CIRCULAR DATED 28 NOVEMBER 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you have sold or transferred all your shares in the capital of KOP Limited (the "**Company**"), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

This Circular 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 Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"). The Sponsor has not independently verified the contents of this Circular.

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

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.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

KOP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200415164G)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

(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,

AS INTERESTED PERSON TRANSACTIONS.

Independent Financial Adviser to the Non-Interested Directors of the Company

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200310232R)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	13 December 2014 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	15 December 2014 at 10.00 a.m.
Place of Extraordinary General Meeting	:	25 Tai Seng Ave, #01-01 Scorpio East Building Singapore 534104

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

Companies, Organisations and Agencies

"**CDP**"	:	The Central Depository (Pte) Limited
"**Chesterton**"	:	Chesterton Singapore Pte. Ltd.
"**Company**"	:	KOP Limited
"**Hayden Properties**"	:	Hayden Properties Pte. Ltd.
"**IFA**"	:	Asian Corporate Advisors Pte. Ltd., appointed as the independent financial adviser to the Non-Interested Directors in relation to the Proposed Transactions
"**KOPG**"	:	KOP Group Pte. Ltd.
"**KOPP**"	:	KOP Properties Pte. Ltd.
"**Royce Properties**"	:	Royce Properties Pte. Ltd.
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Sponsor**"	:	Hong Leong Finance Limited
"**UOB**"	:	United Overseas Bank Limited

General

"**1QFY2015**"	:	The 3-month financial period ended 31 July 2014
"**2007 Junior Notes**"	:	S$28,000,000 in principal amount of secured fixed rate junior notes due 2010 issued by Royce Properties in May 2007 pursuant to a subscription agreement dated 15 May 2007 between Royce Properties, UOB and the subscribers named therein
"**2013 Junior Notes**"	:	S$8,400,000 in principal amount of junior notes due 2023 issued by Royce Properties in July 2013 pursuant to the 2013 Subscription Agreement
"**2013 Noteholders**"	:	Suparman @ Sioe Tjoen, Hery Suparman, Ong Chih Ching, Samuel Roger Lee and Ong Chih Ching, Geraldine Ong Siew Ting and Ong Chih Ching, Kunalan Sivapuniam, Lau Kheng Hong, Ong Nai Pew, Goh Khoon Lim, Ong Nai Pew and Goh Khoon Lim, Yeo Teck Hwee, Lim Yee Ling Elaine, Lim Ah Moey and KOPP

"2013 Subscription Agreement"	:	Subscription agreement dated 5 June 2013 between Royce Properties and the 2013 Noteholders pursuant to which Royce Properties agreed to issue, and the 2013 Noteholders agreed to subscribe for, the 2013 Junior Notes
"2014 Junior Notes"	:	S$39,800,000 in principal amount of junior notes to be issued by Royce Properties on the terms and subject to the conditions of the 2014 Subscription Agreement
"2014 Junior Notes Maturity Date"	:	The maturity date of the 2014 Junior Notes
"2014 Junior Notes Redemption Amount"	:	The amount payable by Royce Properties to the 2014 Noteholders on the 2014 Junior Notes Maturity Date for the redemption of the 2014 Junior Notes (comprising the principal amount together with any accrued but unpaid interest)
"2014 Noteholders"	:	Holder(s) of the 2014 Junior Notes
"2014 Subscription Agreement"	:	Subscription agreement dated 13 November 2014 between Royce Properties and KOPP pursuant to which, *inter alia*, on the terms and subject to the conditions stated therein, Royce Properties agreed to issue, and KOPP agreed to subscribe for, the 2014 Junior Notes
"Board"	:	The board of Directors of the Company as at the date of this Circular
"Business Day"	:	A day on which commercial banks are open for business in Singapore (excluding Saturdays, Sundays and gazetted public holidays)
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as may be amended, modified or supplemented from time to time
"Circular"	:	This circular to Shareholders dated 28 November 2014
"Closing Date"	:	The date of Completion or such other date as Royce Properties and KOPP may agree
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as may be amended, modified or supplemented from time to time
"Completion"	:	Completion of the Proposed Transactions
"Directors"	:	The directors of the Company as at the date of this Circular
"EGM"	:	The extraordinary general meeting of the Company to be convened, notice of which is set out on page N-1 of this Circular

"**EPS**"	:	Earnings per Share
"**FY**"	:	Financial year ended or ending 31 April, unless otherwise stated
"**Group**"	:	The Company, its subsidiaries and/or its associated companies, collectively
"**Guarantee**"	:	The joint and several guarantee to be given by the Guarantors to secure the due payment of all sums expressed to be payable by Royce Properties under the 2014 Junior Notes
"**Guarantors**"	:	KOPG and Hayden Properties, collectively
"**IFA Letter**"	:	The letter dated 28 November 2014 from the IFA to the Non-Interested Directors in relation to the Proposed Transactions, a copy of which is attached to this Circular as **Appendix A**
"**Independent Shareholders**"	:	Shareholders who are deemed to be independent for the purposes of voting on the ordinary resolution relating to the Proposed Transactions, comprising Shareholders other than: (i) KOPG, Ms. Ong Chih Ching, and Ms. Leny Suparman; (ii) associates of the persons mentioned in (i); and (iii) person(s) related to the persons mentioned in (i) and (ii) above
"**Interested Person Transaction**" or "**IPT**"	:	Means a transaction between an entity at risk (as defined in the Catalist Rules) and an interested person
"**Latest Practicable Date**"	:	The latest practicable date prior to the printing of this Circular, being 17 November 2014
"**Letter of Offer**"	:	Letter of offer dated 30 October 2014 issued by Royce Properties pursuant to which, *inter alia*, on the terms and subject to the conditions stated therein, Royce Properties shall pay KOPP an aggregate sum of S$68,490,994 to (i) redeem the 2013 Junior Notes held by KOPP; and (ii) repay the amounts owing by Royce Properties to KOPP under the 2007 Junior Notes and the Series A RPS
"**March 2014 Circular**"	:	The circular to shareholders of Scorpio East Holdings Ltd. (now known as KOP Limited) dated 31 March 2014 relating to the RTO
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities
"**NAV**"	:	Net asset value

"**Net Book Value**"	:	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, which amounts to approximately S$31,246,759 as at 31 July 2014
"**Non-Interested Directors**"	:	The Directors who are not interested persons for the purposes of the Proposed Transactions, being Dr. Ho Kah Leong, Mr. Ko Chuan Aun, Mr. Lee Kiam Hwee Kelvin and Mrs. Yu-Foo Yee Shoon
"**NTA**"	:	Net tangible assets
"**Property Valuation Report**"	:	The property valuation report dated 15 August 2014 prepared by Chesterton in respect of The Ritz-Carlton Residences (32 units owned by Royce Properties) and the letter dated 18 November 2014 issued by Chesterton which states Chesterton's opinion that there is no material change in the market value of The Ritz-Carlton Residences (32 units owned by Royce Properties) as stated in the aforesaid report dated 15 August 2014, a copy of which is attached to this Circular as Appendix B
"**Proposed Redemption**"	:	Proposed redemption by Royce Properties of 2013 Junior Notes held by KOPP and repayment of amounts owing by Royce Properties to KOPP under the 2007 Junior Notes and the Series A RPS for an aggregate sum of S$68,490,994 (the Redemption Amount), on the terms and subject to the conditions of the Letter of Offer
"**Proposed Subscription**"	:	Proposed subscription by KOPP for 2014 Junior Notes to be issued by Royce Properties, on the terms and subject to the conditions of the 2014 Subscription Agreement
"**Proposed Transactions**"	:	Proposed Redemption and Proposed Subscription, collectively
"**Redemption Amount**"	:	S$68,490,994, being the amount payable by Royce Properties for the Proposed Redemption
"**RCR Unit(s)**"	:	One (1) or more units in The Ritz-Carlton Residences legally and beneficially owned by Royce Properties at the relevant time
"**Register of Members**"	:	The Register of Members of the Company
"**RTO**"	:	The acquisition of the entire issued and paid-up share capital of KOPP
"**Securities Accounts**"	:	Securities accounts maintained by Depositors with CDP, but not including securities accounts maintained with Depository Agents
"**Series A RPS**"	:	Series A Redeemable Preference Shares in the share capital of Royce Properties

"**SFA**"	:	The Securities and Futures Act, Chapter 289 of Singapore, as may be amended, modified or supplemented from time to time
"**Shareholders**"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "**Shareholders**" shall, in relation to such Shares and where the context so admits, mean the persons in the Depository Register maintained by CDP named as Depositors whose Securities Account are credited with those Shares
"**Shares**"	:	Ordinary shares in the issued and paid-up share capital of the Company
"**Substantial Shareholder**"	:	A Shareholder who has an interest in one or more voting Shares in the Company, and the total votes attached to that Share, or those Shares, is not less than five per. cent. (5%) of the total votes attached to all the voting Shares in the Company (excluding treasury shares, if any)
"**The Ritz-Carlton Residences**"	:	The 36-storey residential development located at 65 Cairnhill Road, Singapore 229721
"**UOB Liabilities**"	:	In relation to the 2014 Junior Notes, all liabilities (whether actual or contingent, present or future) of Royce Properties due to UOB
"**UOB Loan Indebtedness**"	:	In relation to the 2013 Junior Notes, all sums (whether principal, interest, fee, commission or otherwise) which are or at any time may be or become due from or owing by Royce Properties under certain facilities provided by UOB to Royce Properties

Currencies and Units of Measurements

"**S$**", "**$**" and "**cents**"	:	Singapore dollars and cents respectively
"**%**" or "**per cent**"	:	Per centum or percentage
"**sq ft**"	:	Square feet
"**sq m**"	:	Square metres

The terms "**Depositor**", "**Depository Register**" and "**Depository Agent**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The terms "**associate**", "**interested person**" and "**controlling shareholder**" shall have the meanings ascribed to them respectively in the Catalist Rules.

The terms "**subsidiary**", "**holding company**" and "**related corporations**" shall have the meanings ascribed to them respectively in the Companies Act.

Except where specifically defined, the terms "**we**", "**us**" and "**our**" in this Circular refer to the Group.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof and/or the respective percentages are due to rounding.

KOP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200415164G)

Directors:		**Registered Office:**
Ms. Ong Chih Ching	(Executive Chairman and Executive Director)	152 Beach Road
Ms. Leny Suparman	(Group Chief Executive Officer and Executive Director)	#27-01 The Gateway East
Mr. Ko Chuan Aun	(President and Executive Director)	Singapore 189721
Mr. Lee Kiam Hwee Kelvin	(Independent Director and Lead Independent Director)	
Dr. Ho Kah Leong	(Independent Director)	
Mrs. Yu-Foo Yee Shoon	(Independent Director)	

28 November 2014

To: The Shareholders of KOP Limited

Dear Sir/Madam

(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,

AS INTERESTED PERSON TRANSACTIONS.

1. INTRODUCTION

1.1. <u>The Proposed Transactions</u>

On 13 November 2014, the Company announced that:

Proposed Redemption

(i) KOPP, the Company's wholly-owned subsidiary, accepted a conditional 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 (the Redemption Amount) to (a) redeem the 2013 Junior Notes held by KOPP; and (b) repay the amounts owing by Royce Properties to KOPP under the 2007 Junior Notes and the Series A RPS; and

Proposed Subscription

(i) KOPP entered into a conditional 2014 Subscription Agreement with Royce Properties pursuant to which, *inter alia*, on the terms and subject to the conditions of the 2014 Subscription Agreement, Royce Properties agreed to issue, and KOPP agreed to subscribe for the 2014 Junior Notes.

Please refer to paragraph 3 of this Circular for further information on the Proposed Transactions (comprising the Proposed Redemption and the Proposed Subscription).

1.2. Interested Person Transactions

The Proposed Transactions constitute interested person transactions under Chapter 9 of the Catalist Rules which, pursuant to Rule 906(1)(a) of the Catalist Rules, are subject to the approval of Shareholders at the EGM.

Please refer to paragraph 6 of this Circular for further information on the Proposed Transactions as interested person transactions.

1.3 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information relating to the Proposed Transactions, and to seek the approval of Shareholders for the resolution in respect thereof to be tabled at the EGM.

The Notice of EGM is set out on page N-1 of this Circular.

2. INFORMATION ON ROYCE PROPERTIES, KOPG, THE 2013 JUNIOR NOTES, THE 2007 JUNIOR NOTES, THE SERIES A RPS AND THE RITZ-CARLTON RESIDENCES

2.1. 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 a wholly-owned subsidiary of Hayden Properties, which is in turn wholly-owned by KOPG, a controlling shareholder of the Company, and an interested person vis-à-vis the Company.

2.2. KOPG

KOPG is a private company limited by shares incorporated in Singapore. KOPG's directors and shareholders 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.

As at the Latest Practicable Date, KOPG is a controlling shareholder of the Company with an interest in 428,571,428 Shares, representing approximately 48.35% of the issued share capital of the Company.

2.3. The 2013 Junior Notes

As at the Latest Practicable Date, 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 Royce Properties' debts).

Principal terms of the 2013 Junior Notes:

Size of issue	:	S$8,400,000 unsecured junior notes due 2023.
Status	:	The 2013 Junior Notes constitute direct, unsecured and subordinated obligations of Royce Properties and shall at all times rank *pari passu* without any priority among themselves.
Subordination	:	In the event of Royce Properties exercising its right to redeem all or part of the 2013 Junior Notes, Royce Properties undertakes to and for the benefit of all Prior Ranking Creditors (as defined below) that it will not make any payment due in respect of the 2013 Junior Notes (including any accrued but unpaid interest or arrears of interest) until all liabilities (whether actual or contingent, present or future) of Royce Properties to Prior Ranking Creditors have been paid or satisfied in full. "**Prior Ranking Creditors**" means all preferred and unsecured creditors of Royce Properties other than creditors in respect of subordinated indebtedness, regardless of whether such indebtedness existed prior to the date of the issue of the 2013 Junior Notes or arose subsequent to it, or that such indebtedness has or has not a fixed maturity date.
Restriction on Transfer	:	Each 2013 Junior Note may only be transferred with the prior consent of Royce Properties and at least seven (7) Business Days' notice of such intended transfer shall be provided by the transferring 2013 Noteholder(s) to Royce Properties.
Fixed Interest	:	The 2013 Junior Notes bear interest on the principal amount from and including the issue date at the rate of 10% per annum, payable annually in arrears on 6 June in each year (each an "**Interest Payment Date**"). Notwithstanding the above, fixed interest will only be payable by Royce Properties if the UOB Loan Indebtedness has been fully satisfied, discharged and/or waived.
Special Interest	:	If, on any Interest Payment Date, after paying the fixed interest due on that Interest Payment Date and all outstanding arrears of interest (if any), there shall be any remaining distributable profits in respect of the financial year preceding that Interest Payment Date ("**Remaining Profits**"), Royce Properties shall pay additional interest to each 2013 Noteholder (or its transferee) (the "**Special Interest**") based on the attributable share of such 2013 Noteholder (determined in accordance with the formula set out in the terms and conditions of the 2013 Junior Notes).

Mandatory Redemption	:	Royce Properties shall redeem each 2013 Junior Note for the time being issued and outstanding in whole, but not in part, at its principal amount, together with any accrued but unpaid interest (including arrears of interest) on 6 June 2023.
Redemption at the option of Royce Properties	:	Royce Properties may by giving at least seven (7) Business Days' prior notice in writing to the 2013 Noteholders, redeem, without premium or penalty, all or part of the 2013 Junior Notes at their principal amount, together with any accrued but unpaid interest (including arrears of interest), on any date to be specified in such notice if either of the following events occur: (i) the UOB Loan Indebtedness has been fully satisfied, discharged and/or waived; or (ii) all available units of The Ritz-Carlton Residences are sold by Royce Properties. In the case of a partial redemption of the 2013 Junior Notes, the principal amount of the 2013 Junior Notes to be redeemed will be determined by Royce Properties and each 2013 Junior Note will be redeemed on a proportionate basis.

2.4. The 2007 Junior Notes and the Series A RPS

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.

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

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

2.5. The Ritz-Carlton Residences

The Ritz-Carlton Residences is a 36-storey residential development project located at 65 Cairnhill Road, Singapore 229721. The development comprises 58 units of a net saleable floor area of 177,088 sq ft.

Tenure	:	Freehold
Gross Site Area	:	5,432 sq m
Total Gross Floor Area	:	179,352 sq ft
Net Saleable Floor Area	:	177,088 sq ft
Acquisition Date	:	May 2007
Completion Date (Temporary Occupation Permit)	:	August 2011
Units available for sale as at the Latest Practicable Date	:	32

Based on the Property Valuation Report, a copy of which is attached to this Circular as Appendix B, the open market value, as at 18 November 2014, of the 32 units in The Ritz-Carlton Residences which are available for sale, is S$371,280,000.

3. PRINCIPAL TERMS OF THE PROPOSED TRANSACTIONS

3.1. Redemption Amount

Pursuant to the Letter of Offer, the Redemption Amount of S$68,490,994 shall be satisfied by Royce Properties by:

(i) the payment of S$28,690,994 in cash; and

(ii) the issue of the 2014 Junior Notes on the terms and subject to the conditions of the 2014 Subscription Agreement,

to KOPP on Completion.

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 (a) the 2013 Junior Notes; and (b) amounts owing by Royce Properties to KOPP under the 2007 Junior Notes and the Series A RPS, as at 31 July 2014.

3.2. Conditions

Letter of Offer

Under the Letter of Offer, the Proposed Redemption is conditional upon:

(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 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; and

(iii) Royce Properties obtaining financing on terms reasonably acceptable to it to finance the Proposed Transactions.

As at the Latest Practicable Date, the condition stated in sub-paragraph (ii) above in respect of the Proposed Redemption has been satisfied.

2014 Subscription Agreement

Under the 2014 Subscription Agreement, the Proposed Subscription is conditional upon:

(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 redemption of the 2013 Junior Notes held by KOPP and the Proposed Subscription; and

(ii) the Guarantee, in form and substance reasonably acceptable to KOPP, duly executed by the Guarantors (KOPG and Hayden Properties) on or prior to the Closing Date.

As at the Latest Practicable Date, none of the conditions stated in the sub-paragraphs above in respect of the Proposed Subscription have been satisfied.

3.3. Completion of the Proposed Transactions

Letter of Offer

Under the Letter of Offer, 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. On Completion:

(i) each of the 2013 Noteholders (including KOPP) shall surrender all definitive notes representing the 2013 Junior Notes in its name against the receipt (or deemed receipt) by it of the amounts payable by Royce Properties to the 2013 Noteholders under the Proposed Redemption; and

(ii) the 2013 Junior Notes shall be cancelled on redemption.

2014 Subscription Agreement

Under the 2014 Subscription Agreement, on the Closing Date, subject to KOPP's receipt of S$28,690,994 in cash:

(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 of S$39,800,000 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.

3.4. Others

(i) *Full and final settlement*

Under the Letter of Offer, the receipt by KOPP of the Redemption Amount 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).

(ii) *Termination*

Under the Letter of Offer, notwithstanding the acceptance of the Letter of Offer by the 2013 Noteholders, 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.

Under the 2014 Subscription Agreement, 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.

(iii) *Fees and expenses*

Under the 2014 Subscription Agreement, 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 therewith and the subscription of the 2014 Junior Notes, 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.

3.5. The 2014 Junior Notes

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 to be given by the Guarantors (KOPG and Hayden Properties).
Undertaking for Assignment of Proceeds	:	Within two (2) months of the full satisfaction and discharge of the UOB Liabilities, Royce Properties will assign in favour of 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, the 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 UOB Liabilities have been paid or satisfied in full.

		The aggregate amount of the UOB Liabilities amounts to approximately S$155.8 million as at the Latest Practicable Date. The aggregate amount of the UOB Liabilities is expected to amount to approximately S$220.0 million upon completion of the Proposed Transactions, taking into account additional borrowings of approximately S$64.2 million to be incurred by Royce Properties to fund the Proposed Transactions.
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(s) to Royce Properties.
Fixed Interest	:	The 2014 Junior Notes bear interest on the principal amount from and including the date of issuance of the 2014 Junior Notes at the rate of eight per. cent. (8.0%) per annum, payable in arrears on 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 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 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 the 2014 Noteholders, redeem, without premium or penalty, all or part of the 2014 Junior Notes on any date to be specified in such notice. 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.

4. RATIONALE FOR THE PROPOSED TRANSACTIONS

The Non-Interested Directors are of the view that the Proposed Transactions are in the interests of the Group in view of the following:

(i) the Proposed Redemption, if completed, 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 from the completion 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, if completed, 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.

5. 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 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.

5.1. 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 NTA of the Group as at 31 July 2014 would be:

	Before the Proposed Transactions	**After the Proposed Transactions**
NTA (S$'000)	61,923,193	99,167,428
Number of issued Shares	886,369,771	886,369,771
NTA per Share (cents)	6.99	11.19

5.2. 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 EPS of the Group for 1QFY2015 would be:

	Before the Proposed Transactions	**After the Proposed Transactions**
Net profit/(loss) after tax attributable to Shareholders (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

5.3. 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 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.

6. THE PROPOSED TRANSACTIONS AS INTERESTED PERSON TRANSACTIONS

6.1. Pursuant to Chapter 9 of the 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.

6.2. The Proposed Transactions between, *inter alia*, Royce Properties, an interested person vis-à-vis the Group, and KOPP, constitute IPTs for the purposes of Chapter 9 of the Catalist Rules. Please refer to paragraph 2 of this Circular for further information on Royce Properties and its ultimate holding company, KOPG.

6.3. For the purposes of Chapter 9 of the Catalist Rules, the amount at risk to the Group 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.

6.4. 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 solely 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).

6.5. 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 Shareholders at an extraordinary general meeting of the Company to be convened pursuant to Rule 906(1)(a) of the Catalist Rules.

