



Second Chance Properties Ltd
(Company Registration No.198103193M)

PROPOSED DISPOSAL OF PROPERTIES

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Second Chance Properties Ltd (the “**Company**” and together with its subsidiaries the “**Group**”) wishes to announce that each of the Group’s wholly-owned subsidiaries (“**Subsidiary**” or “**Subsidiaries**” as the case may be) has on 6 February 2014 entered into an option agreement (the “**Option Agreement**”) and collectively, the “**Option Agreements**”) with Celestine Management Private Limited (“**CM**”) in respect of the proposed disposal of the Properties (the “**Properties**” and each a “**Property**”) owned by the Group (the “**Proposed Disposal**”).

Pursuant to each of the Option Agreements, (i) CM has granted each Subsidiary a conditional put option (“**Put Option**”) which when exercised will require the Trustee (as defined below) as purchaser (“**Purchaser**”) to enter into a sale and purchase agreement (“**Property SPA**”) with the Subsidiary and (ii) each Subsidiary has also granted CM a conditional call option (“**Call Option**”) which when exercised will require the Subsidiary to enter into the Property SPA with the Purchaser, for the disposal of the Properties by the Subsidiary to the Purchaser at the Purchase Consideration (as defined below) and on the terms and subject to the conditions of the Property SPA.

2. INFORMATION ON CM AND THE PURCHASER

The information below has been provided by CM and has not been independently verified by the Company.

CM is the proposed manager of Celestine real estate property trust fund which is, subject to prior approval by the Monetary Authority of Singapore (“**MAS**”), intended to be listed as a real estate investment property fund on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), (“**Fund**”) to be established in Singapore and to be constituted by way of a trust deed between CM (as fund manager) and the proposed trustee (“**Trustee**”) of such Fund. The Fund has the objective of investing directly or indirectly in income-producing real estate and real estate-related assets. The strategy of CM as manager of the Fund is to provide unitholders of the Fund with a competitive rate of return on their investment by ensuring stable and regular distributions and long-term growth in both distributions and net asset value per unit. This would involve sourcing and acquiring value-enhancing assets in Asia, with an initial focus on properties in Singapore.

The objective and purpose of CM in obtaining the Option Agreements is to facilitate CM in building a portfolio of properties with the intention of transferring or causing such portfolio of properties to be owned by the Fund, and ultimately listing the Fund on the SGX-ST.

As at the date of this announcement, the directors of CM are Richard Tan Ming Kirk, Ravindran s/o Ramasamy, Ong Seow Eng and Chan Wang Kin and the sole shareholder of CM is Chan Wang Kin. None of them are related to the Directors and controlling shareholders of the Company.

3. THE PROPERTIES

Further details of the Properties are set out in the Appendix to this announcement.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Group entered the business of investing in properties in 1999-2000. It has held its properties as long term investments and earned steady rental income which became an increasing part of the Group's revenue and profits over the years. The Group has reaped the benefits manifold over the past 14 years or so in the property investment business.

Going forward, the Board thinks that it is prudent to significantly reduce the Group's exposure to its investments in properties. Additionally, the opportunity to sell the properties *en masse* is a rare one and provides the Group with an easier and more expedient means of disposing the Properties as compared to selling each Property individually.

The Proposed Disposal is also expected to unlock the equity tied up in real estate and the additional working capital derived from the proceeds of the Proposed Disposal can be redeployed into the operating business or to fund business expansion in the region, potentially generating a much higher return on equity. Please refer to paragraph 11 (*Use of Proceeds*) below for more details of the use of proceeds.

5. PURCHASE CONSIDERATION

The purchase consideration for the Proposed Disposal of S\$175,376,412 (the "**Purchase Consideration**") was arrived at after arm's length negotiations and on a willing buyer willing seller basis after taking into account:

- (i) the total market value of the Properties of S\$134,773,500 (as at 31 August 2013) based on the valuation reports issued by Jones Lang Lasalle Property Consultants Pte Ltd on 17 September 2013 and 7 November 2013; and
- (ii) various commercial factors including comparing recent transacted process in the vicinity and the prevailing market conditions.

The Purchase Consideration will be fully satisfied by cash or, at the option of the Company, in the form of units in the Fund for up to ten per cent (10%) of the Purchase Consideration and the balance in cash.

The aforesaid valuation was conducted by Jones Lang Lasalle as a desk-top valuation and was based on the "direct comparison and income" approaches.

