



PNE INDUSTRIES LTD

(Company registration no. 199905792R)

Full 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 YEAR ENDED 30 SEPTEMBER

	Group		
	<u>30-09-17</u>	<u>30-09-16</u>	<u>+ / (-)</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
<u>Continuing operations</u>			
Revenue	89,783	73,040	22.9%
Cost of sales	(65,636)	(50,805)	29.2%
Gross profit	24,147	22,235	8.6%
Other operating income	1,359	931	46.0%
Distribution costs	(2,946)	(2,067)	42.5%
Administrative expenses	(10,582)	(9,735)	8.7%
Other operating expenses	(198)	(548)	(63.9%)
Share of results of associate	216	164	(31.7%)
Profit before tax	11,996	10,980	9.3%
Income tax expense	(1,693)	(2,173)	(22.1%)
Profit for the year from continuing operations	10,303	8,807	17.0%
<u>Discontinued operation</u>			
Profit for the year from discontinued operation	-	7,366	(100.0%)
Total profit for the year	10,303	16,173	(36.3%)
<u>Other comprehensive loss</u>			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Reclassification on disposal of subsidiary	-	(127)	na
Exchange difference arising on translation of foreign operations	(1,343)	(417)	222.1%
Change in fair value of available-for-sale investments	14	31	(54.8%)
Other comprehensive loss for the year, net of tax	(1,329)	(513)	159.1%
Total comprehensive income for the year	8,974	15,660	(42.7%)

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>30-09-17</u>	<u>30-09-16</u>
	<u>\$'000</u>	<u>\$'000</u>
(A) Investment income	-	-
(B)(i) Other income - interest income	502	272
(B)(ii) - others	118	466
(C) Interest on borrowings	-	-
(D) Depreciation and amortisation	(758)	(834)
(E) Writeback of doubtful debts (net)	257	820
(F) Allowance for inventory obsolescence	(54)	(68)
(G) Impairment in value of available-for-sale investments	-	-
(H) Foreign exchange gain (loss)	477	(407)
Adjustment for over (under) provision of tax in respect of prior years	32	(133)
(J) Loss on disposal of investments, properties, and/or plant and equipment	(4)	(11)
(K) Impairment reversal on plant and equipment	5	8
(L) Gain on disposal of subsidiary	-	6,732

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	
	30-09-17 \$'000	30-09-16 \$'000	30-09-17 \$'000	30-09-16 \$'000
ASSETS				
Current assets				
Cash and bank balances	35,501	44,103	22,102	26,350
Trade receivables	34,690	26,276	91	116
Other receivables and prepayments	1,965	973	55	233
Inventories	18,770	14,509	-	-
Total current assets	90,926	85,861	22,248	26,699
Non-current assets				
Property, plant and equipment	6,824	6,405	-	-
Investment in subsidiaries	-	-	19,514	19,514
Investment in associate	745	716	-	-
Available-for-sale investment	3,806	3,117	3,131	3,117
Deferred tax assets	377	316	-	-
Total non-current assets	11,752	10,554	22,645	22,631
Total assets	102,678	96,415	44,893	49,330
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	18,517	11,799	36	40
Other payables	3,336	2,394	704	786
Income tax payable	941	1,306	32	11
Total current liabilities	22,794	15,499	772	837
Non-current liability				
Deferred tax liabilities	82	18	-	-
Total non-current liabilities	82	18	-	-
Capital and reserves				
Share capital	36,991	36,991	36,991	36,991
Currency translation deficit	(7,864)	(6,521)	-	-
Capital reserve	303	303	-	-
Investment revaluation reserve	45	31	45	31
Accumulated profits	50,327	50,094	7,085	11,471
Equity attributable to equity holders of the Company, representing total equity	79,802	80,898	44,121	48,493
Total liabilities and equity	102,678	96,415	44,893	49,330

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

As at September 30, 2017		As at September 30, 2016	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at September 30, 2017		As at September 30, 2016	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

Approximately \$159,000 (2016: \$169,000) of the Group's fixed deposits is pledged to a bank in return for bank guarantees issued to third parties.

