



P.I.E. INDUSTRIAL BERHAD

(Registration No. 199701008590 (424086-X))

(Incorporated in Malaysia)

Interim Financial Report for the Financial
Period Ended 30 June 2020

P.I.E. INDUSTRIAL BERHAD
(REGISTRATION NO. : 199701008590 (424086-X))
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2ND QUARTER ENDED 30 JUNE 2020

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30.06.2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2019 RM'000	CURRENT YEAR TO DATE 30.06.2020 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2019 RM'000
Revenue	10	111,362	180,581	212,059	332,233
Cost of sales		(104,470)	(172,883)	(206,957)	(323,580)
Gross profit		6,892	7,698	5,102	8,653
Administrative and distribution expenses		(3,872)	(5,692)	(8,878)	(10,774)
Other operating income		(5,216)	4,963	(1,951)	9,135
Income from other investments		1,773	1,856	3,476	3,470
Finance costs		-	(119)	-	(307)
(Loss)/profit before tax	10	(423)	8,706	(2,251)	10,177
Income tax expense	21	(147)	(684)	(775)	(1,378)
(Loss)/profit for the period	20	(570)	8,022	(3,026)	8,799
Other comprehensive income/(loss)					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences in respect of foreign operations		1,561	1,567	457	1,884
Other comprehensive income, net of tax		1,561	1,567	457	1,884
Total comprehensive income/(loss) for the period		991	9,589	(2,569)	10,683
Total comprehensive income/(loss) attributable to: - Owners of the Company		991	9,589	(2,569)	10,683
(Loss)/basic earnings per ordinary share (sen)	25	(0.15)	2.09	(0.79)	2.29
(Loss)/diluted earnings per ordinary share (sen)	25	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 2019 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD**(REGISTRATION NO. : 199701008590 (424086-X))****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	UNAUDITED AS AT 30.06.2020 RM'000	AUDITED AS AT 31.12.2019 RM'000
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ASSETS			
Non-current assets			
Property, plant and equipment	8	87,975	74,431
Investment properties		44,258	44,228
Prepaid lease payments		6,307	6,409
Goodwill on consolidation		1,722	1,722
Deferred tax assets		662	662
		<u>140,924</u>	<u>127,452</u>
Current assets			
Inventories		209,702	106,481
Trade and other receivables		124,971	129,818
Other financial assets		6,017	10,533
Current tax assets		3,874	347
Short-term deposits with licensed banks		132,135	142,289
Cash and bank balances		23,529	25,097
Total current assets		<u>500,228</u>	<u>414,565</u>
TOTAL ASSETS		<u>641,152</u>	<u>542,017</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		83,203	83,203
Reserves		17,877	17,420
Retained earnings		329,012	351,240
Total equity		<u>430,092</u>	<u>451,863</u>
Non-current liabilities			
Deferred tax liabilities		4,261	4,437
Current liabilities			
Trade and other payables		204,599	81,980
Refund liabilities		1,541	1,644
Current tax liabilities		659	2,093
Total current liabilities		<u>206,799</u>	<u>85,717</u>
Total liabilities		<u>211,060</u>	<u>90,154</u>
TOTAL EQUITY AND LIABILITIES		<u>641,152</u>	<u>542,017</u>
NET ASSETS		430,092	451,863
Net Assets Per Share Attributable to Ordinary Equity Holders of the Parent (RM)		1.12	1.18

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 2019 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD

(REGISTRATION NO. : 199701008590 (424086-X))

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 2ND QUARTER ENDED 30 JUNE 2020**

	Share Capital RM'000	Non-distributable Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
Period ended 30 June 2019					
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>-</u>	<u>323,482</u>	<u>421,182</u>
Period ended 30 June 2020					
Balance as of 1 January 2020	83,203	14,760	2,660	351,240	451,863
Net loss for the period	-	-	-	(3,026)	(3,026)
Other comprehensive income for the period	-	457	-	-	457
Total comprehensive income/(loss) for the period	-	457	-	(3,026)	(2,569)
Payment of dividends	-	-	-	(19,202)	(19,202)
Balance as of 30 June 2020	<u>83,203</u>	<u>15,217</u>	<u>2,660</u>	<u>329,012</u>	<u>430,092</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 2019 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD**(REGISTRATION NO. : 199701008590 (424086-X))****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 2ND QUARTER ENDED 30 JUNE 2020**

