

HI-P INTERNATIONAL LIMITED

(Company Registration No. 198004817H)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 100% OF THE ISSUED AND PAID UP ORDINARY SHARES IN THE CAPITAL OF SOUTH EAST ASIA MOULDING COMPANY PTE. LTD.

INTRODUCTION

The Board of Directors of Hi-P International Limited (the “**Company**”) wishes to announce that its subsidiary, Hi-P Holdings Pte. Ltd. (“**Hi-P Holdings**”), has entered into a conditional sale and purchase agreement (the “**Share Purchase Agreement**”) with Garry Annand, David Richard Powell, Richard Powell, David Robert Busby, Lloyd James Powell, Emily Elizabeth Bridges, Carys Wynne Powell and Megan Rosie Carys Ginter (collectively, the “**Vendors**”, and each, a “**Vendor**”) on 8 October 2019 pursuant to which Hi-P Holdings has agreed to acquire from the Vendors an aggregate of 250,000 ordinary shares in the capital of South East Asia Moulding Company Pte. Ltd. (“**Target Company**”) (the “**Sale Shares**”), comprising 100% of the total number of issued shares in the capital of the Target Company, on the terms of, and subject to the conditions of the Share Purchase Agreement (the “**Proposed Acquisition**”).

TARGET COMPANY

The Target Company is incorporated in Singapore on 10 December 2015. As at the date of the Share Purchase Agreement, the Target Company has an issued and paid-up capital of £250,000 comprising 250,000 ordinary shares which are held by the Vendors in various proportions. The Target Company holds 100% of the issued share capital of South East Asia Moulding Company (UK) Pte. Ltd. (together with Target Company, the “**Target Group**”). The Target Group engages in the business of manufacturing and supply of high volume and high precision engineering plastic components.

The net tangible asset value of the Target Group as at 30 November 2018 was US\$2.5 million (equivalent to approximately S\$3.5 million based on the exchange rate of US\$1:S\$1.3707).

Each of the Vendors is an independent third party unrelated to any of the directors, substantial shareholders or controlling shareholders, or their respective associates (as defined in the Listing Manual of the SGX-ST), of the Company. As at the date of this announcement, each of the Vendors does not have any shareholding interests, direct or indirect, in the Company.

RULE 1006 OF THE SGX-ST LISTING MANUAL

The relative figures pursuant to Rule 1006 of the SGX-ST Listing Manual with respect to the Proposed Acquisition, based on the audited consolidated accounts of the Company and its subsidiaries (the “**Group**”) as at 31 December 2018, are as follows:-

(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.	Not applicable
(b)	The net profits ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits	9.7% ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalization based on total number of issued shares excluding treasury shares	4.7% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	Not applicable

Notes:

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) The comparison is based on the Target Group's net profits of the for the financial year ended 30 November 2018 of US\$7.1 million (equivalent to S\$9.8 million based on the exchange rate of US\$1:S\$1.3707) and the Group's audited net profits for the financial year ended 31 December 2018 of S\$100.9 million.
- (3) Based on the aggregate value of the Consideration of approximately US\$31 million (equivalent to S\$42.8 million based on an exchange rate of US\$1:S\$1.3816) and the market capitalization of the Company of S\$917,428,230 as at 7 October 2019 (being the market day preceding the date of the Share Purchase Agreement), assuming that there is no adjustment to the Consideration arising from any Shortfall (as defined below). Under Rule 1002(5) of the Listing Manual, the market capitalization of the Company is determined by multiplying the number of shares in issue of 804,197,256 shares by the weighted average price of S\$1.1408 per share on 7 October 2019 (being the market day preceding the date of the Share Purchase Agreement).

As the relevant figures computed on the bases set out in Rule 1006 of the Listing Manual above exceed 5% but do not exceed 20%, the Proposed Acquisition constitutes a 'Discloseable Transaction' as defined in Chapter 10 of the Listing Manual. The Proposed Acquisition is not conditional upon approval by the Company's shareholders in general meeting.

SALIENT TERMS OF THE SHARE PURCHASE AGREEMENT

The consideration for the acquisition of the Sale Shares (the "**Consideration**") is US\$31 million minus any amount by which the net assets value of the Target Group as at the completion date falls short of US\$7.47 million (the "**Shortfall**"). Any Shortfall will be set-off against the Deferred Payment (as defined below). The Consideration was arrived at on a willing-buyer-willing-seller basis, taking into account the earnings of the Target Group.

