



(a real estate investment trust constituted on 10 October 2013 under the laws of the Republic of Singapore)

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- (1) **OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST ENTERS INTO A SALE AND CONTRIBUTION AGREEMENT TO DIVEST 50.0% OF OUE BAYFRONT, OUE TOWER AND OUE LINK**

 - (2) **OUE BAYFRONT, OUE TOWER AND OUE LINK TO BE SOLD AND CONTRIBUTED TO A LIMITED LIABILITY PARTNERSHIP OWNED EQUALLY BY OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST AND A FUND MANAGED BY ALLIANZ REAL ESTATE ASIA PACIFIC PTE. LTD.**
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1. INTRODUCTION

1.1 Sale and contribution of OUE Bayfront, OUE Tower and OUE Link and entry into joint venture

OUE Commercial REIT Management Pte. Ltd., as manager of OUE Commercial Real Estate Investment Trust ("**OUE C-REIT**") and the manager, the "**Manager**", is pleased to announce the divestment of a 50% interest in the Property (as described herein) to ACRE Angsana Pte. Ltd. ("**Allianz Investor**"), a special purpose vehicle managed by Allianz Real Estate Asia Pacific Pte. Ltd. (which is unrelated to OUE C-REIT) at an agreed value of S\$1,267.5 million based on S\$3,170 per square foot ("**psf**") of net lettable area for the Property¹ (the "**Agreed Value**") and the divestment of the Property, the "**Divestment**").

The Divestment will be effected through (i) the establishment of a limited liability partnership known as BPH Propco LLP ("**BPH LLP**"), with DBS Trustee Limited, in its capacity as trustee of OUE C-REIT (the "**Trustee**") and the Allianz Investor each holding a 50.0% interest in BPH LLP, and (ii) the acquisition of the Property by BPH LLP.

In this respect, DBS Trustee Limited, in its capacity as trustee of OUE C-REIT (the "**Trustee**"), has today entered into:

- (a) a limited liability partnership agreement (the "**LLP Agreement**") with the Allianz Investor, and registered BPH LLP, with OUE C-REIT holding a 50.0% interest of BPH LLP and the Allianz Investor holding the remaining 50.0% interest of BPH LLP; and

- (b) a sale and contribution agreement (the "**Sale and Contribution Agreement**") with BPH LLP in relation to, among others, the sale and contribution of the whole of Lot 404K of Town Subdivision 30 (the "**Land Lot**"), the whole of Lot 70012W of Town Subdivision 30 (the "**Airspace Lot**") and the whole of Lot 80020K of Town Subdivision

¹ Based on a net lettable area of 399,846 square feet.

30 (the “**Subterranean Lot**”) comprising a leasehold title held under (i) the Certificate of Title Volume 691 Folio 155, (ii) the Certificate of Title Volume 676 Folio 106 and (iii) the Certificate of Title Volume 667 Folio 149, together with the building erected on part of the Land Lot located at 50 Collyer Quay, Singapore 043921 known as “OUE Bayfront” together with the pedestrian underpass comprised in the Subterranean Lot; the building erected on part of Land Lot located at 60 Collyer Quay, Singapore 043922 known as “OUE Tower”; and the overhead pedestrian bridge comprised in the Airspace Lot located at 62 Collyer Quay, Singapore 043925 known as “OUE Link” (collectively, the “**Property**”) to BPH LLP.

Upon completion of the Divestment, the Property will be wholly-owned by BPH LLP, and OUE C-REIT will hold 50.0% of BPH LLP with the Allianz Investor holding the remaining 50.0%.

1.2 Information on the Property

The Property is a landmark commercial development strategically located between the Marina Bay financial district and the established financial hub of Raffles Place. The Property comprises OUE Bayfront, a premium office building, and its complementary properties with retail facilities, OUE Tower and OUE Link.

Completed in 2011, OUE Bayfront is an office building in Singapore’s central business district (“**CBD**”) with 18 floors of premium Grade A commercial space, commanding panoramic views of Marina Bay.

Accorded heritage conservation status for its historical significance, OUE Tower houses the only waterfront revolving restaurant in Singapore.

