

PCI LIMITED
(Company Registration No.: 198804482N)
(Incorporated in the Republic of Singapore)

PROPOSED SURRENDER OF THE LEASE OF LOT NO. 281C MUKIM NO. 06 ALSO KNOWN AS PTE LOT A18676 TOGETHER WITH THE BUILDING(S) ERECTED THEREON AND KNOWN AS 322 AND 386 JALAN AHMAD IBRAHIM, SINGAPORE (THE "PROPERTY") BY THE COMPANY'S WHOLLY-OWNED SUBSIDIARY, QUIJUL PTE LTD

I. INTRODUCTION

The board of directors (the "**Board**") of PCI Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Quijul Pte Ltd ("**Quijul**"), has, after business hours on 12 February 2015, conditionally accepted (the "**Surrender Acceptance**") JTC Corporation's ("**JTC**") offer of 30 January 2015 (the "**Surrender Offer**", and together with the Surrender Acceptance, the "**Surrender Agreement**") for the surrender of Quijul's lease of the Property (the "**Proposed Disposal**").

2. INFORMATION ON THE PROPERTY

The Property covers a land area of approximately 76,487.1 square metres. As at the date hereof, Quijul holds a leasehold interest in the Property (the "**Lease**") through an agreement for lease dated 14 November 1977 (as supplemented by a first supplementary agreement dated 20 September 1983, a second supplementary agreement dated 16 November 1984 and a third supplementary agreement dated 18 June 1987) (collectively, the "**Lease Agreements**"), which Lease expires on 30 June 2026.

The Group currently uses the Property for activities which complement the Group's production activities, namely, design and development, materials engineering and qualification testing, manufacturing engineering and prototype production and testing, supply chain management and logistics warehousing services (the "**Activities**").

The Group had commissioned Associated Property Consultants Pte. Ltd. to undertake a valuation of the Property. In their valuation report dated 30 January 2015, Associated Property Consultants Pte. Ltd. had valued the open market value of the Property at S\$23.5 million.

3. KEY TERMS OF THE PROPOSED DISPOSAL

3.1 Consideration

The consideration (the "**Consideration**") payable by JTC for the Proposed Disposal shall be a sum of S\$24 million, excluding goods and services tax ("**GST**"). GST shall be borne by the JTC subject to Quijul's production of the requisite tax invoice.

3.2 Conditionality of the Proposed Disposal

The Proposed Disposal is conditional upon the approval by the Company's shareholders of the Proposed Disposal on the terms and subject to the conditions set out in the Agreement, or waiver by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") of the requirement for the Company to obtain shareholders' approval for the Proposed Disposal.

3.3 Short-Term Tenancy

JTC had also on 30 January 2015, together with its Surrender Offer, offered Quijul a further short term lease (the "**Short Term Lease**") of the Property which shall commence on the date of completion of the Proposed Disposal and end on 31 December 2016, for a monthly rent of S\$146,345.32 (excluding GST) (the "**Short Term Lease Offer**"). Quijul has, after business hours on 12 February 2015, also accepted the Lease Offer for the Short Term Lease (the "**Short Term Lease Acceptance**", and together with the Lease Offer, the "**Short Term Lease Agreement**"). Under the terms of Short Term Lease Agreement, JTC has also agreed to permit the existing sub-tenants / licensees of the Property, in respect of whom JTC has already granted sub-letting / licensing consent, to remain at the Property as Quijul's sub-tenants / licensees. JTC has agreed that Quijul will be entitled to the rent payable by these existing sub-tenants / licensees up till 31 December 2016 and JTC will also not object to any application by Quijul for the extension of any sub-tenancies / licenses to 31 December 2016.

3.4 Completion Date

The Surrender Agreement provides for a completion date of 31 March 2015, or such other date as may be agreed by JTC in writing (the "**Completion Date**").

