

**PNE MICRON HOLDINGS LTD**  
(Registration No. 200105909M)  
(Incorporated in Singapore)

---

**PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP TO INCLUDE THE OPERATION OF MINES AND PRODUCTION OF COPPER AND OTHER FERROUS AND NON-FERROUS METAL RESOURCES**

**PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS IN YJL MINING PTE. LTD.**

---

**1. INTRODUCTION**

The Board of Directors (the **%Board+**) of PNE Micron Holdings Ltd (the **%Company+**) wishes to announce that the Company and its subsidiaries (the **%Group+**) proposes to diversify its business as described in paragraph 2 of this announcement.

In this regard, the Company has on 2 March 2015 announced that it has entered into a non-binding Memorandum of Understanding (**%MOU+**) with an unrelated third party, Mr Ye Jing Long (the **%Vendor+**), for the acquisition of 25% of the total registered capital of Kunming Zhen Tong Mining Co, Ltd (**%昆明真铜矿业有限公司+**) (**%Zhen Tong+**) (or its holding company) by the Company. Zhen Tong is an entity registered in the People's Republic of China (**%PRC+**) which is wholly-owned by the Vendor.

**2. PROPOSED DIVERSIFICATION**

The Group is proposing to diversify its business to include the ownership, operation and management (including exploration, extraction and production) of mines and other mining activities relating to copper and other ferrous and non-ferrous metal resources , as well as the processing, trading, sale and distribution of such resources and their related products (the **%Proposed Diversification+**).

The Proposed Diversification is an vertical extension of the previous diversification of the Group into the business relating to the trading of coal and commodities (**%2010 Diversification+**), further details of which can be found in the circular issued to shareholders of the Company (**%Shareholders+**) on 6 January 2010 (**%2010 Circular+**). The Group had previously indicated in the 2010 Circular that the 2010 Diversification was an investment platform from which the Company could venture into the commodities, minerals and resource sector.

The Group does not plan to restrict the Proposed Diversification to any specific geographical markets as investment would be evaluated and assessed by the Board on its own merits. Nevertheless, in the initial stage of the Proposed Diversification, the Group will focus on the markets in Asia, in particular the PRC.

As part of the Proposed Diversification, the Company has entered into a convertible bond subscription agreement (**%CBA+**) with the Vendor and YJL Mining Pte. Ltd. (**%YJL+**) on 7 May 2015 (**%Proposed Subscription+**). Further details of the Proposed Subscription can be found in paragraph 4 of this announcement.

It is envisaged that the Proposed Diversification may change the existing risk profile of the Group, an extraordinary general meeting (**%EGM+**) will be convened by the Company to seek the shareholders approval to approve the Proposed Diversification. Please refer to paragraph 11 of this announcement for more details.

**3. RATIONALE FOR THE PROPOSED DIVERSIFICATION**

The Board is of the opinion that the Proposed Diversification will be able to add value to the Company and bring benefits to the Shareholders.

The Proposed Diversification would provide the Group with diversified returns and would contribute an additional stream of revenue and earnings for the Group due to, *inter alia*, the following:

- (a) the Proposed Diversification would allow the Group to participate in the growth prospects of the increase in industrialisation and urbanisation in emerging economies which are expected to lead to an increase in demand for copper and other ferrous and non-ferrous metal resources; and
- (b) the Proposed Diversification would reduce the Group's reliance on its existing business, which is expected to remain competitive and challenging (as disclosed in Paragraph 8 of the Company's full year results for the financial year ended 30 September 2014 announced on 28 November 2014).

#### 4. PROPOSED SUBSCRIPTION

##### 4.1 Information on the Vendor and YJL

The Vendor is a professional whose family has had many years of experience in the mining and exploration business in the PRC. YJL is a company incorporated in Singapore on 11 February 2015, with an issued and paid-up capital of S\$10,000. YJL is ultimately wholly-owned by the Vendor. Zhen Tong is a company incorporated on 26 October 2012, with an issued and paid-up capital of RMB5 million, and wholly-owned by the Vendor.

Zhen Tong currently holds the mining rights to the copper mine named 昆明真铜矿业有限公司西岳铜矿 (**Copper Mine**), which comprises an area of 0.7831km<sup>2</sup>. The duration of the mining concession held by Zhen Tong is 4 years and 1 month, which will expire on 7 March 2017.

