



Trust Management (Suntec) Limited

Suntec Real Estate Investment Trust
("Suntec REIT")

Manager of



EXERCISE OF PUT OPTION BY VENDOR IN RELATION TO 50% INTEREST IN SOUTHGATE COMPLEX, MELBOURNE

1. INTRODUCTION

ARA Trust Management (Suntec) Limited, in its capacity as manager of Suntec Real Estate Investment Trust ("**Suntec REIT**", and the manager of Suntec REIT, the "**Manager**"), refers to the announcement on 5 August 2016 titled "Acquisition of an Interest in Southgate Complex, Melbourne" (the "**Previous Announcement**") wherein it was stated that certain agreements have been entered into in respect of the acquisition of the remaining 50% of Southgate complex which is not held by Southgate Trust ("**Tranche B**", and the acquisition of Tranche B, the "**Acquisition**").

Southgate Trust is jointly held by Suntec REIT (through Suntec REIT (Australia) Trust) and PIP Southgate Sub-Trust ("**PIP Trust**"), a managed investment trust, in the proportion of 50:50.

2. EXERCISE OF PUT OPTION

As mentioned in the Previous Announcement, a put and call option agreement has been entered into between Dexus Southgate Trust ("**Dexus Trust**"), Southgate Trust and Suntec Southgate Trust (the "**Put and Call Option Agreement**"), pursuant to which (i) Dexus Trust has been granted a put option to sell the balance 50% interest in Southgate complex (the "**Property**", and the balance 50% interest in the Property, "**Tranche B**") to Southgate Trust, Suntec Southgate Trust or a nominee.

Pursuant to the Put and Call Option Agreement, Dexus Trust has today exercised the put option to put Tranche B to Southgate Trust.

Unitholders should note that under the Contract for Sale for Tranche B ("**Tranche B Contract for Sale**"), Southgate Trust may nominate a substitute or additional buyer, and if Suntec Southgate Trust, which is wholly-owned by Suntec REIT, is nominated as a substitute buyer, Suntec REIT would acquire 100% of the interest in Tranche B. In such an event, the Manager would release an announcement to Unitholders.

3. INFORMATION ON THE PROPERTY

The Property is a freehold, landmark mixed-use property located on the waterfront of the Southbank precinct in Melbourne, Victoria. The Property comprises two office towers, a 3-

storey retail podium and a car park with 1,026 lots. The Property sits on a freehold site of approximately 20,800 sq m, alongside the Yarra River in the Southbank arts and leisure precinct of Melbourne. With Flinders station situated directly opposite the Property and Melbourne's city rail loop in close proximity, the Property benefits from a strategic location, surrounded by business, residential, recreational and retail amenities.

The Property comprises:

- IBM Tower (60 City Road, Southbank);
- HWT Tower (40 City Road, Southbank);
- Southgate retail precinct (including the promenade and terraces); and
- Southgate commercial car park and podium (between the two towers).

4. DETAILS OF THE TRANSACTIONS

4.1 Valuation and Purchase Consideration

The aggregate purchase consideration payable for Tranche B is A\$289 million, which was agreed upfront when Tranche A was acquired. Tranche A was also acquired for A\$289 million.

The latest valuation of the Property is A\$666.1 million, which was conducted by Jones Lang LaSalle Advisory Services Pty Ltd ("**JLL**"), and is based on the discounted cash flow method, capitalisation approach and direct comparison approach. Accordingly, the value of Tranche B (being a 50% interest in the Property) based on the open market valuation conducted by JLL, is A\$333.05 million.

4.2 Estimated Total Acquisition Cost

The estimated total cost of the Acquisition (the "**Total Acquisition Cost**") is approximately A\$154.6 million, comprising:

- 4.2.1 the purchase consideration payable for Tranche B of A\$144.5 million;
- 4.2.2 stamp duty payable of A\$7.9 million;
- 4.2.3 the acquisition fee payable to the Manager for the acquisition of Tranche B pursuant to the trust deed dated 1 November 2004 constituting Suntec REIT (as amended and restated) of approximately A\$1.4 million; and
- 4.2.4 estimated professional and other fees and expenses of approximately A\$0.8 million.

