

**HIAP SENG ENGINEERING LTD.
(JUDICIAL MANAGERS APPOINTED)**
(Company Registration No. 197100300Z)
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF THE COMPANY'S 80% SHAREHOLDING IN HIAP SENG ENGINEERING LIMITED FZC

1. INTRODUCTION

Hiap Seng Engineering Ltd. (Judicial Managers Appointed) (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that on 2 June 2021, it had entered into a conditional share purchase agreement to dispose its entire 80% interest in Hiap Seng Engineering Limited FZC ("**HS FZC**"), a private company limited by shares incorporated under the laws of United Arab Emirates, to an existing shareholder of HS FZC at a consideration of AED 2,652,539 (approximately S\$954,914 at the Exchange Rate of 1 AED = SGD 0.36 as at 2 June 2021 being the date of agreement signed) ("**Proposed Disposal**"). HS FZC will cease to be a subsidiary of the Company with effect from the completion of the Proposed Disposal. The Proposed Disposal is expected to be completed by 14 September 2021, subject to the fulfilment of certain conditions.

2. THE PROPOSED DISPOSAL

2.1. Information on HS FZC and the Purchaser

HS FZC is an 80% subsidiary of the Company. HS FZC is a private company limited by shares incorporated under the laws of the Government of Fujairah, Fujairah Free Zone Authority, UAE, with its registered office at Office #9, Block B, P.O Box 50322, Free Zone-2, Fujairah, UAE. The business of HS FZC includes providing services relating to manufacturing, engineering, procurement and construction for the oil and gas, power plant and process industries.

The Purchaser is Mr Murugesan Chidambaram ("**MC**"), who is currently a 20% shareholder of HS FZC. MC is an employee of the Company and prior to the Proposed Disposal was seconded to UAE to act as a director of HS FZC. However, MC is not a major shareholder of the Company and is not directly related to the executives of the Company.

Shareholders should note that information relating to the Purchaser in this section and elsewhere in this announcement has been provided by the Purchaser. The Company and the Judicial Managers have not independently verified the accuracy and correctness of such information herein. The sole responsibility of the Company and the Judicial Managers for the purpose of such information is to extract and reproduced such information in this announcement in its proper form and context.

2.2. Consideration for the Proposed Disposal

The aggregate Consideration of the Proposed Disposal is AED 2,652,539 (approximately S\$954,914 based on the Exchange Rate) (the "**Consideration**").

The Consideration was mutually arrived at after arms' length negotiations between the Company and the Purchaser on a willing-seller and willing-purchaser basis after taking into consideration the settlement of the inter-company debts and the book value of HS FZC's assets and liabilities as of 31 March 2021. The Group's 80% interest on the unaudited net asset value of HS FZC's as at 31 March 2021 was AED 2,193,306 (approximately S\$789,590 based on the Exchange Rate)

2.3. Principal Terms of the SPAs

Under the terms of the share purchase agreement, on and subject to completion, the Company has agreed to sell to MC, and MC has agreed to purchase, the Company's 80% shareholding in HS FZC.

The completion of the Proposed Disposal is contingent on the following approvals being obtained (amongst other conditions):-

- (a) the Company's shareholders' approval (if required) for the sale of its 80% shareholding in HS FZC; and
- (b) the Company receiving the required regulatory approvals including but not limited to SGX (as required).

2.4. Rationale for the Proposed Disposal

The Company and the Judicial Managers are of the view that Proposed Disposal is in the interest of the Group given that HS FZC is a non-core asset of the Group. It had been loss-making and divesting this investment will improve the Group's financial position. The Company and the Judicial Managers have also considered liquidating HS FZC as an option to further minimise its losses. However, the estimate realisable value after setting aside restoration expense and other liquidation expenses for the liquidation will be significantly lower than the Consideration. In a liquidation, the projects undertaken by HS FZC would also be affected.

2.5. Use of Proceeds from Proposed Disposal

The proceeds from the Proposed Disposal will be used to pay the professional fees incurred for this transaction and the working capital requirement of the Company.

