



PNE INDUSTRIES LTD

(Company registration no. 199905792R)

Third Quarter Financial Statements And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF COMPREHENSIVE INCOME

	Group			Group		
	3 months ended			9 months ended		
	30-06-19	30-06-18	+ / (-)	30-06-19	30-06-18	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	25,661	15,056	70.4	73,884	53,812	37.3
Cost of sales	(19,826)	(11,303)	75.4	(58,103)	(41,096)	41.4
Gross profit	5,835	3,753	55.5	15,781	12,716	24.1
Other operating income	1,388	667	108.1	1,576	825	91.0
Distribution costs	(686)	(538)	27.5	(1,923)	(1,836)	4.7
Administrative expenses	(2,725)	(2,548)	6.9	(8,043)	(7,598)	5.9
Other operating expenses	(235)	(31)	658.1	(248)	(935)	(73.5)
Profit before tax	3,577	1,303	174.5	7,143	3,172	125.2
Income tax expense	(708)	(274)	158.4	(1,423)	(746)	90.8
Profit for the period	2,869	1,029	178.8	5,720	2,426	135.8
Other comprehensive income						
<u>Items that will not be reclassified subsequently to profit or loss:</u>						
Net fair value loss on financial assets at FVTOCI	(232)	-	n.m.	(207)	-	n.m.
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Exchange difference arising on translation of foreign operations	(19)	(33)	(42.4)	(127)	1,163	n.m.
Net fair value loss in available-for-sale investments ("AFS")	-	(103)	n.m.	-	(36)	n.m.
Other comprehensive income for the period, net of tax	(251)	(136)	84.6	(334)	1,127	n.m.
Total comprehensive income for the period	2,618	893	193.2	5,386	3,553	51.6

Note:

In addition to the charges and credits disclosed above, the following items have also been credited (charged) to the statement of comprehensive income:

	Group			Group		
	3 months ended			9 months ended		
	<u>30-06-19</u>	<u>30-06-18</u>	<u>+ / (-)</u>	<u>30-06-19</u>	<u>30-06-18</u>	<u>+ / (-)</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Other income - interest income	227	186	22.0	582	356	63.5
- others	192	106	81.1	532	379	40.4
Depreciation	(214)	(202)	5.9	(633)	(617)	2.6
Loss allowance (recognised) reversed on trade receivables	(233)	(20)	1,065.0	(246)	90	n.m.
Writeback of (Allowance for) inventory obsolescence	2	3	(33.3)	21	(1)	n.m.
Foreign exchange gain (loss), net	969	375	158.4	462	(922)	n.m.
Loss on disposal of investments, properties, and/or plant and equipment	-	(1)	n.m.	-	(2)	n.m.

n.m. denotes not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION

	Group			Company		
	<u>30-06-19</u>	<u>30-09-18</u>	<u>01-10-17</u>	<u>30-06-19</u>	<u>30-09-18</u>	<u>01-10-17</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
		(Restated)	(Restated)		(Restated)	
ASSETS						
Current assets						
Cash and bank balances	31,347	36,698	35,501	18,226	22,935	22,102
Trade receivables	35,712	31,730	34,690	76	31	91
Other receivables	1,074	1,905	1,965	121	98	55
Inventories	22,416	20,346	18,770	-	-	-
Total current assets	90,549	90,679	90,926	18,423	23,064	22,248
Non-current assets						
Property, plant and equipment	6,627	6,765	6,824	-	-	-
Investments in subsidiaries	-	-	-	19,514	19,514	19,514
Investment in associate	434	448	745	-	-	-
Financial assets at fair value through other comprehensive income	3,890	4,098	3,806	2,911	3,119	3,131
Deferred tax assets	258	254	354	-	-	-
Total non-current assets	11,209	11,565	11,729	22,425	22,633	22,645
Total assets	101,758	102,244	102,655	40,848	45,697	44,893
LIABILITIES AND EQUITY						
Current liabilities						
Trade payables	17,710	18,475	18,517	37	39	36
Other payables	2,134	2,547	3,336	308	518	704
Income tax payable	725	384	941	82	83	32
Total current liabilities	20,569	21,406	22,794	427	640	772
Non-current liability						
Deferred tax liabilities	55	55	59	-	-	-
Capital and reserves						
Share capital	36,991	36,991	36,991	36,991	36,991	36,991
Currency translation reserve	638	765	-	-	-	-
Capital reserve	502	303	303	-	-	-
Investment revaluation deficit	(1,003)	(796)	45	(1,003)	(796)	45
Accumulated profits	44,006	43,520	42,463	4,433	8,862	7,085
Equity attributable to equity holders of the Company, representing total equity	81,134	80,783	79,802	40,421	45,057	44,121
Total liabilities and equity	101,758	102,244	102,655	40,848	45,697	44,893

