

ACQUISITION OF 23 COMMERCIAL STRATA-TITLED LOTS WITH 43 PROPERTY ADDRESSES WITHIN 15 SCOTTS ROAD, THONG TECK BUILDING

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Top Global Limited (the “**Company**”) and together with its subsidiaries (the “**Group**”), wishes to announce that its wholly owned subsidiary, Top Automation Pte. Ltd. (“**TAPL**” or the “**Purchaser**”) has on 30 August 2019 exercised its rights in six share purchase agreements (“**Agreements**”) with Scotts Icon Pte. Ltd. (“**SI**” or the “**Vendor**”) to acquire 23 freehold commercial strata-titled lots with 43 property addresses (the “**Properties**”) through the acquisition of all the shares in the following companies (“**Target Companies**” and each a “**Target Company**”):

- (i) 15 Scotts 01 Pte Ltd; and
- (ii) 15 Scotts 02 Pte Ltd; and
- (iii) 15 Scotts 3F Pte Ltd; and
- (iv) Alpeg Investment Pte Ltd; and
- (v) Kingscrest Investment Pte Ltd; and
- (vi) Pegal Investment Pte Ltd,

(the “**Acquisition**”).

After the Acquisition, the Target Companies will be wholly-owned subsidiaries of the Company.

2. INFORMATION ON THE PROPERTIES

The Properties comprises 4 retail and 39 office units located within 15 Scotts Road, Thong Teck Building, which was built in the mid-1970s and upgraded in 2014 (the “**Building**”). Thong Teck Building is located at the fringe of Orchard Road shopping, entertainment and hotel belt and is approximately 350 metres from Orchard MRT Station. The Properties have a net lettable area of approximately 57,000 square feet and collectively represents approximately 54% of the Management Corporation Strata Title (MCST) share value as at 31 July 2019.

The ownership structure of the Properties is as follows:

Entity	Unit No.	Type of business
15 Scotts 01 Pte Ltd	#01-01/02/03/04	Retail
15 Scotts 02 Pte Ltd	#02-01/06/07/08/10/11/12	Education
15 Scotts 3F Pte Ltd	#03-03/04/05/06/07/08	Office
Alpeg Investment Pte Ltd	#06-00/02/03/04/05/06/07/08/ 09/10/11/12/13	Office
Kingscrest Investment Pte Ltd	#07-01/02/03/04/05/06/07/08/ 09/10/11/12	Office
Pegal Investment Pte Ltd	#08-04	Office

3. DETAILS OF THE ACQUISITION

3.1 Consideration

The aggregate purchase price of the shares in the Target Companies payable by the Purchaser in connection with the Acquisition is the sum of \$170 million (the “**Total Consideration**”). The Total Consideration is satisfied in full via cash consideration that is funded through a combination of bank financing obtained and internal cash resources. However, in order for the Properties of the Target Companies transferred to be free of encumbrances, the Purchaser advanced the Vendor an additional sum of \$1.871 million that was paid directly to the Vendor’s bank to redeem the full bank loan secured by way of mortgage over the Properties.

Based on the valuation report by Savills Valuation And Professional Services (S) Pte Ltd dated 31 July 2019 (“**Valuation Report**”) which was commissioned by the Purchaser, the aggregate market value of the Properties as at 31 July 2019 is S\$180 million.

The aggregate book value of the Properties and the aggregate net tangible assets of the Target Companies as at 31 December 2018 was \$122 million and \$121.4 million respectively.

The Total Consideration for the Acquisition was arrived at on a willing-buyer and willing-seller basis, taking into account, amongst other factors, the valuation of the Properties.

4. RATIONALE OF THE ACQUISITION

Based on the Valuation Report, the Properties are valued at S\$10 million in excess of the Total Consideration. The difference of the aggregate book value of the Properties and aggregate net tangible assets of the Target Companies as at 31 December 2018 is \$0.6 million. This represents an opportunity for the Group to acquire valuable assets at attractive prices.

Furthermore, the current rental yield of the properties is low as compared to the rental yield of other properties within the vicinity of the Properties. As such, there is a potential for the Group to increase rental yield.

5. FINANCIAL EFFECTS

5.1 Assumptions

For illustrative purposes only, the financial effects of the Acquisition on the Company as set out below are prepared based on the Group’s audited consolidated financial results for the financial year ended 31 December 2018 (“**FY2018**”) (being the latest announced consolidated full-year financial results of the Group) and subject to the following key assumptions:

- (a) the effect of the Acquisition on the Company’s net tangible assets (“**NTA**”) per share in the capital of the Company is based on the assumption that the acquisition had been effected at the end of FY2018; and
- (b) the effect of the Acquisition on the Company’s earnings per share (“**EPS**”) for FY2018 is based on the assumption that the Acquisition had been effected at the beginning of FY2018.

5.2 Net Tangible Assets / Earnings Per Share

The financial effects as set out below which are based on the assumptions set out in Paragraph 5.1, are theoretical in nature and are therefore not necessarily indicative of the future financial position and earnings of the Company or the Group.

