



VIBRANT GROUP LIMITED

Company Registration Number: 198600061G

ENTRY INTO NON-BINDING TERM SHEET IN RELATION TO PROPOSED INVESTMENT IN HIAP SENG ENGINEERING LTD (JUDICIAL MANAGERS APPOINTED)

1. INTRODUCTION

The board of directors (the “**Board**”) of Vibrant Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Vibrant Equities Pte. Ltd. (“**Vibrant Equities**”), an associated company of the Company has on 9 December 2021 entered into a non-binding term sheet (“**Term Sheet**”) with Mr. Tian Yuan (Vibrant Equities and Mr. Tian Yuan hereinafter collectively referred to as the “**Investors**”) and the judicial managers of Hiap Seng Engineering Ltd (Judicial Managers Appointed) (“**Hiap Seng**”), in relation to the Investors’ proposed investment in Hiap Seng (“**Proposed Investment**”).

Vibrant Equities is an investment holding company incorporated in Singapore, and held by the Company (40%), Mr. Khua Kian Hua (30%) and Mr. Khua Kian Ann, Vincent (30%). Vibrant Equities is acting as a joint venture investment vehicle through which the Group, Mr. Khua Kian Hua and Mr. Khua Kian Ann, Vincent will invest in the Proposed Transaction (as defined below) (“**Joint Venture**”).

The terms of the Joint Venture were arrived at on normal commercial terms, taking into account the future performance of the Proposed Transaction (as defined below). The risk and rewards of all shareholders in Vibrant Equities shall be in proportion to their investment and no single investor or group of investors shall be preferred over others.

Pursuant to the Proposed Investment:

- (a) Vibrant Equities and Mr. Tian Yuan shall subscribe for new ordinary shares in Hiap Seng (“**Subscription Shares**”) in consideration for investing a sum of S\$6.0 million and S\$2.0 million in Hiap Seng respectively (“**Proposed Subscription**”), of which, S\$2.4 million shall be contributed by the Group via Vibrant Equities; and
- (b) Hiap Seng shall grant to the Investors S\$8.0 million of options (“**Options**”) to subscribe for new ordinary shares of Hiap Seng (“**Option Shares**”) (“**Proposed Grant of Options**”), collectively, the “**Proposed Transaction**”.

Together with the Proposed Transaction, it is contemplated that Hiap Seng 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 Hiap Seng and sanctioned by order of the High Court of Singapore, such settlement being contemplated to be satisfied via issue of new ordinary shares of Hiap Seng (the “**Settlement Shares**”) and payment in cash (the “**Proposed Scheme of Arrangement**”).

The Term Sheet sets out the key commercially agreed terms in respect of the Proposed Transaction and does not constitute an offer, agreement, agreement in principle, agreement to agree or commitment to provide financing. There is no binding commitment on the part of Vibrant

Equities to conclude the Proposed Transaction, till the negotiation, finalisation and execution of the definitive agreements relating to the Proposed Transaction (“**Definitive Agreements**”).

2. INFORMATION ON THE PROPOSED TRANSACTION

2.1 Information on Hiap Seng Engineering Ltd

Hiap Seng Engineering Ltd is a Singapore-incorporated company listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), and prior to being placed under judicial management, was one of the leading integrated service providers of mechanical engineering, plant fabrication & installation and plant maintenance to the oil-and-gas (serving both upstream exploration and production as well as downstream refinery and storage), petrochemical and pharmaceutical industries in Singapore, Asia Pacific and other regions.

On 28 July 2020, Hiap Seng filed an application in the High Court to be placed under judicial management (“**JM**”) pursuant to Section 227B of the Companies’ Act. On 15 September 2020, the High Court granted the application and made the JM order. On 6 September 2021, the High Court ordered that the JM order be extended until 13 March 2022.

2.2 Consideration

The Group holds 40% interest in Vibrant Equities. The aggregate consideration for the Proposed Subscription and exercise of the Proposed Grant of Options payable by Vibrant Equities (assuming Vibrant Equities fully exercises the Options granted to it) is S\$12.0 million (“**Aggregate Consideration**”). Accordingly, the portion of Aggregate Consideration payable by the Company for the Proposed Subscription and the exercise of the Proposed Grant of Options is S\$4.8 million (“**Consideration**”), assuming that Vibrant Equities fully exercises the Options granted to it.

The Aggregate Consideration was determined pursuant to commercial negotiations between the Investors and Hiap Seng’s judicial managers (in good faith and on an arm’s length basis).

The Consideration shall be paid in cash and internally funded by the Group.

2.3 Rationale for the Proposed Transaction

The Group believes that the Proposed Transaction is in line with its corporate strategy to expand its logistics business initiatives, including in the offshore oil and gas sectors where Hiap Seng was a leading service providers, and the Group believes that Hiap Seng may possibly enable the Group to pursue opportunities and growth in this sector.

