

Royal Bros to raise \$85m through bond issue for Melia at Scotts purchase



The Melia at Scotts: Estimated to be worth \$150 million after the Government announced increased the plot ratio for the Newton area to 4.3, compared to three previously.

THE Royal Brothers, who bought the 240-room Melia at Scotts hotel for \$106 million last October, are issuing bonds worth \$85 million to finance the purchase, which will be completed on Feb 17.

The five-year bonds are innovative in that they will give holders the option to participate by up to 15 per cent in any capital appreciation of the hotel.

However, the option can be exercised only upon the sale of the hotel or the redemption of the bonds, whichever is earlier. The capital appreciation will be measured against the hotel's base value of \$120 million.

HL Bank, which structured the bond issue, yesterday signed an agreement with Royal & Sons Ltd to subscribe or procure subscriptions for the bonds.

Sources said the Industrial and Commercial Bank of China's Singapore office, NTUC Insurance, DBS Bank and cash-rich local corporations and high net worth individuals had expressed interest in the bonds.

As the issue is expected to be placed out fully, allocation will be made on Feb 15. Subscription will have to be completed by Feb 17 when the proceeds will be made available to Royal Brothers to enable them to complete the purchase of the hotel.

This is the second local issue to be managed by HL Bank, the former MUI Bank which was taken over by the Hong Leong Group of Malaysia. Last November, it arranged and placed an issue of 40 million three-year redeemable cumulative preference shares for First Capital Investment, of which First Capital Corporation is the parent company.

The purchase of Melia at Scotts was a windfall for the Royal Brothers as it preceded announcement of the Government's plans to free more land for housing in the Newton area.

Following a higher-density plot ratio of 4.3 allowed in the Newton area compared to the previous plot ratio of three, the 47,000 sq ft hotel is now estimated to be worth about \$150 million.