5. RATIONALE FOR THE ACQUISITION

The Manager believes that the acquisition of Tranche B will bring the following key benefits to Unitholders:

5.1 Strategic Addition to Suntec REIT's portfolio

The acquisition of the Property is in line with the growth strategy to expand Suntec REIT's

footprint in the Asia-Pacific region, by acquiring quality commercial properties in key cities. The Property is expected to augment Suntec REIT's Australian portfolio.

5.2 Greater Income and Geographical Diversification

The acquisition of the Property will further enhance Suntec REIT's income and geographical diversification.

5.3 Potential for value-add opportunities

The Property offers significant value-add opportunities with medium term benefits from the potential repositioning of the retail podium and the re-leasing of office space in the strengthening office market in the central business district of Melbourne.

6. METHOD OF FINANCING AND PRO FORMA FINANCIAL EFFECTS

6.1 Method of Financing

The Total Acquisition Cost will be fully funded by debt.

6.2 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the distributions per unit in Suntec REIT ("Unit") and net asset value ("NAV") per Unit presented below are strictly for illustrative purposes and were prepared based on the unaudited financial statements of Suntec REIT and its subsidiaries (the "Suntec REIT Group") for the financial year ended 31 December 2017 (the "Suntec REIT Group 2017 Unaudited Financial Statements").

The pro forma financial effects are for **illustrative purposes only** and do not represent Suntec REIT's DPU and NAV per Unit following the completion of the Acquisition.

6.3 Pro Forma Distribution per Unit¹ ("DPU")

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on Suntec REIT's DPU for the financial year ended 31 December 2017 ("FY2017"), as if the Acquisition was completed on 1 January 2017 are as follows:

	Before the Acquisition	After the Acquisition
Net Profit before Tax (S\$'000)	247,304	258,810 ⁽¹⁾
DPU (cents)	10.005	10.089 ⁽²⁾

Notes:

- (1) Based on net operating income from the Property, less trust expenses at an average AUD:SGD exchange rate of 1.0201.
- (2) Based on distributable income attributable to the Property at an average AUD:SGD of 1.0201.

1 Rule 1010(9) of the Listing Manual requires that the issuer discloses the effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year. The effect of the transaction on the distribution per Unit is disclosed instead as it is a more appropriate measure for a real estate investment trust.

6.4 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2017, as if the Acquisition was completed on 31 December 2017 are as follows:

	Before the Acquisition	After the Acquisition
NAV per Unit (S\$)	2.119	2.119 ⁽¹⁾

Note:

(1) Based on average AUD:SGD exchange rate of 1.0441.

7. OTHER INFORMATION

7.1 Directors' Service Contracts

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

7.2 Relative Figures under Chapter 10 of the Listing Manual

The relative figures for the Acquisition using the applicable bases of comparison in Rule 1006 of the Listing Manual are set out in the tables below.

Comparison of	Acquisition of Tranche B by Suntec REIT	Suntec REIT	Relative figure (%)
Rule 1006(b) Net Profits (S\$ million)	9,154 ⁽¹⁾	190,110 ⁽²⁾	4.8
Rule 1006(c) Consideration against market capitalisation (S\$ million)	150,280 ⁽³⁾	5,188,896 ⁽⁴⁾	2.9

Note:

- (1) Based on net operating income from the Property, excluding net surplus from revaluation of investment property at an average AUD:SGD exchange rate of 1.0201.
- (2) Based on Net Income for the financial year ended 31 December 2017, excluding net surplus from revaluation of investment properties.
- (3) Based on AUD:SGD exchange rate of 1.04
- (4) Suntec REIT's market capitalisation is as at 26 February 2018, being the market day preceding the date of exercise of the put.

Accordingly, given that the relative figure computed on the basis under Rule 1006(b) as set out above exceeds 5% but does not exceed 20%, the Acquisition is regarded as a "discloseable transaction" under Chapter 10 of the Listing Manual.