2.4 Interested Party Transaction

Mr. Khua Kian Hua and Mr. Khua Kian Ann, Vincent are siblings of Mr. Eric Khua Kian Keong, the Executive Director and CEO of the Group and who is deemed to be controlling shareholder of the Company by virtue of his shareholding in the holding company of the Company, Vibrant Capital Pte. Ltd.. Mr. Khua Kian Hua and Mr. Khua Kian Ann, Vincent are therefore deemed to be interested persons. Vibrant Equities, being an associated company of the Company, is regarded as “an entity at risk” within the definition set out in Chapter 9 of the Listing Manual. Accordingly, the Joint Venture is regarded as an interested party transaction.

Under Rule 909(2) of the Listing Manual, in the case of a joint venture, the value of the transaction includes the equity participation, shareholders’ loans and guarantees given by the entity at risk. The value of the participation by the Company in the Proposed Transaction following the Proposed

Subscription and assuming full exercise of the Options granted to Vibrant Equities is 2.1% of the Group's latest net tangible assets ("**NTA**") for the financial year ended 30 April 2021. Accordingly, Rules 905(1) and 905(2) of the Listing Manual would not apply and the Company is not required to comply with the disclosure requirements of Rule 917 of the Listing Manual.

2.5 Discloseable Transaction

The relative figures of the Proposed Transaction computed on the bases set out in Rule 1006 Listing Manual exceed 5% but do not exceed 20%. Accordingly, the Proposed Transaction is a discloseable transaction in respect of which the approval of the shareholders of the Company is not required.

3. SALIENT TERMS OF THE TERM SHEET

3.1 Proposed Subscription

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

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

3.2 Proposed Grant of Options

In connection with the Proposed Subscription, the Investors shall be granted Options with an aggregate value of up to S\$8.0 million to further acquire shares in Hiap Seng.

The Options shall be exercisable for a period of two (2) years from completion of the Proposed Transaction ("**Completion**"). 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 Transaction and shall be exercisable at a price which is a premium of approximately 10% to the Subscription Price thereafter.

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 (as defined below).

It is contemplated that Vibrant Equities Pte. Ltd. will hold (i) approximately 48.0% of the enlarged share capital (assuming the issue of the Subscription Shares and Settlement Shares (as defined below)), if the Options are fully exercised within the first 12 months from the completion of the Proposed Transaction, and (ii) approximately 47.2% of the enlarged share capital, if the Options are fully exercised thereafter.

3.3 Conditions Precedent to completion of the Proposed Transaction

Completion of the Proposed Transaction is subject to and conditional upon the following (“**Conditions**”):

- (a) settlement of financial liabilities by Hiap Seng and its subsidiaries with its key principal banker;
- (b) settlement of Hiap Seng’s unsecured financial liabilities by the Proposed Scheme of Arrangement;
- (c) satisfactory completion of legal and financial due diligence by the Investors;
- (d) written letter of confirmation being obtained from JTC confirming, *inter alia*, that it has no objection to the change of control of Hiap Seng pursuant to the Proposed Transaction and a proposed transfer of listing status of Hiap Seng to a new company to be incorporated (“**Listco**”) by way of a scheme of arrangement pursuant to which the shareholders of Hiap Seng will be issued shares in Listco in consideration of Hiap Seng 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 following the issue of the Subscription Shares and full exercise of the Options, subject to any conditions that the Securities Industry Council of Singapore may impose (the “**Whitewash Waiver**”);
- (f) the in-principle approval of the SGX-ST being obtained 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 by Hiap Seng 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 it has no objection to the Resumption Proposal;
- (h) approval of the shareholders of Hiap Seng being obtained at an extraordinary general meeting to be convened for, *inter alia*, the Proposed Transaction, the resolutions for the Whitewash Waiver and transfer of controlling interest to the Investors, and the Proposed Transfer Listing; and
- (i) Hiap Seng having obtained all consents, approvals and authorisations of or notices to other persons necessary for it to enter into the Proposed Transaction, and to perform its obligations in connection with the foregoing.

3.4 Completion and Longstop Date

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

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

3.5 Post-completion corporate action

The Parties to the Term Sheet have also agreed that after the completion of the Proposed Transaction, Hiap Seng will undertake a rights issue to raise up to S\$3.0 million (the “**Proposed Rights Issue**”), where the current key management team of Hiap Seng, 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 Investors will not have the rights to participate in the Proposed Rights Issue.

4. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures computed on the relevant bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Transaction is as follows:

Rule	Bases	Relative Figures (%)
1006(a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable ⁽¹⁾
1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits	Not meaningful ⁽²⁾
1006(c)	The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	7.89 ⁽³⁾
1006(d)	The number of equity shares issued by the Company as consideration for an acquisition, compared with the number of equity shares previously in issue	Not applicable ⁽⁴⁾

Notes:

- (1) Rule 1006(a) is not applicable to an acquisition of assets.
- (2) The net profits attributable to the assets to be acquired are not publicly available to the Group as at the date of this announcement. Hiap Seng is under judicial management and had sought multiple extensions of time for the release of its financial results, with its most recent financial statements being released on 14 August 2020 for the first quarter ended 30 June 2020 (“**14 August Announcement**”). In view of the above and the fact that Hiap Seng intends to undertake the Proposed Scheme of Arrangement, it would not be meaningful to compute the relative figure using the numbers in the 14 August Announcement.
- (3) Based on the Consideration of S\$4.8 million and the market capitalisation of the Company being \$60.9 million, which is calculated based on the weighted average price of S\$0.0879 per Share as at 8 December 2021, being the last trading day for the Company’s shares preceding the date of execution of the Term Sheet.
- (4) Not applicable, as equity securities are not issued by the Company as consideration for the Proposed Transaction.

Accordingly, the Proposed Transaction is a discloseable transaction pursuant to Chapter 10 of the Listing Manual.

5. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

5.1 Bases and Assumptions

The following are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after completion. The financial effects of the Proposed Transaction on the Company as set out below are based on the Group's latest audited financial statements for the financial year ended 30 April 2021 and the following assumptions:

- (a) the financial effects on the Group's NTA attributable to the shareholders and the NTA per ordinary share in the capital of the Company ("**Share**") have been computed assuming that Completion took place on 30 April 2021;
- (b) the financial effects on the Group's earnings attributable to the shareholders and the earnings per Share ("**EPS**") have been computed assuming that Completion took place on 1 May 2021; and
- (c) Vibrant Equities fully exercises the Options granted to it and new shares in Hiap Seng were issued on 30 April 2021.

5.2 Share Capital

As no new Shares will be issued by the Company in connection with the Proposed Transaction, the Proposed Transaction will have no impact on the Company's issued share capital.

5.3 NTA per Share

Financial year ended 30 April 2021	Before the Proposed Transaction	After the Proposed Transaction
NTA attributable to the Shareholders of the Company (S\$'000)	227,500	222,700
No. of Shares ('000) (excluding treasury shares)	692,491	692,491
Consolidated NTA per Share (Singapore Cents)	32.85	32.16

5.4 EPS per Share

	Before the Proposed Transaction	After the Proposed Transaction
Profit before tax (S\$'000)	5,873	5,873
No. of Shares ('000) (excluding treasury shares)	692,491	692,491
EPS (Singapore Cents)	0.85	0.85

5.5 Value of assets being acquired

Hiap Seng's most recent publicly available financial statements were in respect of the first quarter ended 30 June 2020 ("1QFY2021") as contained in the 14 August Announcement. As more than one year has passed since the announcement of the 1QFY2021 results and Hiap Seng is currently under judicial management, the Group is of the view that it would not be meaningful to provide the book value and net tangible asset value of the Subscription Shares and Option Shares on the basis of the 1QFY2021 results. As Hiap Seng's shares have been suspended from trading since 28 November 2019, the Group is also of the view that it would not be meaningful to provide the open market value of the Subscription Shares and Option Shares.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr. Khua Kian Hua and Mr. Khua Kian Ann, Vincent, who each hold 30% of the total issued and paid-up share capital of Vibrant Equities, and do not hold any interest in the Group, are associates of Mr. Eric Khua Kian Keong, the Executive Director and CEO of the Company.

Save as disclosed above, none of the Directors or controlling shareholders of the Company and/or their respective associates has any interest, direct or indirect, in the Term Sheet, other than through their respective shareholding interests in the Company.

7. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. DOCUMENT FOR INSPECTION

A copy of the Term Sheet will be available for inspection at the Company's registered office at 51 Penjuru Road #04-00 Freight Links Express Logisticcentre, Singapore 609143, during normal business hours for a period of three (3) months from the date hereof.

9. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Proposed Transaction and other matters contemplated in this announcement, including the signing of the Definitive Agreements.

10. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Term Sheet is non-binding and is subject to the execution of the Definitive Agreements with terms and conditions to be agreed by the parties of the Term Sheet. **There is no certainty or assurance that the Definitive Agreements will be entered into, that the conditions precedent for the Proposed Transaction can be fulfilled, that the terms and conditions of the Proposed Transaction will not differ from those set out in the Term Sheet, or that the Proposed Transaction will be undertaken at all.** As such, shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company. In the event of any doubt as to the action they should take, shareholders and potential investors should consult their financial, tax, legal or other professional advisers.

BY ORDER OF THE BOARD

Eric Khua Kian Keong
Executive Director & CEO
Singapore, 9 December 2021