



SGX-ST Announcement

NEW MASTER TENANCY AGREEMENTS FOR STARHILL GALLERY AND LOT 10 PROPERTY AND THE ASSET ENHANCEMENT WORKS FOR STARHILL GALLERY

1. Introduction

YTL Starhill Global REIT Management Limited, in its capacity as manager of Starhill Global Real Estate Investment Trust ("**Starhill Global REIT**") and as manager of Starhill Global REIT, the "**Manager**", wishes to announce that new conditional master tenancy agreements in relation to Starhill Gallery and Lot 10 Property (the "**New Master Tenancy Agreements**") have been entered into between Ara Bintang Berhad (the "**ABS SPV**" or the "**Landlord**"), Katagreen Development Sdn Bhd (the "**Master Tenant**") which is an indirect wholly-owned subsidiary of YTL Corporation Berhad, the sponsor of Starhill Global REIT (the "**Sponsor**"), Just Heritage Sdn Bhd, a wholly-owned subsidiary of the Manager (as the servicer to administer the assets of the ABS SPV or perform such other services on behalf of the ABS SPV) and the Sponsor.

In addition, for its entry into the new master tenancy agreement for Starhill Gallery (the "**New Starhill Master Tenancy Agreement**"), the Master Tenant has specified a condition for asset enhancement works to be performed on Starhill Gallery (the "**Asset Enhancement Works**", together with the entry into the New Master Tenancy Agreements, the "**Proposed Transaction**").

2. Interested Person Transaction

As at the date of this announcement, the Manager has a direct interest in 12,937,885 Units (comprising 0.59% of the total number of issued Units).

The Manager is indirectly wholly-owned by YTL Starhill Global REIT Management Holdings Pte Ltd, which is in turn an indirect wholly-owned subsidiary of the Sponsor. The Sponsor directly and/or through its subsidiaries and through its interest in the Manager, has deemed interests of (i) approximately 37.09% in Starhill Global REIT and (ii) 100% in the Manager, and is therefore regarded as a "**controlling unitholder**" of Starhill Global REIT and a "**controlling shareholder**" of the Manager, respectively, under the listing manual of the SGX-ST (the "**Listing Manual**").

The Master Tenant is an indirect wholly-owned subsidiary of the Sponsor. Accordingly, for the purpose of Chapter 9 of the Listing Manual, the Master Tenant is an interested person of Starhill Global REIT.

Under Chapter 9 of the Listing Manual, where Starhill Global REIT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000 with the same interested person during the same financial year) is equal to or exceeds 5.0% of Starhill Global REIT's latest audited net tangible assets ("**NTA**"), Unitholders' approval is required in respect of the transaction.

Given that the value of the Proposed Transaction, comprising the total amount of rent payable under the New Master Tenancy Agreements and the cost of the Asset Enhancement Works (details of which will be provided in the sections below), of S\$532.1 million is approximately 26.7% of the NTA of Starhill Global REIT as at 30 June 2018, the value of the Proposed Transaction will exceed 5.0% of Starhill Global REIT's latest audited NTA. In compliance with the requirements of the Listing Manual, a circular (the "**Circular**") will be issued to Unitholders in due course, together with a notice of an extraordinary general meeting of Unitholders, for the purpose of seeking Unitholders' approval for the Proposed Transaction.

3. Details of the New Master Tenancy Agreements

3.1 The Existing Master Tenancy Agreements

Starhill Gallery and Lot 10 Property (the "**Properties**") were acquired by Starhill Global REIT on 28 June 2010 via an asset-backed securitisation structure through the ABS SPV, a bankruptcy-remote special purpose vehicle. Starhill Gallery is a seven-storey retail mall and Lot 10 Property comprises 137 strata parcels within a shopping complex known as "Lot 10 Shopping Centre" which consists of an eight-level building with a basement and a lower ground floor, together with a seven-level annex building with a lower ground floor.

The Properties are currently leased to the Master Tenant under the existing master tenancy agreements dated 16 April 2010 which were approved by Unitholders at the extraordinary general meeting held on 4 June 2010 in conjunction with the acquisition of the Properties. In relation to Starhill Gallery, a second existing master tenancy agreement dated 4 April 2011 was entered into in respect of the additional net lettable area of approximately 8,100 sq ft in Starhill Gallery which was created through an asset redevelopment completed in 2011. The three existing master tenancy agreements in respect of Starhill Gallery (the "**Existing Starhill Master Tenancy Agreements**") and Lot 10 Property (the "**Existing Lot 10 Master Tenancy Agreement**") (collectively, the "**Existing Master Tenancy Agreements**") will expire on 27 June 2019.

