ELITE COMMERCIAL REIT

ELITE COMMERCIAL REIT MAKES FIRST ACQUISITION SINCE IPO

Proposed acquisition of 58 quality, UK commercial properties for £212.5 million, primarily leased to the UK Government

- ***Increases REIT's overall exposure to London to 14% of the enlarged portfolio***
- ***Maintains 99% exposure to the UK Government, whilst diversifying occupier mix to other UK government occupiers, besides the Department for Work and Pensions ("DWP")***
- ***Enlarged portfolio will boost REIT's size by 67%[1], with a 57% growth in market capitalisation***
- ***Accretive acquisition increases Distribution per Unit ("DPU") yield by 3.2%[2]***
- ***Introduction of new substantial institutional European shareholder Partner Reinsurance Company Ltd ("PartnerRE")[3]***
- ***Transaction structure provides completion certainty***

***SINGAPORE, 19 October 2020* – Elite Commercial REIT Management Pte. Ltd.,** the manager (the **"Manager"**) of Elite Commercial REIT (the "**REIT**"), today announced that Elite Commercial REIT has entered into a conditional share purchase agreement (the "**Share Purchase Agreement**") with Elite Bushel Holding Limited (the "**Vendor**"), a subsidiary of Elite UK Commercial Fund II, to acquire 100.0% of the share capital in Elite Amphora Limited and Elite Cask Limited (collectively, the "**Target SPVs**"), which hold 58 commercial buildings

Oversea-Chinese Banking Corporation Limited ("**OCBC**") and UBS AG, Singapore Branch ("**UBS**") are the Joint Issue Managers for the initial public offering of units in Elite Commercial REIT (the "**Offering**"). OCBC, UBS, CGS-CIMB Securities (Singapore) Pte. Ltd. and China International Capital Corporation (Singapore) Pte. Limited are the Joint Bookrunners and Underwriters for the Offering.

[1] *Based on the valuation of the New Properties by Colliers as of 14 August 2020 and the valuation of the Existing Portfolio; Colliers are of the opinion that the aggregate market value, as at 31 August 2019 (reconfirmed as at 31 December 2019), of the initial 97 properties is £319,055,000.*

[2] *Based on pro forma DPU (6 Feb 2020 to 30 Jun 2020), assuming Elite Commercial REIT finances the acquisition through: (i) the issuance of new units to Elite UK Commercial Fund II being the Vendor Nominee as consideration for the Proposed Acquisition ("**Consideration Units**"), and (ii) a £30 million Equity Fund Raising. For illustrative purposes only, assuming the acquisition is funded by a drawdown of loan facilities and the Vendor's Loan, the DPU accretion will be 8.3%.*

[3] *PartnerRE is an indirect wholly-owned subsidiary of Exor N.V.. Exor N.V. is listed on Milan Stock Exchange, and the companies it holds other than PartnerRE includes, Ferrari, Fiat, Juventus and The Economist. Exor N.V. is controlled by the Italian Agnelli family through their privately held company, Giovanni Agnelli B.V. (52.99% interest in EXOR N.V.).*

located across the United Kingdom ("**UK**") (the "**New Properties**") from the Vendor (the "**Proposed Acquisition**").

This marks the REIT's first acquisition since its listing on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 6 February 2020. Elite UK Commercial Fund II had, during the time of the initial public offering of Elite Commercial REIT, granted a right of refusal over the assets held by Elite UK Commercial Fund II.

The agreed price of the New Properties of £212.5 million was negotiated on a willing-buyer and willing-seller basis and takes into account the independent valuations of the New Properties conducted by Colliers International Valuation UK LLP ("**Colliers**"), and BNP Paribas Real Estate Advisory & Property Management UK Limited ("**BNP Paribas**", together with Colliers, the "**Independent Valuers**").

Ms. Shaldine Wang, Chief Executive Officer of the Manager said, "We are excited about this acquisition, which adds quality, predominantly UK Government-leased commercial assets to Elite Commercial REIT's portfolio, demonstrating our commitment to execute our stated strategy for growth. Notwithstanding the global economic headwinds, the New Properties are expected to provide stable cashflows and attractive recession-proof yields, and will maintain the enlarged REIT's exposure to high credit quality UK sovereign tenants in addition to the counter-cyclical DWP."

