



SPH REIT MANAGEMENT PTE. LTD.

(Registration No: 201305497E)
(Incorporated in the Republic of Singapore)

**ACQUISITION OF AN 85.0% INTEREST IN
FIGTREE GROVE SHOPPING CENTRE, NEW SOUTH WALES, AUSTRALIA**

Unless otherwise stated in this announcement, all conversions are based on an exchange rate of S\$1.00:A\$1.00.

1. INTRODUCTION

SPH REIT Management Pte. Ltd. in its capacity as the Manager of SPH REIT (the “**Manager**”), is pleased to announce the proposed acquisition of Figtree Grove Shopping Centre (the “**Property**” or “**Figtree Grove**”) for a consideration of A\$206.0 million (approximately S\$206.0 million) (the “**Property Price**”) from an unrelated third party, Swordfish Australian Mid TC Pty Ltd (the “**Seller**”) under a unit sale agreement entered into today between the Seller and the Figtree Holding Trust (the “**Buyer Trust**”) (the “**Unit Sale Agreement**”, and the proposed acquisition, the “**Proposed Acquisition**”).

The Proposed Acquisition is made through the acquisition of all the units of a property trust holding the Property (the “**Property Trust**”) from the Seller by the Buyer Trust, which is a wholly-owned sub-trust of SPH REIT Moelis Australia Trust (the “**JV Trust**”). The JV Trust is, in turn, jointly held by SPH REIT and several entities managed by the asset management division of Moelis Australia Limited (“**Moelis Australia Asset Management**”) in the proportion of 85:15. Moelis Australia Limited (“**Moelis Australia**”) is a financial services group that operates in the areas of equities sales trading and research, asset management and corporate advisory through Australian licensed entities and is a publicly-listed company on the Australian Securities Exchange (“**ASX**”).

SPH REIT’s 85.0% contribution to the Property Price is A\$175.1 million (approximately S\$175.1 million) (the “**Purchase Consideration**”).

The Proposed Acquisition constitutes a disclosable transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**” and “**SGX-ST**” respectively).

2. INFORMATION ON THE PROPERTY¹

Figtree Grove is an established sub-regional shopping centre located on 19 & 23 Princes Highway, Figtree, Wollongong, NSW 2525. The Property sits on a freehold land area of 50,900 sqm (approximately 547,883 sqft), and has a total Gross Lettable Area (“GLA”) of 21,984 sqm (approximately 236,634 sqft) with 940 carpark lots. Anchored by a 24-hour Kmart, Coles and Woolworths supermarkets, 2 mini-majors, with 72 specialty stores, 9 kiosks, 4 ATMs and 2 external tenancies, and 1 pad site, offering a variety of services, F&B dining options and other retailers providing convenience and necessity to residents.

Located approximately 3.7 km south-west of the Wollongong Central Business District and 71 km south west of Sydney CBD, the Property is situated at the north-eastern corner of the Princes Highway and The Avenue – major thoroughfares which carry traffic between the Wollongong Central Business District and the wider Wollongong area. The Property is well-positioned to serve the key growth areas in central Wollongong and the south-western suburbs of Wollongong.

The Proposed Acquisition is in line with SPH REIT’s strategy of acquiring retail properties in Asia Pacific that complement SPH REIT’s existing portfolio of quality assets so as to provide unitholders of SPH REIT with regular and stable distributions, sustainable long-term growth in distributable income and distribution per unit, while maintaining an appropriate capital structure.

3. DETAILS OF ACQUISITION

3.1 Purchase Consideration

Pursuant to the terms of the Unit Sale Agreement, the Property Price of A\$206.0 million (approximately S\$206.0 million) was arrived on a willing-buyer and willing-seller basis, taking into account the independent valuation of the Property of A\$206.0 million (approximately S\$206.0 million) as stated in the independent valuation report dated 30 October 2018 (the “**Valuation Report**”) prepared by m3property Pty Ltd (the “**Independent Valuer**”) jointly commissioned by JV Trust based on the discounted cash flow method, capitalisation approach and direct comparison. A copy of the Valuation Report is available for inspection during normal business hours at the registered office of the Manager at 1000 Toa Payoh North, News Centre, Singapore 318994 from the date of this announcement up to and including the date falling three months thereafter.