In view of the foregoing, the Manager is seeking Unitholders' approval for the New Master Tenancy Agreements. Similar to the Existing Master Tenancy Agreements, the

Sponsor will guarantee the payment obligations of the Master Tenant under the New Master Tenancy Agreements.

3.2 The New Master Tenancy Agreement for Starhill Gallery

For its entry into the New Starhill Master Tenancy Agreement, the Master Tenant has specified a condition for the Asset Enhancement Works to be performed on Starhill Gallery. The New Starhill Master Tenancy Agreement shall commence on 28 June 2019 (i.e. date immediately after the expiry of the Existing Starhill Master Tenancy Agreements). The First Starhill Term (as defined below) will commence on 1 July 2019, provided that all relevant development, building and regulatory approvals required for the commencement of the Asset Enhancement Works (the “**Approvals**”) have been received no later than 30 June 2019. Between the period from 28 June 2019 to 30 June 2019 (the “**Interim Period**”), the Master Tenant shall be entitled to continue to rent Starhill Gallery.

In the event of any delay in obtaining the Approvals, the First Starhill Term shall commence on the date of receipt of all Approvals (with the Interim Period being extended until date of receipt of the Approvals), provided that if the Approvals are not obtained by 31 December 2019, the terms of the New Starhill Master Tenancy Agreement shall be renegotiated in good faith or shall lapse with written notice from either party (with the Interim Period being extended beyond 31 December 2019 until receipt of the Approvals or the lapsing of the New Starhill Master Tenancy Agreement). In addition, if the Approvals come with conditions imposed by the relevant authorities including any required changes that would, in the reasonable opinion of the Master Tenant, result in an increase of the costs of undertaking the Asset Enhancement Works beyond the Asset Enhancement Cost (as defined herein), the parties shall negotiate in good faith with a view to agreeing on appropriate measures. An application for the development order has been submitted to the Dewan Bandaraya Kuala Lumpur.

In the event that the terms of the renegotiated master tenancy agreement for Starhill Gallery and/or the renegotiated Asset Enhancement Cost are materially different from the terms of the New Starhill Master Tenancy Agreement, the Manager will again seek approval from Unitholders for the entry into the renegotiated master tenancy agreement for Starhill Gallery and/or the renegotiated Asset Enhancement Cost.

From the later of 1 July 2019 or the obtainment of the Approvals, the term of the New Starhill Master Tenancy Agreement shall comprise of six successive terms of three years each plus one final term to expire on 31 December 2038.

3.3 The New Master Tenancy Agreement for Lot 10 Property

The new master tenancy agreement for Lot 10 Property (the “**New Lot 10 Master Tenancy Agreement**”) shall take effect on 28 June 2019, immediately upon the expiry of the Existing Lot 10 Master Tenancy Agreement. The first term of the New Lot 10 Master Tenancy Agreement shall be for a period of three years and three days, from 28 June 2019 to 30 June 2022 (the “**First Lot 10 Term**”) with an automatic renewal of a second three-year term which will expire on 30 June 2025 (the “**Second Lot 10**

Term”). Each of the Landlord and the Master Tenant has an option to extend the tenancy for a further period of three years thereafter at the specified rent (the “**Third Lot 10 Term**”).

3.4 Rental under the New Master Tenancy Agreements

The rent payable under the New Master Tenancy Agreements were negotiated on an arm’s length basis and based on normal commercial terms. The initial annual rent payable under the New Master Tenancy Agreements are comparable to the appraised rental values provided by the independent valuers, IVPS Property Consultant Sdn Bhd and Nawawi Tie Leung Property Consultants Sdn Bhd (collectively, the “**Independent Valuers**”).

