



LOW KENG HUAT (SINGAPORE) LIMITED (Reg. No. 196900209G)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 20.0% EQUITY INTEREST IN AXA TOWER

1. INTRODUCTION

The Board of Directors (the “**Board**”) of LOW KENG HUAT (SINGAPORE) LIMITED (“**LKHS**” or the “**Company**”, together with its subsidiaries, “**LKHS Group**”) wish to announce that HUATLAND DEVELOPMENT PTE. LTD. (“**HDPL**”), a wholly owned subsidiary of the Company, has today executed a letter of participation (the “**LOP**”) in connection with the acquisition of a 20.0 per cent equity interest (the “**Transaction**”) in an entity which will be acquiring a property known as AXA Tower which is located at 8 Shenton Way, Singapore 068811 on the whole of Lots 144C and 147V, both of Subdivision 30 (the “**Property**”) for Purchase Consideration (as defined below) of \$1.17 billion.

2. TERMS OF THE TRANSACTION

2.1 Terms of LOP. Under the terms of the LOP:

- 2.1.1 the proposed investment by HDPL into the Property is by way of a subscription of junior bonds with attached ordinary shares (the “**Investment Securities**”) which will be issued by a special purpose vehicle (the “**Issuer**”);
- 2.1.2 the Issuer (directly or indirectly) will acquire all the issued shares of Raffle AXA Tower Pte. Limited (the “**Property SPV**”) at the Purchase Consideration. The Property SPV is the sole owner of the Property; and
- 2.1.3 the purchase consideration for all the issued shares of the Property SPV (the “**Purchase Consideration**”) comprises the net asset value of the Property SPV, on the basis that the value of the Property is fixed at S\$1.17 billion. The Purchase Consideration is subject to adjustments based on the net asset value of the Property SPV on completion. Further, the Purchase Consideration was arrived at on a willing buyer willing seller basis after taking into account *inter alia* the expected net income to be derived from the Property and the latest valuation of the Property.

2.2 Subscription Amount. It is intended that the Purchase Consideration will be funded by way of:

- 2.2.1 external bank borrowings to be taken up by the Property SPV and/or its related corporations (the “**Senior Borrowings**”); and
- 2.2.2 subscription proceeds from the issuance of Investment Securities.

The Issuer has obtained letters of participation from a consortium of investors to subscribe for the Investment Securities. The aggregate principal amount to be raised from the Investment Securities (the “**Aggregate Subscription Amount**”) will be finalised once the final amount of Senior Borrowings to be obtained has been determined. HDPL, as a member of the consortium of investors, has agreed to subscribe for 20.0 per cent. of the Aggregate Subscription Amount. Based on the intended level of Senior Borrowings, the current estimated Aggregate Subscription Amount is S\$378.0 million, with HDPL’s committed stake of 20.0 per cent. being approximately S\$75.6 million. The Issuer shall determine the final Aggregate Subscription Amount and HDPL’s corresponding 20.0 per cent stake (the “**HDPL Investment Amount**”) in due course. HDPL intends to satisfy the HDPL Investment Amount in cash.

2.3 Terms of Payment. HDPL has paid a deposit to the Issuer, which will be applied towards HDPL’s obligation to pay the HDPL Investment Amount upon the closing of the subscription for the Investment Securities. This deposit will be refunded to HDPL in the event that the acquisition of the Property SPV is not completed in accordance with the terms of the LOP.

2.4 Value of Property SPV. Based on the audited financial statements of the Property SPV as at 31 December 2013, the book value and the net tangible asset value of the issued shares of the Property SPV is S\$458.6 million.

3. CHAPTER 10 OF THE SGX-ST LISTING MANUAL

The relative figures of the Transaction computed on the applicable bases set out in Rule 1006 of the SGX-ST Listing Manual (“**Listing Manual**”) are as follows:

Rule 1006	Bases	Proposed Transaction (\$\$ '000)	LKHS Group (\$\$ '000)	Relative Figures (%)
(b)	Net profits attributable to equity interest to be acquired pursuant to the Transaction, compared with the LKHS Group’s net profits ⁽¹⁾	4,200	53,863	7.8
(c)	Consideration payable for the Transaction compared with LKHS’s market capitalisation ⁽²⁾	234,000	543,030	43.1

Notes:

(1) As the Issuer is a special purpose vehicle, the net profits attributable are calculated on the assumption that the Issuer has indirectly acquired the Property SPV and the profits attributable to the 20.0 per cent interest to be acquired pursuant to the Transaction is derived from the audited financial statements of the Property SPV for the year ended 31 December 2013 (“**FY2013**”). Such profits are compared with the LKHS Group’s audited net profits for the financial year ended 31 January 2014 as set out in the audited consolidated financial statements for financial year ended 31 January 2014.

