

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

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**PROPOSED DISPOSAL OF THE GROUP'S OFFICE BUILDING AND FACTORY AT 27/58 MOO 8, BUENG, SRIRACHA, CHONBURI 20230, THAILAND AND THE VARIOUS FURNITURE, OFFICE EQUIPMENT AND MACHINERY LOCATED THEREAT BY THE COMPANY'S SUBSIDIARY, HIAP SENG ENGINEERING (THAILAND) CO., LTD.**

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**1. INTRODUCTION**

Hiap Seng Engineering Ltd. (Judicial Managers Appointed) (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that Hiap Seng Engineering (Thailand) Co., Ltd. ("**HSE Thailand**"), a 93% subsidiary of the Company, and EG Group Product and Service Co., Ltd., (the "**Purchaser**") had on 8 October 2020 entered into a conditional sale and purchase for the disposal of its office building and factory at 27/58 Moo 8, Bueng, Sriracha, Chonburi 20230, Thailand (the "**Property**"), and the various furniture, office equipment and machinery located thereat (the "**Assets**"), for a total consideration of Thailand Baht ("**THB**") 300 million (approximately S\$13.3 million, based on an exchange rate of THB 1 to S\$0.044228 (the "**Exchange Rate**") (the "**Proposed Disposal**"), on the terms and subject to the conditions of conditional sale and purchase agreements for the Property (the "**Property SPA**") and the Assets ("**Assets SPA**", together with the Property SPA, the "**SPAs**").

**2. THE PROPOSED DISPOSAL**

**2.1. Background Information**

On 28 July 2020, the Company and its subsidiary HS Compression and Process Pte Ltd ("**HSCP**") each filed an application in the High Court of Singapore for, amongst others, orders that the Company and HSCP be placed under judicial management pursuant to Section 227B of the Companies Act (Chapter 50) of Singapore (the "**Companies Act**").

Pursuant to the aforementioned applications, the Company announced that the High Court of Singapore had on 15 September 2020 granted the applications and made, amongst others, the following orders:

- (a) the Company and HSCP to be placed under judicial management pursuant to Section 227B and the provisions of Part VIIIA of the Companies Act;
- (b) Ms. Oon Su Sun and Mr. Lin Yueh Hung, care of RSM Corporate Advisory Pte. Ltd., 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095, be appointed as joint and several judicial managers of the Company and HSCP (the "**Judicial Managers**" and each a joint and several "**Judicial Manager**"); and
- (c) the affairs, business and property of the Company and HSCP be managed by the Judicial Managers herein appointed in order to achieve one or more of the following purposes:
  - (i) the survival of the Company and HSCP, or whole or part of their undertakings as going concerns;
  - (ii) a more advantageous realisation of the Company's and HSCP's assets than would be effected on a winding up; or

- (iii) the approval under Section 210 or 211 of the Companies Act of a compromise or arrangement between the Company, HSCP and any such persons as are mentioned in those sections.

It should also be noted that there has been a suspension of trading of the Company's shares (the "**Shares**") since 28 November 2019.

## 2.2. Information on the Property and Assets

HSE Thailand constructed the Property at a cost of THB 277 million (approximately S\$12.3 million based on the Exchange Rate) for its business of fabricating and constructing steel structures and piping systems for the energy, chemical and power industries. The Assets were purchased to meet the needs of the business and utilising the Property.

Based on the unaudited consolidated financial statements of the Group for the financial period ended 30 June 2020:

- (a) the book value of the Property and the Assets were approximately S\$7.7 million as at 30 June 2020; and
- (b) the net profits attributable to the Property and the Assets was approximately S\$0.1 million as at 30 June 2020.

The gain on disposal, attributable to the shareholder, after completion of the Proposed Disposal amounts to approximately S\$4.0 million, after deducting estimate expenses and taxes of S\$1.2 million in connection with the SPAs.

The Property and the Assets are currently utilised by HSE Thailand and pledged to United Overseas Bank Thailand ("**UOB Thailand**") for an overdraft facility of THB20 million and a short term loan facility of THB60 million. As at 30 June 2020, the amount outstanding was THB19.9 million and THB31.5 million respectively.

### Valuation on the Property and the Assets

Pursuant to Rule 1014(5) of the Singapore Exchange Securities Trading Limited's (the "**SGX-ST**") Listing Manual ("**Listing Manual**"), the Company must appoint a competent and independent valuer to value the Property and Assets as certain relative figures computed on the bases set out in Rule 1006 of the Listing Manual for the Proposed Disposal exceed 75% (further discussed below).