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**

Year ended:	<u>30-09-17</u>	<u>30-09-16</u>
	<u>\$'000</u>	<u>\$'000</u>
Operating activities:		
Profit before income tax		
Profit before tax from continuing operations	11,996	10,980
Profit before tax from discontinued operation	-	7,366
Adjustments for:		
Share of results of associate	(216)	(164)
Depreciation expense	758	834
Reversal of impairment loss on property, plant and equipment	(5)	(8)
Interest income	(502)	(272)
Loss on disposal of property, plant and equipment	4	11
Property, plant and equipment written off	120	84
Gain on disposal of discontinued operation	-	(6,732)
Reversal of allowance for doubtful trade receivables	(257)	(820)
Allowance for inventory obsolescence (net)	54	68
Operating profit before movements in working capital	11,952	11,347
Trade receivables	(8,328)	2,660
Other receivables and prepayments	(1,007)	18
Inventories	(4,657)	(875)
Trade payables	6,479	1,338
Other payables	776	(214)
Cash generated from operations	5,215	14,274
Interest received	502	272
Income tax paid	(2,058)	(1,868)
Net cash from operating activities	3,659	12,678

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended:	<u>30-09-17</u>	<u>30-09-16</u>
	<u>\$'000</u>	<u>\$'000</u>
Investing activities:		
Proceeds from disposals of subsidiary	-	8,748
Dividend received from associate	225	-
Proceeds from disposal of property, plant and equipment	87	11
Purchase of property, plant and equipment	(1,731)	(931)
Investment in available-for-sale investment	(270)	-
Net cash (used in) from investing activities	<u>(1,689)</u>	<u>7,828</u>
Financing activities:		
Dividends paid	(10,070)	(5,874)
Fixed deposits and bank balances pledged	10	89
Net cash used in financing activities	<u>(10,060)</u>	<u>(5,785)</u>
Net (decrease) increase in cash and cash equivalents	(8,090)	14,721
Cash and cash equivalents at beginning of year	43,934	29,247
Net effect of foreign exchange rate changes	(502)	(34)
Cash and cash equivalents at end of year	<u>35,342</u>	<u>43,934</u>
Cash and cash equivalents represent:		
Cash and bank balance	10,100	9,203
Fixed deposits	25,401	34,900
	<u>35,501</u>	<u>44,103</u>
Less: Fixed deposits and bank balances pledged	(159)	(169)
	<u>35,342</u>	<u>43,934</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>Currency translation deficit</u>	<u>Capital reserve</u>	<u>Investment revaluation reserve</u>	<u>Accumulated profits</u>	<u>Total attributable to equity holders of the Company</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
GROUP						
Balance at October 1, 2015	36,991	(5,977)	115	-	39,983	71,112
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	16,173	16,173
Other comprehensive loss for the year	-	(544)	-	31	-	(513)
Total	-	(544)	-	31	16,173	15,660
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	-	-	(5,874)	(5,874)
Transfer to capital reserve	-	-	188	-	(188)	-
Balance at September 30, 2016	36,991	(6,521)	303	31	50,094	80,898
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	10,303	10,303
Other comprehensive loss for the year	-	(1,343)	-	14	-	(1,329)
Total	-	(1,343)	-	14	10,303	8,974
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	-	-	(10,070)	(10,070)
Balance at September 30, 2017	36,991	(7,864)	303	45	50,327	79,802

	<u>Share capital</u>	<u>Investment revaluation reserve</u>	<u>Accumulated profits</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
COMPANY				
Balance at October 1, 2015	36,991	-	9,090	46,081
Total comprehensive income for the year:				
Profit for the year	-	-	8,255	8,255
Other comprehensive income for the year	-	31	-	31
Total	-	31	8,255	8,286
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	(5,874)	(5,874)
Balance at September 30, 2016	36,991	31	11,471	48,493
Total comprehensive income for the year:				
Profit for the year	-	-	5,684	5,684
Other comprehensive income for the year	-	14	-	14
Total	-	14	5,684	5,698
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	(10,070)	(10,070)
Balance at September 30, 2017	36,991	45	7,085	44,121

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 or treasury shares 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.

