

KOP LIMITED

(Company Registration Number: 200415164G)
Incorporated in the Republic of Singapore)
(the “**Company**”, and together with its subsidiaries, the “**Group**”)

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- (i) **Proposed redemption of 2013 Junior Notes and repayment of amounts owing under 2007 Junior Notes and Series A RPS; and**
 - (ii) **Proposed subscription for 2014 Junior Notes.**
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Introduction

Reference is made to the Company’s circular dated 31 March 2014 (“**March 2014 Circular**”) relating to the acquisition of the entire issued and paid-up share capital of KOP Properties Pte. Ltd. (“**KOPP**”) (the “**RTO**”).

In 2013, Royce Properties Pte. Ltd. (“**Royce Properties**”) issued S\$8,400,000 in principal amount of Junior Notes due 2023 (the “**2013 Junior Notes**”) pursuant to a subscription agreement dated 5 June 2013 (the “**2013 Subscription Agreement**”) between Royce Properties and various noteholders, including the Company’s wholly-owned subsidiary, KOPP (collectively, the “**2013 Noteholders**”).

As at the date of this announcement, KOPP holds S\$3,300,000 in principal amount of 2013 Junior Notes, and thereby holds approximately 39.9% of the underlying economic interest in The Ritz-Carlton Residences (i.e. the distributable profits of Royce Properties following the discharge of all of Royce Properties’ debts).

The Ritz-Carlton Residences is a 36-storey residential development project located at 65 Cairnhill Road, Singapore 229721. Please refer to the March 2014 Circular (pages 83 and 84) for further information on The Ritz-Carlton Residences.

The Company’s board of directors (the “**Board**”) wishes to announce that:

- (i) KOPP had on 13 November 2014 accepted a conditional letter of offer dated 30 October 2014 issued by Royce Properties (“**Letter of Offer**”) pursuant to which, *inter alia*, on the terms and subject to the conditions of the Letter of Offer, Royce Properties shall pay KOPP an aggregate sum of S\$68,490,994 (“**Redemption Amount**”) to (a) redeem the 2013 Junior Notes held by KOPP; and (b) repay the amounts owing¹ by Royce Properties to KOPP under the S\$28,000,000 Secured Fixed Rate Junior Notes² (the “**2007 Junior Notes**”) and the Series A Redeemable Preference Shares³ in the share capital of Royce Properties (the “**Series A RPS**”) (the “**Proposed Redemption**”); and
- (ii) KOPP had on 13 November 2014 entered into a conditional subscription agreement with Royce Properties (the “**2014 Subscription Agreement**”) pursuant to which, *inter alia*, on the terms and subject to the conditions of the 2014 Subscription Agreement, Royce Properties

¹ Amounts owing under the 2007 Junior Notes and Series A RPS to KOPP comprise outstanding interest and dividend payments respectively.

² The 2007 Junior Notes were issued by Royce Properties in May 2007, acquired by KOPP in 2011, and thereafter cancelled in July 2013 following repayment of the principal amount by Royce Properties.

³ The Series A RPS were issued by Royce Properties in April 2009, and were cancelled by Royce Properties in July 2013.

agreed to issue, and KOPP agreed to subscribe for, S\$39,800,000 in principal amount of junior notes (the “**2014 Junior Notes**”) (the “**Proposed Subscription**”),

(collectively, the “**Proposed Transactions**”).

The subscription monies of S\$39,800,000 payable by KOPP to Royce Properties in respect of the Proposed Subscription will be set off against the Redemption Amount of S\$68,490,994 payable by Royce Properties to KOPP.

The terms of the Proposed Transactions were negotiated and arrived at on a willing-buyer-willing-seller basis, taking into account, *inter alia*, that the Redemption Amount represents a premium of 119% over the net book value of (i) the 2013 Junior Notes; and (ii) amounts owing by Royce Properties to KOPP under the 2007 Junior Notes and the Series A RPS, as at 31 July 2014.

