



PNE INDUSTRIES LTD

(Company registration no. 199905792R)

PNE INDUSTRIES LTD AND ITS SUBSIDIARIES

Registration Number: 199905792R

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2022

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group		
	Six months ended		
	31-03-22 ("FY22H1") \$'000	31-03-21 ("FY21H1") \$'000	+ / (-) %
Revenue	38,219	33,373	14.5
Cost of sales	(29,939)	(26,360)	13.6
Gross profit	8,280	7,013	18.1
Other operating income	530	412	28.6
Distribution costs	(992)	(1,076)	(7.8)
Administrative expenses	(4,887)	(5,013)	(2.5)
Other operating expenses	(210)	(834)	(74.8)
Finance costs	(79)	(8)	887.5
Profit for the period	2,642	494	434.8
Income tax expense	(661)	(1,309)	(49.5)
Profit (Loss) for the period	1,981	(815)	n.m.
Other comprehensive income:			
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Net fair value gain on financial assets at FVTOCI	9	34	(73.5)
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange difference arising on translation of foreign operations	441	352	25.3
Other comprehensive income for the period, net of tax	450	386	16.6
Total comprehensive income for the period	2,431	(429)	n.m.
Earnings per share (cents)			
Basic and diluted	2.4	(1.0)	n.m.

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		31-03-22	30-09-21	31-03-22	30-09-21
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and bank balances		33,700	38,740	20,059	22,895
Trade receivables		22,627	20,629	109	-
Other receivables		1,070	1,584	357	537
Inventories		24,411	23,122	-	-
Total current assets		<u>81,808</u>	<u>84,075</u>	<u>20,525</u>	<u>23,432</u>
Non-current assets					
Property, plant and equipment	9	5,935	5,321	-	-
Right-of-use assets		4,347	4,710	-	-
Investments in subsidiaries		-	-	19,514	19,514
Investment in associate		477	570	-	-
Financial assets at fair value through other comprehensive income	10	136	127	128	119
Deferred tax assets		445	442	-	-
Total non-current assets		<u>11,340</u>	<u>11,170</u>	<u>19,642</u>	<u>19,633</u>
Total assets		<u>93,148</u>	<u>95,245</u>	<u>40,167</u>	<u>43,065</u>
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables		10,754	13,329	24	58
Other payables		2,661	2,436	312	532
Lease liabilities		842	778	-	-
Income tax payable		1,284	661	-	9
Total current liabilities		<u>15,541</u>	<u>17,204</u>	<u>336</u>	<u>599</u>
Non-current liabilities					
Lease liabilities		2,645	2,992	-	-
Deferred tax liabilities		36	36	-	-
Total non-current liabilities		<u>2,681</u>	<u>3,028</u>	<u>-</u>	<u>-</u>
Capital and reserves					
Share capital	12	36,991	36,991	36,991	36,991
Currency translation reserve		1,101	660	-	-
Capital reserve		938	938	-	-
Investment revaluation reserve		(935)	(944)	36	27
Accumulated profits		36,831	37,368	2,804	5,448
Equity attributable to equity holders of the Company, representing total equity		<u>74,926</u>	<u>75,013</u>	<u>39,831</u>	<u>42,466</u>
Total liabilities and equity		<u>93,148</u>	<u>95,245</u>	<u>40,167</u>	<u>43,065</u>

C. CONDENSED INTERIM 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 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, 2020	36,991	164	642	(614)	44,317	81,500
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(815)	(815)
Other comprehensive income for the period	-	352	-	34	-	386
Total	-	352	-	34	(815)	(429)
Transaction with owners, recognised directly in equity						
Dividends	-	-	-	-	(4,196)	(4,196)
Transfer to reserve fund	-	-	267	-	(267)	-
Total	-	-	267	-	(4,463)	(4,196)
Balance at March 31, 2021	36,991	516	909	(580)	39,039	76,875
Balance at October 1, 2021	36,991	660	938	(944)	37,368	75,013
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,981	1,981
Other comprehensive income for the period	-	441	-	9	-	450
Total	-	441	-	9	1,981	2,431
Transaction with owners, recognised directly in equity						
Dividends	-	-	-	-	(2,518)	(2,518)
Transfer to reserve fund	-	-	-	-	-	-
Total	-	-	-	-	(2,518)	(2,518)
Balance at March 31, 2022	36,991	1,101	938	(935)	36,831	74,926