As SPH REIT has an effective 85.0% interest in the Property, SPH REIT will contribute 85.0% of the Property Price amounting to A\$175.1million (approximately S\$175.1 million).

m3property Pty Ltd is a licensed valuer operating under the Australian Property Institute Limited Liability Scheme which is a scheme approved under the Australian Professional Standards Legislation.

3.2 Certain Terms and Conditions of the Unit Sale Agreement

In addition to the customary representations and warranties for such agreements:

¹ m3property Valuation Report dated 30 October 2018.

- 3.2.1 The Unit Sale Agreement is conditional on the necessary approvals being granted by the relevant authorities, including there being no objections to the Proposed Acquisition by the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act 1975 (Cth).
- 3.2.2 The Seller is entitled to all distributable income of Figtree Trust in respect of the period from formation of Figtree Trust to the time immediately prior to completion, and the current trustee of the Property Trust (the “**Retiring Trustee**”) will, prior to completion of the Unit Sale Agreement, make a distribution of the distributable income of Figtree Trust to the Seller for the period commencing 1 January 2018 up to and including the date of completion.
- 3.2.3 The Retiring Trustee will retire and transfer, assign, and novate all property, tenancies, service agreements, building contracts in favour of a new trustee of the Property Trust.

3.3 Rental Guarantee

3.3.1 Rationale of the Rental Guarantee

The Seller will provide a gross rental guarantee (the “**Rental Guarantee**”) on all tenancies which are vacant, casual, monthly or held over at completion or which become vacant during the Rental Guarantee Period (as defined below), including any tenancies about to become vacant due to proposed tenancy moves. The Rental Guarantee will:

- (i) be capped at A\$800,000 (approximately S\$800,000) (the “**Rental Guarantee Amount**”);
- (ii) be for the period from the date of completion until the date which is 12-months after the date of completion (the “**Rental Guarantee Period**”);
- (iii) cover the shortfall per agreed tenancy between guaranteed gross rent for the tenancy and the rental actually received for the tenancy during the Rental Guarantee Period;
- (iv) be held on escrow pending the release of the relevant amounts to the Buyer Trust upon receiving a valid payment claim; and
- (v) provide that the balance of the rental guarantee will be released to the Buyer Trust at the end of the Income Support Period.

3.3.2 Principal Assumptions of the Rental Guarantee

The Rental Guarantee Amount was derived based on the expected shortfall between the gross rent for the duration of the Rental Guarantee Period in respect of the specified premises and the gross income or gross rent budgeted by the Seller.

3.3.3 Safeguards

At completion, the Rental Guarantee Amount will be paid to a designated escrow account.

3.3.4 Directors' Opinion

The directors of the Manager (the "**Directors**") are of the view that the Rental Guarantee (the terms of which are set out in paragraph 3.3.1 of this Announcement) is on normal commercial terms and is not prejudicial to the interests of SPH REIT and its minority unitholders.

3.4 Estimated Total Acquisition Cost

The current estimated total cost (the "**Total Acquisition Cost**") of the Proposed Acquisition to SPH REIT is approximately A\$188.2 million (approximately S\$188.2 million), comprising:

- 3.4.1 the Purchase Consideration of A\$175.1 million (approximately S\$175.1 million), being SPH REIT's 85.0% contribution to the Property Price;
- 3.4.2 stamp duty of A\$9.6 million (approximately S\$9.6 million), being SPH REIT's 85.0% contribution to the stamp duty payable on the Proposed Acquisition;
- 3.4.3 the acquisition fee of S\$1.8 million, being the acquisition fee payable to the Manager for the acquisition of the Property, pursuant to the SPH REIT Trust Deed dated 9 July 2013; and
- 3.4.4 professional fees and expenses of S\$1.7 million, being the professional fees and expenses incurred by SPH REIT in connection with the Proposed Acquisition.

3.5 Establishment of Special Purpose Vehicles

In connection with the Proposed Acquisition, the following special purpose vehicles have been established:

- 3.5.1 a private company incorporated in Singapore, SPH REIT (Investments) Pte. Ltd., a wholly-owned subsidiary of DBS Trustee Limited, in its capacity as trustee of SPH REIT as announced on 10 December 2018;
- 3.5.2 a private trust established in Australia, SPH REIT Australia Trust, with a professional trustee, Evolution Trustee Limited, appointed as the trustee of SPH REIT Australia Trust. DBS Trustee Limited, in its capacity as trustee of SPH REIT and SPH REIT (Investments) Pte. Ltd., a wholly-owned subsidiary of SPH REIT, hold 1.0% and 99.0% of the units in SPH REIT Australia Trust respectively;
- 3.5.3 a managed investment trust established in Australia, the JV Trust, with an affiliate of Moelis Australia, Mendoza Limited, appointed as the trustee of the JV Trust and an affiliate of Moelis Australia, Moelis Australia Funds Management Pty Ltd appointed (or to be appointed) as the investment manager. SPH REIT Australia Trust holds

