



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

| | Group | | | Group | | |
|--|----------------|--------------|---------------|-----------------|--------------|-------------|
| | 3 months ended | | | 12 months ended | | |
| | 30-09-19 | 30-09-18 | + / (-) | 30-09-19 | 30-09-18 | + / (-) |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| Revenue | 28,299 | 26,032 | 8.7 | 102,183 | 79,844 | 28.0 |
| Cost of sales | (21,897) | (20,153) | 8.7 | (80,000) | (61,249) | 30.6 |
| Gross profit | 6,402 | 5,879 | 8.9 | 22,183 | 18,595 | 19.3 |
| Other operating income | 751 | 1,188 | (36.8) | 2,260 | 1,012 | 123.3 |
| Distribution costs | (651) | (603) | 8.0 | (2,574) | (2,439) | 5.5 |
| Administrative expenses | (3,369) | (2,862) | 17.7 | (11,412) | (10,460) | 9.1 |
| Other operating expenses | (173) | (200) | (13.5) | (354) | (134) | 164.2 |
| Share of results of associate | 118 | 106 | 11.3 | 118 | 106 | 11.3 |
| Profit before tax | 3,078 | 3,508 | (12.3) | 10,221 | 6,680 | 53.0 |
| Income tax expense | (654) | (671) | (2.5) | (2,077) | (1,417) | 46.6 |
| Profit for the year | 2,424 | 2,837 | (14.6) | 8,144 | 5,263 | 54.7 |
| 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 | 343 | - | n.m. | 136 | - | n.m. |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | | | | |
| Exchange difference arising on translation of foreign operations | (273) | (398) | (31.4) | (400) | 765 | n.m. |
| Net fair value gain (loss) in available-for-sale investments | - | 24 | n.m. | - | (12) | n.m. |
| Other comprehensive income for the year, net of tax | 70 | (374) | n.m. | (264) | 753 | n.m. |
| Total comprehensive income for the year | 2,494 | 2,463 | 1.3 | 7,880 | 6,016 | 31.0 |

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 | | | Group | | |
|---|-----------------------|-----------------|----------------|------------------------|-----------------|----------------|
| | 3 months ended | | | 12 months ended | | |
| | 30-09-19 | 30-09-18 | + / (-) | 30-09-19 | 30-09-18 | + / (-) |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| Other income - interest income | 235 | 268 | (12.3) | 817 | 624 | 30.9 |
| - others | 39 | (81) | n.m. | 571 | 298 | 91.6 |
| Depreciation | (213) | (204) | 4.4 | (846) | (821) | 3.0 |
| Loss allowance (recognised) reversed on trade receivables | (75) | (11) | 581.8 | (321) | 79 | n.m. |
| Writeback of (Allowance for) inventory obsolescence | 159 | (81) | n.m. | 180 | (82) | n.m. |
| Foreign exchange gain (loss), net | 399 | 800 | (50.1) | 861 | (122) | n.m. |
| Adjustment for over (under) provision of tax in respect of prior years | 29 | (16) | n.m. | 29 | (16) | n.m. |
| Gain on disposal of investments, properties, and/or plant and equipment | 11 | 13 | (15.4) | 11 | 11 | - |
| Impairment loss on plant and equipment | (26) | (2) | 1,200.0 | (26) | (2) | 1,200.0 |