6.6. As at the Latest Practicable Date, there are no other IPTs 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 as set out below:

Name of Interested Person	Aggregate value of all IPTs during 1QFY2015 (excluding transactions conducted under Shareholders' mandate pursuant to Rule 920) (S$'000)	Aggregate value of all IPTs conducted under Shareholders' mandate pursuant to Rule 920 during 1QFY2015 (S$'000)
Hayden Properties		
Asset management fee income	166	–

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

7.1. Based on the Company's register of interests of Directors and register of Substantial Shareholders, the interests of Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	**%[(1)]**	**No. of Shares**	**%[(1)]**	**No. of Shares**	**%[(1)]**
Directors						
Ms. Ong Chih Ching[(2)]	64,175,715	7.24	428,571,428	48.35	492,747,143	55.59
Ms. Leny Suparman[(3)]	30,685,714	3.46	428,571,428	48.35	459,257,142	51.81

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	**%(1)**	**No. of Shares**	**%(1)**	**No. of Shares**	**%(1)**
Mr. Ko Chuan Aun	1,500,000	0.17	–	–	1,500,000	0.17
Mr. Lee Kiam Hwee Kelvin	–	–	–	–	–	–
Dr. Ho Kah Leong	–	–	–	–	–	–
Mrs. Yu-Foo Yee Shoon	–	–	–	–	–	–
Substantial Shareholders (who are not Directors)						
KOP Group Pte. Ltd.	428,571,428	48.35	–	–	428,571,428	48.35
Ms. Wang Xuan(4)	–	–	72,602,857	8.19	72,602,857	8.19

Notes:

(1) The percentages are computed based on 886,369,771 issued Shares as at the Latest Practicable Date.

(2) Ms. Ong Chih Ching is deemed interested in the 428,571,428 Shares held by KOPG, by virtue of Section 4 of the SFA.

(3) Ms. Leny Suparman is deemed interested in 428,571,428 Shares held by KOPG, by virtue of Section 4 of the SFA.

(4) Ms. Wang Xuan is deemed interested in 72,602,857 Shares held through United Overseas Nominees Pte Ltd.

7.2. Save as disclosed in this Circular and to the best of the knowledge of the Directors, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Transactions (other than in his capacity as a Director or Shareholder).

8. ABSTENTION FROM VOTING

8.1. 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.

8.2. 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.

9. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER TO THE NON-INTERESTED DIRECTORS

9.1. Asian Corporate Advisors Pte. Ltd. has been appointed as the independent financial adviser to the Non-Interested Directors to provide 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.

9.2. The advice and opinion of the IFA to the Non-Interested Directors, information relating thereto, and the key factors taken into consideration by the IFA have been extracted from **section 6 of the IFA Letter** and reproduced below. Shareholders are advised to read and consider the IFA Letter as set out in **Appendix A** to this Circular in its entirety. All terms and expressions used in the extract below shall bear the same meanings as defined in the IFA Letter.

*"6. **OPINION***

In arriving at our recommendation, we have reviewed and examined the following factors summarized below as well as others elaborated elsewhere in our Letter which we have considered to be pertinent in our assessment of the Proposed Transactions as Interested Person Transactions, including the views of and representations by the Directors. Our recommendation or opinion is by no means an indication of the merits of the prospects, financial performance and position or credit quality, inter alia, interest and debt servicing ability of the Company, the Group, Royce Properties, Hayden Properties, or KOPG or the ability of Royce Properties to sell the remaining 32 unsold units of The Ritz-Carlton Residences or the timing thereof or the ability of Royce Properties to service and repay or redeem its indebtedness when fall due, including inter alia the Bank Liabilities and the 2014 Junior Notes. The following should be read in conjunction with, and in the context of, the full text of this Letter.

(a) The rationale of the Proposed Transactions wherein we note from Section 4 of the Circular that, inter alia, the Non-Interested Directors are of the view that the Proposed Transactions are in the interests of the Group in view of (1) the Proposed Redemption, if completed, 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; (2) the cash proceeds from completion 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 (3) the Proposed Subscription, if completed, 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.

(b) The evaluation of the Redemption Amount and the return on investment for the Proposed Redemption and the Proposed Subscription (as set out in Section 5 of this Letter) after taking into account, inter alia, the following factors:

(i) The Redemption Amount payable to KOPP of approximately S$68.5 million comprises approximately S$28.7 million in cash and approximately S$39.8 million to be offset by the subscription monies payable by KOPP for the Proposed Subscription.

(ii) The 2013 Noteholders Other Than KOPP hold approximately 60.07% of the 2013 Junior Notes and the Redemption Amount payable to them in cash is approximately S$35.5 million in aggregate or represents approximately 34.14% of the total redemption consideration of approximately S$104.0 million. KOPP holds approximately 39.93% of the 2013 Junior Notes and the Redemption Amount payable to KOPP is approximately S$68.5 million or represents approximately 65.86% of the total redemption consideration of approximately S$104.0 million.

Whilst KOPP appears to be receiving higher proportion of the Redemption Amount as compared to the 2013 Noteholders Other Than KOPP (in terms of comparing it with the respective percentage holdings of 2013 Junior Notes), the Redemption Amount payable to KOPP of approximately S$68.5 million comprises approximately S$28.7 million in cash and approximately S$39.8 million to be offset by the subscription monies payable by KOPP for *the Proposed Subscription. The Redemption Amount payable to KOPP in cash of approximately S$28.7 million represents approximately 44.69% of the total redemption consideration payable to all 2013 Noteholders in cash of approximately S$64.2 million, which is slightly higher as compared to the KOPP's percentage holding of 2013 Junior Notes of approximately 39.93%.*

(iii) Representation and confirmation from the Directors and the Management that the offsetting arrangement and the Proposed Subscription was mainly due to Royce Properties' limited ability to raise the funds required for the Proposed Redemption.

(iv) The Redemption Amount payable to KOPP of approximately S$68.5 million is approximately 15.7% to 20.2% higher than the fair value of the 2013 Junior Notes (interest and principal receivable and Special Interest but excluding Incentive Fees) held by KOPP of between approximately S$57.0 to S$59.2 million deemed as at the RTO Valuation Date provided to us by the Directors and the Management and as mentioned in the March 2014 Circular (including the accompanying appendices, inter alia, the March 2014 Letter).

(v) The Redemption Amount payable to KOPP of approximately S$68.5 million is approximately 44.2% to 51.2% higher than the fair value ascribed to the 2013 Junior Notes held by KOPP (interest and principal receivable and Special Interest but excluding Incentive Fees) of approximately S$45.3 to S$47.5 million as at the Latest Practicable Date.

(vi) The Proposed Redemption and the Proposed Subscription will provide returns of between approximately 41.1% to 46.5% or an IRR of between approximately 12.1% to 13.8% from the Company's perspective in the event that the repayment of the principal and interest for the 2014 Junior Notes (which will be payable on the 2014 Junior Notes Maturity Date and assumed to be within five years from the Latest Practicable Date). The IRR of approximately 12.8% to 14.5% appears to be higher than the Company's WACC of approximately 10.7% as at the Latest Practicable Date. If the RTO Discount is considered, the IRR for the Proposed Redemption and the Proposed Subscription would be approximately between 19.7% to 21.4% which is significantly higher and more favourable than the Company's WACC of approximately 10.7%.

(c) The evaluation of the Proposed Subscription (as set out in Section 5 of this Letter) after taking into account, inter alia, the following factors:

(i) Comparison between the 2013 Junior Notes and the 2014 Junior Notes – Whilst both 2013 Junior Notes and 2014 Junior Notes are subordinated to Royce Properties' loan indebtedness, the risk associated with the 2014 Junior Notes is relatively lower as compared to the 2013 Junior Notes in view that the 2014 Junior Notes are supported with, inter alia, joint and several guarantee by KOPG and Hayden Properties, Assignment of Proceeds, possibility of redemption via transferring RCR Unit(s) as well as the Royce Covenants. However, notwithstanding that the 2014 Junior Notes are supported, the 2014 Junior Notes is akin to a mezzanine debt in view of the fact that it is subordinated to the Bank Liabilities, the lack of hard assets collateral, and that Royce Properties is a special purpose vehicle with a single asset, being the remaining 32 unsold units of The Ritz-Carlton Residences.

(ii) Representation and confirmation from the Directors and the Management that the interest rate for the banking facilities are substantially lower than the interest rate for the 2014 Junior Notes of approximately 8.0% per annum and the spread between the interest rate for the 2014 Junior Notes and the interest rate for the banking facilities are deemed sufficient to compensate the 2014 Junior Notes subscriber, being KOPP, for the substantially higher risk involved in the 2014 Junior Notes (in view of the subordination to the Bank Liabilities as well as the lack of the hard assets collateral) as well as the fact that both principal and interest for the 2014 Junior Notes will only be payable at the 2014 Junior Notes Maturity Date.

(iii) The Directors confirmed that they have reviewed the terms and conditions of the 2014 Junior Notes and are of the view that the 2014 Junior Notes, which is akin to a mezzanine debt, is adequately supported with, inter alia, joint and several guarantee by KOPG and Hayden Properties, possibility of redemption via transferring RCR Unit(s) as well as Royce Covenants, Hence, it may not be necessary for KOPP to obtain the additional support or comfort or commitment for the 2014 Junior Notes from Royce Properties or Royce Directors or KOPG. In addition, Non-Interested Directors are of the opinion that in view of the fact that Hayden Properties is a special purpose vehicle and has provided corporate guarantee in respect of the 2014 Junior Notes, there is no separate undertaking from Hayden Properties required. Non-Interested Directors have also represented and confirmed that Hayden Properties had agreed to provide further undertakings to KOPP in respect of the 2014 Junior Notes as and when requested by KOPP in such later date to be determined by KOPP. Non-Interested Directors have also represented and confirmed to us that KOPG and Royce Properties agreed to enter into further discussion with KOPP for the offsetting of KOPP's indebtedness to KOPG against any outstanding 2014 Junior Notes Redemption Amount as and when requested by KOPP.

(iv) The interest rate for the 2014 Junior Notes of 8.0% per annum appear to be higher than the interest rate for the Selected Comparable Notes, which we have viewed in conjunction with, inter alia, its subordinated status, longer tenure, as well as Royce Properties' weaker financial positions in comparison with the Selected Real Estate Companies.

(d) The historical financial performance and position of Royce Properties for RFY2014, RFY2013, RFY2012, RHY2015 and RHY2014, which appears to be weak, particularly in terms of the gearing ratio as well interest coverage ratio. We have also considered the pro-forma financial impacts of the Proposed Transactions, additional borrowing from its existing banker, and potential fair value gain on the unsold units of The Ritz-Carlton Residences on Royce Properties' financial position. Generally the financial positions of Royce Properties in terms of the current ratio, the ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity, will improve subsequent to the completion of the Proposed Transactions. However, notwithstanding the improvement, Royce Properties' financial leverage position remains high and its ability to service its borrowings (including the 2014 Junior Notes) will depend on its ability to sell the remaining 32 unsold units of The Ritz-Carlton Residences (including, inter alia, the timing and the selling price thereof).

(e) Non-Interested Directors confirmed that they have reviewed the cash flow projection for the remaining 32 unsold units of The Ritz-Carlton Residences and its assumptions prepared and presented by the Management, and made such

reasonable enquiries including a review of Royce Properties' credit quality for the purposes of determining if the Proposed Transactions are on normal commercial terms and whether it is prejudicial to the interest of the Company and the minority Shareholders. Nothing in this Letter shall be construed as a representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.

(f) Based on, inter alia, the projected costs (including but not limited the sales and marketing expenses as well as other expenses) as well as the projected rental income provided by the Management, we have derived the following break-even prices for the remaining 32 unsold units of The Ritz-Carlton Residences:

(i) For Royce Properties to achieve a break-even after repayment of the Bank Liabilities (principal as well as interests), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than S$2,719.8 per square foot, which represents approximately 28.9% and 29.4% discount to the average price per sq ft for the 26 sold units of the Ritz-Carlton Residences of approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively; and

(ii) For Royce Properties to achieve a break-even after repayment of the Bank Liabilities (principal as well as interests) and redemption of the 2014 Junior Notes (principal and interest), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than S$3,298.0 per square foot, which represents approximately 13.8% and 14.4% discount to the to the average price per sq ft for the 26 sold units of The Ritz-Carlton Residences of approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively.

(g) The proforma financial effects of the Proposed Transactions for the Group. The Proposed Transactions would lead to an increase in the Group's NTA from approximately 6.99 Singapore cents as at 31 July 2014 to approximately 11.19 Singapore cents. In addition, the Proposed Transactions would improve the loss per Share of approximately 0.36 Singapore cents for 1QFY2015 to earnings per Share of approximately 4.12 Singapore cents. Lastly, the Redemption Amount represents an excess of S$37,244,235 over the book value of the 2013 Junior Notes held by KOPP as at 31 July 2014 and the Proposed Redemption will result in the Company recording a gain on disposal of approximately S$37,244,235, assuming the disposal was completed on 31 July 2014. In addition, The Proposed Transactions will generate cash of approximately S$28.7 million arising from the Proposed Redemption, which may be used by the Company to capitalise on opportunities to expand the Group's business in Singapore and overseas through acquisitions, joint ventures and/or strategic alliances, with favourable financial impact on the Group's NTA per Share and earnings per Share.

In summary, having regard to our analysis and the consideration in this Letter and subject to the qualifications and assumptions set out in this Letter including but not limited to the uncertainties arising from Royce Properties' weak financial performance, position and credit quality as well as its ability to sell the remaining 32 unsold units of The Ritz-Carlton Residences or the timing thereof, which we have reviewed in conjunction with (a) the relatively fair comparison between the Redemption Amount payable to KOPP and the redemption consideration payable to the 2013 Noteholders

Other Than KOPP (after taking into account that unlike the 2013 Noteholders Other Than KOPP who will receive the redemption consideration in cash, the Redemption Amount payable to KOPP comprises approximately S$28.7 million in cash and approximately S$39.8 million to be offset by the subscription monies payable by KOPP for the Proposed Subscription), (b) the fair value of the 2013 Junior Notes (interest and principal receivable and Special Interest but excluding the Incentive Fees) as at the RTO Valuation Date provided by the Directors and the Management and as mentioned in the March 2014 Circular (including the accompanying appendices, inter alia, the March 2014 Letter) and as at the Latest Practicable Date which are substantially lower than the Redemption Amount payable to KOPP, (c) the IRR for the Proposed Redemption and the Proposed Subscription which are higher than the Company's WACC, (d) the security arrangements for the 2014 Junior Notes (including joint and several guarantee from Hayden Properties and KOPG, possibility of redemption via transferring RCR Unit(s) and the Royce Covenants), (e) representation and confirmation from Non-Interested Directors on their satisfaction that the Proposed Transactions is beneficial to KOPP in terms of returns, shorter maturity for repayment and "increased" sources for repayment without increasing exposure to Royce Properties, subject to Management's representation and information reviewed and inter alia, future plans, cash-flow projections and repayment/refinancing with accompanying assumptions, that after review of the terms and conditions for the Proposed Redemption and the Proposed Subscription (including the terms for 2014 Junior Notes), the Proposed Transactions do not increase the credit exposure of KOPP to Royce Properties in view of the shorter maturity period of the 2014 Junior Notes, the additional support provided, and the ability subject to agreements to be repaid via cash and/or RCR Unit(s), (f) the significantly shorter maturity of the 2014 Junior Notes, with the increase in principal amount being the returns from early redemption, (g) cash settlement of approximately S$28.7 million, representing approximately 50.3% of the fair value of the 2013 Junior Note deemed as at the RTO Valuation Date provided by the Directors and the Management and as mentioned in the March 2014 Circular (including the accompanying appendices, inter alia, the March 2014 Letter), (h) Shareholders' approval for the RTO (inter alia, acquisition of KOPP and its investments in the 2013 Junior Notes whose terms are described briefly in this Letter) and its existing credit exposure arising from the 2013 Junior Notes approved together with the RTO, and (i) the redemption of 2013 Junior Notes and repayment via cash and the 2014 Junior Notes, prima facie, the "ability" subject to terms of the agreements to receive partial/full redemption of the 2014 Junior Notes via cash and/or RCR Unit(s) (based on then prevailing valuation), does not increase the credit exposure of KOPP as KOPP will still be exposed to repayment risk for a maturity period significantly longer than the five (5) years currently proposed, we are of the opinion that, based on the information available to us as at the Latest Practicable Date and on the assumption that Royce Properties will be able to repay the principal and interest of the 2014 Junior Notes when they fall due based on selling prices used for its projections including amounts owing to parties other than KOPP and subject to possibility of redemption via transferring RCR Unit(s), that the financial terms for the Proposed Redemption (in respect of the Redemption Amount) and the Proposed Subscription (in terms of comparing KOPP's existing exposure vide its investments in 2013 Junior Notes and the Proposed Redemption via cash and the 2014 Junior Notes) are on ***normal commercial terms****, inter alia, in terms of comparisons of the Redemption Amount with the fair market value of the 2013 Junior Notes, and fair comparison of the interest payable for the 2014 Junior Notes with the Selected Comparable Notes.*

Lastly, having regard to the potential pro-forma financial effect of the Proposed Transactions which shows favourable financial impact on the Group's NTA per Share and earnings per Share, which we have reviewed together with (a) the favourable IRR *for the Proposed Redemption and the Proposed Subscription as compared to the Company's WACC, (b) the opinion from the Non-Interested Directors that the Proposed Transactions are in the interests of the Group for the reasons set out in Section 4 of the Circular, as well as (c) representation and confirmation from Non-Interested Directors on their satisfaction that the Proposed Transactions are beneficial to KOPP in terms of returns, shorter maturity for repayment and "increased" sources for repayment without increasing exposure to Royce Properties, subject to Management's representation and information reviewed and inter alia, future plans, cash-flow projections and repayment/refinancing with accompanying assumptions, that after review of the terms and conditions for the Proposed Redemption and the Proposed Subscription (including the terms for 2014 Junior Notes), the Proposed Transactions do not increase the credit exposure of KOPP to Royce Properties in view of the shorter maturity period of the 2014 Junior Notes, the additional support provided, and the ability subject to agreements to be repaid via cash and/or RCR Unit(s), we are of the view that based on the information available to us as at the Latest Practicable Date and on the assumption that Royce Properties will be able to repay the principal and interest of the 2014 Junior Notes when they fall due based on selling prices used for its projections including amounts owing to parties other than KOPP and subject to possibility of redemption via transferring RCR Unit(s), the financial terms for the Proposed Redemption (in respect of the Redemption Amount) and the Proposed Subscription (in terms of comparing KOPP's existing exposure vide its investments in 2013 Junior Notes and the Proposed Redemption via cash and the 2014 Junior Notes) are* ***not prejudicial*** *to the interest of the Independent Shareholders and the Company in terms of comparisons of the Redemption Amount with the fair market value of the 2013 Junior Notes, fair comparison of the interest payable for the 2014 Junior Notes with the Selected Comparable Notes, and the favourable IRR for the Proposed Redemption and the Proposed Subscription as compared to the Company's WACC.*

Recommendation

Accordingly, we advise the Non-Interested Directors to recommend that Independent Shareholders vote ***in favour of*** *resolutions for the Proposed Transactions to be proposed at the EGM, and to highlight to Independent Shareholders the matters as stated in our Letter and to exercise caution in their decision in relation to the resolutions for the Proposed Transactions.*

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Group. The opinion set forth herein is based solely on publicly available information and information provided by the Directors, the Management and the Royce Directors, and therefore does not reflect any projections or future financial performance of the Company or the Group or Royce Properties after the completion of the Proposed Transaction(s) and as well as the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the financial terms of the Proposed Transactions as Interested Person Transactions.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

1. *The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group or Royce Properties or the ability of Royce Properties to sell the remaining 32*

unsold units of The Ritz-Carlton Residences or the timing thereof or the ability of Royce Properties to service and repay or redeem its indebtedness when fall due, including inter alia the Bank Liabilities and the 2014 Junior Notes.

2. *Our scope does not require us and save for re-assessment of the fair value of the 2013 Junior Notes as at the Latest Practicable Date, we have not made any independent evaluation of Royce Properties (including without limitation, market value or economic potential) or appraisal of the Royce Properties' assets and liabilities (including without limitation, development property, plant and equipment) or contracts entered into by Royce Properties or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by Royce Properties or the Group save for: (1) the information available in the March 2014 Circular relating to the RTO and information provided by the Directors and the Management as well as their understanding, based on, inter alia, their discussion with the independent valuer named in the March 2014 Circular during the RTO on the fair value ascribed to the 2013 Junior Notes including its breakdown deemed as at the RTO Valuation Date; and (2) the Property Valuation Report. With respect to such valuations, we are not experts in the evaluation (including without limitation, market value or economic potential) or appraisal of assets and liabilities (including without limitation, development property, plant and equipment) including, inter alia the contracts or agreements that Royce Properties or the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.*

   Our references to the fair value of the 2013 Junior Notes deemed as at the RTO Valuation Date and its breakdown are based on the information available in the March 2014 Circular (including the accompanying appendices, inter alia, the March 2014 Letter and the independent valuation summary letter), which is a public document and available for download at www.sgx.com, and information provided by the Directors and the Management as well as their understanding, based on, inter alia, their discussion with the independent valuer named in the March 2014 Circular. In relation to the Proposed Transactions, the Company did not commission the independent valuer named in the March 2014 Circular to re-assess the fair value ascribed to the 2013 Junior Notes as at the Latest Practicable Date. In deriving our opinion and recommendation, no reliance was made by us on the independent valuation summary letter attached in the March 2014 Circular nor the independent valuation report mentioned in the March 2014 Circular issued by the independent valuer named in the March 2014 Circular, save for information and references provided by the Directors as well as information made available in the March 2014 Circular. The independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular were prepared for a different purpose as of a different date. It cannot in any way serve as a substitute for enquiries and procedures which we have undertaken for the purposes of satisfying ourselves regarding our opinion as to whether the Proposed Transactions as Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The recommendation and opinion on the Proposed Transactions as Interested Person Transactions in this Letter are solely from ACA.

Our sole responsibility is for our IFA Letter. Shareholders should note that no reliance shall be made to the independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular and any reliance that is placed to the independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular will be at your own risk. Nothing in this Letter shall be construed as a reliance on the independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular.

