

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30.06.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2018 RM'000	CURRENT YEAR TO DATE 30.06.2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2018 RM'000
Revenue	10	180,581	141,624	332,233	286,884
Cost of sales		(172,883)	(134,156)	(323,580)	(274,523)
Gross profit		7,698	7,468	8,653	12,361
Administrative and distribution expenses		(5,692)	(5,935)	(10,774)	(11,525)
Other operating income		4,963	5,984	9,135	15,276
Income from other investments		1,856	1,388	3,470	2,530
Finance costs		(119)	(169)	(307)	(169)
Profit before tax	10	8,706	8,736	10,177	18,473
Income tax expense	22	(684)	(1,752)	(1,378)	(4,271)
Profit for the period	21	8,022	6,984	8,799	14,202
<u>Other comprehensive income</u>					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences in respect of foreign operations		1,567	(438)	1,884	(684)
Other comprehensive income/(loss), net of tax		1,567	(438)	1,884	(684)
Total comprehensive income for the period		9,589	6,546	10,683	13,518
Total comprehensive income attributable to: - Owners of the Company		9,589	6,546	10,683	13,518
Basic earnings per ordinary share (sen)	26	2.09	1.82	2.29	3.70
Diluted earnings per ordinary share (sen)	26	N/A	N/A	N/A	N/A

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	UNAUDITED AS AT 30.06.2019 RM'000	AUDITED AS AT 31.12.2018 RM'000
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ASSETS			
Non-current assets			
Property, plant and equipment	8	88,120	92,342
Investment properties		27,671	27,543
Prepaid lease payments		9,956	10,114
Goodwill on consolidation		1,722	1,722
Deferred tax assets		790	828
		<u>128,259</u>	<u>132,549</u>
Current assets			
Inventories		160,854	146,546
Trade and other receivables		152,463	173,594
Other financial assets		8,492	4,476
Current tax assets		17,266	1,167
Short-term deposits with licensed banks		69,652	92,123
Cash and bank balances		55,157	42,470
Total current assets		<u>463,884</u>	<u>460,376</u>
TOTAL ASSETS		<u>592,143</u>	<u>592,925</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		83,203	83,203
Reserves		14,497	12,613
Retained earnings		323,482	333,885
Total equity		<u>421,182</u>	<u>429,701</u>
Non-current liabilities			
Deferred tax liabilities		5,287	6,661
Current liabilities			
Short-term borrowings		31,168	36,209
Trade and other payables		117,065	118,038
Current tax liabilities		17,441	2,316
Total current liabilities		<u>165,674</u>	<u>156,563</u>
Total liabilities		<u>170,961</u>	<u>163,224</u>
TOTAL EQUITY AND LIABILITIES		<u>592,143</u>	<u>592,925</u>
NET ASSETS		421,182	429,701
Net Assets Per Share Attributable to Ordinary Equity Holders of the Parent (RM)		1.10	1.12

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

	Share Capital	Non-distributable Foreign Currency Translation Reserve	Distributable Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000
<u>Period ended 30 June 2018</u>				
Balance as of 1 January 2018	83,203	11,858	306,970	402,031
Net profit for the period	-	-	14,202	14,202
Other comprehensive loss for the period	-	(684)	-	(684)
Total comprehensive (loss)/income for the period	-	(684)	14,202	13,518
Payment of dividends	-	-	(23,043)	(23,043)
Balance as of 30 June 2018	<u>83,203</u>	<u>11,174</u>	<u>298,129</u>	<u>392,506</u>
<u>Period ended 30 June 2019</u>				
Balance as of 1 January 2019	83,203	12,613	333,885	429,701
Net profit for the period	-	-	8,799	8,799
Other comprehensive income for the period	-	1,884	-	1,884
Total comprehensive income for the period	-	1,884	8,799	10,683
Payment of dividends	-	-	(19,202)	(19,202)
Balance as of 30 June 2019	<u>83,203</u>	<u>14,497</u>	<u>323,482</u>	<u>421,182</u>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