Across the open plaza of OUE Bayfront is OUE Link, an air-conditioned overhead pedestrian bridge with retail shops commanding double frontages, providing convenient and sheltered access to the Raffles Place area.

OUE Bayfront enjoys superb connectivity and accessibility to major transport networks. Other than easy access to the Raffles Place and Telok Ayer Mass Rapid Transit (“**MRT**”) stations, the Downtown MRT station is also within walking distance via an underground pedestrian walkway. The property is also a short drive away to major expressways, providing enhanced connectivity to other parts of Singapore.

OUE Bayfront has been awarded the Green Mark Gold Award by the Building and Construction Authority in Singapore.

Cushman & Wakefield VHS Pte Ltd (the “**Independent Valuer**”) has been commissioned by the Manager and the Trustee to value the Property for OUE C-REIT. The valuation of the Property as at 31 December 2020 conducted by the Independent Valuer is S\$1,181.0 million. In arriving at its valuation, the Independent Valuer used the discounted cash flow method, capitalisation approach and comparison method.

2. PRINCIPAL TERMS OF THE DIVESTMENT

2.1 Principal terms of the Sale and Contribution Agreement

Pursuant to the Sale and Contribution Agreement, OUE C-REIT has agreed to sell a certain percentage interest in the Property to BPH LLP (the “**Sale Percentage**”) and OUE C-REIT (in its capacity as a partner of BPH LLP) has agreed to make a contribution-in-kind to BPH LLP of the balance interest in the Property.

Completion is subject to, and conditional upon:

- (a) BPH LLP obtaining the LLP Bank Loan (as defined herein) on terms acceptable to BPH LLP;
- (b) confirmation from the Comptroller of Goods and Services Tax that the Divestment together with the transfer of business of leasing the Property is a transfer of a going concern;
- (c) a tax ruling from the Comptroller of Income Tax that BPH LLP will enjoy tax transparency; and
- (d) the Trustee obtaining an income tax ruling from IRAS (Comptroller of Income Tax) that any gains arising from the sale and contribution of the Property, are capital in nature

(collectively, the “**Conditions**”).

If (i) any of the Conditions set out in paragraphs 2.1(a), (b) and (c) above, are not satisfied or waived by BPH LLP; or (ii) the Condition set out in paragraph 2.1(d) above, is not satisfied or waived by the Trustee, by the date falling six months from the date of the Sale and Contribution Agreement, the Sale and Contribution Agreement will be terminated.

The Sale and Contribution Agreement provides for a right of rescission or termination by BPH LLP if:

- (i) there is compulsory acquisition affecting 1% or more of the total gross floor area of OUE Bayfront, OUE Tower and OUE Link, or 5.0% or more of the land area of the Property;
- (ii) any legal requisition reply is unsatisfactory;
- (iii) there is any damage to the Property such that (1) the cost of reinstatement works is at or above 5.0% of the Agreed Value, (2) the damage cannot be rectified within six months from the date of occurrence of the damage or (3) there is a reduction of the fair market value of the Property by 5.0% or more of the Agreed Value; or

- (iv) the Trustee breaches any warranty which results or will result in BPH LLP suffering loss or damage in excess of an aggregate of a sum equivalent to 5.0% of the Agreed Value.

The Sale and Contribution Agreement contains customary provisions relating to the Divestment, including representations and warranties, indemnities, limitations of the Trustee's liabilities and other commercial terms.

Completion of the Divestment is expected to take place approximately 15 business days after the fulfilment of the Conditions.

2.2 Sale consideration and valuation

The Agreed Value is used to determine the sale consideration for the Sale Percentage interest in the Property and the value of the contribution-in-kind of the balance interest in the Property, and was negotiated on a willing-buyer and willing-seller basis, after taking into account the independent valuation of the Property of S\$1,181.0 million as at 31 December 2020.

BPH LLP will pay OUE C-REIT the sale consideration of approximately S\$950.6 million for the Sale Percentage interest in the Property on Completion, and OUE C-REIT (in its capacity as a partner of BPH LLP) will make a contribution-in-kind to BPH LLP of the balance interest in the Property to BPH LLP.