(2) The value of the consideration payable for the Transaction is computed on the assumption that the Purchase Consideration will be S\$1.17 billion, without any net asset value adjustment, and on the basis that the HDPL Investment Amount is approximately 20.0 per cent. of the Purchase Consideration. The LKHS Group’s market capitalisation is based upon 738,816,000 LKHS shares in issue (excluding treasury shares) as at 30 January 2015, being the latest practicable date prior to the date of this Announcement on which LKHS shares were traded on the SGX-ST, at a closing share price of S\$0.735 per LKHS share on 30 January 2015.

Although the relative figure computed based on Rule 1006(c) of the Listing Manual exceeds 20 per cent., the Transaction does not constitute a “transaction” for the purposes of Rule 1002(1) of the Listing Manual as it is a transaction in the Company’s ordinary course of business. Accordingly, the Transaction does not fall within the ambit of Rule 1014 of the Listing Manual.

4. RATIONALE FOR THE TRANSACTION

The Transaction represents an opportunity for the LKHS Group to acquire a significant equity stake in a property which provides a strong upside potential. Currently, AXA Tower has unutilised plot ratio that translates to an additional gross floor area of over 210,000 square feet. The property is also allowed to house medical suites amounting to no more than 32,000 square feet. The Consortium will explore the most efficient asset plan to utilise the additional gross floor area and permissible medical suite usage to maximise the value of the asset. The strata-sale of the office space at the prime property will also be explored, where feasible.

In conjunction with the proposed investment, the Perennial Real Estate Holdings (Singapore) Limited Group will be appointed as the asset manager, property manager and project manager for the Property SPV.

5. FINANCIAL EFFECTS

5.1 Bases and Assumptions. The following pro forma financial effects of the Transaction on the LKHS Group are theoretical in nature and are therefore not necessarily indicative of the future financial position and earnings of the LKHS Group following the Transaction. The pro forma financial effects have also been prepared based on the following bases and assumptions:

- 5.1.1 the pro forma financial effects have been computed based on (a) the audited consolidated financial statements of LKHS as at 31 January 2014 and (b) the audited consolidated financial statements of the Property SPV for FY2013;
- 5.1.2 the Purchase Consideration will be S\$1.17 billion;
- 5.1.3 the Purchase Consideration will be funded through a combination of (a) Senior Borrowings of an amount not less than S\$819.0 million and (b) the Aggregate Subscription Amount to be provided by the Consortium of approximately S\$378.0 million;
- 5.1.4 the HDPL Investment Amount will be approximately S\$75.6 million and it will be funded in cash;
- 5.1.5 the profits are calculated on the basis that there has been no revaluation gain arising from the Proposed LKHS Transaction for both the Asset Owner and the LKHS Group; and
- 5.1.6 the issued share capital of LKHS is 738,816,000 shares.

5.2 Earnings. For illustrative purposes only and assuming that the Transaction had been completed on 31 January 2014, the pro forma financial effects on the earnings of the LKHS Group are as follows:

	Before the Transaction	After the Transaction
Profit after tax and non-controlling interests (before fair value adjustments and exceptional items) (\$'000)	48,115	52,315
Earnings per LKHS share (cents)	6.51	7.08

5.3 NTA. For illustrative purposes only and assuming that the Transaction had been completed on 31 January 2014, the pro forma financial effects on the net tangible assets (“NTA”) of the LKHS Group are as follows:

	Before the Transaction	After the Transaction
NTA (\$'000)	478,786	478,786
Number of ordinary shares of LKHS	738,816,000	738,816,000
NTA per LKHS share (\$)	0.65	0.65

6. INTERESTED PERSON TRANSACTIONS AND FURTHER INFORMATION

6.1 Service Contracts. No director is proposed to be appointed to LKHS or its subsidiaries as a result of the Transaction.

6.2 Interests of Directors and Substantial Shareholders of the Company. Save as disclosed in this Announcement, none of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Transaction.

BY ORDER OF THE BOARD

Low Keng Boon
 Joint Managing Director
 2 February 2015
 Singapore