	6 months ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the period	(3,026)	8,799
Adjustments for:		
Income tax expense	775	1,378
Non-cash items	22,251	7,986
Non-operating items	(6,823)	1,479
Operating profit before working capital changes	13,177	19,642
Changes in working capital:		
Net change in current assets	(110,725)	20,035
Net change in current liabilities	120,535	(1,947)
Cash generated from operations	22,987	37,730
Tax refunded	96	725
Income tax paid	(6,008)	(4,204)
Interest received	1,459	1,351
Net cash generated from operating activities	18,534	35,602
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	103
Payment for property, plant and equipment	(21,947)	(3,272)
Proceeds from disposal of income funds	12,700	8,316
Purchase of investment in income funds	(8,000)	(12,189)
Net cash used in investing activities	(17,247)	(7,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(19,202)	(19,202)
Net proceeds from bank borrowings	-	33,395
Net repayment of bank borrowings	-	(37,998)
Interest paid	-	(307)
Bank balances held as security	(2)	(5)
Net cash used in financing activities	(19,204)	(24,117)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(17,917)	4,443
Effect of foreign exchange rate differences	6,194	(530)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	167,282	120,794
CASH AND CASH EQUIVALENTS AT END OF PERIOD	155,559	124,707

P.I.E. INDUSTRIAL BERHAD

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 2ND QUARTER ENDED 30 JUNE 2020**

	6 months ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
REPRESENTED BY:-		
Short-term deposits with licensed banks	132,135	69,652
Cash and bank balances	23,529	55,157
Less : Bank balance pledged as security	(105)	(102)
	<u>155,559</u>	<u>124,707</u>

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 2019 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2020

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 2019, which have been prepared in accordance with MFRSs, 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 2019.

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 2019.

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 2020:

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

Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

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

The Group and the Company have not applied the following standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

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2 Significant Accounting Policies (Continued)

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 101 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*

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*

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 2020.

As of 30 June 2020, total issued and fully paid-up share capital are 384,041,985 ordinary shares.

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7 Dividends Paid

	6 months ended	
	<u>30.06.2020</u>	<u>30.06.2019</u>
	RM'000	RM'000
Dividends declared and paid:		
a) Special dividend:		
- 2.6 sen per ordinary share, interim single tier, for 2019	9,985	-
- 2.6 sen per ordinary share, single tier, for 2018	-	9,985
b) First and final dividend:		
- 2.4 sen per ordinary share, interim single tier, for 2019	9,217	-
- 2.4 sen per ordinary share, single tier, for 2018	-	9,217
	<u>19,202</u>	<u>19,202</u>

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 2020.

9 Material Post Balance Sheet Events

The World Health Organisation had on 11 March 2020 declared the 2019 Novel Coronavirus (COVID-19) outbreak a pandemic. To contain the spread of infections of this virus in the country, Malaysian government has issued a Gazetted Order known as the Movement Control Order (MCO) to restrict the movements of people for the period from 18 March 2020 to 31 March 2020. On 25 March 2020, the government announced the extension of the MCO for another 2 weeks until 14 April 2020. On 10 April 2020, the government had further extended the MCO for another 2 weeks until 28 April 2020. On 23 April 2020, the government has announced a further extension of the MCO to 12 May 2020. On 10 May 2020, the government has announced that the conditional MCO extension for another four weeks until 9 June 2020. On 7 June 2020, the government has announced that the conditional MCO will be replaced with the recovery MCO from 10 June 2020 until 31 August 2020, to continue to take precautions to contain the COVID-19 pandemic.

The financial statements for the financial period ending 30 June 2020 are not adjusted for any effects arising from the COVID-19 pandemic. Management expects that it will operate at full capacity in the third quarter of 2020 to clear the backlog and will face two major challenges in the third quarter of 2020 which were the shortage of workers and disruption on supply chain due to the lockdown of the suppliers' countries.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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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 2020</u>					
Revenue	211,789	95	175	-	212,059
Inter-segment revenue	(20,054)	444	9,938	9,672	-
	<u>191,735</u>	<u>539</u>	<u>10,113</u>	<u>9,672</u>	<u>212,059</u>
Segment results	(16,200)	(60)	9,165	(7,904)	(14,999)
Investment revenue					3,476
Other gains and losses					9,272
Finance costs					-
Loss before tax					<u>(2,251)</u>

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>

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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.

