# US firm buying over Singapore eDev's HotApps

## Buyer to fork out US$700m via shares, bonds for messaging software unit

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AN American company soon to be listed on an over-the-counter bulletin board plans to acquire Singapore eDevelopment's instant messaging software unit HotApps for US$700 million in shares and bonds, the local firm said on Thursday.

The over-the-counter board, akin to a junior exchange, is often considered a jumping board to a Nasdaq listing.

Of the US$700 million, US$10 million will be paid by the US firm, Fragmented Industry Exchange (FIE), through one million new shares of US$10 each, with the remaining US$690 million in zero-coupon perpetual bonds with a conversion price of US$10 each.

Chan Heng Fai, CEO of Singapore eDevelopment (SeD), called it "a very good safety feature in the structure for SeD, because you can either take back a lot of money on the bonds or convert some of the stock depending on how the company (stock price) performs in the United States.

"It gives you that flexibility," said Mr Chan, who is SeD's single largest shareholder (with an approximately 7.7 per cent stake).

The transaction is pending an independent valuation by the buyer. When completed (likely within two weeks of the completed valuation), SeD will own slightly below 20 per cent of the US company. If it fully converts all its bonds and exercises the call option, it will own 99.84 per cent of FIE, which, in turn, wholly owns HotApps.

"But our objective is not to own more than 51 per cent of the company," Mr Chan told reporters.

Such a structure, essentially an injection of the US company between SeD and HotApps, will allow HotApps to tap the US capital market without diluting Singapore investors' equity.

The US geography is apt because it has been very embracing of technology stocks. Its next most anticipated listing is of Chinese e-commerce giant Alibaba which will take place in September .

Besides this, the listing will also accelerate the launch of the HotApps' instant messaging and e-commerce mobile apps in North and South America.

HotApps plans to launch in 24 countries, including Singapore, before the year-end. It is already in talks to partner Spanish and Chinese telcos – an industry that has been seeing SMS revenues deteriorate from the disruption from instant messaging apps. HotApps may thus tie up with them to do a white-label product or a revenue split.

HotApps – originally owned by Mr Chan – was acquired by SeD last month for just S$98,000 as part of the latter's restructuring plans; the cheap consideration was so that it would not be considered an interested person transaction since its value fell short of the S$100,000 threshold that would qualify it so.

SeD was formerly known as CCM Group, a loss-making construction firm which has since disposed of its legacy Singapore construction and set up a new international construction arm. The company is now out of the restructuring mode and in a growth stage, having sold all its legacy problematic pieces, Mr Chan said.

**Mr Chan:** *'That's why I didn't want to abandon the company. I could have sold . . . at a gigantic profit, but I choose to put my stock in a moratorium lock-up until February next year.'* FILE PHOTO

Mr Chan is known to be a "white knight" that has restructured over 50 distressed companies. Yet he maintained that he did not start out with the intention of restructuring SeD, but merely as an equity investor to offer it some financing. He later joined the board, a position which gave him a bird's eye view of all the firm's problems.

"It's not that I like to restructure, but once my name gets involved, small-time shareholders start to buy the stock like there's no tomorrow, so I feel absolutely responsible for them.

"That's why I didn't want to abandon the company. I could have sold my stock at a gigantic profit, but I choose to put my stock in a moratorium lock-up until February next year."

SeD's counter, which lifted its trading halt just before noon yesterday, finished 0.1 Singapore cent higher at S$0.003.