	6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	8,799	14,202
Adjustments for:		
Income tax expense	1,378	4,271
Non-cash items	7,986	1,420
Non-operating items	1,479	3,670
Operating profit before working capital changes	19,642	23,563
Changes in working capital:		
Net change in current assets	20,035	16,847
Net change in current liabilities	(1,947)	5,621
Cash generated from operations	37,730	46,031
Tax refunded	725	250
Income tax paid	(4,204)	(5,088)
Interest received	1,351	925
Net cash generated from operating activities	35,602	42,118
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	103	789
Payment for property, plant and equipment	(3,272)	(3,280)
Proceeds from disposal of income funds	8,316	3,200
Purchase of investment in income funds	(12,189)	(900)
Net cash used in investing activities	(7,042)	(191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(19,202)	(23,043)
Net proceeds from bank borrowings	33,395	23,455
Net repayment of bank borrowings	(37,998)	(15,000)
Interest paid	(307)	(169)
Bank balances held as security	(5)	1
Net cash used in financing activities	(24,117)	(14,756)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,443	27,171
Effect of foreign exchange rate differences	(530)	(488)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	120,794	77,991
CASH AND CASH EQUIVALENTS AT END OF PERIOD	124,707	104,674

P.I.E. INDUSTRIAL BERHAD (424086-X)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

	6 months ended	
	30.06.2019	30.06.2018
	RM'000	RM'000
REPRESENTED BY:-		
Short-term deposits with licensed banks	69,652	77,063
Cash and bank balances	55,157	27,703
Less : Bank balance pledged as security	(102)	(92)
	124,707	104,674

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in compliance with Malaysian Financial Reporting Standards (“MFRSs”) 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB), and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2018, which have been prepared in accordance with MFRS, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia.

The explanatory notes attached to these interim financial report 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 2018.

2 Significant Accounting Policies

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group for the preparation of the interim financial report are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2018.

The Group also applied the following standards, IC Interpretations and amendment to standard that have been issued by the Malaysian Accounting Standards Board (“MASB”) effective from 1 January 2019:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

Amendments to MFRS 9 Financial Instrument : Prepayment Features with Negative Compensation

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128 Investments in Associates and Joint Ventures : Long-term Interests in Associates and Joint Ventures

IC Interpretation 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

Initial application of the above standards is not expected to have any material impacts to the financial statements of the Group and of the Company upon adoption -

Effective for annual periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3 Business Combinations: Definition of a Business

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors : Definition of Material

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

2 Significant Accounting Policies (Continued)

Effective date yet to be confirmed

Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The existing *MFRS 4* and *Amendments to MFRS 4* will be withdrawn upon the adoption of the new *MFRS 17* which will take effect on or after 1 January 2021.

3 Seasonal or Cyclical Factors

The cyclical nature of the manufacturing sector is generally correlated to the global economy and is normally seasonal with demand peaking at the year-end festive seasons.

4 Unusual Items Due To Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date because of their nature, size or incidence.

5 Changes in Estimates

There were no material changes in estimates of amount reported in either the prior interim period of the current financial period or prior financial years that have a material effect on the results during the current quarter and financial period-to-date.

6 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 30 June 2019.

As of 30 June 2019, total issued and fully paid-up share capital are 384,041,985 ordinary shares.

7 Dividends Paid

	6 months ended	
	<u>30.06.2019</u>	<u>30.06.2018</u>
	RM'000	RM'000
Dividends declared and paid:		
a) Special dividend:		
- 2.6 sen per ordinary share, single tier, for 2018	9,985	-
- 3.6 sen per ordinary share, single tier, for 2017	-	13,826
b) First and final dividend:		
- 2.4 sen per ordinary share, single tier, for 2018	9,217	-
- 2.4 sen per ordinary share, single tier, for 2017	-	9,217
	<u>19,202</u>	<u>23,043</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

8 Revaluation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without amendment from the previous annual audited financial statements for the financial period ended 30 June 2019.

9 Material Post Balance Sheet Events

There are no material events subsequent to the end of the current quarter that requires adjustment to, or disclosure in the unaudited interim financial report for the financial period ended 30 June 2019.

10 Operating Segment

Segment information is presented in respect of the Group's business segments.

The Group comprises the following main business segments:

- a) Manufacturing Manufacturing of industrial products
- b) Trading Trading of electrical products
- c) Others Investment holdings

Segments	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
<u>Period ended 30 June 2019</u>					
Revenue	327,633	4,552	48	-	332,233
Inter-segment revenue	95	1,385	15,031	(16,511)	-
	<u>327,728</u>	<u>5,937</u>	<u>15,079</u>	<u>(16,511)</u>	<u>332,233</u>
Segment results	2,130	15	13,766	(13,133)	2,778
Investment revenue					3,470
Other gains and losses					4,236
Finance costs					(307)
Profit before tax					<u>10,177</u>
Segments	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
<u>Period ended 30 June 2018</u>					
Revenue	277,868	8,880	136	-	286,884
Inter-segment revenue	57	1,031	17,269	(18,357)	-
	<u>277,925</u>	<u>9,911</u>	<u>17,405</u>	<u>(18,357)</u>	<u>286,884</u>
Segment results	3,521	92	16,239	(15,516)	4,336
Investment revenue					2,530
Other gains and losses					11,776
Finance costs					(169)
Profit before tax					<u>18,473</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

