

CITYNEON HOLDINGS LIMITED
(Registration No. 199903628E)
(Incorporated in Singapore)

PROPOSED ACQUISITION OF SCORPIO EAST PROPERTIES PTE. LTD.

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Cityneon Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”), wishes to announce that further to a non-legally binding term sheet between the Company and the KOP Limited (the “**Seller**”) (“**Term Sheet**”), the Company has on 15 December 2017 entered into a sale and purchase agreement (“**SPA**”) with the Seller, for the proposed acquisition of the entire interest of the Seller in its 100%-owned subsidiary, Scorpio East Properties Pte. Ltd. (“**Scorpio East**”), comprising 2,500,000 issued ordinary shares (“**Sale Shares**”) (“**Proposed Acquisition**”). Scorpio East is in turn the leasehold owner of the Property as described in paragraph 2 below.

2. INFORMATION ON SCORPIO EAST AND THE SELLER

The Seller is a Singapore-incorporated company listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) which is the sole shareholder of Scorpio East. Scorpio East owns a leasehold property located at 25 Tai Seng Avenue, KOP Building, Singapore 534104 (the “**Property**”), with a balance duration of approximately 20 years as at the date of the SPA, to be extended by another 29 years from the lease expiry date subject to the fulfilment of certain conditions prescribed by Jurong Town Corporation. The Property has an aggregate lot area of approximately 2,571 square metres.

Based on an independent valuation commissioned by Scorpio East around 12 May 2017, the Property was valued at S\$29,000,000 on an as-is basis and subject to then existing tenancies.

The Seller is not related to any Directors or Controlling Shareholders of the Company.

3. CONSIDERATION

3.1 Under the SPA, the Company has agreed to assume the liability for repayment of a loan obtained by Scorpio East from Hong Leong Finance Limited (the “**Bank**”) in the principal aggregate amount of S\$23,000,000 (“**Existing Loan**”). The Existing Loan is secured by, amongst others, a mortgage on the Property in favour of the Bank (“**Mortgage**”) as well as a charge over the amount of S\$500,000 in Scorpio East’s fixed deposit account with the Bank (“**Bank Deposit Amount**”). Taking into account the Existing Loan, the aggregate cash consideration for the sale of the Sale Shares will be an amount in cash equal to the sum of S\$2,875,000 (the “**Cash Consideration**”), which will be paid by the Company to the Seller in the following manner:

- (a) The sum of S\$216,150, equivalent to approximately 7.5% of the Cash Consideration, paid to the Seller on the signing of the Term Sheet; and
- (b) The balance Cash Consideration of S\$2,658,850 is payable on Completion (as defined below), subject to the post-completion adjustments disclosed in paragraph 5.3 below.

3.2 The Cash Consideration was arrived at by the parties on a willing-buyer-willing-seller basis. In arriving at the Cash Consideration, the Board also took into account, *inter alia*, the unaudited net asset value of Scorpio East as at 30 September 2017 being S\$11,864,871, and the

adjusted unaudited net asset value of Scorpio East as at 31 October 2017 being S\$6,917,253 after deducting the gross dividends in the amount of S\$4,950,000 which was declared by Scorpio East on 31 October 2017 and payable before completion of the Proposed Acquisition (“**Declared Dividends**”) (“**Completion**”).

- 3.3 Completion is scheduled for 29 December 2017 or such other date as the Company and the Seller may mutually agree (“**Completion Date**”). On Completion, against the transfer of the Sale Shares to the Company and/or its nominee, the Company will pay the balance Cash Consideration of S\$2,658,850 for the Proposed Acquisition, as well as (i) an amount of S\$294,250 (“**Receivables Amount**”) as settlement of receivables payable by the Group to the Seller for purchase of certain assets and (ii) the Bank Deposit Amount.
- 3.4 After Completion, Scorpio East will become a wholly-owned subsidiary of the Company.

4. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group views the Proposed Acquisition as a strategic investment in a building which the Group may use to expand its office space as a creative design suite, as well as derive rental revenues from the remaining units which will be added to the earnings of the Group. Given the Seller’s familiarity with major movie studios and experience in the entertainment industry in Singapore and across Asia, the Group may also consider future business collaborations with the Seller under the “Scorpio East” brand, where suitable, to enhance the Group’s design capabilities and expansion of its portfolio in the entertainment and media industry.

5. SALIENT TERMS

5.1 Conditions Precedent

The completion of the Proposed Acquisition is conditional upon, *inter alia*, the following:

- (a) The consents or approvals of all necessary parties including the relevant regulatory authorities for the Proposed Acquisition being obtained, and if subject to conditions, on such conditions acceptable to the parties;
- (b) The approval of Jurong Town Corporation for the change of use of the Property;
- (c) The Company being satisfied with the outcome of the necessary due diligence investigations conducted on Scorpio East, including the legal, business and financial position of Scorpio East;
- (d) No material adverse change in Scorpio East’s business and financial condition having occurred; and
- (e) The Bank agreeing to continue to extend the Existing Loan to the Company post-Completion, at interest rate and quantum that are no less favourable to those contained in the Bank’s existing letter of offer.

