



PNE INDUSTRIES LTD

(Company registration no. 199905792R)

Half Year Financial Statement And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH

	Group		
	31-3-2017	31-3-2016	+ / (-)
	\$'000	\$'000	%
Continuing operations			
Revenue	39,693	35,510	11.8%
Cost of sales	(28,248)	(24,012)	17.6%
Gross profit	11,445	11,498	(0.5%)
Other operating income	2,078	441	371.2%
Distribution costs	(1,365)	(1,013)	34.7%
Administrative expenses	(4,789)	(4,623)	3.6%
Other operating expenses	(94)	(36)	161.1%
Profit before tax	7,275	6,267	16.1%
Income tax expense	(1,049)	(1,112)	(5.7%)
Profit for the period from continuing operations	6,226	5,155	20.8%
Discontinued operation			
Profit for the period from discontinued operation	-	305	(100.0%)
Total profit for the period	6,226	5,460	14.0%
Other comprehensive (loss) income			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange difference arising on translation of foreign operations	(1,160)	505	(329.7%)
Change in fair value of available-for-sale investments	(161)	66	(343.9%)
Other comprehensive (loss) income for the period, net of tax	(1,321)	571	(331.3%)
Total comprehensive income for the period	4,905	6,031	(18.7%)

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	
	31-3-2017	31-3-2016
	\$'000	\$'000
(A) Investment income	-	-
(B)(i) Other income - interest income	182	92
(B)(ii) - others	4	185
(C) Interest on borrowings	-	-
(D) Depreciation and amortisation	(361)	(481)
(E) Writeback of doubtful debts and bad debts written off	68	747
(F) Writeback of inventory obsolescence	28	26
(G) Impairment in value of available-for-sale investments	-	-
(H) Foreign exchange gain	1,791	142
(I) Adjustment for under provision of tax in respect of prior years	-	(2)
(J) Gain (Loss) on disposal of investments, properties, and/or plant and equipment	5	(23)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31-3-2017	30-9-2016	31-3-2017	30-9-2016
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash and bank balances	47,814	44,103	24,548	26,350
Trade receivables	25,277	26,276	88	116
Other receivables & prepayments	1,413	973	440	233
Inventories	13,571	14,509	-	-
Total current assets	88,075	85,861	25,076	26,699
Non-current assets				
Property, plant & equipment	6,195	6,405	-	-
Investment in subsidiaries	-	-	19,514	19,514
Investment in associate	499	716	-	-
Available-for-sale investments	3,225	3,117	2,956	3,117
Deferred tax assets	333	316	-	-
Total non-current assets	10,252	10,554	22,470	22,631
Total assets	98,327	96,415	47,546	49,330
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	12,011	11,799	22	40
Other payables	1,727	2,394	399	786
Income tax payable	1,303	1,306	33	11
Total current liabilities	15,041	15,499	454	837
Non-current liability				
Deferred tax liabilities	1	18	-	-
Total non-current liabilities	1	18	-	-
Capital and reserves				
Share capital	36,991	36,991	36,991	36,991
Currency translation deficit	(7,681)	(6,521)	-	-
Capital reserve	303	303	-	-
Investment revaluation reserve	(130)	31	(130)	31
Accumulated profits	53,802	50,094	10,231	11,471
Equity attributable to equity holders of the Company, representing total equity	83,285	80,898	47,092	48,493
Total liabilities and equity	98,327	96,415	47,546	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 March 31, 2017		As at September 30, 2016	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at March 31, 2017		As at September 30, 2016	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

Approximately \$157,000 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>31-3-2017</u> <u>\$'000</u>	<u>31-3-2016</u> <u>\$'000</u>
Operating activities		
Profit before income tax		
Profit before tax from continuing operations	7,275	6,267
Profit before tax from discontinued operation	-	305
Adjustments for:		
Depreciation expense	361	481
Interest income	(182)	(92)
(Gain) loss on disposal of property, plant and equipment	(5)	23
Property, plant and equipment written off	94	17
Reversal of allowance for doubtful trade receivables	(68)	(747)
Reversal of inventory obsolescence (net)	(28)	(26)
Operating profit before movements in working capital	7,447	6,228
Trade receivables	1,429	5,941
Other receivables and prepayments	(453)	(520)
Inventories	391	584
Trade payables	572	(2,424)
Other payables	(704)	(747)
Cash Generated from operations	8,682	9,062
Interest received	182	92
Income tax paid	(1,052)	(953)
Net cash from operating activities	7,812	8,201

- 1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Period ended:	<u>31-3-2017</u> <u>\$'000</u>	<u>31-3-2016</u> <u>\$'000</u>
Investing activities		
Dividend received from associate	225	-
Proceeds from disposal of property, plant and equipment	5	66
Purchase of property, plant and equipment	(641)	(563)
Investment in available-for-sale investment	(269)	-
Net cash used in investing activities	<u>(680)</u>	<u>(497)</u>
Financing activities		
Dividends paid	(2,518)	(1,678)
Fixed deposits and bank balances pledged	12	89
Net cash used in financing activities	<u>(2,506)</u>	<u>(1,589)</u>
Net increase in cash and cash equivalents	4,626	6,115
Cash and cash equivalents at beginning of period	43,934	29,247
Net effect of foreign exchange rate changes	(903)	135
Cash and cash equivalents at end of period	<u>47,657</u>	<u>35,497</u>
Cash and cash equivalents represent:		
Cash and bank balances *	8,672	8,246
Fixed deposits	39,142	27,420
	<u>47,814</u>	<u>35,666</u>
Less: Fixed deposits and bank balances pledged	(157)	(169)
	<u>47,657</u>	<u>35,497</u>