HSE Thailand had on 20 May 2020 appointed an independent valuer, Agency for Real Estate Affairs Co., Ltd. ("**Property and Assets Valuer**") to conduct an independent valuation on the market value of the Property (and the Assets).

According to the valuation reports by the Property and Assets Valuer:

- (a) the Property had a market value of THB 350.8 million (approximately S\$15.5 million based on the Exchange Rate), as at the valuation date of 22 May 2020. The Property and Assets Valuer valued the Property using the cost approach and market approach which comprises, in the case of the former, the cost of the land and building, and in the case of the latter, a comparison of comparable properties; and
- (b) the Assets had a market value of THB 34.5 million (approximately S\$1.5 million based on the Exchange Rate), as at the valuation date of 15 June 2020. The Property and Assets Valuer valued the Assets using the cost approach which comprises the cost of the Assets.

### Further information on the Proposed Disposal

In August 2020, HSE Thailand received a formal offer from a third party purchaser for the sum of THB 300 million (approximately S\$13.3 million based on the Exchange Rate) for both the Property and the Assets. While this was below the valuation of the Property and Assets Valuer, HSE Thailand agreed to sell the Property and the Assets as:

- (a) HSE Thailand had put the Property and the Assets up for sale since 25 February 2020 and there had been no offers from any prospective buyers at the valuation price;
- (b) the offer by the Purchaser was the highest offer to-date;
- (c) while there were other parties that had expressed their interest, the other parties either did not pay the deposit or the deposit was not cleared;
- (d) the management of HSE Thailand, the Company and the Judicial Managers took the view that it was a reasonable amount in light of the ongoing pandemic and challenging financial environment;
- (e) the Purchaser's offer was the only credible offer as the deposit of THB 20 million (approximately S\$0.9 million based on the Exchange Rate) and the first tranche payment of THB 20 million (approximately S\$0.9 million based on the Exchange Rate) have all been received by HSE Thailand; and
- (f) the consideration is sufficient to settle all the liabilities in HSE Thailand, including the loan rendered by the Company to HSE Thailand.

### **2.3. Information on HSE Thailand and the Purchaser**

HSE Thailand is a 93% subsidiary of the Company. HSE Thailand is a registered limited company incorporated in Thailand with its registered office at 27/58 M8, Tambon Bueng, Si Racha, Chonburi 20230, Thailand. HSE Thailand is in the business of fabricating and constructing steel structures and piping systems for the energy, chemical and power industries.

The Purchaser is a private company limited by shares incorporated in Thailand and having its registered office at 32/1 Soi 2 (Jaikew Road) T, Nonghoi A. Muangchaingmai, Chaingmai. The Purchaser is in the business of producing medical rubber gloves. As at the date of this Announcement, the main shareholders of the Purchaser are Ms. Pakkaporn Pattanaliampaiboon (approximately 99.72%), Mr. Saran Kamjadrok (approximately 0.14%) and Mr. Pich Pattanaliampaiboon (approximately 0.14%).

*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.*

### **2.4. Consideration for the Proposed Disposal**

The aggregate Consideration of the Proposed Disposal is THB 300 million (approximately S\$13.3 million based on the Exchange Rate) (the "**Consideration**"), comprising THB 260 million (approximately S\$11.5 million) for the Property and THB 40 million (approximately S\$1.8 million) for the Assets.

The Consideration was mutually arrived at after arms' length negotiations between HSE Thailand and the Purchaser on a willing-seller and willing-purchaser basis after taking into consideration the valuation of the Property and the Assets, and the current challenging economic landscape brought about by the ongoing pandemic.

## 2.5. Principal Terms of the SPAs

### Property SPA

The original Property SPA was drafted in Thai and the following salient terms of the Property SPA were adapted from the translated version of the same.

