

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

PROPOSED SCHEME OF ARRANGEMENT UNDER SECTION 210 OF THE COMPANIES ACT 1967 OF SINGAPORE

Hiap Seng Engineering Ltd (Judicial Managers Appointed) (the “**Company**”) refers to its announcement dated 11 March 2022 and wishes to notify that following the Creditors’ Meeting, the Company has filed an application (the “**Scheme Application**”) to the High Court of Singapore (the “**Court**”) pursuant to Section 117 of the Insolvency, Restructuring and Dissolution Act 2018 (“**IRDA**”) read with Section 210 of the Companies Act 1967 (the “**Act**”) for leave to convene a meeting of its Scheme Creditors (as defined in the proposed scheme of arrangement (the “**Scheme**”)) (the “**Scheme Meeting**”), for the purposes of considering and, if thought fit, approving with or without modification (which modification may be made prior to or at the Scheme Meeting), the Scheme proposed to be made between the Company and the Scheme Creditors (as defined in the Scheme).

The Scheme Application was filed in Court on 18 May 2022 and a hearing date has yet to be fixed. Creditors of the Company who require a copy of the Scheme Application (comprising an Originating Application and supporting Affidavit) may submit a request to the Judicial Managers of the Company at RF-HiapSengEngineering@RSMSingapore.sg for a copy to be provided by electronic mail.

Salient terms of the Scheme have been extracted and set out below:

I. Rationale

1. The Scheme would allow for a restructuring of the Company’s debts and liabilities to enable the Company to strengthen and rebuild its balance sheet and cash flow positions as well as facilitate the investments to be made into the Company. The Judicial Managers are of the view that following the reduction of its financial debt to a sustainable level, the Company will be a viable going concern. This Scheme is likely to represent an opportunity for the Scheme Creditors to gain value from the Company.
2. Upon completion of the Scheme by performance in accordance with its terms, *inter alia*, all liabilities of the Company in relation to or in connection with the Scheme Debt of the Scheme Creditors shall be deemed satisfied. The Scheme Debt will comprise:
 - (a) the Company’s Ascertained UOB Liabilities (as defined in the Scheme) due to United Overseas Bank Limited (“**UOB**”) as at the Ascertainment Date (i.e. 15 September 2020 when the Company was placed under judicial management) (less any sum recovered from the Company between the Ascertainment Date and 23 March 2022, as well as but not limited to a Requisite Sum as defined in the Scheme) which are proved by UOB in the Scheme as an unsecured claim and admitted as an Approved Scheme Claim; and
 - (b) the Company’s liabilities to unsecured Scheme Creditors as at the Ascertainment Date (subject to Clause 4.5 of the Scheme) which are proved in the Scheme and admitted as Approved Scheme Claims.

3. The Judicial Managers believe that the Scheme would benefit all stakeholders, who would receive a greater return under the Scheme than under a winding up of the Company. If the Company is placed into winding up, the Company will likely be delisted with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and liquidated. Any available assets of the Company in such a situation would be subject to the Security (as defined in the Scheme) of the Company’s principal secured lender. Each unsecured Scheme Creditor would stand to recover close to nil returns of their Approved Scheme Claims (as defined in the Scheme Document), if at all.

II. Scheme Overview

The Scheme comprises principally the following elements:

- (a) the Company shall distribute a sum of of S\$2,500,000 in cash to the Scheme Creditors ; and
- (b) the issue of ordinary shares in the capital of Hiap Seng Investment Pte Ltd (the “**New Listco**”) (if the Transfer Listing (as defined below)¹ is completed) or the Company (if the Transfer Listing is not completed) to the Scheme Creditors in connection with the debt-to-equity conversion of Scheme Debt (as defined in the Scheme Document), at S\$0.00543 per ordinary share (the “**Conversion Price**”), up to a maximum of 1,353,591,160 ordinary shares with an aggregate value of not more than S\$7,350,000 (the “**Settlement Shares**”) shall be allotted and issued to the Scheme Creditors.

