



SGX-ST Announcement

STARHILL GLOBAL REIT'S PROPOSED ACQUISITION OF MYER CENTRE ADELAIDE, SOUTH AUSTRALIA

1. INTRODUCTION

YTL Starhill Global REIT Management Limited, as manager of Starhill Global Real Estate Investment Trust ("**Starhill Global REIT**", and as manager of Starhill Global REIT, the "**Manager**"), is pleased to announce the proposed acquisition of a freehold property located at 14-38 Rundle Mall, Adelaide, South Australia ("**Myer Centre Adelaide**") by Starhill Global REIT at a purchase consideration of A\$288.0 million (or approximately S\$302.4 million¹) in cash (the "**Acquisition**"). A conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") has today been entered into in relation to the Acquisition.

2. DETAILS OF MYER CENTRE ADELAIDE

Myer Centre Adelaide comprises a retail centre, three office buildings and four basement levels with 467 carpark lots. It has a total area of 716,000 sq ft. The property was completed in 1991 and last went through a major A\$35 million asset enhancement in 2013 and 2014 that included the complete refurbishment of Myer departmental store ("**Myer**"). Myer is the anchor tenant of the retail centre occupying approximately 324,400 sq ft of space over five storeys and accounts for approximately 68% of the retail leased area.

The retail centre covers almost 620,000 sq ft and is spread across eight floors. There is also a foodcourt located at the basement (600 seats) which is the biggest in the Adelaide CBD, in the Rundle Mall area. There are 86 retail tenants as at 31 March 2015.

The office component of 98,000 sq ft includes Terrace Towers, a six-storey 81,000 sq ft office tower which sits atop the retail centre and two heritage buildings (Shell House and Goldsborough House constructed in 1931 and 1935 respectively) which contain smaller boutique/suites with a total area of approximately 17,000 sq ft. There are 17 office tenants as at 31 March 2015.

The Acquisition is in line with the Manager's principal investment strategy which is to invest primarily in prime real estate used mainly for retail and/or office purposes.

¹ Based on the exchange rate of A\$1.00 : S\$1.05 (the "**Exchange Rate**"). Unless otherwise stated, all conversions of A\$ amounts into S\$ in this announcement shall be based on the Exchange Rate.

3. RATIONALE FOR THE ACQUISITION OF MYER CENTRE ADELAIDE

Myer Centre Adelaide will be a valuable addition to Starhill Global REIT's current portfolio of quality assets in prime locations and will expand our existing footprint in Australia. It is located along Rundle Mall, Adelaide's busy retail CBD core and the only retail pedestrian street in the city. The retail is also the largest CBD mall in the city. Its premier location is likely to be one of the preferred destinations for international retailers who are expanding into Adelaide. As the retail space in the mall has yet to be fully optimised (approximately 114,000 sq ft on the last two upper-most floors vacant), it also presents good potential asset enhancement opportunities.

Myer Centre Adelaide's property yield is attractive at 6.6%². The purchase price is also below replacement cost.

The pro forma financial effects of the Acquisition on the distribution per unit of Starhill Global REIT ("DPU") based on the 12 months ended 31 December 2014 would be approximately 2.8% DPU accretive on a pro forma historical basis³ or an additional 0.14 Singapore cents per unit in Starhill Global REIT ("Unit"), assuming that the Acquisition took place on 1 January 2014 and is fully funded by internal working capital and debt.

The pro forma financial effects of the Acquisition on the net asset value ("NAV") per Unit³ as at 31 December 2014 is not expected to be material, assuming that the Acquisition took place on 31 December 2014 and is fully funded by internal working capital and debt.

With this Acquisition, Starhill Global REIT's exposure in Australia would increase from 7.1% to 16.3% by asset value⁴; and from 10.1% to 23.4% by gross revenue⁵.