- (a) The land 72 Rai – Ngan 87 square wah (115,548 square metres or 28,887 square wah) shall be sold at a price of THB 140 million.
- (b) The buildings (totalling 22), area utilisation of 32,857.4 square metres, shall be sold at a price of THB 120 million.
- (c) The Purchaser shall pay the Consideration in tranches as follows:
  - (i) THB 20 million on the date of the Property SPA. For the avoidance of doubt, this had been paid;
  - (ii) THB 20 million on 10 October 2020. For the avoidance of doubt, this had been paid;
  - (iii) THB 60 million on 29 October 2020;
  - (iv) THB 80 million on 10 November 2020; and
  - (v) THB 80 million on 17 November 2020.
- (d) HSE Thailand and the Purchaser shall register the transfer of the Property without any encumbrance by 29 November 2020.
- (e) HSE Thailand shall apply for its existing factory permit to include the business of producing medical rubber gloves, and shall transfer the same on completion.
- (f) The transfer of the Property is conditional upon HSE Thailand having obtained approval for the transfer of the Property from the Company, who in turn must obtain approval from the SGX-ST.
- (g) If the Company is unable to grant the necessary approval, HSE Thailand and the Purchaser shall discuss the postponement of transfer of the Property to alternative dates, and the Purchaser shall have the right to terminate the Property SPA if it is beyond 29 November 2020<sup>1</sup>.
- (h) Fees for transferring the ownership the Property and various taxes related to the same shall be for account of HSE Thailand.
- (i) HSE Thailand shall allow the Purchaser to access the Property from 8 October 2020 and to start moving its machinery onto the Property from the date 10 October 2020. Additionally, HSE Thailand shall allow the Purchaser to install its company's signboard on the right side of the entrance gate, and use the address of the Property as the location of its office commencing from 8 October 2020. HSE Thailand shall not be liable for any damage or loss of the Purchaser's machinery or assets installed or kept at the property.
- (j) The Purchaser shall be responsible for electricity, water supply, telephone, security guard, housekeeping and other expenses incurred from its access to the Property, and the Purchaser agrees not to engage in any business and undertake any illegal action or allow others to do the same in the Property.

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<sup>1</sup> It should be noted that HSE Thailand is in the midst of negotiating for an extension as it is anticipated that the extraordinary general meeting to seek the approval of the Company's shareholders for the Proposed Disposal may only be held after 29 November 2020. The Proposed Disposal constitutes a major transaction under Rule 1014 of the Listing Manual and shall be subject to the approval of the Company's shareholders.

- (k) If the Purchaser fails to make any payment or register the transfer of the Property, HSE Thailand shall be entitled to terminate the Property SPA. However, in such event, the Purchaser shall pay compensation deemed to be rental fee for the Property (at the rate of THB 120 per square metre PROVIDED ALWAYS that such rental fee shall not exceed THB 13,865,760 per month).
- (l) If HSE Thailand is unable to transfer ownership, it shall return all monies received from the Purchaser without interest and the Purchaser shall not claim any further damages.

#### Assets SPA

The original Assets SPA was drafted in Thai and the following salient terms of the Assets SPA was adapted from the translated version of the same.

- (a) The Purchaser agrees to purchase the Assets for THB 40 million which is VAT (value added tax) inclusive, and the Purchaser shall pay the same on the date that the Property is transferred.
- (b) In the event that the Purchaser breaches the Assets SPA and fails to pay the THB 40 million, the Assets SPA shall be terminated.
- (c) In the event HSE Thailand breaches the Assets SPA, the Purchaser has the right to sue to enforce the contract or have the right to terminate the same.
- (d) If the Property SPA is terminated under any circumstances, the Assets SPA shall also terminate.

#### **2.6. Rationale for the Proposed Disposal**

The Company and the Judicial Managers are of the view that disposing the Property and the Assets is in the interest of the Group, especially in light of HSE Thailand and the Group's need for cash, including to, amongst others, facilitate the aforementioned judicial management.

In addition, the Group's financial results has been further adversely impacted by the challenging financial market conditions brought about by the COVID-19 pandemic. As the operations on the Property has been minimal since July 2020, it will be in the Group's interest to dispose of the Property and Assets, which are non-core assets that are not critical to the principal business activities of the Group, and are only ancillary thereto.

The Proposed Disposal will be able to raise more cash for the purposes stated in the following section of this announcement in respect of the use of proceeds from the Proposed Disposal.

#### **2.7. Use of Proceeds from Proposed Disposal**

HSE Thailand will apply the Consideration received from the Purchaser in the following manner:

- (a) first, the amount of S\$2.3 million will be set aside from the Consideration and used to discharge HSE Thailand's debt owing to UOB Thailand. As at the Last Practicable Date, the amount owing to UOB Thailand is approximately THB 51 million (amounting to approximately S\$2.3 million);
- (b) second, HSE Thailand will: (i) utilise the balance to pay outstanding sums owed to its employees and its creditors (which include the Company); and (ii) set aside funds for contingent liabilities in terms of performance / warranty bonds provided by UOB Bank Thailand, the latest of which would expire by May 2022;
- (c) thirdly, HSE Thailand will apply the balance towards the settlement of legal, professional and other expenses incurred in connection with the Proposed Disposal; and

