

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

**PNE INDUSTRIES LTD – FRAMEWORK AGREEMENT FOR THE PROPOSED DISPOSAL OF
100% SHAREHOLDINGS IN PNE PRINT TECHNOLOGY CO., LTD**

All capitalized terms used and not defined herein shall have the same meanings attributed to them in the announcement dated 5 November 2015.

1. INTRODUCTION

The Board of Directors (the “**Board**”) of PNE Industries Ltd (“**Company**” together with its subsidiaries, “**Group**”) refers to the announcement made on 5 November 2015 regarding the proposed disposal of 100% shareholdings in PNE Print and wishes to announce that it has on 13 November 2015 entered into a framework agreement (“**Framework Agreement**”) with Sanhe Xingda Group Limited (三河兴达控股集团有限公司) (“**Sanhe Xingda**”) for the disposal by the Company of its 100% shareholdings in PNE Print.

2. PNE PRINT

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

3. TERMS OF THE FRAMEWORK AGREEMENT

- 3.1 The Company warrants to Sanhe Xingda that upon the signing of the Framework Agreement the Company shall endeavour to realise current assets, and pay off all the debts and liabilities of PNE Print within the earliest possible time frame (“**Cleaning Off**”).
- 3.2 Upon the completion of the Cleaning Off, both the Company and Sanhe Xingda agree that the Company shall engage Hebei Zhongsui Xincheng Taxation Co, Ltd (河北中税信成税务师事务所有限公司) as auditors to audit PNE Print (“**Auditors**”).
- 3.3 Both parties agree that a sale and purchase agreement, draft of which is annexed to the Framework Agreement (“**PNE SPA**”), shall be entered into three (3) working days after the audit report is issued by the Auditors (“**Audit Report**”).
- 3.4 The PNE SPA shall be subject to the approval from the shareholders of the Company (“**Shareholders’ Approval**”) unless a waiver from SGX-ST to waive the requirement of the Shareholders’ Approval (“**Waiver**”) is obtained. It was announced by the Company that the Waiver had been obtained on 5 November 2015.
- 3.5 In the event that the Framework Agreement is terminated by either party despite full compliance by the non-terminating party, the terminating party shall be liable to compensate the non-terminating party an amount of RMB10 million for such termination.
- 3.6 The Framework Agreement shall be terminated in the event that the Proposed Disposal is not completed within 18 months from the date of the signing of the Framework Agreement.
- 3.7 The Framework Agreement is governed by the laws of the People’s Republic of China.

4. CONSIDERATION:

- 4.1 The consideration for the Proposed Disposal shall be the sum of (i) RMB46 million and (ii) the amount of cash and bank balance of PNE Print as stated in the Audit Report (“**Consideration**”), taking into consideration a valuation done on PNE Print in September 2015. The Consideration was arrived at on a willing seller and willing buyer basis, after negotiations which were conducted at arm’s length between the Company and Sanhe Xingda.
- 4.2 As a result of the Proposed Disposal, based on the Consideration of RMB46 million, which excludes the amount of cash and bank balance to be determined by the Auditors after the Cleaning Off (“**Minimum Consideration**”), there will be an estimated excess of S\$4.6 million over the book value of PNE Print. The Company intends to use the proceeds from the 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.

5. TRUST ACCOUNT

- 5.1 Pursuant to the Framework Agreement, a deposit of RMB10 million (“**Deposit**”) shall be paid into an account opened under Sanhe Xingda and to be managed by both the Company and Sanhe Xingda (“**Trust Account**”) in accordance with the terms and conditions of the trust funds management agreement which had been entered into between the Company, Sanhe Xingda and Industrial Bank Co., Ltd (Sanhe branch) (“**TFM Agreement**”) simultaneously with the Framework Agreement.
- 5.2 The Deposit shall be paid into the Trust Account within three (3) days from the signing of the TFM Agreement.
- 5.3 The Consideration (after the deduction of the Deposit) shall be fully paid by Sanhe Xingda upon the execution of the PNE SPA into the Trust Account and only upon such payment will the Company be under an obligation to transfer the shareholdings in PNE Print to Sanhe Xingda.
- 5.4 Both parties agree that upon the completion of the Proposed Disposal, the Consideration shall be paid out from the Trust Account into a designated account of the Company in accordance with the terms and conditions of the TFM Agreement and the payment shall in principle be effected within seven (7) business days from the completion of the Proposed Disposal.