4. USE OF UNIT TRUST TO ACQUIRE MYER CENTRE ADELAIDE

The Acquisition will be under an existing special purpose Australian unit trust, SG REIT (WA) Trust (the "**Australia Trust**"), which was earlier used for the acquisition of David Jones Building in January 2010 and for the acquisition of the Plaza Arcade in March 2013 (through SG REIT (WA) Sub-Trust1). Myer Centre Adelaide will be held by a new intermediate sub-trust named SG REIT (SA) Sub-Trust2 (the "**Sub-Trust**") under the Australia Trust. The Sub-Trust has been established in Australia, pursuant to a trust deed with The Trust Company (Australia) Limited (the "**Sub-Trustee**") being appointed as the trustee of the Sub-Trust.

The Sub-Trustee, in its capacity as trustee of the Sub-Trust, has today entered into the Sale and Purchase Agreement for the acquisition of Myer Centre Adelaide from Novion RE Limited, in its capacity as trustee for Direct Property Investment Fund A (the "**Vendor**").

² Based on the net income of approximately A\$19.0 million that is derived based on information available to the Manager, namely the tenancy schedule as at 31 March 2015 and actual property expenses for the 12 months ended 30 June 2014.

³ The pro forma financial effects of the Acquisition are strictly for illustrative purposes only and were prepared based on the unaudited consolidated financial statements of Starhill Global REIT for the 12 months ended 31 December 2014.

⁴ As at 31 December 2014.

⁵ Based on the gross revenue for the 12 months ended 31 December 2014.

The Sub-Trustee will be the registered owner of Myer Centre Adelaide on completion of the Acquisition and will own the legal title of Myer Centre Adelaide solely for the benefit of the Sub-Trust.

Ownership of 100.0% beneficial interest in Myer Centre Adelaide by Starhill Global REIT

100.0% of the units in the Sub-Trust will be wholly-owned by the Australia Trust. In turn, 100.0% of the issued units of the Australia Trust are wholly-owned by Starhill Global REIT and SG REIT (WA) Pte Ltd (“SGRWAPL”), a wholly-owned subsidiary established by Starhill Global REIT in Singapore. Through SGRWAPL, the Australia Trust and the Sub-Trust, Starhill Global REIT will hold 100.0% of the beneficial interest/equity in Myer Centre Adelaide.

5. PURCHASE CONSIDERATION

Under the Sale and Purchase Agreement, the Sub-Trust will acquire Myer Centre Adelaide at a purchase consideration of A\$288.0 million (or approximately S\$302.4 million) to be paid in cash (“**Purchase Consideration**”). The Purchase Consideration has been arrived at on a willing buyer and willing seller basis taking into account the valuation of Myer Centre Adelaide by CIVAS (VIC) Pty Limited, also known as Colliers (the “**Valuer**”).

Valuation

Myer Centre Adelaide has been appraised by the Valuer, which is an independent valuer appointed by the Manager, and its valuation of Myer Centre Adelaide as at 26 March 2015 is A\$288.0 million (or approximately S\$302.4 million). The Valuer has estimated the open market value of Myer Centre Adelaide using the income capitalisation and discounted cashflow methods, with deal comparables used as a secondary check. The Purchase Consideration is equal to the independent valuation conducted by the Valuer.

Payment Terms

5% of the Purchase Consideration was paid as deposit upon the execution of the Sale and Purchase Agreement. The deposit is refundable if approval of the Australian Foreign Investment Review Board is not obtained for the Acquisition. The balance 95% of the Purchase Consideration will be paid on completion.

6. METHOD OF FUNDING AND FINANCIAL EFFECTS

6.1 Method of Funding

It is proposed that the Acquisition be funded by a combination of internal working capital and external borrowings. Starhill Global REIT has secured commitment from banks, namely, committed term sheets for new facilities and its existing committed revolving credit facilities, for the full funding of the Purchase Consideration. Assuming that the Acquisition is fully funded by internal working capital and external borrowings, the gearing of Starhill Global REIT is expected to increase from 28.6%⁴ to 35.3%, upon completion of the Acquisition.