11 Changes in the Composition of the Group

There was no change in the composition of the Group for the current quarter and financial period-to-date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

12 Capital Commitment

There was no capital expenditure contracted but not provided for in the unaudited interim financial report of the Group during the current financial period under review.

13 Fair Value of Instruments

(a) Determination of fair value

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, by class, which are not carried at fair value in the financial statements.

	30.06.2019		31.12.2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial assets :				
Trade and other receivables (excluding prepayments)	151,481	151,481	171,104	171,104
Financial assets carried at fair value through profit or loss	8,492	8,492	4,476	4,476
Cash and cash equivalents	<u>124,809</u>	<u>124,809</u>	<u>134,593</u>	<u>134,593</u>
	<u>284,782</u>	<u>284,782</u>	<u>310,173</u>	<u>310,173</u>
Financial liabilities :				
Trade and other payables	117,065	117,065	118,038	118,038
Short term borrowings	<u>31,168</u>	<u>31,168</u>	<u>36,209</u>	<u>36,209</u>
	<u>148,233</u>	<u>148,233</u>	<u>154,247</u>	<u>154,247</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

13 Fair Value of Instruments (Continued)

(b) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the reporting date, the Group held the following financial assets and liabilities that were measured at fair value by level of fair value hierarchy :

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>30 June 2019</u>				
Financial assets				
Investment in income fund	8,492	-	-	8,492
	<u>8,492</u>	<u>-</u>	<u>-</u>	<u>8,492</u>
<u>31 December 2018</u>				
Financial assets				
Investment in income fund	4,476	-	-	4,476
	<u>4,476</u>	<u>-</u>	<u>-</u>	<u>4,476</u>

There have been no transfers between any levels during the current quarter under review and the comparative period.

14 Contingent Liabilities

Save as disclosed below, there were no obligations and contingent liabilities for the Group as of 30 June 2019.

	RM '000
a) Letter of guarantee by a bank for a foreign subsidiary's import duties	122
b) Corporate guarantees given by the Company to banks for credit facilities granted to certain subsidiary companies	<u>201,626</u>
	<u>201,748</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

15 Review of Group Performance

Financial review for current quarter and financial period to date

	Individual Period (2nd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter ended			Current Year Quarter Ended	Preceding Year Corresponding Quarter ended		
	30.06.2019	30.06.2018	RM'000	RM'000	RM'000	RM'000	Amount	%
Revenue by segments								
- Manufacturing	180,076	137,162	42,914	31%	327,633	277,868	49,765	18%
- Trading	479	4,394	(3,915)	-89%	4,552	8,880	(4,328)	-49%
- Others	26	68	(42)	-62%	48	136	(88)	-65%
Total revenue	180,581	141,624	38,957	28%	332,233	286,884	45,349	16%
Revenue by geographical location of the Group's operations								
- Malaysia	175,178	131,421	43,757	33%	316,968	269,210	47,758	18%
- Thailand	4,924	5,570	(646)	-12%	10,713	9,745	968	10%
- Singapore	479	4,633	(4,154)	-90%	4,552	7,929	(3,377)	-43%
Total revenue	180,581	141,624	38,957	28%	332,233	286,884	45,349	16%
Operating profit	8,706	8,736	(30)	0%	10,177	18,473	(8,296)	-45%
Profit before tax by segments								
- Manufacturing	7,860	8,022	(162)	-2%	9,151	16,927	(7,776)	-46%
- Trading	(39)	(163)	124	-76%	50	209	(159)	-76%
- Others	885	877	8	1%	976	1,337	(361)	-27%
Total profit before tax	8,706	8,736	(30)	0%	10,177	18,473	(8,296)	-45%
Profit after tax	8,022	6,984	1,038	15%	8,799	14,202	(5,403)	-38%
Total comprehensive income attributable to:								
- Owners of the Company	9,589	6,546	3,043	46%	10,683	13,518	(2,835)	-21%

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15 Review of Group Performance (Continued)

(a) Comparison with Previous Year Corresponding Quarter's Results

The Group's revenue for the current quarter under review was RM180.581 million and profit before tax was RM8.706 million.

