

HIAP SENG ENGINEERING LTD.

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

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 151,875,000 NEW ORDINARY SHARES OF THE COMPANY

1. INTRODUCTION

The board of Directors (the "**Directors**") of Hiap Seng Engineering Ltd. (the "**Company**") wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue (the "**Rights Issue**") of up to 151,875,000 new ordinary shares of the Company (the "**Shares**"), on the basis of one (1) Rights Share (as defined below) for every two (2) existing Shares held by the shareholders of the Company (the "**Shareholders**") as at a books closure date to be determined by the Directors, at and on which the register of shareholders and the transfer books will be closed to determine the provisional allotment of the Rights Shares of the Entitled Shareholders (as defined below) under the Rights Issue (the "**Books Closure Date**"), fractional entitlements to be disregarded.

The Company has appointed United Overseas Bank Limited as the manager for the Rights Issue. The Rights Shares are intended to be issued and allotted pursuant to and within the limits of the general share issue mandate of the Company to be approved by Shareholders at the annual general meeting of the Company which will be held on 30 August 2019 ("**2019 AGM**").

2. DETAILS OF RIGHTS ISSUE

2.1 Basis of Provisional Allotment

The Company is offering up to 151,875,000 new Shares (the "**Rights Shares**") at the issue price of S\$0.05 per Rights Share ("**Issue Price**"), on the basis of one (1) Rights Share for every two (2) existing Shares held by the Shareholders as at the Books Closure Date.

Entitled Shareholders (as defined below) will be at liberty to accept (in full or in part), decline or otherwise renounce or trade (during the provisional allotment trading period prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) their provisional allotment of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the Entitled Shareholders' (as defined below) provisional allotments of Rights Shares and will, together with the provisional allotments of Rights Shares which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications for Rights Shares (if any), or disposed of or otherwise dealt with in such manner as the Directors, may in their absolute discretion, deem fit in the interests of the Company.

In the allotment of excess Rights Shares, preference will be given to Shareholders for the rounding of odd lots, whereas Directors of the Company and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (directly or through a nominee) on the board of the Company, will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

The Company will not make any allotment and issuance of any Rights Shares (whether through provisional allotments and/or application for excess Rights Shares) that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The Rights Shares will be payable in full upon acceptance and/or application, and when allotted and issued, will rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares. For this purpose, a "**record date**" means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or the Central Depository (Pte) Limited ("**CDP**"), as the case may be, in order to participate in such dividends, rights, allotments or other distributions.

2.2 Issue price and Exercise Price

The Issue Price of S\$0.05 per Rights Share represents:

- (a) a discount of approximately 31.5% to the last traded price of S\$0.073 per Share for Shares traded on the Mainboard of the SGX-ST on 13 August 2019, being the last full Market Day (as defined below) before this announcement on which Shares were traded on the SGX-ST; and
- (b) a discount of approximately 23.1% to the theoretical ex-rights price of S\$0.065 per Share (being the theoretical market price of each Share assuming maximum number of Rights Shares are issued at the Issue Price, and which is calculated based on the closing price of S\$0.073 per Share for trades done on the SGX-ST on 13 August 2019, being the last Market Day before this announcement).

2.3 Size of Rights Issue

As at the date of this announcement, the issued share capital of the Company comprises 303,750,000 Shares (the "**Existing Share Capital**"). As at the date of this announcement, there are no outstanding convertible securities issued by the Company.

For illustration purposes only, based on the Existing Share Capital and assuming that (a) no new Shares are issued on or prior to the Books Closure Date; and (b) all the Entitled Shareholders subscribe in full and pay for their pro rata entitlements of Rights Shares (the "**Maximum Subscription Scenario**"), the Company will issue 151,875,000 Rights Shares under the Rights Issue.

