



## SINGAPORE eDEVELOPMENT LIMITED

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

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### PROPOSED ACQUISITION OF HOTAPPS INTERNATIONAL PTE. LTD. BY AN OTCBB-BOUND U.S. COMPANY WHICH WILL BECOME PART OF THE SeD GROUP

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#### 1. INTRODUCTION

The Board of Directors of Singapore eDevelopment Limited (the “**Company**” or “**SeD**”) wishes to inform Shareholders that the Company has on 3 September 2014 (Singapore time) entered into a term sheet (the “**Term Sheet**”) with Fragmented Industry Exchange Inc. (“**FIE**”) and Golden Bridge Partners Inc, (“**FIE Controlling Shareholder**”), for, *inter alia*, the proposed acquisition by FIE of the entire issued and paid up share capital of HotApps International Pte. Ltd. (“**HotApps**”) for the consideration of US\$700 million (the “**Consideration**”) and the grant of a call option of shares in FIE by its shareholders to the Company (the “**Transaction**”).

The Consideration was agreed between the Company and FIE on a willing buyer, willing seller basis, taking into consideration the Company’s internal analysis of the economic potential of HotApps.

The Company, FIE and the FIE Controlling Shareholder are each a “**Party**” and collectively the “**Parties**”.

Pursuant to the Term Sheet, subject to negotiations and execution of the Definitive Agreements, the Transaction shall comprise:

- (i) the acquisition of HotApps by FIE (the “**Acquisition by FIE**”), the Consideration of which shall be satisfied in full as follows:
  - (a) the issue of 1,000,000 new shares in FIE (“**FIE Shares**”) by FIE to the Company (the “**FIE Shares Consideration**”) at the issue price of US\$10.00 for each new FIE Share (the “**Issue Price**”); and
  - (b) the issue of perpetual bonds by FIE to the Company (“**Perpetual Bonds**”) of US\$690 million in aggregate principal amount (the “**Perpetual Bonds Consideration**”); and
- (ii) the grant of a call option by shareholders of FIE to the Company at no consideration to allow the Company to purchase up to 4,015,000 FIE Shares (“**Call Option Shares**”), including all 3,500,000 FIE Shares held by the FIE Controlling Shareholder as at the date of the Term Sheet, for the aggregate consideration of US\$250,000 in cash (the “**Call Option Consideration**”) (the “**Call Option**”).

The Transaction is subject to and shall be superseded by definitive agreements to be negotiated and entered into by the Parties (“**Definitive Agreements**”), which shall be entered as soon as possible upon the signing of this Term Sheet.

Pursuant to the completion of the Transaction (“**Completion**”), the Company will immediately exercise the Call Option (the “**Exercise**”) (the “**Closing**”). Following Closing, the Company will hold 97.72% of the entire equity interest in FIE and HotApps will be a wholly owned subsidiary of FIE. The Company will retain 97.72% effective equity interest in HotApps. Please refer to paragraph 4 below for further details of the Transaction. Accordingly, the Transaction is deemed to include the Exercise.

Save as otherwise disclosed, all conversions of US\$ to S\$ are based on an exchange rate of US\$1:S\$1.249.

## 2. INFORMATION ON FIE

FIE is a fully reporting U.S. public company incorporated in Delaware, the United States of America (the “**USA**”). FIE is a development-stage financial acquisition intermediary firm, whose services shall include serving buyers and sellers for companies that are in highly fragmented industries (i.e. industries in which there is no clear leader in market share) through the development of a matching platform with a proprietary algorithm and provision of back office support services. As at the date of this announcement, FIE has filed for the quotation of FIE Shares on the Over-The-Counter Bulletin Board (“**OTCBB**”), an electronic inter-dealer quotation system facilitated through the Financial Industry Regulatory Authority.

As at the date of this announcement, there are 4,132,000 FIE Shares which are issued and paid up. The FIE Controlling Shareholder holds 3,500,000 FIE Shares (representing 84.7% of the entire issued and paid up share capital of FIE).