n.m. denotes not meaningful

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

STATEMENTS OF FINANCIAL POSITION

| | Group | | | Company | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <u>30-09-19</u> | <u>30-09-18</u> | <u>01-10-17</u> | <u>30-09-19</u> | <u>30-09-18</u> | <u>01-10-17</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| | | (Restated) | (Restated) | | (Restated) | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and bank balances | 41,464 | 36,698 | 35,501 | 26,696 | 22,935 | 22,102 |
| Trade receivables | 32,086 | 31,730 | 34,690 | - | 31 | 91 |
| Other receivables | 1,038 | 1,905 | 1,965 | 62 | 98 | 55 |
| Inventories | 20,064 | 20,346 | 18,770 | - | - | - |
| Total current assets | 94,652 | 90,679 | 90,926 | 26,758 | 23,064 | 22,248 |
| Non-current assets | | | | | | |
| Property, plant and equipment | 6,553 | 6,765 | 6,824 | - | - | - |
| Investments in subsidiaries | - | - | - | 20,064 | 19,514 | 19,514 |
| Investment in associate | 551 | 448 | 745 | - | - | - |
| Financial assets at fair value through other comprehensive income | 1,802 | 4,098 | 3,806 | 816 | 3,119 | 3,131 |
| Deferred tax assets | 188 | 254 | 354 | - | - | - |
| Total non-current assets | 9,094 | 11,565 | 11,729 | 20,880 | 22,633 | 22,645 |
| Total assets | 103,746 | 102,244 | 102,655 | 47,638 | 45,697 | 44,893 |
| LIABILITIES AND EQUITY | | | | | | |
| Current liabilities | | | | | | |
| Trade payables | 15,726 | 18,475 | 18,517 | 26 | 39 | 36 |
| Other payables | 3,147 | 2,547 | 3,336 | 629 | 518 | 704 |
| Income tax payable | 1,195 | 384 | 941 | 71 | 83 | 32 |
| Total current liabilities | 20,068 | 21,406 | 22,794 | 726 | 640 | 772 |
| Non-current liability | | | | | | |
| Deferred tax liabilities | 50 | 55 | 59 | - | - | - |
| Capital and reserves | | | | | | |
| Share capital | 36,991 | 36,991 | 36,991 | 36,991 | 36,991 | 36,991 |
| Currency translation reserve | 365 | 765 | - | - | - | - |
| Capital reserve | 501 | 303 | 303 | - | - | - |
| Investment revaluation deficit | (171) | (796) | 45 | (179) | (796) | 45 |
| Accumulated profits | 45,942 | 43,520 | 42,463 | 10,100 | 8,862 | 7,085 |
| Equity attributable to equity holders of the Company, representing total equity | 83,628 | 80,783 | 79,802 | 46,912 | 45,057 | 44,121 |
| Total liabilities and equity | 103,746 | 102,244 | 102,655 | 47,638 | 45,697 | 44,893 |

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, 2019 | | As at September 30, 2018 | |
|--------------------------|-----------|--------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| Nil | Nil | Nil | Nil |

Amount repayable after one year

| As at September 30, 2019 | | As at September 30, 2018 | |
|--------------------------|-----------|--------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| Nil | Nil | Nil | Nil |

Details of any collateral

Approximately \$164,000 (2018: \$166,000) 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: | 3 months ended | | 12 months ended | |
|---|-----------------|-----------------|-----------------|-----------------|
| | <u>30-09-19</u> | <u>30-09-18</u> | <u>30-09-19</u> | <u>30-09-18</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Operating activities | | | | |
| Profit before tax | 3,078 | 3,508 | 10,221 | 6,680 |
| Adjustments for: | | | | |
| Share of results of associate | (118) | (106) | (118) | (106) |
| Depreciation expense | 213 | 204 | 846 | 821 |
| Impairment loss of property, plant and equipment | 26 | 2 | 26 | 2 |
| Interest income | (235) | (268) | (817) | (624) |
| Gain on disposal of property, plant and equipment | (11) | (13) | (11) | (11) |
| Property, plant and equipment written off | 5 | - | 7 | 10 |
| Loss allowance recognised (reversed) on trade receivables | 75 | 11 | 321 | (79) |
| (Reversal of) Allowance for inventory obsolescence (net) | (159) | 81 | (180) | 82 |
| Operating profit before movements in working capital | 2,874 | 3,419 | 10,295 | 6,775 |
| Trade receivables | 3,438 | (10,574) | (573) | 3,323 |
| Other receivables | (7) | (732) | 821 | 46 |
| Inventories | 2,171 | (2,845) | 39 | (1,515) |
| Trade payables | (2,320) | 8,811 | (2,930) | (195) |
| Other payables | 990 | 676 | 571 | (637) |
| Cash from (used in) operations | 7,146 | (1,245) | 8,223 | 7,797 |
| Interest received | 235 | 268 | 817 | 624 |
| Income tax paid | (122) | (65) | (1,203) | (1,903) |
| Net cash from (used in) operating activities | 7,259 | (1,042) | 7,837 | 6,518 |