85.0% of the units in the JV Trust, with entities managed by Moelis Australia holding the balance 15.0% of the units in the JV Trust; and

- 3.5.4 a private trust established in Australia, the Buyer Trust, with an affiliate of Moelis Australia, MAAM TT Pty Ltd, appointed as the trustee of the Buyer Trust. The JV Trust holds 100.0% of the units in the Buyer Trust.

A summary is provided as follows:

Name	Place of Incorporation / Constitution	Total Direct and/or Indirect Interest of SPH REIT	Description
SPH REIT (Investments) Pte. Ltd.	Singapore	100.0%	Wholly-owned subsidiary of SPH REIT.
SPH REIT Australia Trust	Australia	100.0%	Evolution Trustees Limited as the trustee
SPH REIT Moelis Australia Trust (the "JV Trust")	Australia	85.0%	Mendoza Limited as the trustee, Moelis Australia Funds Management Pty Ltd as the investment manager.
Figtree Holding Trust (the "Buyer Trust")	Australia	85.0%	MAAM TT Pty Ltd as the trustee.

4. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Manager believes that the Proposed Acquisition will bring the following key benefits to unitholders:

4.1 Strategic Addition to SPH REIT's Portfolio

The Proposed Acquisition is in line with SPH REIT's investment strategy to invest in income-producing real estate, which is used primarily for retail purposes in Asia-Pacific. The Proposed Acquisition is SPH REIT's first foray overseas and will enhance SPH REIT's geographical diversification.

4.2 Established sub-regional shopping centre in Wollongong²

Figtree Grove focuses on non-discretionary shopping with approximately 58.4% of space leased to supermarkets and a discount departmental store. The Property is expected to provide a steady and resilient stream of income, with an occupancy rate of 98.5%, a

² m3property Valuation Report dated 30 October 2018.

weighted average lease expiry of about 5.4 years (by income), and 7.8 years (by GLA), and a well-staggered lease expiry profile.

Figtree Grove is a high productivity shopping centre in Australia, recording total retail sales of A\$10,551 (approximately S\$10,551) per square meter, 47.7% above benchmark for malls in the same category.

4.3 Income and Portfolio Diversification

The Proposed Acquisition will benefit SPH REIT and unitholders of SPH REIT with further income and geographical diversification. The Proposed Acquisition of Figtree Grove will provide SPH REIT with approximately 5.2% exposure, by asset value, to Australia.

4.4 The catchment³

Figtree Grove serves a Total Trade Area of approximately 207,000 residents. Between 2018 and 2028, this is expected to grow 1.0% to approximately 229,000 residents. The Main Trade Area serves a population of approximately 82,000 residents, and the population is expected to grow by 1.0% per annum to 90,000 residents during the same period.

The Main Trade Area has a household income of A\$87,000 (approximately S\$87,000) which is 11.0% above non-metro New South Wales benchmark.

4.5 Strategic partnership with on-the-ground capabilities⁴

SPH REIT is also able to leverage off its partner's on-the-ground capabilities through the strategic partnership. In particular, deep investment experience and access to both Moelis Australia's leading corporate advisory services and the growing global network creates innovative and specialised opportunities for investors.

Moelis Australia Asset Management originates and manages investment opportunities for sophisticated and institutional investors in real estate, credit, private equity and venture capital. The asset management team has more than A\$3.3 billion (approximately S\$3.3 billion) in assets under management.

Moelis Australia Asset Management is part of ASX-listed Moelis Australia, a financial services firm also operating in corporate advisory and equities.

4.6 Increase Distributable Income and DPU Accretive

On acquisition, the Property is expected to generate a net property income yield of approximately 6.0% before taking into account the Total Acquisition Cost and approximately 5.7% after taking into account the Total Acquisition Cost.

³ m3property Valuation Report dated 30 October 2018.

⁴ m3property Valuation Report dated 30 October 2018.

The Proposed Acquisition is expected to be DPU accretive. Please refer to paragraph 5.2 below for the pro forma financial effects of the Proposed Acquisition on SPH REIT's DPU for the financial year ended 31 August 2018.