	<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, 2020	36,991	(5)	7,363	44,349
Total comprehensive income for the period				
Loss for the period	-	-	(139)	(139)
Other comprehensive income for the period	-	34	-	34
Total	-	34	(139)	(105)
Dividends, representing transaction with owners, recognised directly in equity	-	-	(4,196)	(4,196)
Balance at March 31, 2021	36,991	29	3,028	40,048
Balance at October 1, 2021	36,991	27	5,448	42,466
Total comprehensive income for the period				
Loss for the period	-	-	(126)	(126)
Other comprehensive income for the period	-	9	-	9
Total	-	9	(126)	(117)
Dividends, representing transaction with owners, recognised directly in equity	-	-	(2,518)	(2,518)
Balance at March 31, 2022	36,991	36	2,804	39,831

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended:	<u>31-03-22</u>	<u>31-03-21</u>
	<u>\$'000</u>	<u>\$'000</u>
Operating activities		
Profit before tax	2,642	494
Adjustments for:		
Depreciation of property, plant and equipment	340	407
Depreciation of right-of-use assets	458	307
Interest income	(49)	(86)
Dividend income	-	(2)
Finance cost	79	8
Loss on disposal of property, plant and equipment	10	-
Allowance for inventory obsolescence (net)	69	16
Operating profit before movements in working capital	<u>3,549</u>	<u>1,144</u>
Trade receivables	(1,514)	17,190
Other receivables	541	243
Inventories	(1,286)	1,218
Trade payables	(2,359)	(6,520)
Other payables	<u>229</u>	<u>(1,417)</u>
Cash from operations	(840)	11,858
Interest received	49	86
Interest paid	(79)	(8)
Income tax paid	<u>(38)</u>	<u>(2,119)</u>
Net cash (used in) from operating activities	<u>(908)</u>	<u>9,817</u>
Investing activities		
Dividend received from associate	114	-
Dividends received from equity instruments held at FVTOCI	-	2
Proceeds from disposal of property, plant and equipment	21	-
Purchase of property, plant and equipment	<u>(929)</u>	<u>(156)</u>
Net cash used in investing activities	<u>(794)</u>	<u>(154)</u>
Financing activities		
Dividends paid	(2,518)	(4,196)
Repayment of lease liabilities	<u>(385)</u>	<u>(296)</u>
Net cash used in financing activities	<u>(2,903)</u>	<u>(4,492)</u>
Net (decrease) increase in cash and cash equivalents	(4,605)	5,171
Cash and cash equivalents at beginning of year	38,578	43,021
Net effect of foreign exchange rate changes	<u>(434)</u>	<u>21</u>
Cash and cash equivalents at end of year	<u>33,539</u>	<u>48,213</u>
Cash and cash equivalents represent:		
Cash and bank balances	10,474	13,804
Fixed deposits	<u>23,226</u>	<u>34,572</u>
	33,700	48,376
Less: Fixed deposits and bank balances pledged	<u>(161)</u>	<u>(163)</u>
	<u>33,539</u>	<u>48,213</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

PNE Industries Ltd (the “Company”) is incorporated and domiciled in Singapore. Its shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). Its principal place of business and registered office is at 996 Bendemeer Road, #07-06, Singapore 339944. The condensed interim consolidated financial statements for the six months ended 31 March 2022 comprise the Company and its subsidiaries (collectively, the “Group”).

The principal activity of the Company is investment holding.

The principal activities of the significant subsidiaries are those relating to manufacturing, dealing and trading of electrical and electronic products and appliances.

2. BASIS OF PREPARATION

The condensed interim financial statements for six months ended 31 March 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 30 September 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore Dollars (“\$”), the functional currency of the Company. All financial information presented in Singapore Dollars has been rounded to the nearest thousand (“\$’000”), unless otherwise stated.

2.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards (International) (“SFRS(I)”) and Interpretations (“SFRS(I) INTs”) that are mandatory for the accounting periods beginning on or after 1 October 2021. The adoptions of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group for the current and prior financial period reported on.

2.2 USE OF JUDGEMENTS AND ESTIMATES

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2021. Details can be found in Note 3 to the annual financial statements for the year ended 30 September 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revisions affect only that period, or in the period of the revisions and future periods, if the revisions affect both current and future periods.

3. SEASONAL OPERATIONS

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. SEGMENT AND REVENUE INFORMATION

4.1 Reportable segments

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group is organised into business units based on their products on which information is prepared and reportable to the Group's chief operating decision maker for the purposes of resources allocation and assessment of performance.

The Group's reportable segments are therefore contract manufacturing, trading and others, as described below:

Contract manufacturing - The products sold include electronic controllers and electronic and electrical products.

Trading - The products sold include emergency lighting equipment and related products.

Others - Refer to others which do not fall into the above segments.