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)

| Year ended: | <u>3 months ended</u> | | <u>12 months ended</u> | |
|---|-----------------------|----------------------|------------------------|----------------------|
| | <u>30-09-19</u> | <u>30-09-18</u> | <u>30-09-19</u> | <u>30-09-18</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Investing activities | | | | |
| Dividend received from associate | - | - | - | 395 |
| Proceeds from disposal of equity instruments held at FVTOCI | 2,432 | - | 2,432 | - |
| Proceeds from disposal of property, plant and equipment | 18 | 12 | 18 | 20 |
| Purchase of property, plant and equipment | (240) | (324) | (784) | (603) |
| Purchase of available-for-sale investment | - | (122) | - | (425) |
| Net cash from (used in) investing activities | <u>2,210</u> | <u>(434)</u> | <u>1,666</u> | <u>(613)</u> |
| Financing activities | | | | |
| Dividends paid | - | - | (5,035) | (5,035) |
| Fixed deposits and bank balances pledged | (1) | 2 | - | (7) |
| Net cash (used in) from financing activities | <u>(1)</u> | <u>2</u> | <u>(5,035)</u> | <u>(5,042)</u> |
| Net increase (decrease) in cash and cash equivalents | 9,468 | (1,474) | 4,468 | 863 |
| Cash and cash equivalents at beginning of year | 31,182 | 37,600 | 36,532 | 35,342 |
| Net effect of foreign exchange rate changes | 650 | 406 | 300 | 327 |
| Cash and cash equivalents at end of year | <u>41,300</u> | <u>36,532</u> | <u>41,300</u> | <u>36,532</u> |
| Cash and cash equivalents represent: | | | | |
| Cash and bank balances | 11,735 | 7,156 | 11,735 | 7,156 |
| Fixed deposits | 29,729 | 29,542 | 29,729 | 29,542 |
| | <u>41,464</u> | <u>36,698</u> | <u>41,464</u> | <u>36,698</u> |
| Less: Fixed deposits and bank balances pledged | (164) | (166) | (164) | (166) |
| | <u>41,300</u> | <u>36,532</u> | <u>41,300</u> | <u>36,532</u> |

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

STATEMENTS OF CHANGES IN EQUITY

| | <u>Share capital</u> <u>\$'000</u> | <u>Currency translation reserve</u> <u>\$'000</u> | <u>Capital reserve</u> <u>\$'000</u> | <u>Investment revaluation 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, 2017 (As previously reported) | 36,991 | (7,864) | 303 | 45 | 50,327 | 79,802 |
| Adoption of SFRS(I) 1 | - | 7,864 | - | - | (7,864) | - |
| Balance at October 1, 2017 (As restated) | 36,991 | - | 303 | 45 | 42,463 | 79,802 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 5,263 | 5,263 |
| Other comprehensive income for the year | - | 765 | - | (12) | - | 753 |
| Total | - | 765 | - | (12) | 5,263 | 6,016 |
| Dividend, representing transactions with owners, recognised directly in equity | - | - | - | - | (5,035) | (5,035) |
| Balance at September 30, 2018 (As restated) | 36,991 | 765 | 303 | 33 | 42,691 | 80,783 |
| Adoption of SFRS(I) 9 | - | - | - | (829) | 829 | - |
| Balance at October 1, 2018 (As restated) | 36,991 | 765 | 303 | (796) | 43,520 | 80,783 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 8,144 | 8,144 |
| Other comprehensive income for the year | - | (400) | - | 136 | - | (264) |
| Total | - | (400) | - | 136 | 8,144 | 7,880 |
| Transactions with owners, recognised directly in equity | | | | | | |
| Dividend | - | - | - | - | (5,035) | (5,035) |
| Transfer of investment revaluation reserve of equity instrument at FVTOCI upon disposal | - | - | - | 489 | (489) | - |
| Transfer to reserve fund | - | - | 198 | - | (198) | - |
| Total | - | - | 198 | 489 | (5,722) | (5,035) |
| Balance at September 30, 2019 | 36,991 | 365 | 501 | (171) | 45,942 | 83,628 |

