

## HIAP HUAT HOLDINGS BERHAD (“HIAP HUAT” OR “THE COMPANY”)

### PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HIAP HUAT (“PROPOSED PRIVATE PLACEMENT”)

#### 1. INTRODUCTION

On behalf of the Board of Directors of Hiap Huat (“**Board**”), Hong Leong Investment Bank Berhad (“**HLIB**”) wishes to announce that the Company proposes to undertake a private placement of new ordinary shares of RM0.10 each in Hiap Huat (“**Hiap Huat Shares**”), representing up to 10% of the issued and paid-up share capital of the Company (“**Placement Shares**”).

The Proposed Private Placement is proposed to be implemented pursuant to a prior approval obtained pursuant to Section 132D of the Companies Act, 1965 (“**Act**”) from shareholders of Hiap Huat in a general meeting held on 26 June 2014 (“**Section 132D Authority**”).

#### 2. PROPOSED PRIVATE PLACEMENT

##### 2.1 Details of the Proposed Private Placement

Based on the issued and paid-up share capital of Hiap Huat as at 31 October 2014 of RM33,330,133 comprising 333,301,330 Hiap Huat Shares, the number of Placement Shares to be issued under the Proposed Private Placement would be up to 33,330,000 Placement Shares, representing up to 10% of the issued and paid-up share capital of Hiap Huat as at 31 October 2014.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement would depend on the issued and paid-up share capital of Hiap Huat at any point in time upon obtaining all the relevant approvals.

Subject to the prevailing market conditions, the Proposed Private Placement may be implemented in multiple tranches within 6 months from the date of approval of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the Proposed Private Placement or any extended period as may be approved by Bursa Securities, and provided that the Placement Shares to be issued when aggregated with the nominal value of such shares or convertible securities issued during the preceding 12 months, does not exceed 10% of the nominal value of the issued and paid-up share capital (excluding treasury shares) of Hiap Huat.

##### 2.2 Allocation to Placees

The Placement Shares will be placed to third party investor(s) (“**Placee(s)**”) to be identified at a later date, where such Placee(s) shall be person(s) who qualify under Schedule 6 and 7 of the Capital Markets and Services Act 2007. In accordance to Rule 6.05(c) of the ACE Market Listing Requirements of Bursa Securities (“**Listing Requirements**”), the Placement Shares will not be placed to the following parties:

- (i) a director, major shareholder or chief executive officer of Hiap Huat or a holding company of Hiap Huat (“**Interested Person**”);
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

### 2.3 Basis of arriving at the issue price of the Placement Shares

The issue price of each tranche of the Placement Shares shall be determined separately and fixed by the Board after receiving the relevant approvals for the Proposed Private Placement and after taking into consideration, *inter alia*, the prevailing market conditions and the provisions of pricing under Rule 6.05(a) of the Listing Requirements, in the manner as follows:

- (i) at a discount of not more than 10% based on the volume weighted average market price ("VWAP") of Hiap Huat Shares for the 5 market days immediately preceding the price-fixing date(s) ("5-day VWAP"); or
- (ii) the par value of Hiap Huat Shares of RM0.10 each,

whichever is higher.

For illustrative purposes, the Placement Shares are assumed to be issued at an indicative issue price of RM0.14 per Placement Share, representing the 5-day VWAP up to and including 27 November 2014 of approximately RM0.14, being the last trading day for the Hiap Huat Shares prior to this announcement.

### 2.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing Hiap Huat Shares, except that the holders of the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared by the Company in respect of which the entitlement dates are prior to the date of allotment of each tranche of the Placement Shares, as the case may be.

### 2.5 Listing of the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

## 3. UTILISATION OF PROCEEDS

The actual amount of gross proceeds to be raised from the Proposed Private Placement will depend on the actual issue price and the actual number of Placement Shares to be issued to the Placee(s).

For illustrative purposes, assuming the Placement Shares are issued at an indicative issue price of RM0.14 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM4.67 million, which are to be utilised in the following manner:

Description	Note	RM'000	Estimated timeframe for the
			utilisation of proceeds from the date of listing of the Placement Shares
Working capital	(1)	4,586	Within twelve (12) months
Estimated expenses in relation to the Proposed Private Placement	(2)	80	Within one (1) month
		<b>4,666</b>	

Notes:

- (1) The working capital amount of approximately RM4.59 million will be utilised for Hiap Huat and its subsidiaries' ("Hiap Huat Group") day-to-day operations to support its existing business operations, which include the payment of payables and other direct costs and purchase of raw materials.

- (2) *The estimated expenses relating to the Proposed Private Placement of RM80,000 comprise the professional fees, fees payable to relevant authorities and other miscellaneous expenses. Any surplus or shortfall of the estimated expenses for the Proposed Private Placement will be adjusted accordingly to the working capital of Hiap Huat.*

In the event of a variation in the actual gross proceeds raised due to the difference in the issue price and/or number of Placement Shares to be issued, the Company will vary the utilisation amount for working capital purposes, accordingly.

Pending the utilisation of the proceeds by Hiap Huat, the proceeds will be placed in interest-bearing deposit accounts or investments in money markets as the Board may deem fit.

#### **4. RATIONALE**

The Proposed Private Placement will allow Hiap Huat to raise funds for the purposes as stated in Section 3 of this announcement.

