



HIAP SENG ENGINEERING LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 197100300Z)

ANNOUNCEMENT

Subscription by Hiap Seng-Sanko TPM Pte Ltd, a wholly-owned subsidiary of Hiap Seng Engineering Ltd, of 1,020,000 new ordinary shares in the capital of ProEn Scaffold Pte. Ltd.

1. INTRODUCTION AND BACKGROUND

The board of directors (the "**Board**") of Hiap Seng Engineering Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary, Hiap Seng-Sanko TPM Pte Ltd ("**HSTPM**"), has on 25 September 2017 entered into a subscription and shareholders' agreement (the "**Agreement**") with ProEn Scaffold Pte. Ltd. ("**ProEn**") and Quek Hung Ling ("**QHL**"), the founder of ProEn, pursuant to which, among others, HSTPM subscribed (the "**HSTPM Subscription**") for 1,020,000 new ordinary shares (the "**HSTPM Shares**") in the capital of ProEn at a subscription price of S\$1.00 (the "**Subscription Price**") per HSTPM Share, amounting to an aggregate consideration of S\$1,020,000 (the "**Subscription Consideration**").

At the same time, QHL subscribed for 930,000 new ordinary shares in the capital of ProEn by capitalising S\$930,000 being part of his outstanding loan to ProEn.

The HSTPM Shares represent 51% of the enlarged issued and paid-up share capital of ProEn and QHL holds the remaining 49% shareholding interest in ProEn. As a result of the HSTPM Subscription, ProEn is now an indirect subsidiary of the Company.

QHL is not an interested person of the Company and none of the directors of the Company has any interest in the transaction.

2. DETAILS OF THE HSTPM SUBSCRIPTION

2.1 Information on ProEn

ProEn was incorporated in Singapore on 1 December 2013 and its business comprises designing, erecting, modifying and dismantling scaffolds and related consultancy services. It is presently a sub-contractor of the Company.

2.2 Rationale for the HSTPM Subscription

The Company is in the business of providing integrated services in relation to mechanical engineering, plant fabrication and installation and plant maintenance to the oil and gas, petrochemical and pharmaceutical industries in Singapore, Asia Pacific and other regions (the "**Core Business**"). As stated by the Company's chairman in the annual report of the Company for the financial year ended 31 March 2017 ("**FY2017**"), the Group intends to continue to expand its engineering capabilities, pursue cost controls and take active steps to

improve productivity while exploring potential business opportunities so as to diversify its customer and revenue base.

The directors believe that the HSTPM Subscription is beneficial to the Company and its shareholders as:

- (a) it represents a natural expansion of the Group's existing Core Business. In this regard, ProEn's business is closely related to the Group's business and core competencies as scaffolding is an integral component of construction and maintenance; and
- (b) it represents an opportune acquisition by the Group of an important sub-contractor of vital services. In this regard, it is often difficult for service providers in the construction and plant maintenance industries to have a ready and reliable source of scaffolding material and manpower. By taking a majority interest in ProEn, the Group will be able to resolve this difficulty and ensure a constant source of materials vital to the efficient and safe running of its Core Business.

2.3 Subscription Consideration and Source of Funds

The Subscription Consideration has been determined on a willing buyer willing seller basis and takes into account, among others, the track record of ProEn, its management strength and capabilities, its financial position and capacity and the Company's assessment of the business and prospects of ProEn (including its potential synergy with the Group).

As at 31 August 2017, the unaudited net tangible asset value per HSTPM Share is S\$0.57. Accordingly, the Subscription Price of S\$1.00 per HSTPM Share represents a premium of approximately 75% to such value.

The Subscription Consideration has been funded by internal cash resources from the Group.

2.4 Appointment of Directors

Pursuant to the completion of the HSTPM Subscription, Tan Leau Kuee @ Tan Chow Kuee and Tan Hak Jin, CEO and CFO of the Company respectively, have been appointed as directors of ProEn. The board of directors of ProEn now comprise Tan Leau Kuee @ Tan Chow Kuee, Tan Hak Jin and QHL.

2.5 Provision of Shareholder Loan

In connection with the HSTPM Subscription, HSTPM has agreed to provide an interest-free loan of S\$342,878 to ProEn (the "**Shareholder Loan**"). At the same time, QHL has an outstanding loan amount of S\$329,432 due from ProEn, which is also interest-free.

3. LISTING MANUAL COMPUTATIONS

The HSTPM Subscription constitutes a disclosable transaction under Rule 1010 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") as the relative figures computed on the base set out in Rule 1006(b) of the Listing Manual for the three (3) month period ended 30 June 2017 exceeds 5%, as set out below:

<u>Listing Rule</u>	<u>Bases</u>	<u>Relative Figures (%)</u>
1006(a)	The net asset value of the HSTPM Shares compared with the net asset value of the Group.	Not applicable to the HSTPM Subscription
1006(b)	The unaudited net loss attributable to the HSTPM Shares acquired of approximately S\$120,000, compared with the Group's unaudited net profits attributable to shareholders of approximately S\$1,629,000.	7.37% ⁽¹⁾
1006(c)	The aggregate value of the consideration of S\$1,362,878 (which comprise the Subscription Consideration of S\$1,020,000 and the Shareholder Loan of S\$342,878), compared with the Company's market capitalisation of approximately S\$41,310,000 as at 22 September 2017, being the market day preceding the signing of the Agreement, based on the total number of issued shares (excluding treasury shares).	3.3%
1006(d)	The number of equity securities issued by the Group 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

Note:

- (1) As there was a net loss attributable to the HSTPM Shares, the profit test relative figure under Rule 1006(b) of 7.37% is negative. The Company has consulted the SGX-ST who is of the view that the Company is not required to seek the approval of its shareholders at a general meeting for the HSTPM Subscription.

4. FINANCIAL EFFECTS

The financial effects have been prepared for illustrative purposes only and are neither indicative of the actual financial effects of the HSTPM Subscription on the net tangible assets ("**NTA**") per Share and earnings per Share ("**EPS**") of the Group, nor are they reflective of the future actual performance of the Group.

Based on the latest announced audited consolidated financial statements of the Group for FY2017, the financial effects of the HSTPM Subscription on the Group are as follows:

	Before the HSTPM Subscription⁽¹⁾	After the HSTPM Subscription
NTA per Share (S cent)⁽²⁾	19.24	19.10
EPS (S cent)⁽³⁾	0.81	0.77
Gearing	Net cash of S\$3,456,000	Net cash of S\$2,093,000

Notes:

- (1) Based on the latest announced audited consolidated financial statements of the Group for FY2017.
- (2) On the assumption that the HSTPM Subscription had been effected on 31 March 2017. NTA per Share is derived based on the number of Shares in issue of 303,750,000 (excluding treasury shares) as at 31 March 2017.
- (3) On the assumption that the HSTPM Subscription had been effected on 1 April 2016. EPS is derived based on the weighted number of Shares in issue of 303,750,000 (excluding treasury shares) for FY2017.

5. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors and controlling shareholders of the Company has any interest, direct and indirect in the HSTPM Subscription (other than through their shareholdings in the Company).

6. DOCUMENTS FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours at the Company's registered office at 28 Tuas Crescent, Singapore 638719 for a period of three (3) months from the date of this Announcement.

By Order of the Board

Tan Hak Jin
Joint Company Secretary
25 September 2017