6. SALIENT TERMS OF EACH OPTION AGREEMENT

- (i) **Exclusion of Properties**

Some of the Properties may be excluded from the Proposed Disposal in any of the following situations:

- (a) In respect of the Properties with leasehold tenure, in the event that the head lessor (including the HDB) ("**Head Lessor**") imposes any terms and conditions when granting its approval for the Proposed Disposal and such terms and conditions are not satisfactory to the Purchaser, the latter shall be entitled to declare the affected Property or Properties to be excluded from the Proposed Disposal.
- (b) In the event that any one or more of the Properties are affected by unsatisfactory legal requisition replies, the Purchaser may by written notice and setting out the reasons why the legal requisition replies are unsatisfactory, declare such Property or Properties to be excluded from the Proposed Disposal.
- (c) The rights of each party to issue and serve on the other party either the notice of exercise of the Call Option or the Put Option (where applicable) is conditional and subject to there being no acquisition, notice of acquisition or notice of intended acquisition of any of the Properties by the government or other competent authority on or before legal completion of the Proposed Disposal. In the event that any of the Properties is affected by such acquisition or notice thereof, the Purchaser may by written notice declare such Property or Properties to be excluded from the Proposed Disposal.
- (d) If at any time prior to legal completion of the Proposed Disposal, any of the Properties is materially damaged, the Purchaser may by written notice declare such Property or Properties to be excluded from the Proposed Disposal.

"Materially damaged" means damage to the Property or any part thereof so as to be unfit for use or occupation or rendered unsafe or inaccessible or cannot lawfully be used and which in the opinion of the Fund's appointed valuers, reduces the valuation of the fair market value of the Property as at the date of the Option Agreement by three per cent (3%) or more.

- (e) If the requisite approvals from SGX-ST or MAS are not obtained for any of the Properties due to issues arising out of and relating to the valuation of any of the said Properties (on an individual Property basis), the Purchaser shall by written notice declare such Property or Properties to be excluded from the Proposed Disposal.
- (f) If the requisite approvals from the relevant regulatory authorities (including but not limited to HDB but excluding SGX-ST and MAS), are not obtained for any of the Properties, the relevant Subsidiary or the Purchaser shall by written notice declare such Property or Properties to be excluded from the Proposed Disposal.

(ii) **Call and Put Option and Option Exercise Period**

The Purchaser may exercise the Call Option, and the Subsidiaries may exercise the Put Option, during the Option Exercise Period and subject to the Conditions Precedent having been fulfilled by 29 August 2014 (the "**Target Date**"). "*Option Exercise Period*" means the period of five days commencing after the date of the fulfilment of the last of the following:

- (a) satisfaction by the Purchaser of the Financing Condition (defined below); and
- (b) the closing of the application for units in the Fund,

but shall in any event not extend beyond the Target Date.

Upon the exercise of the Call Option or the Put Option in accordance with the terms of each Option Agreement (as the case may be), each of the Subsidiaries and the Purchaser shall be bound to enter into the Property SPA for the sale and purchase of the Properties on the terms and conditions of the Property SPA. The parties have also agreed for the Company and the Purchaser to enter into a lease agreement (simultaneously with the execution of the Property SPA) for the proposed lease of premises in the Properties by the Purchaser to the Company upon the legal completion of the Proposed Disposal for a period of three years ("**Proposed Leaseback**").

In respect of all existing tenancies, licences and occupation agreements (if any) entered into by each Subsidiary on or before legal completion of the Proposed Disposal and in anticipation of the Proposed Leaseback in respect of the Properties, upon the exercise of the Call Option or the Put Option (as the case may be), each Subsidiary shall also execute a deed of assignment, to irrevocably and unconditionally assign to the Company all its rights, title and interest in and to such existing leases and pursuant to the said deed of assignment, execute a notice of assignment to each of the tenant(s) under each of such existing leases.

(iii) **Completion**

- (a) Completion of the Proposed Disposal shall take place in accordance with the terms and subject to the conditions of each Property SPA.
- (b) The legal completion of the Proposed Disposal under the each Property SPA is conditional and subject to amongst others, the simultaneous completion of all and not some of the Properties (excluding the Property or Properties to be excluded from the Proposed Disposal as per paragraph 6(i) above).