III. Conditions of the Scheme

The implementation of the Scheme on the date on which the Scheme Conditions are met (or waived) in accordance with the terms of the Scheme, and shall be a date not later than 31 October 2022 (the “**Implementation Date**”) , or such later date as may be agreed between the Judicial Managers, the Company or the New Listco and the Subscribers (the “**Long Stop Date**”) is subject to all of the following conditions precedent (the “**Scheme Conditions**”, and each a “**Scheme Condition**”) being satisfied or waived (as the case may be):

- (a) the approval of this Scheme by a majority in number representing three-fourths in value of the relevant Scheme Creditors (the “**Requisite Majority**”) at the Scheme Meeting;

¹. Pursuant to the conditional subscription agreement dated 7 January 2022 and as amended on 25 March 2022 (the “**CSA**”), Vibrant Equities Pte Ltd and Tian Yuan (collectively, the “**Subscribers**”) have agreed to subscribe to new ordinary shares with an aggregate value of S\$8,000,000 (the “**Subscription Shares**”) (the “**Proposed Subscription**”) and S\$8,000,000 in principal amount of unlisted and freely transferable share options (the “**Options**”) (the “**Proposed Grant of Options**”, together with the Proposed Subscription, the “**Proposed Transactions**”), to be issued by the New Listco (if the Transfer Listing is completed) or the Company (if the Transfer Listing is not completed). In connection with the Proposed Subscription, the Company is intending to undertake a transfer of its listing status to the New Listco if the transfer of the Company’s listing status on SGX-ST to the New Listco (the “**Transfer Listing**”) by way of a scheme of arrangement pursuant to which shareholders of the Company (the “**Shareholders**”) will be issued shares in the New Listco in consideration of the Company becoming a wholly-owned subsidiary of the New Listco (the “**Transfer Listing**”). Please refer to the announcements dated 7 January 2022 and 25 March 2022 for further information.

- (b) the approval of the Scheme by the Court with or without modifications, additions or conditions imposed by the Court pursuant to section 210 of the Act;
- (c) a copy of the Sanction Order (as defined in the Scheme Document) being lodged with the Registrar in accordance with section 210(5) of the Act;
- (d) no injunction or other order being issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Scheme or the transactions proposed herein or any part thereof;
- (e) the completion of the legal and financial due diligence on the Company and the New Listco, to the satisfaction of the Subscribers in their absolute discretion (acting reasonably), and with such due diligence to be completed within twelve (12) weeks from the date of the CSA or such other date as may be mutually agreed between the Judicial Managers and the Subscribers;
- (f) the entry by the Company and/or the New Listco into definitive agreements with UOB for (i) the settlement of principal amounts and interests under the Existing UOB Facilities (as defined in the Scheme Document), and (ii) in consideration of such settlement, the release and discharge of the Security (as defined in the Scheme Document) to facilitate the Company's restructuring plan;
- (g) the approval of JTC Corporation ("**JTC**") to a consultation letter to be submitted by the Company confirming with JTC that it has no objection to the change of control of the Company pursuant to the Proposed Transactions and the Transfer Listing;
- (h) the in-principle approval of SGX-ST being obtained for the listing and quotation of the Subscription Shares and shares to be issued pursuant to the exercise of the Options (the "**Option Shares**");
- (i) the in-principle approval of SGX-ST being obtained for the proposal to be submitted to the SGX-ST for the resumption of trading of the Company's shares on the Mainboard of the SGX-ST, taking into account, *inter alia*, the Proposed Transactions, the proposed Scheme and the proposed Transfer Listing (the "**Resumption Proposal**") and the Transfer Listing, and receipt of a no-objection letter from the SGX-ST indicating that has no objection to the Resumption Proposal and/or the Transfer Listing;
- (j) the grant by the Securities Industry Council (the "**SIC**") (and the SIC not having revoked or repealed such grant) of the Whitewash Waiver (as defined in the Scheme Document); and the approval of the Whitewash Resolution (as defined in the Scheme Document);
- (k) the approval of the shareholders of the Company being obtained at an extraordinary general meeting for the Proposed Transactions, the allotment and issue of the Subscription Shares and the Option Shares (pursuant to the exercise of the Options), the allotment and issue of the Settlement Shares, the transfer of controlling interest

to Vibrant Equities Pte Ltd (“VEPL”), the Whitewash Resolution, the Scheme, the Transfer Listing and the Rights Issue²;