Rent under the New Starhill Master Tenancy Agreement

The rent payable under the New Starhill Master Tenancy Agreement, assuming that the Approvals are obtained by 30 June 2019 and that the Asset Enhancement Works (as defined below) are completed before the commencement of Year 3 of the First Starhill Term, shall be as follows:

Period	Amount of rent payable
Interim Period from 28 June 2019 to 30 June 2019 ¹	RM21 million per annum (to be prorated for the relevant period)
Year 1, 2 and 3 (the “ First Starhill Term ”)	RM52 million per annum (the “ Initial Rent ”) subject to a rental rebate of RM26 million per annum (the “ Rent Rebate ”) for Year 1 and 2
Year 4, 5 and 6 (the “ Second Starhill Term ”)	approximately RM54.5 million per annum
Year 7, 8 and 9	approximately RM57.1 million per annum
Year 10, 11 and 12	approximately RM59.8 million per annum
Year 13, 14 and 15	approximately RM62.6 million per annum
Year 16, 17 and 18	approximately RM65.6 million per annum
Year 19	approximately RM68.7 million per annum
1 July 2038 to 31 December 2038, being the expiry date of the New Starhill Master Tenancy Agreement	approximately RM68.7 million per annum (to be prorated for the relevant period)

¹ Interim Period will be extended and annual rent of RM21 million will continue to apply if Approvals are not obtained by 30 June 2019.

As indicated above, the New Starhill Master Tenancy Agreement includes a rent step-up feature whereby the amount of rent payable for the Second Starhill Term represents a 4.75% increase over the rent payable in the First Starhill Term (without the Rent Rebate). Thereafter, the amount of rent shall increase by 4.75% of the then prevailing rent at every three-year period until the expiry date of the New Starhill Master Tenancy Agreement. For the Interim Period, the Master Tenant shall be entitled to continue to rent Starhill Gallery at RM1.75 million per month (or on a proportionate basis for part of a month). If the Approvals are not obtained by 30 June 2019, the Interim Period will be extended and the rent at RM1.75 million per month shall continue to apply until Approvals are obtained.

In the event the Asset Enhancement Works is not completed at the commencement of Year 3 of the First Starhill Term due to force majeure or other events which are beyond the reasonable control of the Master Tenant and/or its appointed contractor, the payment of rent and the rent step-up shall be adjusted on the basis that the Initial Rent and the Rent Rebate shall continue to apply until the completion of the Asset Enhancement Works. In such event, the Initial Rent (without the Rent Rebate) shall only commence upon completion of the Asset Enhancement Works (on a proportionate basis for part of a month), and shall be applicable for a period of one year. Subsequently, the rent shall be increased by 4.75% in the following year and such rent shall be applicable for a period of three years following which, the rent shall be increased by 4.75% of the then prevailing rent at every three-year period thereafter until 31 December 2038, being the expiry date of the New Starhill Master Tenancy Agreement.

Rent under the New Lot 10 Master Tenancy Agreement

The rent payable under the New Lot 10 Master Tenancy Agreement, shall be as follows:

Period	Amount of rent payable
First Lot 10 Term	approximately RM33.7 million per annum (to be prorated for the relevant period)
Second Lot 10 Term	approximately RM35.7 million per annum
Third Lot 10 Term (assuming the option to renew is exercised)	approximately RM37.8 million per annum

As indicated above, the New Lot 10 Master Tenancy Agreement includes a rent step-up feature whereby the amount of rent payable for the Second Lot 10 Term and the Third Lot 10 Term (assuming the option to renew is exercised) represents a 6.0% increase over the rent payable in the First Lot 10 Term and the Second Lot 10 Term respectively.

The initial annual rents under the New Master Tenancy Agreements following the completion of the Asset Enhancement Works represent an increase of 1.5% or RM1.3 million compared to the expiring rents under the Existing Master Tenancy Agreements².

3.5 Key Terms of the New Master Tenancy Agreements

The New Master Tenancy Agreements are conditional upon the Manager obtaining the approval of Unitholders for the Proposed Transaction. Please refer to the Circular to be issued in due course for further details of the New Master Tenancy Agreements, including the terms of the Asset Enhancement Works which are being included in the New Starhill Master Tenancy Agreement.

3.6 The Asset Enhancement Works

As a condition of the New Starhill Master Tenancy Agreement, the Landlord would be required to pay for the cost of the Asset Enhancement Works to be performed on Starhill Gallery. The Asset Enhancement Works will be undertaken by the Master Tenant and are expected to be completed prior to the commencement of Year 3 of the First Starhill Term.

The Asset Enhancement Works aim to provide a revamped mall entrance, refreshed interiors with a modern and contemporary look, improved accessibility as well as to activate the underutilised spaces. Besides revamping the retail floors, the top three storeys of Starhill Gallery will be converted into hotel rooms as an extension of the adjoining JW Marriott Hotel Kuala Lumpur.