3. FINANCIAL INFORMATION

3.1. Financial Effects of the Proposed Disposal

The financial effects of the Proposed Disposal as set out below are prepared based on the latest announced unaudited consolidated financial statements of the Group for the first-quarter ended 30 June 2020 and are subject to the following key assumptions:

- (a) the effect of the Proposed Disposal on the Group's consolidated Net Tangible Assets ("**NTA**") per Share of the Company is based on the assumption that the Proposed Disposal had been effected on 30 June 2020; and
- (b) the effect of the Proposed Disposal on the Group's consolidated earnings per Share ("**EPS**") is based on the assumption that the Proposed Disposal had been effected on 30 June 2020.

3.1.1. NTA

	Before the Proposed Disposal	After the Proposed Disposal
NTA of the Group attributable to Shareholders of the Company (S\$'000)	(11,186)	(10,860)
Number of Shares ('000)	303,750	303,750
NTA per Share (cents)	(3.7)	(3.6)

3.1.2. EPS

	Before the Proposed Disposal	After the Proposed Disposal
Net earnings attributable to Shareholders of the Company for first-quarter ended 30 June 2020 (S\$'000)	1,251	1,577
Weighted average number of Shares ('000)	303,750	303,750
EPS (cents)	0.41	0.52

3.2. Relative Figures

Based on the latest announced unaudited consolidated financial statements of the Group for the first-quarter ended 30 June 2020, the relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures
(a)	Net asset value of assets (liabilities) to be disposed of, compared with the Group's net asset (liabilities) value	$0.79 / (13.07) = (6)\%$
(b)	Net profits (losses) attributable to the assets (liabilities) to be disposed of compared with the Group's net profits (losses)	$(0.96) / 1.25 = (76.8)\%$
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	$0.95 / 6.10 = 16\%$
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue; and	Not Relevant
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with	Not Relevant

Rule 1006	Bases	Relative Figures
	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 an acquisition of such assets.	

Shareholders' Approval

The Company is currently awaiting the clarification of SGX-ST on whether Shareholders' Approval is required for the Proposed Disposal based on negative relative figures computed above.

4. INTERESTS OF THE JUDICIAL MANAGERS, DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the date of this announcement, none of the directors or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Disposal.

As at the date of this announcement, none of the Judicial Managers have any direct or indirect interest in the Proposed Disposal.

5. DIRECTORS' SERVICE CONTRACTS

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

6. RESPONSIBILITY STATEMENT

The directors and the Judicial Managers collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about Proposed Disposal, the Company and its subsidiaries, and the directors and the Judicial Managers are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors and the Judicial Managers has been to extract such information from those sources and/or reproduced in this announcement in its proper form and context.

The affairs, business and property of the Company are being managed by the Judicial Managers. The Judicial Managers act only as agents of the Company and disclaim all personal liability of any nature whatsoever for all matters arising out of, in connection with and in respect of the judicial management of the Company.

7. DOCUMENTS FOR INSPECTION

Copies of the SPAs are available for inspection during normal business hours at the Company's registered office, 28 Tuas Crescent, Singapore 638719, for three (3) months from the date of this announcement.

8. FURTHER ANNOUNCEMENTS AND CIRCULAR

If waiver of the Shareholders' Approval requirement is not granted by SGX-ST, the Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal and

a circular setting out, amongst others, the terms of the Proposed Disposal and the recommendations of the directors and the Judicial Managers, together with the notice of extraordinary general meeting, will be despatched to shareholders if required.

9. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company. The Proposed Disposal is subject to, amongst others, conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed, or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Disposal and other matters contemplated by this announcement. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants, tax advisers or other professional advisers if they have any doubt about the actions they should take.

Oon Su Sun and Lin Yueh Hung
Joint and Several Judicial Manager
3 June 2021

The affairs, business and property of the Company are being managed by the Judicial Managers appointed by the High Court of Singapore. The Judicial Managers contract and only act as agents of the Company and disclaim all personal liability of any nature whatsoever for all matters arising out of, in connection with and in respect of the Judicial Management of the Company herein.