PNE INDUSTRIES LTD
(Company Registration No. 199905792R)
(Incorporated in the Republic of Singapore)

PNE INDUSTRIES LTD – PROPOSED DISPOSAL OF 100% SHAREHOLDINGS IN PNE PRINT TECHNOLOGY CO., LTD

- **CONSULTATION IN ACCORDANCE WITH RULE 1007(1) OF THE LISTING MANUAL ("LISTING MANUAL") OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST")**
- **WAIVER FROM REQUIREMENT TO COMPLY WITH RULE 1014 OF THE LISTING MANUAL IN RELATION TO THE PROPOSED DISPOSAL (AS DEFINED BELOW)**

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1. INTRODUCTION :

The Board of Directors (the "**Board**") of PNE Industries Ltd ("**Company**" together with its subsidiaries, "**Group**") wishes to announce that it intends to dispose all of its shareholdings in PNE Print Technology Co., Ltd ("**PNE Print**") ("**Proposed Disposal**"). The Company is currently negotiating with potential purchasers but there are no concrete offers as yet.

2. THE PROPOSED DISPOSAL

PNE Print

PNE Print was incorporated in 2001 and its principal business is in the manufacturing and sale of pre-senitised plates. PNE Print has ceased manufacturing operations since November 2014.

3. CONSIDERATION:

3.1 It is the intention that the consideration on the Proposed Disposal shall be between RMB40 million to RMB50 million ("**Disposal Consideration**"). The Disposal Consideration is made with reference to a valuation conducted on the land and building thereon owned by PNE Print at Yanjiao Economic and Technical Zone, Sanhe City, Hebei Province, China postal code 065201, which is PNE Print's main asset in September 2015 of RMB41 million.

3.2 It is the intention that the Disposal Consideration will be in cash with the usual payment terms of a deposit followed by full payment upon completion. Any long term instalment payment is unlikely to be agreed upon by the Company.

3.3 As a result of the Proposed Disposal, there will be an estimated excess of S$3.2 million to S$5.5 million over the book value of PNE Print. The Company intends to use the proceeds from the Disposal Consideration for working capital. The Company may also consider declaring a special dividend upon completion or substantial completion of the Proposed Disposal, depending on the working capital requirements of the Group at that time.

4. THE RELATIVE FIGURES AS SET OUT IN RULE 1006 OF THE LISTING MANUAL

4.1 Based on the latest unaudited consolidated financial statements for the half-yearly ended 31 March 2015, the relative figures in respect of the Proposed Disposal, as computed on the

bases set out in Rule 1006 of the Listing Manual, are as follows:

Bases of calculation	**Relative figure** **(assuming Disposal Consideration of RMB40 million)**	**Relative figure** **(assuming Disposal Consideration of RMB50 million)**
Rule 1006(a) The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets	6.1%(1)	6.1%(1)
Rule 1006(b) Net loss attributable to the assets disposed, compared with the Group's net profits(2)	(32.7%)(3)	(32.7%)(3)
Rule 1006(c) Aggregate value of consideration given, compared with the Company's market capitalisation as at 1 October 2015 (4)	19.5%	24.3%
Rule 1006(d) Number of equity securities issued by the Company as consideration for the disposal, compared with the number of equity securities previously in issue	Not applicable	Not applicable
Rule 1006(e) Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to the Proposed Disposal.	Not applicable	Not applicable

NOTES:

(1) The net asset value of PNE Print as at 31 March 2015 is RMB20.6 million, whilst the net asset value of the Group is approximately RMB340.3 million at an exchange rate of 0.2161.

(2) Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interests and extraordinary items.

(3) Determined by dividing the net loss of approximately S$1.5 million attributable to PNE Print by the Group's latest unaudited consolidated net profit of S$4.7 million for the financial period ended 31 March 2015.

(4) Based on the Disposal Consideration at exchange rate of 0.2225 and the market capitalisation of the Company of S$45.7 million as at 1 October 2015. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue by the weighted average price of S$0.5448 per share on 30 September 2015 being the last full market day on which the shares were traded prior to the date of the Waiver (as defined below).

4.2 The Proposed Disposal will constitute a major transaction under Rule 1013 of the Listing Manual and would require the approval of the Company's shareholders in a general meeting pursuant to Rule 1014 as the relative figure may exceed 20% based on basis 1006(c), depending on the amount of the Disposal Consideration.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1 The illustrative financial effects on the Group before and after the Proposed Disposal are summarized below and have been prepared using the audited accounts of the Group prepared on a consolidated basis for the financial year ended 30 September 2014, based on, inter alia, the following assumptions:

(i) for the purposes of the effect on the EPS, the Proposed Disposal had been completed on 1 October 2013, assuming that the Proposed Disposal had been effected at the beginning of the most recently completed financial year; and

(ii) for the purposes of the effect on NTA per Share, gearing and working capital, the Proposed Disposal had been completed on 30 September 2014, being the date to which the latest full-year audited accounts of the Group were made up.