3. *The Directors and the Management have represented and confirmed to us that the offsetting arrangement and the Proposed Subscription was mainly due to Royce Properties' limited ability to raise the funds required for the Proposed Redemption. Royce Properties only managed to raise additional loan of approximately S$64.2 million from its existing banker secured by inter alia first all-monies legal mortgage over the remaining 32 unsold units of The Ritz-Carlton Residences as well as additional comfort or support or commitment provided by the Royce Directors and/or KOPG. Therefore, the remaining Redemption Amount of approximately S$39.8 million payable to KOPP shall be offset against the subscription monies payable by KOPP for the Proposed Subscription.*

4. *The Directors have reviewed the terms and conditions for the 2014 Junior Notes and are of the view that the 2014 Junior Notes, which is akin to a mezzanine debt, is adequately secured given, inter alia, joint and several guarantee by KOPG and Hayden Properties, as well as the Royce Covenants. Hence, it may not be necessary for KOPP to obtain the additional support or comfort or commitment for the 2014 Junior Notes from Royce Properties or Royce Directors or KOPG.*

5. *The Management has presented a cash flow projection for the remaining 32 unsold units of The Ritz-Carlton Residences to the Non-Interested Directors in connection with the Proposed Transactions. The Non-Interested Directors have reviewed the cash flow projection and its accompanying assumptions made available to them by the Management, and made such reasonable enquires including a review of Royce Properties' credit quality, for the purposes of determining if the Proposed Transactions are on normal commercial terms and whether it is prejudicial to the interest of the Company and the minority Shareholders. Nothing in this Letter shall be construed as a representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.*

6. *Based on, inter alia, the projected costs (including but not limited the sales and marketing expenses as well as other expenses) as well as the projected rental income provided by the Management, we have derived the following break-even prices for the remaining 32 unsold units of The Ritz-Carlton Residences:*

   (i) *For Royce Properties to achieve a break-even after repayment of the bank liabilities (principal as well as interests), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than S$2,719.8 per sq ft, which represents approximately 28.9% and 29.4% discount to the average price per sq ft for the 26 sold units of The Ritz-Carlton Residences of approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively; and*

(ii) *For Royce Properties to achieve a break-even after repayment of the bank liabilities (principal as well as interests) and redemption of the 2014 Junior Notes (principal and interest), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than S$3,298.0 per square foot, which represents approximately 13.8% and 14.4% discount to the average price per sq ft for the 26 sold units of The Ritz-Carlton Residences of approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively.*

Independent Shareholders should note that in the event that the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences falls below S$3,298.0 per sq ft, Royce Properties' ability to repay the principal and interest of the 2014 Junior Notes may be limited. Nothing in this Letter shall be construed as a representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.

Specific Objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Non-Interested Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments in unlisted shares or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately."

10. AUDIT COMMITTEE OPINION

The Audit Committee, having considered, *inter alia*, the terms, financial effects and rationale for the Proposed Transactions, and after discussions with the management of the Company and the IFA, concurs with the opinion of the IFA as set out in the IFA Letter. Accordingly, the Audit Committee recommends that Shareholders vote in favour of the ordinary resolution relating to the Proposed Transactions as set out in the Notice of EGM.

11. RECOMMENDATION OF THE NON-INTERESTED DIRECTORS

11.1. The Non-Interested Directors, having considered, *inter alia*, the terms, financial effects and rationale of the Proposed Transactions and taking into consideration the advice and opinion of the IFA as set out in the IFA Letter and the opinion of the Audit Committee, are of the view that the Proposed Transactions are in the interests of the Company. The Non-Interested Directors accordingly recommend that the Shareholders vote in favour of the ordinary resolution relating to the Proposed Transactions as set out in the Notice of EGM.

11.2. Ms. Ong Chih Ching and Ms. Leny Suparman have abstained from making any recommendation as to how Shareholders should vote in respect of the ordinary resolution relating to the Proposed Transactions. Ms. Ong Chih Ching and Ms. Leny Suparman have also abstained from expressing any views in the rationale for the Proposed Transactions.

11.3. The Non-Interested Directors advise the Shareholders to carefully consider the IFA Letter and in particular, the various factors highlighted by the IFA in the IFA Letter attached to this Circular as **Appendix A**. In giving the above recommendation, the Non-Interested Directors have not had regard to the general or specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Shareholder. As each Shareholder has different investment objectives and profiles, the Non-Interested Directors recommend that any individual Shareholder who may require advice should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

12. EXTRAORDINARY GENERAL MEETING

12.1. The EGM will be held at 25 Tai Seng Ave, #01-01, Scorpio East Building, Singapore 534104, on 15 December 2014 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution relating to the Proposed Transactions as set out in the Notice of EGM on page N-1 of this Circular.

12.2. A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at forty-eight (48) hours before the EGM.

13. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders will find enclosed with this Circular, the Notice of EGM and a Proxy Form. If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than forty-eight (48) hours before the time fixed for the EGM. Completion and return of the Proxy Form by a Shareholder will not preclude him from attending and voting at the EGM if he so wishes. An appointment of a proxy or proxies shall be deemed to be revoked if a Shareholder attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

14. DIRECTORS' RESPONSIBILITY STATEMENTS

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

15. CONSENTS

15.1. The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

15.2. Chesterton has given and has not withdrawn its written consent to the issue of this Circular (which includes the IFA Letter) with the inclusion of its name, the Property Valuation Report and all references thereto in the form and context in which they appear in this Circular.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 152 Beach Road, #27-01 The Gateway East, Singapore 189721, during normal business hours up to and including the date of the EGM:

(i) the Letter of Offer;

(ii) the 2014 Subscription Agreement;

(iii) the IFA Letter;

(iv) the Property Valuation Report;

(v) the letter of consent dated 25 November 2014 from the IFA; and

(vi) the letter of consent dated 24 November 2014 from Chesterton.

Yours faithfully

For and on behalf of
the Board of Directors of
KOP LIMITED

Ong Chih Ching
Executive Chairman and Executive Director

28 November 2014

ASIAN CORPORATE ADVISORS PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

112 Robinson Road #03-02
Singapore 068902

To:
The Non-Interested Directors (as defined herein)
KOP Limited
152 Beach Road
#27-01 The Gateway East
Singapore 189721

28 November 2014

(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,

AS INTERESTED PERSON TRANSACTIONS.

1. INTRODUCTION

In 2013, Royce Properties Pte. Ltd. ("**Royce Properties**"), an indirect wholly-owned subsidiary of KOP Group Pte. Ltd. ("**KOPG**"), issued S$8,400,000 Junior Notes due in 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 KOP Limited's wholly-owned subsidiary, KOP Properties Pte. Ltd. (collectively, the "**2013 Noteholders**").

As at 17 November 2014 (the "**Latest Practicable Date**"), KOP Properties Pte. Ltd. ("**KOPP**") holds S$3,300,000 in principal amount of the 2013 Junior Notes. KOPP holds approximately 39.9% of the underlying economic interest in a 36-storey residential development project located at 65 Cairnhill Road, Singapore 229721, known as "The Ritz-Carlton Residences, Singapore Cairnhill" ("**The Ritz-Carlton Residences**") (i.e. the distributable profits of Royce Properties following the discharge of all its debts) through its holding in such 2013 Junior Notes.

On 13 November 2014, KOP Limited (the "**Company**") announced that:

Proposed Redemption

(i) KOPP, the Company's wholly-owned subsidiary, 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 owing by Royce Properties to KOPP under the 2007 Junior Notes and the Series A RPS (the "**Proposed Redemption**"); and

Proposed Subscription

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

The Proposed Subscription and the Proposed Redemption shall be collectively referred to as the "**Proposed Transactions**".

The amount payable by KOPP to Royce Properties for the Proposed Subscription shall be set off against the amount payable by Royce Properties to KOPP under the Proposed Redemption, and the balance of S$28,690,994 payable by Royce Properties to KOPP under the Proposed Redemption shall be paid in cash.

Royce Properties is an indirect wholly-owned subsidiary of KOPG, a controlling shareholder of the Company. KOPG's directors and shareholders 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. Accordingly, pursuant to Chapter 9 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), the Proposed Transactions fall within the ambit of an interested person transaction ("**IPT**" or "**Interested Person Transaction**").

Asian Corporate Advisors Pte. Ltd. ("**ACA**") has been appointed as an independent financial adviser ("**IFA**") to provide an opinion as to whether the Proposed Transactions as Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. This letter ("**IFA Letter**" or "**Letter**") has been prepared for use by the directors of the Company ("**Directors**") as at the date of this Letter who are not interested persons for the purposes of the Proposed Transactions and deemed to be independent (the "**Non-Interested Directors**") for the purposes of making a recommendation to Shareholders in respect of the Proposed Transactions. The Non-Interested Directors comprise Dr. Ho Kah Leong, Mr. Ko Chuan Aun, Mr. Lee Kiam Hwee Kelvin and Mrs. Yu-Foo Yee Shoon.

This Letter sets out, *inter alia*, our views and evaluation of the Proposed Transactions as an Interested Person Transaction, which is being proposed as an ordinary resolution in the notice of the extraordinary general meeting ("**EGM**") of the Company as set out in the circular ("**Circular**") dated 28 November 2014 issued to the shareholders of the Company ("**Shareholders**"). The Proposed Transactions will be subject to the approval by Shareholders other than (i) KOPG, Ms. Ong Chih Ching, and Ms. Leny Suparman; (ii) associates of the persons mentioned in (i); and (iii) person(s) related to the persons mentioned in (i) and (ii) above ("**Independent Shareholders**"). Likewise, it contains our recommendations to the Non-Interested Directors in relation to the Proposed Transactions as an Interested Person Transaction. It is prepared for inclusion in the Circular in connection with, *inter alia*, the Proposed Transactions. Unless otherwise defined or where the context otherwise requires, the definition used in the Circular shall apply throughout this Letter. Certain of the figures and computations as enumerated or set out in this Letter are based on approximations and its accuracy is subject to rounding.

2. TERMS OF REFERENCE

ACA has been appointed by the Company to advise the Non-Interested Directors with respect to the Proposed Transactions, being Interested Person Transactions under Chapter 9 of the Catalist Rules. We were neither a party to the negotiations entered into by the Company in relation to the Proposed Redemption and the Proposed Subscription, nor were we involved in the deliberation leading up to the decision on the part of the Directors to enter into the Proposed Redemption and the Proposed Subscription, and we do not, by this Letter or otherwise, advise or form any judgment on the merits of the transactions contemplated in the Circular for the Company and its subsidiaries (the "**Group**") or the possibilities or feasibilities of the completion of the Proposed Transactions or the timing on when the Proposed Transactions can be completed or whether there are alternative transactions available other than to form an opinion, strictly and solely on the bases set out herein on whether the financial terms of the Proposed Transactions as an Interested Person Transaction (pursuant to Chapter 9 of the Catalist Rules) are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

We have confined our evaluation strictly and solely on the financial terms for the Proposed Transactions as Interested Person Transactions and have not taken into account the commercial/financial risks and/or merits (if any) of or the timing for the transactions contemplated in the Circular including the structuring or inter-conditionality (if applicable), of the Proposed Transactions as Interested Person Transactions or the validity of any resolution, or the future financial performance or position of the Company and the Group subsequent to the Proposed Transactions as Interested Person Transactions or the possibility or probability that the Group can improve their profitability or that the anticipated benefits from the Proposed Transactions can be realised (as the case may be). Such evaluation or comment remains the responsibility of the Directors and the management ("**Management**") of the Company or where applicable the directors of Royce Properties ("**Royce Directors**") although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

In the course of our evaluation, we have held discussions with certain Directors and the Management as well as the Royce Directors, *inter alia*, regarding their assessment of the rationale for the Proposed Transactions and have examined publicly available information collated by us including the audited financial statements as well as information including material information (including *inter alia* the projection of the costs and expenses to be incurred for The Ritz-Carlton Residences) or developments pertaining to the Company, the Group, and Royce Properties where applicable (both written and verbal), provided to us by the Directors and Management or where applicable the Royce Directors and professional advisers of the Company, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such enquiries and used our judgement as we deemed necessary on such information and have found no reason to doubt the accuracy and reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular as well as their announcements for the financial results have been reasonably made after due and careful enquiry. Likewise, we have relied upon the assurance that all statements of fact, belief, opinion and intention made by the Royce Directors have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy or completeness or adequacy of such information or statements of facts or belief or opinion or intention.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the financial statements for the three months period ended 31 July 2014 ("**1QFY2015**") for the Group and after financial statements for the six months period ended 30 September 2014 ("**RHY2015**") for Royce Properties. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group or Royce Properties after the completion of the Proposed Transactions stipulated in the Circular. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group or Royce Properties and neither are we responsible for it. Accordingly, estimates or analysis or evaluation of the merits of the Company or the Group or the Proposed Transactions as Interested Person Transactions or Royce Properties, if any, in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Non-Interested Directors (as well as Independent Shareholders of the Company who would be receiving the Circular and this Letter enclosed with the Circular) should note that our evaluation is based solely on publicly available information and other information provided by the Company, the Directors and the Management or where applicable the Royce Directors as well as those disclosed in the Circular as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the relevant financial year end or interim financial period for the Company or the Group or Royce Properties or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Proposed Transactions as Interested Person Transactions and our recommendation or opinion or views. Likewise this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment. The Directors and the Royce Directors have jointly and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of the information and representations as provided by the Directors and the Royce Directors and contained therein. The Directors and the Royce Directors have, to their best knowledge, confirmed to ACA that all material information including but not limited to plans or prospects or proposals or rationale involving the Proposed Transactions stipulated in the Circular or issue or changes to its capital structure, available to them and the Management in connection with the Proposed Transactions has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group or Royce Properties, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group or Royce Properties or the ability of Royce Properties to sell the remaining unsold 32 units of The Ritz-Carlton Residences or the timing thereof or the ability of Royce Properties to service and repay or redeem its indebtedness when fall due, including *inter alia* the Bank Liabilities (as defined herein) and the 2014 Junior Notes.

Our scope does not require us and save for re-assessment of the fair value of the 2013 Junior Notes as at the Latest Practicable Date, we have not made any independent evaluation of Royce Properties (including without limitation, market value or economic potential) or appraisal of the Royce Properties' assets and liabilities (including without limitation, development property, plant and equipment) or contracts entered into by Royce Properties or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by Royce Properties or the Group save for: (1) the information available in the circular to shareholders of Scorpio East Holdings Ltd. (now known as KOP Limited) dated 31 March 2014 and its accompanying appendices ("**March 2014 Circular**") relating to the acquisition of the entire issued and paid-up share capital of KOPP ("**RTO**") for which ACA was appointed as the independent financial adviser and our letter was issued dated 31 March 2014 (the "**March 2014 Letter**") and information provided by the Directors and the Management as well as their understanding, based on, *inter alia*, their discussion with the independent valuer named in the March 2014 Circular during the RTO on the fair value ascribed to the 2013 Junior Notes including its breakdown deemed as at the valuation date stated in the March 2014 Circular ("**RTO Valuation Date**"); and (2) the property valuation report dated 15 August 2014 prepared by Chesterton Singapore Pte. Ltd. ("**Chesterton**" or "**Property Valuer**") in respect of The Ritz-Carlton Residences (32 units owned by Royce Properties) and the letter dated 18 November 2014 issued by Chesterton which states Chesterton's opinion that there is no material change in the market value of The Ritz-Carlton Residences (32 units owned by Royce Properties) as stated in the aforesaid report dated 15 August 2014 (collectively, the "**Property Valuation Report**"). With respect to such valuations, we are not experts in the evaluation (including without limitation, market value or economic potential) or appraisal of assets and liabilities (including without limitation, development property, plant and equipment) including, *inter alia* the contracts or agreements that Royce Properties or the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

Our references to the fair value of the 2013 Junior Notes deemed as at the RTO Valuation Date and its breakdown are based on the information available in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter and the independent valuation summary letter), which is a public document and available for download at www.sgx.com, and information provided by the Directors and the Management as well as their understanding, based on, *inter alia*, their discussion with the independent valuer named in the March 2014 Circular. In relation to the Proposed Transactions, the Company did not commission the independent valuer named in the March 2014 Circular to re-assess the fair value ascribed to the 2013 Junior Notes as at the Latest Practicable Date. In deriving our opinion and recommendation, no reliance was made by us on the independent valuation summary letter attached in the March 2014 Circular nor the independent valuation report mentioned in the March 2014 Circular issued by the independent valuer named in the March 2014 Circular, save for information and references provided by the Directors as well as information made available in the March 2014 Circular. The independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular were prepared for a different purpose as of a different date. It cannot in any way serve as a substitute for enquiries and procedures which we have undertaken for the purposes of satisfying ourselves regarding our opinion as to whether the

Proposed Transactions as Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The recommendation and opinion on the Proposed Transactions as Interested Person Transactions in this Letter are solely from ACA.

Our sole responsibility is for our IFA Letter. Shareholders should note that no reliance shall be made to the independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular and any reliance that is placed to the independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular will be at your own risk. Nothing in this Letter shall be construed as a reliance on the independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the unaudited financial statements for the three-months period and the full year audited financial statements for the Company and the Group as at 31 July 2014 and 30 April 2014 respectively are true and fair. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for 1QFY2015 and the audited financial statements for financial year ended 30 April 2014 ("**FY2014**") for the Company and the Group to be false or misleading in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading. Likewise, the Royce Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of Royce Properties as reflected in the unaudited financial statements for the six-months period and the full year audited financial statements for the Royce Properties as at 30 September 2014 ("**RHY2015**") and 31 March 2014 respectively are true and fair. The Royce Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for RHY2015 and the unaudited financial statements for financial year ended 31 March 2014 ("**RFY2014**") to be false or misleading in any material aspect. In addition, the Royce Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts or agreements that Royce Properties has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading. Our views, opinion and recommendations are thus limited and subject to these matters as well as others mentioned in the Letter.

The Directors and the Royce Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter and the unaudited financial statements for the Group and Royce Properties for 1QFY2015 and RHY2015 respectively, there has been no material changes to the Group's and Royce Properties' assets and liabilities, financial position, condition and performance.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group or Royce Properties before and after the transactions stipulated in the Circular or the Proposed Transactions. We are therefore not expressing any view herein as to the prices at which the shares of the Company ("**Shares**") may trade upon completion or rejection of the Proposed Transactions or the other transactions or resolutions stipulated in the Circular (if any) or voting for or voting against the Proposed Transactions or the other transactions or resolutions stipulated in the Circular (if any) or on the future financial performance of the Company or the Group or Royce Properties or the plans (if any) for each of them.

In rendering our opinion and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Independent Shareholder. As different Independent Shareholders would have different investment profiles and objectives, we would advise the Non-Interested Directors to recommend that any individual Independent Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Letter or the Proposed Transactions as Interested Person Transactions, or the Company or the Group or Royce Properties or the Shares which we used or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Non-Interested Directors, and as such the Non-Interested Directors are advised to highlight to Independent Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Proposed Transactions as Interested Person Transactions or its recommendation, following the date of the issue of this Letter.

This Letter is addressed to the Non-Interested Directors in connection with and for the sole purposes of their evaluation of the financial terms of the Proposed Transactions. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor Shareholders, may reproduce, disseminate or quote from this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except at the forthcoming EGM and for the sole purpose of the Proposed Transactions. In addition, any references to our Letter or opinion or views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety, *inter alia*, the matters, conditions, assumptions, limitations, factors and bases as well as our terms of reference for this Letter.

3. PRINCIPAL TERMS OF THE PROPOSED TRANSACTIONS

The terms of the Proposed Transactions are set out in Section 3 of the Circular. A summary of the salient terms of the Proposed Transaction is presented in this Letter. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning therein.

3.1. <u>Redemption Amount</u>

Pursuant to the Letter of Offer, the Redemption Amount of S$68,490,994 shall be satisfied by Royce Properties by:

(i) the payment of S$28,690,994 in cash; and

(ii) the issue of the 2014 Junior Notes on the terms and subject to the conditions of the 2014 Subscription Agreement,

to KOPP on Completion.

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 (a) the 2013 Junior Notes; and (b) amounts owing by Royce Properties to KOPP under the 2007 Junior Notes and the Series A RPS, as at 31 July 2014.

3.2. Conditions

Letter of Offer

Under the Letter of Offer, the Proposed Redemption is conditional upon:

(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 Royce Properties' banker (the "**Royce's Banker**") 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; and

(iii) Royce Properties obtaining financing on terms reasonably acceptable to it to finance the Proposed Transactions.

As at the Latest Practicable Date, the condition stated in sub-paragraph (ii) above in respect of the Proposed Redemption has been satisfied.

2014 Subscription Agreement

Under the 2014 Subscription Agreement, the Proposed Subscription is conditional upon:

(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 redemption of the 2013 Junior Notes held by KOPP and the Proposed Subscription; and

(ii) the Guarantee, in form and substance reasonably acceptable to KOPP, duly executed by the Guarantors (KOPG and Hayden Properties Pte. Ltd. ("**Hayden Properties**")) on or prior to Completion or such other date as Royce Properties and KOPP may agree ("**Closing Date**").

As at the Latest Practicable Date, none of the conditions stated in the sub-paragraphs above in respect of the Proposed Subscription have been satisfied.

3.3. Completion of the Proposed Transactions

Letter of Offer

Under the Letter of Offer, 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.

On Completion:

(a) each of the 2013 Noteholders (including KOPP) shall surrender all definitive notes representing the 2013 Junior Notes in its name against the receipt (or deemed receipt) by it of the amounts payable by Royce Properties to the 2013 Noteholders under the Proposed Redemption; and

(b) the 2013 Junior Notes shall be cancelled on redemption.

2014 Subscription Agreement

Under the 2014 Subscription Agreement, on the Closing Date, subject to KOPP's receipt of S$28,690,994 in cash:

(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 2014 Noteholders as the holder of the 2014 Junior Notes; and

(ii) the subscription moneys of S$39,800,000 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.

3.4. Others

(i) *Full and final settlement*

Under the Letter of Offer, the receipt by KOPP of the Redemption Amount 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).

(ii) *Termination*

Under the Letter of Offer, notwithstanding the acceptance of the Letter of Offer by the 2013 Noteholders, 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.

Under the 2014 Subscription Agreement, 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.

(iii) *Fees and expenses*

Under the 2014 Subscription Agreement, 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 therewith and the subscription of the 2014 Junior Notes, 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.

3.5. The 2014 Junior Notes

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 to be given by the Guarantors (KOPG and Hayden Properties).
Undertaking for Assignment of Proceeds	:	Within two (2) months of the full satisfaction and discharge of the Bank Liabilities (as defined herein), Royce Properties will assign in favour of 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, the RCR Unit(s) (as defined herein), 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 the Royce's Banker 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 due to the Royce's Banker ("**Bank Liabilities**") have been paid or satisfied in full. The aggregate amount of the Bank Liabilities amounts to approximately S$155.8 million as at the Latest Practicable Date. The aggregate amount of the Bank Liabilities is expected to amount to approximately S$220.0 million upon completion of the Proposed Transactions, taking into account additional borrowings of approximately S$64.2 million to be incurred by Royce Properties to fund the Proposed Transactions.
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 the 2014 Noteholder to Royce Properties.