7.3 Chapter 9 of the Listing Manual

As the PIP Manager is a related corporation of the Manager, PIP Trust is an "interested person" of Suntec REIT for purposes of Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST" and the Listing Manual of the SGX-ST, the "Listing Manual") read together with the Property Funds Appendix.

The current total aggregate value of the "interested person transactions" (as defined in Chapter 9 of the Listing Manual), including the Acquisition, between Suntec REIT and the Manager and/or its associates for the current financial year is less than 3% of the net

tangible assets of Suntec REIT (based on the Suntec REIT Group 2017 Unaudited Financial Statements). Accordingly, the Acquisition would not be subject to the requirement of approval of unitholders of Suntec REIT (“**Unitholders**”).

8. DOCUMENTS FOR INSPECTION

A copy of the following is available for inspection during normal business hours at the registered office of the Manager located at 6 Temasek Boulevard, #16-02 Suntec Tower Four, Singapore 038986 for a period of three months commencing from the date of this announcement, prior appointment would be appreciated:

- (i) a copy of the Tranche B Contract for Sale;
- (ii) a copy of the Put and Call Option Agreement; and
- (iii) a copy of the valuation report by JLL.

By Order of the Board
ARA Trust Management (Suntec) Limited
(Company registration no. 200410976R)
(as manager of Suntec Real Estate Investment Trust)

Chan Kong Leong
Director

27 February 2018

ABOUT SUNTEC REIT

Listed on 9 December 2004, Suntec REIT holds properties in Suntec City, Singapore's largest integrated commercial development (including one of Singapore's largest shopping mall), a 60.8% interest in Suntec Singapore Convention & Exhibition Centre, a one-third interest in One Raffles Quay, a one-third interest in Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall and a 30.0% interest in 9 Penang Road. Suntec REIT holds a 100% interest in a commercial building located at 177 Pacific Highway, Sydney, a 25.0% interest in Southgate complex, Melbourne and 50% interest in a commercial building to be developed located at Olderfleet 477 Collins Street, Melbourne, Australia. Its aim is to invest in income-producing real estate which is primarily used for retail and/or office purposes. Suntec REIT is managed by an external manager, ARA Trust Management (Suntec) Limited. For more details, please visit www.suntecreit.com.

ABOUT ARA TRUST MANAGEMENT (SUNTEC) LIMITED

Suntec REIT is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA Asset Management Limited ("ARA").

Established in 2002, ARA Asset Management Limited ("ARA" or the "Group") is a premier integrated real estate fund manager driven by a vision to be the best-in-class real estate fund management company focused on the management of real estate investment trusts ("REITs") and private real estate funds.

ARA's business is focused on the following segments:

- (a) **REITs** – ARA is one of the largest REIT managers in Asia ex-Japan and currently manages five listed REITs, namely Fortune REIT dual-listed in Singapore and Hong Kong, Suntec REIT and Cache Logistics Trust listed in Singapore and Hui Xian REIT and Prosperity REIT listed in Hong Kong. The Group also manages six privately-held REITs in South Korea;
- (b) **Private real estate funds** – The Group manages nine private funds investing in real estate in Asia; and
- (c) **Real estate management services** – The Group provides property management services and convention & exhibition services, including managing the award-winning Suntec Singapore Convention & Exhibition Centre

ARA's diverse suite of REITs and private real estate funds are invested in the office, retail, logistics/industrial, hospitality and residential sectors. ARA has distinguished itself over the years with its unique investor-operator philosophy, which nurtures each asset from acquisition to divestment to add value to every stage of the asset life cycle. Built on a foundation of strong corporate governance and business integrity, it counts some of the world's largest pension funds, financial institutions, endowments and family offices as its investors.

ARA has approximately 1,300 staff in 20 cities in seven countries. It manages over 90 properties measuring 57 million square feet in Asia Pacific, with approximately S\$40 billion in assets under management.

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to subscribe for or acquire, Units in any jurisdiction in which such an offer or solicitation is unlawful.

The value of Units and the income derived from them may fall as well as 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 have no right to request the Manager to redeem 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. The past performance of Suntec REIT is not necessarily indicative of the future performance of Suntec REIT.
