

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

PROPOSED PRIVATE PLACEMENT OF UP TO 66,660,000 NEW ORDINARY SHARES IN HIAP HUAT, REPRESENTING UP TO APPROXIMATELY 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (EXCLUDING TREASURY SHARES) (“PROPOSED PRIVATE PLACEMENT”)

*Reference is made to the Company’s announcements dated 24 May 2021 and 28 May 2021 in relation to the Proposed Private Placement (“**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the meanings as defined in the aforesaid Announcements.*

On behalf of the Board, HLIB wishes to provide the following additional information in relation to the Proposed Private Placement, which is underlined for ease of reference:

1. RATIONALE AND JUSTIFICATION FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will enable the Group to raise funds primarily for the construction of a new waste treatment facility and the purchase of a new palm oil waste refining system, details of which are set out in Section 2 of this announcement.

After due consideration of the various funding options available to the Company, the Board is of the view that the Proposed Private Placement is the most appropriate avenue for the Company to raise funds as the Proposed Private Placement:

- (i) allows the Group to raise funds in tranches based on market conditions and the prevailing market price of the Shares;
- (ii) allows the Group to raise funds expeditiously as compared to other fund-raising exercises, such as a rights issue exercise which typically takes a longer time to implement;
- (iii) serves as an additional source of funding for the Group without incurring further finance cost as compared to bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing; and
- (iv) increases the capital base of the Company and strengthen its financial position arising from the increase in the number of Shares in issue.

Save for the proposed establishment of an employee share option scheme of up to 30% of the total number of issued shares of the Company (excluding treasury shares) at any point in time for the eligible directors and employees of the Group (excluding dormant subsidiaries) (“**Proposed ESOS**”) which was announced by the Company on 15 March 2021, there are no other equity fund-raising exercises undertaken by the Company during the past 12 months immediately preceding the date of the announcement dated 24 May 2021 in relation to the Proposed Private Placement. The Proposed ESOS was approved by the shareholders of Hiap Huat on 24 May 2021 and is currently pending implementation.

2. UTILISATION OF PROCEEDS

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

For illustrative purposes, the Illustrative Issue Price of RM0.11 per Placement Share represents a discount of approximately 7.9% to the 5-day volume weighted average market price of the Shares up to and including the LPD of RM0.1194.

Minimum Scenario : Issuance of up to 65,837,000 Placement Shares, assuming that all the 4,113,000 treasury shares are retained by the Company before the implementation of the Proposed Private Placement

Maximum Scenario : Issuance of up to 66,660,000 Placement Shares, assuming all the 4,113,000 treasury shares are resold by the Company on Bursa Securities at cost before the implementation of the Proposed Private Placement

Based on the Illustrative Issue Price, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM7.3 million. The gross proceeds from the Proposed Private Placement are expected to be used in the following manner:

<u>Details of use of proceeds</u>	<u>Minimum Scenario (RM'000)</u>	<u>Maximum Scenario (RM'000)</u>	<u>Expected time frame for use from the date of listing of the Placement Shares</u>
Part finance the construction of a new waste treatment facility ⁽¹⁾	3,000	3,000	Within 18 months
Purchase of a new palm oil waste refining system ⁽²⁾	3,992	4,083	Within 18 months
Estimated expenses for the Proposed Private Placement ⁽³⁾	250	250	Within 1 month
Total gross proceeds	<u>7,242</u>	<u>7,333</u>	

Notes:

(1) On 30 December 2019, the Board announced that Hiap Huat Chemical Sdn Bhd (“**HHCSB**”), a wholly-owned subsidiary of the Company, had on even date entered into a sale and purchase agreement to acquire a parcel of leasehold land located at Pulau Indah Industrial Park, Selangor, for the purpose of constructing and operating a new waste treatment facility (“**Proposed Acquisition**”).

As at the LPD, the Proposed Acquisition has not been completed, pending the transfer of the land title and the full settlement of the purchase consideration by HHCSB. The application to the State Authority of Selangor for the transfer of the land title to HHCSB has been submitted at the end of May 2021. The Company expects to obtain the approval from the State Authority of Selangor for the transfer of land title, fully settle the purchase consideration and complete the Proposed Acquisition by the 3rd quarter of 2021.

The construction of the new waste treatment facility forms part of the Group’s business plans and strategy to expand its treatment capabilities by tapping into new market for waste management and renewable energy generation. The close proximity of the said facility to the Group’s existing facility in Pulau Indah, Selangor is expected to provide synergistic benefits which include, among others, cost savings and operational streamlining across its existing businesses. Subject to the land title being transferred to HHCSB, the Company anticipates the construction of the new waste treatment facility to commence in the 3rd quarter of 2021 and be completed by the 4th quarter of 2022.

The total estimated construction cost of the said facility is approximately RM21.0 million and the Company has earmarked RM3.0 million of the proceeds from the Proposed Private Placement to part finance the said construction cost. The remaining construction cost will be funded via internally generated funds and/or bank borrowings, the breakdown of which will be determined at a later date.

- (2) The Company has earmarked up to approximately RM4.1 million of the proceeds from the Proposed Private Placement to purchase and install a new palm oil waste refining system. The said system, which comprises a combination of machinery and equipment for the process of refining, purifying, bleaching and deodorisation of palm oil waste, will be set up closer to the completion of the construction of the new waste treatment facility. The machinery and equipment under the new palm oil waste refining system will be progressively installed based on the agreed delivery schedule, which is estimated to take up to approximately 3 months after the completion of construction of the new waste treatment facility.

Notwithstanding this, the breakdown of the number of units and the estimated costs for the machinery and equipment to be purchased under the new palm oil waste refining system cannot be determined at this juncture as it is too preliminary to request for quotations from suppliers in view that the construction of the new waste treatment facility is only estimated to be completed by the 4th quarter of 2022.

- (3) The estimated expenses for the Proposed Private Placement comprise professional fees, placement fees and fees payable to the relevant authorities, the breakdown of which is set out below:

<u>Estimated expenses</u>	<u>RM'000</u>
<u>Professional fees</u>	<u>60</u>
<u>Placement fee</u>	<u>175</u>
<u>Fees payable to the relevant authorities</u>	<u>15</u>
	<u>250</u>

Pending the use of proceeds from the Proposed Private Placement in the manner set out above, the proceeds will be placed in interest bearing deposits with financial institutions or short-term money market instruments as the Board deems fit.

This announcement is dated 9 June 2021.