

ENTRY INTO NON-BINDING TERMSHEET WITH INVESTORS

1. INTRODUCTION

1.1. Hiap Seng Engineering Ltd (Judicial Managers Appointed) (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the update announcement made on 6 May 2021 in relation to expressions of interest from various parties to acquire a majority stake in the Company, and wishes to announce that the Judicial Managers have on 9 December 2021 entered into a non-binding termsheet (the “**Termsheet**”) with Vibrant Equities Pte. Ltd. and Tian Yuan (collectively, the “**Investors**”), pursuant to which the Company and the Investors have agreed that subject to the definitive agreements relating to the Proposed Transactions (as defined below) (the “**Definitive Agreements**”) being executed by the parties thereto (the “**Parties**”) on terms to be mutually agreed, and the other terms and conditions to be set out therein, the Company and the Investors will undertake the following transactions:

- (a) the subscription by the Investors of S\$8.0 million (the “**Subscription Amount**”) in new ordinary shares of the Company (the “**Subscription Shares**”) (the “**Proposed Subscription**”);
- (b) the grant by the Company to the Investors of S\$8.0 million in unlisted and transferable options (the “**Options**”) to subscribe for new ordinary shares of the Company (the “**Option Shares**”) (the “**Proposed Grant of Options**”).

collectively, the “**Proposed Transactions**”.

1.2. Together with the Proposed Transactions, it is contemplated that the Company will also propose a settlement of certain of its unsecured financial liabilities by way of a scheme of arrangement to be approved by the creditors of the Company and sanctioned by order of the High Court of Singapore, such settlement being contemplated to be satisfied via issue of new ordinary shares of the Company (the “**Settlement Shares**”) and payment in cash (the “**Proposed Scheme of Arrangement**”).

1.3. Assuming the issue of the Subscription Shares and the Settlement Shares under the Proposed Scheme of Arrangement and no exercise of the Options, it is contemplated under the Termsheet that Vibrant Equities Pte. Ltd. and Tian Yuan will hold approximately 35.3% and approximately 11.8% of the enlarged share capital of the Company, respectively. For the avoidance of doubt, this enlarged share capital (the “**Enlarged Share Capital**”) does not take into consideration the issue of any new ordinary shares of the Company (the “**Shares**”) in relation to any other corporate transactions that may be contemplated, including the Proposed Rights Issue (as defined below).

2. INFORMATION ON THE INVESTORS

As at the date of this announcement, Vibrant Equities Pte. Ltd. is an investment holding company incorporated in Singapore on 24 October 2007 and held by Vibrant Group Ltd. (40%), Khua Kian Hua (30%) and Khua Kian Ann, Vincent (30%). Vibrant Group Ltd. is an integrated service provider in logistics, real estate and financial services headquartered in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Khua Kian

Hua and Khua Kian Ann, Vincent are the brothers of the majority shareholder of Vibrant Group Ltd., and do not own shares in Vibrant Group Ltd.

As at the date of this announcement, Tian Yuan is a Singapore Permanent Resident and has been chief executive of CGC Group since 2012. CGC Group carries out major construction and infrastructure projects and was appointed the management company in Malaysia for the Penang government's transport masterplan. From 1998 to 2010, Mr Tian was the regional director for South-East Asia at China Construction Third Engineering Bureau and was based in Singapore.

To the best of the Company's knowledge, the Investors are unrelated to each other.

As at the date of this announcement, none of Investors or their members (where applicable) (a) holds any Shares; or (b) is not related to any of the directors of the Company (the "**Directors**"), substantial shareholders of the Company, or their respective associates. There is also no connection (including business relationship) between any of the Investors or their members (where applicable) and the Directors or substantial shareholders of the Company.

3. SALIENT TERMS OF THE TERMSHEET

3.1. Proposed Subscription

The Investors shall invest and subscribe for an aggregate amount of S\$8.0 million in Subscription Shares, with the breakdown as follows:

Investor	Investment amount (S\$ million)
Vibrant Equities Pte. Ltd.	6.0
Tian Yuan	2.0

The S\$8.0 million proceeds from the Proposed Subscription (after deduction of expenses) shall be used for the settlement of outstanding financial liabilities with the key principal banker of the Group. The key principal banker currently has security over the assets of the Group, including properties, project receivables and cash.