* Note: Includes cash and bank balance classified as assets held for sale of \$540,000 for the prior year period reported on.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u> <u>\$'000</u>	<u>Currency translation deficit</u> <u>\$'000</u>	<u>Capital reserve</u> <u>\$'000</u>	<u>Investment revaluation reserve</u> <u>\$'000</u>	<u>Accumulated profits</u> <u>\$'000</u>	<u>Total attributable to equity holders of the Company</u> <u>\$'000</u>
GROUP						
Balance at October 1, 2015	36,991	(5,977)	115	-	39,983	71,112
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,460	5,460
Other comprehensive income for the period	-	505	-	66	-	571
Total	-	505	375	66	5,085	6,031
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	-	-	(1,678)	(1,678)
Transfer to capital reserve	-	-	375	-	(375)	-
Balance at March 31, 2016	36,991	(5,472)	490	66	43,390	75,465
Balance at October 1, 2016	36,991	(6,521)	303	31	50,094	80,898
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,226	6,226
Other comprehensive income for the period	-	(1,160)	-	(161)	-	(1,321)
Total	-	(1,160)	-	(161)	6,226	4,905
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	-	-	(2,518)	(2,518)
Balance at March 31, 2017	36,991	(7,681)	303	(130)	53,802	83,285

	<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, 2015	36,991	-	9,090	46,081
Total comprehensive income for the period				
Profit for the period	-	-	2,129	2,129
Other comprehensive income for the period	-	66	-	66
Total	-	66	2,129	2,195
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	(1,678)	(1,678)
Balance at March 31, 2016	36,991	66	9,541	46,598
Balance at October 1, 2016	36,991	31	11,471	48,493
Total comprehensive income for the period				
Profit for the period	-	-	1,278	1,278
Other comprehensive income for the period	-	(161)	-	(161)
Total	-	(161)	1,278	1,117
Dividends paid, representing transactions with owners, recognised directly in equity	-	-	(2,518)	(2,518)
Balance at March 31, 2017	36,991	(130)	10,231	47,092

- 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, 2017 and as at March 31, 2016.

	As at March 31, 2017	As at March 31, 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 March 31, 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.**

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

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

The figures have not been audited or reviewed by our auditors.

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current period reported on as those used in the most recently audited financial statements for the financial year ended September 30, 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

	Half-year ended March 31, 2017	Half-year ended March 31, 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	7.40 cents	6.51 cents
- From continuing operations	7.40 cents	6.15 cents
Number of ordinary shares	83,916,757	83,916,757
(b) On a fully diluted basis		
- From continuing and discontinued operations	7.40 cents	6.51 cents
- From continuing operations	7.40 cents	6.15 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, 2017)	99.2 cents	56.1 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 financial period ended March 31, 2017, the Group recorded revenue, profit before tax, and profit after tax of \$39.7m, \$7.3m, and \$6.2m respectively.

Revenue increased by \$4.2m or 11.8% compared to the same period last year due mainly to higher revenue recorded by the Contract Manufacturing segment because of higher customer orders, offset partially by lower revenue recorded by the Trading segment. Although revenue increased, gross profit declined marginally due to lower margins arising from differences in product mix.

Other operating income increased by \$1.6m due mainly to higher foreign exchange gains.

Distribution costs rose due to higher sales commission paid during the period.

For the corresponding period in the previous financial year, the Group recorded a \$0.3m profit from discontinued operation, but none in the current period as the discontinued operation had already been disposed last year.

The Other Comprehensive Loss of \$1.3m for the period is attributable mainly to the weaker Malaysian Ringgit, which resulted in a loss upon translation of the Group's operations in Malaysia, as well as a loss upon revaluation of the Group's available-for-sale investment.

Statement of Financial Position

Cash and bank balances rose by \$3.7m compared to the end of the previous financial year due mainly to collections from customers offset partially by payments to suppliers during the current period.

Although revenue rose, trade receivables and inventories declined due to faster collections from customers, and faster utilization of inventories respectively.

Trade payables rose compared to the end of the previous financial year due to higher purchases.

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 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 declare as follows:

Current period reported on:		
Type of dividend	Interim	Special
Amount per share	2.0 cents	7.0 cents
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	3.0 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 9, 2017.

(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

May 31, 2017.

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

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has obtained undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1).

BY ORDER OF THE BOARD

Ms Tan Meng Siew
Company Secretary
May 12, 2017

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, 2017 to be false or misleading.

For and on behalf of the Board of Directors:

Tan Koon Chwee
Managing Director

Tan Kong Leong
Executive Director