



JURONG ENGINEERING LIMITED

(Co.Reg.No. 197100150N)

PROPOSED SALE OF CORE BUSINESS, UNDERTAKINGS AND ASSETS

INTRODUCTION

On 31 May 2005, the Board of Directors (the “**Board**”) of Jurong Engineering Limited (“**JEL**” or the “**Company**”) announced the receipt of an unsolicited firm proposal from **Ishikawajima-Harima Heavy Industries Co., Ltd (“IHI” or the “Purchaser”)** to purchase selected businesses, undertakings and assets of the Company, for a consideration of S\$51,588,280 (the “**Sale Consideration**”). The Board of Directors of the Company wishes to announce that it has agreed to sell the core business of JEL to IHI (the transaction being referred to as the “**Sale**”). The Board of Directors has also received confirmation from Chip Lian Investments Pte Ltd (“**Chip Lian**”), a substantial shareholder of the Company, of its unconditional, irrevocable undertaking to make a general offer for shares in the Company (the “**Shares**”) not already owned by Chip Lian at an offer price of S\$2.62 per share, upon the Capital Reduction Exercise (as described below) taking effect (the “**General Offer**”).

In connection therewith, the Company has entered into a sale and purchase agreement with IHI dated 30 June 2005 (the “**Agreement**”) to sell the business of engineering and construction carried on by the Company, its subsidiaries and associated companies (the “**Group**”) in Thailand, India, Singapore, Malaysia, Vietnam, Indonesia, the Middle East and elsewhere under the name “Jurong Engineering Limited” including the assets subsisting at completion (the “**Business**”). Details of the assets (the “**Transferred Assets**”) being sold are set out in Schedule A to this announcement. IHI will also be assuming all liabilities of JEL in respect of or in connection with the Business and the Transferred Assets.

Certain assets, including certain long-term investments and cash balances (the “**Excluded Assets**”), are excluded from the Sale. A list of the Excluded Assets is set out in Schedule B to this announcement. The liabilities of the Group in relation to the Excluded Assets are to be retained by the Company.

All profits and receipts and losses and outgoings attributable to the Business and Transferred Assets from 1 January 2005 to the date on which completion of the Sale is to take place (the “**Completion Date**”) are to belong to and be for the account of IHI.

The approval of independent shareholders will be required for the Sale because:

1. The Company will be disposing of substantially the whole of its undertaking to IHI, thereby requiring the approval of shareholders pursuant to Section 160 of the Companies Act (Chapter 50 of Singapore);
2. The net asset value of the Business and the Transferred Assets forms 46.8% of the net asset value of the Group, the net profits attributable to the Business and Transferred Assets comprises 100% of the net profits of the Group and the Sale Consideration received forms 49.5% of the market capitalisation of the Company and the Sale is therefore a “major transaction” requiring the approval of shareholders pursuant to Listing Rule 1013 of Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and



JURONG ENGINEERING LIMITED

(Co.Reg.No. 197100150N)

3. The value of the Business and Transferred Assets comprises 46.8% of the net asset value of the Group. The Purchaser is deemed to be an interested person under the Listing Manual and the Sale is therefore an “interested person transaction” requiring the approval of independent shareholders pursuant to Chapter 9 of the Listing Manual.

RATIONALE FOR THE SALE

The Board has deliberated and considers the offer from the Purchaser a fair offer in view of the historical financial performance of the Business. The Company’s core business is tough and competitive and, in recent years, it has been difficult to achieve an adequate return on capital to shareholders of the Company from the Business.

The offer from the Purchaser, which was based on the net tangible asset value of the Group, represents an opportunity for the Company to convert a substantial part of its assets into cash at a fair value and exit from the Business. The Board noted that the share price of the Company has been trading significantly below the net tangible asset value per share of the Group.

In addition, the General Offer, which will take place upon the Capital Reduction Exercise (as described below) taking effect, will provide all minority shareholders of the Company with the option to exit at a price higher than the recent historical trading price of the Company, or continue as shareholders of the Company with Chip Lian as the principal controlling shareholder.

DETAILS OF THE AGREEMENT

Consideration for the Sale

The Sale Consideration was arrived at on a willing buyer-willing seller basis based on the net tangible asset value of the Business as at 31 December 2004 less adjustments for the value of the assets comprised therein.

The Sale Consideration is to be paid by setting off the amount of S\$29,066,280 against the return of capital to IHI pursuant to a selective capital reduction exercise to cancel 11,094,000 issued and fully paid up shares of S\$0.50 each in the capital of the Company held directly or indirectly by IHI at S\$2.62 per share (the “**Capital Reduction Exercise**”), with the remainder of S\$22,522,000 to be paid in cash.