The Asset Enhancement Works to be undertaken by the Master Tenant will cost RM175 million (approximately S\$58.1 million³) (the “**Asset Enhancement Cost**”), which shall be borne by the Landlord.

Arcadis (Malaysia) Sdn Bhd, an independent quantity surveyor, was appointed by the Manager to conduct an assessment on the Asset Enhancement Works including cost studies. The Asset Enhancement Cost was negotiated on an arm’s-length basis and based on normal commercial terms. As indicated in the quantity survey report issued by Arcadis (Malaysia) Sdn Bhd (the “**QS Report**”), the Asset Enhancement Cost is fair and reasonable and within normal commercial terms for market cost.

2 Assuming that the Approvals are obtained by 30 June 2019 and the Asset Enhancement Works are completed prior to the commencement of Year 3 of the First Starhill Term.

3 Based on an exchange rate of RM3.01 to SGD\$1.00.

The Asset Enhancement Cost represents a discount of approximately 1.3% to the estimated cost of the Asset Enhancement Works as set out in the QS Report. The Asset Enhancement Cost shall be paid in accordance with the completion of the Asset Enhancement Works reaching the value of the monthly payment milestones spread over two years and a 12-month defects liability period. While the Initial Rent will apply from the commencement of the First Starhill Term, the Landlord has agreed to the Rent Rebate for the first two years due to the disruption caused by the Asset Enhancement Works.

Under the terms of the New Starhill Master Tenancy Agreement, the Landlord shall not be responsible for any cost overrun above the Asset Enhancement Cost. However, the Master Tenant and/or its appointed contractor shall be entitled to claim for reasonable costs and expenses incurred arising from any event of force majeure subject to the Landlord's prior written approval which should not be unreasonably withheld. The Master Tenant shall use its reasonable endeavours to mitigate the impact of the force majeure event. In addition, in the event that the terms and conditions imposed by the relevant authorities including any required changes result in an increase in the cost of undertaking the Asset Enhancement Works, as described in paragraph 3.2 above, the parties will negotiate in good faith with a view to agreeing on appropriate measures.

In addition, all fees, charges and costs for securing the Approvals shall be borne by the Landlord. If such fees, charges and costs exceed the Landlord's estimates, the Landlord will have the right to terminate the New Starhill Master Tenancy Agreement.

3.7 Method of Financing

The Manager intends to finance the cost of the Asset Enhancement Works via a combination of external borrowings including SGD revolving credit facilities and/or internal working capital.

3.8 Rationale for the entry into the Proposed Transaction

3.8.1 The New Master Tenancy Agreements provide Starhill Global REIT with income stability, rent growth and sustainable occupancy for the Properties

(i) *Income stability*

The Proposed Transaction will bring further certainty of income to Starhill Global REIT. Starhill Gallery and Lot 10 Property are key assets in the Starhill Global REIT portfolio contributing approximately 11.8% of total asset value as at 30 June 2018 and approximately 16.6% of the total net property income for the financial year ended 30 June 2018 ("**FY2017/18**"). Additionally, the payment obligations of the Master Tenant under the New Master Tenancy Agreements are guaranteed by the Sponsor which has a credit rating of

AA1/Stable by RAM Rating Services Berhad, thereby reducing tenant credit risk.

(ii) *Rent growth*

The New Master Tenancy Agreements have periodic built-in rent step-up, thereby securing yields at certain levels for the term of the leases. The initial annual rents under the New Master Tenancy Agreements following the completion of the Asset Enhancement Works represent an increase of 1.5% or RM1.3 million compared to the expiring rents under the Existing Master Tenancy Agreements⁴.

The New Starhill Master Tenancy Agreement provides certainty of cashflows for the next 19.5 years with 4.75% rent step-ups every three years from the fourth⁴ year onwards. The New Lot 10 Master Tenancy Agreement provides certainty of cashflows for the next nine years⁵ with 6.0% rent step-ups every three years from the fourth year onwards.

(iii) *Sustainable occupancy*

The long tenure of the New Master Tenancy Agreements will provide full occupancy for the Properties over a long period of time and thus ensuring income stability for Starhill Global REIT. The New Master Tenancy Agreements will allow Starhill Global REIT to maintain its balanced portfolio of long-term and short-term leases. Upon the commencement of the New Master Tenancy Agreements, the weighted average lease expiries of the Starhill Global REIT portfolio by NLA and gross rent are expected to increase from 5.7 years and 4.2 years as at 31 December 2018, to 9.8 years and 6.4 years respectively.

