

SGX ANNOUNCEMENT

3 December 2020



(a real estate investment trust constituted on 28 January 2019
under the laws of the Republic of Singapore)

(Managed by Lendlease Global Commercial Trust Management Pte. Ltd.)

PROPOSED APPOINTMENTS IN CONNECTION WITH THE REDEVELOPMENT OF THE GRANGE ROAD CAR PARK

DBS Bank Ltd. is the Sole Financial Adviser and Issue Manager for the initial public offering of Lendlease Global Commercial REIT (the “Offering”). DBS Bank Ltd. and Citigroup Global Markets Singapore Pte. Ltd. were the joint global coordinators, bookrunners and underwriters for the Offering.

1. INTRODUCTION

Lendlease Global Commercial Trust Management Pte. Ltd., as manager of Lendlease Global Commercial REIT (“LREIT”, and the manager, the “Manager”), refers to its press release on 13 June 2020 in relation to the award of the tender to LREIT to redevelop the car park at Grange Road (the “Site”) into a new multi-functional event space (the “Redevelopment”, and the redeveloped Site, the “Property”).

The Manager wishes to announce that in connection with the Redevelopment, a professional development services agreement (the “Professional Services Agreement”) between RBC Investor Services Trust Singapore Limited, in its capacity as trustee of LREIT (the “Trustee”) and Lendlease Retail Pte. Ltd. (“LLR”) has been entered into on 3 December 2020, pursuant to which LLR has been appointed as the development manager for the Site to provide professional development management services for the development of the events and commercial venue at the Site.

In addition, pursuant to the master property management agreement relating to the properties of LREIT entered into between the Manager, the Trustee and LLR on 13 September 2019 (the “Master PMA”), an individual property management agreement (the “Individual PMA”) has been entered into on 3 December 2020 between the Manager, the Trustee and LLR, pursuant to which LLR has been appointed as the property manager of the Property, subject to the overall management and supervision of the Manager and otherwise on the terms of the Master PMA.

2. DETAILS OF THE INTERESTED PERSON

LLR is an indirect wholly-owned subsidiary of Lendlease Corporation Limited, the sponsor for LREIT (“**Sponsor**”).

The Sponsor is a “controlling unitholder” of LREIT and a “controlling shareholder” of the Manager. As LLR is an indirect wholly-owned subsidiary of the Sponsor, for the 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**”) and Paragraph 5 of Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**Property Funds Appendix**”), LLR (being a subsidiary of a “controlling unitholder” of LREIT and a subsidiary of a “controlling shareholder” of the Manager) is (for the purposes of the Listing Manual) an “interested person” of LREIT and (for the purposes of the Property Funds Appendix) an “interested party” of LREIT.

3. DETAILS OF THE TRANSACTION

Professional Services Agreement

Under the terms of the Professional Services Agreement, the services to be provided by LLR in relation to the Redevelopment include, among others, development management, design management, research, planning and budgeting.

Under the Professional Services Agreement, LLR shall be paid a fee, comprising S\$210,000 for resource costs plus 1.5% of Total Project Costs¹. If the tender award for the Site is rescinded, terminated or repudiated for any reason, the Professional Services Agreement may be terminated by notice in writing from the Trustee with immediate effect.

¹ Total Project Costs:

- a) includes:
 - i) design and construction costs for the part of the Site that is not taken up by Live Nation;
 - ii) project management and construction margin (as defined in the agreement to be entered into between the Trustee and Lendlease Singapore Pte. Ltd.) on the Redevelopment;
 - iii) other development costs;
 - iv) a leasing fee in respect of each lease for the Site comprising a sum equivalent to the aggregate of 80% of one month’s base rent, 80% of one month’s services charge; and 80% of one month’s advertising and promotion fee payable by the tenant under the lease. For the avoidance of doubt, no leasing fee is payable in respect of the leases for Live Nation (Singapore) Holdings Pte. Ltd., Pocket Cinema Pte. Ltd. and El Masnou Pte. Ltd.; and
- b) excludes Development Phase land rent, reinstatement costs and costs of financing (if any), where “Development Phase” means the period commencing on the date that the term of the tenancy agreement entered into between LREIT and the Government of the Republic of Singapore for the Site commences and ending on the date on which the last temporary occupational permit is issued for the Redevelopment.

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The Manager understands that the terms of the Professional Services Agreement (including the fees) are comparable with the terms and fees which LLR would impose for other similar projects as the redevelopment of the Site.

Individual PMA

The Individual PMA is entered into pursuant to the Master PMA, which was deemed to have been specifically approved by unitholders of LREIT (“**Unitholders**”) upon subscription for units in LREIT at its initial public offering. The following fees are payable under the Individual PMA:

- (a) property management fees payable in relation to the Property will be up to the aggregate of 1.85% per annum of the Gross Revenue² of the Property and 1.85% per annum of the Net Property Income³ of the Property;
- (b) a leasing fee in respect of each new lease, renewal of an existing lease or relocation of an existing lease negotiated by LLR and entered into by the relevant tenant, equivalent to 80% of the aggregate of one month’s base rent, one month’s services charge and one month’s advertising and promotion fee payable by the tenant. The leasing fee will be subject to review every three years to be in line with market rates as may be agreed by the parties; and
- (c) where tenancy design review services are required for a new lease, renewal of existing lease, relocation of an existing lease or any licence or concession, a tenancy design review fee of S\$6,000 per tenancy, subject to annual increase by a percentage which reflects the percentage increase in the Consumer Price Index in Singapore during the 12 month period prior to that date plus 1%.