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at June 30, 2019		As at September 30, 2018	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at June 30, 2019		As at September 30, 2018	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collaterals

Approximately \$165,000 (FY2018: \$166,000) of the Group's fixed deposits are pledged to a bank in return for facilities granted.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended:	3 months ended		9 months ended	
	<u>30-06-19</u>	<u>30-06-18</u>	<u>30-06-19</u>	<u>30-06-18</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Operating activities				
Profit before tax	3,577	1,303	7,143	3,172
Adjustments for:				
Depreciation expense	214	202	633	617
Interest income	(227)	(186)	(582)	(356)
Loss on disposal of property, plant and equipment	-	1	-	2
Property, plant and equipment written off	2	10	2	11
Loss allowance recognised (reversed) on trade receivables	233	20	246	(90)
(Reversal of) Allowance for inventory obsolescence (net)	(2)	(3)	(21)	1
Operating profit before movements in working capital	3,797	1,347	7,421	3,357
Trade receivables	(6,653)	1,068	(4,011)	13,897
Other receivables	(78)	206	828	778
Inventories	(4,455)	(1,316)	(2,132)	1,330
Trade payables	5,025	(1,599)	(610)	(9,006)
Other payables	365	335	(419)	(1,313)
Cash (used in) generated from operations	(1,999)	41	1,077	9,043
Interest received	227	186	582	356
Income tax paid	(431)	(704)	(1,081)	(1,838)
Net cash (used in) from operating activities	(2,203)	(477)	578	7,561

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Period ended:	3 months ended		9 months ended	
	30-06-19	30-06-18	30-06-19	30-06-18
	\$'000	\$'000	\$'000	\$'000
Investing activities				
Dividend received from associate	-	-	-	395
Proceeds from disposal of property, plant and equipment	-	-	-	8
Purchase of property, plant and equipment	(133)	(113)	(544)	(279)
Purchase of available-for-sale investments	-	(303)	-	(303)
Net cash used in investing activities	(133)	(416)	(544)	(179)
Financing activities				
Dividends paid	(2,517)	(2,517)	(5,035)	(5,035)
Fixed deposits and bank balances pledged	1	1	(6)	(9)
Net cash used in financing activities	(2,516)	(2,516)	(5,041)	(5,044)
Net (decrease) increase in cash and cash equivalents	(4,852)	(3,409)	(5,007)	2,338
Cash and cash equivalents at beginning of period	36,654	41,741	36,539	35,342
Net effect of foreign exchange rate changes	(620)	(732)	(350)	(80)
Cash and cash equivalents at end of period	31,182	37,600	31,182	37,600
Cash and cash equivalents represent:				
Cash and bank balances	4,573	8,066	4,573	8,066
Fixed deposits	26,774	29,702	26,774	29,702
	31,347	37,768	31,347	37,768
Less: Fixed deposits and bank balances pledged	(165)	(168)	(165)	(168)
	31,182	37,600	31,182	37,600

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u> <u>\$'000</u>	<u>Currency translation reserve</u> <u>\$'000</u>	<u>Capital reserve</u> <u>\$'000</u>	<u>Investment revaluation deficit</u> <u>\$'000</u>	<u>Accumulated profits</u> <u>\$'000</u>	<u>Total attributable to equity holders of the Company</u> <u>\$'000</u>
GROUP						
Balance at October 1, 2017 (As previously reported)	36,991	(7,864)	303	45	50,327	79,802
Adoption of SFRS(I) 1	-	7,864	-	-	(7,864)	-
Balance at October 1, 2017 (As restated)	36,991	-	303	45	42,463	79,802
Total comprehensive income for the period						
Profit for the period	-	-	-	-	2,426	2,426
Other comprehensive income for the period	-	1,163	-	(36)	-	1,127
Total	-	1,163	-	(36)	2,426	3,553
Dividend, representing transactions with owners, recognised directly in equity	-	-	-	-	(5,035)	(5,035)
Balance at June 30, 2018	36,991	1,163	303	9	39,854	78,320
Balance at September 30, 2018 (As previously reported)	36,991	(7,099)	303	33	50,555	80,783
Adoption of SFRS(I) 1	-	7,864	-	-	(7,864)	-
Balance at September 30, 2018 (As adjusted)	36,991	765	303	33	42,691	80,783
Adoption of SFRS(I) 9	-	-	-	(829)	829	-
Balance at October 1, 2018 (As restated)	36,991	765	303	(796)	43,520	80,783
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,720	5,720
Other comprehensive income for the period	-	(127)	-	(207)	-	(334)
Total	-	(127)	-	(207)	5,720	5,386
Dividend, representing transactions with owners, recognised directly in equity	-	-	-	-	(5,035)	(5,035)
Transfer to capital reserve	-	-	199	-	(199)	-
Balance at June 30, 2019	36,991	638	502	(1,003)	44,006	81,134

