for the current quarter under review.

QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

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

26. LOSS PER SHARE

The basic loss per share of the Group were calculated by dividing the net loss attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the reporting period.

	Current quarter ended 30.9.2014	3 months ended 30.9.2014
Loss attributable to Owners of the Company (RM'000)	(530)	(530)
Weighted average number of ordinary shares ('000)	95,000	95,000
Basic loss per share (sen)	(0.56)	(0.56)

Diluted loss per share was not computed as there were no outstanding potential ordinary shares to be issued as at the end of the reporting period.

27. LOSS BEFORE TAXATION

	Current quarter ended 30.9.2014	3 months ended 30.9.2014
	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):		
Interest income	-	-
Other income	20	20
Interest expense	2	2
Amortisation of prepaid land lease payments	1	1
Depreciation of property, plant and equipment	258	258
Inventories written down	7	7
Gain on disposal of plant and equipment	5	5
Realised loss on foreign exchange	38	38
Unrealised gain on foreign exchange	92	92

Note:-

** - Amount less than RM1,000*

QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

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

28. 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 or losses is presented in accordance with the directive issued by Bursa Securities is as follows:-

	As at 30.9.2014 RM'000	As at 30.6.2014 RM'000
Total accumulated losses of the Group:		
- Realised	(8,788)	(47,542)
- Unrealised	(2,919)	(2,997)
	<u>(11,707)</u>	<u>(50,539)</u>
Less: Consolidation Adjustments	(16,560)	22,802
	<u>(28,267)</u>	<u>(27,737)</u>

29. AUTHORISATION FOR ISSUE

The interim financial report for the period under review is authorised and approved for issue and announcement to Bursa Securities by PFCE's Board in accordance with a resolution of the directors on 25th November 2014.

By Order of the Board
Dated: 26th November 2014