



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 (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	30/09/2005	30/09/2004
	\$ '000	\$ '000
Revenue	57,843	49,689
Cost of sales	(45,456)	(39,319)
Gross profit	12,387	10,370
Other operating income	210	682
Distribution costs	(956)	(631)
Administrative expenses	(7,052)	(6,221)
Profit from operations	4,589	4,200
Amortisation of goodwill	-	(1,502)
Impairment loss on investment in associates	(30,974)	-
Interest expense	(244)	(203)
(Loss) Profit before share of results of associates	(26,629)	2,495
Share of results of associates	(907)	(1,153)
(Loss) Profit before income tax	(27,536)	1,342
Income tax	151	(311)
(Loss) Profit after income tax	(27,385)	1,031
Attributable to:		
Equity holders of the parent	(27,388)	1,034
Minority interests	3	(3)
	(27,385)	1,031

Notes:

In addition to the charges and credits disclosed above, the following items have also been credited (charged) to the profit and loss statements:

	Group	
	30/09/2005	30/09/2004
	\$ '000	\$ '000
(A) Investment income	-	-
(B)(i) Other income - interest income	31	13
(B)(ii) - others	179	430
(C) Interest on borrowings	(244)	(203)
(D)(i) Depreciation	(1,508)	(1,465)
(D)(ii) Amortisation	-	(1,502)
(E) Allowance for doubtful debts and bad debts written off	(67)	(155)
(F) (Allowance for) Write back of stock obsolescence	(334)	239
(G) Impairment in value of investments	(30,974)	-
(H) Foreign exchange loss	(140)	(56)
(I) Adjustment for over provision of tax in respect of prior years	173	10
(J) Profit (Loss) on sale of investments, properties, and/or plant and equipment	29	(249)
(K) Exceptional items	-	-
(L) Extraordinary items	-	-
(M) Property, plant and equipment written off	(17)	(2)

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

	Group		Company	
	<u>30/09/2005</u>	<u>30/09/2004</u>	<u>30/09/2005</u>	<u>30/09/2004</u>
	<u>S\$ '000</u>	<u>S\$ '000</u>	<u>S\$ '000</u>	<u>S\$ '000</u>
ASSETS				
Current assets:				
Cash and bank balances	8,726	2,938	155	70
Trade receivables	15,002	12,809	49	174
Other receivables and prepayments	1,054	1,285	4,170	1,968
Inventories	14,312	16,944	-	-
Total current assets	39,094	33,976	4,374	2,212
Non-current assets:				
Investment in subsidiaries	-	-	27,002	26,523
Investment in associates	6,984	38,642	6,877	51,401
Property, plant and equipment	16,252	17,415	-	-
Goodwill on consolidation	21	21	-	-
Trademark	-	50	-	50
Total non-current assets	23,257	56,128	33,879	77,974
Total assets	62,351	90,104	38,253	80,186
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	8,225	10,206	38	1,298
Other payables	1,736	-	1,187	-
Income tax payable	182	125	37	4
Short-term bank loans	3,277	5,345	-	-
Current portion of finance lease	-	8	-	-
Total current liabilities	13,420	15,684	1,262	1,302
Non-current liability:				
Deferred tax liabilities	267	579	-	-
Capital, reserves and minority interests:				
Issued capital	33,567	31,094	33,567	31,094
Share premium	47,196	47,196	47,196	47,196
Capital reserve on consolidation	1,267	1,267	-	-
Currency translation reserves	(398)	(133)	-	-
Accumulated (losses) profits	(33,005)	(5,617)	(43,772)	594
Equity attributable to equity holders of the parent	48,627	73,807	36,991	78,884
Minority interests	37	34	-	-
Total equity	48,664	73,841	36,991	78,884
Total liabilities and equity	62,351	90,104	38,253	80,186

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, 2005		As at September 30, 2004	
Secured	Unsecured	Secured	Unsecured
\$867,000	\$2,410,000	\$2,943,000	\$2,410,000

Amount repayable after one year

As at September 30, 2005		As at September 30, 2004	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

The borrowings include amounts due to banks and hire purchase creditors. The amounts due to banks are secured by certain of the Group's leasehold land and buildings, while the amounts due to hire purchase creditors are secured by the motor vehicles for which the hire purchase facilities were obtained.