- (l) in relation to the leases for properties of the Company at 24 Tuas Crescent Singapore 638738, 28 Tuas Crescent Singapore 638719 and 30 Tuas Crescent Singapore 638736, the fulfilment of JTC Investment Criteria, or the Company obtaining the written approval from JTC for the extension of the deadline for the fulfilment of JTC Investment Criteria to 13 February 2023;
- (m) in relation to certain of the foreign companies in which the Company and/or its subsidiaries have shareholding interests in,
 - (i) the deregistration or conversion to a limited liability company of Hiap Seng Engineering Ltd, Fujairah Branch;
 - (ii) the completion of the legal and financial due diligence on Hiap Seng Manco WLL and Petroleum Maintenance Service Joint Stock Company, to the satisfaction of the Subscribers in their absolute discretion (acting reasonably), with such due diligence to be completed within twelve (12) weeks from the date of the CSA , or such other date as may be mutually agreed between the Judicial Managers and the Subscribers; and
 - (iii) in relation to MHS Integrated Engineering Sdn Bhd, the execution of a deed of termination discharging the Company from all guarantees and indemnities provided under the joint venture;
- (n) the nomination by VEPL of such number of directors to be mutually agreed upon by the Subscribers and the Company, taking into consideration the board size, to the board of the Company (if the proposed Transfer Listing is not completed) or to the board of the New Listco (if the proposed Transfer Listing is completed), and such director(s) to be a member of the remuneration, audit and/or nominating committee of the Company (if the proposed Transfer Listing is not completed) or the New Listco (if the proposed Transfer Listing is completed), provided that the Company or the New Listco (as the case may be) shall always be in compliance with the relevant laws and regulations (including the Listing Manual and the Code of Corporate Governance 2018 of Singapore);
- (o) the nomination by VEPL of the chief executive officer and deputy chief executive officer of the Company (if the proposed Transfer Listing is not completed) or the New Listco (if the proposed Transfer Listing is completed), provided that the Company or the New Listco (as the case may be) shall always be in compliance with the relevant laws and regulations (including the Listing Manual and the Code of Corporate Governance 2018 of Singapore);
- (p) such consents, approvals or waivers as may be required (or deemed necessary by the Judicial Managers, the Subscribers and/or the New Listco) being obtained from any

² A rights issue to the Shareholders to raise up to S\$3,300,000 (the “Rights Issue”) where Mr. Richard Tan (an Executive Director of the Company) and/or his family member(s), through an investment vehicle, will undertake to subscribe for their entitlement to new ordinary shares to be issued under the Rights Issue in the Company (if the Transfer Listing is not completed) or the New Listco (if the Transfer Listing is completed) (the “Rights Shares”), and any excess Rights Shares thereunder, amounting to a total of S\$1,000,000.

other person(s), including but not limited to any governmental, regulatory body or competent authority having jurisdiction over the Company, the Subscribers or the New Listco in respect of the transactions contemplated in the CSA (and any amendment, variation or supplement thereto) and such consents, approvals or waivers not having been amended or revoked and if any such consents, approvals or waivers are subject to conditions, such conditions being reasonably acceptable to the Judicial Managers, the Subscribers and the New Listco (as the case may be); and

- (q) all necessary governmental and regulatory approvals and consents to the Scheme and the underlying transactions thereunder being obtained.

IV. Cash Distribution

1. The Company shall effect a pro rata distribution of a sum of S\$2,500,000 in cash to Scheme Creditors (including the Company's principal secured lender, UOB to the extent of its Claim proved as an unsecured Claim in the Scheme) to the extent of each Scheme Creditor's Approved Scheme Claim, in partial reduction of the Scheme Debt on a pari passu basis. Each Scheme Creditor's entitlement shall be calculated on the basis of the following formula:-

$$\frac{\text{S\$2,500,000}}{\text{Total amount of Scheme Debt}} \times \text{Approved Scheme Claim by the Scheme Creditor}$$

2. Each cash distribution shall be rounded down to the nearest cent, and where any payment would otherwise comprise of fractions of a cent, each Scheme Creditor's entitlement to a fraction of a cent shall be forever released, discharged and extinguished.