3.8.2 Opportunity to revamp Starhill Gallery into an integrated development to stay at the forefront of a changing retail landscape

The proposed Asset Enhancement Works present an opportunity for Starhill Gallery to revamp itself, ensuring that the mall stays at the forefront of a changing retail landscape. Starhill Gallery last underwent extensive renovations in 2005, with a facelift in 2011.

The Asset Enhancement Works will allow Starhill Gallery to capitalise on the renewed vibrancy along the prime shopping stretch of Kuala Lumpur, especially since the completion of the Bukit Bintang MRT Station in Bukit Bintang. The Asset Enhancement Works will incorporate an integrated concept of hotel with retail elements, which is in line with recent global trend of integrated developments. This will also allow Starhill Gallery to leverage on the hotel's guests to increase footfall to the retail component of the refurbished Starhill Gallery. Lot 10 Property underwent a similar redevelopment

4 Assuming that all Approvals are obtained by 30 June 2019 and Asset Enhancement Works are completed prior to the commencement of Year 3 of the First Starhill Term.

5 Assuming that the option to renew is exercised for the Third Lot 10 Term.

work in 2017 albeit on a smaller scale, which has resulted in a refreshed positioning for the mall and higher shopper traffic.

The enhancement of Starhill Gallery permits Starhill Global REIT to deploy incremental capital into an existing high quality but aging asset, with certainty of return provided by the New Master Tenancy Agreements.

The Proposed Transaction is timely as it comes at a time when competition in mid- to high-end retail in Kuala Lumpur is likely to intensify, thus ensuring Starhill Global REIT's resilience. The retail supply within a 10km radius from the Properties is expected to increase by approximately 31% over a five-year period to approximately 27 million square feet by 2023, upon completion of several large-scale projects such as the TRX Mall, Merdeka PNB 118, Bukit Bintang City Centre (BBCC) and Latitud 8⁶. The growing supply of retail space could possibly lead to intensified competition and subsequent pressure on the rental and occupancy rate. Looking ahead, the retail market in Klang Valley will remain favourable to the tenants, with average overall growth rate for retail rent likely to be flattish, increasing marginally in the range of 1% to 2% per annum over the next decade⁶.

3.8.3 Bukit Bintang presents long-term prospects in view of multiple public and private sector initiatives

Bukit Bintang is well-regarded as the retail epicentre of Kuala Lumpur. Home to many top international designer and luxury watch brands, Bukit Bintang is well-served by hotel brands such as JW Marriott, The Ritz Carlton, The Westin, Grand Millennium and Parkroyal, with hotels such as Mandarin Oriental, Shangri-La, Hilton and Grand Hyatt located in the near vicinity.

As a key shopping destination in Kuala Lumpur, Bukit Bintang continues to experience ongoing transformation, with renewed vibrancy expected from the evolving retail and tourism landscape and improved accessibility.

(i) Evolving retail and tourism landscape in the area

Several large-scale projects with integrated retail concepts in Bukit Bintang are due to be completed by 2023⁶. These new developments would further entrench Bukit Bintang as the prime retail shopping precinct in Kuala Lumpur.

The hospitality scene in Bukit Bintang continues to grow, with upcoming hotel openings such as Park Hyatt atop the upcoming Merdeka PNB 118 tower, Canopy by Hilton as part of the upcoming Bukit Bintang City Centre, and the Four Seasons Hotel & Resort and Pavilion Hotel which opened recently in 2018. The presence of international hotels is expected to strengthen Bukit Bintang's draw for both leisure and business travellers.

Tourism Malaysia aims to achieve a revised target of 30 million tourist arrivals and RM100 billion in tourist receipts by 2020⁶. The Malaysian government will

6 Market Study Report issued by Nawawi Tie Leung Property Consultants Sdn Bhd.

also allocate RM100 million in matching grants to the private sector for holding promotional and marketing campaigns overseas to increase the number of visitors to the country⁷.

(ii) *Improved accessibility with enhanced rail network and connectivity*

The new Bukit Bintang MRT Station along the Sungai Buloh-Kajang Line and the existing Bukit Bintang Monorail Station located in front of Lot 10 Property have enhanced connectivity and thus brought a new wave of vibrancy to the area, especially with the former's completion in July 2017. These will be complemented by the new Sungai Buloh-Serdang-Putrajaya Line which is currently under construction and is expected to be fully operational in the second quarter of 2022, with two stations located in the vicinity. The new train line will serve a population of approximately two million people with a projected daily ridership of 529,000⁸. Such infrastructure developments improve linkages between the city centre and suburban areas, stimulating inward movements⁹.