COMPANY	Share capital \$'000	Investment revaluation deficit \$'000	Accumulated profits \$'000	Total \$'000
Balance at October 1, 2017	36,991	45	7,085	44,121
Total comprehensive income for the period				
Profit for the period	-	-	185	185
Other comprehensive income for the period	-	(36)	-	(36)
Total	-	(36)	185	149
Dividend, representing transactions with owners, recognised directly in equity	-	-	(5,035)	(5,035)
Balance at June 30, 2018	36,991	9	2,235	39,235
Balance at September 30, 2018 (As previously reported)	36,991	33	8,033	45,057
Adoption of SFRS(I) 9	-	(829)	829	-
Balance at October 1, 2018 (As restated)	36,991	(796)	8,862	45,057
Total comprehensive income for the period				
Profit for the period	-	-	606	606
Other comprehensive income for the period	-	(207)	-	(207)
Total	-	(207)	606	399
Dividend, representing transactions with owners, recognised directly in equity	-	-	(5,035)	(5,035)
Balance at June 30, 2019	36,991	(1,003)	4,433	40,421

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares of the issuer, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the Company's share capital since the end of the previous period reported on.

There are no outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no treasury shares held as at June 30, 2019 and as at June 30, 2018.

	As at June 30, 2019	As at June 30, 2018
Number of issued shares excluding treasury shares	83,916,757	83,916,757

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

	As at June 30, 2019	As at September 30, 2018
Number of issued shares excluding treasury shares	83,916,757	83,916,757

The Company did not have any treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current period reported on as those used in the most recently audited financial statements for the financial year ended September 30, 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the applicable revisions to various existing Financial Reporting Standards (“FRS”), the new FRS and Interpretations of FRS (“INT FRS”) that are mandatory on the Group for its financial year commencing on October 1, 2018. The adoption of these various revised FRS, new FRS and INT FRS effective for the Group’s financial year commencing on October 1, 2018 does not have a material financial effect on the Group and the Company except for the followings:

The Group has adopted the new framework – SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, in accordance with all Singapore-incorporated companies listed on the Singapore Exchange (SGX) for annual periods beginning or after October 1, 2018. SFRS(I) 1 requires that the Group applies SFRS on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective October 1, 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, which are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group has elected to reset the cumulative translation differences, arising from the translation of its foreign operations, to zero as at date of transition. The cumulative balance of \$7,864,000 was transferred to accumulated profits as at October 1, 2017.

The Group has also adopted SFRS(I) 9 *Financial Instruments* for annual periods beginning or after October 1, 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempts the Group from applying SFRS(I) 9 to comparative information. Accordingly, the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended September 30, 2018. The Group has elected to measure its currently held available-for-sale financial assets – quoted and unquoted equity shares at fair value through other comprehensive income. As a result, the impairment loss of \$829,000 previously recognised in profit or loss was reclassified from accumulated profits to investment revaluation deficit for the Group and Company. The Group does not expect any other significant impact arising from these changes.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 months ended 30-06-19	3 months ended 30-06-18	9 months ended 30-06-19	9 months ended 30-06-18
Profit per ordinary share of the Group after deducting any provision for preference dividends:				
(a) Based on the weighted average number of ordinary shares on issue	3.4 cents	1.2 cents	6.8 cents	2.9 cents
Number of ordinary shares	83,916,757	83,916,757	83,916,757	83,916,757
(b) On a fully diluted basis	3.4 cents	1.2 cents	6.8 cents	2.9 cents
Adjusted number of ordinary shares	83,916,757	83,916,757	83,916,757	83,916,757

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	Group	Company
Net asset value per ordinary share based on issued share capital as at the end of the:		
(a) Current period reported on (June 30, 2019)	96.6 cents	48.2 cents
(b) Immediately preceding financial year (September 30, 2018)	96.2 cents	53.7 cents

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) **Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Statement of Comprehensive Income

For the 3 months ended June 30, 2019 ("3Q19")

For the quarter ended June 30, 2019, the Group recorded revenue and profit for the period of \$25.7m and \$2.9m respectively.

