

ACQUISITION OF HOTEL PROPERTY IN OSAKA, JAPAN

1. INTRODUCTION

The board of directors (the “**Board**”) of ICP Ltd. (the “**Company**”), together with its subsidiaries (the “**Group**”), wishes to announce that the Group has on 26 November 2020, entered into the following agreements in connection with the Group’s proposed acquisition of a trust beneficiary interest (“**TBI**”) in a hotel property (“**Property**”) in Osaka, Japan (“**Proposed Acquisition**”) currently operating as the b Osaka Midosuji Hotel:

- i) The Group has, through its wholly owned subsidiary, Midscale Hotel Investments Pte. Ltd. (“**MHI**”), entered into a joint venture agreement (“**JVA**”) with Plenitude Osaka Sdn Bhd, (the “**JV Partner**”) pursuant to which MHI SG 1 Pte. Ltd. (“**JVCo**” or “**Purchaser**”), a wholly-owned subsidiary of the Group, would issue a total of 99 ordinary shares to MHI and the JV Partner such that the Group and the JV Partner will hold 5% and 95% shareholding interest (“**Agreed Proportion**”) in the JVCo respectively.
- ii) The Purchaser has, on behalf of a special purpose company (“**TMK**”) to be incorporated under Japanese law and which will be an indirect subsidiary of the Purchaser, entered into a conditional Purchase and Sale Agreement (“**PSA**”) with Tokyo Tatemono Co., Ltd. (the “**Vendor**”) to acquire the TBI of the Property. Upon completion of the Proposed Acquisition under the PSA, the TBI in the Property will be held by the TMK and SMBC Trust Bank, Limited (the “**Trust Bank**”) will hold the legal title to the Property as a trustee.
- iii) The Group’s subsidiary, Travelodge Hotels (Asia) Pte. Ltd. (“**TLA**” or “**Travelodge**”) has entered into a conditional hotel management agreement (“**HMA**”) with the JVCo in relation to the management of the Property.

2. INFORMATION ON THE PROPERTY AND THE RELEVANT PARTIES

2.1 The Property

The freehold Property, currently operating as the b Osaka Midosuji Hotel, commenced operations as a hotel in May 2019. It has 306 rooms (average size of 18-20 sqm) with 21 levels above ground and 1 basement level. Facilities include a Food & Beverage outlet, a retail space and a car park currently leased to third parties. The Property is strategically located in the Honmachi district, along the prime Midosuji high street, and is in close proximity to the central business district, and the leisure and entertainment precinct of Dotonbori. It is within walking distance to the Honmachi & Shinsaibashi subway station.

The Property is sold with vacant possession of the hotel rooms, while the existing leases of the retail shop, restaurant and carpark shall be assigned to the TMK.

2.2 The JV Partner

The JV Partner is a subsidiary of Plenitude Berhad¹ (“**PB**”), a company incorporated in Malaysia that is listed on Bursa Malaysia. PB’s hospitality business includes ownership interest in a portfolio of hotels and serviced residences.

2.3 The Vendor

Tokyo Tatemono is listed on the Tokyo Stock Exchange and is in the business of property development, property investment and investment holding.

3. DETAILS OF THE PROPOSED ACQUISITION

3.1 Purchase Consideration and Valuation

The aggregate purchase consideration for the Proposed Acquisition of JPY10.65 billion (approximately S\$138.2 million²) (“**Purchase Consideration**”) was negotiated on a willing-buyer and willing-seller basis and takes into account the independent valuation undertaken on the Property (the “**Independent Property Valuation**”) by Cushman & Wakefield K.K. (the “**Independent Property Valuer**”). The independent valuation report as at 24 November 2020 (the “**Independent Valuation Report**”) values the Property at JPY14.00 billion (approximately S\$181.7 million), based on discounted cashflow analysis, direct capitalisation and cost approaches.

The Purchaser has made a total payment of JPY1.07 billion (approximately S\$13.8 million) to the Vendor as a deposit (the “**Deposit**”) upon execution of the PSA after receipt of satisfactory findings from the due diligence investigations. The balance of the Purchase Consideration is payable upon completion of the Proposed Acquisition. The acquisition is expected to be completed on the later of 26 February 2021 or ninety (90) days from the date of the PSA (“**Completion**”).