The business of the YJL Group (as defined below) is principally the exploration, development, mining and production of copper of the Copper Mine in Yunnan Province, PRC (**Business**).

The parties have agreed that approximately 80% of the proceeds from the Proposed Subscription will be used to fund the restructuring exercise of YJL, its holding company, its subsidiary(ies) and Zhen Tong (collectively the **YJL Group**, and each a **Group Company**) (**Restructuring Exercise**), as well as the expansion of the Business. The remaining proceeds from the Proposed Subscription will be used to fund the professional costs and expenses of an initial public offering of the shares of YJL on a recognised stock exchange (**IPO**) and working capital requirements for the YJL Group.

##### 4.2 Issue of Convertible Bonds

On 7 May 2015, the Company entered into a CBA with the Vendor and YJL for the subscription of convertible bonds in YJL on the terms and conditions of the CBA (**Convertible Bonds**).

Taking into account the restructuring plans of Zhen Tong to facilitate investments by non-PRC entities, the Vendor has decided to undertake the Restructuring Exercise. Following the completion of the Restructuring Exercise, YJL will become the holding company of a new wholly foreign-owned subsidiary incorporated in the PRC (**WFOE**), which will in turn own the mining assets and operations of Zhen Tong.

Pursuant to the terms of the CBA, YJL has agreed to issue, and the Company has agreed to subscribe for, Convertible Bonds for a principal amount of up to the aggregate sum of S\$13,020,833 (**Principal Amount**), issued in multiples of S\$500,000. The Convertible Bonds may be converted at the option of the Company into shares amounting to 25% of the enlarged share capital of YJL immediately after conversion (**Conversion Shares**). The Principal Amount shall be secured by a personal guarantee of the Vendor.

The Principal Amount will be funded through bank loans and such fund raising activity conducted by the Company to raise such amount of funds as the Company deems fit at its discretion (**Fund Raising Exercise**).

### 4.3 Conditions Precedent

The obligations of the Company to subscribe for the Convertible Bonds shall be conditional upon the following conditions having been fulfilled or otherwise waived in writing at the sole and absolute discretion of the Company (as the case may be) on the Completion Date (as defined in paragraph 4.4 of this announcement), *inter alia*:

- (a) The results of the due diligence investigations carried out by the Company in respect of Zhen Tong showing that the business of Zhen Tong is being conducted in accordance with the conditions of all permits and/or licences granted to it, as well as in accordance with ordinary standards of mining operations in Kunming, China;
- (b) YJL has obtained all consents, approvals and authorisation which are necessary or desirable in connection with the issue of the Convertible Bonds to the Company having been obtained, and if subject to conditions, on such conditions acceptable to the Company, prior to the Completion Date;
- (c) The Company being satisfied in its sole discretion that there has been no material adverse change, or events, acts or omissions likely to lead to such a change, in the business, assets, prospects, performance, financial position or results of operations of YJL Group, such discretion to be exercised reasonably;
- (d) YJL giving a written confirmation to the Company that it has appointed all necessary professional parties in preparation for the IPO;
- (e) The Company having received approval from the Shareholders (if applicable) at an extraordinary general meeting to be convened for:
  - (i) the Proposed Diversification; and
  - (ii) the Proposed Subscription;
- (f) The completion of the Fund Raising Exercise to be undertaken by the Company;
- (g) Confirmation by the legal counsel of YJL that the Restructuring Exercise has commenced;
- (h) A designated account being set up with a representative of the Company appointed as joint signatory, who must agree to release funds from the designated account if such funds are to be used for the expansion of the Business and restructuring expenses in connection with the IPO as set out in the CBA ;
- (i) The delivery of the audited accounts of the YJL Group for the financial period ended 31 December 2014;
- (j) Confirmation by the independent qualified person, confirming that there are no adverse findings on the Copper Mine that could have a material and/or adverse impact on the IPO and/or RTO (as defined in paragraph 5 of this announcement) of YJL; and
- (k) The delivery of a legal opinion to the Company, confirming that the YJL Group: (i) has obtained all the necessary and valid licences, approvals and permits to conduct the Business in the PRC, and to acquire and own the WOFE and the entire interest in the Copper Mine together with all the assets, properties, rights, licences, approvals and permits required for the ownership and production of the Copper Mine and other related and ancillary activities; (ii) is not in breach of any regulatory requirements; (iii) does not require any further approval or licence from any regulatory authority in the PRC to carry out the Business and/or for the

ownership and production of the Copper Mine; and (iv) has complied with the relevant PRC laws and regulatory requirements in relation to the Restructuring Exercise and seeking listing outside the PRC.