	As at September 30, 2017	As at September 30, 2016
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 September 30, 2017	As at September 30, 2016
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.

The Company did not have any treasury shares during or 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, 2016.

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, 2016. The adoption of these various revised FRS, new FRS and INT FRS effective for the Group’s financial year commenced on October 1, 2016 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

	Year ended September 30, 2017	Year ended September 30, 2016
Profit per ordinary share of the Group after deducting any provision for preference dividends:		
(a) Based on number of ordinary shares on issue		
- From continuing and discontinued operations	12.3 cents	19.3 cents
- From continuing operations	12.3 cents	10.5 cents
Number of ordinary shares	83,916,757	83,916,757
(b) On a fully diluted basis		
- From continuing and discontinued operations	12.3 cents	19.3 cents
- From continuing operations	12.3 cents	10.5 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 (September 30, 2017)	95.0 cents	52.6 cents
(b) Immediately preceding financial year (September 30, 2016)	96.3 cents	57.8 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 current financial year ended September 30, 2017 (“FY17”), the Group recorded revenue and profit for the year of \$89.8m and \$10.3m respectively.

The current year results were generated solely by the Group’s continuing operations, which recorded a \$1.5m increase in profit compared to the previous financial year (“FY16”). In contrast, in FY16, the Group’s profit included a one-time \$6.7m gain on disposal of the Group’s ex-subsidiary, PNE Print Technology Co., Ltd (“PNE Print”). This gain as well as the results of PNE Print prior to

its disposal was included under the profits from discontinued operations.

Revenue rose by \$16.8m or 22.9% in FY17 compared to FY16 due to higher sales recorded by the Contract Manufacturing segment. Contract Manufacturing revenue increased by \$17.8m vs FY16 because of greater customer demand. Trading revenue on the other hand reduced by \$1.0m vs FY16 as strong competition and weak demand resulted in lower sales.

Gross profit rose by \$1.9m due to the higher sales. However, despite higher sales, gross profit margin declined from 30.4% in FY16 to 26.9% in FY17 due mainly to differences in product mix.

Other operating income rose due to higher interest income, and also because of \$0.5m of foreign exchange gains this year. In contrast, a \$0.4m foreign exchange loss was recorded under other operating expenses last year.

Distribution costs rose due to higher sales and because of more marketing agents appointed this year to support the Group's overseas customers.

Administrative expenses rose due mainly to higher staff costs.

Statement of Financial Position

Cash and bank balances declined by \$8.6m compared to last year due mainly to higher working capital requirements and higher dividends paid.

Trade receivables rose \$8.4m while inventories rose \$4.3m compared to last year due to the higher revenue. In addition, trade receivables also rose due to longer credit periods granted to certain customers.

Trade payables increased \$6.7m due to higher purchases of materials in line with the higher 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 remain highly volatile and uncertain. 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 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.

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 recommend a final one-tier tax-exempt dividend of 3.0 cents per share for the current financial year ended September 30, 2017 (previous corresponding period: one-tier tax exempt dividend of 3.0 cents per share).

(d) The date the dividend is payable

To be announced at later date.

(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.

To be announced at later date.

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).