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

Year ended:	30/09/2005 \$' 000	30/09/2004 \$' 000
Cash flows from operating activities:		
(Loss) Profit before income tax	(27,536)	1,342
Adjustments for:		
Share of results of associates	907	1,153
Amortisation of goodwill	-	1,502
Depreciation expense	1,508	1,465
Impairment loss on investment in associates	30,974	-
Impairment loss on property, plant and equipment	435	-
Interest income	(31)	(13)
Interest expense	244	203
(Gain) Loss on disposal of property, plant and equipment	(29)	249
Property, plant and equipment written off	17	2
Allowance for doubtful trade receivables	67	155
Allowance (Write-back) of inventory obsolescence	334	(239)
Impairment loss on trade mark	50	-
Operating profit before working capital changes	6,940	5,819
Trade receivables	(2,260)	2,266
Other receivables and prepayments	231	(177)
Inventories	2,298	(6,550)
Trade payables	(1,981)	(152)
Other payables	1,736	-
Cash generated from operations	6,964	1,206
Interest received	31	13
Interest paid	(244)	(203)
Income tax paid	(326)	(221)
Net cash from operating activities	6,425	795

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

Year ended:	<u>30/09/2005</u>	<u>30/09/2004</u>
	<u>\$' 000</u>	<u>\$' 000</u>
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	34	287
Purchase of property, plant and equipment	(955)	(2,052)
Purchase of other intangible asset	-	(50)
Purchase of investment in associate	(75)	(40)
Payment to minority interest	-	(96)
Net cash used in investing activities	(996)	(1,951)
Cash flows from financing activities:		
Proceeds from issuing shares	2,473	-
Repayment of finance lease	(8)	(13)
(Decrease) Increase in short-term bank loans	(2,068)	3,092
Decrease in long-term bank loan	-	(1,755)
Net cash from financing activities	397	1,324
Net effect of exchange rate changes in consolidating subsidiaries	(38)	(111)
Net increase in cash	5,788	57
Cash at beginning of year	2,938	2,881
Cash at end of year	8,726	2,938

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

	<u>Issued Capital</u>	<u>Share premium</u>	<u>Capital reserve on consolidation</u>	<u>Currency translation reserves</u>	<u>Accumulated losses</u>	<u>Attributable to equity holders of the parent</u>	<u>Minority interests</u>	<u>Total</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>
GROUP								
Balance as at October 1, 2003	31,094	47,196	1,267	690	(6,651)	73,596	113	73,709
Currency translation differences	-	-	-	(823)	-	(823)	(76)	(899)
Net profit for the year	-	-	-	-	1,034	1,034	(3)	1,031
Balance as at September 30, 2004	31,094	47,196	1,267	(133)	(5,617)	73,807	34	73,841
Issue of shares:								
Exercise of warrants	2,473	-	-	-	-	2,473	-	2,473
Currency translation differences	-	-	-	(265)	-	(265)	-	(265)
Net loss for the year	-	-	-	-	(27,388)	(27,388)	3	(27,385)
Balance as at September 30, 2005	33,567	47,196	1,267	(398)	(33,005)	48,627	37	48,664

<u>COMPANY</u>	<u>Issued Capital</u> \$'000	<u>Share premium</u> \$'000	<u>Accumulated profits (losses)</u> \$'000	<u>Total</u> \$'000
Balance as at October 1, 2003	31,094	47,196	576	78,866
Net profit for the year	-	-	18	18
Balance as at September 30, 2004	31,094	47,196	594	78,884
Issue of shares:				
Exercise of warrants	2,473	-	-	2,473
Net loss for the year	-	-	(44,366)	(44,366)
Balance as at September 30, 2005	33,567	47,196	(43,772)	36,991

- 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 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**

Since the end of the previous period reported on, the company has issued 24,729,250 new shares pursuant to the exercise of warrants prior to the expiry of the warrants on August 28, 2005.