For illustration purposes only, based on the Existing Share Capital and assuming that (i) none of the other Entitled Shareholders apart from the Undertaking Shareholders (as defined below) subscribes for their pro rata entitlements of Rights Shares and/or applies for excess Rights Shares; and (ii) the Undertaking Shareholders only subscribe for their Undertaking Shares (as defined below) pursuant to the Letters of Undertaking (as defined below) under the Rights Issue ("**Minimum Subscription Scenario**"), up to 26,850,880 Rights Shares will be issued under the Rights Issue.

For the avoidance of doubt, the Minimum Subscription Scenario is subject to the Scaling Provision (as defined in paragraph 2.5 below), in order to avoid placing the Undertaking Shareholders in the position of incurring a mandatory general offer obligation under the Singapore Code on Takeovers and Mergers ("**General Offer Obligation**"). Accordingly, subscriptions for Rights Shares by the Undertaking Shareholders pursuant to the Letters of Undertaking will be scaled down from 38,854,949 to 26,850,880 Rights Shares under the Minimum Subscription Scenario.

2.4 Non-Underwritten Basis

In view of the Letters of Undertaking (as defined in paragraph 4 below), the savings in costs by the Company in respect of underwriting fees and commission, and there being no minimum amount to be raised from the Rights Issue, the Directors have decided to proceed with the Rights Issue on a non-underwritten basis.

2.5 Option to Scale Down Subscriptions

Depending on the level of subscription for the Rights Shares, the Company will, if necessary, scale down the subscription and/or excess applications for the Rights Shares by any of the

Shareholders (including the Undertaking Shareholders) ("**Scaling Provision**") to avoid placing the relevant Shareholder in the position of incurring a General Offer Obligation as a result of other Shareholders not taking up their Rights Shares entitlement fully.

2.6 Offer Information Statement

The terms and conditions of the Rights Issue are subject to such changes as the Directors may in their absolute discretion deem fit. The final terms and conditions of the Rights Issue will be contained in the offer information statement (the "**Offer Information Statement**"), to be lodged with the Monetary Authority of Singapore (the "**Authority**"), and to be despatched by the Company to Entitled Shareholders in due course, subject to obtaining the necessary approvals listed in **paragraph 6** of this announcement.

3. RATIONALE AND USE OF PROCEEDS

3.1 The Company is undertaking the Rights Issue to strengthen the financial position and capital base of the Company and its subsidiaries (the "**Group**"). The Rights Issue will also provide the Shareholders with an opportunity to further participate in the equity of the Company. The net proceeds arising from the allotment and issuance of the Rights Shares will be fully used towards working capital of the Group.

3.2 There is no minimum amount to be raised from the Rights Issue. The Directors are of the reasonable opinion that, barring unforeseen circumstances and after taking into consideration:

- (a) the Group's internal resources, operating cash flow and present banking facilities, the working capital available to the Group is sufficient to meet its present requirements; and
- (b) the Group's internal resources, operating cash flow, present banking facilities and the net proceeds of the Rights Issue, the working capital available to the Group is sufficient to meet its present requirements.

3.3 The net proceeds arising from the allotment and issuance of all the Rights Shares, after deducting estimated costs and expenses of S\$0.2 million relating to the Rights Issue under both the Maximum Subscription Scenario and Minimum Subscription Scenario, shall be utilised in accordance with the proportions set out below:

Use of Proceeds	Maximum Subscription Scenario		Minimum Subscription Scenario	
	S\$ mil	%	S\$ mil	%
Working capital	7.4	100.0	1.1	100.0
Total net proceeds arising from the Rights Issue	7.4	100.0	1.1	100.0

3.4 The above allocations are based on the Maximum Subscription Scenario and Minimum Subscription Scenario only. In the event the Net Proceeds fall in between the Maximum Subscription Scenario and Minimum Subscription Scenario, the Company will make the necessary announcements on the allocations when the final Net Proceeds have been determined. It is anticipated that the allocations would not deviate significantly from the above illustrations.