5. METHOD OF FINANCING AND FINANCIAL EFFECTS

5.1 Method of Financing

The Proposed Acquisition is to be financed through a combination of debt and internal sources. SPH REIT's gearing ratio will be approximately 30.1% after the completion of the Proposed Acquisition.

5.2 Pro Forma Financial Effects

5.2.1 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Acquisition on SPH REIT's DPU for the financial year ended 31 August 2018 ("FY2018"), as if the Proposed Acquisition was completed on 1 September 2017 and SPH REIT held the Property through to 31 August 2018 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net Property Income ⁽¹⁾⁽²⁾ (S\$'000)	165,996	176,455
Net Profit before tax ⁽¹⁾ (S\$'000)	123,084	123,615
Distributable Income ⁽¹⁾ (S\$'000)	142,310	142,841
Units in Issue ('000)	2,571,845	2,571,845
DPU (Singapore cents)	5.54	5.56

Notes:

- (1) Based an exchange rate of S\$1.00:A\$1.00.
- (2) Net Property Income for the proposed acquisition is net of non-controlling interest.

5.2.2 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Acquisition on SPH REIT's net asset value ("NAV") as at 31 August 2018, as if the Proposed Acquisition was completed on 31 August 2018 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NAV ⁽¹⁾⁽²⁾ (S\$'000)	2,438,947	2,438,947

Units in Issue	2,571,845	2,571,845
NAV per Unit ⁽¹⁾ (S\$)	0.95	0.95

Notes:

- (1) Based an exchange rate of S\$1.00:A\$1.00.
(2) Acquisition fees and acquisition related expenses are capitalised.

6. INTEREST OF DIRECTORS AND CONTROLLING UNITHOLDERS

Based on the information available to the Manager as at the date of this announcement, none of the Directors or the substantial unitholders⁵ have any interest, direct or indirect, in the Proposed Acquisition (otherwise than through their unitholdings, if any, in SPH REIT).

7. OTHER INFORMATION

7.1 Directors' Service Contracts

No person is or is proposed to be appointed as a director of the Manager in connection with the Proposed Acquisition.

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

Chapter 10 of the Listing Manual classifies transactions by SPH REIT into (i) non-disclosable transactions, (ii) disclosable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, inter alia, the following bases or comparison set out in Rules 1006(b), 1006(c) and 1006(d) of the Listing Manual:

- (a) the net profits attributable to the assets acquired, compared with SPH REIT's net profits;
- (b) the aggregate value of the consideration given, compared with SPH REIT's market capitalisation;
- (c) the number of Units issued by SPH REIT as consideration for the Proposed Acquisition, compared with the number of Units previously in issue.

The relative figures for the Proposed Acquisition using the applicable bases of comparison in Rule 1006 are set out below as at 14 December 2018 (the "**Latest Practicable Date**")⁶ are set out below:

	%
Rule 1006(b)	
Net profits attributable to the assets acquired compared to	0.4%

⁵ A "**substantial unitholder**" refers to a person with an interest in SPH REIT Units constituting not less than 5.0% of all Units in issue.

⁶ Being the two market days prior to the signing of the Unit Sale Agreement.

SPH REIT's net profits.	
<p><u>Rule 1006(c)</u></p> <p>Aggregate value of consideration to be given compared with SPH market capitalisation as at the close of business day on the Latest Practicable Date</p>	7.3%

Note:

- (1) For the purposes of computation under Rule 1006(c), the aggregate consideration given by SPH REIT is the Purchase Consideration.

7.3 Based on the computation under Rule 1006(b) and Rule 1006(c), the Proposed Acquisition is a disclosable transaction under Chapter 10 of the Listing Manual.

Issued by SPH REIT Management Pte. Ltd.

As manager of SPH REIT

18 December 2018

IMPORTANT NOTICE

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for 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 other companies, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Manager on future events.

While the Manager has taken reasonable actions to ensure that the information from the relevant sources cited in footnotes 1, 2, 3 and 4 are reproduced in their proper form and context, and that the information is extracted accurately and fairly from such sources, neither the Manager, nor any other party has conducted an independent review of the information contained in such sources or verified the accuracy of the contents of the relevant information

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.

Investors should note that they will 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 unitholders 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.

The past performance of SPH REIT is not necessarily indicative of the future performance of SPH REIT.