6.2 Financial Effects

6.2.1 Assumptions

The pro forma financial effects of the Acquisition on the DPU and NAV per Unit of Starhill Global REIT presented below are strictly for illustrative purposes only and were prepared based on (1) the audited consolidated financial statements of Starhill Global REIT for the financial year ended 31 December 2013 and the unaudited consolidated financial statements of Starhill Global REIT for the 12 months ended 31 December 2014 and (2) the information available to the Manager, namely the tenancy schedule as at 31 March 2015 and actual property expenses of Myer Centre Adelaide for the 12 months ended 30 June 2014, assuming that:

- (i) the Purchase Consideration and transaction costs are funded by a combination of internal working capital and external borrowings (approximately A\$145 million and S\$150 million term loans);
- (ii) The acquisition fee payable to the Manager for the Acquisition is paid 100.0% in cash; and
- (iii) 100.0% of the management fee is paid to the Manager in cash.

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

6.2.2 Pro Forma Financial Effects for the 12 months ended 31 December 2014⁶

(i) Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the DPU for the 12 months ended 31 December 2014, as if Starhill Global REIT had completed the Acquisition on 1 January 2014 and held and operated Myer Centre Adelaide through to 31 December 2014, are as follows:

⁶ The financial year which commenced on 1 January 2014 is for 18 months ending on 30 June 2015 due to the change of the financial year end of Starhill Global REIT from 31 December to 30 June of each year. For illustrative purposes only, the pro forma financial effects of the Acquisition were prepared based on the unaudited consolidated financial statements of Starhill Global REIT for the 12 months ended 31 December 2014.

	Pro Forma Financial Effects of the Acquisition for the 12 Months ended 31 December 2014	
	Before the Acquisition	After the Acquisition
Net Property Income (S\$'000)	157,435	177,385
Distributable Income (S\$'000)⁷	108,738	111,779
DPU (Cents)	5.05	5.19
DPU Yield (%)⁸	5.84%	6.00%

(ii) Pro Forma NAV Per Unit

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2014, as if Starhill Global REIT had completed the Acquisition on 31 December 2014, are as follows:

	Pro Forma Financial Effects of the Acquisition as at 31 December 2014	
	Before the Acquisition	After the Acquisition
NAV (S\$'000)	2,033,230	2,033,230
No. of Units ('000)	2,153,218	2,153,218
NAV per Unit (S\$)	0.94	0.94

6.2.3 Pro Forma Financial Effects for the Financial Year ended 31 December 2013

(i) Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the DPU for the financial year ended 31 December 2013, as if Starhill Global REIT had completed the Acquisition on 1 January 2013 and held and operated Myer Centre Adelaide through to 31 December 2013, are as follows:

⁷ Represents income distributable to ordinary unitholders of Starhill Global REIT.
⁸ Based on Starhill Global REIT's closing price of S\$0.8650 on 17 April 2015.

	Pro Forma Financial Effects of the Acquisition for the Financial Year ended 31 December 2013	
	Before the Acquisition	After the Acquisition
Net Property Income (S\$'000)	157,856	177,806
Distributable Income^{7,9} (S\$'000)	106,778	109,819
DPU (Cents)	4.96	5.10
DPU Yield (%)⁸	5.73%	5.90%

(ii) Pro Forma NAV Per Unit

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2013, as if Starhill Global REIT had completed the Acquisition on 31 December 2013, are as follows:

	Pro Forma Financial Effects of the Acquisition as at 31 December 2013	
	Before the Acquisition	After the Acquisition
NAV (S\$'000)	2,010,144	2,010,144
No. of Units ('000)	2,153,218	2,153,218
NAV per Unit (S\$)	0.93	0.93

7. OTHER INFORMATION

7.1 Relative figures computed on the bases set out in Rule 1006

The relative figures as computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

- (i) the net profits attributable to the assets acquired, compared with Starhill Global REIT's net profits; and
- (ii) the aggregate value of the consideration given, compared with Starhill Global REIT's market capitalisation.

⁹ Assuming the conversion of 152,727,825 convertible preferred units into 210,195,189 ordinary units in Starhill Global REIT on 5 July 2013 took place on 1 January 2013.