## 3. DETAILS OF THE TRANSACTION

Under the Term Sheet and subject to Definitive Agreements, FIE shall acquire the entire issued and paid up share capital of HotApps International Pte. Ltd. (HotApps) from the Company. The Consideration of US\$700 million payable by FIE will be satisfied as follows:

- (a) US\$10 million, which shall be satisfied by the issue of 1,000,000 new FIE Shares by FIE to the Company at the Issue Price (the FIE Shares Consideration); and
- (b) US\$690 million, which shall be satisfied by the issue of Perpetual Bonds in principal amount of US\$690 million to the Company, the terms and conditions of which are set out below (the Perpetual Bonds Consideration).

The Consideration may be subject to any independent valuation of HotApps commissioned by FIE.

Upon Completion, the Company will also be granted the Call Option which it will exercise immediately.

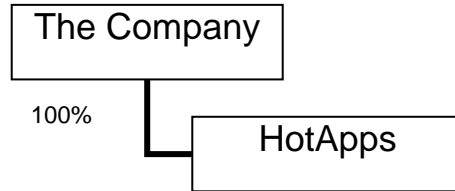
Pursuant to the receipt of the FIE Shares Consideration, 1,000,000 new FIE Shares will be issued to the Company by FIE, and following Exercise and at Closing, the Company will hold 5,015,000 FIE Shares representing approximately 97.72% of the enlarged share capital of FIE comprising 5,132,000 FIE Shares.

The Perpetual Bonds, which are issued as part of the Consideration on Completion, when issued, have no maturity date and shall exist in perpetuity. The Perpetual Bonds are issued on a zero-coupon basis and do not bear an interest. The Company shall, as the holder of the Perpetual Bonds, be entitled to convert the Perpetual Bonds in tranches of US\$5 million into FIE Shares at the conversion price of US\$10.00 per FIE Share (the “**Conversion Price**”) (subject to anti-dilution and adjustment provisions). Based on the Conversion Price, the Company may, upon full conversion of the Perpetual Bonds, receive up to 69 million new FIE Shares (the “**Full Conversion**”).

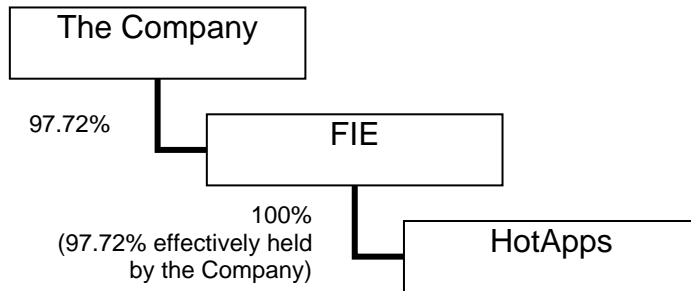
Assuming the Full Conversion after Closing, and that FIE does not issue any new FIE Shares save in pursuance of the FIE Shares Consideration and Full Conversion, the Company will hold 74.015 million FIE Shares, representing approximately 99.84% of the enlarged share capital of FIE comprising 74.132 million FIE Shares.

**4. RATIONALE**

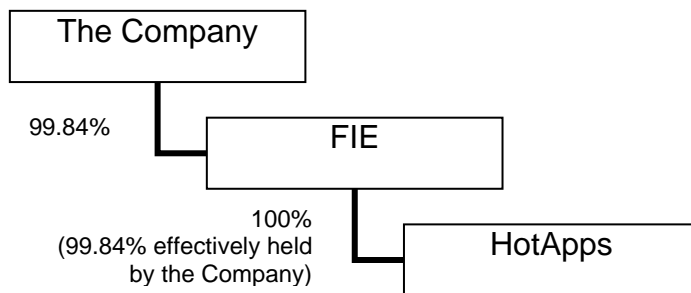
Before Completion, the structure of the Company’s holdings in HotApps is as follows:



(i) Immediately after Closing (when the Exercise of the Call Option is completed following Completion), assuming that FIE does not issue any new FIE Shares save in pursuance of the FIE Shares Consideration:



(ii) Immediately after Closing and the Full Conversion, assuming that FIE does not issue any new FIE Shares save in pursuance of the FIE Shares Consideration and Full Conversion:



The Parties had also agreed in the Term Sheet (which is subject to the finalisation and execution of the Definitive Agreements) that, following Completion, FIE will amend its bylaws to increase the size of its board to three directors, and the Company will be entitled to nominate one member to the board of directors of FIE.