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

- 6.1 Based on the latest unaudited consolidated financial statements for the half-yearly period 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
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⁾

Bases of calculation	Relative figure
<p><u>Rule 1006(b)</u></p> <p>Net loss attributable to the assets disposed, compared with the Group's net profits⁽²⁾</p>	(32.7%) ⁽³⁾
<p><u>Rule 1006(c)</u></p> <p>Aggregate value of consideration given based on the Minimum Consideration, compared with the Company's market capitalisation as at 12 November 2015⁽⁴⁾</p>	20.8%
<p><u>Rule 1006(d)</u></p> <p>Number of equity securities issued by the Company as consideration for the disposal, compared with the number of equity securities previously in issue</p>	Not applicable
<p><u>Rule 1006(e)</u></p> <p>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.</p>	Not applicable

NOTES:

- (1) The net asset value of PNE Print as at 31 March 2015 is approximately S\$4.5 million, whilst the net asset value of the Group is S\$73.5 million.
- (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 Minimum Consideration of RMB46 million (cash and bank balance have not been determined as at date of announcement) at an exchange rate of 0.2218 and the market capitalisation of the Company of S\$49.1 million as at 12 November 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\$0.585 per share on 12 November 2015 being the last full market day on which the shares were traded prior to the date of the Framework Agreement.

6.2 The Proposed Disposal will constitute a major transaction under Rule 1014 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 will exceed 20% based on basis 1006(c), based on the Minimum Consideration of RMB46 million without taking into consideration the cash and bank balance amount which has yet to be determined at the date of this announcement. As mentioned under section 3.4 of this announcement, the Waiver from the SGX-ST had been obtained on 5 November 2015. Accordingly, no general meeting will be held to obtain shareholders' approval for the Proposed Disposal.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

7.1 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 the Minimum Consideration, 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.

Earnings per Share

	←-----FY2014-----→	
	Before the Proposed Disposal	After the Proposed Disposal
Consolidated net profit (S\$'000)	8,546	12,795
Weighted average number of shares ⁽¹⁾ ('000)	335,667	335,667
Earnings per Share ⁽¹⁾ ("EPS") (cents)	2.5	3.8

Note:

- (1) Based on the weighted average number of Shares for the year ended 30 September 2014, prior to the share consolidation of the Company's issued shares on 6 August 2015.

Net Tangible Assets

	As at 30 September 2014	Adjusted for the Proposed Disposal
Net Tangible Asset ("NTA") (\$'000)	71,025	75,577
Number of Shares ⁽¹⁾ ('000)	335,667	335,667
NTA per Share ⁽¹⁾ (cents)	21.2	22.5

Note:

- (1) Based on the number of Shares as at 30 September 2014, prior to the share consolidation of the Company's issued shares on 6 August 2015.

Gearing

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

7.2 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\$63.7 million based on the Minimum Consideration, after the Proposed Disposal.

8. 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 section 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.

9. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with requirements of Chapter 10 of the Listing Manual, upon the execution of the PNE SPA and/or when there are material developments in respect of the Proposed Disposal.

10. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are hereby reminded to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors of the Company are reminded that there is no assurance that the PNE SPA mentioned in this announcement will materialise. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisors.

11. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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).

13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Framework Agreement and the TFM Agreement are available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Tan Meng Siew
Financial Controller and Company Secretary
13 November 2015