Fixed Interest	:	The 2014 Junior Notes bear interest on the 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 the Royce Banker, interest will only be payable by Royce Properties if the Bank 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 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 units in The Ritz-Carlton Residences legally and beneficially owned by Royce Properties at that time ("**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 on any date to be specified in such notice. 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.

4. THE PROPOSED TRANSACTIONS AS INTERESTED PERSON TRANSACTIONS

4.1. Pursuant to Chapter 9 of the 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.

4.2. The Proposed Transactions between, *inter alia*, Royce Properties, an interested person vis-à-vis the Group, and KOPP, constitute IPTs for the purposes of Chapter 9 of the Catalist Rules. Please refer to paragraph 2 of the Circular for further information on Royce Properties and its ultimate holding company, KOPG.

4.3. For the purposes of Chapter 9 of the Catalist Rules, the amount at risk to the Group 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.

4.4. 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 solely 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).

4.5. 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 Shareholders at an EGM of the Company to be convened pursuant to Rule 906(1)(a) of the Catalist Rules.

4.6. As at the Latest Practicable Date, there are no other IPTs 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 as set out below:

Name of Interested Person	Aggregate value of all IPTs during 1QFY2015 (excluding transactions conducted under Shareholders' mandate pursuant to Rule 920) (S$'000)	Aggregate value of all IPTs conducted under Shareholders' mandate pursuant to Rule 920 during 1QFY2015 (S$'000)
Hayden Properties		
Asset management fee income	166	–

5. EVALUATION OF THE PROPOSED TRANSACTION AS INTERESTED PERSON TRANSACTIONS

For the purposes of evaluating the financial terms of the Proposed Transactions as Interested Person Transactions, we have taken into account the following pertinent factors as well as others as set out in this Letter, which we consider as having a significant bearing on our assessment:

(i) Background of the 2013 Junior Notes, the 2007 Junior Notes and the Series A RPS;

(ii) Rationale for the Proposed Transactions;

(iii) Information and analysis of the Redemption Amount;

(iv) Fair value of the 2013 Junior Notes;

(v) Return on investments;

(vi) Comparison of salient terms of the 2013 Junior Notes and the 2014 Junior Notes;

(vii) Comparison of the 2014 Junior Notes with notes issued by property development companies listed on the SGX-ST;

(viii) Financial performance and position of Royce Properties;

(ix) Royce's ability to service and repay the Bank Liabilities and the 2014 Junior Notes; and

(x) Pro-forma financial effects of the Proposed Transactions.

These factors are discussed in greater detail in the ensuing sections.

In assessing the financial terms of the Proposed Transactions as Interested Person Transactions, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

5.1 Background of the 2013 Junior Notes, the 2007 Junior Notes and the Series A RPS

The information of the 2013 Junior Notes, the 2007 Junior Notes and Series A RPS are set out in Section 2.3 of the Circular. A summary of the salient terms of the 2013 Junior Notes is presented in this Letter. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning therein.

<u>The 2013 Junior Notes</u>

As at the Latest Practicable Date, 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 Royce Properties' debts).

Principal terms of the 2013 Junior Notes:

Size of issue	:	S$8,400,000 unsecured junior notes due 2023.
Status	:	The 2013 Junior Notes constitute direct, unsecured and subordinated obligations of Royce Properties and shall at all times rank *pari passu* without any priority among themselves.
Subordination	:	In the event of Royce Properties exercising its right to redeem all or part of the 2013 Junior Notes, Royce Properties undertakes to and for the benefit of all Prior Ranking Creditors (as defined below) that it will not make any payment due in respect of the 2013 Junior Notes (including any accrued but unpaid interest or arrears of interest) until all liabilities (whether actual or contingent, present or future) of Royce Properties to Prior Ranking Creditors have been paid or satisfied in full. "**Prior Ranking Creditors**" means all preferred and unsecured creditors of Royce Properties other than creditors in respect of subordinated indebtedness, regardless of whether such indebtedness existed prior to the date of the issue of the 2013 Junior Notes or arose subsequent to it, or that such indebtedness has or has not a fixed maturity date.
Restriction on Transfer	:	Each 2013 Junior Note may only be transferred with the prior consent of Royce Properties and at least seven (7) Business Days' notice of such intended transfer shall be provided by the transferring 2013 Noteholder(s) to Royce Properties.
Fixed Interest	:	The 2013 Junior Notes bear interest on the principal amount from and including the issue date at the rate of 10% per annum, payable annually in arrears on 6 June in each year (each an "**Interest Payment Date**"). Notwithstanding the above, fixed interest will only be payable by Royce Properties if the Bank Indebtedness (defined below) has been fully satisfied, discharged and/or waived. "**Bank Indebtedness**" means all sums (whether principal, interest, fee, commission or otherwise) which are or at any time may be or become due from or owing by Royce Properties under certain facilities provided by Royce's Banker to Royce Properties.

Special Interest	:	If, on any Interest Payment Date, after paying the fixed interest due on that Interest Payment Date and all outstanding arrears of interest (if any), there shall be any remaining distributable profits in respect of the financial year preceding that Interest Payment Date ("**Remaining Profits**"), Royce Properties shall pay additional interest to each holder of 2013 Junior Notes (or its transferee) (the "**Special Interest**") based on the attributable share of such 2013 Noteholder (determined in accordance with the formula set out in the terms and conditions of the 2013 Junior Notes).
Mandatory Redemption	:	Royce Properties shall redeem each 2013 Junior Note for the time being issued and outstanding in whole, but not in part, at its principal amount, together with any accrued but unpaid interest (including arrears of interest) on 6 June 2023.
Redemption at the option of Royce Properties	:	Royce Properties may by giving at least seven (7) Business Days' prior notice in writing to the 2013 Noteholder, redeem, without premium or penalty, all or part of the 2013 Junior Notes at their principal amount, together with any accrued but unpaid interest (including arrears of interest), on any date to be specified in such notice if either of the following events occur: (i) the Bank Indebtedness has been fully satisfied, discharged and/or waived; or (ii) all available units of The Ritz-Carlton Residences are sold by Royce Properties. In the case of a partial redemption of the 2013 Junior Notes, the principal amount of the 2013 Junior Notes to be redeemed will be determined by Royce Properties and each 2013 Junior Note will be redeemed on a proportionate basis.

The 2007 Junior Notes and the Series A RPS

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.

The Series A RPS were issued by Royce Properties in April 2009, acquired by KOPP in April 2013, and redeemed and cancelled by Royce Properties in July 2013. Amounts owing under the 2007 Junior Notes and Series A RPS to KOPP comprise outstanding interest and dividend payments respectively.

5.2 Rationale for the Proposed Transactions

The rationale of the Proposed Transactions have been extracted from Section 4 of the Circular and is set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"***4. RATIONALE FOR THE PROPOSED TRANSACTIONS***

The Non-Interested Directors are of the view that the Proposed Transactions are in the interests of the Group in view of the following:

(i) the Proposed Redemption, if completed, 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 from the completion 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, if completed, 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."

5.3 Information and analysis of the Redemption Amount

In assessing the Proposed Redemption as an Interested Person Transaction, we have reviewed and analysed the total Redemption Amount payable by Royce Properties to all 2013 Noteholders (including KOPP).

Non-Interested Directors should note that as set out in Section 3.1 of the Circular, pursuant to the Letter of Offer, the Redemption Amount of S$68,490,994 shall be satisfied by Royce Properties by:

(i) the payment of S$28,690,994 in cash; and

(ii) the issue of the 2014 Junior Notes on the terms and subject to the conditions of the 2014 Subscription Agreement,

to KOPP on Completion.

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 table below presents the principal amount, percentage holding of the 2013 Junior Notes and redemption consideration for each of the 2013 Noteholder pursuant to the Letter of Offer:

Name of Noteholders	Principal of 2013 Junior Notes (S$)	% holding of 2013 Junior Notes (%)	Redemption Consideration (S$)	As % of total Redemption Consideration (%)
Suparman @ Sioe Tjoen	1,500,000	17.86%	10,563,068	10.16%
Hery Suparman	300,000	3.57%	2,111,373	2.03%
Ong Chih Ching	300,000	3.57%	2,111,373	2.03%
Samuel Roger Lee and Ong Chih Ching	300,000	3.57%	2,111,373	2.03%
Geraldine Ong Siew Ting and Ong Chih Ching	300,000	3.57%	2,111,373	2.03%
Kunalan Sivapuniam	150,000	1.47%	860,417	0.83%
Lau Kheng Hong	450,000	5.04%	2,971,791	2.86%
Ong Nai Pew	300,000	3.57%	2,111,373	2.03%
Goh Khoon Lim	300,000	3.57%	2,111,373	2.03%
Ong Nai Pew and Goh Khoon Lim	300,000	3.57%	2,111,373	2.03%
Yeo Teck Hwee	300,000	3.57%	2,111,373	2.03%
Lee Yee Ling Elaine	300,000	3.57%	2,111,373	2.03%
Lim Ah Moey	300,000	3.57%	2,111,373	2.03%
KOPP	3,300,000	39.93%	68,490,994	65.86%
TOTAL	**8,400,000**	**100.00%**	**104,000,000**	**100.00%**

For illustrative purpose only, we note from the table above that:–

(i) The 2013 Noteholders other than KOPP ("**2013 Noteholders Other Than KOPP**") hold approximately 60.07% of the 2013 Junior Notes and the redemption consideration payable to them in cash is approximately S$35.5 million in aggregate or represents approximately 34.14% of the total redemption consideration of approximately S$104.0 million;

(ii) KOPP holds approximately 39.93% of the 2013 Junior Notes and the Redemption Amount payable to KOPP is approximately S$68.5 million or represents approximately 65.86% of the total redemption consideration of approximately S$104.0 million. The Redemption Amount payable to KOPP of approximately S$68.5 million comprises approximately S$28.7 million in cash and approximately S$39.8 million to be offset by the subscription monies payable by KOPP for the Proposed Subscription;

(iii) It is noted that whilst KOPP appears to be receiving higher proportion of the total redemption consideration as compared to the 2013 Noteholders Other Than KOPP (in terms of comparing it with the respective percentage holdings of 2013 Junior Notes), the Redemption Amount payable to KOPP of approximately S$68.5 million comprises approximately S$28.7 million in cash and approximately S$39.8 million to be offset by the subscription monies payable by KOPP for the Proposed Subscription. Non-Interested Directors should note that the Redemption Amount payable to KOPP in cash of approximately S$28.7 million represents approximately 44.69% of the total redemption consideration payable to all 2013 Noteholders in cash of approximately S$64.2 million, which is slightly higher as compared to the KOPP's percentage holding of 2013 Junior Notes of approximately 39.93%; and

(iv) The Directors and the Management have represented and confirmed to us that the offsetting arrangement and the Proposed Subscription was mainly due to Royce Properties' limited ability to raise the funds required for the Proposed Redemption. Royce Properties only managed to raise additional loan of approximately S$64.2 million from its existing banker secured by, *inter alia* first all-monies legal mortgage over the remaining 32 unsold freehold units at 65 Cairnhill Road, The Ritz-Carlton Residences, Singapore as well as additional securities or comfort or support or commitment provided by the Royce Directors and/or KOPG. Therefore, the remaining Redemption Amount of approximately S$39.8 million payable to KOPP shall be offset against the subscription monies payable by KOPP for the Proposed Subscription.

5.4 Fair value of the 2013 Junior Notes

In assessing the Redemption Amount payable to KOPP pursuant to the Proposed Redemption, we have also considered the fair value ascribed to the 2013 Junior Notes.

In relation to the 2013 Junior Notes issued by Royce Properties, the Directors and Management represented the following to us:

(i) Pursuant to the 2013 Subscription Agreement, unless previously redeemed and cancelled, Royce Properties shall redeem each 2013 Junior Note for the time being issued and outstanding in whole, but not in part at its principal amount, together with any accrued but unpaid interest (including arrears of interest) on 6 June 2023. However, Royce Properties may by giving at least seven business days' prior notice in writing to the 2013 Noteholders, redeem, without premium or penalty, all part of the 2013 Junior Notes at their principal amount, together with any accrued but unpaid interest (including arrears of interest), on any date to be specified in such notice if either of the following events occur: (a) the loan indebtedness of Royce Properties has been fully satisfied, discharged and/or waived; or (b) all the remaining unsold units of The Ritz-Carlton Residences are sold by Royce Properties. As at the Latest Practicable Date, there are 32 unsold units of The Ritz-Carlton Residences (out of total 58 units, being the total number of development units of The Ritz-Carlton Residences) and the market value of the remaining unsold 32 units as at 18 November 2014 as provided by the Property Valuer is approximately S$371.28 million.

(ii) As set out in the 2013 Subscription Agreement, the 2013 Junior Notes bear interest on their principal amount at the rate of 10% per annum, payable annually in arrear on 6 June in each year (the "**Interest Payment Date**").

(iii) Pursuant to the 2013 Subscription Agreement, if, on any Interest Payment Date, after paying the fixed interest due on that Interest Payment Date and all outstanding arrears of interest (if any), there shall be any remaining distributable profits in respect of the financial year preceding that Interest Payment Date ("**Remaining Profits**"), Royce Properties shall pay an additional interest to each 2013 Noteholder (or its transferee) (the "**Special Interest**") based on the attributable interests of each 2013 Noteholder.

(iv) In the event that Royce Properties is able to achieve an earned net income in excess of the hurdle rate of approximately S$84.0 million for The Ritz-Carlton Residences (the "**Excess Income**"), KOPP shall be entitled to an incentive fee of 25% of the Excess Income (the "**Incentive Fee**") which will be receivable upon redemption of the 2013 Junior Notes. The Directors and Management confirmed that the Incentive Fee is governed under a separate agreement, namely the project management services agreement dated 31 March 2013 ("**Project Management Services Agreement**") between KOPP and Hayden Properties, which is the sole shareholder of Royce Properties, and notwithstanding the Proposed Redemption, the Incentive Fee shall remain in full force and effect.

Fair Value of 2013 Junior Notes deemed as at the RTO Valuation Date

We note from the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter) and understand from the Directors and the Management that in relation to the 2013 Junior Notes held by KOPP, the fair value for the interest and principal receivable, the Special Interest, and the Incentive Fees were approximately S$13.1 – 13.6 million, S$43.9 – 45.6 million, and S$26.3 – 27.4 million respectively as at the RTO Valuation Date.

(Figures are in S$ million)	**Fair value range**
Interest and principal receivable	13.1 – 13.6
Special Interest	43.9 – 45.6
Total (excluding Incentive Fees)	**57.0 – 59.2**
Incentive Fees	26.3 – 27.4
Total (including Incentive Fees)	**83.3 – 86.6**

The Directors and Management confirmed that the Incentive Fees is governed under the Project Management Services Agreement and notwithstanding the Proposed Redemption, the Incentive Fee shall remain in full force and effect. Hence, we have excluded the Incentive Fees from the computation of the fair value of the 2013 Junior Notes held by KOPP and comparing it with the Redemption Amount payable to KOPP. We note from the table above and from the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter) that the fair value of the 2013 Junior Notes (excluding the Incentive Fees) held by KOPP deemed as at the RTO Valuation Date amounted to between approximately S$57.0 million to S$59.2 million, which is well below the Redemption Amount payable to KOPP of approximately S$68.5 million. The Redemption Amount payable to KOPP of approximately S$68.5 million is approximately 15.7% to 20.2% higher than the fair value ascribed to the 2013 Junior Notes held by KOPP (excluding Incentive Fees) as at the RTO Valuation Date mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter).

Fair Value of 2013 Junior Notes as at the Latest Practicable Date

For further assessment of the Redemption Amount payable to KOPP, we have re-assessed the fair value of the 2013 Junior Notes as at the Latest Practicable Date.

Fair value is generally defined as the amount at which an asset could be exchanged or transacted between a willing buyer willing seller, acting in an arm's length transaction, in an open and unrestricted market. In determining the fair market value of the 2013 Junior Notes as at the Latest Practicable Date held by KOPP, we have used a discounted cash flow methodology under income approach. We have discounted the projected free cash flow generated from holding the 2013 Junior Notes held by KOPP with an appropriate discount rate taken into consideration, *inter alia*, all relevant risk factors as well as riskiness of cash flows.

In the course of our evaluation, we have examined publicly available information collated by us including the financial statements of Royce Properties as well as information including material information (including *inter alia* the projection of the costs and expenses to be incurred for The Ritz-Carlton Residences) or developments pertaining to the Company, the Group, and Royce Properties where applicable (both written and verbal), provided to us by the Directors and Management. We have not independently verified such information but have made such enquiries and used our judgement as we deemed necessary on such information and have found no reason to doubt the reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information (including *inter alia* the projection of the costs and expenses to be incurred for The Ritz-Carlton Residences) or the manner it has been classified or computed or presented or the basis of any valuations.

Our re-assessed fair value is based on various assumptions with respect to the business of Royce Properties, including, *inter alia*, their business strategies, respective present and future financial performance, position and condition as well as the environment in which they will operate in the future. These assumptions are based on the information provided by the Directors and the Management (including but not limited to the projection of costs be to incurred and rental income to be earned), and reflect current expectations and views regarding future events, Hence these assumptions are therefore necessarily involve known and unknown risks and uncertainties.

The key assumptions are:–

<u>General assumptions:</u>

(i) Royce Properties will continue to operate on a going concern basis;

(ii) There will be no significant change in the business and operation of Royce Properties subsequent to the Latest Practicable Date;

(iii) Royce Properties has proper and good title to the remaining unsold 32 units of The Ritz-Carlton Residences;

(iv) The unaudited financial statements of Royce Properties as at 30 September 2014 provided by the Management fairly reflect Royce's financial position, performance and conditions as at the Latest Practicable Date;

(v) There are no adverse changes to the economic and real estate market conditions, as well as changes in the regulatory, fiscal and other government policies in Singapore in which Royce Properties' operations are located;

<u>Specific assumptions:</u>

(vi) The valuation result appraised by the Property Valuer is representative of the fair market value of the remaining unsold 32 units of The Ritz-Carlton Residences;

(vii) The redemption of the 2013 Junior Notes held by KOPP will only occur upon completion of sale of the remaining unsold 32 units of The Ritz-Carlton Residences, which is assumed to be within the next five (5) years. Upon redemption, KOPP will be entitled to receive (a) the principal sum of the 2013 Junior Notes held by it; (b) the fixed interest of 10% per annum; and (c) the Special Interest; and

(viii) KOPP will be entitled to receive the Incentive Fees, which is assumed that such Incentive Fees will only be payable at the end of the five years period when all the remaining 32 unsold units of The Ritz-Carlton Residences have been sold in its entirety.

Based on the key assumptions above, we have derived the following fair values as at the Latest Practicable Date:–

(Figures are in S$ million)	Fair value range
Interest and principal receivable	11.7 – 12.3
Special Interest	33.6 – 35.2
Total (excluding Incentive Fees)	**45.3 – 47.5**
Incentive Fees	19.9 – 20.8
Total (including Incentive Fees)	**65.2 – 68.3**

The Management has provided us with updated costing assumptions for The Ritz-Carlton Residences (including but not limited to the sales and marketing expenses as well as interest expenses) as well as the previous costing assumptions used for the purpose of the RTO. We note that the differences in the fair value of the 2013 Junior Notes held by KOPP as valued for the RTO purpose as at the RTO Valuation Date as mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter) and as at the Latest Practicable Date may arise from the updated costing assumptions for The Ritz-Carlton Residences (including but not limited to the sales and marketing expenses as well as interest expenses) provided by the Management.

We note from the table above that the fair value ascribed to the 2013 Junior Notes held by KOPP (excluding Incentive Fees) as at the Latest Practicable Date amounted to between approximately S$45.3 million to S$47.5 million, which is well below the Redemption Amount payable to KOPP of approximately S$68.5 million. The Redemption Amount payable to KOPP of approximately S$68.5 million is approximately 44.2% to 51.2% higher than the fair value ascribed to the 2013 Junior Notes held by KOPP (excluding Incentive Fees) as at the Latest Practicable Date.

5.5 Return on investment

In our assessment of the Redemption Amount payable to KOPP, we have considered the return from Proposed Redemption and the Proposed Subscription from the Company's perspective. For this purpose, we have assumed the cost for the Company's investment in the 2013 Junior Notes to be equivalent to the fair value of the 2013 Junior Notes (excluding the Incentive Fees) deemed as at the RTO Valuation Date provided by the Directors and the Management and as mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter) of between approximately S$57.0 – S$59.2 million and the time for initial investment to be as at the Latest Practicable Date. As highlighted in Section 5.4 of this Letter, the Redemption Amount payable to KOPP of approximately S$68.5 million is approximately 15.7% to 20.2% higher than the fair value of the 2013 Junior Notes held by KOPP (excluding Incentive Fees) deemed as at the RTO Valuation Date as mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter). Thus, from the Company's perspective, the Proposed Redemption represents a return of between approximately 15.7% to 20.2%.

For illustrative purpose only, as a comparison, the return from investing in FTSE Straits Times Real Estate Holding and Development Index ("**FTSE ST Real Estate Holding and Development Index**"), commencing on 18 November 2013, being 12 months prior to the Latest Practicable Date and ending on the Latest Practicable Date, offers a negative return of approximately 1.26%. As such, from the Company's perspective, the Proposed Redemption offers a superior return as compared to an investment in the FTSE ST Real Estate Holding and Development Index for one year period prior to the Latest Practicable Date.

However, as set out in Section 3.1 of the Circular, the Redemption Amount of S$68,490,994 payable to KOPP pursuant to the Letter of Offer shall be satisfied by Royce Properties by:

(i) the payment of S$28,690,994 in cash payable on completion of the Proposed Transactions; and

(ii) the issue of the 2014 Junior Notes of approximately S$39,800,000 with a simple interest of approximately 8.0% per annum, payable only at the maturity.

In the event that the repayment of the principal and interest for the 2014 Junior Notes (which will be payable on the 2014 Junior Notes Maturity Date and assumed to be within five years from the Latest Practicable Date) are considered, we note that the Proposed Redemption and the Proposed Subscription provide returns of between approximately 41.1% to 46.5% or an internal rate of return ("**IRR**") of between approximately 12.8% to 14.5% from the Company's perspective. The IRR of approximately 12.8% to 14.5% appears to be higher than the Company's weighted average cost of capital (the "**WACC**") of approximately 10.7% as at the Latest Practicable Date.