The Board, in pursuance of one of the twin engines of growth of the information technology (“IT”)-related business, is of the view that FIE is the appropriate vehicle for the Company to adopt to raise the financial resources required by HotApps to develop its IT business by tapping into the capital markets of the USA. The Board is of the view that the Transaction is in the best interests of the Company.

**5. CONSIDERATION**

With reference to the diagrams in Paragraphs 4(i) to 4(ii) above, as the Company retains at least 97.72% of the effective control of HotApps following Closing, there is an effective consideration payable by the Company (“**Effective Consideration**”) pursuant to the Transaction equivalent to 2.28% dilution in the effective interest in HotApps (the “**Effective Disposal**”).

The net liability value of FIE is US\$83,290 as at 30 June 2014 and the net loss attributable to FIE for the six months period ended 30 June 2014 is US\$149,640 (approximately S\$104,029 and S\$186,900 respectively). FIE has offered to sell FIE Shares for US\$0.12 per share since its filing for its initial public offer on 14 July 2014 on OTCBB. Assuming this offer price per share is the appropriate fair market price of FIE Share, the value of the FIE Shares Consideration is US\$120,000 (approximately S\$149,880) and the Effective Consideration is US\$2,736 (approximately S\$3,417), based on the higher of the market value and the net liability value represented by the Effective Consideration.

The net tangible asset value of the Effective Disposal is insignificant as at the date of the Term Sheet as HotApps has no revenue or expenses or liabilities, and only owns intangible assets such as proprietary software and platform for HotApp, the mobile application with proprietary developed technology owned by HotApps and which is ready to be launched in the mobile application market. There is no open market value on HotApps. For further information on HotApp, please refer to the announcement of the Company dated 12 August 2014.

The Consideration was agreed between the Company and FIE on a willing buyer, willing seller basis, taking into consideration the Company’s internal analysis of the economic potential of HotApps. The Acquisition by FIE shall be satisfied in full by FIE through the FIE Shares Consideration and Perpetual Bonds Consideration, and neither the Company nor FIE will receive or pay any cash component as part of the Consideration. The final recorded acquisition value is subject to independent valuation and consultation by FIE and the application of US generally accepted accounting principles (GAAP), to ensure proper treatment of public reporting purposes

## 6. RELATIVE FIGURES FOR THE TRANSACTION

Based on the Transaction, the relative figures computed on bases as set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), based on the latest announced financial statements of the Group for the financial period ended 30 June 2014 (“**HY2014**”) are as follows:

(a)	Net asset value (“ <b>NAV</b> ”) of the Effective Disposal, being S\$3,417, compared with the Group’s NLV of S\$(3.817) million. <sup>(1)</sup>	N.A.
(b)	Net loss of S\$0.0 million attributable to the Effective Disposal, compared with the Group’s net consolidated losses of approximately S\$5.7 million. <sup>(2)</sup>	0.0%
(c)	Aggregate value of the consideration received, compared with the issuer’s market capitalisation based on the total number of issued shares excluding treasury shares. <sup>(3)</sup> <ul style="list-style-type: none"> <li>• based on Consideration of US\$700 million and Call Option Consideration of US\$250,000 (approximately S\$874.3 million and S\$312,250 respectively)</li> </ul>	35,698.46%

	<ul style="list-style-type: none"> <li>based on the total of Effective Consideration US\$2,736 and Call Option Consideration of US\$250,000 (approximately S\$3,417 and S\$312,250 respectively)</li> </ul>	12.88%
(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	N.A.
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral oil and gas company, but not to an acquisition of such assets	N.A.

**Notes:**

- (1) The comparative figure is a negative figure.

As at 30 June 2014, the Group reported a net liability value ("NLV") of S\$(3.966) million. In view of the proposed Transaction and Acquisition by FIE of HotApps to FIE at estimated value of Consideration of S\$149,880, the Group has on a pro forma basis adjusted its NLV to include this estimated value as part of its NLV, resulting in a revised NLV of S\$(3.817) million as at 30 June 2014.

