

Issuer: PNE Industries Ltd

Security: PNE Industries Ltd

Meeting details:

Date: 18 January 2017

Time: 09:00H

Venue: Emerald Suite, Golf Club House Level 2, Orchid Country Club, 1 Orchid Club Road, Singapore 769162

Company Description

PNE Industries Ltd, an investment holding company, manufactures and sells electronic and electrical appliances primarily in Europe, Indonesia, Malaysia, Singapore, and the People's Republic of China. It operates in two segments, Contract Manufacturing and Trading. The Contract Manufacturing segment manufactures electronic controllers, and other electrical and electronic products. The Trading segment manufactures and trades in emergency lighting equipment, including conversion kits, emergency luminaire, exit luminaire, and staircase fittings for the construction and building industry. The company also provides electrical apparatus, light fittings, and related products. PNE Industries Ltd was incorporated in 1999 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BDA)

Q1. In the Chairman’s Statement (page 1 of the annual report), the Chairman talked about a “steadfast year” where revenue was largely flat but profit increased by \$2.3 million compared to the previous year (excluding the one-time gain). There was no mention of the growth prospect though the Chairman did highlight that the group will try to improve or maintain margins in the “Looking Ahead” section.

Coupled with the fact that PNE Print Technology Co., Ltd (“PNE Print”) was disposed off during the financial year, and that the equity interest in PNE PCB Berhad has largely been disposed off in 2014, **shareholders would like to get better clarity on the group’s growth strategies and the prospects, other than the current operations (which are fairly stable and are profitable).**

Q2. It is also noted that there is a healthy cash flow generated from operating activities of \$12.7 million, and a one-off net cash proceeds of \$8.8 million from the disposal of PNE Print Technology Co., Ltd. As a result, the cash and bank balances (Statements of Financial Position - page 19) reached \$44.1 million as at 30 September 2016. At the end of the financial year 2016, 55% of the equity attributable to equity holders of \$80.9 million is cash and bank balances.

Could the board clarify, in greater detail, the capital management policy and how it could optimise the current capital structure to maximise the returns to all shareholders?

Q3. On 25 July 2014, it was announced that the then directors-cum-substantial shareholders, including the current Chairman, Mr Tan Kong Heng, and executive directors Mr Tan Koon Chwee and Mr Tan Kong Leong, were to sell a 29.05% stake in the company to a “Hummer Investments Limited” for a sum of \$29.4 million. It was then announced on 19 December 2014 that the sale and purchase agreement had been terminated as “certain conditions were not fulfilled by the Purchaser”.

- a) **Given that the company has sold PNE Print and most of PNE PCB Berhad, and that the group is in a consolidation stage with no clear growth strategy, can the Executive Directors reaffirmed their commitment to the company?**
- b) Shareholders would also like to understand the management depth of the group. **Could the independent directors comment on the succession plans of the group, especially on the availability and suitability of in-house candidates to assume key positions as and when needed?**