



## HIAP HOE LIMITED

Company Registration No. 199400676Z

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### PROPOSED SUBSCRIPTION OF SHARES IN THE SHARE CAPITAL OF LEY CHOON GROUP HOLDINGS LIMITED

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#### 1. Introduction

The board of Directors (the “**Board**”) of Hiap Hoe Limited (the “**Company**”), or together with its subsidiaries, the “**Group**”) is pleased to announce that the Group’s wholly-owned subsidiary Hiap Hoe Investment Pte. Ltd. (“**Hiap Hoe Investment**”) has on 31 July 2013 entered into a subscription agreement (the “**Subscription Agreement**”) with Ley Choon Group Holdings Limited (“**Ley Choon**”). Under the terms of the Subscription Agreement, Hiap Hoe Investment will subscribe for up to 88,268,000 new ordinary shares in the capital of Ley Choon (the “**New Shares**”) (the “**Proposed Investment**”), representing approximately 14.9% of Ley Choon’s enlarged share capital after the completion of the Subscription Agreement (the “**Completion Date**”).

#### 2. Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual – Rule 1006 Computations

The relative figures pursuant to Rule 1006 of the SGX-ST Listing Manual, using the latest announced consolidated accounts of the Group as at 31 March 2013, are:-

(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
(b)	Net profits attributable to the assets acquired compared with the Group's net profits of S\$11,729,000. <sup>(1)</sup>	Not applicable
(c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares. <sup>(2)</sup>	4.15%
(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

#### NOTES:

- (1) Not applicable as, pursuant to the Proposed Investment, the Group will only acquire 14.9% of the enlarged share capital of Ley Choon, thus the Group will record this transaction as an investment and there will be no sharing of Ley Choon’s profit. The Group’s latest announced consolidated net profits was approximately S\$11,728,151 for the first quarter of 2013 ended 31 March 2013. Under Rule 1002(3)(b) of the Listing Manual, “net profits” means profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the consideration of approximately S\$14,493,605.60 and the market capitalisation of the Company of approximately S\$349,577,197.21 as at 30 July 2013. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in

issue, being 470,557,541 ordinary shares, and the weighted average price of S\$0.7429 per share on 30 July 2013.

As the relative figures computed on the bases set out in Rule 1006 (b) and (c) as set out above do not exceed 5%, the Proposed Investment is a “non-discloseable transaction” within the meaning of Rule 1010 (read with Rule 1006) of the Listing Manual. However, the Board has decided to disclose the Proposed Investment to enhance the corporate disclosure standards of the Company.

### 3. **Consideration and Funding**

Pursuant to the terms and subject to the conditions of the Subscription Agreement, Ley Choon will allot and issue the New Shares at an issue price of S\$0.1642 (the “**Issue Price**”) for each New Share to Hiap Hoe Investment for an aggregate consideration of S\$14,493,605.60 (the “**Consideration**”). The Issue Price represents a discount of approximately 10% to the weighted average of S\$0.1824 for trades done on Ley Choon’s shares on the SGX-ST for the full market day on 30 July 2013 (being the market day preceding the signing of the Subscription Agreement).

The Consideration was arrived at on arm’s length negotiations having regard to Ley Choon’s weighted average price for trades on Ley Choon’s shares on the SGX-ST for the full market day on 30 July 2013. The Consideration shall be satisfied in full in cash on the Completion Date.

The Proposed Investment shall be funded from internal cash and/or bank borrowings.

### 4. **Information on Ley Choon**

Ley Choon is an established one-stop Underground Utilities Infrastructure (which includes waterpipes, NEWater pipes, gas pipes, electricity cables, fibre optic cables, sewer pipeline, traffic light systems and telecommunication networks) service provider based in Singapore. Its core businesses comprise:

- (i) Pipes and Roads Segment, which consists of Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation, and road and airfield construction and maintenance; and
- (ii) Construction Materials Segment, which comprises asphalt pre-mix production and construction waste recycling.

Ley Choon is a L6 registered contractor (the highest grade) in the categories of cable/pipe laying and road reinstatement, pipes, and other basic construction materials with the Building and Construction Authority (“**BCA**”), which allows it to tender for Singapore public sector contracts of unlimited value. It is also registered as an A2 contractor in the category of civil engineering (CW02). Its customers include government bodies such as PUB, Land Transport Authority, Housing and Development Board, Urban Redevelopment Authority, BCA, Jurong Town Corporation and companies such as CAG, Singtel and PowerGas.

Based on the unaudited financial statements for the financial period ended 31 March 2013 announced by Ley Choon on 9 May 2013, its unaudited net assets value per ordinary share was 24.79 cents, and the earnings per share based on a fully diluted basis was 0.79 cents.

### 5. **Rationale**

The Board has considered the prospects of Ley Choon, being an established Underground Utilities Infrastructure service provider and being one of only five asphalt plant operators in Singapore, and those of its core businesses, and is of the view that the Proposed Investment is central to the Group’s strategy of growing its investment division to enlarge and diversify

the Group's revenue streams. The Group further envisages potential synergies and cost efficiencies between Ley Choon's and the Group's own businesses, which will create value for shareholders over the longer term.

## **7. Conditions and Completion**

The Proposed Investment is subject to, among others, the following:

- (a) approval in-principle for the listing and quotation of the New Shares on the Official List of the SGX-ST (on conditions, if any, acceptable to the Hiap Hoe Investment and Ley Choon) having been obtained and remaining in full force and effect and where such approval is given subject to conditions which must be fulfilled on or before the Completion Date, they are so fulfilled;
- (b) the allotment and issue to and subscription of the New Shares by Hiap Hoe Investment not being prohibited by any statute, order, rule or regulation promulgated or issued hereafter by any legislative, executive or regulatory body or authority of Singapore;
- (c) the representations and warranties of Ley Choon in the Agreement being true, accurate and correct in all material respects as if made on the Completion Date, with reference to the then existing circumstances and Ley Choon having performed in all material respects all of its obligations herein to be performed on or before the Completion Date.

Completion is scheduled to take place on the date falling no later than seven business days after the satisfaction of the conditions set out above. If the conditions above are not satisfied on or before 31 August 2013 or such other date as may be mutually agreed between Hiap Hoe Investment and Ley Choon, the Subscription Agreement shall cease and determine.

## **8. Directors' and Controlling Shareholders' Interest in the Proposed Investment**

Save for 12,000 Shares held by WestBuild Construction Pte, Ltd., a wholly owned subsidiary of the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Investment.

## **9. Directors Proposed to be Appointed to the Company and/or Ley Choon**

Neither the Company nor Ley Choon will not be appointing any person to their respective Board of Directors in connection with the Proposed Investment.

## **10. Documents Available for Inspection**

A copy of the Subscription Agreement is available for inspection during normal business hours at the registered office of the Company at 564A Balestier Road, Singapore 329880.

By Order of the Board

Submitted by Lai Foon Kuen, Company Secretary on 31 July 2013 to the SGX-S