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 (Continued)

| | <u>Share capital</u> \$'000 | <u>Investment revaluation reserve</u> \$'000 | <u>Accumulated profits</u> \$'000 | <u>Total</u> \$'000 |
|--|------------------------------------|---|--|------------------------|
| COMPANY | | | | |
| Balance at October 1, 2017 | 36,991 | 45 | 7,085 | 44,121 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 5,983 | 5,983 |
| Other comprehensive income for the year | - | (12) | - | (12) |
| Total | - | (12) | 5,983 | 5,971 |
| Dividend, representing transactions with owners, recognised directly in equity | - | - | (5,035) | (5,035) |
| Balance at September 30, 2018 | 36,991 | 33 | 8,033 | 45,057 |
| Adoption of SFRS(I) 9 | - | (829) | 829 | - |
| Balance at September 30, 2018 (As restated) | 36,991 | (796) | 8,862 | 45,057 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 6,762 | 6,762 |
| Other comprehensive income for the year | - | 128 | - | 128 |
| Total | - | 128 | 6,762 | 6,890 |
| Transactions with owners, recognised directly in equity | | | | |
| Dividend | - | - | (5,035) | (5,035) |
| Transfer of investment revaluation reserve of equity instrument at FVTOCI upon disposal | - | 489 | (489) | - |
| Total | - | 489 | (5,524) | (5,035) |
| Balance at September 30, 2019 | 36,991 | (179) | 10,100 | 46,912 |

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, 2019 | As at September 30, 2018 |
|---|--------------------------|--------------------------|
| 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, 2019 | As at September 30, 2018 |
|---|--------------------------|--------------------------|
| 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.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

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

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

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

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

Not applicable.

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, 2018.

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 commencing on October 1, 2018. The adoption of these various revised FRS, new FRS and INT FRS effective for the Group’s financial year commencing on October 1, 2018 does not have a material financial effect on the Group and the Company except for the followings:

The Group has adopted the new framework – SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, in accordance with all Singapore-incorporated companies listed on the Singapore Exchange (SGX) for its financial year beginning October 1, 2018. SFRS(I) 1 requires that the Group applies SFRS on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective October 1, 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, which are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group has elected to reset the cumulative translation differences, arising from the translation of its foreign operations, to zero as at date of transition. The cumulative balance of \$7,864,000 was transferred to accumulated profits as at October 1, 2017.

The Group has also adopted SFRS(I) 9 *Financial Instruments* for its financial year beginning October 1, 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempts the Group from applying SFRS(I) 9 to comparative information. Accordingly, the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended September 30, 2018. The Group has elected to measure its currently held available-for-sale financial assets – quoted and unquoted equity shares at fair value through other comprehensive income. As a result, the impairment loss of \$829,000 previously recognised in profit or loss was reclassified from accumulated profits to investment revaluation deficit for the Group and Company as at October 1, 2018. The Group does not expect any other significant impact arising from these changes.

