



Trust Management (Suntec) Limited

Suntec Real Estate Investment Trust
("Suntec REIT")



DIVESTMENT OF PARK MALL AND ENTRY INTO A JOINT VENTURE FOR REDEVELOPMENT

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**"), is pleased to announce that Suntec REIT has entered into a conditional property sale agreement (the "**PSA**") with Park Mall Pte. Ltd. (the "**Singapore Company**") in relation to the divestment of the property known as Park Mall which is located at 9 Penang Road Singapore 238459 (the "**Property**") to the Singapore Company at a consideration of S\$411.8 million (the "**Divestment**"), which is based on the valuation of the Property.

In conjunction with the Divestment, a joint venture company, Park Mall Investment Limited ("**JVCo**") of which Suntec REIT has a 30.0% interest has been set up, to redevelop Park Mall into a commercial development comprising two office blocks and an ancillary retail component (the "**Redeveloped Property**").

Suntec REIT's 30.0% interest in the JVCo, is held through a newly incorporated special purpose company, Suntec (PM) Pte. Ltd. ("**SR SPV**"). The other parties to the joint venture are Phoenix 99 Pte. Ltd. ("**SHG SPV**"), which holds 35.0% of the JVCo and is wholly-owned by SingHaiyi Group Ltd. ("**SHG**") and Haiyi Holdings Pte. Ltd. ("**GT SPV**"), which holds 35.0% of the JVCo and which Mr Gordon Tang holds more than 50.0% (the "**Joint Venture**").

The Singapore Company is 100% owned by the JVCo.

2. INFORMATION ON THE PROPERTY

Park Mall is an integrated office, lifestyle and home furnishing mall situated within the Orchard Road shopping belt. It is located next to Dhoby Ghaut MRT interchange station, a key transit hub for many commuters shuttling between the North-South, North-East and Circle Mass Rapid Transit ("**MRT**") lines.

3. DETAILS OF THE DIVESTMENT

3.1 Consideration and Independent Valuation

The consideration of S\$411.8 million is based on the valuation of the Property, as valued by Colliers International Consultancy & Valuation (Singapore) Pte Ltd as at 31 December 2014¹, as commissioned by the Manager. At completion, which is estimated to be in the third quarter of 2015, the sale will be fully satisfied in cash by Singapore Company.

The net proceeds from the Divestment of approximately S\$408.0 million will be partially used to fund Suntec REIT's 30.0% investment in the JVCo and the balance of the proceeds will be redeployed, including for the repayment of debt.

3.2 Terms of the PSA

Under the PSA, completion of the Divestment is conditional upon the Trustee obtaining various confirmations and approvals from the President of Republic of Singapore, as head lessor of the Property, in connection with the Divestment, the redevelopment of the Property, and the extension of the lease term of the Property to a fresh 99 year leasehold term.

4. DETAILS OF THE JOINT VENTURE

The parties to the Joint Venture are SR SPV, a wholly-owned subsidiary of Suntec REIT, HSBC Institutional Trust Services (Singapore) Limited as trustee of Suntec REIT, SHG SPV, SHG, GT SPV and Mr Gordon Tang.

Under the Joint Venture, each of SR SPV, SHG SPV and GT SPV would appoint two directors to the board of JVCo and its subsidiaries (collectively the **"Group Companies"**) and all resolutions of directors of the Group Companies shall require the unanimous vote of all of the directors. In addition, all shareholder resolutions passed by the Group Companies shall require the unanimous vote of shareholders.

Under the Joint Venture, Suntec REIT will have the ability to acquire one office block (the **"Suntec Office Block"**) and SHG SPV and GT SPV acting collectively will also have the ability to acquire the other office block (the **"SHG Office Block"**) and will have a right of first refusal to acquire the retail podium, following strata-subdivision of the Redeveloped Property (but not earlier than 12 months after the date of issuance of the Temporary Occupation Permit for the Redeveloped Property).

Under the Joint Venture, the parties have committed to provide up to S\$384.0 million of funds for the acquisition and redevelopment cost based on the parties' proportionate share in the JVCo. Apart from this amount, the JVCo will take up external financing to fund the redevelopment of the property.

1 As the consideration is based on the latest valuation of the Property, there is no gain on the Divestment when compared to the latest valuation of the Property.

5. RATIONALE OF THE DIVESTMENT AND REDEVELOPMENT

The Manager believes that the Divestment and the redevelopment will bring the following key benefits to Unitholders:

5.1 Realisation of Value

Suntec REIT acquired the Property in 2005 at a cost of S\$230.0 million. Between 2007 and 2008, two adjoining strips of land were acquired for S\$15.1 million, bringing the total cost for the Property to S\$245.1 million. The Property is more than 40 years old, with a remaining land lease tenure of 53 years. The Manager adopts a proactive approach towards managing Suntec REIT's assets with a view to enhance their quality and value.

5.2 Financial Flexibility

The Divestment will allow Suntec REIT to free up capital, providing greater financial flexibility. The proceeds from the divestment will be used to fund Suntec REIT's 30% interest in the JVCo and the balance will be redeployed, including for the repayment of debt. The proceeds may also be used to mitigate the dip in DPU arising from the Divestment.