- 3.5 Pending the deployment of the net proceeds raised from the Rights Issue, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities, or used for investment in short-term loan related instruments, as the Directors may deem appropriate in the best interests of the Company.
- 3.6 The Company will make periodic announcements on the use of the proceeds from the Rights Issue as and when such proceeds are materially disbursed and will provide a status report on the use of proceeds from the Rights Issue in the interim and full-year financial statements issued and in the annual report(s) of the Company, until such time the proceeds have been fully utilised. Where there is a material deviation in the use of net proceeds, the Company will announce the reasons for such deviation.

4. LETTERS OF IRREVOCABLE UNDERTAKING

4.1 As at the date of this announcement, Tan Kuay Hoe Holdings Pte. Ltd. ("**TKH Holdings**"), Tan Ah Lam and Tan Lian Chew (the "**Undertaking Shareholders**") hold an aggregate of 77,709,900 Shares, representing approximately 25.6% of the Existing Share Capital ("**Relevant Shares**"). As an indication of their support and commitment to the Company, each of the Undertaking Shareholders has executed a letter of irrevocable undertaking dated 6 August 2019 (the "**Letters of Undertaking**") in favour of the Company, pursuant to which each of the Undertaking Shareholders unconditionally and irrevocably undertakes, *inter alia*:

- (a) to subscribe and pay in full (or procure subscription of and payment for) for its or his entire pro-rata entitlement of Rights Shares ("**Undertaking Shares**"), or such other number of Rights Shares which are provisionally allotted to the Undertaking Shareholder pursuant to the Rights Issue due to any changes after the date of Letters of Undertaking, at the Issue Price and in accordance with the terms of the Rights Issue, no later than the last time and date for acceptance and payment for the Rights Shares under the Rights Issue ("**Closing Date**"), subject always that the number of Undertaking Shares of each Undertaking Shareholder shall not exceed such number that will result in it being in a position of incurring a General Offer Obligation;
- (b) that it or he will remain the beneficial owner of the Relevant Shares that it or he owns or controls, during the period between the date of the Letters of Undertaking and the Books Closure Date, and will not sell, transfer or otherwise dispose of, any of the same or of any interest therein during such period;
- (c) that it or he has sufficient financial resources available to subscribe for and pay in full all the Undertaking Shares or such other number of Rights Shares which are provisionally allotted to the Undertaking Shareholder pursuant to the Rights Issue; and
- (d) that it or he will do all such acts and things and execute all such documents as may be required to give effect to the undertakings in the Letters of Undertaking.

Depending on the level of subscription for the Rights Shares, the subscription of its or his entire pro-rata entitlement of Rights Shares by TKH Holdings and Tan Ah Lam may result in TKH Holdings and Tan Ah Lam incurring a General Offer Obligation. As such, the number of Undertaking Shares of TKH Holdings and Tan Ah Lam shall be scaled down accordingly.

4.2 For illustration purposes only, under the Maximum Subscription Scenario and Minimum Subscription Scenario, the Undertaking Shareholders will have a total interest in approximately 25.6% and 31.6% respectively of the enlarged share capital of the Company. The shareholdings of the Undertaking Shareholders under the Maximum Subscription Scenario and Minimum Subscription Scenario are set out below:

(a) Maximum Subscription Scenario

Undertaking Shareholders	As at the date of this announcement	Rights entitlements	Immediately after completion of the Rights Issue
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			to be subscribed		
	No. of Shares	%	No. of Shares	No. of Shares	%
- TKH Holdings ⁽¹⁾	70,788,639	23.30	35,394,319	106,182,958	23.30
- Tan Ah Lam	3,319,500	1.09	1,659,750	4,979,250	1.09
- Tan Lian Chew	3,601,761	1.19	1,800,880	5,402,641	1.19
Other Shareholders	226,040,100	74.42	113,020,051	339,060,151	74.42
Total	303,750,000	100.00	151,875,000	455,625,000	100.00