The number of shares that may be issued on conversion of all outstanding convertibles are as follows:

	As at September 30, 2005	As at September 30, 2004
Upon conversion of warrants	Nil due to expiry of warrants on 28 August 2005	77,734,450
Upon exercise of share options	7,940,000	8,180,000

- 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**

Apart from the adoption of the following financial reporting standards with effect from the current financial year, the Group has applied the same accounting policies and methods of computation as in the previous financial year:

FRS 103 Business Combinations
 Revised FRS 36 Impairment of Assets
 Revised FRS 38 Intangible Assets

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**

FRS 103 stipulates that goodwill should be treated as an intangible asset with indefinite life and be tested for impairment at least annually. Accordingly, the Group ceased to amortise its goodwill with effect from 1 October 2004. Impairment of goodwill, if any, will be assessed at least annually, or as and when there is any indication that goodwill might be impaired.

Had the Group continued to amortise the goodwill, the Group will recognize amortisation expense of \$1,502,000 for the year ended September 30, 2005.

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, 2005	Year ended September 30, 2004
(Loss) Profit per ordinary share of the Group after deducting any provision for preference dividends:		
(a) Based on number of ordinary shares on issue	(8.75) cents	0.33 cents
Number of ordinary shares	312,998,571	310,937,800
(b) On a fully diluted basis	(8.75) cents	0.32 cents
Adjusted number of ordinary shares	312,998,571	322,232,549

For the year ended September 30, 2005, there is no dilution in respect of the options at the end of the financial year given that the Group is in a net loss position.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital 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, 2005)	14.5 cents	11.0 cents
(b) Immediately preceding financial year (September 30, 2004)	23.7 cents	25.4 cents

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

For the year ended September 30, 2005 ("FY05"), the Group recorded turnover, loss before income tax, and loss after income tax of \$57.8m, \$27.5m, and \$27.4m respectively.

Turnover for FY05 increased \$8.2m or 16.4% from the previous financial year ended September 30, 2004 ("FY04"). The increase in turnover was due mainly to the \$10.4m increase

in sales recorded by the trading segment, offset partially by the \$2.2m reduction in sales recorded by the contract manufacturing segment.

The increase in sales recorded by the trading segment is due mainly to higher sales of printing materials. Sales increased due to higher demand as the Group continued to gain greater customer confidence and acceptance of its products after having first launched the sales of its printing products over 3 years ago. Contract manufacturing sales decreased due mainly to the Group focusing less on transformer sales in view of its rising material costs and erosion of selling prices.

Due to the increase in turnover, gross profit for FY05 increased by \$2.0m or 19.5% against FY04. However, profit from operations increased by only \$0.4m or 9.3% against FY04. The lower rate of increase in profit from operations was due mainly to the \$0.8m increase in administrative expenses. The increase in administrative expenses was due mainly to a \$0.3m provision for inventory obsolescence and a \$0.4m impairment loss on property, plant and equipment which were no longer in use.

Although the Group's profit from operations increased, the Group recorded a net loss before income tax of \$27.5m. The loss arose mainly due to a \$31.0m impairment loss on investment in an associate. This impairment loss is recognized mainly in respect of the Group's goodwill arising from the acquisition of an associate in prior years. Due to the adoption of FRS103 with effect from FY05, the Group no longer amortizes goodwill arising from this acquisition of associate. The Group is, however, required to assess as to whether there is any impairment in the carrying value of the goodwill in accordance with FRS 36, at least on an annual basis. In FY04, the Group recorded amortisation expense of \$1.5m.

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

As reported in the Group's announcement for the six months ended March 31, 2005, the Group achieved better operating performance for the Company and its subsidiaries for FY05 by maintaining tight control over costs.

10. A commentary at the date of the announcement of the 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

The industries which the Group operates in still remain highly competitive. The Group will continue to focus on tight control over costs in order to remain competitive.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None declared.

Name of Dividend	:	
Dividend Type	:	
Dividend Rate	:	
Par value of shares	:	
Tax Rate	:	

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommendeded.