7. CONDITIONS PRECEDENT FOR THE EXERCISE OF EACH PUT OPTION AND CALL OPTION

According to each Option Agreement, the rights of the Purchaser to exercise the Call Option and the right of the Subsidiary to exercise the Put Option (as the case may be) are conditional upon the following, *amongst others*:-

- (a) the Purchaser obtaining sufficient financing to undertake the purchase of the Properties by the Target Date to undertake the acquisition of the Properties and such financing having not been terminated and being unconditional in all respects ("**Financing Condition**");
- (b) the Company obtaining by the Target Date the approval of the Head Lessor, where necessary to (I) sale of the Properties by the Subsidiaries to the Purchaser at the Purchase Consideration, and (II) the Proposed Leaseback, on terms and conditions satisfactory in all respects to the Purchaser, where applicable;
- (c) the Purchaser obtaining by the Target Date the letter of eligibility to list the Fund on the SGX-ST;
- (d) the MAS not raising any objections, whether verbally or in writing, in relation to the listing of the Fund on the SGX-ST;

- (e) the Purchaser's financial adviser for purposes of the listing of the Fund being of the opinion that the acquisition of the Properties as part of the portfolio of properties to be owned by the Fund will be approved by SGX-ST; and
- (f) all necessary approval(s) pursuant to the Listing Manual of the SGX-ST ("**Listing Manual**") or other regulatory authority being obtained, including without limitation to the approval of the board of directors of the Company and the approval of the shareholders of the Company at the extraordinary general meeting ("**EGM**") to be convened, for the Proposed Disposal.

8. LISTING MANUAL COMPUTATION

The relative figures computed on the basis set out in Rule 1006 of the Listing Manual for the Proposed Disposal are as follows:-

Rule 1006	Bases	(A) S\$	(B) S\$	Relative Figures (A)/(B) in %
(a)	Net asset value of the Properties to be disposed of (A) as compared with the Group's net asset value (B) ⁽¹⁾ .	115,713,759	260,842,244	44.36
(b)	Net profit ⁽²⁾ attributable to the Property disposed (A) compared with the Group's net profits (B).	5,583,336	59,424,519	9.40
(c)	The aggregate value of the consideration received (A) compared with the market capitalisation on 5 February 2014, being the market day preceding the date of the Option Agreement (B)	175,376,412	294,586,445	59.53
(d)	The number of equity securities issued by the issuer as consideration compared to the number of equity securities previously in issue	N.A.	N.A.	N.A.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	N.A.	N.A.	N.A.

Notes:

- (1) Based on the Group's latest announced audited financial statements for the financial year ended 31 August 2013, assuming the disposal was effected on 31 August 2013.
- (2) Under Rule 1002(3)(b), "net profit" means profit before income tax, minority interests and extraordinary items.

As the relative figures set out in 1006 (a) and (c) exceed 20%, the Proposed Disposal constitutes a major transaction as defined in Chapter 10 of the Listing Manual which requires the approval of the shareholders at an EGM.

The Company will be circulating the shareholders' circular in due course and will make the relevant announcement for the convening of the EGM of the Company.

9. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal on the Company's consolidated net tangible assets ("**NTA**"), consolidated Earnings Per Share ("**EPS**") and gearing ratio are set out below, and have been prepared on the basis that the Proposed Disposal had taken place:

- (i) for the purpose of the balance sheet, as at 31 August 2013, being the date to which the latest full year audited financial statements of the Company were made up; and
- (ii) for the purpose of the profit and loss account, from 1 September 2012 being the start of the latest audited financial year.

The pro forma financial effects of the Proposed Disposal on the consolidated NTA and consolidated EPS of the Company are purely for illustrative purposes only. The financial effects stated below are neither indicative of the actual financial effects of the Proposed Disposal on the consolidated NTA and consolidated EPS of the Company, nor are they indicative of the financial performance of the Company for the financial year ended 31 August 2013 ("**FY2013**").

(a) EPS

The pro forma financial effects of the Proposed Disposal on the EPS of the Company for FY2013, assuming that the Proposed Disposal had been effected as at 1 September 2012 are as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
Net profit after tax (S\$ '000)	57,132	93,378
Weighted average number of shares ('000)	634,526	634,526
EPS (S\$ cents)	9.00	14.72

(b) NTA

The pro forma financial effects of the Proposed Disposal on the NTA of the Company as at 31 August 2013, assuming that the Proposed Disposal had been effected as at 31 August 2013 are as follows:-

	Before adjusting for the Proposed Disposal	After adjusting for the Proposed Disposal
NTA (S\$ '000)	260,842	301,445
NTA per share (S\$ cents)	39.10	45.18

(c) Gearing

The pro forma financial effects of the Proposed Disposal on the gearing of the Group for FY2013, assuming that the Proposed Disposal had been effected as at 31 August 2013 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Total borrowings (S\$ '000)	51,263	0 ⁽¹⁾
Total equity (S\$ '000)	260,842	301,445
Gearing (times) ⁽²⁾	0.2	0

Note:

- (1) It is intended that part of the net proceeds arising from the Proposed Disposal will be used to repay all outstanding bank loans and debts.
- (2) Gearing equals total borrowings divided by total equity.