Other Principal Terms of the Letter of Offer

- Completion : Completion of the Proposed Transactions (“**Completion**”) shall take place simultaneously (or not at all) on such date to be specified by Royce Properties, which shall not occur on or after 31 March 2015.
- Full and final settlement : The receipt by KOPP of the amount payable under the Proposed Redemption shall constitute full and final settlement of all of Royce Properties’ obligations to KOPP and a release and discharge of Royce Properties by KOPP from all claims whatsoever, present and future, that KOPP has or may have against Royce Properties arising from matters occurring on or prior to the date of the Letter of Offer, including but not limited to the 2013 Subscription Agreement, the 2013 Junior Notes, the 2007 Junior Notes, and the Series A RPS (as the case may be).
- Conditions Precedent : (i) All approvals and consents of any person required in connection with the Proposed Transactions having been obtained, including but not limited to:
- (a) the consent of United Overseas Bank Limited (“**UOB**”) for, *inter alia*, the Proposed Transactions; and
 - (b) the consent of the independent shareholders of the Company for, *inter alia*, the redemption of the 2013 Junior Notes held by KOPP and the Proposed Subscription.
- (ii) The acceptance of the Letter of Offer by all of the 2013 Noteholders.
- (iii) Royce Properties obtaining financing on terms reasonably acceptable to it to finance the Proposed Transactions.
- Termination : Notwithstanding the acceptance of the Letter of Offer, Royce Properties may, by at least fourteen (14) days’ written notice to the 2013 Noteholders, terminate the Letter of Offer at any time before Completion.

Other Principal Terms of the 2014 Subscription Agreement

- Closing : On Completion or such other date as Royce Properties and KOPP may agree (“**Closing Date**”), subject to KOPP’s receipt of the balance amount of S\$28,690,994 payable in cash by Royce Properties under the Proposed Redemption in accordance with the Letter of Offer:
- (i) Royce Properties will issue and deliver a certificate representing the

2014 Junior Notes to be subscribed for by KOPP, duly executed, to or to the order of KOPP, and cause KOPP (or its nominee) to be registered in Royce Properties' Register of Noteholders as the holder of the 2014 Junior Notes; and

- (ii) the subscription moneys payable by KOPP to Royce Properties in respect of the 2014 Junior Notes shall be set off against the Redemption Amount of S\$68,490,994 payable by Royce Properties to KOPP.
- Conditions Precedent : (i) The satisfaction of the conditions stated in the Letter of Offer, including the consent of the independent shareholders of the Company for, *inter alia*, the Proposed Transactions.
- (ii) The Guarantee (as defined below), in form and substance reasonably acceptable to KOPP, duly executed by the Guarantors on or prior to the Closing Date.
- Termination : If Royce Properties terminates the Letter of Offer by giving at least fourteen (14) days' written notice to the 2013 Noteholders, the 2014 Subscription Agreement shall terminate and be of no further effect and no party shall be under any liability to the other party in respect of the 2014 Subscription Agreement, except that Royce Properties shall remain liable for the payment of the fees and expenses in accordance with the terms of the 2014 Subscription Agreement.
- Costs : Each of Royce Properties and KOPP shall pay its own costs incurred in connection with the negotiation, preparation, execution and performance of the 2014 Subscription Agreement and all documents in connection with the 2014 Subscription Agreement and the Proposed Subscription, provided always that if the 2014 Subscription Agreement is terminated in accordance with its terms, Royce Properties shall bear all fees and expenses reasonably incurred by KOPP.