The revenue increased by RM38.957 million or 28% as compared to preceding year corresponding quarter. The increase was mainly attributable to higher demand from existing customers for electronics manufacturing (EMS) but partly offset by lower revenue recorded for raw wire & cable products, wire harness products and trading activities. For comparison of segmental revenue for the respective quarters discussed, please refer to the tables below:

Breakdown of segmental revenue for the quarter ended 30 June 2019:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	147,643	27,509	4,924	180,076	100%
Trading	-	-	-	479	0%
Others	-	-	-	26	0%
Total	147,643	27,509	4,924	180,581	100%

Breakdown of segmental revenue for the quarter ended 30 June 2018:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	100,319	31,273	5,570	137,162	97%
Trading	-	-	-	4,394	3%
Others	-	-	-	68	0%
Total	100,319	31,273	5,570	141,624	100%

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

15 Review of Group Performance (Continued)

(a) Comparison with Previous Year Corresponding Quarter's Results (Continued)

Compared with the preceding year corresponding quarter, the profit before tax slightly decreased by RM0.030 million or 0.3%. The decrease was mainly attributable to lower gain from foreign currency exchange transaction, provision for slow moving inventories and the increase in manufacturing expenses in the current quarter as compared to the corresponding quarter. However, the decline noted above was offset against higher revenue recorded, higher investment income and lower impairment of trade receivables in the current quarter.

For comparison of segmental profit before tax for the respective quarters discussed, please refer to the tables below:

Breakdown of segmental profit before tax for the quarter ended 30 June 2019:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	4,184	3,254	422	7,860	90%
Trading	-	-	-	(39)	0%
Others	-	-	-	885	10%
Total	4,184	3,254	422	8,706	100%

Breakdown of segmental profit before tax for the quarter ended 30 June 2018:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	1,087	4,761	2,174	8,022	92%
Trading	-	-	-	(163)	-2%
Others	-	-	-	877	10%
Total	1,087	4,761	2,174	8,736	100%

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

15 Review of Group Performance (Continued)

(b) Comparison with Previous Year Corresponding Period's Results

For the financial period ended 30 June 2019, the Group recorded revenue of RM332.233 million, an increase of 16% or RM45.349 million as compared to the corresponding period ended 30 June 2018 of RM286.884 million.

The increase of revenue was mainly attributable to increased orders received from existing customers for electronics manufacturing activities (EMS) and wire harness products but partly offset with lower revenue from raw wire & cable products and trading segments. For comparison of segmental revenue for the respective periods discussed, please refer to the tables below:

Breakdown of segmental revenue for the period ended 30 June 2019:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	263,451	53,469	10,713	327,633	99%
Trading	-	-	-	4,552	1%
Others	-	-	-	48	0%
Total	263,451	53,469	10,713	332,233	100%

Breakdown of segmental revenue for the period ended 30 June 2018:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	205,538	62,585	9,745	277,868	97%
Trading	-	-	-	8,880	3%
Others	-	-	-	136	0%
Total	205,538	62,585	9,745	286,884	100%

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

15 Review of Group Performance (Continued)

(b) Comparison with Previous Year Corresponding Period's Results (Continued)

For the financial period ended 30 June 2019, the Group recorded profit before tax of RM10.177 million, a decrease of 45% or RM8.296 million as compared to the corresponding period ended 30 June 2018 of RM18.473 million.

The decline recorded in our profit before tax was mainly due to lower margin of unfavorable product mix, lower gain from foreign currency exchange transaction and lower impairment of trade receivables. The decline was partially offset against higher miscellaneous income and higher investment income .

For comparison of segmental profit before tax for the respective periods discussed, please refer to the tables below:

Breakdown of segmental profit before tax for the period ended 30 June 2019:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	2,456	6,229	466	9,151	90%
Trading	-	-	-	50	0%
Others	-	-	-	976	10%
Total	2,456	6,229	466	10,177	100%

Breakdown of segmental profit before tax for the period ended 30 June 2018:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	5,384	8,952	2,591	16,927	92%
Trading	-	-	-	209	1%
Others	-	-	-	1,337	7%
Total	5,384	8,952	2,591	18,473	100%

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16 Comparison with Immediate Preceding Quarter's Results