10. VALUE OF THE PROPERTY AND GAIN ON DISPOSAL

As at 31 August 2013, the net book value ("NBV") of the Properties was approximately S\$134,773,500. Given that the Purchase Consideration represents an excess over the NBV of the Property, the Proposed Disposal will result in a gross gain of approximately S\$40,602,912.

11. USE OF PROCEEDS

Assuming that all the Properties are disposed following the completion of the Proposed Disposal, the proceeds from the Proposed Disposal will be used in the following manner:-

- (i) approximately 39% of the proceeds from the Proposed Disposal will be used to repay debts of the Group;
- (ii) approximately 6% of the proceeds of the Proposed Disposal will be used to distribute as dividend; and
- (iii) approximately 55% of the proceeds from the Proposed Disposal will be used to redeploy into operating business or to fund business expansion in the region in order to generate higher return.

12. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and controlling shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholding interests in the Company).

None of the Directors and controlling shareholders of the Company or their associates has any interest, direct or indirect, in the Purchaser or CM.

No Directors are proposed to be appointed to the Company in connection with the Proposed Disposal.

13. CIRCULAR AND DOCUMENTS AVAILABLE FOR INSPECTION

The circular to shareholders of the Company containing additional information on the Proposed Disposal and other related matters, and enclosing the notice of the EGM of the Company to be convened to seek the approval of shareholders for the Proposed Disposal, will be despatched by the Company to shareholders in due course.

Copies of the Option Agreements and the valuation reports are available for inspection during normal business hours for three (3) months from the date of this announcement at the Company's registered office at 845, Geylang Road #04-22 Tanjong Katong Complex, Singapore 400845.

14. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Disposal and other matters contemplated by this announcement. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Mohamed Salleh s/o Kadir Mohideen Saibu Maricar
Founder & CEO
6 February 2014

APPENDIX

List of the Properties

NO.	PROPERTIES ADDRESS	PURCHASE CONSIDERATION (\$)	TENURE	AREA (SQ FT)	SUBSIDIARIES OWNING THE PROPERTIES
1.	810 Geylang Road #01-45/46 City Plaza Singapore	5,801,600	Freehold	1184.03	Double Chance Properties Pte. Ltd.
2.	810 Geylang Road #01-60/61 City Plaza Singapore	6,066,200	Freehold	1237.85	
3.	Blk 214 Bedok North Street 1 #01-161 Singapore	6,070,923	Leasehold (HDB)	1593.06	
4.	111 North Bridge Road #01-29 Peninsula Plaza Singapore	3,691,032	999-Year Leasehold	452.08	
5.	810 Geylang Road #01-47 City Plaza Singapore	2,514,960	Freehold	419.79	Second Chance Investments Pte. Ltd.
6.	810 Geylang Road #02-51 City Plaza Singapore	2,371,600	Freehold	484.38	
7.	810 Geylang Road #01-56/57 City Plaza Singapore	5,537,000	Freehold	1130.21	
8.	Blk 710A Ang Mo Kio Avenue 8 #01-2625 Singapore	14,781,501	Leasehold (HDB)	3573.61	New Chance Properties Pte. Ltd.
9.	14 Scotts Road #02-40 Far East Plaza Singapore	2,898,930	Freehold	355.21	Good Chance Properties Pte. Ltd.
10.	1 Park Road #01-32 People's Park Complex Singapore	2,590,182	99-Year Leasehold	365.97	
11.	1 Park Road #01-33 People's Park Complex Singapore	3,198,804	99-Year Leasehold	452.08	
12.	810 Geylang Road #02-50 City Plaza Singapore	2,004,100	Freehold	409.03	
13.	810 Geylang Road #01-81 City Plaza Singapore	2,383,224	Freehold	398.26	
14.	810 Geylang Road #02-81/82 City Plaza Singapore	4,124,185	Freehold	947.22	