5.3 Better Utilisation of Site

The redevelopment of the Property will allow the enhancement of the gross floor area of the site, taking advantage of the two strips of land acquired and the bonus plot ratio for sites near to MRT stations. At the same time, an application will be made to refresh the Property's land tenure to 99 years.

5.4 Opportunity to Own Redeveloped Property

The 30.0% interest in the JVCo would give Suntec REIT the ability to acquire one office block of the Redeveloped Property.

6. VARIOUS SERVICE AGREEMENTS

6.1 The JVCo and/or the Singapore Company will be engaging or paying for the provision of certain services in connection with the redevelopment of the Property from the following entities:

- 6.1.1** ARA Harmony V Limited (the "**Strategic Advisor**"), which is a wholly-owned subsidiary of ARA Asset Management Limited, to provide consultancy services with respect to various exit strategies relating to the Redeveloped Property to the JVCo;
- 6.1.2** ARA Managers (Harmony V) Pte Ltd (the "**Asset Manager**"), which is a wholly-owned subsidiary of ARA Asset Management Limited, to provide asset management services to the Singapore Company;
- 6.1.3** APM Property Management Pte Ltd (the "**Property Manager**"), which is a wholly-owned subsidiary of ARA Asset Management Limited, to operate, manage and maintain the Property and the Redeveloped Property on behalf of the Singapore

Company; and

6.1.4 SingHaiyi Development Pte. Ltd., which is a wholly-owned subsidiary of SHG, to provide professional project and development management services in relation to the redevelopment of the Property on behalf of the Singapore Company.

6.2 For the purpose of Chapter 9 of the Listed Manual, the Strategic Advisor, Asset Manager and Property Manager are considered “interested persons” of Suntec REIT as ARA Asset Management Limited is a controlling shareholder of the Manager. The value for the provision of services by the Strategic Advisor, Asset Manager and Property Manager, aggregated with the value of all transactions entered into with the “same interested person”, is less than 3% of the group’s latest audited net tangible asset.

7. FINANCIAL EFFECTS OF THE DIVESTMENT

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on the DPU and net asset value (“NAV”) per unit in Suntec REIT (“Unit”) presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of Suntec REIT and its subsidiaries (the “Suntec REIT Group”) for the financial year ended 31 December 2014 (the “Suntec REIT Group 2014 Audited Financial Statements”).

7.1 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: Assuming that the Divestment had been completed on 31 December 2014, the Divestment would have reduced the net asset value (“NAV”) per Unit from S\$2.117 to S\$2.115.

NAV per Unit	As at 31 December 2014
Before adjusting for the Divestment	S\$2.117
After adjusting for the Divestment	S\$2.115

7.2 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: Assuming that the Divestment had been completed on 1 January 2014, the DPU would have decreased from 9.400 cents to 8.843 cents for the financial period from 1 January 2014 to 31 December 2014.

Distribution per Unit	As at 31 December 2014
Before adjusting for the Divestment	9.400 cents
After adjusting for the Divestment	8.843 cents

8. OTHER INFORMATION

8.1 Relative Figures

The relative figures for the transaction using the applicable bases of comparison in Rule 1006 of Listing Manual of Singapore Exchange Securities Trading Limited (the “SGX-ST”

and the Listing Manual of the SGX-ST, the “**Listing Manual**”) set out in the tables below.

Comparison of	Divestment of Property by Suntec REIT	Suntec REIT	Relative figure (%)
Net Asset Value (S\$ million)	411.8	5,305.4	7.8
Net Profits (S\$ million)	18.9	148.9	12.7
Consideration against market capitalisation (S\$ million)	411.8	4,343.7 ¹	9.5

Note:

(1) Suntec REIT's market capitalised is as at 26 June 2015, being the market day preceding the date of the PSA.

8.2 Interests of Directors and Controlling Unitholders

As at the date of this announcement and based on information available to the Manager, apart from the units in Suntec REIT which are held by certain directors of the Manager and none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Divestment and the Joint Venture.

8.3 Directors' Service Contracts

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

9. 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 PSA; and
- (ii) a copy of the valuation of Colliers International Consultancy & Valuation (Singapore) Pte Ltd.

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

Yeo See Kiat
Director
29 June 2015

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), Park Mall, 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 60.8% interest in Suntec Singapore Convention & Exhibition Centre. Suntec REIT holds a 100% interest in a commercial building located at 177 Pacific Highway, North Sydney Australia which is currently under development. 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 THE MANAGER

Suntec REIT is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA Asset Management Limited ("ARA"), Asia's premier integrated real estate fund manager which is listed on the Main Board of the Singapore Exchange Securities Trading Limited since November 2007.

ARA currently manages real estate investment trusts ("REITs") and private real estate funds that are invested in the office, retail, logistics/industrial, hospitality and residential sectors in the Asia Pacific region, complemented by its in-house real estate management services and advisory services.

Established in 2002, to date it has over 1,100 professionals in 15 cities managing total assets in excess of S\$26 billion.

IMPORTANT NOTICE

The value of units in Suntec REIT ("Units") and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, ARA Trust Management (Suntec) Limited (as the manager of Suntec REIT) 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 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.

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