Completion

Subject to the satisfaction of all conditions precedent (as discussed below), completion of the Sale shall take place within 5 business days of the date all the conditions precedent have been satisfied. The Capital Reduction Exercise is also to be effected on the Completion Date.

Conditions Precedent to the Sale

Completion of the Sale is conditional upon, *inter alia*, the following:

1. The passing at a general meeting of the Company of a resolution to approve the sale of the Business without material amendments thereto or with such amendments as the Parties may agree in writing and such approval not having been withdrawn or revoked as at the Completion Date.



JURONG ENGINEERING LIMITED

(Co.Reg.No. 197100150N)

2. The passing at the same general meeting of the Company referred to in paragraph 1 above of a resolution to approve the change of its name from “Jurong Engineering Limited” to such other name which does not contain the words “Jurong Engineering”, “JEL” or any derivatives of these, as may be agreed to by the Purchaser.
3. The passing at the same general meeting of the Company referred to in paragraph 1 above of a resolution to approve the Capital Reduction Exercise.
4. The completion of the Capital Reduction Exercise by the compliance and/or satisfaction of all relevant requirements and conditions applicable to the Capital Reduction Exercise, other than lodgment of the Order of Court confirming the Capital Reduction Exercise with the Accounting and Corporate Regulatory Authority (“ACRA”).
5. All third party consents in relation to the material contracts of the Business having been obtained.
6. The licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary or desirable for or in respect of the proposed acquisition of the Business by the Purchaser or for the implementation of the Agreement or for the proper carrying on of the Business having been obtained from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms satisfactory to the Purchaser and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect.

ADDITIONAL UNDERTAKINGS

The Purchaser agrees with and undertakes to the Company that the Purchaser shall prior to Completion make a written offer to each employee of the Company employed in the Business written offers of employment. The offers for employment shall be made on terms and conditions that are no less favourable than the terms and conditions of employment extended by the Company to that employee and such employment shall commence on completion of the Sale.

CAPITAL REDUCTION EXERCISE

In accordance with the terms of the Agreement, the Company will undertake a selective capital reduction exercise to cancel the Purchaser’s entire shareholding in the Company comprising 11,094,000 ordinary shares of par value S\$0.50 each in the issued share capital of the Company at S\$2.62 per share together with all rights attaching thereto.

The Capital Reduction Exercise of the Shares by the Company is conditional upon, *inter alia*, the following:-

- (a) the approval of the shareholders of the Company for the Capital Reduction Exercise;
- (b) the confirmation of the High Court of Singapore of the Capital Reduction Exercise;
- (c) the Capital Reduction Exercise taking effect; and
- (d) closing of the Sale.



JURONG ENGINEERING LIMITED

(Co.Reg.No. 197100150N)

INFORMATION ON IHI

IHI is a public company limited by shares incorporated in Japan and is a controlling shareholder of the Company holding an interest (whether direct and indirect) of approximately 25.7% of the issued share capital of the Company as at the date of this announcement.

IHI is listed on the First Section of the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Fukuoka Securities Exchange and Sapporo Stock Exchange with the securities code number 7013. IHI is one of Japan's leading heavy machinery manufacturers, providing technology-oriented products and services to the nation's industrial, private and public sectors. IHI researches, consults, engineers, manufactures and supplies a range of machinery, equipment, plants, structures, ships and offshore facilities.

IHI and its group of companies actively promote the selection and development of business to improve profitability in such fields as manufacturing, energy production, marine transportation, distribution and aerospace and environmental technologies. IHI is a national leader in the production of jet aircraft engines.

FINANCIAL EFFECTS OF THE SALE

Financial effects

For illustration purposes only, the financial effects of the Sale on the Group as set out below were prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2004 (“**FY2004**”) and subject to the following key assumptions:-

- (a) For the purpose of computing the earnings and EPS of the Group after the Sale, it is assumed that the Sale was effected on 1 January 2004.
- (b) For the purpose of calculating the NTA and gearing of the Group after the Sale, it is assumed that the Sale was completed on 31 December 2004.
- (c) For the purpose of computing the financial effects of the Sale on the Group, no adjustments had been made in respect of the interest income that might be earned out of the cash to be received by the Group pursuant to the Sale.

The financial effects set out below are theoretical in nature and are therefore not necessarily indicative of the results of the Group or the related effect on the financial position that would have been attained had the Sale taken place in accordance with the key assumptions set out herein.