"Notably, the UK Government has committed £900 million to double the number of work coaches employed in JobCentre Plus facilities, which is crucial to the UK's recovery against the backdrop of macroeconomic fallout and increasing unemployment. This intensifies the usage of properties leased to the DWP, thereby reducing the likelihood of the tenant exercising the leases' break clauses. This timely acquisition will also increase our REIT's exposure to London, one of the largest and most liquid real estate investing and leasing markets in Europe, benefitting the REIT's long-term rental and capital growth."

<u>Increases Exposure to London</u>

With a total net internal area ("**NIA**") of 1,307,064 sq ft, the New Properties are well located in London and across other major UK cities, including Manchester, Edinburgh, Liverpool and Cardiff, within city centres, town centres and city suburbs. 36% of the New Properties are located in London which increases the REIT's overall London exposure to 14%[4], providing higher potential for rental and capital growth, as well as redevelopment opportunities.

Out of the 58 New Properties, 54 New Properties are freehold and the other New Properties are on a long leasehold tenure ranging between 83 and 983 years.

The New Properties provide attractive rental yields relative to the Existing Portfolio, which provides a rental yield of 7.3% but does not include any properties located in London. The New Properties' portfolio provides a rental yield of 8.0% when the London properties are excluded. On a direct comparison basis, the New Properties provide an average of 70bps higher rental yield to the Existing Portfolio. The New Properties' London assets provide a rental yield of 4.3%.

Extends Exposure to AA-rated UK Sovereign credit, whilst Diversifying Occupier Mix

The Proposed Acquisition reinforces the Manager's investment strategy, providing attractive and recession-proof yields underpinned by five new UK sovereign tenants, with approximately 99% of the leases entered into with the UK Government via various government agencies. Of which, 100% of the leases within the New Properties are on a full repairing and insuring ("**FRI**") basis, and 80% of the leases by gross rental income ("**GRI**") within the New Properties have Consumer Price Index ("**CPI**") -linked rental escalations (cap and collared between 1 and 5%), which will contribute to Elite Commercial REIT's organic rental growth. The enlarged portfolio inclusive of the New Properties have a weighted average lease to expiry ("**WALE**") of 7.5 years.[5]

82% of the New Properties are occupied by the DWP[6] – the UK Government's largest public service department that is responsible for crucial welfare, pensions and child maintenance policy and serves over 20 million claimants. Against the backdrop of COVID-19, there is a rise in unemployment and claimant count as shown by the increase in number of work coaches, which underscores the need for DWP's services and its counter-cyclical nature.

In addition, the manager has further diversified its tenant mix, with 17% of the New Properties occupied by other UK Government occupiers, which includes the UK Ministry of Defence,

[4] *By valuation as of 14 August 2020.*
[5] *The existing REIT portfolio has a WALE of 7.6 years and weighted average lease to break of 4.1 years, as at 14 August 2020, weighted by GRI. The enlarged portfolio has a WALE of 7.5 years and weighted average lease to break of 4.2 years.*
[6] *Leased to the Secretary of State for Communities & Local Government; occupied by the DWP*

National Records of Scotland, Environmental Agency, HM Courts and Tribunals Service and Natural Resources Wales. With its expanded base of UK Government tenants, the REIT continues to maintain its strong credit standing and stable cash flow, well supported by the UK Government's AA ratings affirmed by S&P.

Accretive Acquisition, which Increases REIT's Size, Market Capitalisation, Free Float and Liquidity

Following the Proposed Acquisition, Elite Commercial REIT will see a 66.6% increase in the REIT's valuations, from £319.1 million to £531.6 million. It will also result in a 59.1% increase in net property income ("**NPI**"). With the REIT's enlarged portfolio and income, Elite Commercial REIT's debt headroom will be increased, further contributing to its stability while broadening its scope to pursue other accretive acquisitions in the future.

The Manager intends to finance the Proposed Acquisition with (i) the issue of Consideration Units to the Vendor or the Vendor Nominee, (ii) net proceeds from the Equity Fund Raising and/or (iii) external bank borrowings.

Based on the Vendor's current intention, Elite UK Commercial Fund II, as the Vendor Nominee, will receive the Consideration Units issued pursuant to the Proposed Acquisition. Following receipt of the Consideration Units, Elite UK Commercial Fund II will do a distribution in specie of such Consideration Units to its investors, all of whom are unrelated third parties.