#### 4.4 Completion

Completion shall take place at such place and time as the parties may agree in writing on the Completion Date, which is scheduled to fall on the 7<sup>th</sup> business day after the fulfilment or waiver (as the case may be) of the conditions precedent referred to in paragraph 4.3 above. The parties shall fulfil the conditions precedent within 9 months from the date of the CBA or such later date as the Company may agree in writing.

If the conditions precedent are not fulfilled or waived (as the case may be), the CBA shall *ipso facto* cease and determine and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise (except as specifically provided for in the CBA).

#### 4.5 Other Material Terms

In the event that the amount raised after the completion of the Fund Raising Exercise is less than the target amount to be determined by the Company at its sole discretion, the Company shall have the absolute discretion and option to reduce the Principal Amount. The parties agree that YJL shall be entitled to issue additional Convertible Bonds to third parties for up to the difference between the Principal Amount and the actual principal amount of the Convertible Bonds subscribed by the Company, on the same terms and conditions contained in the CBA.

For so long as the Convertible Bonds remain outstanding, the Company shall have the right to appoint a director to the board of YJL.

#### 4.6 Interest/ Dividends

The Convertible Bonds will bear interest at a simple interest rate of 18% of the Principal Amount per annum. Interest shall be payable by YJL to the Company annually in arrears, with the first payment commencing at the end of 12 months from the Completion Date.

In the event that the Convertible Bonds have been converted into Conversion Shares and the IPO was unsuccessful for any reason whatsoever, YJL shall declare and distribute to its shareholders at least 50% of the net profits after tax of the WOFE (~~%Declared Dividends~~) in each financial year after the issue of the Conversion Shares, and the Company shall be paid 25% of the Declared Dividends.

#### 4.7 Maturity Date

The maturity date of the Convertible Bonds is 24 months from the date of issue. The Company may opt to convert the Convertible Bonds at any time in the manner set out in paragraph 4.8 of this announcement. The redemption amount payable by YJL upon redemption of the Convertible Bonds by the Company in the manner set out in paragraph 4.9 of this announcement shall be in Singapore dollars being the Principal Amount of the outstanding Convertible Bonds plus all accrued and unpaid interest, calculated on the basis of the actual days elapsed and a 365-day year.

#### 4.8 Conversion

The Convertible Bonds may be converted at the option of the Company at any time prior to redemption into Conversion Shares amounting to 25% of the enlarged share capital of YJL immediately after conversion.

In the event that YJL successfully applies for an IPO, YJL and/or the Vendor has the right to request the Company to convert the Convertible Bonds.

The Conversion Shares shall rank *pari passu* in all respects with all other existing ordinary shares in YJL and shall carry the right to receive all dividends and other distributions declared after the date of the conversion.

#### 4.9 Redemption

The redemption of the Convertible Bonds shall take place within 30 days after YJL's receipt of a written notice of redemption issued by the Company requiring the redemption of all the Convertible Bonds then outstanding:

- (a) at any time upon the happening of an event of default provided in the CBA; or
- (b) at any time after the Maturity Date.

#### 5. ARRANGER

The Company was introduced to the Vendor through Sapience Capital (the ~~%Arranger~~), which is an unrelated, independent third party.

In the event that YJL manages to complete an IPO of its shares, a reverse takeover (~~%RTO~~) exercise, trade sale or any other analogous events whereby the Company's gross return on investment due to the Proposed Subscription exceeds 48% per annum, the Company will pay the Arranger in shares of YJL in the event of an IPO or RTO, or in cash in the event of a trade sale, in accordance with the following formula:

$$\text{Fees payable} = 20\% \times [P \cdot (\text{Principal Amount} \times \{4\% \times \text{number of months from investment to IPO, RTO or trade sale}\})]$$

Where:

$$P = (\text{Value of Company's stake in YJL at the initial issue price of YJL's shares at IPO or RTO}) \cdot (\text{initial cost of Company's investment in YJL})$$