**JURONG ENGINEERING LIMITED**

(Co.Reg.No. 197100150N)

(i) Share Capital

	<u>Number of Shares</u> <u>('000)</u>	<u>Nominal value</u> <u>(S\$ '000)</u>
Authorised share capital as at 31 December 2004	200,000	100,000
Issued and fully paid-up share capital as at 31 December 2004	43,130	21,565
Shares to be cancelled under the Capital Reduction Exercise	11,094	5,547
Issued and fully paid-up share capital after the Sale	32,036	16,018

(ii) Earnings

	<u>FY2004</u>	<u>After the Sale</u>
Profit attributable to Shareholders ⁽¹⁾ - S\$ '000	1,954	Nil
Weighted average number of Shares - '000	42,629	42,629
Earnings per Share – cents	4.58	Nil

*Note:**(1) Excludes minority interests.***(iii) Net Tangible Assets (“NTA”)**

	<u>As at 31 December</u> <u>2004</u>	<u>After the Sale</u>
NTA ⁽¹⁾ - S\$' 000	115,810	84,166
Number of Shares - '000	43,130	32,036
NTA per Share – S\$	2.69	2.63

*Notes:**(1) Excludes minority interests.*

**JURONG ENGINEERING LIMITED**

(Co.Reg.No. 197100150N)

(iv) Gearing

	<u>As at 31 December</u> <u>2004</u>	<u>After the Sale</u>
Total borrowings ⁽¹⁾ - S\$' 000	28,135	Nil
Net cash ⁽²⁾ – S\$' 000	12,362	61,196
Shareholders' funds ⁽³⁾ - S\$' 000	115,810	84,166
Gross gearing – times ⁽⁴⁾	0.24	Nil
Number of Shares - '000	43,130	32,036
Net cash per Share – S\$ ⁽⁵⁾	0.29	1.91

Notes:

- (1) *The expression "total borrowings" means the aggregate of liabilities arising out of borrowings from banks and financial institutions.*
- (2) *The expression "net cash" means cash and cash equivalent less total borrowings.*
- (3) *The expression "Shareholders' funds" refers to the aggregate of the issued and paid-up share capital, capital and other reserves and share premium of the Group and excludes minority interests.*
- (4) *"Gross gearing" is computed based on the ratio of total borrowings to Shareholders' funds.*
- (5) *"Net cash per Share" means cash and cash equivalents less total borrowings divided by the number of Shares outstanding as at 31 December 2004.*

RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL**a. Rule 1006(a)**

The net asset value of the Business is S\$54,166,000, representing approximately 46.8% of the Group's net asset value of S\$115,810,000 as at 31 December 2004.

b. Rule 1006(b)

The net profit attributable to the Business of S\$1,954,000 represents 100% of the Group's net profit attributable to Shareholders for the financial year ended 31 December 2004.



JURONG ENGINEERING LIMITED

(Co.Reg.No. 197100150N)

c. Rule 1006(c)

The aggregate amount payable by the Purchaser for the Sale is S\$51,588,280 or approximately 49.5% of the Company's market capitalisation of S\$104,129,171 as at 29 June 2005, being the market day immediately preceding the announcement of the Sale.

d. Rule 1006(d)

Rule 1006(d) is not applicable to the Sale as no Shares will be issued by the Company as consideration for the Sale.

INTERESTS OF DIRECTORS AND CONTROLLING STAKEHOLDERS IN THE SALE

The following directors have confirmed that they have declared all their interests in the Sale and have abstained from participating in the discussions and deliberations on and from voting on the resolutions in connection with the Sale.

- (a) Mr Osamu Abiko, Managing Director and Chief Executive Officer of the Company and representative of the Purchaser on the Board;
- (b) Mr Kazuo Kanaya, representative of the Purchaser on the Board; and
- (c) Mr Sakae Ando, representative of the Purchaser on the Board.

None of the remaining directors (other than in his or her capacity as a director or shareholder of the Company) and controlling shareholders of the Company has any interest, direct or indirect, in the Sale.

The Purchaser holds 11,062,500 Shares directly and 31,500 Shares through its subsidiary, IHI Marine Engineering (Singapore) Pte Ltd. and is therefore a controlling shareholder of the Company as defined under the Listing Manual. Accordingly, the Sale will constitute an interested person transaction falling within Chapter 9 of the Listing Manual.

INTERESTED PERSON TRANSACTION

Total Value of All Interested Person Transactions

The total value of all interested person transactions with the Purchaser, being all interested person transactions for the financial period commenced from 1 January 2005 to 30 June 2005, was approximately S\$35,626,000.

Financial Advisers

G. K. Goh Stockbrokers Pte Ltd is the financial adviser to the Company in respect of the Sale. The Audit Committee will appoint an independent financial adviser to advise the Audit Committee whether the Sale is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.