The Board is of the view that the Proposed Private Placement is the most appropriate method of raising funds as the Proposed Private Placement:

- (i) will enable the Hiap Huat Group to raise funds without incurring interest cost as compared to bank borrowings or issuance of debt instruments; and
- (ii) provides the most effective way of raising fund as compared to a pro-rata issuance of securities such as a right issue, in view of the expected timeframe for completion of the exercise.

#### **5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT**

##### **5.1 Issued and paid-up share capital**

For illustrative purposes, the proforma effects of the Proposed Private Placement on the issued and paid-up share capital of Hiap Huat are shown below.

	<b>Par value</b>	<b>No. of Hiap Huat Shares</b>	<b>RM</b>
Existing issued and paid-up share capital as at 31 October 2014	0.10	333,301,330	33,330,133
To be issued pursuant to the Proposed Private Placement	0.10	33,330,000	3,333,000
<b>Enlarged issued and paid-up share capital</b>	0.10	<u>366,631,330</u>	<u>36,663,133</u>

## 5.2 Net assets and gearing

For illustrative purposes, the proforma effects of the Proposed Private Placement on the audited consolidated net assets ("NA") and gearing of Hiap Huat based on the audited consolidated financial statements of Hiap Huat as at 31 December 2013 are set out below:

	Audited as at 31 December 2013	Proforma I After the Proposed Private Placement
	RM'000	RM'000
Share capital	33,330	36,663
Share premium	7,762	*9,095
Merger deficit	(9,535)	(9,535)
Retained earnings	16,064	16,064
<b>Shareholders' funds/ NA</b>	<b>47,621</b>	<b>52,287</b>
No. of Hiap Huat Shares in issue ('000)	333,301	366,631
NA per share (RM)	0.14	0.14
Borrowings (RM'000)	24,435	24,435
Gearings (times)	0.51	0.47

Note:

\* Based on the indicative issue price of RM0.14 per Placement Share and after deducting estimated expenses of RM80,000 in relation to the Proposed Private Placement.

## 5.3 Earnings and earnings per share

The Proposed Private Placement is not expected to have a material effect on the consolidated earnings of the Hiap Huat Group for the financial year ended 31 December 2014 as the Proposed Private Placement is only expected to be completed by the second quarter of 2015.

The earnings per share ("EPS") of the Hiap Huat Group may be diluted as a result of the increase in the number of Hiap Huat Shares in issue after the Proposed Private Placement. Nevertheless, the utilisation of the proceeds from the Proposed Private Placement, in the manner as set out in Section 3 of this announcement may contribute positively to the future earnings and EPS of the Hiap Huat Group.

## 5.4 Shareholdings of substantial shareholders

The proforma effects of the Proposed Private Placement on the shareholdings of the substantial shareholders of Hiap Huat as at 31 October 2014 are set out below:

Name	As at 31 October 2014				Proforma I After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Hiap Huat Shares	%	No. of Hiap Huat Shares	%	No. of Hiap Huat Shares	%	No. of Hiap Huat Shares	%
Chan Say Hwa	66,105,460	19.83	-	-	66,105,460	18.03	-	-
Soo Kit Lin	66,608,460	19.98	55,401,410	16.62	66,608,460	18.17	55,401,410	15.11
Chan Ban Hin	55,401,410	16.62	66,608,460	19.98	55,401,410	15.11	66,608,460	18.17
Chow Pui Ling	-	-	66,105,460	19.83	-	-	66,105,460	18.03

Notes:

- (a) Deemed interested through direct holding of spouse, Chan Ban Hin.
- (b) Deemed interested through direct holding of spouse, Soo Kit Lin.
- (c) Deemed interested through direct holding of spouse, Chan Say Hwa.

## **5.5 Existing convertible securities**

As at 31 October 2014, the Company does not have any convertible securities.

## **6. APPROVALS REQUIRED**

The Proposed Private Placement is subject to approvals being obtained from the following:

- (i) Bursa Securities, for the listing of and quotation for the Placement Shares pursuant to the Proposed Private Placement; and
- (ii) any other relevant authorities/parties, if required.

At the Company's 4th Annual General Meeting ("**AGM**") held on 26 June 2014, the shareholders of Hiap Huat granted the Board with an authority pursuant to the Section 132D Authority to issue new Hiap Huat Shares up to 10% of the issued and paid-up share capital of Hiap Huat. The subsisting Section 132D Authority is valid until the conclusion of the Company's forthcoming AGM.

The Proposed Private Placement is not conditional upon any other corporate proposals undertaken by Hiap Huat.

## **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the Directors or major shareholders of the Company and/or persons connected to them have any interest, directly or indirectly, in the Proposed Private Placement.

## **8. DIRECTORS' STATEMENT**

The Board, after taking into consideration all aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interests of the Company.

## **9. ADVISER AND PLACEMENT AGENT**

HLIB has been appointed by Hiap Huat to act as the Adviser and Placement Agent in relation to the Proposed Private Placement.

## **10. APPLICATION TO THE AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the relevant applications to the regulatory authorities in relation to the Proposed Private Placement will be made within a period of 2 months from the date of this announcement.

Barring any unforeseen circumstances, the Board expects the Proposed Private Placement to be completed by the second quarter of 2015.

This announcement is dated 28 November 2014.