



## HIAP HOE LIMITED

(Registration Number: 199400676Z)  
(Incorporated in the Republic of Singapore)

---

### PROPOSED CAPITAL REDUCTION EXERCISE

---

#### 1. INTRODUCTION

The Board of Directors of Hiap Hoe Limited (the “**Company**”) wishes to announce that the Company is proposing to undertake a capital reduction exercise (the “**Proposed Capital Reduction**”) pursuant to Section 78A read together with Section 78C of the Companies Act (Cap. 50), to reduce and cancel the share capital of the Company, which has been lost or is unrepresented by available assets to the extent of S\$73,331,724 (“**Accumulated Losses**”).

#### 2. THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction exercise is a legal and accounting process. It will entail a cancellation of the Company’s issued and paid-up share capital as at 30 June 2007 from the existing sum of approximately S\$130,407,258 to S\$57,075,534. In connection with the Proposed Capital Reduction, it is proposed that the amount of S\$73,331,724 arising therefrom shall be applied to write off the accumulated losses of approximately S\$73,331,724 sitting in the books of the Company as at 30 June 2007.

The Accumulated Losses of the Company arose principally from writedowns in the carrying values of investments in, and amounts due from, subsidiaries of the Company and losses from operations.

The purpose of the Proposed Capital Reduction is to write off the Accumulated Losses with a view to restructuring the finances of the Company. This serves to rationalise the balance sheet of the Company to reflect more accurately the value of its underlying assets, and thus the financial position of the Company. In addition, the Proposed Capital Reduction will facilitate future equity-related fund raising to recapitalise and strengthen the balance sheet of the Company.

#### 3. FINANCIAL EFFECTS OF THE PROPOSED CAPITAL REDUCTION

The effect of the Proposed Capital Reduction on the issued and paid-up share capital of the Company as at 30 June 2007 is set out below:

Share Capital	As at 30 June 2007	
	No. of Shares	S\$
Before the Proposed Capital Reduction	302,083,543	130,407,258
After the Proposed Capital Reduction	302,083,543	57,075,534

For illustrative purposes only and based on the unaudited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the financial period ended 30 June 2007, a summary of the proforma financial effects of the Proposed Capital Reduction on the Company’s

issued and paid-up share capital and shareholders' funds of the Company and the Group are set out below:

	As at 30 June 2007			
	Group		Company	
	Before Proposed Capital Reduction (S\$)	After Proposed Capital Reduction (S\$)	Before Proposed Capital Reduction (S\$)	After Proposed Capital Reduction (S\$)
Issued and Paid-up Share Capital	130,407,258	57,075,534	130,407,258	57,075,534
Reserves	(74,914,728)	(1,583,004)	6,088,715	6,088,715
Accumulated Profit / (Losses)	48,081,861	48,081,861	(73,331,724)	-
<b>Shareholders' funds</b>	<b>103,574,391</b>	<b>103,574,391</b>	<b>63,164,249</b>	<b>63,164,249</b>

The Proposed Capital Reduction will not have any effect on the earnings, net tangible assets and gearing of the Company and the Group.

#### 4. SHARE OPTIONS

The Company has granted share options (“**Options**”) which are exercisable into shares of the Company (“**Shares**”) under the Hiap Hoe Employee Share Option Plan (“**Hiap Hoe ESOS**”), which was approved and adopted by the Company on 26 April 2004. Pursuant to the rules of the Hiap Hoe ESOS, there will be no adjustment made to the number and the exercise price of the Options after the Proposed Capital Reduction.

#### 5. CONDITIONS OF THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction is subject to, *inter alia*, the following:

- (a) the approval of shareholders of the Company by way of a special resolution at an extraordinary general meeting (“**EGM**”) to be convened; and
- (b) all other relevant approvals and consents being obtained and statutory requirements being complied with.

#### 6. GENERAL

A circular setting out further details of the Proposed Capital Reduction will be despatched to the shareholders of the Company in due course.

**BY ORDER OF THE BOARD**

**Lim Siew Fay, Sophia**  
Company Secretary  
27 August 2007