JURONG ENGINEERING LIMITED

(Co.Reg.No. 197100150N)

CIRCULAR TO SHAREHOLDERS

The Company will despatch a circular containing information on the Sale (the “**Circular**”), together with notice of the extraordinary general meeting to be convened (“**EGM**”), to the Shareholders of the Company in due course.

The Circular will contain, *inter alia*, the advice of the independent financial adviser to the Independent Directors, the recommendations of the Independent Directors to the Shareholders, in connection with the Sale and all other relevant information for the Shareholders' consideration in compliance with Chapters 9 and 10 of the Listing Manual.

DOCUMENTS FOR INSPECTION

Copies of the Agreement are available for inspection during normal business hours at the registered office of the Company located at 25 Tanjong Kling Road, Jurong Town, Singapore 628050 for 3 months from the date of this announcement.

Shareholders of the Company are advised to refrain from taking any action in relation to their Shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information, the advice of the independent financial adviser and the recommendations of the Independent Directors to be set out in the Circular to Shareholders to be issued in due course.

By order of the Board

Patrick Law
Company Secretary

Submitted By Patrick Law, On 30 June 2005 To The SGX-ST



JURONG ENGINEERING LIMITED

(Co.Reg.No. 197100150N)

SCHEDULE A

Assets under the Sale

- (a) the benefit, as well as the burden, of all contracts, undertakings, arrangements and agreements entered into on or prior to completion by or on behalf of the Company in connection with the Business including (1) customer contracts for the manufacture or sale, letting on hire, rental of goods or other supply or provision of services by the Company, (2) supplier contracts entered into by the Company with suppliers for the sale of goods, provision of services or the supply of motor vehicles, office equipment or plant and machinery, and (3) lease or licence agreements relating to any leasehold property held by the Company, but excluding employment and other agreements with the Company's employees;
- (b) leasehold land from Jurong Town Corporation on which the Company's office premises are located;
- (c) the motor vehicles, office equipment, plant and machinery owned by the Company used or intended to be used in connection with the Business;
- (d) the benefit of the insurance policies to which the Company is a party as specified in Part 2 of Schedule 1 of the Agreement;
- (e) shares held by the Company in 24 companies (of which 4 are incorporated in Singapore, 1 in Malaysia, 3 in Indonesia, 1 in Thailand, 1 in Vietnam, 3 in India, 1 in the Philippines, 1 in Japan, 1 in Myanmar, 1 in Hong Kong, 1 in Taiwan, 1 in China, 1 in Brunei, 1 in Bangladesh, 1 in Iran, 1 in the United Arab Emirates and 1 in the Netherlands) specified under Part 3 of Schedule 1 of the Agreement;
- (f) all rights and benefits of the loans granted by the Company to the shareholders of Equator Engineering Sdn. Bhd. under a loan agreement dated 1 December 2001;
- (g) the benefit (so far as the same can lawfully be assigned or transferred to or held on trust for the Purchaser) of all rights and claims of the Company arising at any time in connection with the Business (whether arising under any warranties, conditions, guarantees, indemnities, insurance policies, contracts, agreements or otherwise howsoever) insofar as they relate to the property, rights and assets under the Sale;
- (h) all names and logos used by the Company and its subsidiaries in connection with the Business including "JEL", "Jurong Engineering" and "Jurong Engineering Limited" ; and
- (i) all other property, rights and assets used, enjoyed or exercised or intended to be used, enjoyed or exercised in connection with the Business.



JURONG ENGINEERING LIMITED

(Co.Reg.No. 197100150N)

SCHEDULE B

Excluded Assets

1. The Company's shares in Japan Asia Securities Group, Asia Bioenergy (India) Limited, AsknLearn.com Pte Ltd, Japan Land Ltd (previously known as Japan Asia Ltd), Stratech System Ltd, Synthezer Co. Ltd. (now known as Com Square Co. Ltd.) and Pan Asian Water Solutions Ltd.
2. 12 cranes located in Thailand, Singapore and Indonesia.
3. Office unit located at 22nd Floor, Ocean Tower II, Bangkok, Thailand.
4. Office unit located at suite 1601, 16th floor, Philippine Stock Exchange Centre, Manila, Philippines.
5. The transferable corporate membership in Raffles Country Club.
6. Cash balances of S\$38,674,000.
7. All receivables owing to the Company's Group by Asia Bioenergy (India) Limited.
8. A tax credit of S\$930,000 accruing to the Company as at 31 December 2004.
9. Debts due or deferred taxation from any relevant taxation authority in respect of taxation including, for the avoidance of doubt, any bond or other security issued by any taxation authority or other governmental agency representing any such debts.