	30.06.2020		31.12.2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial assets :				
Trade and other receivables (excluding prepayments)	122,765	122,765	126,104	126,104
Financial assets carried at fair value through profit or loss	6,017	6,017	10,533	10,533
Cash and cash equivalents	155,664	155,664	167,386	167,386
	<u>284,446</u>	<u>284,446</u>	<u>304,023</u>	<u>304,023</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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13 Fair Value of Instruments (Continued)

(b) Fair value hierarchy

	30.06.2020		31.12.2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial liabilities :				
Trade and other payables	204,599	204,599	81,980	81,980
	<u>204,599</u>	<u>204,599</u>	<u>81,980</u>	<u>81,980</u>

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 2020</u>				
Financial assets				
Investment in unit trusts	6,017	-	-	6,017
	<u>6,017</u>	<u>-</u>	<u>-</u>	<u>6,017</u>
<u>31 December 2019</u>				
Financial assets				
Investment in unit trusts	10,533	-	-	10,533
	<u>10,533</u>	<u>-</u>	<u>-</u>	<u>10,533</u>

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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14 Contingent Liabilities

Save as disclosed below, there were no obligations and contingent liabilities for the Group as of 30 June 2020.

	RM '000
a) Letter of guarantee by a bank for a foreign subsidiary's import duties	125
b) Corporate guarantees given by the Company to banks for credit facilities granted to certain subsidiary companies	<u>179,770</u>
	<u>179,895</u>

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*NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2020*

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		
	30.06.2020	30.06.2019	RM'000	RM'000	RM'000	RM'000	Amount	%
Revenue by segments								
- Manufacturing	111,250	180,076	(68,826)	-38%	211,789	327,633	(115,844)	-35%
- Trading	30	479	(449)	-94%	95	4,552	(4,457)	-98%
- Others	82	26	56	215%	175	48	127	265%
Total revenue	111,362	180,581	(69,219)	-38%	212,059	332,233	(120,174)	-36%
Revenue by geographical location of the Group's operations								
- Malaysia	108,838	175,178	(66,340)	-38%	205,842	316,968	(111,126)	-35%
- Thailand	2,494	4,924	(2,430)	-49%	6,122	10,713	(4,591)	-43%
- Singapore	30	479	(449)	-94%	95	4,552	(4,457)	-98%
Total revenue	111,362	180,581	(69,219)	-38%	212,059	332,233	(120,174)	-36%
Operating (loss)/profit	(423)	8,706	(9,129)	-105%	(2,251)	10,177	(12,428)	-122%
(Loss)/profit before tax by segments								
- Manufacturing	(987)	7,860	(8,847)	-113%	(3,394)	9,151	(12,545)	-137%
- Trading	3	(39)	42	-108%	(31)	50	(81)	-162%
- Others	561	885	(324)	-37%	1,174	976	198	20%
Total (loss)/profit before tax	(423)	8,706	(9,129)	-105%	(2,251)	10,177	(12,428)	-122%
(Loss)/profit after tax	(570)	8,022	(8,592)	-107%	(3,026)	8,799	(11,825)	-134%
Total comprehensive income attributable to:								
- Owners of the Company	991	9,589	(8,598)	-90%	(2,569)	10,683	(13,252)	-124%

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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 RM111.362 million and loss before tax was RM0.423 million.

The revenue decreased by RM69.219 million or 38% as compared to preceding year corresponding quarter. The decrease was mainly attributable to the global spread of COVID-19 with worldwide lockdown have led to a decline in customer demand for electronics manufacturing (EMS), 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 2020:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	93,092	15,664	2,494	111,250	100%
Trading	-	-	-	30	0%
Others	-	-	-	82	0%
Total	93,092	15,664	2,494	111,362	100%

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%

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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 decreased by RM9.129 million or 105%. The decrease was mainly attributable to lower revenue recorded, income from scrap sales, provision for slow moving inventories and impairment of trade receivables in the current quarter as compared to the corresponding quarter. However, the decline noted above were offset against lower administrative and distribution expenses.

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

Breakdown of segmental (loss)/profit before tax for the quarter ended 30 June 2020:

(Loss)/profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	(765)	1,336	(1,558)	(987)	233%
Trading	-	-	-	3	-1%
Others	-	-	-	561	-132%
Total	(765)	1,336	(1,558)	(423)	100%

Breakdown of segmental (loss)/profit before tax for the quarter ended 30 June 2019:

Profit/(loss) 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%

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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15 Review of Group Performance (Continued)

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

For the financial period ended 30 June 2020, the Group recorded revenue of RM212.059 million, a decrease of 36% or RM120.174 million as compared to the corresponding period ended 30 June 2019 of RM332.233 million.