This would result in the largest investor of Elite UK Commercial Fund II, being PartnerRE[3], holding approximately 23% of the Units in issue[7]**.** PartnerRE has voluntarily agreed to provide a moratorium not to dispose of 100% of the Consideration Units it receives for 6 months after receipt of the Consideration Units, and at least 50% of the Consideration Units for the next 6 months thereafter. Each of the remaining investors of Elite UK Commercial Fund II will, upon receiving its respective proportion of Consideration Units, hold less than 5% of the Units in issue.

Ms. Shaldine Wang further commented, "The Proposed Acquisition will substantially enlarge our REIT's portfolio size and market capitalisation. It is expected to benefit our unitholders upon completion, with an attractive DPU accretion of 3.2%[2]. This is in line with Elite

[7] *For illustrative purposes only, assuming that the Total Acquisition Outlay (save for the Acquisition Fee) is funded by a £30.0 million Equity Fund Raising, PartnerRE will hold approximately 21% of the Units in issue upon receipt of the Consideration Units.*

Commercial REIT's objective to provide stable returns and opportunities for future income and capital growth. We have also structured the transaction so that there is a certainty of completion, regardless of equity fund raising.[8]

Depending on prevailing market conditions, the Manager will adopt the appropriate financing strategy to complete the transaction, acting in the interest of the unitholders."

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[8] *For the avoidance of doubt, the Manager's primary objective is to pursue an Equity Fund Raising. However, should the market conditions be non-conducive, the Manager may decide in the interest of Unitholders to fund the Total Acquisition Outlay (save for the Acquisition Fee) through issuance of the Consideration Units, a drawdown of loan facilities and the Vendor's Loan, without the Equity Fund Raising. In such an instance, Elite Commercial REIT will have sufficient internal resources and financing to complete the Proposed Acquisition.*

About Elite Commercial REIT

Elite Commercial REIT is a Singapore real estate investment trust established with the investment strategy of principally investing, directly or indirectly, in commercial assets and real estate-related assets in the United Kingdom ("**UK**"). Listed on Singapore Exchange Securities Trading Limited (SGX-ST) on 6 February 2020, Elite Commercial REIT is the first and only UK-focused listed REIT in Singapore.

Elite Commercial REIT's portfolio ("**Portfolio**") comprises 97 predominantly freehold[9] quality commercial buildings located across the UK, with a total net internal area of approximately 2.6 million square feet and a total site area of approximately 47 hectares. The Portfolio is valued at approximately GBP 319.1 million as at 31 August 2019[10].

The Portfolio offers a stable cash flow with over 99.0% of the gross rental income derived from the AA-rated UK Government and a long weighted average lease expiry of 7.6 years[11]. The full repairing and insuring (triple net) leases[12] with the UK Government include rental escalations that is linked to the UK Consumer Price Index. The Portfolio is primarily occupied by the Department for Work and Pensions ("**DWP**"), the UK's largest public service department that is responsible for welfare, pensions and child maintenance for over 20 million claimants. DWP is a uniquely counter-cyclical occupier and the Portfolio is crucial public infrastructure for the provision of DWP services.

Elite Commercial REIT's key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in distribution and net asset value per unit, while maintaining an appropriate capital structure through disciplined execution of its key strategies.

Elite Commercial REIT is managed by Elite Commercial REIT Management Pte. Ltd., which is owned by Elite Partners Holdings Pte. Ltd. (68.0%), Sunway RE Capital Pte. Ltd. (15.0%) and Jin Leng Investments Pte Ltd (17.0%).

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[9] *Of the 97 properties, 96 properties are freehold properties and one property is on a long leasehold tenure expiring on 19 May 2255.*
[10] *Based on the valuation report prepared by Colliers International Valuation UK LLP.*
[11] *As at 14 August 2020.*
[12] *Under a full repairing and insuring (triple net) lease, the responsibility for the repair of the external, internal and structural format of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability and will not be required to bear the costs of material repairs to the Properties, if any.*

IMPORTANT NOTICE

This announcement is for information only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for units in Elite Commercial REIT ("Units") in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by Elite Commercial REIT, the Manager or any of their respective affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. The Unitholders have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.