Comparison of:	Myer Centre Adelaide	Starhill Global REIT	Relative Figure
Net Property Income ¹⁰ (S\$'000)	19,950	157,435 ¹¹	12.7%
Purchase Consideration against Starhill Global REIT's market capitalisation ¹² (S\$' mil)	302.4	1,859.5	16.3%

As the relative figures in relation to the Acquisition for the basis of comparison above exceeds 5.0% but does not exceed 20.0%, the Acquisition is a discloseable transaction under Chapter 10 of the Listing Manual.

7.2 Interests of Directors and Controlling Unitholders

None of the directors of the Manager ("**Directors**") has an interest, direct or indirect, in the Acquisition. The Directors are also not aware of any Controlling Unitholder¹³ having any interest direct or indirect, in the Acquisition, and have not received any notification of interest in the Acquisition from any Controlling Unitholder.

7.3 Director's Service Contracts

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

7.4 Completion

The Acquisition is expected to be completed in the quarter ending 30 June 2015 and will be subject to, among other things, the approval of the Australian Foreign Investment Review Board.

¹⁰ In the case of a real estate investment trust, the net property income is a close proxy to the net profits attributable to its assets.

¹¹ Unaudited net property income for the 12 months ended 31 December 2014.

¹² Based on the weighted average price of Starhill Global REIT units of S\$0.8636 on 17 April 2015, the market day preceding the date of the sale and purchase agreement for the Acquisition.

¹³ A "Controlling Unitholder" refers to a person with an interest in one or more Units constituting not less than 15.0% of all outstanding Units in issue.

7.5 Acquisition Fee

Upon completion of the Acquisition, an acquisition fee of A\$2.88 million (or approximately S\$3.02 million) is payable to the Manager pursuant to the trust deed dated 8 August 2005 constituting Starhill Global REIT (as amended) (the “**Trust Deed**”), which the Manager has elected to be paid in cash.

7.6 Documents for Inspection

Copies of the Sale and Purchase Agreement dated 20 April 2015 and the valuation report on Myer Centre Adelaide by the Valuer dated 26 March 2015 are available for inspection during normal business hours at the registered office of the Manager at 391B Orchard Road, #21-08 Ngee Ann City Tower B, Singapore 238874 for three months from the date of this announcement¹⁴.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Starhill Global REIT continues to be in existence.

YTL Starhill Global REIT Management Limited
(Company registration no. 200502123C)
(as manager of Starhill Global Real Estate Investment Trust)

Lam Chee Kin
Joint Company Secretary
Singapore
20 April 2015

About Starhill Global REIT

Starhill Global REIT is a Singapore-based real estate investment trust investing primarily in real estate used for retail and office purposes, both in Singapore and overseas. Since its listing on the Mainboard of the Singapore Exchange Securities Trading Limited on 20 September 2005, Starhill Global REIT has grown its initial portfolio from interests in two landmark properties on Orchard Road in Singapore to 12 properties in Singapore, Malaysia, Australia, China and Japan, valued at about S\$2.8 billion.

These comprise interests in Wisma Atria and Ngee Ann City on Orchard Road in Singapore, Starhill Gallery and Lot 10 in Kuala Lumpur, Malaysia, the David Jones Building and Plaza Arcade in Perth, Australia, a premier retail property in Chengdu, China and five properties in the prime areas of Tokyo, Japan. Starhill Global REIT remains focused on sourcing attractive property assets in Singapore and overseas, while driving organic growth from its existing portfolio, through proactive leasing efforts and creative asset enhancements.

Starhill Global REIT is managed by an external manager, YTL Starhill Global REIT Management Limited. The Manager is a wholly-owned subsidiary of YTL Starhill Global REIT Management Holdings Pte. Ltd., which is in turn an indirect wholly-owned subsidiary of YTL Corporation Berhad.

¹⁴ Prior appointment with the Manager would be appreciated.

Important Notice

The value of units in Starhill Global REIT ("**Units**") and the income derived from them may fall or rise. The 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.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Starhill Global REIT is not necessarily indicative of the future performance of Starhill Global REIT.

This document 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. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.