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

13. 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

	<u>Contract manufacturing</u>		<u>Trading</u>		<u>Printed circuit boards</u>		<u>Others</u>		<u>Elimination</u>		<u>Group</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</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>	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>
Revenue												
External sales	36,530	38,770	21,313	10,919	-	-	-	-	-	-	57,843	49,689
Inter-segment sales	6,005	5,479	2,365	938	-	-	1,764	1,560	(10,134)	(7,977)	-	-
Total revenue	<u>42,535</u>	<u>44,249</u>	<u>23,678</u>	<u>11,857</u>	<u>-</u>	<u>-</u>	<u>1,764</u>	<u>1,560</u>	<u>(10,134)</u>	<u>(7,977)</u>	<u>57,843</u>	<u>49,689</u>
Result												
Segment result	3,895	4,167	467	(3)	-	-	196	23	-	-	4,558	4,187
Interest income											31	13
Profit from operations											4,589	4,200
Amortisation of goodwill	-	-	-	-	-	(1,502)	-	-	-	-	-	(1,502)
Impairment loss on investment in associates	-	-	-	-	(30,974)	-	-	-	-	-	(30,974)	-
Interest expense											(244)	(203)
(Loss) Profit before share of results of associates											(26,629)	2,495
Share of results of associates	-	-	-	-	(913)	(1,153)	6	-	-	-	(907)	(1,153)
(Loss) Profit before income tax											(27,536)	1,342
Income tax											151	(311)
(Loss) Profit after income tax											<u>(27,385)</u>	<u>1,031</u>
Other information												
Segment assets	27,179	30,929	19,434	17,511	-	-	7	63	-	-	46,620	48,503
Investment in associates	-	-	-	-	6,904	38,642	80	-	-	-	6,984	38,642
Goodwill on consolidation	-	-	21	21	-	-	-	-	-	-	21	21
Unallocated corporate assets	-	-	-	-	-	-	8,726	2,938	-	-	8,726	2,938
Consolidated total assets											<u>62,351</u>	<u>90,104</u>
Segment liabilities	8,517	8,740	1,083	1,076	-	-	361	389	-	-	9,961	10,205
Unallocated corporate liabilities	-	-	-	-	-	-	3,726	6,058	-	-	3,726	6,058
Consolidated total liabilities											<u>13,687</u>	<u>16,263</u>
Additions to property, plant and equipment	725	579	230	1,473	-	-	-	-	-	-	955	2,052
Depreciation and amortisation	1,028	1,104	480	361	-	1,502	-	-	-	-	1,508	2,967

ANALYSIS BY GEOGRAPHICAL SEGMENT

	<u>Revenue</u>		<u>Carrying amount of segment assets</u>		<u>Additions to property, plant and equipment, intangible assets and goodwill on consolidation</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>
Europe	20,605	19,800	-	-	-	-
Malaysia	6,418	10,223	24,275	59,154	368	79
Singapore	10,130	10,044	17,558	11,361	-	51
People's Republic of China	20,690	9,622	20,518	19,589	587	1,993
	<u>57,843</u>	<u>49,689</u>	<u>62,351</u>	<u>90,104</u>	<u>955</u>	<u>2,123</u>

14. 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 sales to China was due mainly to increase in sales of the Group's printing products in China.

The carrying amount of segment assets in Malaysia reduced due to the impairment loss on the Group's investment in a Malaysian associate.

15. A breakdown of sales

The breakdown of the Group's sales and operating profit after tax before deducting minority interests are as follows:

		<u>Latest financial year</u> \$ '000	<u>Previous financial year</u> \$ '000	<u>% increase / (decrease)</u>
(a)	Sales reported for first half year	28,628	22,910	25.0%
(b)	Profit after tax before deducting minority interests reported for first half year	2,288	824	177.7%
(c)	Sales reported for second half year	29,215	26,779	9.1%
(d)	(Loss) Profit after tax before deducting minority interests reported for second half year	(29,673)	207	Not applicable

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

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	<u>Latest Full Year ended</u> September 30, 2005	<u>Previous Full Year ended</u> September 30, 2004
Ordinary	0	0
Preference	0	0
Total:	0	0

17. Interested Person Transactions ("IPT")

The aggregate value of transactions conducted pursuant to the IPT Mandate obtained during the Annual General Meeting held on 28 January 2005 for the financial period being reported on are as follows:

<u>Name of interested person</u>	<u>Aggregate value of all interested person transactions conducted under the IPT Mandate (excluding transactions less than \$100,000)</u> \$ '000
PNE Plas Sdn Bhd	518
PNE Micron Engineering Sdn Bhd	521
PNE Electronics Sdn Bhd	31

BY ORDER OF THE BOARD

Ms Tan Meng Siew
Company Secretary
November 28, 2005