Financial review for current quarter compared with immediate preceding quarter

	Individual Quarter Ended		Changes	
	30.06.2019	31.03.2019	Amount	Variance
	RM '000	RM '000	RM '000	%
Revenue				
Manufacturing segments				
- EMS activities	147,643	115,807	31,836	27%
- Raw cable & wire	27,509	25,960	1,549	6%
- Wire harness	4,924	5,789	(865)	-15%
Trading segment	479	4,073	(3,594)	-88%
Other segment	26	23	3	13%
	<u>180,581</u>	<u>151,652</u>	<u>28,929</u>	19%
Operating profit	8,706	1,471	7,235	492%
Profit before tax	8,706	1,471	7,235	492%
Profit after tax	8,022	777	7,245	932%
Total comprehensive income attributable to:				
- Owners of the Company	9,589	1,094	8,495	777%

The Group's revenue for the quarter under review has increased by 19% as compared with the preceding quarter. The increase was mainly due to higher demand recorded for EMS and raw cable & wire products but partly offset with lower revenue achieved by wire harness products and trading segments.

The Group's profit before tax for the current quarter has increased by 492% as compared to preceding quarter. The increase was mainly due to higher revenue and higher margin of products mix, higher gain from foreign currency translation and investment income.

17 Review of Group Assets and Liabilities

	As at	As at	Changes	
	30.06.2019	31.12.2018	Amount	Variance
	RM'000	RM'000	RM '000	%
Total assets	592,143	592,925	(782)	0%
Total liabilities	170,961	163,224	7,737	5%
Total equity	421,182	429,701	(8,519)	-2%

Total assets

As at 30 June 2019, the Group's total assets decreased by RM0.782 million to RM592.143 million from RM592.925 million as at 31 December 2018. The decline was mainly due to decrease in trade receivables a result of collection of overdue trade receivables and repayment of bank borrowing during the quarter.

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17 Review of Group Assets and Liabilities (Continued)

Total liabilities

As at 30 June 2019, the Group's total liabilities increased by 5% or RM7.737 million to RM170.961 million from RM163.224 million as at 31 December 2018. The increase was mainly due to provision for tax expenses during the period.

Total equity

The Group's total equity as at 30 June 2019 slightly decreased by RM8.519 million to RM421.182 million as compared to RM429.701 million as at 31 December 2018. The decrease in total equity is due to reduction in distributable retained earnings as a net result of net profit of RM8.799 million for the current financial period under review and payment of dividends amounting to RM19.202 million. During the financial period under review, non-distributable reserves also increased by RM1.884 million due to changes in foreign exchange translation reserve.

18 Key Finance Information of Foreign Operation

	Functional Currency USD'000	Reporting Currency RM'000	Functional Currency THB'000	Reporting Currency RM'000
Exchanges rate as at 30.06.2019	USD 1	RM4.1420	THB 1	RM0.1346
Revenue	1,441	5,969	141,857	19,094
Profit before tax	7	29	3,566	480
Profit after tax	7	29	3,264	439
Total assets	645	2,672	280,142	37,707
Total liabilities	235	973	50,180	6,754

Above information highlight the key financial information of foreign subsidiaries of the Group. The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates of the transaction date.

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19 Current Year Prospect

The major source of revenue and earning of the Group comes from its manufacturing segment (99%).

For EMS activities (80%), orders are expected to increase in the long run from existing customers and potential new customers through its fully built-up vertical integrated manufacturing facilities which have been improved in operation for the past 5 years. Through the effect of USA-China trade war, this division is expected to receive more orders from new overseas customers in 2019. Certain new high volume products from new customers, with high initial set-up cost and lower efficiency at the beginning of manufacturing stage, had started to ship since Q1/19. The serious shortage of certain electronics component in 2018 is expected to be smoothen in coming quarters. However, any drastic fluctuation of Ringgit Malaysia against USD will be the main factor affecting its performance in the near future.

Revenue derived from the manufacturing activity of raw wire & cable (16%) will continue to grow, with consistent profit margin in near future. The cost of its two main raw materials i.e copper and PVC are expected to increase in the near future. The Company is expected to increase its selling price and secure more orders from its customers in order to maintain the profit margin from this segment.

The revenue from cable assembly & wire harness (3%) activities in Thailand is expected to grow in coming years through its newly set-up small-scale facilities for plastic parts and PCB assembly. The management believes this division will have high potential to explore wider business scale in Thailand market from 2019 onwards.