(b) Minimum Subscription Scenario

Undertaking Shareholders	As at the date of this announcement		Rights entitlements to be subscribed	Immediately after completion of the Rights Issue	
	No. of Shares	%	No. of Shares	No. of Shares	%
- TKH Holdings ⁽¹⁾	70,788,639	23.30	25,050,000	95,838,639	28.99
- Tan Ah Lam	3,319,500	1.09	-	3,319,500	1.00
- Tan Lian Chew	3,601,761	1.19	1,800,880	5,402,641	1.63
Other Shareholders	226,040,100	74.42	-	226,040,100	68.37
Total	303,750,000	100.00	26,850,880	330,600,880	100.00

Note:

(1) Tan Ah Lam and Tan Leau Kuee @ Tan Chow Kuee are deemed to have an interest in the shares held by TKH Holdings by virtue of section 7 of the Companies Act (Chapter 50) of Singapore.

4.3 The Undertaking Shareholders have demonstrated to the Company that they have sufficient funds in their respective bank accounts to fulfil their obligations under their Undertakings.

4.4 The Letters of Undertaking by each of the Undertaking Shareholders as set out above are subject to and conditional upon the following:

(a) receipt of the approval in-principle granted by the SGX-ST for the listing and quotation of the Rights Shares on the Main Board of the SGX-ST;

(b) approval from shareholders of the general share issue mandate of the Company at the 2019 AGM; and

(c) lodgement of the Offer Information Statement together with all other accompanying documents by the Company with the Authority.

4.5 Based on the Underwriting Shareholders' aggregate interest in the Shares of the Company, as at the date of this Announcement, the acquisition of the Rights Shares by the Undertaking Shareholders pursuant to the Undertaking will not result in the Company failing to comply with the free float requirement under Rule 723 of the SGX-ST Listing Manual.

5. ELIGIBILITY TO PARTICIPATE IN THE RIGHTS ISSUE

5.1 Entitled Depositors

Shareholders whose securities accounts with the CDP ("**Securities Accounts**") are credited with Shares on the Books Closure Date (the "**Depositors**") will be provisionally allotted Rights

Shares on the basis of the number of Shares standing to the credit of their Securities Accounts with the CDP on the Books Closure Date.

To be "**Entitled Depositors**", Depositors must have registered addresses in Singapore with the CDP as at the Books Closure Date or if they have registered addresses outside Singapore must provide the CDP, at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, with addresses in Singapore for the service of notices and documents, not later than 5.00 p.m. (Singapore time) on the date being three (3) market days (a market day being a day on which the SGX-ST is open for trading in securities ("**Market Day**")) prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

5.2 Entitled Scripholders

Shareholders whose share certificates are not deposited with the CDP and whose Shares are not registered in the name of the CDP (the "**Entitled Scripholders**") will have to submit duly completed and stamped transfer forms (in respect of Shares not registered in the name of the CDP), together with all relevant documents of title, so as to be received by the Books Closure Date by the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. ("**Share Registrar**") in order to be registered to determine the Entitled Scripholders' provisional allotments of the Rights Shares.

To be "**Entitled Scripholders**", scripholders must have registered addresses in Singapore with the Company as at the Books Closure Date or if they have registered addresses outside Singapore, must provide the Share Registrar at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 with addresses in Singapore for the service of notices and documents, not later than 5.00 p.m. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

The Entitled Depositors and Entitled Scripholders shall be collectively referred to as "**Entitled Shareholders**" in this announcement.

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the Rights Shares and application for excess Rights Shares, including each different mode of acceptance or application and payment, will be contained in the Offer Information Statement and the relevant application forms.

5.3 CPF Investment Scheme

Shareholders who have previously purchased Shares using their Central Provident Fund ("**CPF**") account savings ("**CPF Funds**") under the Central Provident Fund Investment Scheme ("**CPFIS**") should note that CPF Funds cannot be used to purchase shares of issuers on the SGX-ST watch-list with effect from 1 March 2016. The Company was placed on the SGX-ST watch-list under the minimum trading price entry criteria on 5 June 2018.