BPH LLP will be obtaining an external bank financing (the "**LLP Bank Loan**") to part finance the acquisition of the Property.

After taking into account the divestment fee of S\$3.2 million to be paid to the Manager in accordance with the terms of the trust deed dated 10 October 2013 constituting OUE C-REIT (as amended) (the "**Trust Deed**") and other divestment-related expenses, net proceeds from the Divestment is expected to be approximately S\$262.6 million.

2.3 Principal Terms of the LLP Agreement

Pursuant to the terms of the LLP Agreement:

- (a) OUE C-REIT and the Allianz Investor shall each contribute (and have contributed) S\$1.00 in cash immediately upon registration of BPH LLP as capital of BPH LLP;
- (b) the Allianz Investor will make a capital contribution in cash to BPH LLP equivalent to the value of the capital contribution-in-kind by OUE C-REIT of the balance interest in the Property to BPH LLP; and
- (c) each of OUE C-REIT and the Allianz Investor agrees and undertakes to make additional capital contribution to BPH LLP in accordance with the LLP Agreement.

2.4 Property management agreement

The Trustee had on 27 January 2014 entered into a property management agreement (as may be varied, modified or supplemented from time to time, the “**Property Management Agreement**”) with (i) the Manager and (ii) OUE Commercial Property Management Pte. Ltd. (the “**Property Manager**”), pursuant to which the Property Manager agreed to provide property management services for the Property.

Further to the Divestment, the Trustee, the Manager, the Property Manager will be amending the Property Management Agreement before entering into a deed of novation with BPH LLP under which the Trustee’s rights, benefits and obligations under the Property Management Agreement will be novated to BPH LLP.

2.5 Asset management agreement

In addition, BPH LLP, OUE Commercial REIT Management Pte. Ltd.², the Trustee and the Allianz Investor will also be entering into an asset management agreement, pursuant to which OUE Commercial REIT Management Pte. Ltd. will provide certain asset management services to BPH LLP in respect of the Property.

In line with the existing fee structure payable by OUE C-REIT to the Manager under the Trust Deed, BPH LLP agrees to pay OUE Commercial REIT Management Pte. Ltd. an asset management fee at the rate of 0.3% per annum of the value of the Property.

Any asset management fee payable by BPH LLP to OUE Commercial REIT Management Pte. Ltd. which is attributable to OUE C-REIT shall reduce the management fees payable by OUE C-REIT to OUE Commercial REIT Management Pte. Ltd. under the Trust Deed by a corresponding amount. For the avoidance of doubt, the total asset management fee payable by BPH LLP which is attributable to OUE C-REIT shall not exceed the amount of the Base Fee payable by OUE C-REIT to the Manager under the Trust Deed.

2.6 Deed of Guarantee and Undertaking

In connection with the Divestment, the Trustee, Allianz Investor and the LLP will be entering into a deed of guarantee and undertaking, pursuant to which the Trustee will guarantee that the minimum net property income of the Property will be:

- (a) at least S\$50.0 million for the first year following the completion of the Divestment;
and
 - (b) at least S\$52.5 million for the second year following the completion of the Divestment,
- (collectively, the “**NPI Guarantee**”).

² For the avoidance of doubt, OUE Commercial REIT Management Pte. Ltd. is not entering into the asset management agreement in its capacity as manager of OUE C-REIT.

The NPI Guarantee is subject to an aggregate cap of S\$6.0 million.

Under the deed of guarantee and undertaking, the Trustee also undertakes to bear all rent, fees, premiums, charges, stamp duty and taxes in relation to the extension of the lease term for the Airspace Lot for up to 15 years. In addition, the costs of any reinstatement works in relation to the Airspace Lot if the lease term is not renewed, will be borne by the Trustee, and if the lease term is renewed for less than 15 years, will be *pro-rated* between BPH LLP and the Trustee.