3.2. Proposed Grant of Options

In connection with the Proposed Subscription, the Investors shall be granted S\$8.0 million in Options, which shall be exercisable for a period of two (2) years from the date of completion of the Proposed Transactions. The Options will be exercisable at the subscription price for each Subscription Share (the "**Subscription Price**") for the first 12 months from the completion of the Proposed Transactions and shall be exercisable at a price which is a premium of approximately 10% to the Subscription Price thereafter.

The S\$8.0 million proceeds from the full exercise of the Options (after deduction of expenses) shall be used to fund the working capital needs of the Company.

The number of Options that remain unexercised shall be subject to appropriate and equitable adjustments in the event of share splits, share consolidation, recapitalisations and the like, to prevent dilution or enlargement of the benefits attributable to the Options, save that no adjustment shall be made in respect of the Proposed Rights Issue and any other corporate transactions that may be contemplated in relation to or in connection with the Resumption Proposal.

It is contemplated that Vibrant Equities Pte. Ltd. and Tian Yuan will hold (a) approximately 48.0% and approximately 16.0% of the Enlarged Share Capital, respectively, if the Options are fully exercised within the first 12 months from the completion of the Proposed Transactions; and (b) approximately 47.2% and approximately 15.7% of the Enlarged Share Capital, respectively, if the Options are fully exercised thereafter.

3.3. Earnest monies on signing of Termsheet

In consideration of the Exclusivity Period (as defined below), the Investors shall, within one (1) week after the execution of the Termsheet, pay to the Company non-refundable earnest monies totalling S\$200,000 (the “**Earnest Monies**”). The Earnest Monies shall be offset against the Subscription Amount.

For the avoidance of doubt, if Definitive Agreements are not entered into between the Parties by or on the expiry of the Exclusivity Period through no fault of the Investors, the Earnest Monies shall be refunded to the Investors. Otherwise, it will be forfeited to the Company and the Investors shall not be entitled to claim any compensation or damages for or in respect or by reason of the same.

3.4. Deposit on signing of Definitive Agreements

Within one (1) week after the execution of the Definitive Agreements, the Investors shall make an additional deposit of S\$500,000 (the “**Deposit**”) to the Company.

The Deposit shall be refunded to the Investors if the Proposed Transactions do not complete in accordance with the Definitive Agreements by the Longstop Date (as defined below) through no fault of the Investors.

3.5. Conditions precedent

The Proposed Transactions are conditional upon, amongst others, the following (the “**Conditions**”):

- (a) settlement of financial liabilities with the key principal banker of the Group;
- (b) settlement of unsecured financial liabilities of the Company by the Proposed Scheme of Arrangement;
- (c) satisfactory completion of legal and financial due diligence by the Investors;
- (d) written letter of confirmation to be obtained from JTC Corporation confirming, *inter alia*, that it has no objection to the change of control of the Company pursuant to the Proposed Transactions and a proposed transfer of listing status of the Company to a new company to be incorporated (“**Listco**”) by way of a scheme of arrangement pursuant to which the shareholders of the Company will be issued shares in Listco in consideration of the Company becoming a wholly-owned subsidiary of Listco (the “**Proposed Transfer Listing**”);
- (e) the grant (and not having revoked or repealed such grant) of the waiver of the obligation of the Investors to make a mandatory general offer under Rule 14 of the Singapore Code on Take-overs and Mergers for the Shares not held by the Investors and its concert parties following the issue of the Subscription Shares and full exercise of the Options, subject to any conditions that the Securities Industry Council of Singapore (the “**SIC**”) may impose (the “**Whitewash Waiver**”);

- (f) the in-principle approval of the SGX-ST being obtained by the Company in relation to the listing and quotation of the Subscription Shares and the Option Shares;
- (g) submission of a proposal for the resumption of trading taking into account, *inter alia*, the Proposed Transactions and the Proposed Transfer Listing (the “**Resumption Proposal**”) and receipt of a no-objection letter from the SGX-ST indicating that has no objection to the Resumption Proposal;
- (h) the approval of the shareholders of the Company (the “**Shareholders’ Approval**”) being obtained at an extraordinary general meeting to be convened (the “**EGM**”) for, *inter alia*, the Proposed Transactions, the resolutions for the Whitewash Waiver and transfer of controlling interest to the Investors, and the Proposed Transfer Listing; and
- (i) all consents, approvals and authorisations of or notices to other persons necessary for the Company to enter into the Proposed Transactions, and to perform its obligations hereunder, have been obtained or effected.