3.2 Estimated Total Cost of Acquisition

Based on the Agreed Proportion, the estimated total cost to be incurred by the Company for the Proposed Acquisition is JPY543.3 million (approximately S\$7.1 million) (the “**Company’s Acquisition Costs**”) comprising (i) JPY532.5 million (approximately S\$6.9 million), being the Company’s share of the Purchase Consideration; and (ii) JPY10.8 million (approximately S\$0.2 million), being the Company’s share of estimated professional fees and transaction costs incurred or to be incurred in connection with the Proposed Acquisition.

3.3 Material Terms of the PSA

Representations and warranties customary to a transaction of this nature have been given by the Vendor under the PSA. Completion under the PSA is subject to and conditional upon the satisfaction of certain conditions precedents, including but not limited to:

- a) obtaining financing for the Purchase Consideration by the Purchaser from a financial institution;
- b) the entrustment of the Property to the Trust Bank; and

¹ Source: <https://plenitude.com.my>

² Based on an exchange rate of JPY77.04: S\$1.00 as at 23 November 2020. Unless otherwise indicated in this announcement, all conversions from Japanese Yen (“JPY”) into Singapore Dollars (“S\$”) in this announcement are based on an indicative exchange rate of JPY77.04: S\$1.00.

- c) all necessary approvals, consents and waivers as may be required by the Vendor and/or the Purchaser from relevant authorities, regulators, financiers, shareholders and/or third parties in connection with the acquisition.

4. RATIONALE FOR THE ACQUISITION

4.1 Strategic location of the Property

The Property is strategically located in the Honmachi district, along the prime Midosuji high street (where international luxury retail and hotel brands are located), and is in close proximity to the central business district, and the leisure and entertainment precinct of Dotonbori. Honmachi district is in the secondary business district in Osaka City and is situated at the center of Osaka City between Umeda (where the main business district and large shopping malls are located) and Shinsaibashi/Namba (where the street shopping and entertainment district are located).

4.2 Acquisition of relatively new freehold Property which requires minimal capital expenditure

The freehold Property was completed in May 2019 with an efficient layout that requires minimal capital expenditure. The relatively larger room sizes with double occupancy rooms will help to boost the average daily rates premium of the Property, in comparison with traditional hotels in Japan which typically have smaller room sizes and a large inventory of single occupancy rooms.

4.3 Attractive entry valuation

The Purchase Consideration represents a discount of approximately 24% as compared to the market value of JPY14.00 billion (approximately S\$181.7 million) as determined by the Independent Property Valuer.

4.4 Establishing the Travelodge brand in a new market

The Proposed Acquisition provides an opportunity for Travelodge to manage the Property subsequent to Proposed Acquisition. This will allow Travelodge to establish the Travelodge brand in Japan, diversify Travelodge's operations into a new market and gaining foothold in the gateway city of Osaka.

5. SOURCE OF FUNDS

The Company's Acquisition Costs are intended to be funded by internal resources and bank borrowings.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 Assumptions

The *pro forma* financial effects of the Proposed Acquisition presented in this section are **strictly for illustrative purposes only** and do not reflect the actual financial performance or position of the Group after the completion of the Proposed Acquisition.

The *pro forma* financial effects have been prepared based on the latest audited financial statements of the Company for the financial year ended 30 June 2020 (“FY2020”) taking into account the following assumptions:

(a) the *pro forma* financial effects of the Proposed Acquisition are in proportion to the Group’s 5% interest upon Completion; and

(b) the exchange rate of JPY77.04 : S\$1.00.

