



PNE INDUSTRIES LTD

(Company registration no. 199905792R)

Half Year Financial Statement 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 FOR THE PERIOD ENDED 31 MARCH

	Group		
	31-3-2018	31-3-2017	+ / (-)
	\$'000	\$'000	%
Revenue	38,756	39,693	(2.4%)
Cost of sales	(29,789)	(28,248)	5.5%
Gross profit	8,967	11,445	(21.7%)
Other operating income	553	2,078	(73.4%)
Distribution costs	(1,301)	(1,365)	(4.7%)
Administrative expenses	(5,047)	(4,789)	5.4%
Other operating expenses	(1,303)	(94)	1286.2%
Profit before tax	1,869	7,275	(74.3%)
Income tax expense	(472)	(1,049)	(55.0%)
Profit for the period	1,397	6,226	(77.6%)
Other comprehensive income (loss)			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange difference arising on translation of foreign operations	1,196	(1,160)	203.1%
Change in fair value of available-for-sale investments	67	(161)	141.6%
Other comprehensive income (loss) for the period, net of tax	1,263	(1,321)	195.6%
Total comprehensive income for the period	2,660	4,905	(45.8%)

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	
	31-3-2018	31-3-2017
	\$'000	\$'000
(A) Investment income	-	-
(B)(i) Other income - interest income	170	182
(B)(ii) - others	273	4
(C) Interest on borrowings	-	-
(D) Depreciation and amortisation	(415)	(361)
(E) Writeback of doubtful debts	110	68
(F) (Allowance for) Writeback of inventory obsolescence	(4)	28
(G) Impairment in value of available-for-sale investments	-	-
(H) Foreign exchange (loss) gain	(1,297)	1,791
(I) Adjustment for under provision of tax in respect of prior years	-	-
(J) (Loss) Gain on disposal of investments, properties, and/or plant and equipment	(1)	5

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	
	31-3-2018	30-9-2017	31-3-2018	30-9-2017
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash and bank balances	41,910	35,501	19,078	22,102
Trade receivables	21,888	34,690	64	91
Other receivables & prepayments	1,421	1,965	270	55
Inventories	16,475	18,770	-	-
Total current assets	81,694	90,926	19,412	22,248
Non-current assets				
Property, plant & equipment	6,920	6,824	-	-
Investment in subsidiaries	-	-	19,514	19,514
Investment in associate	349	745	-	-
Available-for-sale investments	3,874	3,806	3,198	3,131
Deferred tax assets	394	377	-	-
Total non-current assets	11,537	11,752	22,712	22,645
Total assets	93,231	102,678	42,124	44,893
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	11,235	18,517	28	36
Other payables	1,648	3,336	223	704
Income tax payable	279	941	37	32
Total current liabilities	13,162	22,794	288	772
Non-current liability				
Deferred tax liabilities	125	82	-	-
Total non-current liabilities	125	82	-	-
Capital and reserves				
Share capital	36,991	36,991	36,991	36,991
Currency translation deficit	(6,668)	(7,864)	-	-
Capital reserve	303	303	-	-
Investment revaluation reserve	112	45	112	45
Accumulated profits	49,206	50,327	4,733	7,085
Equity attributable to equity holders of the Company, representing total equity	79,944	79,802	41,836	44,121
Total liabilities and equity	93,231	102,678	42,124	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 March 31, 2018		As at September 30, 2017	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at March 31, 2018		As at September 30, 2017	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

Approximately \$169,000 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:	31-3-2018 \$'000	31-3-2017 \$'000
Operating activities		
Profit before income tax	1,869	7,275
Adjustments for:		
Depreciation expense	415	361
Interest income	(170)	(182)
Loss (Gain) on disposal of property, plant and equipment	1	(5)
Property, plant and equipment written off	1	94
Reversal of allowance for doubtful trade receivables	(110)	(68)
Allowance for (Reversal of) inventory obsolescence (net)	4	(28)
Operating profit before movements in working capital	2,010	7,447
Trade receivables	12,829	1,429
Other receivables and prepayments	572	(453)
Inventories	2,646	391
Trade payables	(7,407)	572
Other payables	(1,648)	(704)
Cash generated from operations	9,002	8,682
Interest received	170	182
Income tax paid	(1,134)	(1,052)
Net cash from operating activities	8,038	7,812

- 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:	<u>31-3-2018</u>	<u>31-3-2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Investing activities		
Dividend received from associate	395	225
Proceeds from disposal of property, plant and equipment	8	5
Purchase of property, plant and equipment	(166)	(641)
Investment in available-for-sale investment	-	(269)
Net cash from (used in) investing activities	<u>237</u>	<u>(680)</u>
Financing activities		
Dividends paid	(2,518)	(2,518)
Fixed deposits and bank balances pledged	(10)	12
Net cash used in financing activities	<u>(2,528)</u>	<u>(2,506)</u>
Net increase in cash and cash equivalents	5,747	4,626
Cash and cash equivalents at beginning of period	35,342	43,934
Net effect of foreign exchange rate changes	652	(903)
Cash and cash equivalents at end of period	<u>41,741</u>	<u>47,657</u>
Cash and cash equivalents represent:		
Cash and bank balances	9,075	8,672
Fixed deposits	32,835	39,142
	<u>41,910</u>	<u>47,814</u>
Less: Fixed deposits and bank balances pledged	(169)	(157)
	<u>41,741</u>	<u>47,657</u>

