



## SINGAPORE eDEVELOPMENT LIMITED

(Incorporated in Singapore)  
(Company Registration No. 200916763W)

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### Responses to SGX Queries on HotApps Acquisition by US OTCBB-Bound Company

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The Board of Directors (the “**Board**”) of Singapore eDevelopment Ltd (“**SeD**” or “the **Company**”) refers to the announcements of the Company on 4 September 2014 and 16 September 2014 in relation to the acquisition of HotApps by an OTCBB-bound company (the “**Announcements**”).

Save as defined herein or the context requires, capitalised terms used herein shall bear the same meanings as ascribed to the same in the Announcements.

The Company has received queries on the Transaction from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) via its Sponsors on 10 September 2014, the Company had responded to these queries to SGX via its Sponsors on 17 September 2014. On 30 September 2014, SGX requested the Company to announce these responses via SGXNet.

The Company sets out below the queries and the Company’s responses to these queries:

#### **The Company’s remarks on the background of the proposed Transaction:**

The proposed transaction is part of a series of major corporate actions undertaken in recent months to accelerate corporate recovery of the Company following substantial losses incurred by its legacy Singapore construction business under the previous management, formerly known as CCM Group Limited. On 21 May 2014, the Company completed the disposal of CCM Industrial Pte Ltd, its loss making legacy construction business.

Under these circumstances, the Board deliberated and decided upon the corporate actions which to date have included, amongst others, a change in corporate identity, negotiations with creditors with regards to corporate liability for performance bonds related to the legacy business, and fund raising via a major rights issue.

It also set in motion a clear strategy to enhance shareholder value as announced on 9 August 2014. This strategy involves two prongs – the first is to pursue overseas property development and selective construction projects, and the second is to pursue opportunities in the infocomm technology (“**ICT**”) sector. While the former can offer steady growth in revenue and profit and strengthen the balance sheet, the latter can potentially accelerate enhancement of shareholder value, taking into account recent valuations for such technology start-ups or businesses (eg WhatsApp (acquired by Facebook), HKSE-listed Tencent and Alibaba (listed on NYSE) and assuming the successful implementation of business growth strategies for HotApps to increase the user/subscriber base. In considering both prongs of the strategy, the Board believes that the experience, network and execution capability of its Chief Executive Officer, Mr Chan Heng Fai (“**Mr Chan**”) in these 2 business segments, will be a critical factor for success.

HotApps was initially developed by Mr Chan with a view to a possible listing on one of the major stock exchanges including but without limitation to NASDAQ. During the course of

restructuring the Company, he identified the opportunity to increase shareholders' value in the Company by offering to inject HotApps into the Company and demonstrated his alignment of interests with the Company and commitment to the Company. The acquisition of HotApps by the Company and its subsequent acquisition by FIE therefore should be viewed in the proper context and corporate development of the Company.

- 1) How was the purchase consideration of S\$98,000 arrived at when the Company acquired HotApps from Mr Chan in Aug 2014?**

**Response:**

The Company had accepted the offer by Mr Chan as it paves the way for a suitable and immediate acquisition into the Information Technology Business, in accordance with the diversification mandate granted by the Company shareholders on 14 July 2014. Further, the purchase consideration represented approximately 80% discount on the total estimated development costs of the HotApps mobile application. The Company had estimated the development costs of HotApps mobile application based on the numbers of features, functions and availabilities to the number of different operating systems and device platforms.

- 2) How was the consideration of US\$700 million in relation to the Transaction, arrived at?**

**Response:**

The Consideration of US\$700 million for the disposal to FIE was negotiated and based on a valuation of HotApps prepared by a third-party valuer which was commissioned by HotApps for in-house analysis. The valuer arrived at a valuation that was based, amongst other factors and conditions, on HotApps' ability to put in place resources and to deliver a projected number of active user base over a period supported by high-growth potential of the sector and building on a large home market in China and Asia to other markets. The proposed Transaction with FIE is subject to independent valuation to be carried out by FIE which has agreed with the Company that the final consideration will not be lower than US\$700 million.

- 3) Were there any enhancements to the HotApps application from the time the Company acquired it in Aug 2014, till the time the Company entered into a term sheet with FIE and FIE Controlling Shareholder in relation to the Transaction in Sept 2014? If not, please explain the significant increase in value of HotApps from S\$98,000 to US\$700 million within a short period of 1 month.**

**Response:**

There were no significant enhancements to the application from the time the Company acquired it until the time the Company entered into the said term sheet with FIE.

The difference between these two considerations was the bases upon which they had been negotiated: the Company purchased based on estimated development costs whilst the Company negotiated the selling consideration based on future growth potential.

- 4) Who are the shareholders of FIE?**

**Response:**

There are 40 shareholders in FIE comprising Global Bridge Partners, Inc. and 39 other individuals.

- 5) Who owns Global Bridge Partners Inc?**

**Response:**

Global Bridge Partners, Inc. is solely owned by a third party, Mr. William Schloth. Mr. Schloth has been in the financial services industry for over 25 years. He is a founder and managing partner of the Ocean Cross Group, a private investment banking and small business consulting and technology firm. Mr. Schloth is not directly or indirectly related to or connected with the Company, any of its directors, shareholders or executive officers.

**6) What is the rationale for FIE granting the Call Option to the Company?**

**Response:**

The grant of Call Option was made at the request of the Company during its negotiations with FIE existing shareholders. The Company is of the view that the Call Option will preserve an orderly market when FIE opens for trading on OTC as this will reduce the likelihood of a substantial disposal of shares on the first day of trading.