Principal Terms of the 2014 Junior Notes

- Size of issue : S\$39,800,000 junior notes
- Tenure : Five (5) years
- Status : The 2014 Junior Notes constitute direct and subordinated obligations of Royce Properties and shall at all times rank *pari passu* without any priority among themselves.
- Guarantee : The due payment of all sums expressed to be payable by Royce Properties under the 2014 Junior Notes shall be secured by a joint and several guarantee (the "**Guarantee**") to be given by KOP Group Pte. Ltd. ("**KOPG**") and Hayden Properties Pte. Ltd. ("**Hayden Properties**", together with KOPG, the "**Guarantors**").
- KOPG is the ultimate holding company of Royce Properties. Hayden Properties is a wholly-owned subsidiary of KOPG, and the direct holding company of Royce Properties.
- Undertaking for Assignment of Proceeds : Within two (2) months of the full satisfaction and discharge of the UOB Liabilities (defined below), Royce Properties will assign in favour of holders of the 2014 Junior Notes (the "**2014 Noteholders**") all rights, title and interest of Royce Properties in and to the nett proceeds arising from the sale and lease of, and any

other cash flows arising from, units in The Ritz-Carlton Residences legally and beneficially owned by Royce Properties at that time ("**RCR Unit(s)**"), as security for the repayment of the 2014 Junior Notes (the "**Assignment of Proceeds**").

Subordination : Royce Properties has undertaken to and for the benefit of UOB that it will not make any payment due in respect of the 2014 Junior Notes (including any accrued but unpaid interest) until all liabilities (whether actual or contingent, present or future) of Royce Properties to UOB ("**UOB Liabilities**") have been paid or satisfied in full.

Restriction on Transfer : Each 2014 Junior Note may only be transferred with the prior consent of Royce Properties (which shall not be unreasonably withheld or delayed) and at least seven (7) business days' notice of such intended transfer shall be provided by the transferring 2014 Noteholder to Royce Properties.

Interest : The 2014 Junior Notes shall bear interest on their principal amount from and including the date of issuance of the 2014 Junior Notes at the rate of 8.0% per annum, payable in arrears on the maturity date (the "**2014 Junior Notes Maturity Date**").

Notwithstanding the above, except with the consent of UOB, interest will only be payable by Royce Properties if the UOB Liabilities have been fully satisfied and discharged.

Mandatory Redemption : Royce Properties shall redeem each 2014 Junior Note in whole, but not in part, at its principal amount, together with any accrued but unpaid interest (the "**2014 Junior Notes Redemption Amount**") on the 2014 Junior Notes Maturity Date.

If Royce Properties is unable to redeem, in cash, all the 2014 Junior Notes for the time being issued and outstanding in whole at the 2014 Junior Notes Redemption Amount on the maturity date, Royce Properties may, with the prior written consent of the 2014 Noteholders, redeem all the 2014 Junior Notes by:

- (i) transferring one (1) or more RCR Unit(s), free from all encumbrances, to the 2014 Noteholders; and
- (ii) paying the 2014 Noteholders the difference between the 2014 Junior Notes Redemption Amount and the aggregate market value of the RCR Unit(s) to be transferred.

The market value of each RCR Unit to be transferred shall be the average of two (2) valuations carried out by independent property valuers appointed by Royce Properties and acceptable to the 2014 Noteholders. All costs and expenses in connection with the transfer shall be borne by the 2014 Noteholders.

Redemption at the option of Royce Properties : Royce Properties may by giving at least thirty (30) business days' prior notice in writing to 2014 Noteholders, redeem, without premium or penalty, all or part of the 2014 Junior Notes at their principal amount, together with any accrued but unpaid interest.

In the case of a partial redemption of the 2014 Junior Notes, the principal amount of the 2014 Junior Notes to be redeemed will be determined by Royce Properties, and each 2014 Junior Note will be redeemed on a proportionate basis.

Covenants : So long as any 2014 Junior Note remains outstanding, Royce Properties shall be

subject to a negative pledge and various negative covenants which, *inter alia*, restricts the ability of Royce Properties to incur further indebtedness which are secured or which rank equally or ahead of the 2014 Junior Notes.