3.9 Pro Forma Financial Effects of the Proposed Transaction

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Proposed Transaction on the distribution per Unit (“DPU”), the net asset value (“NAV”) per Unit and gearing presented below are **strictly for illustrative purposes only** and were prepared based on audited consolidated financial statements of Starhill Global REIT for FY2017/18 (the “**FY2017/18 Audited Consolidated Financial Statements**”), assuming that the Asset Enhancement Works and related expenses would be financed by external borrowings and taking into account the following key assumptions:

- (i) The Approvals were obtained.
- (ii) The Asset Enhancement Works are completed prior to the commencement of Year 3 of the First Starhill Term.
- (iii) Rent Rebate of RM26 million per annum for the New Starhill Master Tenancy Agreement was taken into consideration during the first two years of the First Starhill Term, which is assumed as the period of the Asset Enhancement Works.
- (iv) Singapore dollar borrowings for an equivalent amount of approximately RM193 million was assumed at an interest rate of 3.5% per annum for the financing of the Asset Enhancement Works, capitalised interest costs, estimated professional and other fees and expenses in connection with the Proposed

7 The Edge Markets, Light at the end of the tunnel for Malaysian tourism, 21 November 2018

8 Mass Rapid Transit Corporation Sdn Bhd's website (<https://www.mymrt.com.my/public/sg-buloh-serdang-putrajaya-ssp-line/>).

9 Market Study Report issued by Nawawi Tie Leung Property Consultants Sdn Bhd.

Transaction. The external borrowings were assumed to be progressively drawn down in the first two years and the corresponding borrowing costs were capitalised during the period of the Asset Enhancement Works.

- (v) Approximately 57% and 23% of the Manager's management fees being paid in Units (i) during the period of Asset Enhancement Works and (ii) after the completion of the Asset Enhancement Works respectively, at an illustrative issue price of S\$0.6936 per Unit, so as to demonstrate the Manager's alignment of interest and support to the minority Unitholders by mitigating the disruption and costs resulting from the Asset Enhancement Works and stabilise the DPU as a result of the Proposed Transaction (as compared to the Manager receiving 100.0% of its management fees in cash for FY2017/18).
- (vi) Foreign exchange conversion was based on an exchange rate of RM3.01 to SGD1.00.

3.9.1 Pro Forma DPU

The table below sets out the pro forma financial effects of the Proposed Transaction on Starhill Global REIT's DPU for FY2017/18, based on Starhill Global REIT's FY2017/18 Audited Consolidated Financial Statements, as if the Proposed Transaction was completed on 1 July 2017.

	Actual FY2017/18 (Before the Proposed Transaction)⁽¹⁾	After the Proposed Transaction and during the Asset Enhancement Works	After the Proposed Transaction and after the completion of the Asset Enhancement Works
Income to be distributed to Unitholders (S\$'000)	99,244	100,034 ⁽²⁾⁽³⁾⁽⁴⁾	100,485 ⁽²⁾⁽⁴⁾
Units in issue ('000)	2,181,204	2,197,392 ⁽⁴⁾	2,207,092 ⁽⁴⁾
DPU (cents)	4.55	4.55	4.55
% change in DPU	-	0.0%	0.0%

Notes:

- (1) Based on the FY2017/18 Audited Consolidated Financial Statements.
- (2) Assumed external borrowings were fully drawn down to finance the Asset Enhancement Works and related expenses, and the corresponding borrowing costs during the period of Asset Enhancement Works were capitalised.
- (3) Taken into account the Rent Rebate of RM26 million per annum for the New Starhill Master Tenancy Agreement during the first two years of the First Starhill Term, which is assumed as the period of the Asset Enhancement Works.
- (4) Assumed approximately 57% and 23% of the Manager's management fees from Starhill Global REIT were paid in Units (i) during the period of Asset Enhancement Works and (ii) after the completion of the Asset Enhancement Works respectively, at an illustrative issue price of S\$0.6936 per Unit and calculated on a time-weighted basis. For FY2017/18, 100% of the Manager's management fees were collected in cash.