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.

| | 3 months ended 30-09-19 | 3 months ended 30-09-18 | 12 months ended 30-09-19 | 12 months ended 30-09-18 |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Profit per ordinary share of the Group after deducting any provision for preference dividends: | | | | |
| (a) Based on the weighted average number of ordinary shares on issue | 2.9 cents | 3.4 cents | 9.7 cents | 6.3 cents |
| Number of ordinary shares | 83,916,757 | 83,916,757 | 83,916,757 | 83,916,757 |
| (b) On a fully diluted basis | 2.9 cents | 3.4 cents | 9.7 cents | 6.3 cents |
| Adjusted number of ordinary shares | 83,916,757 | 83,916,757 | 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, 2019) | 99.6 cents | 55.9 cents |
| (b) Immediately preceding financial year (September 30, 2018) | 96.2 cents | 53.7 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 quarter ended September 30, 2019 ("19Q4")

For 19Q4, the Group recorded revenue and profit for the quarter of \$28.3m and \$2.4m respectively.

Revenue increased by \$2.3m vs 18Q4 due to higher orders from the Group's contract manufacturing customers during this period.

Profit before tax for 19Q4 fell by \$0.4m to \$3.1m. Although gross profit rose in 19Q4 on the back of higher sales, this was offset by higher administrative expenses and lower other operating income. Administrative expenses rose by \$0.5m due mainly to higher staff costs. Other operating income fell by \$0.4m due mainly to lower foreign exchange gains during the period.

For the year ended September 30, 2019 ("FY19")

For FY19, the Group recorded revenue and profit for the year of \$102.2m and \$10.2m respectively.

Revenue rose \$22.3m or 28.0% vs FY18 due to higher customer orders from the contract manufacturing business, offset partially by lower trading sales.

Gross profit increased by \$3.6m due to the higher sales, although margin declined because of differences in product mix as the Group sold more products that have higher material cost content.

Other operating income rose \$1.2m vs FY18 due mainly to higher foreign exchange gains.

Administrative expenses rose \$1.0m vs FY18 due mainly to higher staff costs.

Profit before tax rose by \$3.5m vs FY18 due mainly to the above.

Statement of Financial Position

Cash and bank balances rose \$4.8m vs September 30, 2018. The bulk of the Group's cash and bank balances are placed with reputable banks in Singapore. Cash and bank balances rose due mainly to higher cash from operating activities. It was also due to the \$2.4m proceeds from the disposal of part of the Group's FVTOCI investment in PNE PCB Berhad. The reduction in financial assets at fair value through other comprehensive income is mainly due to this disposal.

Trade payables fell \$2.7m due mainly to faster payments to suppliers as the Group made relatively more purchases from suppliers that gave shorter credit periods this year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Foreign exchange rates still remain volatile. As the Group has sales denominated in the United States Dollar, any weakening of the United States Dollar will have an adverse impact on the Group to the extent that the revenue is not matched by costs denominated in the United States Dollar.

The Group continues to face intense pressures from customers for lower pricing on its products, as well as cost pressures in China and Malaysia, where its manufacturing operations are based in. The Group continuously monitors its activities to enforce stringent control of its costs and to identify opportunities to streamline operations for better efficiencies and operational excellence.

High costs and long lead times for raw materials also present challenges to the Group, and the Group actively liaises with both its customers and suppliers to better manage its costs and supply chain.

While the on-going international trade tensions have not had a significant impact on the Group for the financial year ended 30 September 2019, any continuation or escalation of the tensions in future may result in deterioration in economic sentiments, which may in turn affect demand for the Group's products.

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 dividend of 3.0 cents per share and a special dividend of also 3.0 cents per share, totalling 6.0 cents per share for the current financial year ended September 30, 2019 (previous corresponding period: final one-tier tax exempt dividend of 3.0 cents per share).

(d) The date the dividend is payable

Payment of the dividend, if approved by the shareholders at the forthcoming Annual General Meeting of the Company, will be made on 14 February 2020.

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

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 28 January 2020 for the preparation of dividend entitlement and shall reopen on the following working day.

Duly completed and stamped registrable transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 28 January 2020 will be registered to determine shareholders' entitlements to the said dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 28 January 2020 will be entitled to the proposed dividend.

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

Not applicable.

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

No IPT mandate has been obtained.