Rationale for the Proposed Transactions

The non-interested directors of the Company are of the view the Proposed Transactions are in the interests of the Group in view of the following:

- (i) the Proposed Redemption will enable the Group to realise its 39.9% economic interest in Royce Properties (that is, the distributable profits of Royce Properties following the discharge of all debts of Royce Properties), and its underlying investment in The Ritz-Carlton Residences amidst the present market slow-down in Singapore's high-end residential property segment;
- (ii) the cash proceeds of the Proposed Redemption will improve the Group's cash reserves, and better position the Group to pursue and capitalise on opportunities to expand the Group's business in Singapore and overseas through acquisitions, joint ventures and/or strategic alliances, subject to prevailing market conditions; and
- (iii) the Proposed Subscription will enable the Group to earn returns on the principal amount of the 2014 Junior Notes in the form of interest payable under the 2014 Junior Notes.

Information on Royce Properties

Royce Properties is a private company limited by shares incorporated in Singapore. Royce Properties' directors include Ms. Ong Chih Ching, the Executive Chairman and an Executive Director of the Company, and Ms. Leny Suparman, the Group Chief Executive Officer and an Executive Director of the Company. Royce Properties is an indirect wholly-owned subsidiary of KOPG, a controlling shareholder of the Company, and an interested person vis-à-vis the Company.

Financial Effects of the Proposed Transactions

The *pro forma* financial effects of the Proposed Transactions, computed based on the unaudited consolidated financial statements of the Group for the financial period ended 31 July 2014 ("1QFY2015"), are set out below.

The *pro forma* financial effects are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the Proposed Transactions. The *pro forma* financial effects do not take into account transaction costs and any transaction(s) completed by the Group subsequent to 31 July 2014.

(i) NTA

For illustrative purposes only, assuming that the Proposed Transactions had been completed on 31 July 2014, the effects of the Proposed Transactions on the net tangible assets ("**NTA**") of the Group as at 31 July 2014 would be:

	<u>Before the Proposed Transactions</u>	<u>After the Proposed Transactions</u>
NTA (S\$'000)	61,923,193	99,167,428
Number of issued shares in the capital of the Company (" Shares ")	886,369,771	886,369,771
NTA per Share (cents)	6.99	11.19

(ii) EPS

For illustrative purposes only, assuming that the Proposed Transactions had been completed on 1 May 2014, the effects of the Proposed Transactions on the earnings per Share (“EPS”) of the Group for 1QFY2015 would be:

	<u>Before the Proposed Transactions</u>	<u>After the Proposed Transactions</u>
Net profit/ (loss) after tax attributable to shareholders of the Company (S\$'000)	(3,013,779)	34,230,456
Weighted average number of Shares	830,220,703	830,220,703
EPS based on weighted average number of Shares (cents)	(0.36)	4.12

(iii) Book Value and Gain on Disposal

The net book value of (i) the 2013 Junior Notes; and (ii) amounts owing by Royce Properties to KOPP under the 2007 Junior Notes and the Series A RPS, as at 31 July 2014 is approximately S\$31,246,759 (the “**Net Book Value**”).

The Redemption Amount represents an excess of approximately S\$37,244,235 over the Net Book Value. Assuming that the Proposed Transactions were completed on 31 July 2014, a gain on disposal of approximately S\$37,244,235 would have been recorded.

Chapter 9 of the Catalist Rules

Pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), Section B: Rules of Catalist (“**Catalist Rules**”), shareholders’ approval is required for a transaction between an entity at risk and an interested person with a value equal to or more than five per. cent. (5%) of the Group’s latest audited NTA,

The Proposed Transactions between, *inter alia*, Royce Properties, an interested person vis-à-vis the Group, and KOPP, constitute interested person transactions for the purposes of Chapter 9 of the Catalist Rules.

For the purposes of Chapter 9 of the Catalist Rules, the amount at risk to the Company for the Proposed Transactions is S\$84,410,994 (the “**Amount at Risk**”), being the aggregate of:

- (i) the Redemption Amount; and
- (ii) the aggregate interest payable on the 2014 Junior Notes up to the 2014 Junior Notes Maturity Date, amounting to S\$15,920,000.