- (2) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items. The net loss attributable to the Effective Disposal for HotApps is S\$0.

- (3) Pursuant to Rule 1003(3) of the Catalist Rules, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher. Accordingly, the value of total considerations comprise the Effective Consideration US\$2,736 (being the estimated market value of such FIE Shares of Effective Consideration, which is higher than the net liabilities value represented by FIE) and Call Option Consideration of US\$250,000 (approximately S\$3,417 and S\$312,250 respectively).

Based on the market capitalisation of the Company of approximately S\$2.450 million as at 2 September 2014. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue excluding treasury shares, being 1,231,191,000 ordinary shares in the capital of the Company ("**Shares**"), and the weighted average price of S\$0.00199 per Share on 2 September 2014.

As the relative figure under the basis set out in Rule 1006(c) (based on the Consideration and the Call Option Consideration) exceeds 50%, the Transaction constitutes a "major transaction" under Rule 1014 of the Catalist Rules and is subject to the approval of the Shareholders at an extraordinary general meeting of the Company to be convened.

Shareholders are to note that, prior to the finalisation and execution of the Definitive Agreements, the terms of the Transaction may be amended. The Company will make further announcement(s), where necessary and/or appropriate.

## 7. FINANCIAL EFFECTS OF THE TRANSACTION

The financial effects below have been prepared based on the audited financial statements of the Group for the financial year ended 31 December 2013, and are purely for illustrative purposes and not projections of the actual future financial performance or financial position of the Group following Completion.

### Net Tangible Liabilities ("**NTL**") per Share

Assuming that the Transaction had been completed on 31 December 2013 and based on the audited financial statements of the Group for FY2013, the financial effects which the Transaction would have on the NTL per Share are as follows:

Before the Transaction	After the Transaction
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<b>NTL (S\$'000)</b>	(11,819)	(11,923)
<b>Number of Shares ('000)</b>	171,220	171,220
<b>NTL per Share (Singapore cents)</b>	(6.90)	(6.96)

Earnings per Share ("EPS")

Assuming that the Transaction had been completed on 1 January 2013 and based on the audited financial statements of the Group for FY2013, the pro forma financial effects which the Transaction would have on the EPS are as follows:

	<b>Before the Transaction</b>	<b>After the Transaction</b>
<b>Profit/(Loss) attributable to Shareholders (S\$'000)</b>	(22,420)	(22,607)
<b>Weighted average number of Shares ('000)</b>	139,291	139,291
<b>Profit/(Loss) per Share (Singapore cents)</b>	(16.10)	(16.23)

**8. MATERIAL CONDITIONS TO THE PROPOSED TRANSACTION**

Subject to the Definitive Agreements, the Transaction will be subject to the following conditions:

- (i) the requisite directors' and shareholders' approvals and all other relevant regulatory approvals in Singapore and in the USA to effect the transactions contemplated pursuant to the Transaction (as may be required) being obtained by the Company and FIE;
- (ii) all other conditions customary to transactions the nature of which are similar to the Transaction; and
- (iii) any other conditions as shall be agreed between the Parties in the Definitive Agreements.

**9. COSTS AND EXPENSES**

Upon execution of the Term Sheet, the Company will pay US\$25,000 to FIE to offset certain costs of preparation and completion of Definitive Agreement and public reporting requirements.

**10. GOVERNING LAW**

The Term Sheet is governed by the laws of Singapore.

**11. DEFINITIVE AGREEMENTS AND FURTHER ANNOUNCEMENTS**

The Transaction, including the Call Option, shall be subject to the finalisation and execution of the Definitive Agreements by the Parties. The Company will make further announcement(s), in compliance with the requirements of the Catalist Rules as and when necessary and/or appropriate.

## **12. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Transaction and the Call Option.

## **13. SERVICE CONTRACTS**

There are no directors who are proposed to be appointed as a Director of the Company in connection with the Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## **14. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Term Sheet is available for inspection during normal business hours at the Company's registered office at 9 Temasek Boulevard #09-02A, Suntec Tower Two, Singapore 038989 for a period of three (3) months from the date of this announcement.

## **15. 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

4 September 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.

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