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

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

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>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Contract Manufacturing | 93,341 | 69,273 | 7,979 | 4,053 |
| Trading | 8,842 | 10,571 | 1,108 | 1,656 |
| Others | - | - | 199 | 241 |
| Total | 102,183 | 79,844 | 9,286 | 5,950 |
| Interest income | | | 817 | 624 |
| Share of results of associate | | | 118 | 106 |
| Profit before tax | | | 10,221 | 6,680 |
| Income tax expense | | | (2,077) | (1,417) |
| Profit for the year | | | 8,144 | 5,263 |

- (ii) Segment assets and liabilities

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|----------------|----------------|
| | <u>\$'000</u> | <u>\$'000</u> |
| <u>Segment assets</u> | | |
| Contract manufacturing | 55,075 | 55,236 |
| Trading | 4,604 | 5,439 |
| Others | 613 | 519 |
| Total segment assets | 60,292 | 61,194 |
| Unallocated | 43,454 | 41,050 |
| Consolidated assets | 103,746 | 102,244 |
| <u>Segment liabilities</u> | | |
| Contract manufacturing | 17,436 | 19,367 |
| Trading | 706 | 1,104 |
| Others | 731 | 551 |
| Total segment liabilities | 18,873 | 21,022 |
| Unallocated | 1,245 | 439 |
| Consolidated liabilities | 20,118 | 21,461 |

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 (continued)

(iii) Other segment information

| | <u>Depreciation</u> | | <u>Additions to non-current assets*</u> | | <u>Investment in associate</u> | | <u>Allowance for inventories</u> | |
|------------------------|---------------------|---------------|---|---------------|--------------------------------|---------------|----------------------------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Contract manufacturing | 788 | 761 | 780 | 597 | - | - | (191) | 158 |
| Trading | 58 | 60 | 4 | 6 | - | - | 11 | (76) |
| Others | - | - | - | 304 | 551 | 448 | - | - |
| Total | 846 | 821 | 784 | 907 | 551 | 448 | (180) | 82 |

* Excluding deferred tax assets

ANALYSIS BY GEOGRAPHICAL INFORMATION

| | <u>Revenue from external customers</u> | | <u>Non-current assets</u> | |
|---|--|---------------|---------------------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Netherlands | 32,710 | 19,251 | 1,537 | 1,426 |
| Poland | 23,281 | 16,486 | - | - |
| Europe (excluding Netherlands and Poland) | 20,211 | 17,051 | - | - |
| People's Republic of China | 9,757 | 9,289 | 1,278 | 1,476 |
| Malaysia | 6,553 | 8,009 | 6,081 | 8,435 |
| Singapore | 4,075 | 4,258 | 198 | 228 |
| Others | 5,596 | 5,500 | - | - |
| | 102,183 | 79,844 | 9,094 | 11,565 |

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 increase in profit of the contract manufacturing segment and the decrease in profit of the trading segment were in line with the respective increase and decrease of turnover in the respective segments.

The reduction in non-current assets in Malaysia was due to the disposal of part of the Company's FVTOCI equity investment in PNE PCB Berhad.

17. A breakdown of sales.

| | | Latest financial year \$'000 | Previous financial year \$'000 | % increase / (decrease) |
|-----|--|---------------------------------|-----------------------------------|-------------------------|
| (a) | Sales reported for first half year | 48,223 | 38,756 | 24.4 |
| (b) | Operating profit after tax before deducting minority interests reported for first half year | 2,851 | 1,397 | 104.1 |
| (c) | Sales reported for second half year | 53,960 | 41,088 | 31.3 |
| (d) | Operating profit after tax before deducting minority interests reported for second half year | 5,293 | 3,866 | 36.9 |

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, 2019 (One-tier tax exempt dividend*) | Latest Full Year ended September 30, 2018 (One-tier tax exempt dividend*) |
|------------|--|--|
| Ordinary | \$7,552,508 | \$5,035,005 |
| Preference | - | - |
| Total: | \$7,552,508 | \$5,035,005 |

* 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(13) 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 | 59 | 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 | 48 | 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 | 47 | 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 26, 2019