In addition, in the event that the fair value of the 2013 Junior Notes as the Latest Practicable Date of between approximately S$45.3 to S$47.5 million are considered as the initial cost of investment, the Proposed Redemption and the Proposed Subscription provide an IRR of approximately 24.2% to 27.4%, which is significantly higher than the Company's WACC of approximately 10.7% as at the Latest Practicable Date.

Furthermore, we also note from the March 2014 Circular that the fair market value of 100% equity interest in the issued and paid up share capital of KOPP, assessed on a proforma basis, ascribed by the independent valuer named in the March 2014 Circular was in the range of S$166.5 million to S$178.2 million as at the RTO Valuation Date, whilst the consideration for the RTO was S$150.0 million ("**RTO Consideration**"). The RTO Consideration represents a discount of approximately 9.9% to 15.8% to the then fair market value of 100% equity interest in the issued and paid up share capital of KOPP.

In the event that the said discounts of between 9.9% to 15.8% are applied to the fair value of the 2013 Junior Notes (excluding the Incentive Fees) as mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter), the investment cost for investing in the 2013 Junior Notes from the Company's perspective would be approximately S$49.8 million to S$51.4 million and the IRR for the Proposed Redemption and the Proposed Subscription would be between approximately 19.7% to 21.4% which is significantly higher and more favourable when compared to the Company's WACC.

Independent Shareholders should note that the actual return may vary significantly depends on Royce Properties' ability to fulfill its obligation under the 2014 Junior Note, which in turn depends on factors such as, *inter alia*, Royce Properties' ability to sell the remaining 32 unsold units of The Ritz-Carlton Residences, the timing and the selling prices thereof which are subject to then prevailing markets and economic conditions. As these matters pertain to the future and involves uncertainties in terms of macro-economics, industry and firm-specific, they are by their very nature subjective and nothing in this Letter shall be construed as a representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of Royce Properties or the ability of Royce Properties to sell the remaining unsold 32 units of The Ritz-Carlton Residences or the timing thereof or the ability of Royce Properties to service and repay or redeem its indebtedness when fall due, including *inter alia* the Bank Liabilities and the 2014 Junior Notes.

We note that the Management has presented a cash flow projection for the remaining 32 unsold units of The Ritz-Carlton Residences to the Non-Interested Directors in connection with the Proposed Transactions. The Non-Interested Directors have reviewed the cash flow projection and its accompanying assumptions made available to them by the Management, and made such reasonable enquires including a review of Royce Properties' credit quality for the purposes of determining if the Proposed Transactions are on normal commercial terms and whether it is prejudicial to the interest of the Company and the minority Shareholders. Nothing in this Letter shall be construed as a representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.

5.6 Comparison of salient terms of the 2014 Junior Notes and the 2013 Junior Notes

In assessing the investment risk of 2014 Junior Notes as compared to the 2013 Junior Notes, we have reviewed and compared the salient terms of the 2014 Junior Notes and the 2013 Junior Notes.

		2014 Junior Notes	2013 Junior Notes
Principal Interest	:	S$39.8 million The 2014 Junior Notes bear interest on the 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 Royce's Banker, interest will only be payable by Royce Properties if the Bank Liabilities have been fully satisfied and discharged.	S$8.4 million The 2013 Junior Notes bear interest on the principal amount from and including the issue date at the rate of 10% per annum, payable annually in arrears on 6 June in each year. Notwithstanding the above, fixed interest will only be payable by Royce Properties if the Bank Indebtedness has been fully satisfied, discharged and/or waived.
Special Interest	:	Not applicable	If, on any Interest Payment Date, after paying the fixed interest due on that Interest Payment Date and all outstanding arrears of interest (if any), there shall be any remaining distributable profits in respect of the financial year preceding that Interest Payment Date ("**Remaining Profits**"), Royce Properties shall pay additional interest to each holder of 2013 Junior Notes (or its transferee) based on the attributable share of such holder of 2013 Junior Notes (determined in accordance with the formula set out in the terms and conditions of the 2013 Junior Notes).

		2014 Junior Notes	2013 Junior Notes
Tenure	:	Five (5) Years	Ten (10) 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.	The 2013 Junior Notes constitute direct unsecured and subordinated obligations of Royce Properties and shall at all times rank *pari passu* without any priority among themselves.
Subordination	:	Royce Properties has undertaken to and for the benefit of Royce's Banker 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 the Royce's Banker have been paid or satisfied in full.	In the event of Royce Properties exercising its right to redeem all or part of the 2013 Junior Notes, Royce Properties undertakes to and for the benefit of all Prior Ranking Creditors (as defined below) that it will not make any payment due in respect of the 2013 Junior Notes (including any accrued but unpaid interest or arrears of interest) until all liabilities (whether actual or contingent, present or future) of Royce Properties to Prior Ranking Creditors have been paid or satisfied in full. "**Prior Ranking Creditors**" means all preferred and unsecured creditors of Royce Properties other than creditors in respect of subordinated indebtedness, regardless of whether such indebtedness existed prior to the date of the issue of the 2013 Junior Notes or arose subsequent to it, or that such indebtedness has or has not a fixed maturity date.
Security	:	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 to be given by the Guarantors (KOPG and Hayden Properties).	Unsecured

		2014 Junior Notes	2013 Junior Notes
Mandatory Redemption	:	Royce Properties shall redeem each 2014 Junior Note in whole, but not in part 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 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 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.	Royce Properties shall redeem each 2013 Junior Note for the time being issued and outstanding in whole, but not in part, at its principal amount, together with any accrued but unpaid interest (including arrears of interest) on 6 June 2023.

		2014 Junior Notes	2013 Junior Notes
Redemption at the option of Royce Properties	:	Royce Properties may by giving at least thirty (30) Business Days' prior notice in writing to the 2014 Noteholders, redeem, without premium or penalty, all or part of the 2014 Junior Notes on any date to be specified in such notice. 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.	Royce Properties may by giving at least seven (7) Business Days' prior notice in writing to holders of 2013 Junior Notes, redeem, without premium or penalty, all or part of the 2013 Junior Notes at their principal amount, together with any accrued but unpaid interest (including arrears of interest), on any date to be specified in such notice if either of the following events occur: (i) the Bank Indebtedness has been fully satisfied, discharged and/or waived; or (ii) all available units of The Ritz-Carlton Residences are sold by Royce Properties. In the case of a partial redemption of the 2013 Junior Notes, the principal amount of the 2013 Junior Notes to be redeemed will be determined by Royce Properties and each 2013 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 by any assets of Royce Properties or which rank ahead of the 2014 Junior Notes (save for the Bank Liabilities and any indebtedness incurred to refinance the Bank Liabilities).	Not applicable

We note that:–

(a) The RTO transaction, including investments in the 2013 Junior Notes at the values described in the March 2014 Circular, was approved by Shareholders;

(b) The 2014 Junior Notes and the 2013 Junior Notes both have the same status being direct and subordinated obligations of Royce Properties and shall at all times rank *pari passu* without any priority among themselves;

(c) Royce's loan indebtedness as at the Latest Practicable Date consists of outstanding loans from the Royce's Banker. The 2014 Junior Notes and the 2013 Junior Notes are both subordinated to Royce Properties' loan indebtedness, being the Bank Liabilities or the Bank Indebtedness;

(d) The principal amount of the 2014 Junior Notes is substantially higher than the principal amount of the 2013 Junior Notes comprising additional returns of approximately S$9.3 million to S$11.5 million, in view of the Redemption Amount of approximately S$68.5 million and the fair value of the 2013 Junior Notes (excluding the Incentive Fees) deemed as at the RTO Valuation Date as mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter) of between approximately S$57.0 million to S$59.2 million;

(e) While the interest rate for the 2014 Junior Notes is lower than the interest rate for the 2013 Junior Notes, the IRR for the 2014 Junior Notes at 12.8% to 14.5% is higher than the IRR for the 2013 Junior Notes (without taking into account the Special Interest);

(f) The 2014 Junior Notes has a significantly shorter tenure as compared to the 2013 Junior Notes;

(g) The 2013 Junior Notes has a special feature, being Special Interest on the Remaining Profits of Royce, whereas the 2014 Junior Notes do not have such feature. The amount of Special Interest payable based on the fair value as at the Latest Practicable Date of between approximately S$33.6 million to S$35.2 million, is lower than the difference between the Redemption Amount and interest and principal receivable. Accordingly, the early redemption favours the Company;

(h) The 2013 Junior Notes are unsecured, whilst the 2014 Junior Notes are supported with, *inter alia*, joint and several guarantee from Hayden Properties and KOPG. In addition, Royce Properties will also assign 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 the RCR Unit(s), to KOPP and if Royce Properties is unable to redeem in cash on the maturity date, Royce Properties may redeem by transferring RCR Unit(s) to the 2014 Noteholders;

(i) For the 2014 Junior Notes, there are covenants from Royce Properties ("**Royce Covenants**"), *inter alia*, (1) not to further encumber its assets without consent from KOPP (exceptions are highlighted in the table above), (2) following the full satisfaction and discharge of the Bank Liabilities, to assign proceeds arising from the sale and lease of the RCR Unit(s), less all costs and expenses reasonably incurred by Royce Properties in the ordinary course of business ("**Assignment of Proceeds**"), (3) without consent in writing of the 2014 Noteholders holding 75% of the principal amount of the 2014 Junior Notes, not to incur any indebtedness or borrowed moneys which are secured by any assets or which rank ahead of the 2014 Junior Notes (save for the Bank Liabilities and any indebtedness incurred to refinance the Bank Liabilities), (4) unless consent in writing of the 2014 Noteholders holding 75% of the principal amount of the 2014 Junior Notes has been obtained, will procure that at all times its indebtedness which are or may at any time be or become due to or owing to KOPG or for which it may be liable to KOPG, whether actually or contingently, and the respective rights and claims of KOPG's shareholders and related corporations in relation to such indebtedness (if any), are subordinated to the Company's obligations under or in connection with the 2014 Junior Notes and to the respective rights and claims of the KOPP under or in connection with the 2014 Junior Notes, and it will not make any payment, whether in cash or in kind, to KOPG on account of such indebtedness or liability.

The Subscription Agreement will be made available for inspection, the Independent Shareholders are advised to read the Subscription Agreement in its entirety.

Notwithstanding that the higher interest rate for the 2013 Junior Notes and the Special Interest feature available, Non-Interested Directors should note that the as highlighted in Section 5.4 of this Letter, the fair value of the 2013 Junior Notes deemed as at the RTO Valuation Date provided by the Directors and the Management and as mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter) and the fair value ascribed to the 2013 Junior Notes as at the Latest Practicable Date (which comprises the fair value for the interest and principal receivable and for the Special Interest) of between approximately S$57.0 – S$59.2 million and S$45.3 – S$47.5 million respectively are well below the Redemption Amount payable to KOPP of approximately S$68.5 million. On balance, after review of the terms and conditions for 2014 Junior Notes, the Non-Interested Directors are of the view that the proposed terms for 2014 Junior Notes are not prejudicial to the interest of the minority Shareholders and the Company in terms of interest and principal repayment after taking into account, earlier redemption, "immediate" settlement of the Special Interest under 2013 Junior Notes and support including Assignment of Proceeds after settlement of the Bank Liabilities.

Independent Shareholders should note that whilst both 2014 Junior Notes and 2013 Junior Notes are subordinated to Royce Properties' Bank Liabilities, the risk associated with the 2014 Junior Notes is relatively lower as compared to the 2013 Junior Notes in view that the 2014 Junior Notes are supported with, *inter alia*, joint and several guarantee by KOPG and Hayden Properties, Assignment of Proceeds, possibility of redemption via transferring RCR Unit(s) as well as the covenants from Royce Properties.

Non-Interested Directors are of the opinion that in view of the fact that Hayden Properties is a special purpose vehicle and has provided corporate guarantee in respect of the 2014 Junior Notes, there is no separate undertaking from Hayden Properties required. Non-Interested Directors have confirmed that Hayden Properties agreed to provide further undertakings to KOPP in respect of the 2014 Junior Notes as and when requested by KOPP in such later date to be determined by KOPP.

Non-Interested Directors have also represented and confirmed to us that KOPG and Royce Properties agreed to enter into further discussion with KOPP for the offsetting of KOPP's indebtedness to KOPG against any outstanding 2014 Junior Notes Redemption Amount as and when requested by KOPP.

Notwithstanding the 2014 Junior Notes are supported, the nature of 2014 Junior Notes is akin to a mezzanine debt, in view of the fact that it is subordinated to the Bank Liabilities, the lack of hard assets collateral, and that Royce Properties is a special purpose vehicle with a single asset, being the remaining 32 unsold units of The Ritz-Carlton Residences.

In the course of our evaluation, we have also reviewed the terms and conditions for certain credit facilities of Royce Properties granted by the Royce's Banker (including *inter alia* the security and arrangements for additional comfort or support or commitment). We note that the Royce's Banker has first all-monies legal mortgage over the remaining 32 unsold units of The Ritz-Carlton Residences. The Directors and the Management have represented to us that the details of the terms and conditions for certain credit facilities granted by the Royce's Banker are confidential, hence the disclosure herein is restricted. The Directors and the Management have represented and confirmed to us that the interest rate for the banking facilities granted by the Royce's Banker are substantially lower than the interest rate for the 2014 Junior Notes of approximately 8.0% per annum and the spread between the interest rate for the 2014 Junior Notes and the interest rate for the banking facilities granted by the Royce's Banker are deemed sufficient to compensate the 2014 Junior Notes subscriber, being KOPP, for the substantially higher risk involved in the 2014 Junior Notes (in view of the subordination to the Bank Liabilities as well as the lack of the hard assets collateral) as well as the fact that both principal and interest for the 2014 Junior Notes will only be payable at the 2014 Junior Notes Maturity Date.

The Directors have reviewed the terms and conditions for the 2014 Junior Notes and are of the view that the 2014 Junior Notes, which is akin to a mezzanine debt, is adequately supported with, *inter alia*, joint and several guarantee by KOPG and Hayden Properties, possibility of redemption via transferring RCR Unit(s) as well as Royce Covenants. Hence, it may not be necessary for KOPP to obtain the additional support or comfort or commitment for the 2014 Junior Notes from Royce Properties or Royce Directors or KOPG.

5.7 Comparison of the 2014 Junior Notes with notes issued by property development companies listed on the SGX-ST

In assessing the interest rate of the 2014 Junior Notes, we have selected notes issued recently by real estate and property development companies listed on the SGX-ST ("**Selected Comparable Notes**"). For the Selected Comparable Notes, we have excluded convertible or exchangeable notes and equity link notes (due to their unique characteristics including, *inter alia*, its conversion mechanism).

In making the comparison herein, we wish to highlight that the figures used in our assessment have been extracted where available and/or applicable from the relevant announcements, circulars and other publicly available sources. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information.

Independent Shareholders should note that certain circumstances and terms relating to the Selected Comparable Notes are unique and might not be identical to the 2014 Junior Notes, and are dependent on various factors such as the financial performance and profile of the company, and the market sentiments prevailing at the time of issuance of such Selected Comparable Notes.

The selected real estate and property development companies (the "**Selected Real Estate Companies**") which are included in the Selected Comparable Notes might be different from Royce Properties in terms of business activities, scale of operations, types of products and/or services, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. As such, any comparison made between the 2014 Junior Notes and the Selected Comparable Notes is necessarily limited and intended to serve for illustrative purpose only.

For the purpose of our assessment and for illustration, we have summarized the key terms of these Selected Comparable Notes including, *inter alia*, the principal size, tenure, the interest rate, frequency of interest payment, financial performance in terms of profit and loss and financial position in terms of total borrowing over shareholders' liabilities ratios.

Company Names	Principal (In S$ mil)	Tenure (In Years)	Interest Rate (p.a.) (In%)	Frequency of interest payment	Secured/ Unsecured	Financial Performance	Total Borrowings/ Shareholders' equity (times)	WACC (in%)
SingHaiyi Group Ltd.	100	2.5	5.25%	Semi-annual	Unsecured	Profit	0.42	7.5
TA Corporation Ltd	75	2.5	5.25%	Semi-annual	Unsecured	Profit	0.85	4.5
Koh Brothers Group Limited	50	3.5	4.80%	Semi-annual	Unsecured	Profit	1.41	4.7
Tiong Seng Holdings Limited	75	3.5	4.75%	Semi-annual	Unsecured	Profit	1.08	4.0

Company Names	Principal (In S$ mil)	Tenure (In Years)	Interest Rate (p.a.) (In%)	Frequency of interest payment	Secured/ Unsecured	Financial Performance	Total Borrowings/ Shareholders' equity (times)	WACC (in%)
Tee Land Limited	30	3.0	6.50%	Semi-annual	Unsecured	Profit	0.93	6.6
Oxley Holdings Limited	75	2.0	5.15%	Semi-annual	Unsecured	Profit	5.58	4.6
Heeton Holdings Limited	60	3.0	5.90%	Semi-annual	Unsecured	Profit	1.34	4.4
Chip Eng Seng Corporation Ltd	150	3.0	4.25%	Semi-annual	Unsecured	Profit	1.54	6.3
Maximum	150.0	3.5	6.50%				5.58	7.5
Minimum	30.0	2.0	4.25%				0.42	4.0
Median	75.0	3.0	5.20%				1.21	4.7
Average	**76.9**	**2.9**	**5.23%**				**1.64**	**5.3**
Royce Properties (RHY2015)	**39.8**	**5.0**	**8.0%**	**Maturity**	(1)	**n.a.**	**164.2**	**n.a.**

Source: relevant announcements and circulars (where applicable) and Bloomberg

Note:

(1) The 2014 Junior Notes are supported with, *inter alia*, joint and several guarantee by KOPG and Hayden Properties, possibility of redemption via transferring RCR Unit(s) as well as Royce Covenants.

For illustrative purpose only, we note:–

(i) The issue size of the 2014 Junior Notes is within the range, below the median and simple average and closer to the minimum of the Selected Comparable Notes. It is generally accepted that notes with higher issue size may command lower interest rates;

(ii) The tenure of the 2014 Junior Notes is longer than any of the Selected Comparable Notes. It is generally accepted that notes with longer tenure may command a higher interest rates;

(iii) For all Selected Comparable Notes, the interest payments occur on a semi-annual basis, whereas for the 2014 Junior Note, the interest payment is only due on the 2014 Junior Notes Maturity Date;

(iv) All Selected Comparable Notes are unsecured, whilst the 2014 Junior Notes are supported with, *inter alia*, joint and several guarantee by KOPG and Hayden Properties, possibility of redemption via transferring RCR Unit(s), as well as the Royce Covenants;

(v) All Selected Comparable Notes are unsubordinated whereas the 2014 Junior Notes is subordinated to the Bank Liabilities. It is generally accepted that subordinated loans are riskier than unsubordinated loans as such subordinated loans generally command a higher interest rate;

(vi) The interest rate of the 2014 Junior Notes is higher than any of the Selected Comparable Notes; and

(vii) The WACCs of the Selected Real Estate Companies are between approximately 4.0% to approximately 7.5%, with a simple average and median of approximately 5.3% and 4.7% respectively. We note that the Company's WACC is approximately 10.7% which is above the range and higher than any of the Selected Real Estate Companies. As set out in Section 5.5 of this Letter, the IRR for the Proposed Redemption and the Proposed Subscription from the Company's perspective is between approximately 12.1% to 13.8%, which is higher than the Company's WACC of approximately 10.7%. In addition, if the RTO Discount is considered, the IRR for the Proposed Redemption and the Proposed Subscription would be between approximately 18.8% to 20.4%, which is significantly higher and more favourable than the Company's WACC of approximately 10.7%.

In summary, as compared to the Selected Comparable Notes, the interest rate for the 2014 Junior Notes of 8.0% per annum appears to be higher than the interest rate for the Selected Comparable Notes. The higher interest rate for the 2014 Junior Notes must be viewed in conjunction with, *inter alia*, its subordinated status, longer tenure, as well as Royce Properties' substantially weaker financial positions in comparison with the Selected Real Estate Companies.

Furthermore, Non-Interested Directors should also assess the above comparison in conjunction with the annualised IRR for the Proposed Redemption and the Proposed Subscription of between approximately 12.1% to 13.8% as well as the IRR for the Proposed Redemption and the Proposed Subscription of approximately 18.8% to 20.4% when the RTO Discount is considered, which is well above than the Company's WACC.

5.8 Financial performance and position of Royce Properties

Royce Properties is a company incorporated in Singapore and engaged solely in the property development of The Ritz-Carlton Residences, a luxurious 36-storey residential development comprising of 58 units. Royce Properties obtained the temporary occupation permit ("**TOP**") for The Ritz-Carlton Residences on 29 August 2011 and as at the Latest Practicable Date, it has sold 26 units out of the total 58 units, with the remaining 32 units unsold.

Statement of Financial Performance

The following tables provide a summary of the unaudited consolidated financial statements of Royce Properties for RFY2014, RHY2014 and RHY2015, and the audited consolidated financial statements of Royce Properties for RFY2013 and RFY2012, a summary of sales of units of The Ritz-Carlton Residences, as well as summary of the margins booked by Royce Properties.

	Unaudited RHY2015 S$'000	**Unaudited RHY2014 S$'000**	**Unaudited RFY2014 S$'000**	**Audited RFY2013 S$'000**	**Audited RFY2012 S$'000**
Revenue	–	8,799	37,702	31,782	55,654[2]
Cost of sales	–	(4,240)[1]	(24,131)	(19,655)	(34,618)[2]
Gross profit	–	4,559	13,571	12,127	21,036
Other income	4,372	2,004	2,107	6,641	104
Operating expenses	(1,572)	(2,019)	(4,718)	(10,519)	(2,564)
Finance expenses	(3,929)	(4,912)	(11,010)	(9,213)	(16,132)
Profit/(loss) before tax	(1,129)	(368)	(50)	(964)	2,444
Profit/(loss) after tax	–	–	–	–	–

Notes:

(1) There was an adjustment of approximately S$2.4 million of total development costs for the 23 units recognized to date.

(2) Prior to obtaining TOP on 29 August 2011, Royce Properties recognised revenue using percentage of completion method. Revenue for RFY2012 pertains to recognition for the remaining balance of the sales revenue for the pre-sold 19 units. Revenue for the subsequent years is recognised when risk and rewards of ownership of the property has been transferred to the purchaser.