The Amount at Risk represents:

- (i) approximately 1,262% of the Group’s latest audited consolidated NTA as at 30 April 2014 of approximately S\$6.68 million⁽¹⁾; and
- (ii) approximately 136% of the Group’s latest unaudited consolidated NTA as at 31 July 2014 of approximately S\$61.92 million⁽²⁾.

Notes:

- (1) The RTO was completed on 7 May 2014. The Group's latest audited consolidated NTA as at 30 April 2014 relates to the financial statements of the Scorpio Group (as defined in the March 2014 Circular).
- (2) After the RTO was completed on 7 May 2014, the Group's latest financial statements are the unaudited financial statements of the Group for 1QFY2015, which relate to both the Scorpio Group and the Target Group (as defined in the March 2014 Circular).

As the Amount at Risk exceeds five per. cent. (5%) of the Group's latest audited consolidated NTA as at 30 April 2014, the Proposed Transactions are subject to the approval of the Company's shareholders at an extra-ordinary general meeting ("**EGM**") of the Company to be convened pursuant to Rule 906(1)(a) of the Catalist Rules.

As at the date of this announcement, there are no other interested person transactions of a value greater than S\$100,000 entered into by the Company with KOPG or any other interested person in the current financial year to date, save for the project management services agreement dated 31 March 2013 between KOPP and Hayden Properties, pursuant to which an asset management fee of S\$166,000 is payable to KOPP as at the date of this announcement.

Independent financial adviser

Asian Corporate Advisors Pte. Ltd. has been appointed as the independent financial advisor ("**IFA**") to the non-interested directors to render an opinion on whether the Proposed Transactions, as interested person transactions under Chapter 9 of the Catalist Rules, are on normal commercial terms and are prejudicial to the interests of the Company and its minority shareholders. The opinion of the IFA will be set out in the Circular (as defined below), together with the view of the audit committee of the Company ("**Audit Committee**").

Statement from the Audit Committee

The Audit Committee will consider the opinion of the IFA when it issues its IFA opinion letter in due course, and will form a view, which will be set out in the Circular (as defined below) when it is finalised.

EGM

The Proposed Transactions are interested person transactions subject to the approval of the shareholders at an EGM to be convened. A circular to the shareholders of the Company containing information on the Proposed Transactions (the "**Circular**"), together with the notice of the EGM, will be despatched by the Company to shareholders in due course.

Interests of directors and substantial shareholders

Save for Ms. Ong Chih Ching, Ms. Leny Suparman and KOPG, none of the directors and substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Transactions (other than in his/ its capacity as a director or shareholder of the Company).

In accordance with Rule 921(7) of the Catalist Rules, Ms. Ong Chih Ching, Ms. Leny Suparman and KOPG shall each abstain, and have each undertaken to ensure that their respective associates will abstain, from voting on the ordinary resolution relating to the Proposed Transactions.

Ms. Ong Chih Ching, Ms. Leny Suparman and KOPG, and their respective associates, being interested persons, shall decline to accept appointment as proxy for any shareholder to vote in respect of the ordinary resolution relating to the Proposed Transactions unless the shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast.

Documents available for inspection

A copy of the Letter of Offer and the 2014 Subscription Agreement will be made available for inspection during normal business hours at the registered office of the Company at 152 Beach Road, #27-01 The Gateway East, Singapore 189721, for a period of three (3) months from the date of this announcement.

Further announcements

The Company will make further announcements as and when there are material developments relating to the Proposed Transactions.

Trading caution

Shareholders and potential investors are advised to exercise caution in trading their shares in the Company. The Proposed Transactions are subject to conditions. There can be no certainty or assurance that the Proposed Transactions will be completed or that no changes will be made to the terms thereof. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and are strongly advised to seek independent advice from their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By order of the Board

Ong Chih Ching
Executive Chairman and Executive Director

13 November 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 SGX-ST. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes 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 Ms. Joan Ling, Senior Vice President, Head of Corporate Finance, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581, telephone: (65) 6415 9886.