
THE PROPOSED DIVESTMENT OF LIPPO PLAZA SHANGHAI

1. INTRODUCTION

1.1 Divestment of the Property

OUE REIT Management Pte. Ltd., as manager of OUE Real Estate Investment Trust (“**OUE REIT**”, and the manager of OUE REIT, the “**Manager**”), wishes to announce that OUE REIT’s wholly-owned Singapore subsidiary, Tecwell Pte. Ltd. (the “**Vendor**”), has today entered into an equity transfer agreement (the “**SPA**”) with an unrelated third-party purchaser (the “**Purchaser**”), in relation to the proposed divestment of the entire equity interest (the “**Sale Shares**”) of Lippo Realty (Shanghai) Limited (the “**Target Company**”). The Target Company wholly-owns Lippo Plaza in Shanghai, excluding (i) Unit 2 on Basement 1, (ii) the 12th, 13th, 15th and 16th Floors and (iii) four car park lots (the “**Property**” and the proposed divestment of the Property, the “**Divestment**”).

1.2 Information on the Property

The Property is in the commercial district of Huangpu in central Shanghai and comprises 91.2% share of strata ownership of a Grade A 36-storey commercial building with retail podium and carpark lots. The retail podium at the Property was refurbished in 2010 while the refurbishment of the office lobby was completed in 2014.

The following table sets out a summary of selected information on the Property as at 31 December 2023 (unless otherwise indicated):

Property	Lippo Plaza
Location	222 Huaihai Zhong Road, Shanghai, PRC 200021
Land Use Right Expiry	50 years commencing 2 July 1994
Gross Floor Area	58,521.5 square metres (629,920 square feet)
Net Lettable Area	Overall: 39,188.1 square metres (421,817 square feet) Office: 33,538.6 square metres (361,006 square feet) Retail: 5,649.5 square metres (60,811 square feet)

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Carpark Lots	168
Date of Acquisition	27 January 2014
Original Purchase Price (million)	S\$335.5 (comprising the purchase consideration of shares in the Vendor and outstanding debt facilities of the Vendor and its subsidiary at acquisition completion date of 27 January 2014)
Gross Revenue for the financial year ended 31 December 2023 (“FY23”) (million)	S\$23.3
Net Property Income (“NPI”) for FY23 (million)	S\$17.9
NPI Yield for FY23 based on the Agreed Value (as defined herein)	5.7%
Committed Occupancy Rate as at 30 September 2024	Overall: 78.0% Office: 74.6% Retail: 97.8%
Weighted Average Lease Expiry by Monthly Gross Rental Income as at 30 September 2024	1.9 years
Number of Tenants (as at 30 September 2024)	75
Key Tenants (as at 30 September 2024)	<ul style="list-style-type: none"> • Victoria’s Secret • Arc'teryx • Shanghai Pulan Desheng Industrial Development • Ralph Lauren • Oriental Watch (China) Trading

The independent valuation of the Property conducted by Savills Real Estate Valuation (Guangzhou) Ltd (the “**Independent Valuer**”) is RMB1,769.0 million (approximately S\$329.8 million) as at 18 December 2024 (the “**Independent Valuation**”). The methods used by the Independent Valuer were the direct comparison approach and discounted cash flow analysis method.

2. PRINCIPAL TERMS OF THE TRANSACTION

2.1 Principal terms of the SPA

The principal terms of the SPA include, among others, customary conditions precedent to the payment of the Divestment Consideration (as defined herein) and other customary provisions relating to the Divestment, including representations and warranties, indemnities, limitations of liabilities and other commercial terms.

Completion of the Divestment is expected to take place approximately four (4) working days after the fulfilment or waiver of the above conditions precedent.

2.2 Divestment consideration and valuation

The aggregate consideration of the Sale Shares of RMB1,917.0 million (approximately S\$357.4 million) (the “**Divestment Consideration**”) payable by the Purchaser is based on the adjusted net asset value (“**NAV**”) of the Target Company, which takes into account the agreed value of the Property of approximately RMB1,680 million (approximately S\$313.2 million) (the “**Agreed Value**”). The final Divestment Consideration payable to the Vendor will be subject to completion adjustments. The Agreed Value was negotiated on a willing-buyer and willing-seller basis after taking into account the Independent Valuation.