V. Settlement Shares

1. The Scheme Debt shall be converted to Settlement Shares up to a maximum of 1,353,591,160 Settlement Shares with an aggregate value of up to S\$7,350,000 at the Conversion Price. The number of Settlement Shares to which each Scheme Creditor shall be entitled to shall be:-

- (a) calculated on the basis of the following formula:-

$$\left(\frac{\text{S\$7,350,000}}{\text{Total amount of Scheme Debt}} \times \text{Approved Scheme Claims by the Scheme Creditor} \right) \div \text{Conversion Price}$$

- (b) rounded down to the nearest whole number of shares, provided always that the aggregate of Settlement Shares to issue for the Scheme, shall not exceed 1,353,591,160 Settlement Shares, and each Scheme Creditor's entitlement to a fraction of a share shall be forever released, discharged and extinguished.

2. The Settlement Shares shall:-

- (a) be duly authorised, validly issued and credited as fully paid-up;

- (b) rank pari passu in all respects with any other Settlement Shares of the Company then in issue;
- (c) be issued free from all Encumbrances (as defined in the Scheme Document) and entitled to all rights attached thereto on or after the date of issue; and
- (d) be issued to Scheme Creditors in partial reduction of the Scheme Debt on a pari passu basis.

VI. Distribution and Payment Mechanism

1. Each Scheme Creditor shall, within thirty (30) Business Days from the date on which the Sanction Order (defined in the Scheme) is lodged with the Registrar in accordance with section 210(5) of the Act (the “**Effective Date**”):
 - (a) provide details of its designated local or foreign bank account (of the Scheme Creditor or its designated payee) for purposes of the telegraphic transfer to be made by the Scheme Managers for the Cash Distribution; and
 - (b) provide the details of its Securities Account for purposes of the distribution of Settlement Shares.
2. In the case of Scheme Creditors who have not provided the Scheme Managers with the necessary details of its designated bank account and/or a Securities Account, or who have provided incomplete or inaccurate details of its designated bank account and/or a Securities Account, within thirty (30) Business Days from the Effective Date,
 - (a) the Scheme Managers shall write to such Scheme Creditor with a further request for the necessary details of its designated bank account and/or a Securities Account, to be provided to the Scheme Managers within fourteen (14) Business Days from the date of such written request; and
 - (b) in the event the Scheme Managers do not receive the necessary details requested, such Scheme Creditor which has not provided the Scheme Managers with such necessary details of its designated bank account and/or a Securities Account irrevocably agrees that it shall be deemed to have irrevocably waived, released and discharged all its rights to such payment of the Cash Distribution and the distribution of Settlement Shares (as the case may be).
3. The distribution of cash and Settlement Shares as aforesaid shall be effected within a reasonable period of time after the Implementation Date of the Scheme.
4. Where a Scheme Creditor does not claim its entitlement under the Scheme within forty-four (44) Business Days from the Implementation Date, such Scheme Creditor shall be deemed to have irrevocably waived, released and discharged all its rights to such payment or distribution.

Further details on the Scheme and an engrossed and final copy of the Scheme will be provided in advance of the Scheme Meeting, if the Scheme Application is so granted by the Court.

FURTHER ANNOUNCEMENTS

The Company will announce when a hearing date for the Scheme Application is fixed and make the requisite announcements in compliance with the requirements of the Listing Manual of the SGX-ST (the “**Listing Manual**”) (including in relation to Chapter 8 of the Listing Manual), when there are material developments in respect of the Scheme.

CAUTIONARY STATEMENT

Shareholders, stakeholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company and the Judicial Managers carefully. Shareholders are also advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders, stakeholders and potential investors of the Company should consult with their financial, tax or other advisers if they have any doubt about the actions they should take.

Oon Su Sun and Lin Yueh Hung
Joint and Several Judicial Managers
20 May 2022

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.