Costs associated with the Proposed Disposal are assumed to be immaterial and disregarded when computing the illustrative financial effects.

5.2 **Assuming Disposal Consideration of RMB40 million**

Earnings per Share

	<----------FY2014---------->	
	Before the Proposed Disposal	**After the Proposed Disposal**
Consolidated net profit (S$'000)	8,546	11,492
Weighted average number of shares ('000)	335,667	335,667
Earnings per Share ("**EPS**") (cents)	2.5	3.4

Net Tangible Assets

	As at 30 September 2014	**Adjusted for the Proposed Disposal**
Net Tangible Asset ("**NTA**") ($'000)	71,025	74,275
Number of Shares ('000)	335,667	335,667
NTA per Share ($)	21.2	22.1

Gearing

This is not applicable as the Group does not have borrowings.

5.3 **Assuming Disposal Consideration of RMB50 million**

Earnings per Share

	<----------FY2014---------->	
	Before the Proposed Disposal	**After the Proposed Disposal**
Consolidated net profit (S$'000)	8,546	13,717
Weighted average number of shares ('000)	335,667	335,667
Earnings per Share ("**EPS**") (cents)	2.5	4.1

Net Tangible Assets

	As at 30 September 2014	**Adjusted for the Proposed Disposal**
Net Tangible Asset ("**NTA**") ($'000)	71,025	76,500
Number of Shares ('000)	335,667	335,667
NTA per Share ($)	21.2	22.8

Gearing

This is not applicable as the Group does not have borrowings.

5.4 **Working Capital**

The Group has a working capital of S$56.7 million as at 30 September 2014. The Group is able to meet the financial obligations as and when they fall due. The working capital will increase to S$62.4 million assuming the Disposal Consideration is RMB40 million, or S$64.6 million assuming the Disposal Consideration is RMB50 million after the Disposal.

6. RATIONALE FOR THE PROPOSED DISPOSAL

The Company is of the view that the Proposed Disposal will be in the best interests of the Company. The Proposed Disposal is an opportunity for the Company to divest a loss making business which in the opinion of the Management has poor prospects. As disclosed in paragraph 2 of this announcement, PNE Print has ceased manufacturing operations in November 2014 and will not commence operations again as it will not be viable in the current challenging and difficult business environment. The Proposed Disposal will have minimal impact on the rest of the operations of the Group and will allow the management to better focus on the rest of the Group's operations.

7. WAIVER SOUGHT WITH SGX-ST

7.1 On 2 October 2015, the Company had sought the following clarification from the SGX-ST on Rule 1007 of the Listing Manual and the waiver from the requirement to comply with Rule 1004 of the Listing Manual as follows ("**Waiver**"):

(a) whether Shareholders' approval is required for the Proposed Disposal in accordance with Rule 1007 of the Listing Manual; and

(b) a waiver from compliance with Rule 1014 of the Listing Manual in respect of the Proposed Disposal.

7.2 The Company wishes to announce that it had received a letter from the SGX-ST dated 5 November 2015, granting the approval for the Waiver, subject to the following:

(a) the Disposal Consideration being not less than RMB40,000,000;

(b) the Company announcing the Wavier granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual; and

(c) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

8. REASONS FOR SEEKING THE WAIVER:

The Company applied for the Waiver on the following grounds:

(a) The relative figure under Rule 1006(b) does not give a meaningful indication of the significance of the Proposed Disposal because PNE Print was loss making as at 30 September 2014.

(b) PNE Print does not form the core business of the Company and/or the Group as PNE Print has ceased manufacturing operations in November 2014. In addition, the disposal of PNE Print will not have significant impact on the operations of the rest of the Group since their operations are not inter-dependent.

(c) PNE Print had been loss making and reported a loss of S$6.3 million as of 30 September 2014. Shareholders generally would not be concerned with the Proposed Disposal due to the loss making nature of PNE Print.

(d) The waiver from having to approach shareholders for approval will allow the Company to react faster and seize the opportunity when negotiating the terms of the Proposed Disposal, which is pertinent in the current climate.

9. WAIVER FROM EGM

As the SGX-ST has granted the Wavier to the Company, the Company will not be convening an extraordinary general meeting to seek shareholder's approval for the Proposed Disposal and accordingly, will not be dispatching a circular to shareholders in relation thereto.

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLD ERS

None of the Directors or substantial shareholders of the Company has any direct or indirect interest in the Proposed Disposal (other than their shareholdings in the Company).

BY ORDER OF THE BOARD

Tan Meng Siew
Financial Controller and Company Secretary
5 November 2015