The Agreed Value represents a loss of approximately RMB89.0 million (approximately S\$16.6 million), or 5%, below the Independent Valuation of the Property of RMB1,769.0 million (approximately S\$329.8 million) as at 18 December 2024.¹

Upon the execution of the SPA on 20 December 2024, the Purchaser has paid to the Target Company a deposit amounting to approximately RMB5.0 million (approximately S\$0.9 million) in accordance with the terms of the SPA. Upon satisfaction of certain conditions, the Divestment Consideration (subject to completion adjustments) shall be remitted by the Purchaser to a wholly foreign-owned enterprise (incorporated by the Vendor in the PRC, as further described in paragraph 6.3 of this announcement), and through certain arrangement, such Divestment Consideration shall be repatriated by the Purchaser to the Vendor in Singapore eventually. The Divestment Consideration (subject to completion adjustments) will be paid by the Purchaser in cash.

In accordance with the trust deed dated 10 October 2013 constituting OUE REIT (as amended, supplemented and/or restated) (the “**Trust Deed**”), the Manager is entitled to a divestment fee of approximately S\$1.6 million (the “**Divestment Fee**”), being 0.5% of the Agreed Value. After taking into account the Divestment Fee and other divestment-related expenses, as well as tax payable, the net proceeds from the Divestment is expected to be S\$318.2 million.

2.3 Use of Divestment Proceeds

The Manager intends to use the net proceeds from the Divestment for the purposes described in paragraph 3 of this announcement.

¹ The Divestment Consideration of RMB1,917.0 million (approximately S\$357.4 million) (subject to completion adjustments) is approximately 7.5% below the book value of the Target Company as at 30 June 2024, adjusted based on the Independent Valuation of the Property as at 18 December 2024.

3. RATIONALE FOR THE DIVESTMENT

The Manager believes that the Divestment will benefit unitholders of OUE REIT (“**Unitholders**”) as it is in line with the Manager’s proactive portfolio management strategy to optimise portfolio composition, strengthen income resilience, and bring sustainable returns to OUE REIT and Unitholders. The Divestment provides OUE REIT the opportunity to optimise its capital structure and enhance financial flexibility for future growth opportunities. The net proceeds from the Divestment is expected to be S\$318.2 million. The proceeds from the Divestment will provide the Manager with financial flexibility to pare down debt, undertake accretive acquisitions of higher yielding assets or asset enhancement initiatives, redeem outstanding convertible perpetual preferred units, commence a distribution per Unit² (“**DPU**”) accretive unit buy-back programme to enhance long-term returns to Unitholders, and to distribute as capital distributions to Unitholders.

4. PRO FORMA FINANCIAL EFFECTS OF THE DIVESTMENT

The pro forma financial effects of the Divestment on the DPU and NAV per Unit presented below were prepared based on the audited financial statements of OUE REIT for FY23 (the “**FY23 Audited Financial Statements**”).

4.1 Pro forma DPU of the Divestment

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on OUE REIT’s DPU for FY23, as if OUE REIT had completed the Divestment on 1 January 2023, are as follows:

	Effects of the Divestment	
	Before the Divestment	After the Divestment ⁽¹⁾
DPU (Singapore cents)	2.09	2.12
DPU Accretion	-	1.4%

Note:

- (1) Assuming the gross proceeds from the Divestment is fully used to pay the Divestment Fee and all divestment-related costs (including tax payable), as well as to repay loans.

4.2 Pro forma NAV of the Divestment

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on the NAV per Unit as at 31 December 2023, as if the Divestment was completed on 31 December 2023, are as follows:

	Effects of the Divestment	
	Before the Divestment	After the Divestment
NAV (S\$'000)	3,311,192	3,216,401
Issued and Issuable Units ('000)	5,492,950	5,492,520
NAV per Unit (S\$)	0.60	0.59

² “Unit” means a unit in OUE REIT.

5. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this announcement and based on information available to the Manager as at the date of this announcement, save for the unitholding interests in OUE REIT held by certain directors of the Manager and the controlling Unitholders, none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Divestment.