3.9.2 Pro Forma NAV per Unit and Gearing

The table below sets out the pro forma financial effects of the Proposed Transaction on Starhill Global REIT's NAV per Unit and gearing as at 30 June 2018, based on Starhill Global REIT's FY2017/18 Audited Consolidated Financial Statements, as if the Proposed Transaction was completed on 30 June 2018.

	Actual as at 30 June 2018 (Before the Proposed Transaction)⁽¹⁾	After the Proposed Transaction and upon the completion of the Asset Enhancement Works
NAV (S\$'000)	1,990,296	1,996,748 ⁽²⁾
Units in issue ('000)	2,181,204	2,205,170 ⁽³⁾
NAV per Unit (S\$)	0.91	0.90
% change in NAV	-	-1.1%
Gearing (%)	35.5%	36.7% ⁽²⁾

Notes:

- (1) Based on the FY2017/18 Audited Consolidated Financial Statements.
- (2) Assumed (i) increase in property valuations which was based on the average market value post-entry into the New Master Tenancy Agreements and upon the completion of the Asset Enhancement Works as determined by the Independent Valuers in the property valuation reports; and (ii) the external borrowings were fully drawn down to finance the Asset Enhancement Works and related expenses, including the corresponding borrowing costs capitalised during the period of Asset Enhancement Works.
- (3) Assumed approximately 57% of the Manager's management fees from Starhill Global REIT were paid in Units upon the completion of the Asset Enhancement Works at an illustrative issue price of S\$0.6936 per Unit.

3.10 Audit Committee Statement

The independent directors and the audit committee of the Manager will obtain an opinion from Deloitte & Touche Corporate Finance Pte Ltd (as an independent financial adviser to the independent directors of the Manager, the audit committee of the Manager and to HSBC Institutional Trust Services (Singapore) Limited (as trustee of Starhill Global REIT), on the Proposed Transaction) before forming its view, which will be disclosed in the Circular, as to whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of Starhill Global REIT and its minority Unitholders.

3.11 Other Interested Person Transactions

As at the date of this announcement, the value of all interested person transactions entered into between Starhill Global REIT and the Sponsor and/or its associates during the course of the current financial year up to the date of this announcement, which are the subject of aggregation under Rules 905 or 906 of the Listing Manual is approximately S\$2.3 million.

Starhill Global REIT has not entered into transactions with other interested persons which are the subject of aggregation under Rules 905 or 906 of the Listing Manual in the current financial year.

3.12 Interests of Directors and Substantial Unitholders

3.12.1 Interests of the Directors of the Manager

As at the date of this announcement, the details of the unitholdings of the Directors are as follows:

Name of Directors	Direct Interest		Deemed Interest		Total no. of Units held	% ⁽¹⁾
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾		
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	-	-	-	-	-	-
Mr Ho Sing	150,000	0.007	54,000 ⁽²⁾	0.002	204,000	0.009
Dato' Yeoh Seok Kian	-	-	-	-	-	-
Mr Tan Bong Lin	-	-	-	-	-	-
Mr Ching Yew Chye	-	-	-	-	-	-
Mr Tan Woon Hum	-	-	-	-	-	-

Notes:

(1) The percentage interest is based on total issued Units of 2,181,204,435 as at the date of this announcement.

(2) Mr Ho Sing is deemed interested in the 54,000 Units held by his spouse, Ms Tay Soo Sien.

As at the date of this announcement, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping and Dato' Yeoh Seok Kian are (i) non-executive directors of the Manager; (ii) executive directors of the Sponsor; (iii) beneficiaries under a family trust which owns an indirect controlling interest in the Sponsor (held on trust by its trustee, Yeoh Tiong Lay & Sons Trust Company Limited); and (iv) direct shareholders of the Sponsor.

3.12.2 Interests of the Substantial Unitholders

Based on the Register of Substantial Unitholders as at the date of this announcement, the details of the unitholdings of the Substantial Unitholders are as follows:

Name	Direct interest		Deemed interest		Total no. of Units	%
	No. of Units	% ¹	No. of Units	% ¹		
YTL Hotels & Properties Sdn Bhd	130,140,379 ²	5.97	-	-	130,140,379	5.97
Starhill Global REIT Investments Limited	539,840,000 ³	24.75	-	-	539,840,000	24.75
YTL Cayman Limited	18,000,000 ⁴	0.83	552,777,885 ⁵	25.34	570,777,885	26.17
YTL Corporation Berhad	80,054,810 ⁶	3.67	728,904,432 ⁷	33.42	808,959,242	37.09
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	-	-	808,959,242 ⁸	37.09	808,959,242	37.09
Yeoh Tiong Lay & Sons Family Holdings Limited	-	-	808,959,242 ⁸	37.09	808,959,242	37.09
Yeoh Tiong Lay & Sons Trust Company Limited	-	-	808,959,242 ⁸	37.09	808,959,242	37.09
Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong	-	-	808,959,242 ⁸	37.09	808,959,242	37.09
AIA Singapore Private Limited	161,070,000 ⁹	7.38	-	-	161,070,000	7.38
AIA Company Limited	4,313,400 ¹⁰	0.20	161,070,000 ¹¹	7.38	165,383,400	7.58
AIA Group Limited	-	-	165,383,400 ¹²	7.58	165,383,400	7.58
AIA Investment Management Private Limited	-	-	165,383,400 ¹³	7.58	165,383,400	7.58

Notes:

- (1) The percentage interest is based on total issued Units of 2,181,204,435 as at the date of this announcement.
- (2) This relates to the 130,140,379 Units held through nominee, Raffles Nominees (Pte) Limited.
- (3) This relates to the 539,840,000 Units held through nominee, Raffles Nominees (Pte) Limited.
- (4) This relates to the 18,000,000 Units held through nominee, Raffles Nominees (Pte) Limited.
- (5) Deemed interest in 539,840,000 Units held by Starhill Global REIT Investments Limited (“SGRIL”) and 12,937,885 Units held by YTL Starhill Global REIT Management Limited (“YSGRM”).
- (6) This relates to 80,054,810 Units held through nominee, Raffles Nominees (Pte) Limited.
- (7) Deemed interest in 539,840,000 Units held by SGRIL, 18,000,000 Units held by YTL Cayman Limited, 12,937,885

- Units held by YSGRM, 130,140,379 Units held by YTL Hotels & Properties Sdn Bhd (“YTLHP”) and 27,986,168 Units held by Business & Budget Hotels (Penang) Sdn Bhd (“BBHP”).
- (8) Deemed interest in 80,054,810 Units held by YTL Corporation Berhad, 539,840,000 Units held by SGRIL, 18,000,000 Units held by YTL Cayman Limited, 12,937,885 Units held by YSGRM, 130,140,379 Units held by YTLHP and 27,986,168 Units held by BBHP.
 - (9) This relates to the 161,070,000 Units held by AIA Singapore Private Limited through Citibank Nominees Singapore Pte Ltd.
 - (10) This relates to the 4,313,400 Units held by AIA Company Limited, Brunei Branch through Citibank Nominees Singapore Pte Ltd.
 - (11) Deemed interest in 161,070,000 Units held by AIA Singapore Private Limited through Citibank Nominees Singapore Pte Ltd.
 - (12) Deemed interest in 161,070,000 Units held by AIA Singapore Private Limited through Citibank Nominees Singapore Pte Ltd, and 4,313,400 Units held by AIA Company Limited, Brunei Branch through Citibank Nominees Singapore Pte Ltd.
 - (13) AIA Investment Management Private Limited assumed investment management of the Units for its clients.

As at the date of this announcement, the Sponsor holds an aggregate interest of approximately 37.09% in Starhill Global REIT and is deemed to be a controlling unitholder of Starhill Global REIT.

Save as disclosed above and based on information available to the Manager as at the date of this announcement, none of the directors of the Manager or the substantial Unitholders has an interest, direct or indirect, in the Proposed Transaction.

3.13 Directors’ Service Contracts

No person is proposed to be appointed as a director in relation to the Proposed Transaction or any other transactions contemplated in relation to the Proposed Transaction.

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
18 March 2019

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 (the “SGX-ST”) on 20 September 2005, Starhill Global REIT has grown its initial portfolio from interests in two landmark properties on Orchard Road in Singapore to 10 properties in Singapore, Australia, Malaysia, China and Japan, valued at about S\$3.1 billion.

These comprise interests in Wisma Atria and Ngee Ann City on Orchard Road in Singapore, Myer Centre Adelaide, David Jones Building and Plaza Arcade in Adelaide and Perth, Australia, Starhill Gallery and Lot 10 in Kuala Lumpur, Malaysia, a retail property in Chengdu, China and two properties in 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.

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 and foreign exchange 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.