



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		
	<u>31-03-20</u>	<u>31-03-19</u>	<u>+ / (-)</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Revenue	37,190	48,223	(22.9)
Cost of sales	(29,768)	(38,277)	(22.2)
Gross profit	7,422	9,946	(25.4)
Other operating income	535	695	(23.0)
Distribution costs	(1,118)	(1,237)	(9.6)
Administrative expenses	(5,158)	(5,318)	(3.0)
Other operating expenses	(91)	(520)	(82.5)
Finance costs	(24)	-	n.m.
Profit before tax	1,566	3,566	(56.1)
Income tax expense	(337)	(715)	(52.9)
Profit for the period	1,229	2,851	(56.9)
Other comprehensive income:			
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Net fair value (loss) gain on financial assets at FVTOCI	(37)	25	n.m.
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange difference arising on translation of foreign operations	561	(108)	n.m.
Other comprehensive income for the period, net of tax	524	(83)	n.m.
Total comprehensive income for the period	1,753	2,768	(36.7)

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		
	<u>31-03-20</u>	<u>31-03-19</u>	<u>+ / (-)</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Other income - interest income	320	355	(9.9)
Other income - others	205	340	(39.7)
Depreciation of property, plant and equipment	(406)	(419)	(3.1)
Depreciation of right-of-use assets	(365)	-	n.m.
Loss allowance recognised on trade receivables	-	(13)	(100.0)
Reversal of inventory obsolescence	141	19	642.1
Foreign exchange loss, net	(74)	(507)	(85.4)
Gain on disposal of investments, properties, and/or plant and equipment	10	-	n.m.

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>31-03-20</u>	<u>30-09-19</u>	<u>31-03-20</u>	<u>30-09-19</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
ASSETS				
Current assets				
Cash and bank balances	47,554	41,464	22,015	26,696
Trade receivables	21,008	32,086	72	-
Other receivables	1,502	1,038	112	62
Inventories	15,341	20,064	-	-
Total current assets	<u>85,405</u>	<u>94,652</u>	<u>22,199</u>	<u>26,758</u>
Non-current assets				
Property, plant and equipment	5,258	6,553	-	-
Right-of-use assets	2,097	-	-	-
Investments in subsidiaries	-	-	19,958	20,064
Investment in associate	496	551	-	-
Financial assets at fair value through other comprehensive income	1,424	1,802	438	816
Deferred tax assets	187	188	-	-
Total non-current assets	<u>9,462</u>	<u>9,094</u>	<u>20,396</u>	<u>20,880</u>
Total assets	<u>94,867</u>	<u>103,746</u>	<u>42,595</u>	<u>47,638</u>
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	10,482	15,726	25	26
Other payables	2,224	3,147	251	629
Lease liabilities	718	-	-	-
Income tax payable	818	1,195	78	71
Total current liabilities	<u>14,242</u>	<u>20,068</u>	<u>354</u>	<u>726</u>
Non-current liability				
Lease liabilities	229	-	-	-
Deferred tax liabilities	50	50	-	-
Total non-current liabilities	<u>279</u>	<u>50</u>	<u>-</u>	<u>-</u>
Capital and reserves				
Share capital	36,991	36,991	36,991	36,991
Currency translation reserve	926	365	-	-
Capital reserve	650	501	-	-
Investment revaluation reserve	(123)	(171)	(131)	(179)
Accumulated profits	41,902	45,942	5,381	10,100
Equity attributable to equity holders of the Company, representing total equity	<u>80,346</u>	<u>83,628</u>	<u>42,241</u>	<u>46,912</u>
Total liabilities and equity	<u>94,867</u>	<u>103,746</u>	<u>42,595</u>	<u>47,638</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**(a) Amount repayable in one year or less, or on demand**

As at March 31, 2020		As at September 30, 2019	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	718*	Nil	Nil

(b) Amount repayable after one year

As at March 31, 2020		As at September 30, 2019	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	229*	Nil	Nil

* Being lease liabilities on right-of-use assets arising upon adoption of SFRS(I)16