6. OTHER INFORMATION

6.1 Directors' service contracts

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

6.2 Relative Figures Computed on the Bases Set Out in Rule 1006 of the Listing Manual

Chapter 10 of the Listing Manual³ governs the acquisition or disposal of assets, including options to acquire or dispose of assets, by OUE REIT. Such transactions are classified into the following categories:

- (i) non-discloseable transactions;
- (ii) discloseable transactions;
- (iii) major transactions; and
- (iv) very substantial acquisitions or reverse takeovers.

A transaction by OUE REIT may fall into any of the categories set out above depending on the size of the relative figures computed on the following bases of comparison under Rule 1006 of the Listing Manual:

- (a) the NAV of the assets to be disposed of, compared with OUE REIT's NAV pursuant to Rule 1006(a) of the Listing Manual;
- (b) the net profits attributable to the assets disposed of, compared with OUE REIT's net profits pursuant to Rule 1006(b) of the Listing Manual; and
- (c) the aggregate value of the consideration given or received, compared with OUE REIT's market capitalisation based on the total number of issued Units excluding treasury Units pursuant to Rule 1006(c) of the Listing Manual.

³ The Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

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The relative figures computed on the bases set out in Rules 1006(a), 1006(b) and 1006(c) of the Listing Manual in respect of the Divestment are as follows:

	Divestment (S\$ million)	OUE REIT (S\$ million)	Relative figure (%)
<u>Rule 1006(a)</u> NAV of the assets to be disposed of	474.3 ⁽¹⁾	3,298.2 ⁽²⁾	14.4
<u>Rule 1006(b)</u> Net profits attributable to the assets to be disposed of, compared with OUE REIT's net profits ⁽³⁾	9.6 ⁽²⁾	57.6 ⁽⁴⁾	16.6
<u>Rule 1006(c)</u> Aggregate value of the consideration received compared with OUE REIT's market capitalisation based on the total number of issued Units	357.4	1,510.6 ⁽⁵⁾	23.7

Notes:

- (1) Based on book value of the Target Company as of 30 June 2024.
- (2) Based on the unaudited financial statements of OUE REIT for the six-month period ended 30 June 2024 (the “**1H2024 Unaudited Financial Statements**”).
- (3) In the case of a real estate investment trust, the NPI is a close proxy to the net profits attributable to its assets.
- (4) Based on the 1H2024 Unaudited Financial Statements' total return before tax.
- (5) Based on the weighted average price of the Units transacted on the SGX-ST on 19 December 2024, being the market day preceding the date of signing of the SPA, of S\$0.275 per Unit.

Given that none of the relative figures computed on the bases set out above exceeds 50% based on the aggregate value of all disposals in the last 12 months as there were no other disposals by OUE REIT in the last 12 months, the Divestment is in the ordinary course of OUE REIT's business pursuant to Rule 1014(3) of the Listing Manual. As such, the Divestment is not subject to Unitholders' approval under Chapter 10 of the Listing Manual.

6.3 Incorporation of Subsidiary

In connection with the Divestment, on 16 December 2024, the Vendor, an indirect wholly-owned subsidiary of OUE REIT, has incorporated a wholly-owned subsidiary, De Ting Nuo Enterprise Management Consulting (Shanghai) Co., Ltd., in the PRC, which principal activity is enterprise management consulting and business consulting and registered share capital is RMB100,000 (approximately S\$18,643.50).

7. Documents available for inspection

Copies of the following documents are available for inspection by appointment only during normal business hours at the registered office of the Manager at 333 Orchard Road, #33-01, Singapore 238867, from the date of this announcement up to and including the date falling three months after the date of this announcement:

- (i) the SPA; and
- (ii) the valuation report of the Independent Valuer.

The Trust Deed will also be available for inspection by appointment only during normal business hours at the registered office of the Manager, for so long as OUE REIT is in existence.

By Order of
the Board
Kelvin Chua
Company Secretary

OUE REIT Management Pte. Ltd.
(Registration Number: 201327018E)
(as manager of OUE Real Estate Investment Trust)

20 December 2024

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute an invitation, offer or solicitation of any offer to acquire, purchase or subscribe for Units, including the convertible perpetual preferred units (CPPUs).

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

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, DBS Trustee Limited (as trustee of OUE REIT) or any of their respective affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of OUE REIT is not necessarily indicative of the future performance of OUE REIT.

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.