Shareholders who have previously bought Shares under the CPFIS prior to the Company being placed on watch-list can choose to hold or sell their Shares or participate in corporate actions, subject to the applicable CPFIS rules and limits for these Shares.

5.4 Foreign Shareholders

For practical reasons and to avoid any violation of securities legislation applicable in countries other than Singapore, the Rights Shares will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior to the Books Closure Date, provided to the CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**"). The Offer Information Statement and accompanying documents will not be despatched to Foreign Shareholders. As such, no provisional allotments of the Rights Shares will be made to, and no purported acceptance thereof and application therefor by, Foreign Shareholders will be valid.

If it is practicable to do so, arrangements may be made, at the discretion of the Company, for provisional allotments of Rights Shares which would otherwise be provisionally allotted to

Foreign Shareholders to be sold "nil-paid" on the SGX-ST as soon as practicable after dealings in the provisional allotments of the Rights Shares commence.

Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the relevant expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed among Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares standing to the credit of their respective Securities Accounts as at the Books Closure Date and sent to them by means of a crossed cheque at their own risk by ordinary post, or in such other manner as they may have agreed with the CDP for payment of any cash distributions. If the amount of net proceeds distributable to any single Foreign Shareholder is less than S\$10.00, such net proceeds will be retained or dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, the Share Registrar or the CDP in connection therewith.

Where such provisional allotments of Rights Shares are sold "nil-paid" on SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, the Share Registrar or the CDP in respect of such sales or proceeds thereof, the provisional allotments of nil-paid Rights Shares or the nil-paid Rights Shares represented by such provisional allotments.

If such provisional allotments of Rights Shares cannot be sold or are not sold on SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be used to satisfy excess applications or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, the Share Registrar or the CDP in connection therewith.

Shareholders should note that the special arrangement described above would apply only to Foreign Shareholders.

6. APPROVALS

6.1 The Rights Issue is subject to, *inter alia*,

- (i) Approval from shareholders of the general share issue mandate of the Company at the 2019 AGM;
- (ii) the approval in-principle of the SGX-ST for the listing and quotation of the Rights Shares on the Main Board of the SGX-ST;
- (iii) the lodgement of the Offer Information Statement together with all other accompanying documents (if applicable) with the Authority; and
- (iv) all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Rights Issue and to give effect to the Rights Issue being obtained and not having been revoked or amended before the completion of the Rights Issue.

6.2 An application will be made by the Company to obtain the SGX-ST's approval for the listing of and quotation of the Rights Shares. An appropriate announcement on the outcome of the application will be made in due course.

7. SGX-ST WATCHLIST

On 5 June 2018, the Company was placed on the SGX-ST Watch-list under the minimum trading price entry criteria which entails maintaining a volume-weighted average price of at least 20 cents and an average daily market cap of more than S\$40 million over the last six (6) months. To exit the watch-list, the Group has 36 months to satisfy the requirements under the minimum trading price entry criteria.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors and substantial shareholders has any interests, direct or indirect, in the Rights Issue, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors 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 the Rights Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

10. CAUTIONARY STATEMENT

The Directors would like to advise the Shareholders that the Rights Issue is subject to certain conditions being fulfilled and there is no certainty or assurance as at the date of this announcement that the Rights Issue would be completed or that no changes will be made to the terms thereof. The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem appropriate. An Offer Information Statement containing further details on the Rights Issue will be lodged with the Authority and despatched to Entitled Shareholders in due course. Accordingly, Shareholders are advised to exercise caution before making any decision in respect of their dealings in the Shares. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company in connection with the Rights Issue carefully. Shareholders who are in any doubt about this announcement should consult their stockbroker, bank manager, solicitor or other professional adviser.

BY ORDER OF THE BOARD

Tan Ah Lam, Frankie
Executive Chairman

14 August 2019