3.5 Late Completion

In the event Quijul fails to complete the Proposed Disposal by the Completion Date, without prejudice to JTC's other rights or remedies, Quijul shall, so long as the failure continues, pay JTC market rent and GST for land and building as determined by JTC ("**Rent**") for the Property, pro-rated for each day after the Completion Date. The Rent shall be deducted from the Consideration upon completion.

In addition, where Quijul fails to complete the Proposed Disposal by the Completion Date, JTC may (unless the contract shall first have been rescinded or become void) give Quijul 21 days' written notice to complete the Proposed Disposal and if Quijul still fails to complete within such notice period, JTC shall terminate the Surrender Agreement and be entitled to enforce against Quijul any rights or remedies which JTC may have in law or equity.

3.6 Settlement of Property Tax and Other Outgoings

From the period up to and including the Completion Date, Quijul shall pay:-

- (a) directly to the Inland Revenue Authority of Singapore all property tax including any surcharge therein, whether such tax is levied or increased before, on or retrospectively after the Completion Date;
- (b) directly to all other relevant authority or third parties all other taxes, rates, fees, charges, assessments, duties and outgoings in relation to the Property and all costs, charges and other operating expenses associated with the operation of the Property, which remain outstanding,

and shall indemnify JTC in respect of the same. Quijul shall also pay to JTC all sums owing to JTC including but not limited to rent, interest and other outgoings. Any such sums remaining outstanding on the Completion Date shall be deducted from the Consideration.

3.7 Performance of Lessee's Covenants

Quijul shall continue to observe and perform all the terms, conditions, provisions, stipulations, covenants and undertakings on its part to be observed and performed under the Lease for the Property.

4. RATIONALE FOR THE PROPOSED DISPOSAL

- 4.1 The Property is a non-core asset of the Group. This is evidenced by the low relative figure calculated on the basis set out in Rule 1006(a) – the net asset value the Property is just 7% of the Group's total net assets. In addition, the Group's core business is in providing electronic manufacturing services. The Group's manufacturing plants are all situated overseas as all the Group's factory production activities are carried out in its overseas plants. As mentioned in paragraph 2 above, the Group currently uses the Property only for the Activities.

- 4.2** Further, the Proposed Disposal will not affect the business or general operations of the Group. The Company has, on 2 January 2015, announced that the Group intends to acquire 35 Pioneer Road North, Singapore 628475 (the **"New Property"**) to be used as its new headquarters for the Activities (the **"Proposed Acquisition"**), subject to shareholders' approval of the same. The Short Term Tenancy therefore provides the Group with sufficient time to progressively relocate the current operations of the Group from the Property to the New Property. In the event the Proposed Acquisition does not complete for any reason, the duration of the Short Term Tenancy would also give the Group sufficient time to source for other suitable premises from which the Group may operate. In view of the foregoing, the board of directors of the Company are of the view that the Proposed Disposal does not result in any material change in the risk profile of the Group or the nature of the Group's business.
- 4.3** Additionally, the consideration sum of S\$24 million for the surrender of the Lease, which would enable the Group to make a gain of US\$12.8 million, is an attractive one for the following reasons:-
- (a) JTC has clearly indicated that it will not extend the Lease after it expires in June 2026;
 - (b) Quijul had, in 2013 and 2014, received offers from various third parties to purchase the Lease, but these had all been aborted for various reasons after the prospective purchasers had informal talks with JTC; and
 - (c) S\$24 million is more than the S\$23.5 million Associated Property Consultants Pte. Ltd. had valued the open market value of the Property to be in their valuation report of 30 January 2015.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1 Assumptions

The financial effects of the Proposed Disposal on the Group are set out below and are prepared purely for illustrative purposes only and do not reflect the actual future financial position and results of the Group after completion of the Proposed Disposal. These financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2014 (**"FY2014"**).