(a) NTA per Share

	Before the Acquisition	After the Acquisition
NTA (S\$'000)	254,442	263,816
Number of shares (excluding treasury shares)	321,381	321,381
NTA per Share (cents)	79.17	82.09

(b) EPS

	Before the Acquisition	After the Acquisition
Loss after tax attributable to shareholders (S\$'000)	(3,359)	(4,822) ⁽¹⁾
Weighted average number of shares (excluding treasury shares)	321,381	321,381
EPS (cents)	(1.05)	(1.50)

⁽¹⁾ The losses amounting to approximately S\$1,463,000 has been adjusted for one-off income and expense items as follows:

- Income: Waiver of shareholder loans amounting to approximately S\$55,573,000
- Expense: Deferred tax assets written of amounting to approximately S\$2,066,000
- Expense: Donations paid to external parties amounting to approximately S\$5,700,000

6. APPLICATION OF CHAPTER 10 OF THE LISTING RULES

Based on the audited consolidated financial results for FY2018, the relative figures of the Acquisition as computed on the bases as set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	After the Acquisition
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profits attributable to the Assets, compared with the Group's net profits	31% ⁽¹⁾
(c)	Aggregate value of the Total Consideration, compared with the market capitalisation of the Company based on the total number of issued shares excluding treasury shares	327% ⁽²⁾
(d)	Number of equity securities issued by the Company as consideration for the Acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	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

⁽¹⁾ The relative figure for Rule 1006(b) was computed based on (i) the Group's 2Q2019 announced unaudited net profits before tax of approximately S\$1,692,000; and (ii) the corresponding 6 months aggregated unaudited profit before tax attributable to the Target Companies of approximately S\$517,000.

- (2) The relative figure for Rule 1006(c) was computed based on (i) the market capitalisation of the Company of approximately S\$52,064,000 (which was determined by multiplying 321,381,099 issued shares (excluding treasury shares) of the Company by the weighted average of S\$0.162 per share transacted as at 29 August 2019), being the last active market day preceding the exercise date; and (ii) the total consideration paid to the Vendor of S\$170,000,000.

As the relative figure computed pursuant to Rule 1006(c) of the Listing Manual exceeds 100% (but there is no change of control), the Acquisition constitutes a “very substantial acquisition” within the meaning of Chapter 10 of the Listing Manual.

7. WAIVER APPLICATION AND GRANT OF WAIVER

7.1 Waiver Application

The Company has made an application to the Singapore Exchange Securities Trading Limited (“SGX-ST”) for a waiver (“**Waiver**”) from complying with Rule 1015 and Rule 1014(2) of the Listing Manual in respect of the Acquisition (the “**Waiver Application**”), on the following grounds:

- (a) The Acquisition is part of the ordinary course of business of the Group’s business of property investment and development and the Board is of the view that the Acquisition is in the best interests of the Company;
- (b) It is a rare opportunity to acquire a substantial number of strata units within a building in the prime Orchard Road area at attractive prices;
- (c) Current rental yield is low and there is potential to increase rental returns;
- (d) The Purchaser has received support from bank for the Acquisition as bank loan has been obtained from the bank;
- (e) The market capitalization of the Company as computed in paragraph 6 is low due to low unit trading transactions and the market price of the units of the Company does not reflect the NTA per share of the Company as shown in paragraph 5.2(a);
- (f) Madam Oei Siu Hoa @ Sukmawati Widjaja, who has an aggregated deemed interests of 77.4% of the ordinary shares of the Company through the ordinary shares of the Company held by her son, Mr Hano Maeloa and United Glow Trust reg. has given irrevocable undertaking to vote in favour of the Acquisition at the EGM to be convened in the event that the Acquisition is subject to shareholders’ approval;
- (g) The Board is of the opinion that there will be no material change in the risk profile of the Company arising from the Acquisition as bank financing for property developments can be obtained up to a range between 60 to 70% and the Company is still operating within the gearing ratio range for a property investment and development business.

7.2 Outcome of the Waiver Application

SGX-ST informed the Company that based on the submissions and representations by the Company in the Waiver Application, it has no objection to the Waiver Application.

The Waiver is subject to:

- (a) The Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Mainboard Listing Rule 107 and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (b) Submission of a written undertaking from the Company that it will seek shareholders' ratification on the Proposed Acquisition at an extraordinary general meeting ("EGM") within 3 months from the exercise date (30 August 2019);
- (c) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company;
- (d) submission of written irrevocable undertakings from Madam Sukmawati Widjaja and United Glow Trust reg. to the Company to vote in favour of the Proposed Acquisition at the EGM to be convened in the event that the Acquisition is subject to shareholders' approval;
- (e) submission of a written irrevocable undertaking from Madam Sukmawati Widjaja that she will maintain her interest in United Glow Trust reg.;
- (f) submission of a written irrevocable undertaking from United Glow Trust reg. to the Company that they will continue to own more than 50% of the issued shares of the Company before and up to the date of the EGM; and
- (g) disclosure of the opinion by the Board of Directors that there will be no material change in the risk profile of the Company arising from the Proposed Acquisition and the bases of their opinion in the Company's announcement of the Proposed Acquisition.

(the "Waiver Conditions")

7.3 Waiver Conditions to be Satisfied

Apart from Waiver Conditions in paragraph 7.2(a) and 7.2(g), Waiver Conditions in paragraph 7.2 (b) to 7.2 (f) have yet to be satisfied as at the date of this announcement. The Company will provide update announcement when the conditions have all been met and the notice of EGM in due course.

8. INTERESTS OF DIRECTORS

No director or substantial shareholder of the Company has an interest, direct or indirect, in the above transactions (other than through their respective shareholdings in the Company).

9. SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Acquisition. Accordingly, no service contract for such appointment is proposed to be entered into between the Company and any such person.

10. DOCUMENT FOR INSPECTION

Copies of the Agreements and Valuation Report are available for inspection during normal business hours at the registered office of Top Global at 302 Orchard Road, #18-02 Tong Building, Singapore 238862 for a period of 3 months from the date of this announcement.

BY ORDER OF THE BOARD

Hano Maeloa
Chief Executive Officer and Executive Director
2 September 2019