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

ANALYSIS BY BUSINESS SEGMENT

- (i) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	<u>Revenue</u>		<u>Profit</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Continuing operations				
Contract manufacturing	79,417	61,640	8,872	7,851
Trading	10,366	11,400	1,934	2,535
Others	-	-	688	324
Total	89,783	73,040	11,494	10,710
Interest income			502	270
Profit before tax			11,996	10,980
Income tax			(1,693)	(2,173)
Profit for the year from continuing operations			10,303	8,807
Discontinued operation				
Trading			-	7,366
Profit for the year			10,303	16,173

- (ii) Segment assets and liabilities

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
<u>Segment assets</u>		
Contract manufacturing	57,326	42,346
Trading	4,872	5,784
Others	796	749
Total segment assets	62,994	48,879
Unallocated	39,684	47,536
Consolidated assets	102,678	96,415
<u>Segment liabilities</u>		
Contract manufacturing	19,826	11,617
Trading	1,167	1,747
Others	860	829
Total segment liabilities	21,853	14,193
Unallocated	1,023	1,324
Consolidated liabilities	22,876	15,517

ANALYSIS BY BUSINESS SEGMENT (continued)

(iii) Other segment information

	<u>Depreciation and amortisation</u>		<u>Additions to property, plant and equipment</u>		<u>Investment in associate</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Contract manufacturing	695	661	1,672	896	-	-
Trading	63	173	59	35	-	-
Others	-	-	-	-	745	716
	<u>758</u>	<u>834</u>	<u>1,731</u>	<u>931</u>	<u>745</u>	<u>716</u>

ANALYSIS BY GEOGRAPHICAL SEGMENT

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Poland	18,475	17,259	-	-
Hungary	10,980	8,353	-	-
Europe (excluding Poland and Hungary)	20,972	7,924	-	-
People's Republic of China	17,464	14,229	1,356	643
Indonesia	4,996	6,320	-	-
Malaysia	7,635	7,219	5,209	5,748
Singapore	4,525	5,491	259	14
Others	4,736	6,245	-	-
	<u>89,783</u>	<u>73,040</u>	<u>6,824</u>	<u>6,405</u>

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

The decline in profit of the Trading segment is due to the lower sales and to higher stock provisions for this segment this year in view of the slower sales.

The increase in the assets under the contract manufacturing segment is in line with the higher sales.

The profit of \$7.4m recorded under discontinued operations by the trading segment in FY16 pertained to the gain on disposal of the Group's ex-subsidiary, PNE Print Technology Co., Ltd, and the results of its operations prior to the disposal.

The increase in sales to Europe (excluding Poland and Hungary) in FY17 was due to sales to new customers in this region.

17. A breakdown of sales

		Latest financial year \$'000	Previous financial year \$'000	% increase / (decrease)
(a)	Sales reported for first half year	39,693	35,510	11.8%
(b)	Operating profit after tax before deducting minority interests reported for first half year	6,226	5,460	14.0%
(c)	Sales reported for second half year	50,090	37,530	33.5%
(d)	Operating profit after tax before deducting minority interests reported for second half year	4,077	10,713	(61.9%)

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year ended September 30, 2017 (One-tier tax exempt dividend*)	Latest Full Year ended September 30, 2016 (One-tier tax exempt dividend*)
Ordinary	\$10,070,011	\$6,713,341
Preference	-	-
Total:	\$10,070,011	\$6,713,341

* Includes interim dividends declared and paid during the financial year, as well as final dividend recommended in respect of that financial year, but payable/paid in the following financial year.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Tan Bee Foon	57	Sister of all directors (except independent directors)	General Manager in Human Resource and Administration - in charge of human resource management and general admin matters. - Position held since 1 st Jan 2000	No changes
Eugene Tan Wei Kang	46	Son of substantial shareholder, Mr Tan Kong Hock, and nephew of all other directors (except independent directors)	Senior Manager – Business Development of PNE Appliance Controls Pte Ltd. - in charge of developing new business for the company - Position held since 1 st Jul 2006	No changes
Tan Meng Siew	45	Daughter of chairman, Mr Tan Kong Heng, niece of all other directors (except independent directors)	Financial Controller - in charge of finance and accounting functions - Position first held in 1999 Also appointed as Company Secretary on 31 st Dec 2004	No changes

BY ORDER OF THE BOARD

Ms Tan Meng Siew
Company Secretary
November 27, 2017