Sales of units of The Ritz-Carlton Residences	**Unaudited RHY2015**	**Unaudited RHY2014**	**Unaudited RFY2014**	**Audited RFY2013**	**Audited RFY2012**
Number of units sold	–	1	4	3	–
Total gross floor area (sq ft)	–	2,831	11,324	8,493	–
Average price per sq ft (in S$)	–	3,815	3,810	3,993	–

Note: The figures were provided by the Royce Properties Directors and Management.

Profitability Margins	**Unaudited RHY2015**[(1)]	**Unaudited RHY2014**	**Unaudited RFY2014**	**Audited RFY2013**	**Audited RFY2012**
Gross Profit Margin	n.m.	51.8%	36.0%	38.2%	37.8%
EBITDA margin	n.m.	51.8%	29.2%	26.0%	33.4%
Operating profit margin	n.m.	51.6%	29.1%	26.0%	33.4%
Profit/(loss) before tax margin	n.m.	(4.2)%	(0.1)%	(3.0)%	4.4%

Note:

(1) n.m. Not meaningful as no revenue was recorded in RHY2015.

Statement of Financial Position

Figures in S$'000	**Unaudited RHY2015**	**Unaudited RFY2014**	**Audited RFY2013**	**Audited RFY2012**
Non-current assets	5,317	4,172	3,080	36
Current assets	245,883	265,194	315,897	338,516
Non-current liabilities	232,971	246,062	113,040	119,013
Current liabilities	17,229	22,303	204,937	218,539
Total borrowings	164,200	164,200	181,800	191,300
Total shareholders' equity	1,000	1,000	1,000	1,000
Net tangible assets ("**NTA**")	1,000	1,000	1,000	1,000
Net working capital	228,654	242,891	110,960	119,977

Financial Ratios	Unaudited RHY2015 (times)	Unaudited RFY2014 (times)	Audited RFY2013 (times)	Audited RFY2012 (times)
Current assets/current liabilities	14.3	11.9	1.5	1.5
Total liabilities[(2)]/ shareholders equity	250.2	268.4	318.0	337.6
Total borrowings[(3)]/ shareholders equity	164.2	164.2	181.8	191.3
Interest coverage ratio[(4)]	0.73	1.00	0.65	1.15

Notes:

(1) Figures and computation presented in this section are subject to rounding.

(2) Total liabilities include all the liabilities but exclude the contingent liabilities.

(3) Total borrowings include all bank loans and borrowings and interest bearing debts (including the 2013 Junior Notes).

(4) Interest coverage ratio is computed as the ratio of earnings before interest, tax, depreciation, and amortisation ("**EBITDA**") over interest expenses.

We note the following:–

(i) Royce Properties' revenue has been derived solely from the sale of units of The Ritz-Carlton Residences. The Directors and the Royce Directors have represented and confirmed to us that Royce Properties were set up solely for the purpose of the development of The Ritz-Carlton Residences, hence it is deemed as a special purpose vehicles. No sale of units of The Ritz-Carlton Residences were recorded for RHY2015, hence Royce Properties' revenue were nil for RHY2015.

We note from discussion with the Royce's Directors that there were 3 units sold with separate commercial arrangements, hence the revenue recorded for these particular 3 units were below the actual selling price. The Royce Directors have confirmed that there are no separate commercial arrangements for the remaining 32 unsold units of The Ritz-Carlton Residences.

The Royce Directors have also represented and confirmed that the last transaction for The Ritz-Carlton Residences was sold to a third party and recognised in February 2014 with a selling price of S$3,768 per square foot ("**sq ft**").

(ii) Royce Properties has only sold 26 units of The Ritz-Carlton Residences since its commercial launch in RFY2008 to the Latest Practicable (approximately 7 years). On average, Royce sold 3.71 units in each year, with an average selling price of approximately S$3,827 per sq ft. The following table presents the historical number of units, gross floor area, selling price and average selling price per sq ft for The Ritz-Carlton Residences since RFY2008 to the Latest Practicable Date:–

Year	**Number of Units Sold**	**Total Gross Floor Area (sq ft)**	**Total Selling Price (S$)**	**Average price per sq ft (S$)**
RFY2008	5	14,833	72,293,500	4,874
RFY2009	8	23,778	74,398,505	3,129
RFY2010	2	6,631	23,300,000	3,514
RFY2011	4	15,672	61,900,000	3,950
RFY2012	–	–	–	–
RFY2013	3	8,493	33,914,958	3,993
RFY2014	4	11,324	43,148,000	3,810
April 2014 to the Latest Practicable Date	–	–	–	–
Total	26	80,731	308,954,963	3,827

(iii) Other income mainly consist of rental income, sales proceeds forfeited, interest from late payments and loss after tax to be contributed by Noteholders. The loss after tax to be contributed by Noteholders was included in RFY2013, RFY2014, RHY2014 and RHY2015. The Royce Directors confirmed that the first tenancy agreement commenced in RHY2014 and as at the Latest Practicable Date, there are 11 tenancy agreements in respect of 11 out of 32 unsold units of The Ritz-Carlton Residences. The tenancy agreements are on short term basis between 1 to 3 years with an average monthly rental of approximately S$16.3 thousand per unit (or approximately S$5.73 per sq ft per month).

(iv) Royce Properties' operating expenses mainly consist of sales and marketing expenses, agency commission and other expenses (including but not limited to property management fees, maintenance and upkeep expenses, bank charges, professional expenses (i.e. legal, audit, and tax fees etc.) and miscellaneous expenses). Operating expenses declined from approximately S$10.5 million in RFY2013 to S$4.7 million in RFY2014 and approximately S$1.6 million in RHY2015 mainly due to significant declined in sales and marketing expense and management fees.

(v) There is no profit for the equity holder of Royce Properties as any remaining distributable profit will be paid to the 2013 Noteholders as the Special Interest.

(vi) Current assets of Royce Properties mainly consist of the book value of the remaining 32 unsold units of approximately S$224.0 million. There is no change in RHY2015 from RFY2014 as there had not been any sales. The remaining balance of the current assets comprise of cash and cash equivalent, trade and other debtors, and other current assets. As at 30 September 2014, Royce Properties recorded on its statement of financial position approximately S$20.6 million cash and cash equivalent.

(vii) As at 30 September 2014, non-current liabilities of Royce Properties mainly comprise of trade and other payables of approximately S$68.8 million and borrowing of approximately S$164.2 million. The S$68.8 million trade and other payables pertains to provision of interest for the Series A RPS of approximately S$1.6 million and interest payable to Noteholders of approximately S$67.2 million. The borrowings of approximately S$164.2 million comprises existing loan from its banker of approximately S$155.8 million and the 2013 Junior Note of approximately S$8.4 million.

(viii) Shareholders' equity remained at S$1.0 million as any distributable profit in the past has been accrued as payable to the 2013 Noteholders as the result of Special Interest element arising from the 2013 Junior Notes.

(ix) Gross margin remained relatively stable between approximately 36.0% and 38.2% in the past three full years from RFY2012 to RFY2014. The gross margin was approximately 51.8% in RHY2014 due to an adjustment for the cost of sales pertaining to finalisation of total developmental costs of approximately S$2.4 million. Assuming there were not such adjustment in RHY2014, the cost of sales for the period will be approximately S$6.7 million, and the gross margin will be reduced to approximately 24.2%. The relatively lower gross margin in RHY2014 of approximately 24.2% (without adjustment) was mainly due to a sales discount given to the only unit sold in RFY2014.

(x) Current ratio of Royce Properties improved from approximately 1.5 times in RFY2012 to 14.3 times as at 30 September 2014. We note the improvement in current ratio is mainly due to reclassification of bank borrowings from current portion to non-current portion.

(xi) The ratio of total borrowings to shareholders' equity of Royce Properties remained high but improved from 191.3 times as at the end of RFY2012 to 164.2 times as at 30 September 2014.

(xii) The interest coverage ratio worsened from approximately 1.15 times in RFY2012 to approximately 1.00 times in RFY2014 and 0.73 times for RHY2015.

The pro-forma financial effects of the Proposed Transactions on Royce Properties' balance sheet for RHY2015 is set out below and is based on the assumption that the Proposed Transaction was completed at the end of RHY2015. Independent Shareholders should note that the pro-forma financial effects presented below are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of Royce Properties after completion of the Proposed Transactions.

	Before the Proposed Transactions	**After the Proposed Transactions**	
	Unaudited RHY2015 In S$'000	**Proforma RHY2015 In S$'000**	**Changes In S$ million**
Non-current assets	5,317	5,317	–
Current assets	245,883	393,136[(2)]	147.3
Non-current liabilities	232,971	259,800[(3)]	26.8
Current liabilities	17,229	17,229	–
Total shareholders' equity	1,000	121,424[(4)]	120.4
NTA	1,000	121,424[(4)]	120.4
Borrowings	164,200	259,800[(5)]	95,600
Net working capital	228,654	375,927	147.3

Financial Ratios	**Unaudited RHY2015**	**Proforma RHY2015**
Current ratio	14.3	22.8
Total liabilities/shareholders' equity	250.2	2.3
Total borrowings/shareholders equity	164.2	2.1

Notes:

(1) Figures and computation presented in this section are subject to rounding.

(2) The increase in current assets is mainly due to the revaluation gain of approximately S$147.3 million for the remaining 32 unsold units of The Ritz-Carlton Residences based on the market value of the remaining 32 unsold units of The Ritz-Carlton Residences of approximately S$371.3 million as at 18 November 2014.

(3) The increase in non-current liabilities is mainly due to the de-recognition of the accrued interests of which arose from the provision for the Series A RPS, the 2007 Junior Notes and the 2013 Junior Notes.

(4) The increase in total shareholders' equity is due to the increase in reserve arising from the revaluation gain of approximately S$147.3 million for the remaining 32 unsold units of The Ritz-Carlton Residences and partially offset by the expected loss to be recognised from the redemption of the 2013 Junior Notes and repayment of all amount owing under the 2007 Junior Notes and Series A RPS.

(5) The total borrowings of approximately S$259.8 million include the existing loan from its banker of approximately S$155.8 million, the additional loan from its banker of approximately S$64.2 million and the 2014 Junior Notes of approximately S$39.8 million.

For illustrative purposes only, assuming the completion of the Proposed Transactions, Royce Properties financial position would have been as follow:

(i) Royce Properties' current ratio would have improved from approximately 14.3 times to 22.8 times, mainly due to the increase in the development property arising from the revaluation of the remaining 32 unsold units of The Ritz-Carlton Residences based on the market value as at 18 November 2014 ascribed by the Property Valuer.

(ii) The ratio of total liabilities to shareholders' equity would have improved, but remained high, from 250.2 times to 2.3 times mainly due to the increase in shareholders' equity arising from the revaluation gain and is partially offset by the increase in the non-current liabilities (due to the increase in total borrowing arising from the additional loan from its banker of approximately S$64.2 million and the issuance of the 2014 Junior Notes which is partially offset by the redemption of the 2013 Junior Notes). The ratio of total borrowings to shareholders' equity would have also improved, but remained high from approximately 164.2 times to 2.1 times.

In summary, we note that generally the financial positions of Royce Properties in terms of the current ratio, the ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity, will improve subsequent to the completion of the Proposed Transactions. However, notwithstanding the improvement, Royce Properties' financial leverage position remains high and its ability to service its borrowings (including the 2014 Junior Notes) will depend on its ability to sell the remaining 32 unsold units of The Ritz-Carlton Residences (including *inter alia* the timing and the selling price thereof).

We note that the Management has presented a cash flow projection for the remaining 32 unsold units of The Ritz-Carlton Residences to the Non-Interested Directors in connection with the Proposed Transactions. The Non-Interested Directors have reviewed the cash flow projection and its accompanying assumptions made available to them by the Management, and made such reasonable enquires including a review of Royce Properties' credit quality for the purposes of determining if the Proposed Transactions are on normal commercial terms and whether it is prejudicial to the interest of the Company and the minority Shareholders. Nothing in this Letter shall be construed as a representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.

5.9 Royce's ability to service and repay the Bank Liabilities and the 2014 Junior Notes

We note that since The Ritz-Carlton Residences was launched in 3 September 2007, 32 units remain unsold as at the Latest Practicable Date (or approximately 55.2% of the total 58 units).

In view of the weak financial position and performance of Royce Properties and the fact that The Ritz-Carlton Residences is the only development project by Royce Properties, its ability to service and repay the Bank Liabilities and the 2014 Junior Notes will solely be depending on the sales proceeds from the sale of the remaining 32 unsold units of The Ritz-Carlton Residence and the timing thereof.

Based on, *inter alia*, the projected costs (including but not limited the sales and marketing expenses as well as other expenses) as well as the projected rental income provided by the Management, we have derived the following break-even prices for the remaining 32 unsold units of The Ritz-Carlton Residences:–

(i) For Royce Properties to achieve a break-even after repayment of the Bank Liabilities (principal as well as interests), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than S$2,719.8 per sq ft, which represents approximately 28.9% and 29.4% discount to the average price per sq ft for the 26 sold units approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively; and

(ii) For Royce Properties to achieve a break-even after repayment of the Bank Liabilities (principal as well as interests) and redemption of the 2014 Junior Notes (principal and interest), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than S$3,298.0 per sq ft, which represents approximately 13.8% and 14.4% discount to the to the average price per sq ft for the 26 sold units of approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively.

Independent Shareholders should note that in the event that the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences falls below S$3,298.0 per sq ft, Royce Properties' ability to repay the principal and interest of the 2014 Junior Notes may be limited. Nothing in this Letter shall be construed as a representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.

5.10 Pro-forma financial effects of the Proposed Transactions

The pro-forma financial effects of the Proposed Transactions on the Group as well as the underlying assumptions are set out in Section 5 of the Circular. We recommend that the Non-Interested Directors advise the Independent Shareholders to read those pages of the Circular carefully.

The following is an extract from the Circular and is set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"***5. 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 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.

5.1. 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 NTA of the Group as at 31 July 2014 would be:

	Before the Proposed Transactions	***After the Proposed Transactions***
NTA (S$'000)	*61,923,193*	*99,167,428*
Number of issued Shares	*886,369,771*	*886,369,771*
NTA per Share (cents)	*6.99*	*11.19*

5.2. <u>EPS</u>

For illustrative purposes only, assuming that the Proposed Transactions had been completed on 1 May 2014, the effects of the Proposed Transactions on the EPS of the Group for 1QFY2015 would be:

	Before the Proposed Transactions	***After the Proposed Transactions***
Net profit/(loss) after tax attributable to Shareholders (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*

5.3. <u>Book Value and Gain on Disposal</u>

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 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."

Based on the above, the Proposed Transactions would lead to an increase in the Group's NTA from approximately 6.99 Singapore cents as at 31 July 2014 to approximately 11.19 Singapore cents. In addition, the Proposed Transactions would improve the loss per Share of approximately 0.36 Singapore cents for 1QFY2015 to earnings per Share of approximately 4.12 Singapore cents. Lastly, the Redemption Amount represents an excess of S$37,244,235 over the book value of the 2013 Junior Notes held by KOPP as at 31 July 2014 and the Proposed Redemption will result in the Company recording a gain on disposal of approximately S$37,244,235, assuming the disposal was completed on 31 July 2014.

The Proposed Transactions will generate cash of approximately S$28.7 million arising from the Proposed Redemption, which may be used by the Company to capitalise on opportunities to expand the Group's business in Singapore and overseas through acquisitions, joint ventures and/or strategic alliances, with favourable financial impact on the Group's NTA per Share and earnings per Share.

6. OPINION

In arriving at our recommendation, we have reviewed and examined the following factors summarized below as well as others elaborated elsewhere in our Letter which we have considered to be pertinent in our assessment of the Proposed Transactions as Interested Person Transactions, including the views of and representations by the Directors. Our recommendation or opinion is by no means an indication of the merits of the prospects, financial performance and position or credit quality, *inter alia*, interest and debt servicing ability of the Company, the Group, Royce Properties, Hayden Properties, or KOPG or the ability of Royce Properties to sell the remaining 32 unsold units of The Ritz-Carlton Residences or the timing thereof or the ability of Royce Properties to service and repay or redeem its indebtedness when fall due, including *inter alia* the Bank Liabilities and the 2014 Junior Notes. The following should be read in conjunction with, and in the context of, the full text of this Letter.

(a) The rationale of the Proposed Transactions wherein we note from Section 4 of the Circular that, *inter alia*, the Non-Interested Directors are of the view that the Proposed Transactions are in the interests of the Group in view of (1) the Proposed Redemption, if completed, 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; (2) the cash proceeds from completion 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 (3) the Proposed Subscription, if completed, 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.

(b) The evaluation of the Redemption Amount and the return on investment for the Proposed Redemption and the Proposed Subscription (as set out in Section 5 of this Letter) after taking into account, *inter alia,* the following factors:–

(i) The Redemption Amount payable to KOPP of approximately S$68.5 million comprises approximately S$28.7 million in cash and approximately S$39.8 million to be offset by the subscription monies payable by KOPP for the Proposed Subscription.

(ii) The 2013 Noteholders Other Than KOPP hold approximately 60.07% of the 2013 Junior Notes and the Redemption Amount payable to them in cash is approximately S$35.5 million in aggregate or represents approximately 34.14% of the total redemption consideration of approximately S$104.0 million. KOPP holds approximately 39.93% of the 2013 Junior Notes and the Redemption Amount payable to KOPP is approximately S$68.5 million or represents approximately 65.86% of the total redemption consideration of approximately S$104.0 million.

Whilst KOPP appears to be receiving higher proportion of the Redemption Amount as compared to the 2013 Noteholders Other Than KOPP (in terms of comparing it with the respective percentage holdings of 2013 Junior Notes), the Redemption Amount payable to KOPP of approximately S$68.5 million comprises approximately S$28.7 million in cash and approximately S$39.8 million to be offset by the subscription monies payable by KOPP for the Proposed Subscription. The Redemption Amount payable to KOPP in cash of approximately S$28.7 million represents approximately 44.69% of the total redemption consideration payable to all 2013 Noteholders in cash of approximately S$64.2 million, which is slightly higher as compared to the KOPP's percentage holding of 2013 Junior Notes of approximately 39.93%.

(iii) Representation and confirmation from the Directors and the Management that the offsetting arrangement and the Proposed Subscription was mainly due to Royce Properties' limited ability to raise the funds required for the Proposed Redemption.

(iv) The Redemption Amount payable to KOPP of approximately S$68.5 million is approximately 15.7% to 20.2% higher than the fair value of the 2013 Junior Notes (interest and principal receivable and Special Interest but excluding Incentive Fees) held by KOPP of between approximately S$57.0 to S$59.2 million deemed as at the RTO Valuation Date provided to us by the Directors and the Management and as mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter).

(v) The Redemption Amount payable to KOPP of approximately S$68.5 million is approximately 44.2% to 51.2% higher than the fair value ascribed to the 2013 Junior Notes held by KOPP (interest and principal receivable and Special Interest but excluding Incentive Fees) of approximately S$45.3 to S$47.5 million as at the Latest Practicable Date.

(vi) The Proposed Redemption and the Proposed Subscription will provide returns of between approximately 41.1% to 46.5% or an IRR of between approximately 12.1% to 13.8% from the Company's perspective in the event that the repayment of the principal and interest for the 2014 Junior Notes (which will be payable on the 2014 Junior Notes Maturity Date and assumed to be within five years from the Latest Practicable Date). The IRR of approximately 12.8% to 14.5% appears to be higher than the Company's WACC of approximately 10.7% as at the Latest Practicable Date. If the RTO Discount is considered, the IRR for the Proposed Redemption and the Proposed Subscription would be approximately between 19.7% to 21.4% which is significantly higher and more favourable than the Company's WACC of approximately 10.7%.

(c) The evaluation of the Proposed Subscription (as set out in Section 5 of this Letter) after taking into account, *inter alia*, the following factors:–

(i) Comparison between the 2013 Junior Notes and the 2014 Junior Notes – Whilst both 2013 Junior Notes and 2014 Junior Notes are subordinated to Royce Properties' loan indebtedness, the risk associated with the 2014 Junior Notes is relatively lower as compared to the 2013 Junior Notes in view that the 2014 Junior Notes are supported with, *inter alia*, joint and several guarantee by KOPG and Hayden Properties, Assignment of Proceeds, possibility of redemption via transferring RCR Unit(s) as well as the Royce Covenants. However, notwithstanding that the 2014 Junior Notes are supported, the 2014 Junior Notes is akin to a mezzanine debt in view of the fact that it is subordinated to the Bank Liabilities, the lack of hard assets collateral, and that Royce Properties is a special purpose vehicle with a single asset, being the remaining 32 unsold units of The Ritz-Carlton Residences.

(ii) Representation and confirmation from the Directors and the Management that the interest rate for the banking facilities are substantially lower than the interest rate for the 2014 Junior Notes of approximately 8.0% per annum and the spread between the interest rate for the 2014 Junior Notes and the interest rate for the banking facilities are deemed sufficient to compensate the 2014 Junior Notes subscriber, being KOPP, for the substantially higher risk involved in the 2014 Junior Notes (in view of the subordination to the Bank Liabilities as well as the lack of the hard assets collateral) as well as the fact that both principal and interest for the 2014 Junior Notes will only be payable at the 2014 Junior Notes Maturity Date.

(iii) The Directors confirmed that they have reviewed the terms and conditions of the 2014 Junior Notes and are of the view that the 2014 Junior Notes, which is akin to a mezzanine debt, is adequately supported with, *inter alia*, joint and several guarantee by KOPG and Hayden Properties, possibility of redemption via transferring RCR Unit(s) as well as Royce Covenants, Hence, it may not be necessary for KOPP to obtain the additional support or comfort or commitment for the 2014 Junior Notes from Royce Properties or Royce Directors or KOPG. In addition, Non-Interested Directors are of the opinion that in view of the fact that Hayden Properties is a special purpose vehicle and has provided corporate guarantee in respect of the 2014 Junior Notes, there is no separate undertaking from Hayden Properties required. Non-Interested Directors have also represented and confirmed that Hayden Properties had agreed to provide further undertakings to KOPP in respect of the 2014 Junior Notes as and when requested by KOPP in such later date to be determined by KOPP. Non-Interested Directors have also represented and confirmed to us that KOPG and Royce Properties agreed to enter into further discussion with KOPP for the offsetting of KOPP's indebtedness to KOPG against any outstanding 2014 Junior Notes Redemption Amount as and when requested by KOPP.

