

Press Release

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TRIS Rating Sees No Immediate Impact on RML's Rating in Relation to the Investment in the Assets of "KPNL"

TRIS Rating sees no immediate impact on the credit rating of Raimon Land PLC (RML) in relation to the investment in the assets of KPN Land Co., Ltd. (KPNL) by mean of acceptance of the entire business transfer and issuance of newly issued ordinary shares via a private placement.

The board of directors of RML recently approved the company's investment in the assets of KPNL comprising 1) the acquisition of the Diplomat39 project and the Diplomat Sathorn project from KPNL and 2) the investment in the assets of KPNL by mean that KPNL agrees to procure the subsidiary which wholly owned by KPNL (the Subsidiary of KPNL) to transfer the entire business to RML. RML will acquire the Diplomat39 project and the Diplomat Sathorn project by using its internal cash flow plus new loans from financial institutions. The investment in the Subsidiary of KPNL will be financed with cash and stock worth Bt1,574.60 million. RML will pay KPNL Bt500 million in cash and issue shares worth Bt1,074.60 million (597 million shares at the offering price of Bt1.80 per share) to KPNL in a private placement.

In TRIS Rating's view, the acquisition of the Diplomat39 project and the Diplomat Sathorn project is the normal course of business for a property developer. RML's revenues will improve from the transfer of backlog worth Bt1,400 million in the Diplomat39 project. However, we expect the Diplomat39 project will yield a profit margin lower than the profit margins at projects developed by RML on its own. The rising debt level from acquiring the Diplomat39 and the Diplomat Sathorn project will gradually decline once the company transfers its backlog.

For the transaction related with the investment in the Subsidiary of KPNL, if success, the shareholding of JS Asset Management Pte. Ltd. (JS Assets), the major shareholder of RML, will be diluted to 21% from 25%, but will still be the major shareholder. KPNL will then hold a 14.31% stake in RML, and it will obtain two seats on RML's board of directors. Due to the change in the composition of major shareholders and board of directors, the organization structure of the company might be different from its current status.

Therefore, TRIS Rating will evaluate the business and financial risk profiles of RML thoroughly after the transaction is completed. However, the transaction is subject to the shareholders' approval at an extraordinary general meeting (EGM) of RML's shareholders scheduled on 11 October 2018. It is still uncertain if the transaction will be completed as planned. TRIS Rating will closely monitor the transactions.

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