- (d) finally, the balance of the Consideration will, be returned to its shareholders, which include the Company. The Company will use such proceeds for working capital, operating expenses and/or any other requirements 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)	(7,138)
Number of Shares ('000)	303,750	303,750
NTA per Share (cents)	(3.7)	(2.3)

##### 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	5,299
Weighted average number of Shares ('000)	303,750	303,750
EPS (cents)	0.41	1.74

### 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)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	The net asset value of the Property and the Assets being approximately S\$7.7 million <sup>(1)</sup> represents approximately 59% (absolute relative figure) of the Group's negative net asset value of approximately S\$13.1 million
(b)	The net profits attributable to the assets disposed of, compared with the Group's net profits	The net profits attributable to the Property and the Assets being approximately S\$0.1 million <sup>(2)</sup> represents approximately 7% (absolute relative figure) of the Group's net profits of approximately S\$1.3 million
(c)	The aggregate value of the Consideration compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	The Consideration represents approximately 218% of the Company's market capitalisation of approximately S\$6.1 million as at 28 November 2019 (the date on which the Company's shares were last traded)
(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
(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) Calculated by taking the aggregate cost of the Property and the Assets (approximately, S\$17.3 million less accumulated depreciation (approximately, S\$9.6 million).
- (2) HSE Thailand's net profit for the first quarter ended 30 June 2020.

As the relative figures computed based on Rules 1006(a), 1006(b) and 1006(c) exceed 20%, the Proposed Disposal constitutes a major transaction under Rule 1014 of the Listing Manual and shall be subject to the approval of the Company's shareholders.

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

The interests of the Company's directors and the substantial shareholders in the Shares as at the date of this announcement are set out below:

Name	Direct Interest	% <sup>(1)</sup>	Indirect Interest	% <sup>(1)</sup>	Total interest (%)
<b>Directors</b>					
Richard Tan Leau Kee <sup>(2)</sup>	-	-	70,788,639	23.30	23.30
Frankie Tan Ah Lam <sup>(3)</sup>	3,319,500	1.09	70,788,639	23.30	24.39
Tan Lian Chew	3,601,761	1.19	-	-	1.19
John Chen	-	-	-	-	-
M Rajaram	300,000	0.1	-	-	0.1
Koh Kim Wah	-	-	278,000	0.1	0.1
<b>Substantial shareholders (other than directors above)</b>					
Tan Kuay Hoe Holdings Pte Ltd	70,788,639	23.30	-	-	23.30
Cheng Buck Poh @ Chng Bok Poh <sup>(4)</sup>	29,938,375	9.86	7,086,440	2.33	12.19
Goo Guik Bing @ Goh Guik Bing <sup>(5)</sup>	7,086,440	2.33	29,938,375	9.86	12.19

#### Notes:

- (1) Based on 303,750,000 Shares in the issued and paid-up share capital of the Company, excluding treasury shares and subsidiary holdings, as at the date of this Announcement.
- (2) Mr Richard Tan Leau Kuee @ Tan Chow Kuee is deemed to have an interest in the shares held by Tan Kuay Hoe Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.
- (3) Mr Tan Ah Lam is deemed to have an interest in the shares held by Tan Kuay Hoe Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.
- (4) Mr Cheng Buck Poh @ Chng Bok Poh is deemed to have an interest in the shares held by Mdm Goo Guik Bing @ Goh Guik Bing by virtue of the fact that he is the spouse of Mdm Goo Guik Bing @ Goh Guik Bing.
- (5) Mdm Goo Guik Bing @ Goh Guik Bing is deemed to have an interest in the shares held by Mr Cheng Buck Poh @ Chng Bok Poh by virtue of the fact that she is the spouse of Mr Cheng Buck Poh @ Chng Bok Poh.



Save as disclosed, none of the directors or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company, if any.

As at the date of this announcement, none of the Judicial Managers and the directors and, to the best of the knowledge of the Judicial Managers and the directors, none of the substantial shareholders of the Company 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**

The Company will make further announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Proposed Disposal and other matters contemplated by this announcement.

The circular setting out, amongst others, the terms of the Proposed Disposal, the relevant valuation reports, and the recommendations of the directors and the Judicial Managers, together with the notice of extraordinary general meeting, will be despatched to shareholders in due course.

**9. CAUTIONARY STATEMENT**

Shareholders and potential investors are advised to exercise caution when dealing or trading in the Shares. 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

27 October 2020

Tan Hak Jin  
Joint Company Secretary

27 October 2020

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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.