(c) Details of any collaterals

Approximately \$165,000 (FY2019: \$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:	<u>31-03-20</u> <u>\$'000</u>	<u>31-03-19</u> <u>\$'000</u>
Operating activities		
Profit before tax	1,566	3,566
Adjustments for:		
Depreciation of property, plant and equipment	406	419
Depreciation of right-of-use assets	365	-
Interest income	(320)	(355)
Gain on disposal of property, plant and equipment	(10)	-
Property, plant and equipment written off	2	-
Loss allowance recognised on trade receivables	-	13
Reversal of inventory obsolescence (net)	(141)	(19)
Operating profit before movements in working capital	1,868	3,624
Trade receivables	11,866	2,642
Other receivables	(451)	906
Inventories	5,105	2,323
Trade payables	(4,641)	(5,635)
Other payables	(890)	(784)
Cash from operations	12,857	3,076
Interest received	320	355
Interest paid	(24)	-
Income tax paid	(714)	(650)
Net cash from operating activities	12,439	2,781

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>31-03-20</u> <u>\$'000</u>	<u>31-03-19</u> <u>\$'000</u>
Investing activities		
Dividend received from associate	112	-
Proceeds from disposal of equity instruments held at FVTOCI	428	-
Proceeds from disposal of property, plant and equipment	14	-
Purchase of property, plant and equipment	(220)	(411)
Purchase of equity instruments held at FVTOCI	(89)	-
Net cash from (used in) investing activities	<u>245</u>	<u>(411)</u>
Financing activities		
Dividends paid	(5,035)	(2,518)
Fixed deposits and bank balances pledged	1	(7)
Repayment of lease liabilities	(331)	-
Net cash used in financing activities	<u>(5,365)</u>	<u>(2,525)</u>
Net increase (decrease) in cash and cash equivalents	7,319	(155)
Cash and cash equivalents at beginning of period	41,298	36,539
Net effect of foreign exchange rate changes	(1,228)	270
Cash and cash equivalents at end of period	<u>47,389</u>	<u>36,654</u>
Cash and cash equivalents represent:		
Cash and bank balances	13,881	6,455
Fixed deposits	33,673	30,365
	47,554	36,820
Less: Fixed deposits and bank balances pledged	(165)	(166)
	<u>47,389</u>	<u>36,654</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 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, 2018	36,991	765	303	(796)	43,520	80,783
Total comprehensive income for the period						
Profit for the period	-	-	-	-	2,851	2,851
Other comprehensive income for the period	-	(108)	-	25	-	(83)
Total	-	(108)	-	25	2,851	2,768
Transaction with owners, recognised directly in equity						
Dividends	-	-	-	-	(2,518)	(2,518)
Transfer to reserve fund	-	-	199	-	(199)	-
Total	-	-	199	-	(2,717)	(2,518)
Balance at March 31, 2019	<u>36,991</u>	<u>657</u>	<u>502</u>	<u>(771)</u>	<u>43,654</u>	<u>81,033</u>
Balance at October 1, 2019	36,991	365	501	(171)	45,942	83,628
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,229	1,229
Other comprehensive income for the period	-	561	-	(37)	-	524
Total	-	561	-	(37)	1,229	1,753
Transaction with owners, recognised directly in equity						
Dividends	-	-	-	-	(5,035)	(5,035)
Transfer to reserve fund	-	-	149	-	(149)	-
Total	-	-	149	-	(5,184)	(5,035)
Transfer of investment revaluation reserve of equity instrument at FVTOCI upon disposal	-	-	-	85	(85)	-
Balance at March 31, 2020	<u>36,991</u>	<u>926</u>	<u>650</u>	<u>(123)</u>	<u>41,902</u>	<u>80,346</u>