3.6. Completion and longstop date

Completion of the Proposed Transactions shall be within 14 days from the confirmation by the Company and the Investors that the Conditions have been fulfilled.

The Proposed Transactions shall be completed no later by 31 July 2022, and any extension shall be mutually agreed (the “**Longstop Date**”).

3.7. Post-completion corporate action

Following the completion of the Proposed Transactions, the Termsheet contemplates that Company intends to undertake a rights issue to raise up to S\$3.0 million (the “**Proposed Rights Issue**”), where Mr. Richard Tan (an Executive Director of the Company) and/or his family members, through an investment vehicle, will undertake to subscribe for their entitlement to the new Shares to be issued under the Proposed Rights Issue, and any excess Shares thereunder, amounting to a total of S\$1.0 million.

The Proposed Rights Issue will allow existing shareholders to participate in capital raising of the Company. The Investors will not have the rights to participate in the Proposed Rights Issue.

The proceeds from the Proposed Rights Issue (after deduction of expenses) are intended to be used to fund the working capital needs of the Company.

Details in relation to the Proposed Rights Issue will be provided in due course after the announcement of the Company’s half-year results for the financial year ended 31 March 2022.

3.8. Exclusivity

For the period of one (1) month from the date of execution of the Termsheet (the “**Exclusivity Period**”), the Company shall not enter into any agreement with any third party for an investment in the Company.

4. **RATIONALE FOR THE PROPOSED TRANSACTIONS**

The Company’s shares have been suspended from trading on 28 November 2019 on the basis that a financial consultant was engaged to undertake a financial review and viability assessment

on the Group and that the board of directors of the Company was not able to conclude if the Group can operate as a going concern. Since September 2020, the Judicial Managers have been appointed to manage the affairs, business and property of the Company in order to achieve, amongst others, the survival of the Company, a more advantageous realisation of the assets of the Company or a scheme of arrangement with its creditors. To that end, the Judicial Managers have assessed various options and investment proposals.

Pursuant to the considerations above, the Company is of the view that the investment by the Investors through the Proposed Transactions is beneficial to the Company and the Group as the Proposed Transactions, if entered into, will allow for certainty of funding resulting in the Company being able to reduce its outstanding debt obligations, which is vital for the continuity of the Company as it will allow the Group to continue as a going concern, and upon the exercise of the Options, the Company will also have further access to funds for working capital.

5. APPROVALS REQUIRED

The Proposed Transactions will be subject to several conditions precedent, including but not limited to the Whitewash Waiver being granted by the SIC, the Resumption Proposal being approved by SGX-ST, and the Shareholders' Approval.

In the event that the Company proceeds with the Proposed Transactions, the Company will be seeking the Shareholders' Approval via an EGM to be convened by the Company in compliance with the Listing Manual of the SGX-ST.

Other transactions as described under the terms of the Termsheet such as the Proposed Scheme of Arrangement, the Proposed Rights Issue and the Proposed Transfer Listing shall also be subject to relevant approvals from the regulatory authorities and the shareholders of the Company. Details in relation to such transactions shall be provided in due course.

6. FURTHER ANNOUNCEMENTS

Further announcements will be made in relation to the Proposed Transactions (and any ancillary matters thereto) by the Company and the Judicial Managers via SGXNET as and when there are any material developments.

7. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Transactions remain subject to, amongst others, the negotiation and execution of the Definitive Agreements. **There is no certainty or assurance that the Definitive Agreements will be entered into, that the conditions precedent for the Proposed Transactions can be fulfilled, that the terms and conditions of the Proposed Transactions will not differ from those set out in the Termsheet, or that the Proposed Transactions will be undertaken at all.** Although the Company's Shares are under suspension, shareholders, securityholders and investors are advised to read this announcement and any past and future announcements by the Company and the Judicial Managers carefully when dealing with the Shares and securities of the Company. Shareholders, securityholders, and investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their shares or securities of the Company.

Oon Su Sun and Lin Yueh Hung
Joint and Several Judicial Managers
9 December 2021

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.