**7) It is stated that FIE is a development-stage financial acquisition intermediary firm incorporated in Delaware, USA. To provide a list of past transactions handled by FIE, including consideration paid by FIE at the point of acquisition of the assets and current value of such assets (or disposal consideration if the asset has already been disposed of).**

**Response:**

FIE does not acquire nor dispose assets as its main business and thus had not entered into any purchase transaction to date.

FIE describes its main business as developing a secure online, member generated, M&A platform that matches buyers and sellers in specific industries ("**Industry Exchanges**") and support users with industry-specific M&A advisory and back office support services (collectively, the "**Business Services**"). It generates its revenue primarily through: (i) membership fees from the Industry Exchanges; and (ii) consulting fees from its Business Services.

After the acquisition of FIE, it is expected that FIE would channel its resources into launching and continuous development of HotApps.

**8) Notwithstanding that the Company's shareholding interest in FIE could be up to a maximum of 99.84% immediately upon completion of the Transaction (assuming issuance of 1,000,000 new FIE shares, exercise of the Call Option and full conversion of the Perpetual Bonds by the Company), this may be diluted given the nature of FIE's business model. FIE is likely to embark on future acquisitions via issuance of new FIE shares, resulting in dilution of the Company's stake in FIE, and accordingly, the Company's effective interest in HotApps would also be diluted. Has the Company considered this, and what is the Board's view on whether this is in the interest of the Company.**

**Response:**

To the best of its knowledge and belief, the Company understands that upon completion, the main business of FIE will be HotApps.

While we may not rule out FIE acquiring other businesses in the future, any future acquisition that may lead to dilution of our equity interests in FIE will be assessed on its merits. It will not be necessary for the Company to continue holding a 99.84% equity interests in FIE. In fact, the Company intends to invite venture capitalists and private equity firms to subscribe to new

FIE Shares as part of its initial fundraising exercise to fund further continuous developments and launching of HotApps. The Company expects these and future additional fundraisings to dilute the Company's interests accordingly.

The Company is not averse to dilutions, e.g. if the acquisition leads to creation of greater value or enables the Company to monetize a portion of its investment in FIE, as long as they are carried out at valuations that are in the best interests of the Company.

Further, given the way the Transaction is structured, any such dilution will take place at the FIE level and not at the Company level. Accordingly, the Board is of the view that the Transaction is in the interests of the Company.

- 9) **It is disclosed that FIE will amend its bylaws to increase the size of its board to 3 directors and the Company will be entitled to nominate 1 member to the board of FIE. Who are the existing directors of FIE? Will they remain as directors of FIE following completion of the Transaction? Why does the Company only have the right to nominate 1 (out of 3) members to the board of FIE despite holding at least 97.72% shareholding in FIE upon completion of the Transaction?**

**Response:**

Currently, FIE has only one director. She is Mrs Mary Ellen Schloth and is the CEO of FIE. Mrs Mary Ellen Schloth is the spouse of Mr William Schloth, a controlling shareholder. Mrs Schloth is expected to remain as a director. Under the term sheet, FIE will increase from 1 to 3 board seats. It is further envisaged that the Company would, in finalising the Definitive Agreements, request that the maximum number of directors that can be appointed be increased to 8. The proposed expansion in the number of board seats from 3 to 8 is to provide for possible requests for board representation by parties subscribing to future private placements by FIE as part of its future fund raising exercises in the U.S. capital markets.

As FIE is positioning itself to be listed on OTCBB and subsequently on NASDAQ, we expect its board composition to be determined according to relevant corporate governance guidelines. While the Company expects to retain a representation on FIE's board, it may not always have a majority representation.

- 10) **In view of the above comments, please provide the Board's and Sponsors' views, including bases, on whether the Transaction is in the best interests of the Company and minority shareholders.**

**Response:**

The Board of Directors are of the view that the Transaction is in the best interests of the Company and its minority shareholders, after taking into the following considerations:

1. HotApps was acquired by the Company from Mr Chan as it paves the way for a suitable and immediate route into the ICT business and is consistent with the Company's strategies to diversify and expand its revenue stream by tapping into the fast growing ICT as part of its strategic growth initiatives.
2. As additional funding will be required for launching and continuous development of HotApps to achieve its full potential value, the Company will look to FIE as a platform to raise such funds in United States where high-tech and IT companies, such as HotApps, have been accorded higher valuations.
3. Raising additional funding via FIE will avoid dilution to the existing shareholders of the Company as long as the fund raising is carried out at the appropriate valuation.

The Sponsor is of the view that the Transaction is in the interests of the Company and its minority shareholders, after taking into account the following considerations:

1. The underlying purpose of the transaction to raise funds to deploy HotApps in line with the Company's strategy to diversify into Information Technology.
2. The Directors' views as listed above, and
3. The potential upside of the Transaction compared with the cost involved.

The Transaction is subject to due diligence of FIE and Definitive Agreements to be agreed upon.

### **CAUTION IN TRADING**

Shareholders are advised to exercise caution in trading their Shares as there is no certainty or assurance as at the date of this Agreement that the Definitive Agreements will be entered into, the terms and conditions of the Definitive Agreements will not differ from that set out in the Term Sheet, that Shareholders' approval for the Transaction will be received or that the Transaction will be completed or the Call Option will be given to the Company and/or exercised by the Company at all.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

### **BY ORDER OF THE BOARD**

Chan Heng Fai

Executive Director and Chief Executive Officer

3 October 2014

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor Hong Leong Finance Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mrs Joan Ling-Lau, SVP, Head of Corporate Finance, Hong Leong Finance Limited, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581, telephone: +65 6415-9885.