	<u>Share capital</u> \$'000	<u>Investment revaluation deficit</u> \$'000	<u>Accumulated profits</u> \$'000	<u>Total</u> \$'000
COMPANY				
Balance at October 1, 2018	36,991	(796)	8,862	45,057
Total comprehensive income for the period				
Profit for the period	-	-	84	84
Other comprehensive income for the period	-	25	-	25
Total	-	25	84	109
Dividends, representing transaction with owners, recognised directly in equity	-	-	(2,518)	(2,518)
Balance at March 31, 2019	<u>36,991</u>	<u>(771)</u>	<u>6,428</u>	<u>42,648</u>
Balance at October 1, 2019	36,991	(179)	10,100	46,912
Total comprehensive income for the period				
Profit for the period	-	-	401	401
Other comprehensive income for the period	-	(37)	-	(37)
Total	-	(37)	401	364
Dividends, representing transaction with owners, recognised directly in equity	-	-	(5,035)	(5,035)
Transfer of investment revaluation reserve of equity instrument at FVTOCI upon disposal	-	85	(85)	-
Balance at March 31, 2020	<u>36,991</u>	<u>(131)</u>	<u>5,381</u>	<u>42,241</u>

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, 2020 and as at March 31, 2019.

	As at March 31, 2020	As at March 31, 2019
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, 2020	As at September 30, 2019
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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

(a) Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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, 2019.

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 SFRS(I) 16 Leases that is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases, as it requires most of such leases to be recognized on the Group's statements of financial position as a right-of-use ("ROU") asset together with the associated lease liabilities.

The Group has applied the modified retrospective approach and thus, the comparative information was not restated. The Group has further opted to measure the ROU asset at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments as at October 1, 2019. As such, as at October 1, 2019, the Group recognized \$1,259,000 of ROU assets and lease liabilities (excluding short-term leases and leases of low-value assets). The Group has also reclassified \$1,180,000 of assets relating to leasehold land from property, plant and equipment to ROU asset as at October 1, 2019.

There is no significant impact to the Group's net profit, net assets, or net cash flows arising from the adoption of SFRS(I) 16.

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, 2020	Half-year ended March 31, 2019
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	1.5 cents	3.4 cents
Number of ordinary shares	83,916,757	83,916,757
(b) On a fully diluted basis	1.5 cents	3.4 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, 2020)	95.7 cents	50.3 cents
(b) Immediately preceding financial year (September 30, 2019)	99.6 cents	55.9 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, 2020, the Group recorded revenue, profit before tax, and profit after tax of \$37.2m, \$1.6m, and \$1.2m respectively.

Revenue declined by \$11.0m or 22.9% compared to the same period last year due mainly to lower customer orders in the contract manufacturing segment. There were also disruptions in deliveries because of the temporary closures of the Group's factories in Malaysia and China arising from measures imposed to control the Covid-19 outbreak. Gross profit fell by \$2.5m to \$7.4m in this period due mainly to the lower sales.

Other operating income declined by \$0.2m mainly due to lower interest income and other income.

Other operating expenses declined by \$0.4m due to lower foreign exchange loss.

Statement of Financial Position

Cash and bank balances rose by \$6.1m compared to the end of the previous financial year due mainly to collections from customers, offset partially by payments to suppliers.

Trade receivables declined \$11.1m due to lower sales as well as faster collections from customers, which contributed to the increase in cash and bank balances of the Group.

Trade payables and inventories reduced due to lesser purchases in line with the lower sales.

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 is actively liaising with both its customers and suppliers to better manage its costs and supply chain.

While the international trade disputes have not had a significant impact on the Group yet, any major escalation in future may still negatively affect the Group in future.

The Covid-19 outbreak has caused unprecedented disruptions to the global economy. The operations of the Group, as well as those of its various business partners including customers and suppliers, have also been affected and experienced various disruptions as well as some temporary closures in recent months. The Group has been working closely with its business partners to better monitor and minimize the impact on the Group's operations. Nevertheless, as the Covid-19 outbreak is still evolving and its duration is as yet unknown, there is still a lot of uncertainty in sentiments and it is not possible to estimate reliably the impact on the future demand for the Group's products, as well as the potential disruptions that may occur.

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	1.0 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 5, 2020.

- (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 28, 2020.

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

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, 2020

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, 2020 to be false or misleading.

For and on behalf of the Board of Directors:

Tan Koon Chwee
Managing Director

Tan Kong Leong
Executive Director