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 deficit</u> <u>\$'000</u>	<u>Capital reserve</u> <u>\$'000</u>	<u>Investment revaluation reserve</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, 2016	36,991	(6,521)	303	31	50,094	80,898
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,226	6,226
Other comprehensive income for the period	-	(1,160)	-	(161)	-	(1,321)
Total	-	(1,160)	-	(161)	6,226	4,905
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	-	-	(2,518)	(2,518)
Balance at March 31, 2017	36,991	(7,681)	303	(130)	53,802	83,285
Balance at October 1, 2017	36,991	(7,864)	303	45	50,327	79,802
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,397	1,397
Other comprehensive income for the period	-	1,196	-	67	-	1,263
Total	-	1,196	-	67	1,397	2,660
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	-	-	(2,518)	(2,518)
Balance at March 31, 2018	36,991	(6,668)	303	112	49,206	79,944

	<u>Share capital</u> <u>\$'000</u>	<u>Investment revaluation reserve</u> <u>\$'000</u>	<u>Accumulated profits</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
COMPANY				
Balance at October 1, 2016	36,991	31	11,471	48,493
Total comprehensive income for the period				
Profit for the period	-	-	1,278	1,278
Other comprehensive income for the period	-	(161)	-	(161)
Total	-	(161)	1,278	1,117
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	(2,518)	(2,518)
Balance at March 31, 2017	36,991	(130)	10,231	47,092
Balance at October 1, 2017	36,991	45	7,085	44,121
Total comprehensive income for the period				
Profit for the period	-	-	166	166
Other comprehensive income for the period	-	67	-	67
Total	-	67	166	233
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	(2,518)	(2,518)
Balance at March 31, 2018	36,991	112	4,733	41,836

- 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 March 31, 2018 and as at March 31, 2017.

	As at March 31, 2018	As at March 31, 2017
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 March 31, 2018	As at September 30, 2017
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.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

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

Save 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, 2017.

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 commenced on October 1, 2017. The adoption of these various revised FRS, new FRS and INT FRS effective for the Group's financial year commenced on October 1, 2017 does not have a material financial effect on the Group and the Company.

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

	Half-year ended March 31, 2018	Half-year ended March 31, 2017
Profit per ordinary share of the Group after deducting any provision for preference dividends:		
(a) Based on number of ordinary shares on issue	1.7 cents	7.4 cents
Number of ordinary shares	83,916,757	83,916,757
(b) On a fully diluted basis	1.7 cents	7.4 cents
Adjusted number of ordinary shares	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 (March 31, 2018)	95.2 cents	49.9 cents
(b) Immediately preceding financial year (September 30, 2017)	95.0 cents	52.6 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 half-year ended March 31, 2018, the Group recorded revenue, profit before tax, and profit after tax of \$38.8m, \$1.9m, and \$1.4m respectively.

Revenue declined by \$0.9m or 2.4% compared to the same period last year due to lower customer orders and the translation effect of a weaker US dollar. Gross profit margin declined to 23.1% from 28.8% in the previous year period in part because of the weaker US dollar, and also due to a poorer product mix. This led to gross profit declining by \$2.5m vs the previous year period.

The decrease in other operating income and the increase in other operating expenses was due mainly to the effect of foreign exchange differences. In the current year period, the Group recorded a foreign exchange loss of \$1.3m under other operating expenses, mainly because of the weaker US dollar. In contrast, the Group recorded a foreign exchange gain of \$1.8m in the previous year period under other operating income. The net impact is to reduce the current period profit by \$3.1m.

The increase in administrative expenses is due mainly to higher staff costs.

Under other comprehensive income, the Group recorded a \$1.2m exchange gain arising on translation of foreign operations in the current period, vs a \$1.2m exchange loss in the previous year period. This is attributable mainly to the Group's operations in Malaysia, as the Malaysian Ringgit was weaker last year, but had strengthened this year.

Statement of Financial Position

Cash and bank balances rose by \$6.4m compared to the end of the previous financial year due mainly to collections from customers, offset partially by payments to suppliers.

Trade receivables declined due to faster collections from customers, which contributed to the increase in cash and bank balances of the Group.

Trade payables reduced due to lesser purchases because of inventory destocking by the Group.

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 is continuously monitoring its activities to enforce stringent control of its costs, and also seek opportunities to streamline operations for better efficiencies and operational excellence.

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).

The directors are pleased to declare as follows:

Current period reported on:		
Type of dividend	Interim	Special
Amount per share	2.0 cents	1.0 cent
Tax rate	One-tier tax exempt	One-tier tax exempt
Corresponding period of previous financial year:		
Type of dividend	Interim	Special
Amount per share	2.0 cents	7.0 cents
Tax rate	One-tier tax exempt	One-tier tax exempt

(d) The date the dividend is payable

The dividend will be paid on June 8, 2018.

(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.

May 31, 2018.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

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
May 14, 2018

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 half year ended March 31, 2018 to be false or misleading.

For and on behalf of the Board of Directors:

Tan Koon Chwee
Managing Director

Tan Kong Leong
Executive Director