(iv) The interest rate for the 2014 Junior Notes of 8.0% per annum appear to be higher than the interest rate for the Selected Comparable Notes, which we have viewed in conjunction with, *inter alia*, its subordinated status, longer tenure, as well as Royce Properties' weaker financial positions in comparison with the Selected Real Estate Companies.

(d) The historical financial performance and position of Royce Properties for RFY2014, RFY2013, RFY2012, RHY2015 and RHY2014, which appears to be weak, particularly in terms of the gearing ratio as well interest coverage ratio. We have also considered the pro-forma financial impacts of the Proposed Transactions, additional borrowing from its existing banker, and potential fair value gain on the unsold units of The Ritz-Carlton Residences on Royce Properties' financial position. Generally the financial positions of Royce Properties in terms of the current ratio, the ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity, will improve subsequent to the completion of the Proposed Transactions. However, notwithstanding the improvement, Royce Properties' financial leverage position remains high and its ability to service its borrowings (including the 2014 Junior Notes) will depend on its ability to sell the remaining 32 unsold units of The Ritz-Carlton Residences (including, *inter alia*, the timing and the selling price thereof).

(e) Non-Interested Directors confirmed that they have reviewed the cash flow projection for the remaining 32 unsold units of The Ritz-Carlton Residences and its assumptions prepared and presented by the Management, and made such reasonable enquiries including a review of Royce Properties' credit quality for the purposes of determining if the Proposed Transactions are on normal commercial terms and whether it is prejudicial to the interest of the Company and the minority Shareholders. Nothing in this Letter shall be construed as a representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.

(f) Based on, *inter alia*, the projected costs (including but not limited the sales and marketing expenses as well as other expenses) as well as the projected rental income provided by the Management, we have derived the following break-even prices for the remaining 32 unsold units of The Ritz-Carlton Residences:–

(i) For Royce Properties to achieve a break-even after repayment of the Bank Liabilities (principal as well as interests), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than

S$2,719.8 per square foot, which represents approximately 28.9% and 29.4% discount to the average price per sq ft for the 26 sold units of the Ritz-Carlton Residences of approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively; and

(ii) For Royce Properties to achieve a break-even after repayment of the Bank Liabilities (principal as well as interests) and redemption of the 2014 Junior Notes (principal and interest), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than S$3,298.0 per square foot, which represents approximately 13.8% and 14.4% discount to the to the average price per sq ft for the 26 sold units of The Ritz-Carlton Residences of approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively.

(g) The proforma financial effects of the Proposed Transactions for the Group. The Proposed Transactions would lead to an increase in the Group's NTA from approximately 6.99 Singapore cents as at 31 July 2014 to approximately 11.19 Singapore cents. In addition, the Proposed Transactions would improve the loss per Share of approximately 0.36 Singapore cents for 1QFY2015 to earnings per Share of approximately 4.12 Singapore cents. Lastly, the Redemption Amount represents an excess of S$37,244,235 over the book value of the 2013 Junior Notes held by KOPP as at 31 July 2014 and the Proposed Redemption will result in the Company recording a gain on disposal of approximately S$37,244,235, assuming the disposal was completed on 31 July 2014. In addition, The Proposed Transactions will generate cash of approximately S$28.7 million arising from the Proposed Redemption, which may be used by the Company to capitalise on opportunities to expand the Group's business in Singapore and overseas through acquisitions, joint ventures and/or strategic alliances, with favourable financial impact on the Group's NTA per Share and earnings per Share.

In summary, having regard to our analysis and the consideration in this Letter and subject to the qualifications and assumptions set out in this Letter including but not limited to the uncertainties arising from Royce Properties' weak financial performance, position and credit quality as well as its ability to sell the remaining 32 unsold units of The Ritz-Carlton Residences or the timing thereof, which we have reviewed in conjunction with (a) the relatively fair comparison between the Redemption Amount payable to KOPP and the redemption consideration payable to the 2013 Noteholders Other Than KOPP (after taking into account that unlike the 2013 Noteholders Other Than KOPP who will receive the redemption consideration in cash, the Redemption Amount payable to KOPP comprises approximately S$28.7 million in cash and approximately S$39.8 million to be offset by the subscription monies payable by KOPP for the Proposed Subscription), (b) the fair value of the 2013 Junior Notes (interest and principal receivable and Special Interest but excluding the Incentive Fees) as at the RTO Valuation Date provided by the Directors and the Management and as mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter) and as at the Latest Practicable Date which are substantially lower than the Redemption Amount payable to KOPP, (c) the IRR for the Proposed Redemption and the Proposed Subscription which are higher than the Company's WACC, (d) the security arrangements for the 2014 Junior Notes (including joint and several guarantee from Hayden Properties and KOPG, possibility of redemption via transferring RCR Unit(s) and the Royce Covenants), (e) representation and confirmation from Non-Interested Directors on their satisfaction that the Proposed Transactions is beneficial to KOPP in terms of returns, shorter maturity for repayment and "increased" sources for repayment without increasing exposure to Royce Properties, subject to Management's representation and information reviewed and *inter alia*, future plans, cash-flow projections and repayment/refinancing with accompanying assumptions, that after review of the terms and conditions for the Proposed Redemption and the Proposed Subscription (including the terms for 2014 Junior Notes), the Proposed Transactions do not increase the credit exposure of KOPP to Royce Properties in view of the shorter maturity period of the 2014 Junior Notes, the additional support provided, and the ability subject to agreements to be repaid via cash and/or RCR Unit(s), (f) the significantly shorter maturity of the 2014 Junior Notes, with the increase in principal amount being the returns from early redemption, (g) cash settlement of approximately S$28.7 million, representing approximately 50.3% of the fair value of the 2013 Junior Note deemed as at the RTO Valuation Date provided by the Directors and the Management and as mentioned in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014 Letter), (h) Shareholders' approval for the RTO (*inter alia*, acquisition of KOPP and its investments in the 2013 Junior Notes whose terms are described briefly in this Letter) and its existing credit exposure arising from the 2013 Junior Notes approved together with the RTO, and (i) the redemption of 2013 Junior Notes and repayment via cash and the 2014 Junior Notes, *prima facie*, the "ability" subject to terms of the agreements to receive partial/full redemption of the 2014 Junior Notes via cash and/or RCR Unit(s) (based on then prevailing valuation), does not increase the credit exposure of KOPP as KOPP will still be exposed to repayment risk for a maturity period significantly longer than the five (5) years currently proposed; we are of the opinion that, based on the information available to us as at the Latest Practicable Date and on the assumption that Royce Properties will be able to repay the principal and interest of the 2014 Junior Notes when they fall due based on selling prices used for its projections including amounts owing to parties other than KOPP and subject to possibility of redemption via transferring RCR Unit(s), that the financial terms for the Proposed Redemption (in respect of the Redemption Amount) and the Proposed Subscription (in terms of comparing KOPP's existing exposure vide its investments in 2013 Junior Notes and the Proposed Redemption via cash and the 2014 Junior Notes) are on **normal commercial terms**, *inter alia*, in terms of comparisons of the Redemption Amount with the fair market value of the 2013 Junior Notes, and fair comparison of the interest payable for the 2014 Junior Notes with the Selected Comparable Notes.

Lastly, having regard to the potential pro-forma financial effect of the Proposed Transactions which shows favourable financial impact on the Group's NTA per Share and earnings per Share, which we have reviewed together with (a) the favourable IRR for the Proposed Redemption and the Proposed Subscription as compared to the Company's WACC, (b) the opinion from the Non-Interested Directors that the Proposed Transactions are in the interests of the Group for the reasons set out in Section 4 of the Circular, as well as (c) representation and confirmation from Non-Interested Directors on their satisfaction that the Proposed Transactions are beneficial to KOPP in terms of returns, shorter maturity for repayment and "increased" sources for repayment without increasing exposure to Royce Properties, subject to Management's representation and information reviewed and *inter alia*, future plans, cash-flow projections and repayment/refinancing with accompanying assumptions, that after review of the terms and conditions for the Proposed Redemption and the Proposed Subscription (including the terms for 2014 Junior Notes), the Proposed Transactions do not increase the credit exposure of KOPP to Royce Properties in view of the shorter maturity period of the 2014 Junior Notes, the additional support provided, and the ability subject to agreements to be repaid via cash and/or RCR Unit(s); we are of the view that based on the information available to us as at the Latest Practicable Date and on the assumption that Royce Properties will be able to repay the principal and interest of the 2014 Junior Notes when they fall due based on selling prices used for its projections including amounts owing to parties other than KOPP and subject to possibility of redemption via transferring RCR Unit(s), the financial terms for the Proposed Redemption (in respect of the Redemption Amount) and the Proposed Subscription (in terms of comparing KOPP's existing exposure vide its investments in 2013 Junior Notes and the Proposed Redemption via cash and the 2014 Junior Notes) are **not prejudicial** to the interest of the Independent Shareholders and the Company in terms of comparisons of the Redemption Amount with the fair market value of the 2013 Junior Notes, fair comparison of the interest payable for the 2014 Junior Notes with the Selected Comparable Notes, and the favourable IRR for the Proposed Redemption and the Proposed Subscription as compared to the Company's WACC.

Recommendation

Accordingly, we advise the Non-Interested Directors to recommend that Independent Shareholders vote **in favour of** resolutions for the Proposed Transactions to be proposed at the EGM, and to highlight to Independent Shareholders the matters as stated in our Letter and to exercise caution in their decision in relation to the resolutions for the Proposed Transactions.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Group. The opinion set forth herein is based solely on publicly available information and information provided by the Directors, the Management and the Royce Directors, and therefore does not reflect any projections or future financial performance of the Company or the Group or Royce Properties after the completion of the Proposed Transaction(s) and as well as the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the financial terms of the Proposed Transactions as Interested Person Transactions.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

1. The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group or Royce Properties or the ability of Royce Properties to sell the remaining 32 unsold units of The Ritz-Carlton Residences or the timing thereof or the ability of Royce Properties to service and repay or redeem its indebtedness when fall due, including *inter alia* the Bank Liabilities and the 2014 Junior Notes.

2. Our scope does not require us and save for re-assessment of the fair value of the 2013 Junior Notes as at the Latest Practicable Date, we have not made any independent evaluation of Royce Properties (including without limitation, market value or economic potential) or appraisal of the Royce Properties' assets and liabilities (including without limitation, development property, plant and equipment) or contracts entered into by Royce Properties or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by Royce Properties or the Group save for: (1) the information available in the March 2014 Circular relating to the RTO and information provided by the Directors and the Management as well as their understanding, based on, *inter alia*, their discussion with the independent valuer named in the March 2014 Circular during the RTO on the fair value ascribed to the 2013 Junior Notes including its breakdown deemed as at the RTO Valuation Date; and (2) the Property Valuation Report. With respect to such valuations, we are not experts in the evaluation (including without limitation, market value or economic potential) or appraisal of assets and liabilities (including without limitation, development property, plant and equipment) including, *inter alia* the contracts or agreements that Royce Properties or the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

   Our references to the fair value of the 2013 Junior Notes deemed as at the RTO Valuation Date and its breakdown are based on the information available in the March 2014 Circular (including the accompanying appendices, *inter alia*, the March 2014

Letter and the independent valuation summary letter), which is a public document and available for download at www.sgx.com, and information provided by the Directors and the Management as well as their understanding, based on, *inter alia*, their discussion with the independent valuer named in the March 2014 Circular. In relation to the Proposed Transactions, the Company did not commission the independent valuer named in the March 2014 Circular to re-assess the fair value ascribed to the 2013 Junior Notes as at the Latest Practicable Date. In deriving our opinion and recommendation, no reliance was made by us on the independent valuation summary letter attached in the March 2014 Circular nor the independent valuation report mentioned in the March 2014 Circular issued by the independent valuer named in the March 2014 Circular, save for information and references provided by the Directors as well as information made available in the March 2014 Circular. The independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular were prepared for a different purpose as of a different date. It cannot in any way serve as a substitute for enquiries and procedures which we have undertaken for the purposes of satisfying ourselves regarding our opinion as to whether the Proposed Transactions as Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The recommendation and opinion on the Proposed Transactions as Interested Person Transactions in this Letter are solely from ACA.

Our sole responsibility is for our IFA Letter. Shareholders should note that no reliance shall be made to the independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular and any reliance that is placed to the independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular will be at your own risk. Nothing in this Letter shall be construed as a reliance on the independent valuation summary letter attached in the March 2014 Circular and the independent valuation report mentioned in the March 2014 Circular.

3. The Directors and the Management have represented and confirmed to us that the offsetting arrangement and the Proposed Subscription was mainly due to Royce Properties' limited ability to raise the funds required for the Proposed Redemption. Royce Properties only managed to raise additional loan of approximately S$64.2 million from its existing banker secured by *inter alia* first all-monies legal mortgage over the remaining 32 unsold units of The Ritz-Carlton Residences as well as additional comfort or support or commitment provided by the Royce Directors and/or KOPG. Therefore, the remaining Redemption Amount of approximately S$39.8 million payable to KOPP shall be offset against the subscription monies payable by KOPP for the Proposed Subscription.

4. The Directors have reviewed the terms and conditions for the 2014 Junior Notes and are of the view that the 2014 Junior Notes, which is akin to a mezzanine debt, is adequately secured given, *inter alia*, joint and several guarantee by KOPG and Hayden Properties, as well as the Royce Covenants. Hence, it may not be necessary for KOPP to obtain the additional support or comfort or commitment for the 2014 Junior Notes from Royce Properties or Royce Directors or KOPG.

5. The Management has presented a cash flow projection for the remaining 32 unsold units of The Ritz-Carlton Residences to the Non-Interested Directors in connection with the Proposed Transactions. The Non-Interested Directors have reviewed the cash flow projection and its accompanying assumptions made available to them by the Management, and made such reasonable enquires including a review of Royce Properties' credit quality, for the purposes of determining if the Proposed Transactions are on normal commercial terms and whether it is prejudicial to the interest of the Company and the minority Shareholders. Nothing in this Letter shall be construed as a

representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.

6. Based on, *inter alia*, the projected costs (including but not limited the sales and marketing expenses as well as other expenses) as well as the projected rental income provided by the Management, we have derived the following break-even prices for the remaining 32 unsold units of The Ritz-Carlton Residences:–

   (i) For Royce Properties to achieve a break-even after repayment of the bank liabilities (principal as well as interests), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than S$2,719.8 per sq ft, which represents approximately 28.9% and 29.4% discount to the average price per sq ft for the 26 sold units of The Ritz-Carlton Residences of approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively; and

   (ii) For Royce Properties to achieve a break-even after repayment of the bank liabilities (principal as well as interests) and redemption of the 2014 Junior Notes (principal and interest), the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences would have to be not less than S$3,298.0 per square foot, which represents approximately 13.8% and 14.4% discount to the average price per sq ft for the 26 sold units of The Ritz-Carlton Residences of approximately S$3,827 per sq ft and the average price per sq ft of approximately S$3,853 ascribed by the Independent Property Valuer respectively.

   Independent Shareholders should note that in the event that the average selling price of the remaining 32 unsold units of The Ritz-Carlton Residences falls below S$3,298.0 per sq ft, Royce Properties' ability to repay the principal and interest of the 2014 Junior Notes may be limited. Nothing in this Letter shall be construed as a representation or opinion or view with regards to the ability of Royce Properties to sell the units of The Ritz-Carlton Residences at prices currently prevailing or that Royce Properties will be in a position to repay the 2014 Junior Notes outstanding.

Specific Objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Non-Interested Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments in unlisted shares or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Information on the actions to be taken by Shareholders is set out in Section 13 of the Circular. Shareholders are advised to read Section 13 of the Circular carefully and in its entirety.

This Letter is addressed to the Non-Interested Directors in connection with and for the sole purposes of their evaluation of the financial terms of the Proposed Transactions. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor Shareholders, may reproduce, disseminate or quote from this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except at the forthcoming EGM and for the sole purpose of the

Proposed Transactions. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act 2001 and any re-enactment thereof shall not apply.

The recommendations made by the Non-Interested Directors to the Shareholders in relation to the Proposed Transactions and issue of the Circular (as well as any information therein) shall remain the sole responsibility of the Non-Interested Directors and the Directors respectively.

Yours faithfully,
For and on behalf of
ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU MANAGING DIRECTOR	FOO QUEE YIN MANAGING DIRECTOR

APPENDIX B – PROPERTY VALUATION REPORT FROM CHESTERTON SINGAPORE PTE. LTD. IN RESPECT OF THE RITZ-CARLTON RESIDENCES (32 UNITS OWNED BY ROYCE PROPERTIES)

Singapore Office

Chesterton Singapore Pte Ltd
Agency Licence No.: L3010559A
Company Registration: 201319407N
3 Phillip Street #08-04
Royal Group Building
Singapore 048693

CHESTERTONS

Our Ref No: 14VAS047

18 November 2014

Royce Properties Pte Ltd
Ms. Joey Ong
152 Beach Road
#27-01 The Gateway East
Singapore 189721

Dear Joey,

Valuation for 32 Units at The Ritz Carlton Residences, Singapore.

We, Chesterton Singapore Pte Ltd, have prepared a valuation report for the above-captioned property dated 15 August 2014 and the market value for the above-captioned property indicated in the report is **S$371,280,000 (Singapore Dollars Three Hundred Seventy One Million Two Hundred and Eighty Thousand Only).**

We are of the opinion that as at the date of this letter, there is no material change in the market value as stated in our report.

Please contact the undersigned should you require any clarifications.

Yours sincerely
For and on behalf of
CHESTERTON SINGAPORE PTE. LTD.

Chee Hok Yean

Chee Hok Yean
Executive Director

CHESTERTONS

Valuation Report

The Ritz Carlton Residences Singapore
(32 Units owned by Royce Properties Pte Ltd)
65 Cairnhill Road
Singapore 229721

An international network of local experts

www.chestertonsg.com

Valuation Report
The Ritz-Carlton Residences Singapore
(32 Units owned by Royce Properties Pte Ltd)
65 Cairnhill Road
Singapore 229721

Prepared for

United Overseas Bank Limited
1 Raffles Place
#23-61, One Raffles Place Tower 2
Singapore 048616

Attn: Mr. Wong Shyh Sim, Corporate Banking

Prepared by

CHESTERTONS

3 Phillip Street #08-04 Royal Group Building Singapore 048693
+65 6580 2222 Main Line I +65 6580 2200 Fax

Ref: 14VAS047
15 August 2014

Purpose of Report	To determine the Open Market Value of the 32 apartments within Ritz-Carlton Residences Singapore owned by Royce Properties Pte Ltd for financing purposes.
Date of Inspection	7 August 2014
Name of Applicant	Royce Properties Pte Ltd
Property	The Ritz-Carlton Residences Singapore (32 units owned by Royce Properties Pte Ltd) 65 Cairnhill Road, Singapore 229721
Legal Description of Development	TS27-01270T
Tenure	Estate in Fee Simple
Date of Completion	Circa 2011

Details of Units owned by Royce Properties Pte Ltd

Unit Number	Description	Floor Area	Unit Number	Description	Floor Area
#05-01	3 Bedroom	263	#05-02	3 Bedroom	263
#07-01	3 Bedroom	263	#06-02	3 Bedroom	263
#08-01	3 Bedroom	263	#07-02	3 Bedroom	263
#09-01	3 Bedroom	263	#10-02	3 Bedroom	263
#10-01	3 Bedroom	263	#11-02	3 Bedroom	263
#12-01	3 Bedroom	263	#12-02	3 Bedroom	263
#13-01	3 Bedroom	263	#13-02	3 Bedroom	263
#15-01	3 Bedroom	263	#15-02	3 Bedroom	263
#16-01	3 Bedroom	263	#16-02	3 Bedroom	263
#17-01	3 Bedroom	263	#17-02	3 Bedroom	263
			#18-02	3 Bedroom	263
			#19-02	3 Bedroom	263
			#21-02	3 Bedroom	263
			#22-02	3 Bedroom	263
			#25-02	4 Bedroom	284
			#26-02	4 Bedroom	284
			#30-02	4 Bedroom	284
			#31-02	4 Bedroom	284
			#32-02	4 Bedroom	284
			#33-02	4 Bedroom	284
			#34-02	Junior Penthouse	332
			#36-02	Superior Penthouse	604

Source: Client

Master Plan 2014	Zoned 'Residential' at Plot Ratio 2.8; Building height up to 36-storey
	Note: The Master Plan prescribes the maximum permissible intensity for developments within the demarcated area. The actual intensity to be permitted for any development shall be determined by the competent authority subject to the prescribed maximum permissible plot ratio and having regard to the intensity of the surrounding developments.

Location

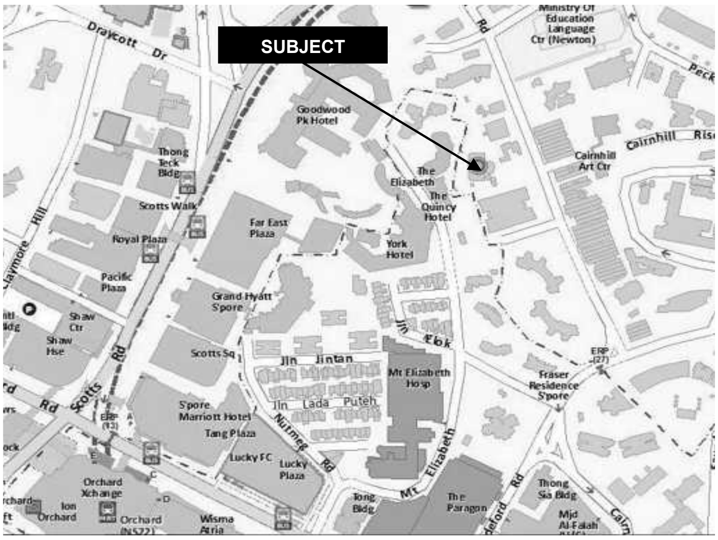
The Ritz-Carlton Residences ("Property") is located at 65 Cairnhill Road, Singapore 229721. The Property is well connected to other parts of the island with the Orchard MRT Station and Newton MRT Station located approximately 500 metres and 600 metres away respectively. The locality has a mixture of residential and commercial properties that are predominantly mid-rise and high-rise developments.

Amenities such as retail outlets and eating establishments are located within close proximity along the Orchard Road Shopping Belt. The Property is accessible via major roads and expressways such as Orchard Road, Clemenceau Avenue North and Central Expressway (CTE). The Property is about 2.5 kilometres away from the Central Business District.