#### 6. RELATIVE FIGURES

The relative figures for the Proposed Subscription computed on the bases set out in Rule 1006 of Listing Manual of the Singapore Exchange Securities Trading Limited (~~%SGX-ST~~) (Section B: Rules of Catalyst) (~~%Catalist Rules~~) are set out below:

Rule 1006 (a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
Rule 1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	See Note <sup>(1)</sup>
Rule 1006 (c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	39.3% <sup>(2)</sup>
Rule 1006 (d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006 (e)	The aggregate volume or amount of proven and probable reserves to be disposed of	Not applicable

	compared with the aggregate of the group's proven 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 an acquisition of such assets	
--	---	--

**Notes:**

- (1) As at the date of this announcement, the YJL Group has not achieved any revenue. Given the stage of the business life cycle of the YJL Group, the profit / loss of the YJL Group cannot be determined with certainty. Therefore, Rule 1006(b) cannot be determined.
- (2) Based on the Principal Amount of S\$13,020,833 and the Company's market capitalisation of approximately S\$33,166,091 as at 6 May 2015 (being the market day preceding the date of the CBA).

The Company will seek specific shareholders' approval for the Proposed Subscription for better governance and prudence.

**7. FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION**

The financial effects of the Proposed Subscription set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the completion of the Proposed Subscription and/or full conversion of the Convertible Bonds into Conversion Shares.

**7.1 Net Tangible Assets ("NTA") Per Share**

The effect of the Proposed Subscription on the NTA per share of the Group for FY2014, assuming that the Proposed Subscription had been effected at the end of FY2014 is as follows:

	Before the Proposed Subscription	After the Proposed Subscription	After the Proposed Subscription and full conversion of the Convertible Bonds into Conversion Shares
NTA (S\$'000) <sup>(1)</sup>	24,178	24,178	24,178
Number of shares ('000) <sup>(2)</sup>	637,809	637,809	637,809
NTA per share (Singapore cents)	3.80	3.80	3.80

**Notes:**

- (1) Based on the NTA of the Group as at 30 September 2014.
- (2) Based on issued share capital of the Company as at the date of this announcement.

**7.2 Earnings Per Share ("EPS")**

The effect of the Proposed Subscription on the EPS of the Group for FY2014, assuming that the Proposed Subscription had been effected at the beginning of FY2014 is as follows:

	Before the Proposed Subscription	After the Proposed Subscription but before the full conversion of the Convertible Bonds into Conversion Shares	After the Proposed Subscription and full conversion of the Convertible Bonds into Conversion Shares
Net profit attributable to owners	745	745	745

of the Company (S\$000) <sup>(1)</sup>			
Number of shares (000) <sup>(2)</sup>	637,809	637,809	637,809
Basic EPS (Singapore cents)	0.12	0.12	0.12

**Notes:**

(1) Based on the profits of the Group as at 30 September 2014.

(2) Based on issued share capital of the Company as at the date of this announcement.

**8. SERVICE CONTRACT**

There are no directors proposed to be appointed to the Company in connection with the Proposed Subscription.

**9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Subscription, other than through their respective shareholdings (if any) in the Company.

**10. CIRCULAR AND DOCUMENTS FOR INSPECTION**

The circular to the Shareholders containing, *inter alia*, further information on the Proposed Diversification, the Proposed Subscription and enclosing the notice of the EGM of the Company will be despatched by the Company to the Shareholders in due course.

A copy of the CBA is available for inspection at the registered office of the Company at 16 Tuas Avenue 20 Singapore 638827 during normal business hours for three (3) months from the date of this announcement.

**11. EXTRAORDINARY GENERAL MEETING**

The Proposed Diversification will involve new business areas with different profiles from the Group's existing core business. It is envisaged that the Proposed Diversification may change the existing risk profile of the Group.

Accordingly, an EGM will be convened by the Company to seek the shareholders' approval to approve the Proposed Diversification and the Proposed Subscription, notice of which will be announced in due course. The EGM will allow the shareholders the opportunity to communicate their views on the Proposed Diversification and the Proposed Subscription, and consider, if thought fit, to approve the same.

By Order of the Board

Tan Kong Heng  
Non-Executive Chairman  
7 May 2015

---

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy,*

*completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.*