3. RATIONALE FOR THE DIVESTMENT

The Manager believes that the Divestment will bring the following key benefits to the Unitholders of OUE C-REIT (“**Unitholders**”):

3.1 Active portfolio management to enhance value for Unitholders

The Divestment is in line with the Manager’s pro-active portfolio management strategy to maximise the operational performance of assets and capitalise on opportunities to improve financial flexibility and pursue further growth opportunities to enhance the value of OUE C-REIT’s portfolio for Unitholders.

The Property has been held since OUE C-REIT’s listing in 2014 and the Manager has successfully maintained consistently high and above-market occupancy levels at the Property while optimising rental growth. OUE Bayfront has also demonstrated resilient performance amidst a challenging operating landscape. As at 30 September 2020, it enjoys a committed office occupancy of 100% and a blue-chip tenant profile of mainly multinational corporations and financial institutions. As a result of the Manager’s active focus on asset management, the average passing rent for OUE Bayfront has risen from S\$10.40 psf per month³ at OUE C-REIT’s listing in 2014 to S\$12.26 psf per month as of September 2020.

Based on the Property’s annualised net property income of S\$45.8 million for the nine months ended 30 September 2020 and the agreed value of S\$1,267.5 million, the estimated net property yield is 3.6% per annum.

3.2 Realise value of capital appreciation while maintaining 50% stake in premium Grade A office building and exposure to the Singapore office market

OUE Bayfront is a premium Grade A office building in a prime location in the CBD. The Divestment allows Unitholders to realise part of the capital gains from the Property and yet maintain exposure to the Singapore office market.

The agreed value of the Property of S\$1,267.5 million or S\$3,170 psf is attractive and represents a 26.1% premium over the purchase consideration of the Property by OUE C-REIT of S\$1,005 million.

³ Proforma average passing rent as at 30 September 2013 as disclosed in OUE C-REIT’s Prospectus dated 17 January 2014.

Based on OUE C-REIT's 50.0% interest, the estimated net gain on the Divestment is approximately S\$26.3 million⁴.

Post Divestment, OUE C-REIT continues to be underpinned by the resilient office segment which will contribute 57.8% to the total portfolio revenue on a *pro forma* basis⁵ while Singapore properties continue to anchor the portfolio, making up approximately 90.4% of total assets⁶.

3.3 Opportunity to optimise capital structure and increase financial flexibility

The Divestment provides OUE C-REIT the opportunity to optimise its capital structure and enhance long-term returns for Unitholders. The net proceeds from the Divestment is expected to be S\$262.6 million.

The proceeds from the Divestment will provide the Manager with financial flexibility to pare down debt, undertake accretive acquisitions of higher yielding assets or asset enhancement initiatives, redeem outstanding convertible perpetual preferred units, commence a distribution per Unit ("DPU") accretive unit buy-back programme to enhance long-term returns to Unitholders, and to distribute as capital gains.

4. USE OF DIVESTMENT PROCEEDS AND FINANCIAL EFFECTS

4.1 Use of divestment proceeds

The proceeds from the Divestment will enhance OUE C-REIT's financial flexibility for the purposes described in paragraph 3.3 of this announcement.

Assuming the entire net proceeds from the Divestment is used to repay loans, OUE C-REIT's aggregate leverage is expected to reduce from 40.3% as at 30 September 2020 to 33.6% on a *pro forma* basis post completion of the Divestment.

4.2 Pro forma financial effects

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on the net asset value ("NAV") per unit in OUE C-REIT ("Unit") and the distribution per Unit ("DPU") of OUE C-REIT presented below were prepared based on the audited financial statements of OUE C-REIT for the financial year ended 31 December 2019.

4.2.1 Pro forma NAV of the Divestment

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on the NAV per Unit as at 31 December 2019, as if the Divestment was completed on 31 December 2019, are as follows:

⁴ Net of the divestment fee and all other divestment-related costs.

⁵ Based on portfolio revenue for the nine months ended 30 September 2020 and assuming that the sale was completed on 1 January 2020.

⁶ Based on independent valuations as at 31 December 2019 and 50% of valuation for OUE Bayfront, assuming SGD:CNY exchange rate of 1:4.960 as at 30 September 2020.