NO.	PROPERTIES ADDRESS	PURCHASE CONSIDERATION (\$)	TENURE	AREA (SQ FT)	SUBSIDIARIES OWNING THE PROPERTIES
15.	810 Geylang Road #01-43 City Plaza Singapore	1,230,344	Freehold Freehold	226.04	
16.	810 Geylang Road #01-44 City Plaza Singapore	1,230,344	Freehold	226.04	
17.	Blk 12 Haig Road #01-327 Singapore	7,216,235	Leasehold (HDB)	1657.64	Equal Chance Properties Pte. Ltd.
18.	Blk 190 Toa Payoh Lorong 6 #01-538 Singapore	4,022,590	Leasehold (HDB)	376.74	
19.	Blk 201B Tampines Street 21 #01-1063 Singapore	6,466,680	Leasehold (HDB)	1980.56	
20.	810 Geylang Road #02-105 to #02-108 City Plaza Singapore	5,272,400	Freehold	1076.39	Golden Chance Goldsmith Pte. Ltd.
21.	Blk 505 Tampines Central 1 #01-357 Singapore	3,413,160	Leasehold (HDB)	570.49	Top Chance Properties Pte. Ltd.
22.	221 Boon Lay Place #01-114 Boon Lay Shopping Centre Singapore	2,900,800	Leasehold (HDB)	592.01	
23.	Blk 505 Tampines Central 1 #01-355 Singapore	3,544,896	Leasehold (HDB)	592.01	Best Chance Properties Pte. Ltd.
24.	810 Geylang Road #02-49 City Plaza Singapore	2,125,740	Freehold	355.21	
25.	221 Boon Lay Place #01-122 Boon Lay Shopping Centre Singapore	2,900,800	Leasehold (HDB)	592.01	
26.	Blk 83 Marine Parade Central #01-580 Singapore	6,234,459	Leasehold (HDB)	1506.95	
27.	Blk 12 Haig Road #01-323 Singapore	18,421,650	Leasehold (HDB)	4230.21	Super Chance Properties Pte. Ltd.
28.	1 Rochor Canal Road #05-53 Sim Lim Square Singapore	2,670,668	99-Year Leasehold	505.9	Winning Chance Investments Pte. Ltd.

NO.	PROPERTIES ADDRESS	PURCHASE CONSIDERATION (\$)	TENURE	AREA (SQ FT)	SUBSIDIARIES OWNING THE PROPERTIES
29.	1 Rochor Canal Road #05-54 Sim Lim Square Singapore	2,554,552	99-Year Leasehold	484.38	
30.	1 Rochor Canal Road #05-60 Sim Lim Square Singapore	2,191,608	99-Year Leasehold	365.97	Classic Chance Properties Pte. Ltd.
31.	1 Rochor Canal Road #05-61 Sim Lim Square Singapore	2,257,476	99-Year Leasehold	376.74	
32.	1 Rochor Canal Road #05-73 Sim Lim Square Singapore	2,796,255	103-Year Leasehold	495.14	
33.	1 Rochor Canal Road, #05-74, Sim Lim Square, Singapore	2,858,394	103-Year Leasehold	505.9	
34.	1 Rochor Canal Road #05-72 Sim Lim Square Singapore	2,799,720	99-Year Leasehold	495.14	Great Chance Properties Pte. Ltd.
35.	1 Rochor Canal Road #05-36 Sim Lim Square Singapore	1,425,900	99-Year Leasehold	290.63	Prime Chance Properties Pte. Ltd.
36.	1 Rochor Canal Road #05-62 Sim Lim Square Singapore	2,746,216	99-Year Leasehold	484.38	
37.	1 Rochor Canal Road #05-63 Sim Lim Square Singapore	2,746,216	99-Year Leasehold	484.38	
38.	1 Rochor Canal Road #05-64 Sim Lim Square Singapore	2,679,048	103-Year Leasehold	473.61	
39.	1 Rochor Canal Road #05-65 Sim Lim Square Singapore	2,735,568	103-Year Leasehold	484.38	
40.	10 Anson Road #20-07 International Plaza Singapore	3,638,312	99-Year Leasehold	1,453.13	Easy Chance Properties Pte. Ltd.
41.	91 Bencoolen Street #07-01 Sunshine Plaza Singapore	2,883,672	99-Year Leasehold	1323.96	One Chance Properties Pte. Ltd.
42.	91 Bencoolen Street #07-02 Sunshine Plaza Singapore	2,249,874	99-Year Leasehold	1033.33	
43.	91 Bencoolen Street #07-03 Sunshine Plaza Singapore	1,524,600	99-Year Leasehold	699.65	
44.	91 Bencoolen Street #07-04 Sunshine Plaza Singapore	2,415,402	99-Year Leasehold	1108.68	

NO.	PROPERTIES ADDRESS	PURCHASE CONSIDERATION (\$)	TENURE	AREA (SQ FT)	SUBSIDIARIES OWNING THE PROPERTIES
45.	91 Bencoolen Street #07-05 Sunshine Plaza Singapore	3,188,592	99-Year Leasehold	1463.89	
	TOTAL	175,376,412			