The Anglo-Chinese School (Junior) is within 1 kilometre radius from the subject development while numerous schools such as Singapore Chinese Girls School (Primary), Anglo-Chinese School (Primary), St Joseph Institution Junior, River Valley Primary School and St Margaret Primary School are located between 1 to 2-kilometre radius from the subject property.

Prominent buildings and landmarks in the immediate vicinity include The Quincy Hotel, York Hotel, Goodwood Park Hotel, The Paragon, Mount Elizabeth Hospital and Medical Centre as well as Ministry of Education Language Centre (Newton).

Location Map



Source: Onemap, Singapore

Property Description

The Ritz Carlton Residences Singapore is a luxurious 36-storey residential development comprising 58 units (including the subject 32 Units owned by Royce Properties Pte Ltd) ranging from three to four-bedroom units. The strata areas of the units range from 263 square metres to 604 square metres. The apartment units (including the 32 units owned by Royce Properties Pte Ltd) are located on the 5th to 36th storeys of the tower. The development also offers a total of 3 Sky Terraces within the residential tower. The indoor lap pool, hydro pool, yoga deck, gymnasium and steam rooms are located on the Sky Terrace at the 4th storey. The café lounge, library and games area are located on the Sky Terrace at the 14th storey. Lastly, the gourmet kitchen and wine cellar are located on the Sky Terrace at the 24th storey. Other amenities include the maze garden, tennis court, BBQ areas and outdoor swimming pools which are located on the ground level as well as basement carpark.

The breakdown of the Units owned by Royce Properties Pte Ltd are as follow:

Description	No. of Units	Floor Area	Floor Area
3 Bedroom	24	263	2,831
4 Bedroom	6	284	3,057
Junior Penthouse	1	332	3,574
Superior Penthouse	1	604	6,501
Total	**32**	-	-

The apartments generally feature a private lift foyer, a living area, a dining area, a powder room, a kitchen, a balcony, bedrooms with attached bathrooms and walk-in closets or built-in wardrobes, a household shelter and a yard.

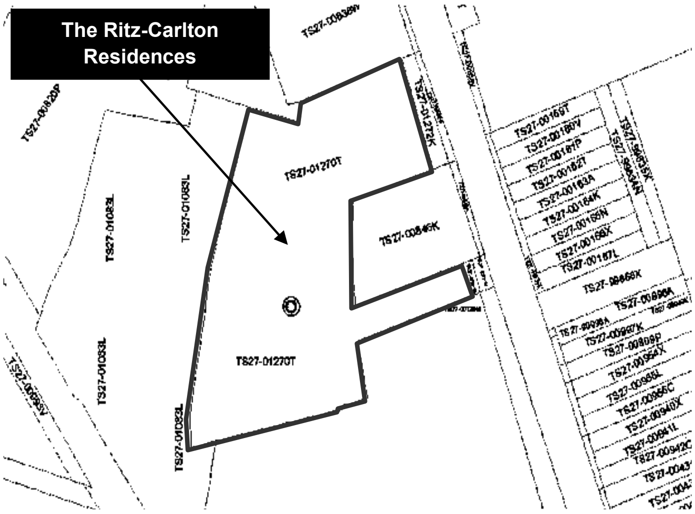
The junior penthouse is a 4-bedroom unit with a double-volume living area. It has a similar layout as the four-bedroom unit which features a private lift foyer, a living area, a dining area, a powder room, a kitchen, balconies, bedrooms with attached bathrooms and walk-in closets or built-in wardrobes, a household shelter and a yard.

The superior penthouse which is located on the 36th storey, spreads across 3 floors from 35th storey with an internal lift serving all 3 floors including the roof terrace. The Unit generally features a master bedroom with attached dry and wet bathroom, a bedroom with attached bathroom, bedrooms, a common bathroom, a dry kitchen, a household shelter and a toilet on the 35th storey, while the private lift foyer, living area, dining area, a powder room, a wet kitchen and a swimming pool are located on the 36th storey. The roof terrace has a Jacuzzi.

The Property also provides appliances within the kitchen including an island cooker hood, a built-in oven, a fully integrated dishwasher, a built under wine conditioning unit, an induction hob/ burner, a built-in combination oven and a sub-zero refrigeration system.

The residential tower is served by 2 private lifts and a service lift. Entry to each apartment unit will require either a fingerprint recognition or security key pass. Each unit has an audio/video intercom system for communication from unit to visitor's call panel at 1st storey and basement lift. The air-conditioning in the apartments is from a VRV ducted air-conditioning system.

Site Plan – The Ritz Carlton Residences Singapore



Source: Onemap, 2014

Property Description

Exterior of Subject Property

Ground Floor Lobby

Property Description (Cont'd)

3-Bedroom – Living Area

3-Bedroom – Dining Area

Property Description (Cont'd)

3-Bedroom – Kitchen

3-Bedroom – Balcony

Property Description (Cont'd)

3-Bedroom – Master Bedroom

3-Bedroom – Master Bathroom

Property Description (Cont'd)

3-Bedroom – Bedroom

3-Bedroom – Attached Bathroom

Property Description (Cont'd)

4 Bedroom – Living Area

4 Bedroom – Dining Area

Property Description (Cont'd)

4 Bedroom – Kitchen

4 Bedroom – Balcony

Property Description (Cont'd)

4 Bedroom – Master Bedroom

4 Bedroom – Master Bathroom

Property Description (Cont'd)

4 Bedroom – Bedroom

4 Bedroom – Attached Bathroom

Property Description (Cont'd)

Junior Penthouse – Living Area

Junior Penthouse – Dining Area

Property Description (Cont'd)

Junior Penthouse – Master Bedroom

Junior Penthouse – Master Bathroom

Property Description (Cont'd)

Junior Penthouse –Bedroom

Junior Penthouse – Attached Bathroom

Property Description (Cont'd)

Superior Penthouse – Master Bedroom (35th storey)

Superior Penthouse – Master Bathroom (35th storey)

Property Description (Cont'd)

Superior Penthouse – Bedroom (35th Storey)

Superior Penthouse – Attached Bathroom (35th Storey)

Property Description (Cont'd)

Superior Penthouse – Living Area (36th storey)

Superior Penthouse – Dining Area (36th storey)

Property Description (Cont'd)

Superior Penthouse – Swimming Pool (36th storey)

Superior Penthouse – Roof Terrace

Condition

The properties are generally in a good condition. During our inspection, we have viewed a sample of a 3-bedroom unit, a 4-bedroom unit, a junior penthouse and a superior penthouse, sky terraces and facilities which were made available for us.

We understand that the 3-bedroom unit is a show suite unit while the superior penthouse will be undergoing minor works for conversion into a show suite.

Finishes

Apartments

Area	Floor	Wall	Ceiling
Private lift foyer/living/dining areas	Natural stone	Emulsion paint	False ceiling with downlights./air-conditioning diffuser
Bathrooms/Powder Room		Natural stone	False ceiling with downlights
Kitchen	Compressed marble	Part marble/part compressed marble	False ceiling with downlights
Bedrooms/walk-in closets areas	Timber herringbone flooring	Emulsion paint	False ceiling with downlights/air-conditioning diffuser
Household shelter/Yard/Toilet	Homogenous tiles	Emulsion paint	Emulsion paint
Balconies	Timber deck flooring	-	-

Junior Penthouse

Area	Floor	Wall	Ceiling
Private lift foyer/dining area	Natural stone	Emulsion paint	False ceiling with air-conditioning diffuser
Living Area		Emulsion paint with air-conditioning diffuser	Emulsion paint
Bathrooms/Powder Room		Natural stone	False ceiling
Kitchen	Compressed marble	Part marble/part compressed marble	False ceiling
Bedrooms/walk-in closets areas	Timber herringbone flooring	Emulsion paint	False ceiling with air-conditioning diffuser
Household shelter/Yard/Toilet	Homogenous tiles	Emulsion paint	Emulsion paint
Balconies	Timber deck flooring	-	-

Superior Penthouse

Area	Floor	Wall	Ceiling
Private lift foyer/living/dining areas	Natural stone	Emulsion paint	False ceiling with air-conditioning diffuser
Attached and common Bathrooms/Powder Room		Natural stone	False ceiling
Bedrooms	Timber herringbone flooring	Emulsion paint	False ceiling with air-conditioning diffuser
Wet and Dry Kitchens	Compressed marble	Part marble/part compressed marble	False ceiling
Yard		Compressed marble	
Household shelter/Toilet	Homogenous tiles	Emulsion paint	Emulsion paint
Balconies and Pool area	Timber deck flooring	-	-
Roof Terrace	Homogenous tiles	Emulsion paint	-

Tenancy Details

We understand the Units are currently vacant.

Other Searches

Chestertons has not conducted any legal requisition on the land lease/title, town planning control and other related matters and our valuation is made on the basis that the Property is free of encumbrances, restrictions or other impediments of an onerous nature which would affect the value. It is advisable for interested parties to seek full legal due diligence advice of a qualified legal solicitor prior to making any legal, financial or other commitments.

Valuation Basis

In arriving at our opinion of market value for the subject Property, we have taken into consideration the sales comparable approach, where appropriate. The sales transactions of comparable properties have been taken into consideration with regard to their location, tenure, age, size, condition, layout and design amongst other factors.

The sales comparison approach estimates the value of a property by comparing it to similar properties recently sold on the open market. Through an analysis of the comparable sales data, an indication of value can be developed based upon the sales price paid for similar properties.

We have identified three residential transactions in Singapore and the details of these properties are summarised in the following table.

Property	Tenure	Date of Sale	Floor Area (sq m)	Price	Price psm
99 Cairnhill Circle #04-02 Hilltops Singapore 229808	Freehold	16-Jun-14	267 (2,874 sq ft)	$11,285,640	$42,268 ($3,927 psf)
65 Cairnhill Road #11-01 The Ritz Carlton Residences Singapore Singapore 229721	Freehold	18-Dec-13	263 (2,831 sq ft)	$10,668,000	$40,563 ($3,768 psf)
65 Cairnhill Road #08-02 The Ritz Carlton Residences Singapore Singapore 229721	Freehold	3-Oct-13	263 (2,831 sq ft)	$10,800,000	$41,065 ($3,815 psf)

Source: Realis

Market Value **S$371,280,000 (Singapore Dollars Three Hundred Seventy One Million Two Hundred and Eighty Thousand Only)**

Stack 1				
Unit No.	Market Value	Price ($ psf)	Floor Area (sq ft)	Floor Area (sq m)
#17-01	$11,070,000	$3,910	2,831	263
#16-01	$10,990,000	$3,882	2,831	263
#15-01	$10,910,000	$3,854	2,831	263
#13-01	$10,830,000	$3,826	2,831	263
#12-01	$10,750,000	$3,797	2,831	263
#10-01	$10,300,000	$3,638	2,831	263
#09-01	$10,250,000	$3,621	2,831	263
#08-01	$10,200,000	$3,603	2,831	263
#07-01	$10,150,000	$3,585	2,831	263
#05-01	$10,050,000	$3,550	2,831	263

Stack 2				
Unit No.	Market Value	Price ($ psf)	Floor Area (sq ft)	Floor Area (sq m)
#36-02	$26,720,000	$4,110	6,501	604
#34-02	$15,340,000	$4,292	3,574	332
#33-02	$13,000,000	$4,253	3,057	284
#32-02	$12,880,000	$4,213	3,057	284
#31-02	$12,760,000	$4,174	3,057	284
#30-02	$12,640,000	$4,135	3,057	284
#26-02	$12,240,000	$4,004	3,057	284
#25-02	$12,140,000	$3,971	3,057	284
#22-02	$11,140,000	$3,935	2,831	263
#21-02	$11,040,000	$3,900	2,831	263
#19-02	$10,940,000	$3,864	2,831	263
#18-02	$10,860,000	$3,836	2,831	263
#17-02	$10,780,000	$3,808	2,831	263
#16-02	$10,700,000	$3,780	2,831	263
#15-02	$10,620,000	$3,751	2,831	263
#13-02	$10,540,000	$3,723	2,831	263
#12-02	$10,460,000	$3,695	2,831	263
#11-02	$10,380,000	$3,667	2,831	263
#10-02	$10,300,000	$3,638	2,831	263
#07-02	$10,150,000	$3,585	2,831	263
#06-02	$10,100,000	$3,568	2,831	263
#05-02	$10,050,000	$3,550	2,831	263

TOTAL	$371,280,000	$3,853	96,359	8,952

Date of Valuation	7 August 2014
Assumptions and Limiting Conditions	A list of other major assumptions made and the limiting conditions under which this valuation opinion is given is detailed in *Addendum 1* of this report. It is a condition of the use of this valuation that the reader accepts these statements.
Prepared By	**Chee Hok Yean (Est Mgt)(Hons) MSISV** **Executive Director** **Appraiser's Licence No.: AD 041 2003997F**

Chesterton Singapore Pte Ltd

Addendum I

Statement of Assumptions and Limiting Conditions

1. We have relied on information given by the Client and its representatives and have accepted advice given to us on such matters as land titles, easements, tenure, planning approvals, statutory notices, tenancy schedule, site and floor plans, building plans, floor areas, building design, building costs, operating and income statements and all other relevant matters. We have assumed the information given to us as correct and have not conducted independent checks to verify them, and no responsibility is assumed or implied by us. Interested parties are advised to seek further due diligence of qualified solicitors, engineers and other professionals as appropriate prior to making any legal, financial or other commitments. Should it be revealed that any information provided is inaccurate or misleading so that its use would affect the valuation, we seek to be informed of such discrepancies and accordingly reserve the right to amend our assessment.

2. The Property including its land titles, use rights and improvements is assumed to be transferable, marketable and free of any deed restrictions, easements, encumbrances or other impediments of an onerous nature that would affect the value of the Property. We have not conducted independent checks to verify and likewise advice interested parties to engage qualified solicitors to perform such checks and verifications as appropriate.

3. We have not considered the existence of potentially hazardous materials used in the construction or maintenance of the buildings, such as asbestos, urea formaldehyde foam insulation, or PCBs. We are thus unable to report that the Property is free from risk in this respect and have assumed that any investigation would not reveal the presence of hazardous materials. The valuers are not qualified to detect these substances and urge the Client to retain an expert in this field if desired. We have not investigated whether the site is or has been in the past contaminated and are therefore unable to warrant that the Property is free from any defect or risk in this respect. Our report is therefore based on the assumption that the land is not contaminated and any specialist investigation would not disclose the presence of any adverse conditions on the site or within the building.

4. In the course of the property inspection, particular investigation has not been made on environmental matters that are either an inherent feature of the Property itself or the surrounding area, which could impact on the property interest. Examples include the underground oil tanks, historic mining activity or electricity transmission equipment. We therefore value on the assumption that the Property is not affected by any such environmental matters.

5. No structural survey of the Property has been made by the valuers and no responsibility is assumed in connection with such matters. Sketches, pictures, maps and other exhibits are included to assist the Client in visualising the Property. It is assumed that the use of the land and premises is within the boundaries of the Property described and that there is no encroachment or trespass unless noted.

6. This Valuation Report is neither a structural survey nor a survey on the electrical and mechanical services in terms of both hardware and software. We therefore value on the assumption that the Property is of sound design and construction, and free from any inherent defect. No detailed inspection or tests have been carried out by us on any of the services or items of equipment; therefore, no warranty can be given with regard to their serviceability, efficiency, safety or adequacy for their purpose. We express no opinion or advice upon the condition of uninspected parts and our report should not be read as making any implied representation or statement about such parts. We have assumed that the Property together with the services therein is in a good state of repair and condition and that there are no outstanding items of expenditure required.

7. We have not inspected any of the Property's city, local and private consents, licences, approvals, permits or certificates for its use and operations. It is assumed that the Property will be in full compliance with all applicable city, local and private codes, laws, consents, licences and regulations (including a fire certificate and relevant

alcohol licences where appropriate), and that all licences, permits, certificates, franchises and so forth can be freely renewed and/or transferred to a purchaser. It is advisable for interested parties to seek full legal due diligence advice of a qualified legal solicitor prior to making any legal, financial or other commitments.

8. All mortgages, liens, encumbrances, leases, servitudes, arrears and penalties have been disregarded unless specified otherwise.

9. Chestertons is not required to give testimony or attendance in court by reason of this economic and valuation study without previous arrangements and only when our standard per diem fees and travel costs are paid prior to the appearance.

10. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material contained in this report, it is recommended that the reader contact Chestertons.

11. The quality of a property's on-site management has a direct effect on a property's economic viability and market value. The financial forecasts presented in this Valuation Report assume both responsible ownership and competent management. Any variance from this assumption may have a significant impact on the forecast operating results.

12. The estimated operating results presented in this report are based on an evaluation of the current overall economy of the area and neither take into account nor make provision for the effect of any sharp rise or decline in local or economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the Property, it is expected that the prices of rooms, food, beverages and services will be adjusted to at least offset these advances. Chestertons does not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of typical investors.

13. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based upon numbers carried out to three or more decimal places. In the interest of simplicity, most numbers presented in this report have been rounded. Thus, these figures may be subject to small rounding errors in some cases.

14. Our valuation opinion is current as at the date of valuation. It is likely that the value assessed may be subjected to significant and unexpected changes over a relatively short period due to reasons including, but not limited to, the result of general market movements and/or other factors specific to the subject Property. We are not liable for any losses arising from any of such subsequent changes in value and neither do we accept any liability where our value opinion is relied upon after the expiration of three months from the date of valuation. We shall not be responsible for any delay to the performance of our valuation exercise, where matters beyond our control cause such delay.

15. Valuing real estate is both a science and an art. Although this valuation employs various mathematical calculations, the final estimate is subjective and may be influenced by the consultant's experience and other factors not specifically set forth in this report.

16. It is assumed that the relationship between the currencies used in this report and other major world currencies remains constant as at the date of our fieldwork.

17. Whilst the information contained herein is believed to be correct, it is subject to change. Nothing contained herein is to be construed as a representation or warranty of any kind.

18. Until the time that all of our professional fees and other charges have been paid in full, the draft or final report, which is provided to you as a professional courtesy, remains the intellectual property of Chestertons and shall not be utilised in attempting to: a) obtain financial capital (whether debt or equity); b) further any litigation, mediation, or arbitration processes; or c) assist the Client in any cause, action or endeavour.

If Chestertons has not been paid in full for its outstanding professional fees and other charges, and the draft or final report is used in violation of this agreement, Chestertons will be entitled to seek injunctive relief, monetary damages, and the cost of attorney fees and collection expenses.

19. It is agreed that the liability of Chestertons, its employees and anyone else associated with this assignment is limited to the amount of the fee paid as liquidated damages. You acknowledge that any opinions, recommendations and conclusions expressed during this assignment will be rendered by the staff of Chestertons acting solely as employees and not as individuals. Any responsibility of Chestertons is limited to the Client, and use of our product by third parties shall be solely at the risk of the Client and/or third parties.

20. This assessment and study has been undertaken by Chestertons as an independent consultant.

21. Throughout this report, 'Chestertons' refers to the trading name of Chesterton Singapore Pte Ltd (Business Registration Number 201319407N).

KOP LIMITED

(Company Registration Number: 200415164G)
(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of KOP Limited (the "**Company**") will be held at 25 Tai Seng Ave, #01-01, Scorpio East Building, Singapore 534104, on 15 December 2014 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without any modifications, the following resolution which will be proposed as an Ordinary Resolution:

All capitalised terms in this Notice which are not defined herein shall have the same meanings ascribed to them in the Circular to shareholders of the Company dated 28 November 2014.

AS AN ORDINARY RESOLUTION

(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,

AS INTERESTED PERSON TRANSACTIONS.

THAT:

(a) Pursuant to Chapter 9 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), approval be and is hereby given for the Proposed Transactions as interested person transactions on the terms set out in the Letter of Offer and the 2014 Subscription Agreement; and

(b) any of the Directors of the Company be and is hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Ordinary Resolution.

By Order of the Board

Ong Chih Ching
Executive Chairman and Executive Director
KOP LIMITED

Singapore, 28 November 2014

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one (1) proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.
2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 152 Beach Road, #27-01 The Gateway East, Singapore 189721, not later than 48 hours before the time appointed for holding the EGM. The sending of a proxy form by a member does not preclude him from attending and voting in person at the EGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form to the EGM.
4. The form of proxy must be signed by the appointor or his attorney duly authorised in writing. In the case of joint Shareholders, all holders must sign the form of proxy.

PROXY FORM

KOP LIMITED
(Company Registration Number: 200415164G)
(Incorporated in the Republic of Singapore)

PROXY FORM
EXTRAORDINARY GENERAL MEETING

IMPORTANT:

1. For investors who have used their Central Provident Fund ("**CPF**") monies to buy shares in KOP Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is strictly FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Extraordinary General Meeting as OBSERVERS must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ______________________________ NRIC/Passport No. ______________

of ____

being a member/members of **KOP LIMITED** (the "**Company**") hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held at 25 Tai Seng Ave, #01-01, Scorpio East Building, Singapore 534104, on 15 December 2014 at 10.00 a.m., and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolution proposed at the Meeting as hereunder indicated. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies may vote or abstain from voting at his/her/their discretions. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided)

	TO BE USED ON A SHOW OF HANDS		TO BE USED IN THE EVENT OF A POLL	
ORDINARY RESOLUTION	FOR*	AGAINST*	NUMBER OF VOTES FOR*	NUMBER OF VOTES AGAINST*
To approve the Proposed Transactions on the terms set out in the Letter of Offer and the 2014 Subscription Agreement as interested person transactions				

* If you wish to exercise all your votes 'For' or 'Against' the relevant resolution, please tick [√] within the relevant box. Alternatively, if you wish to exercise your votes for both 'For' and 'Against' the relevant resolution, please indicate the number of Shares in the boxes provided.

Dated this ________ day of ____________________ 2014

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)/
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE PAGE BEFORE COMPLETING THIS FORM

NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register as defined in Section 130A of the Companies Act, Chapter 50 of Singapore, you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members of the Company, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint no more than two (2) proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, the appointment shall be deemed to be in the alternative unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. The instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof) must be deposited at the registered office of the Company at 152 Beach Road, #27-01 The Gateway East, Singapore 189721, not later than 48 hours before the time appointed for the holding of the Extraordinary General Meeting.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a shareholder of the Company may, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

8. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

TOPPAN VITE PTE. LTD. SCR1411043