The trading segment (1%) will continue to promote respective parent companies products for the customers in the ASEAN market. However, the management does not expect significant growth from this segment in the near future due to the lack of attractiveness electronics products from the parent companies.

20 Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was announced and published.

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21 Profit for the Period

	Quarter Ended		Period Ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging) :				
Interest income	767	590	1,351	925
Investment income	1,089	798	2,119	1,605
Interest expenses	(119)	(169)	(307)	(169)
Depreciation and amortisation	(4,024)	(3,625)	(8,089)	(7,294)
Net (addition)/reversal of impairment losses				
- trade receivables	(122)	(464)	182	5,959
Net reversal/(addition) of inventories written down	18	126	(79)	(85)
Net gain/(loss) on disposal of :				
- property, plant and equipment	44	296	58	296
- investment	35	11	50	17
Net foreign exchange gain	3,050	4,074	3,939	5,504
Gain/(Loss) from fair value adjustment of financial assets through profit and loss	5	(2)	6	(2)

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Securities Main Market Listing Requirements are not applicable.

22 Income Tax Expense

	Quarter Ended		Period Ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	1,996	1,769	2,712	4,312
Deferred tax income	(1,312)	(17)	(1,334)	(41)
	684	1,752	1,378	4,271

The Group's taxation for the current quarter and financial period-to-date reflects an effective tax rate which is higher than the statutory income tax rate mainly due to certain expenses which are not deductible.

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23 Status of Corporate Proposals Announced

There were no corporate proposals announced but pending completion as at the date of this unaudited interim financial report.

24 Changes in Material Litigation

Save for the litigation described below, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings, pending or threatened, against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

In the year 2015, a subsidiary of the Group, Pan-International Electronics (Malaysia) Sdn.Bhd. ("PIE") received demand letters from Royal Malaysian Customs ("RMC") regarding unpaid import duties and sales tax amounting to RM8,432,283 and RM841,342 respectively.

The RMC had blacklisted all the Directors of PIE from leaving and entering Malaysia. Arising from this, the external legal counsel of PIE had filed a judicial review application in the High Court of Malaya to challenge the condition imposed by RMC. RMC had subsequently withdrawn the blacklisting of all Directors with the condition that PIE remits payment of 20% of the disputed sum and places a bank guarantee with the RMC for the remaining sum. PIE had complied with the instructions of RMC without prejudice.

To date, the RMC had not filed any civil suit against PIE for the above said claim. PIE had filed an appeal with the Ministry of Finance ("MOF"), Malaysia regarding the alleged "unpaid import duties and sales tax" of which its application was rejected by the MOF on 31 October 2017. The external legal counsel of PIESB had filed a Judicial Review Application on 19 January 2018 in the High Court of Penang to review the decision of the MOF. The Judicial Review Application was initially fixed for hearing on 4 May 2018 and was adjourned a few times to 8 October 2018. The High Court judge dismissed PIESB's application. PIESB then submitted the case to court of appeal for further review. The case management and hearing in Court of Appeal were fixed on 18 February 2019 and 24 June 2019 respectively. The Court of Appeal further postponed the hearing on 23 July 2019 and gave opinion that the first filing of Judicial Review was premature since the reply from Minister Of Finance was yet duly obtained in the proceedings. The external legal counsel of PIESB will realign legal process and believes that the chances of PIESB's Appeal Application against the decision of the High Court judge are reasonably good.

25 Dividends

The following Dividends for the year ended 31 December 2018, had been approved by the Company's shareholders at the Twenty Second Annual General Meeting on 24 May 2019 and had been paid on 19 June 2019 to depositors registered in the Record of Depositors on 31 May 2019:

- (a) A Special Single Tier Dividend of 2.6 sen per share; and
- (b) A First and Final Single Tier Dividend of 2.4 sen per share.

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26 Earnings Per Ordinary Share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing profit attributable to the ordinary equity shareholders by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	Quarter Ended		Period Ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Profit attributable to ordinary equity shareholders (RM'000)	8,022	6,984	8,799	14,202
Weighted average number of ordinary share in issue (units'000)	384,042	384,042	384,042	384,042
Basic earnings per ordinary share (sen)	<u>2.09</u>	<u>1.82</u>	<u>2.29</u>	<u>3.70</u>

(b) Diluted earnings per ordinary share

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter and financial period-to-date.

27 Derivative Financial Instruments

There were no material outstanding derivatives entered into by the Group as at the end of the quarter under review.

28 Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities.

29 Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the Group's most recent annual audited financial statements did not contain any qualification.