

CENTURION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Co. Reg. No.: 198401088W)

ANNOUNCEMENT RELATING TO:

PROPOSED ACQUISITION OF AN EXISTING HOTEL LOCATED IN SEOUL, SOUTH KOREA

1. INTRODUCTION

The board of directors ("**Directors**") of Centurion Corporation Limited (the "**Company**", and together with its subsidiaries and associated companies, the "**Group**") wishes to announce the following:

- (a) the Company's wholly-owned subsidiary, Centurion Overseas Investments Pte. Ltd. ("**COIPL**" or "**Buyer**") has on 10 September 2018 entered into a sales and purchase agreement ("**SPA**") with Hotel KP Co., Ltd ("**Seller**") in relation to the proposed acquisition of an existing 104-room 3-star hotel (the "**Building**") which is known as Benikea Hotel KP in Seoul, South Korea, and interest in three lots of freehold land (collectively the "**Land**"), which the Building sits on (the "**Building**" and "**Land**" together the "**Property**") in accordance with the terms and subject to the conditions of the SPA ("**Proposed Acquisition**"); and
- (b) the Building will be refurbished as an accommodation with 208 beds offering twin-bedded rooms and communal facilities. There is potential to increase the bed capacity to approximately 234 beds through asset enhancement initiatives. ("**Proposed Refurbishment**", and together with the Proposed Acquisition, the "**Proposed Project**").

The Company will own a 55% interest of the Proposed Project, through a joint venture company to be established in South Korea, and the remaining interests will be held by the joint venture partners, namely, Centurion Properties Pte Ltd ("**CPPL**") holding a 40% interest and KTM Distributions Co., Ltd. or its nominee ("**KTM**") holding a 5% interest.

Under the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), CPPL, one of the joint-venture partners, is considered an associate of Mr Loh Kim Kang David ("**Mr David Loh**") and Mr Han Seng Juan ("**Mr Han**"), Non-Executive Directors and controlling shareholders of the Company. CPPL is a wholly-owned subsidiary of Centurion Global Ltd ("**CGL**"). Both CPPL and CGL are controlling shareholders of the Company. Each of Mr David Loh and Mr Han holds a 50% shareholding interest in CGL and are also Directors of CGL.

KTM, the other joint venture partner, is owned by independent third parties and is our local Korean partner. KTM has assisted in sourcing the Property and would be involved in the Proposed Refurbishment after acquisition

2. PROPOSED ACQUISITION

2.1 Information on the Proposed Acquisition

The Property, situated at 188-5 Hoegi-ro, Hwiggyeong 1(il)-dong, Dongdaemun-gu, Seoul, South Korea, is currently owned by the Seller, Hotel KP Co., Ltd, a company incorporated and registered in Seoul (Company Number: 110111-5817692 of 188-5) of Hoegi-ro,

Dongdaemun-gu, Seoul (Hwiggyeong-dong), comprising of the following:

- (i) 100% interest in 319-12, Hwiggyeong-dong, Dongdaemun-gu, Seoul (“Land Lot 1”);
- (ii) 100% interest in 319-36, Hwiggyeong-dong, Dongdaemun-gu, Seoul (“Land Lot 2”);
- (iii) 73.91% interest in 319-38, Hwiggyeong-dong, Dongdaemun-gu, Seoul (“Land Lot 3”); and
- (iv) The building located on the Land and all ancillary structures, equipment, facilities, etc. attached thereto.

Located approximately 150 metres away from the Hoegi Station, a subway station on both the Seoul Subway Line 1 and the Jungang Line, the Property provides easy access to four education institutions such as Kyunghee University, University of Seoul, KAIST and Hankuk University of Foreign Studies, which are all located within a 1-kilometre radius. The Property also offers convenient access to multiple tourist attractions of Dongdaemun, such as, Seoul Folk Flea Market, Naksan Park, Ihwa Mural Village and Dream Forest.

Post completion, the Property will be refurbished into a 208-bed accommodation comprising 104 twin rooms with communal facilities for an active community living environment, with the potential to increase bed capacity to approximately 234 beds. The Property will primarily target students studying in nearby education institutions and it may be offered as hotel accommodation during school term breaks.