The main reason for the decrease in revenue was due to the global spread of COVID-19 with worldwide lockdown and the shutdown of production during the MCO in April 2020. The production was restarted in May 2020 with low efficiency rate. In June 2020, production began to run at full capacity but the backlog is still being cleared. 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 2020:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	166,615	39,052	6,122	211,789	100%
Trading	-	-	-	95	0%
Others	-	-	-	175	0%
Total	166,615	39,052	6,122	212,059	100%

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%

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15 Review of Group Performance (Continued)

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

For the financial period ended 30 June 2020, the Group recorded loss before tax of RM2.251 million, a decrease of 122% or RM12.428 million as compared to the corresponding period ended 30 June 2019 of RM10.177 million.

The decrease recorded in our profit before tax was mainly due to decrease in revenue, lower income from scrap sales, provision for slow moving inventories and impairment of trade receivables. The decrease was partially offset against gain from foreign currency translation and lower administrative and distribution expenses.

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

Breakdown of segmental (loss)/profit before tax for the period ended 30 June 2020:

(Loss)/profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	(6,026)	3,946	(1,314)	(3,394)	151%
Trading	-	-	-	(31)	1%
Others	-	-	-	1,174	-52%
Total	(6,026)	3,946	(1,314)	(2,251)	100%

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%

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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	
	30.06.2020	31.03.2020	Amount	Variance
	RM '000	RM '000	RM '000	%
Revenue				
Manufacturing segments				
- EMS activities	93,092	73,523	19,569	27%
- Raw cable & wire	15,664	23,388	(7,724)	-33%
- Wire harness	2,494	3,627	(1,133)	-31%
Trading segment	30	66	(36)	-55%
Other segment	82	93	(11)	-12%
	<u>111,362</u>	<u>100,697</u>	<u>10,665</u>	11%
Operating loss	(423)	(1,828)	1,405	77%
Loss before tax	(423)	(1,828)	1,405	77%
Loss after tax	(570)	(2,456)	1,886	77%
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	991	(3,560)	4,551	128%

The Group's revenue for the quarter under review has increased by 11% as compared with the preceding quarter. The increase was mainly due to higher demand recorded for EMS but partly offset with lower revenue achieved by raw cable & wire products, wire harness products and trading segments.

The Group's profit before tax for the current quarter has increased by 77% as compared to preceding quarter. The increase was mainly due to the Ministry of International Trade and Industry (MITI) has announced that allowed full capacity to be operated during the MCO period effective from 29 April 2020 thereby recording revenue growth but was offset against lower gain from foreign currency translation, provision for slow moving inventories and impairment of trade receivables.

17 Review of Group Assets and Liabilities

	As at	As at	Changes	
	30.06.2020	31.12.2019	Amount	Variance
	RM'000	RM'000	RM '000	%
Total assets	641,152	542,017	99,135	18%
Total liabilities	211,060	90,154	120,906	134%
Total equity	430,092	451,863	(21,771)	-5%

Total assets

As at 30 June 2020, the Group's total assets increased by 18% or RM99.135 million to RM641.152 million from RM542.017 million as at 31 December 2019. The growth was mainly contributed by the increase investment in property, plant and machinery (PPE) and inventories. The increase in PPE and inventories was to fulfil sales order received from new and existing customers.

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17 Review of Group Assets and Liabilities (Continued)

Total liabilities

As at 30 June 2020, the Group's total liabilities increased by 134% or RM120.906 million to RM211.060 million from RM90.154 million as at 31 December 2019. The increase was due to increase in account payables. During the year, the Company increased the purchases of raw materials to meet the new and existing customers sales order.

Total equity

The Group's total equity as at 30 June 2020 decreased by RM21.771 million to RM430.092 million as compared to RM451.863 million as at 31 December 2019. The decrease in total equity is due to decreased in distributable retained earnings as a net result of net loss of RM3.026 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 RM0.457 million due to changes in foreign exchange translation reserve.