The fees payable under the Individual PMA are the same as that payable under the individual property management agreement in relation to 313@somerset and are lower than that payable under the Master PMA.

Please refer to the prospectus of LREIT dated 25 September 2019 for further details of the terms of the Master PMA.

² Gross Revenue means, in respect of the Property, and in relation to any fiscal year or part thereof, all income accruing or resulting from the operation of the Property for that fiscal year or part thereof (received or receivable).

³ Net Property Income means the Gross Revenue less property expense (being all costs and expenses incurred by or on behalf of LREIT in the operation, maintenance, management and marketing of the Property, before deductions for the property management fee) in respect of the Property for the relevant fiscal year.

4. RATIONALE AND KEY BENEFITS

The rationale for the appointment of LLR as the development manager is as follows:

- (a) Familiarity with Lendlease-managed properties and Proven Track Record. LLR has been involved in numerous developments and asset enhancement initiatives at properties held and/or managed by Lendlease, including 313@somerset and the Discovery Walk adjacent to the Site. As such, not only are they familiar with the various technical and authority issues relating to new or existing properties, but they would have the relevant experience in curating a space that seamlessly integrates with the existing 313@somerset. LLR is also familiar with the tender specifications and design requirements pertaining to the Property and this appointment would offer LREIT the advantage of efficiency in execution and ability to expedite the project.
- (b) Market Competitive Fee. The development management fee of 1.5% of Total Project Costs is competitive and below the 3.0% development management fee entitlement under the Trust Deed if the Manager were to undertake the development work instead. These fees and related party costs are also subject to assessment by an independent cost assessor.
- (c) Safety and Expertise. Lendlease has a strong development management team that has been involved in major projects in both Singapore and overseas. Their focus on safety and use of Global Minimum Requirements is aligned with LREIT's aim to make safety a priority in such projects. In addition, with Lendlease's experience in building global event venues such as the Etihad Stadium in Australia, Hydro Arena in Scotland and Sapporo Dome in Japan, this expertise can be deployed to benefit the project.

In addition to the above points, there are benefits in appointing LLR as the property manager as well. LLR is the existing property manager of 313@somerset, which is located adjacent to the Property. The Manager believes that there are potential economies of scale and synergies in the management of 313@somerset and the Property by the same property manager and such appointment is in accordance and pursuant to the Master PMA.

5. STATEMENT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has reviewed the Professional Services Agreement and is of the view that it is on normal commercial terms and is not prejudicial to the interests of LREIT and its minority Unitholders.

6. AGGREGATE VALUE OF INTERESTED PERSON TRANSACTIONS (“IPTs”)

Prior to the execution of the Professional Services Agreement, the aggregate value of the IPTs (excluding transactions which are less than S\$100,000) entered into between LREIT and its subsidiaries (the “Group”) and the Sponsor and/or its subsidiaries for the current financial year commencing 1 July 2020 (“FY2021”) was approximately S\$45 million, representing approximately 4.6% of the Group’s latest audited net tangible assets as at 30 June 2020 (“Audited NTA”). Following execution of the Professional Services Agreement, the aggregate value of the IPTs (excluding transactions which are less than S\$100,000) entered into between the Group and the Sponsor and/or its subsidiaries for FY2021 (including the Professional Services Agreement) is approximately S\$46 million, representing approximately 4.6% of the Group’s latest Audited NTA. The Manager is therefore making this announcement in compliance with the requirements under Rule 905 of the Listing Manual. The Group has not entered into any other transaction with other interested persons during FY2021 up to the date of this Announcement.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

As at the Latest Practicable Date, the interests of the Directors in the transaction are as follows:

- (i) Mr Anthony Peter Lombardo, the Chairman and a Non-Executive Director of the Manager, is also Chief Executive Officer and a director of Lendlease Asia Holdings Pte. Ltd.; and
- (ii) Ms Ng Hsueh Ling, a Non-Executive Director of the Manager, is also Managing Director, Singapore and Chief Investment Officer, Asia and a director of Lendlease Investment Management Pte. Ltd., LLR and Lendlease Singapore Pte. Ltd..

Save as disclosed above and save for the directors’ and substantial Unitholders’ respective holdings in LREIT, the directors and substantial Unitholders have no other interests in the transaction.

By Order of the Board
Kelvin Chow
Chief Executive Officer

Lendlease Global Commercial Trust Management Pte. Ltd.

(Registration Number: 201902535N)

(as manager of Lendlease Global Commercial REIT)

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IMPORTANT NOTICE

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 and the continued availability of financing in the amounts and the terms necessary to support future business.

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

The value of the Units and the income derived from them, if any, may fall or rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager or RBC Investor Services Trust Singapore Limited, as trustee of LREIT. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested.

This Announcement is for information purposes only and does not constitute an offer for sale or an invitation or offer to acquire, purchase or subscribe for the Units in the United States. This Announcement is not for publication or distribution, directly or indirectly, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia), Canada or Japan. The Units referred to herein have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdiction, and the Units may not be offered or sold in the United States, absent registration or an exemption from, the registration requirements under the Securities Act and applicable state or local securities laws. No public offering of securities is being made in the United States.

Investors should note that they have no right to request the Manager to redeem their Units while the Units are listed. It is intended that the Unitholders may only deal in their Units through trading on SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of LREIT and the Manager is not necessarily indicative of the future performance of LREIT and the Manager.