Revenue jumped \$10.6m or 70.4% vs 3Q18 due to higher customer orders from the Group's contract manufacturing customers during this period. This led to a \$2.1m increase in gross profit vs 3Q18.

Profit before tax for 3Q19 rose to \$3.6m, an increase of \$2.3m vs 3Q18. The higher profit is due to the rise in gross profit on the back of higher sales as well as a \$0.6m rise in foreign exchange gains (reflected in other operating income), offset partially by a \$0.2m increase in impairment loss on trade receivables.

For the 9 months ended June 30, 2019 ("9M19")

For the 9 months ended June 30, 2019, the Group recorded revenue and profit for the period of \$73.9m and \$5.7m respectively.

Revenue rose \$20.1m or 37.3% vs 9M18 due to higher customer orders from the contract manufacturing business, offset partially by lower trading sales.

Gross profit increased by \$3.1m due to the higher sales, although margin declined because of differences in product mix as the Group sold more products that have higher material cost content.

Other operating income rose by \$0.8m while other operating expenses fell by \$0.7m compared to 9M18. This was due to foreign exchange gain of \$0.5m recorded in other operating income in 9M19, vs foreign exchange loss of \$0.9m recorded in other operating expense in 9M18. The net impact of the foreign exchange differences resulted in a \$1.4m increase in profit before tax.

Profit before tax rose by \$4.0m vs 9M18 due mainly to the above.

Under other comprehensive income, the Group recorded a \$0.1m loss arising on translation of foreign operations in 9M19. In 9M18, the \$1.2m gain recorded was attributable mainly to the Group's operations in Malaysia and was the result of the recovery of the Malaysian Ringgit during that period.

Statement of Financial Position

Trade receivables rose \$4.0m and inventories rose \$2.1m vs September 30, 2018 mainly due to higher sales. In contrast, trade payables decreased by a relatively smaller \$0.8m while cash and bank balances fell by \$5.4m vs September 30, 2018. This was due mainly to faster payments to suppliers as the Group purchased relatively more materials from suppliers that gave shorter credit periods. Nevertheless, the Group still has \$31.3m of cash and cash equivalents as at June 30, 2019. The bulk of the Group's cash and cash equivalents are placed with reputable banks in Singapore.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Foreign exchange rates still remain volatile. As the Group has sales denominated in the United States Dollar, any weakening of the United States Dollar will have an adverse impact on the Group to the extent that the revenue is not matched by costs denominated in the United States Dollar.

The Group continues to face intense pressures from customers for lower pricing on its products, as well as cost pressures in China and Malaysia, where its manufacturing operations are based in. The Group continuously monitors its activities to enforce stringent control of its costs and to identify opportunities to streamline operations for better efficiencies and operational excellence.

High costs and long lead times for raw materials also present challenges to the Group, and the Group actively liaises with both its customers and suppliers to better manage its costs and supply chain.

While the on-going international trade tensions have not had a significant impact on the Group for the 9 months to Jun 2019, the continuation or escalation of the tensions in future may result in deterioration in economic sentiments, which may in turn affect demand for the Group's products.

11. If a decision regarding dividend has been made:-

- (a) **Whether an interim (final) ordinary dividend has been declared (recommended); and**
(b)(i) **Amount per share cents**
(b)(ii) **Previous corresponding period cents**
(c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived (if the dividend is not taxable in the hands of shareholders, this must be stated).**

Current period reported on:	
Type of dividend	Nil
Amount per share	Nil
Tax rate	Nil
Corresponding period of previous financial year:	
Type of dividend	Not applicable
Amount per share	Not applicable
Tax rate	Not applicable

(d) The date the dividend is payable.

Not applicable.

- (e) **The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

- 12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.**

No dividend for the third quarter ended June 30, 2019 has been declared. Dividends had been declared for the second quarter ended March 31, 2019. The Board will review and recommend dividends (if any) during the next reporting period for the fourth quarter ending September 30, 2019.

- 13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No IPT mandate has been obtained.

- 14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company has obtained undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1).

BY ORDER OF THE BOARD

Ms Tan Meng Siew
Company Secretary
August 13, 2019

CONFIRMATION BY DIRECTORS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the third quarter ended June 30, 2019 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors:

Tan Koon Chwee
Managing Director

Tan Kong Leong
Executive Director