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18 Current Year Prospect

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

For EMS activities (78%), 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 will be further improved in operation for the coming years. Due to the beneficial effect of USA-China trade war, this division is expected to receive more orders from new overseas customers who are depending on supply from China. Due to recent global spread of COVID-19, this division faced unprecedented production and shipment issue in this first half year by worldwide lockdown of economic society and Movement Control Order(MCO) in Malaysia. Management expects full resumption of production and shipment from June 2020 onwards if the global spread of COVID-19 is well contained. However, any drastic fluctuation of Ringgit Malaysia against USD and global development of COVID-19 will be the main factor affecting its performance in the near future.

Revenue derived from the manufacturing activity of raw wire & cable (18%) 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 be relatively stable in the near future. Even though this division is also seriously affected by global spread of COVID-19 and MCO in the first half year, this segment is expected to maintain its profit margin as usual and secure more orders from its customers after containment of COVID-19.

The revenue from cable assembly & wire harness (3%) activities in Thailand is expected to remain flat or shrink in coming years due to low order expected from its major customer affected by technology change. However, with potential benefit of USA-China trade war effect and its newly set-up small-scale facilities for plastic parts and PCB assembly, the management believes this division still have high potential to explore wider new business in Thailand market.

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 attractive electronics products from the parent companies.

19 Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was announced and published.

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20 (Loss)/profit for the Period

	Quarter Ended		Period Ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the period is arrived at after crediting/(charging) :				
Interest income	699	767	1,459	1,351
Investment income	1,074	1,089	2,017	2,119
Interest expenses	-	(119)	-	(307)
Depreciation and amortisation	(4,440)	(4,024)	(8,603)	(8,089)
Net (addition)/reversal of impairment losses				
- trade receivables	(223)	(122)	(410)	182
Net (additional)/reversal of inventories written down	(8,975)	18	(13,238)	(79)
Net gain/(loss) on disposal of :				
- property, plant and equipment	-	44	-	58
- investment	15	35	26	50
Net foreign exchange gain	3,103	3,050	9,721	3,939
(Loss)/gain from fair value adjustment of financial assets through profit and loss	(37)	5	(65)	6

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.

21 Income Tax Expense

	Quarter Ended		Period Ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	326	1,996	952	2,712
Deferred tax income	(179)	(1,312)	(177)	(1,334)
	<u>147</u>	<u>684</u>	<u>775</u>	<u>1,378</u>

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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22 Status of Corporate Proposals Announced

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

23 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. ("PIESB") 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 PIESB for the above-said claim. PIESB 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. Subsequent to the rejection, the external legal counsel of PIESB had applied for a judicial review on the decision of the MOF with the High Court at Penang. The High Court Judge dismissed PIESB's application for a judicial review. Following the dismissal by the High Court, PIESB had submitted an appeal application against the decision of High Court Judge to the Court of Appeals of which hearing of the cases were fixed on 18 February 2018, 24 June 2019 and 23 July 2019 ("Appeal Application") respectively.

The Court of Appeal advised the external legal counsel of PIESB's to withdraw the appeal application and gave an opinion that the first filing of Judicial Review was premature since the reply from the Minister of Finance was not obtained in the proceedings. Subsequently, PIESB had resubmitted the appeal letter to Minister of Finance on 7 October 2019 in order to obtain the reply directly from the Minister of Finance for judicial review purpose. However, the external legal counsel of PIESB is still awaiting for the Minister of Finance to reply to its fresh letter of appeal and believes that the chances of PIESB's judicial review on the decision of the Ministry of Finance is reasonably good.

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24 Dividends

The Board of Directors declared that a Special Interim Single Tier Dividend of 2.6 sen per share and an Interim Single Tier Dividend of 2.4 sen per share amounting to RM19.202 million for year ended 31 December 2019. The said dividend was paid on 19 June 2020 to depositors registered in the Record of Depositors on 5 June 2020.

25 (Loss)/Earnings Per Ordinary Share

(a) (Loss)/basic earnings per ordinary share

(Loss)/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	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
(Loss)/profit attributable to ordinary equity shareholders (RM'000)	(570)	8,022	(3,026)	8,799
Weighted average number of ordinary share in issue (units'000)	384,042	384,042	384,042	384,042
(Loss)/basic earnings per ordinary share (sen)	<u>(0.15)</u>	<u>2.09</u>	<u>(0.79)</u>	<u>2.29</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.

26 Derivative Financial Instruments

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

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

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

28 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.