The Consideration will be satisfied in the following manner:

- (a) by the payment of US\$27.9 million (the "**Completion Payment**") to the Vendors in cash in their respective shareholding proportion on completion; and

- (b) by the payment of US\$3.1 million (the “**Deferred Payment**”) to the Vendors in cash in their respective shareholding proportion on the date falling 12 months from the completion date.

Completion of the Proposed Acquisition is subject to and conditional upon, *inter alia*, the following material conditions being satisfied (or waived by Hi-P Holdings in accordance with the terms of the Share Purchase Agreement) on or before the completion date:

- (a) the approval of any relevant authorities and third parties having been obtained for the transactions contemplated under the Share Purchase Agreement;
- (b) three key management personnel of the Target Group, namely Mr Garry Annand and Mr David Powell (both of whom are Vendors) and Mdm Kris Owyong having each entered into a service agreement with the Company, on terms satisfactory to Hi-P Holdings;
- (c) the affiliated companies of the Vendors having entered into an exclusive supply agreement with the Target Company in relation to the exclusive supply of certain products and services by such affiliated companies to the Target Group, on terms to be mutually agreed by the parties thereto, and acceptable to Hi-P Holdings;
- (d) the licence to the Target Company of the right to the use of certain management software, free of licence fee or other charges, on terms acceptable to Hi-P Holdings;
- (e) no government, court or regulatory body having taken or threatened to take any action and no law having been proposed or enacted which will restrain or otherwise prohibit the transactions contemplated under the Share Purchase Agreement;
- (f) none of the Vendors having committed any material breach of its obligations, representations and undertakings under the Share Purchase Agreement;
- (g) the Vendors’ representations and warranties being true and accurate in all material respects and not misleading by reference the facts and circumstances then existing; and
- (h) no material adverse change having occurred in relation to the Target Group.

RATIONALE FOR THE PROPOSED ACQUISITION

The Target Group possesses the skills and capabilities to produce high-end quality component parts and modules for the consumer electronics industry. The Proposed Acquisition represents an opportunity for the Company to acquire a business which is complementary to the Group’s business and enable the Group to further expand its capabilities in precision engineering by tapping on the strength, skills and resources of the Target Group. The Proposed Acquisition is expected to provide the Group with new revenue streams to strengthen its financial performance.

Upon the completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

SOURCE OF FUNDS

The Company intends to finance the Consideration through internal resources of the Group.

FINANCIAL EFFECTS ARISING FROM THE PROPOSED ACQUISITION

The proforma financial effects set out below are theoretical in nature and are for illustrative purposes only based on the assumptions stated below:-

- (a) In the calculation of the net tangible assets (“**NTA**”) and NTA per share, it is assumed that the Proposed Acquisition had been effected on 31 December 2018;
- (b) In the calculation of NTA per share, the number of shares is based on the total number of issued shares as at 31 December 2018; and
- (c) In the calculation of earnings per share (“**EPS**”), it is assumed that the Proposed Acquisition had been effected on 1 January 2018. The number of shares is based on the weighted average number of shares in issue for the financial year ended 31 December 2018.

The financial year end of the Target Group falls on 30 November while that of the Group falls on 31 December. The proforma financial effects of the Proposed Acquisition on the NTA are calculated based on the NTA of the Target Group as at 30 November 2018 and the Group’s NTA as at 31 December 2018; and the proforma financial effects on the earnings are calculated based on the Target Group’s earnings for the financial year ended 30 November 2018 (translated at the exchange rate of US\$1:S\$1.3707) and the Group’s earnings for the financial year ended 31 December 2018.

The proforma financial effects stated below do not reflect the future financial results or the financial position of the Group after the completion of the Proposed Acquisition. They are not indicative of the financial results or financial position that could have been attained had the Proposed Acquisition taken place in accordance with the stated assumptions.

Effect on NTA per share

The effect of the Proposed Acquisition on the consolidated NTA per share of the Group as at 31 December 2018 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net tangible assets per share (S\$ cents)	70.44	65.53

Effect on EPS

The effect of the Proposed Acquisition on the consolidated EPS of the Group for the financial year ended 31 December 2018 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Earnings per share (S\$ cents)	12.54	13.76

INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition.

DOCUMENT FOR INSPECTION

A copy of the Share Purchase Agreement is available for inspection during normal business hours at the Company's registered address at 11 International Business Park Jurong East Singapore 609926 for a period of three (3) months from the date hereof.

By Order of the Board
Hi-P International Limited

Yao Hsiao Tung
Executive Chairman
8 October 2019