Information regarding the Group's reporting segments is presented below.

	<u>Group</u>		<u>Group</u>	
	<u>Revenue</u>		<u>Profit</u>	
	<u>31-03-22</u>	<u>31-03-21</u>	<u>31-03-22</u>	<u>31-03-21</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Contract Manufacturing	34,466	29,148	2,225	347
Trading	3,753	4,223	518	252
Others	-	2	(71)	(183)
Total	38,219	33,373	2,672	416
Interest income			49	86
Finance costs			(79)	(8)
Profit before tax			2,642	494
Income tax expense			(661)	(1,309)
Profit (Loss) for the period			1,981	(815)
			<u>Group</u>	
			<u>31-03-22</u>	<u>31-03-21</u>
			<u>\$'000</u>	<u>\$'000</u>
<u>Segment assets</u>				
Contract manufacturing			54,108	36,020
Trading			4,096	3,838
Others			664	540
Total segment assets			58,776	40,398
Unallocated			34,280	49,269
Consolidated assets			93,148	89,667

4. SEGMENT AND REVENUE INFORMATION (CONT'D)

4.1 Reportable segments (Cont'd)

	Group	
	<u>31-03-22</u>	<u>31-03-21</u>
	<u>\$'000</u>	<u>\$'000</u>
<i><u>Segment liabilities</u></i>		
Contract manufacturing	12,462	10,364
Trading	642	1,008
Others	310	326
Total segment liabilities	13,414	11,698
Unallocated	4,808	1,094
Consolidated liabilities	<u>18,222</u>	<u>12,792</u>

4.2 Disaggregation of Revenue

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines.

	Group	
	<u>31-03-22</u>	<u>31-03-21</u>
	<u>\$'000</u>	<u>\$'000</u>
Contract Manufacturing	34,466	29,148
Trading	3,753	4,223
Others	-	2
	<u>38,219</u>	<u>33,373</u>

	Group	
	<u>31-03-22</u>	<u>31-03-21</u>
	<u>\$'000</u>	<u>\$'000</u>
<u>Geographical information:</u>		
Romania	19,998	13,478
Netherlands	4,993	5,518
Europe (excluding Romania and Netherlands)	3,346	4,306
People's Republic of China	2,573	2,541
Malaysia	3,125	3,514
Singapore	2,122	2,264
Others	2,062	1,752
	<u>38,219</u>	<u>33,373</u>

Sales to Romania increased due to higher demand from customers.

5. PROFIT BEFORE TAX

5.1 SIGNIFICANT ITEMS

	Group	
	31-03-22	31-03-21
	\$'000	\$'000
Other income - interest income	49	86
- others	482	326
Depreciation of property, plant and equipment	(340)	(407)
Depreciation of right-of-use assets	(458)	(307)
Allowance for inventory obsolescence	(69)	(16)
Foreign exchange loss, net	(181)	(742)
Adjustment for over (under) provision of tax in respect of prior years	31	(765)
Loss on disposal of property, plant and equipment	(10)	-

6. INCOME TAX EXPENSE

	Group	
	31-03-22	31-03-21
	\$'000	\$'000
Current tax:		
Singapore	445	130
Foreign	247	414
(Over) Under provision in prior years:		
Current tax	(31)	765
	<u>661</u>	<u>1,309</u>

7. EARNINGS PER SHARE

	Half-year ended March 31, 2022	Half-year ended March 31, 2021
Profit (Loss) 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	2.4 cent	(1.0 cent)
Number of ordinary shares	83,916,757	83,916,757
(b) On a fully diluted basis	2.4 cent	(1.0 cent)
Adjusted number of ordinary shares	83,916,757	83,916,757

8. NET ASSET VALUE

	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, 2022)	89.2 cents	47.5 cents
(b) Immediately preceding financial year (September 30, 2021)	89.3 cents	50.6 cents

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 March 2022, the Group acquired assets amounting to \$929,000 (FY21H1: \$156,000) and disposed of assets amounting to \$64,000 (FY21H1: \$1,000).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	<u>31-03-22</u>	<u>30-09-21</u>	<u>31-03-22</u>	<u>30-09-21</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investments in equity instruments designated at FVTOCI:				
Quoted equity shares	128	119	128	119
Unquoted equity shares	8	8	-	-
	<u>136</u>	<u>127</u>	<u>128</u>	<u>119</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as at FVTOCI as management believes that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

11. BANK BORROWINGS AND DEBT SECURITIES

(a) Amount repayable in one year or less, or on demand

As at March 31, 2022		As at September 30, 2021	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
842*	Nil	778*	Nil

(b) Amount repayable after one year

As at March 31, 2022		As at September 30, 2021	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
2,645*	Nil	2,992*	Nil

* Being lease liabilities on right-of-use assets.