6.2 Pro Forma NTA

FOR ILLUSTRATION PURPOSES ONLY: The table illustrating the financial effects of the Proposed Acquisition on the net tangible assets³ (“NTA”) per share for the Company (assuming the Proposed Acquisition had been completed at the end of FY2020) based on the latest announced audited financial statements of the Company for FY2020 are set out below: -

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	21,073	21,073
Number of shares ('000)	3,111,689	3,111,689
NTA per share (cents)	0.68	0.68

6.3 Pro Forma EPS

FOR ILLUSTRATION PURPOSES ONLY: The table illustrating the financial effects of the Proposed Acquisition on the earnings per share (“EPS”) of the Company (assuming that the Proposed Acquisition had been completed at the beginning of FY2020) based on the latest announced audited financial statements of the Company for FY2020 are set out below: -

	Before the Proposed Acquisition	After the Proposed Acquisition
Net loss attributable to equity holders of the Company (S\$'000)	(1,088)	(1,024)
Weighted average number of ordinary shares ('000)	3,111,689	3,111,689
Loss per share (cents)	(0.03)	(0.03)

³ Net tangible assets mean total assets less total liabilities less intangible assets.

7. RELATIVE FIGURES UNDER RULE 1006 OF THE SGX-ST CATALIST RULES

The relative figures in relation to the Proposed Acquisition pursuant to Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Section B: Rules of Catalyst of (“**Catalist Rules**”), using the latest audited consolidated accounts of the Group as at 30 June 2020 and computed figures based on the Group’s interest in the Proposed Acquisition, are as follows:

(a) The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable, as the Proposed Acquisition is an acquisition of assets.
(b) The net profits attributable to the assets acquired or disposed of ⁴ , compared with the group's net profits ⁵ .	-6.6%
(c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation ⁶ based on the total number of issued shares excluding treasury shares.	23.6%
(d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable, as no equity securities will be issued as consideration for the Proposed Acquisition.
(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.	Not applicable, as the Company is not a mineral, oil or gas company.

Under Rule 1010 of the Catalist Rules, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 75%, the transaction will be regarded as a disclosable transaction. Although the relative figures computed in Rule 1006(b) involves a negative figure, pursuant to paragraph 4.4(b) of Practice 10A, the Proposed Acquisition would be considered a disclosable transaction. Accordingly, Shareholders’ approval for the Proposed Acquisition is not required.

8. AWARD OF HOTEL MANAGEMENT AGREEMENT

TLA has entered into a conditional HMA with JVCo to provide hotel management services to the Property.

The HMA⁷ is expected to have a material positive impact on the earnings per share and net tangible assets per share of the Group for the financial year ending 30 June 2021.

⁴ 5% (being the Group’s interest in the Proposed Acquisition) of the net profits attributable to the Hotel are determined based on the unaudited net property income of the Property of approximately S\$1,488,079 for the 12-month period from 1 July 2019 to 30 June 2020.

⁵ The Group recorded a net loss of approximately S\$1,140,000 for FY2020 as announced by the Company on 14 September 2020.

⁶ Based on the weighted average price of the Company’s shares transacted on 25 November 2020, being the market day preceding the date of the PSA.

⁷ Based on projected hotel management income received for 12 months

9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

To the knowledge of the Company, none of the Company's Directors and controlling shareholders (other than in their respective capacities as a Director and/or shareholder of the Company) has any interest, direct or indirect, in the Proposed Acquisition and the HMA.

10. DIRECTORS' SERVICE CONTRACTS

No person will be appointed to the Board in connection with the Proposed Acquisition and accordingly, no service contracts in relation thereto will be entered into by the Company.

11. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in dealing in the Company's shares, and to read this announcement and any further update announcement(s) released by the Company carefully. As at the date of this announcement, Shareholders should be cautioned that there is no certainty or assurance that the Proposed Acquisition will be completed. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 10 Anson Road #28-16, International Plaza, Singapore 079903 for a period of three (3) months commencing from the date of this announcement:

- (a) Joint Venture Agreement;
- (b) Purchase and Sale Agreement; and
- (c) Independent Valuation Report prepared by the Independent Property Valuer.

Shareholders who wish to inspect the above documents should call at +65 6221 4665 to make an appointment so that the relevant arrangements can be made in view of the COVID-19 control measures.

By Order of the Board

Ong Min'er
Financial Controller
26 November 2020

Important Notice

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of average daily room rates and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Company's current view of future events.

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

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

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