2.2 Key Terms of the Proposed Project

The key terms of the Proposed Acquisition and Proposed Refurbishment are as follows:

(a) Aggregate Cost

The aggregate cost for the Proposed Acquisition and Proposed Refurbishment is expected to be approximately KRW18.427 billion (approximately S\$22.59 million or HK\$128.95 million¹) (inclusive of stamp duty, other acquisition related costs and Proposed Refurbishment related costs) (“**Aggregate Cost**”), comprising:

- (i) The purchase price for the Property of KRW13.5 billion (approximately S\$16.55 million or HK\$94.47 million¹) (exclusive of stamp duty and other acquisition related costs) (“**Purchase Price**”), of which:
 - KRW0.675 billion (approximately S\$0.83 million or HK\$4.74 million¹) being 5% of the Purchase Price, which is non-refundable, to be paid to the Seller 7 days from the date of the SPA; and
 - the remaining amount to be paid on the Completion Date (as defined below).
- (ii) The projected costs of Proposed Refurbishment of KRW3.712 billion (approximately S\$4.55 million or HK\$25.98 million¹).
- (iii) Stamp Duty and related acquisition costs of KRW1.215 billion (approximately S\$1.49 million or HK\$8.50 million¹)

The Proposed Project shall be funded by equity contribution from each of the joint venture partners in accordance to their respective shareholding interest and external bank debt. Based on the Group’s 55% interest in the Proposed Project, the Aggregate Cost attributable to the Group is approximately KRW10.135 billion (approximately

¹ 1 Based on an exchange rate of S\$1 : KRW815.66 : S\$1 and S\$1 : HK\$5.7084.

S\$12.43 million or HK\$70.96 million¹). The Group's equity contribution required of the Proposed Project will be funded by its internal resources.

The Purchase Price was arrived at after arms' length negotiations between the Buyer and the Seller on a "willing-buyer", "willing-seller" basis, and also taking into account the valuation of the Property of KRW14.1 billion (approximately S\$17.3 million or HK\$98.8million¹) on its current use as a hotel based on a desktop valuation appraisal conducted on 7 September 2018 by DTZ Korea Co., Ltd ("**Property Valuer**"), an independent valuer, commissioned by COIPL. The valuation was based on the income capitalization approach taking into consideration both the passing and future rents.

(b) Completion

The completion of the Proposed Acquisition pursuant to the terms of the SPA is expected to take place on 24 October 2018 ("**Completion Date**").

The Proposed Refurbishment is expected to be completed and the Property will become operational in 1st quarter of 2019.

The Company will be managing the Property after the completion of the Proposed Refurbishment at a management fee equivalent to 3% of revenue payable by JVCo (as defined below) to the Company.

3. ESTABLISHMENT OF A JOINT VENTURE COMPANY

The Company will, through COIPL, enter into a joint venture to hold the Property at completion of the Proposed Acquisition on terms and conditions to be agreed.

The joint venture company to be established in South Korea ("**JVCo**") will be 55% owned by COIPL, 40% owned by CPPL and 5% owned by KTM.

4. FINANCIAL EFFECTS OF THE PROPOSED PROJECT

The Proposed Project is not expected to have any material impact on the net tangible assets ("**NTA**") and earnings per share of the Group for the current financial year.

5. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION AND PROPOSED REFURBISHMENT

The Proposed Acquisition and Proposed Refurbishment are in the ordinary course of business of the Group and in line with the Group's strategy to grow its accommodation business and to build on the Group's existing student accommodation portfolio globally. Seoul in South Korea represents a strong entry point for the expansion of the Group's student accommodation business into North Asia. The Proposed Project will enable the Group to further expand its presence in Seoul, one of the world's top 10 student cities.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

As the applicable relative figures for the Proposed Project computed on the bases set out in Rule 1006 of the SGX-ST's Listing Manual are below 5%, the Proposed Project does not constitute a discloseable transaction as defined in Chapter 10 of the SGX-ST's Listing

Manual.

7. INTERESTED PERSON TRANSACTION

CPPL will own a 40% interest in the Property through the JVCo.

As CPPL is a controlling shareholder of the Company and also an associate of Mr David Loh and Mr Han (Non-Executive Directors and controlling shareholders of the Company), it is therefore considered an interested person for the purposes of Chapter 9 of the Listing Manual of the SGX-ST.

Accordingly, the Proposed Acquisition and Proposed Refurbishment are regarded as interested person transactions (“**IPTs**”) under Chapter 9 of the SGX-ST’s Listing Manual.

The Group’s 55% contribution to the Aggregate Cost for the Proposed Project of S\$12.43 million when aggregated with the value of all IPTs entered into by the Group for the period from 1 January 2018 up to the date of this announcement and estimated value of all IPTs anticipated to be entered into with Mr David Loh and/or Mr Han and his/their associates for the current financial year amounts to S\$12.61 million, representing 2.65% of the Company’s latest audited NTA of S\$475.73 million as at 31 December 2017. It is therefore not subject to the requirement of immediate announcement or shareholders’ approval under Chapter 9 of the SGX-ST’s Listing Manual.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the above transactions, save for their shareholdings in the Company.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPA and valuation report issued by the Property Valuer are available for inspection at 45 Ubi Road 1, #05-01, Singapore 408696 during normal business hours for a period of three (3) months commencing from the date of this announcement.

By Order of the Board of
Centurion Corporation Limited

Kong Chee Min
Chief Executive Officer

10 September 2018