(c) Details of any collateral

Approximately \$161,000 (2021: \$162,000) of the Group's fixed deposits is pledged to a bank in return for bank guarantees issued to third parties.

12. SHARE CAPITAL

	Group and Company			
	<u>31-03-22</u>	<u>30-09-21</u>	<u>31-03-22</u>	<u>30-09-21</u>
	<u>'000</u>	<u>'000</u>	<u>\$'000</u>	<u>\$'000</u>
	Number of ordinary shares			
Issued and paid-up capital:				
At the beginning and end of period/year	83,917	83,917	36,991	36,991

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

There were no outstanding convertibles or treasury shares as at the end of the current financial period and previous financial year, and as at the end of the corresponding period of the previous financial year.

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

The Company does not have any share scheme.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. REVIEW

- (a) 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.

- (b) Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).**

Not applicable.

- (c) Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

- i. Updates on the efforts taken to resolve each outstanding audit issue.**
- ii. Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

Not applicable.

2. REVIEW OF PERFORMANCE OF THE GROUP

Statement of Comprehensive Income

For the half-year ended March 31, 2022, the Group recorded revenue, profit before tax, and profit after tax of \$38.2m, \$2.6m, and \$2.0m respectively.

Revenue increased by \$4.8m or 14.5% compared to the same period last year due mainly to higher demand from the Group's Contract Manufacturing customers. Gross profit increased by \$1.3m to \$8.3m in this period due mainly to the higher sales.

Other operating expenses declined by \$0.6m due to lower foreign exchange loss arising from the revaluation of monetary items denominated in foreign currencies.

Income tax expense declined by \$0.6m compared to the same period last year. This was because last year there were one-off additional taxes arising on the Group's subsidiary in China pursuant to a transfer pricing review in respect of prior years.

As a result of the above, the Group reported a profit after tax of \$2.0m for the current reporting period.

2. REVIEW OF PERFORMANCE OF THE GROUP (CONT'D)

Statement of Financial Position

Trade receivables rose by \$2.0m in line with the higher sales.

Inventories rose by \$1.3m as more buffer stocks are being held to help reduce the impact from supply chain disruptions.

Trade payables declined by \$2.6m due to faster payments to suppliers to secure raw materials.

Cash balance reduced by \$5.0m during the period due to lower cash generated from operating activities because of higher working capital requirements. Due to the global shortage of electronic components, the Group has to maintain higher buffer stocks to better manage any potential supply chain disruptions, as well as purchase relatively more components at shorter credit terms in order to secure the materials.

The Group has no bank borrowings. The lease liabilities are all attributable to right-of-use assets recognised pursuant to SFRS(I) 16 Leases.

3. WHERE A FORECAST, OR A PROSPECT STATEMENT, HAS BEEN PREVIOUSLY DISCLOSED TO SHAREHOLDERS, ANY VARIANCE BETWEEN IT AND THE ACTUAL RESULTS

Not applicable.

4. COMMENTARY 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

As the Covid-19 pandemic is not over yet, the Group remains concerned about the possibility of a full or partial lockdown in future affecting the Group's operations and results. Thus, although the Group is relaxing some of its safety measures to be in line with local regulations, it continues to monitor its operations closely and keeps up-to-date its procedures for managing possible disruptions to its operations that may arise due to the pandemic.

The global electronic components shortage has also resulted in longer lead times and higher costs for some of the components that the Group is purchasing, and the Group's margin in future may be affected if it is not able to pass on the higher costs to its customers. The Group actively liaises with both its customers and suppliers to better manage its costs and supply chain.

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 increase in minimum wages in Malaysia this year will further increase its staff costs too. 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.

On top of the above, foreign exchange rates still remain volatile due to recent global events. 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.

5. DIVIDEND INFORMATION

The directors are pleased to propose as follows:

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

Payment of the dividend will be made on June 10, 2022.

Notice is hereby given that the Share Transfer Books and Register of Members of PNE Industries Ltd will be closed at 5.00 p.m. on May 27, 2022 for the preparation of dividend entitlement and shall reopen on the following working day.

6. INTERESTED PERSON TRANSACTIONS

No IPT mandate has been obtained.

7. CONFIRMATION TO THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICES (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 12, 2022

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

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, 2022 to be false or misleading.

For and on behalf of the Board of Directors:

Tan Koon Chwee
Managing Director

Tan Kong Leong
Executive Director