	Effects of the Divestment	
	Before the Divestment	After the Divestment
Adjusted NAV per Unit (S\$) ¹	0.60	0.61

Note:

(1) The Adjusted NAV per Unit is computed on the basis that OUE C-REIT will indirectly retain 50% interest in the Property through OUE C-REIT's 50% interest in BPH LLP.

4.2.2 Pro forma DPU of the Divestment

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on OUE C-REIT's DPU for the financial year ended 31 December 2019, as if OUE C-REIT had completed the Divestment on 1 January 2019, are as follows:

	Effects of the Divestment	
	Before the Divestment	After the Divestment
DPU (Singapore cents) ^{1,2}	3.31	3.13

Notes:

(1) Assume the entire proceeds from the Divestment is used to pay the divestment fee and all divestment-related costs, as well as repay loans.

(2) Assume BPH LLP incurred bank borrowings of S\$633.8 million.

5. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this announcement and based on information available to the Manager as at the date of this announcement, save as disclosed in paragraphs 2.4 and 2.5 of this announcement and the Unitholding interests in OUE C-REIT held by certain directors of the Manager and the controlling Unitholders, none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Divestment or the LLP Agreement.

6. OTHER INFORMATION

6.1 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Divestment or any other transactions contemplated in relation to the Divestment.

6.2 Disclosure under Rule 1010(13) of the Listing Manual

Chapter 10 of the Listing Manual classifies transactions by an issuer into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on the following bases of comparison:

- (i) NAV of the assets to be disposed of, compared with the issuer's NAV;
- (ii) the net profits attributable to the assets disposed of, compared with the issuer's net profits;
- (iii) the aggregate value of the consideration received, compared with the issuer's capitalisation; and
- (iv) the number of Units issued by the issuer as consideration for the acquisition, compared with the number of Units previously in issue.

The relative figures for the Divestment using the applicable bases of comparison described above are set out in the table below:

	Divestment (S\$ million)	OUE C-REIT Group (S\$ million)	Percentage (%)
Rule 1006(a) NAV of assets disposed compared to OUE C-REIT's NAV ⁽¹⁾	590.5	3,296.2	17.9
Rule 1006(b) Net profits attributable to the assets disposed compared to OUE C-REIT's net profits ⁽¹⁾	11.4	65.5	17.4
Rule 1006(c) Aggregate value of consideration to be received compared with OUE C-REIT's market capitalisation ⁽²⁾	633.8	2,088.9	30.3

Notes:

- (1) Based on OUE C-REIT's latest announced consolidated results for 1H 2020.
- (2) Market capitalisation is computed based on the weighted average price of a Unit on the Singapore Exchange Securities Trading Limited of S\$0.3853, being the market day immediately prior to the date of entry into the Sale and Contribution Agreement.

Under Rule 1014(3), a disposal of properties is considered to be in the ordinary course of business of OUE C-REIT, provided that the relative figures as computed on the bases set out in Rule 1006 do not exceed 50% based on the aggregate value of all disposals in the last twelve months. Accordingly, the Divestment is considered to be in the ordinary course of business of OUE C-REIT which does not require unitholders' approval.

6.3 Documents for Inspection

Copies of the Sale and Contribution Agreement and the valuation report of the Independent Valuer are available for inspection⁷ during normal business hours at the registered office of the Manager at 333 Orchard Road, #33-01 Mandarin Orchard Singapore, Singapore 238867 for a period of three months, commencing from the date of this announcement.

⁷ Due to the current COVID-19 situation in Singapore, inspection shall be further subject to any applicable control order or regulatory restriction relating to safe distancing which may be issued by the relevant authorities. Prior appointment with the Manager will be appreciated.

By Order of the Board
Kelvin Chua
Company Secretary

OUE Commercial REIT Management Pte. Ltd.

(Registration Number: 201327018E)

(as manager of OUE Commercial Real Estate Investment Trust)

18 January 2021

IMPORTANT NOTICE

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of OUE C-REIT is not necessarily indicative of the future performance of OUE C-REIT.

Investors have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This Announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.