5.2 Net Tangible Assets ("NTA") per Share

	Before the Proposed Disposal	Assuming completion of the Proposed Disposal at the end of FY2014
NTA (US\$'000)	83,873	97,673
Number of Shares ('000)	199,099	199,099
NTA per share (US cents)	42.13	49.06

5.3 Earnings per Share

	Before the Proposed Disposal	Assuming completion of the Proposed Disposal at the beginning of FY2014
Profit/(loss) after tax (US\$'000)	5,704	18,758
Number of Shares ('000)	199,099	199,099
Earnings/(loss) per share (US cents)	2.86	9.42

5.4 Net Profits and Gain on Disposal

Based on the latest unaudited announced consolidated accounts of the Group for the 6-month period ended 31 December 2014, the unaudited net profits [before tax, minority interest and extraordinary items] attributable to the Property is approximately US\$1.155 million.

Given that the net book value of the Property was approximately US\$4.910 million based on the latest announced unaudited consolidated financial statements of the Group for the 6-month period ended 31 December 2014, and the Consideration represents an excess over the net book value of the Property, the Group also stands to make a gain of approximately US\$12.8 million upon completion of the Proposed Disposal.

6. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") and based on the latest announced unaudited consolidated financial statements of the Group for the 6-month period ended 31 December 2014, are as follows:-

Rule	Bases of calculation	Relative figures
1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	7%
1006(b)	The net profits attributable to the assets acquired, compared with the Group's net profits	25% ⁽¹⁾
1006(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	28% ⁽²⁾
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
1006(e)	The 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	Not applicable

Notes:-

- (1) The net profits attributable to the Property are largely due to the rental proceeds generated from the sub-letting of the premises in the Property which are not required for the Activities.
- (2) The consideration of US\$17.710 million is based on the consideration of S\$24 million and an exchange rate of S\$1 : US\$0.7379 as at 13 February 2015. The market capitalization of the Company is based on 199,099,000 shares in issue on 13 February 2015 at the price of S\$0.43 per share (using an exchange rate of S\$1: US\$0.7379) transacted at 12 February 2015.

As the relative figures computed on the bases set out in Rules 1006 (b) and (c) of the Listing Manual exceed 20%, the Proposed Acquisition would constitute a major transaction under Chapter 10 of the Listing Manual. In this regard, the Company has applied to the SGX-ST for its consent for a waiver from the requirement to seek shareholders' approval for the Proposed Disposal, as, *inter alia*, the Property is a non-core asset.

In the event the SGX-ST does not grant such waiver, the Proposed Disposal will be subject to the approval of the Company's shareholders. The Board will update the shareholders with the SGX-ST's reply to the application for waiver.

7. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the completion of the Proposed Disposal is conditional upon the approval from the Company's shareholders in respect of the Proposed Disposal being obtained or waiver from such requirement being granted by the SGX-ST and are therefore advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and potential investors should consult their stockbrokers, bankers, solicitors or other professional advisers if they have any doubt about the actions they should take.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company (other than in their capacity as directors or shareholders of the Company) have any interests (direct or indirect) in the Proposed Disposal.

9. DIRECTORS' SERVICE CONTRACTS

No person will be appointed to the Board in connection with the Proposed Disposal and no service contracts in relation thereto will be entered into by the Company.

10. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

As mentioned above, should the Proposed Disposal require approval by the Company's shareholders in a general meeting pursuant to Rule 1014 of the Listing Manual, a circular containing further details of the Proposed Disposal and enclosing a notice of the Extraordinary General Meeting in connection therewith will be despatched to the shareholders. The Board will update the shareholders with the SGX-ST's reply to its application for waiver of the requirement for shareholders' approval for the Proposed Disposal.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Surrender Agreement and the Valuation Report will be made available for inspection during normal business hours at the Company's registered office at 386 Jalan Ahmad Ibrahim, Singapore 629156 for a period of three (3) months commencing from the date of this announcement.

BY ORDER OF THE BOARD

Valerie Tan May Wei
Company Secretary
13 February 2015