5.2 Material terms

The material terms of the Proposed Acquisition, *inter alia*, are as follows:

- (a) Scorpio East’s title to the Property shall be in order and free from all encumbrances (save for the Mortgage) on Completion;

- (b) Save for the Existing Loan, Scorpio East shall not have any loans, debts and other liabilities (both actual and contingent) owing, due or accrued due to any person as at Completion whether pertaining to the Property or otherwise, and all such loans, debts and liabilities shall be discharged on Completion;
- (c) Scorpio East shall not have any loans, debts and other liabilities owing, due or accrued to it by the Seller or the Seller's subsidiaries or associated companies, and all such loans, debts and liabilities shall be duly settled and paid to Scorpio East on or before Completion;
- (d) The Seller shall vacate all units in the Property currently occupied by it in the Property by the Completion Date (or such other date that parties may mutually agree in writing) and deliver possession of those units together with the specified fixtures and fittings in those units in the same state and condition as they were at the date of the SPA (save for fair wear and tear).

5.3 Adjustment Provisions

The Company and the Seller have agreed to post-completion adjustments to the Cash Consideration, under which, amongst others:

- (a) The Seller will bear all outgoings (including, *inter alia*, taxes, insurance premiums and interests on the Existing Loan) attributable to the period up to (and including) the Completion Date;
- (b) The Company will bear all outgoings (including, *inter alia*, taxes, insurance premiums and interests on the Existing Loan) attributable to the period after the Completion Date;
- (c) The Seller will be entitled to rental revenues receivable in connection with the Property for the period up to (and including) the Completion Date but not received by Scorpio East before the Completion Date; and
- (d) The Company will be entitled to rental revenues receivable in connection with the Property for the period after the Completion Date and received by Scorpio East before the Completion Date.

6. **VALUE OF SALE SHARES**

The unaudited net asset value and net profit before tax attributable to the Sale Shares for the six months ended 30 September 2017 were S\$11,864,871 and S\$47,498 respectively. The net asset value attributable to the Sale Shares as at 31 October 2017 was S\$6,917,253 after deducting the Declared Dividends. Please refer to Section 3.2 of this announcement for information regarding the Declared Dividends.

No valuation report was commissioned by the Company in respect of the Sale Shares.

7. **FUNDING**

The Company intends to fund the Cash Consideration through internal cash resources.

8. **FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

The financial effects of the Proposed Acquisition set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after completion.

8.1 Net Tangible Assets (“NTA”)

The effect of the Proposed Acquisition on the NTA per share of the Group for FY2016, assuming that the Proposed Acquisition had been effected at the end of FY2016 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$)	59,407,145	59,407,145
Number of Shares	244,656,195	244,656,195
NTA per share (S\$/cents)	24.28	24.28

8.2 Earnings Per Share (“EPS”)

The effect of the Proposed Acquisition on the EPS of the Group for FY2016, assuming that the Proposed Acquisition had been effected at the beginning of FY2016 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profits attributable to ordinary shareholders of the Company (S\$)	6,680,888	6,880,174
Weighted average number of Shares in FY2016	235,955,439	235,955,439
EPS (S\$/cents)	2.80	2.92

9. **RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL**

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST Listing Manual**”) are set out below:

Rule 1006 (a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable
Rule 1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits	0.62% ⁽¹⁾
Rule 1006 (c)	The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	11.8% ⁽²⁾
Rule 1006 (d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006 (e)	The aggregate volume or amount of proven and probable reserves to be disposed of compared with	Not applicable

	the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	
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Notes:

- (1) Based on the unaudited net profit before tax attributable to the Sale Shares of approximately S\$47,498 for the six months ended 30 September 2017, and the Group's unaudited net profit after tax of approximately S\$7,711,000 for the six months ended 30 June 2017.
- (2) Based on the aggregate consideration of approximately S\$27,191,647 for the Proposed Acquisition, comprising (i) the Cash Consideration of S\$2,875,000, (ii) the Receivables Amount of S\$294,250, and (iii) approximately S\$24,022,397 which is the remaining outstanding amount under the Target's bank loan as at the targeted completion date of 29 December 2017, for which the Company will be providing a corporate guarantee to the Existing Lender in due course, and the Company's market capitalisation of approximately S\$231.2 million (being its issued ordinary share capital of 244,656,195 shares and the volume weighted average price of the Company's shares of S\$0.9451 on 14 December 2017, which is the last market day preceding the date of the SPA where the shares of the Company were traded).

On the basis of Rule 1006 above, the Proposed Acquisition is a "discloseable transaction" as defined in Chapter 10 of the SGX-ST Listing Manual. Accordingly, the Proposed Acquisition is not subject to the approval of shareholders.

10. SERVICE CONTRACT

There are no directors proposed to be appointed to the Company in connection with the Proposed Acquisition.

11. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholdings (if any) in the Company.

12. DOCUMENT FOR INSPECTION

A copy of the SPA is available for inspection at the registered office of the Company at 84 Genting Lane, #06-01 Cityneon Design Centre, Singapore 349584 during normal business hours for 3 months from the date of this announcement.

13. RESPONSIBILITY STATEMENT

The Directors have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

By Order of the Board
CITYNEON HOLDINGS LIMITED

Cho Form Po
Company Secretary
15 December 2017