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## DIVESTMENT OF 30.0% INTEREST IN 9 PENANG ROAD

### 1. INTRODUCTION

ARA Trust Management (Suntec) Limited, in its capacity as the manager of Suntec Real Estate Investment Trust ("**Suntec REIT**", and the manager of Suntec REIT, the "**Manager**"), is pleased to announce that Suntec REIT through its wholly-owned subsidiary, Suntec (PM) Pte. Ltd. ("**Vendor**"), has today entered into a share purchase agreement (the "**Share Purchase Agreement**") with Haiyi Holdings Pte. Ltd. (the "**Purchaser**"), pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, a 30.0% interest in Park Mall Investment Limited ("**JVCo**"), comprising 15,000,000 ordinary shares and 678 redeemable preference shares in the JVCo (together, the "**Sale Shares**"), subject to the terms and conditions set out in the Share Purchase Agreement (the "**Divestment**"). The JVCo holds 100% of Park Mall Holdings Limited, which in turn holds 100% of Park Mall Pte. Ltd., and which in turn holds the property located at 9 Penang Road, Singapore (the "**Property**"). Completion of the Divestment ("**Completion**") has also taken place today.

The JVCo, which is (i) 30.0% held by Suntec REIT (through the Vendor), (ii) 35.0% held by the Purchaser and (iii) 35.0% held by Phoenix 99 Pte. Ltd. (which is a wholly-owned subsidiary of SingHaiyi Group Ltd.), was established for the purposes of the acquisition and redevelopment of the Property (previously known as Park Mall).

### 2. INFORMATION OF THE DIVESTMENT

#### 2.1 Description of the Property

The Property is a Grade A commercial building with a total net lettable area of 399,044 square feet. The Property comprises a ten-storey development consisting of two office blocks and ancillary retail. The Property, which was completed in October 2019, has a 99-year leasehold term commencing from 2016.

#### 2.2 Sale Consideration and Valuation

The aggregate consideration of the Sale Shares of approximately S\$89.9 million (the "**Sale Consideration**") payable by the Purchaser is based on 30.0% of the adjusted net asset value ("**NAV**") of the JVCo and its subsidiaries (the "**Group**") on the date of Completion (subject

to final adjustments), which takes into account the agreed value of the Property (on a 100% basis) of S\$985.0 million (the “**Agreed Value**”). The Agreed Value was negotiated on a willing-buyer and willing-seller basis after taking into account the independent valuations of the Property.

The Manager has commissioned an independent property valuer, Savills Valuation and Professional Services (S) Pte Ltd (“**Savills**”), and the Trustee has commissioned another independent property valuer, Knight Frank Pte Ltd (“**Knight Frank**”), to value the Property. As stated by Savills in its independent valuation report, the valuation of the Property as at 1 May 2021 (based on 100% interest) is S\$931.6 million, based on a market value approach on “as-is” basis and subject to existing tenancies. As stated by Knight Frank in its valuation report, the valuation of the Property as at 1 May 2021 (based on 100% interest) is S\$932.0 million, based on the capitalisation approach, discounted cash flow approach and direct comparison method.

In accordance with the trust deed dated 1 November 2004 constituting Suntec REIT, as amended, supplemented and/or restated from time to time (the “**Trust Deed**”), the Manager is entitled to a divestment fee of approximately S\$1.5 million, being 0.5% of the Agreed Value (on a 30.0% basis) of S\$295.5 million, payable to the Manager in units in Suntec REIT (“**Units**”)<sup>1</sup>.

### **3. RATIONALE FOR AND BENEFITS OF THE DIVESTMENT**

The Manager believes that the Divestment will bring the following key benefits to unitholders of Suntec REIT (“**Unitholders**”).

#### **3.1 Active portfolio management to enhance value for Unitholders**

As part of its proactive portfolio management strategy to enhance unitholder value, the Manager had unlocked the potential of the former Park Mall site and maximised the asset value by redeveloping the former property into a Grade A commercial building through a joint venture with Haiyi Holdings Pte. Ltd., SingHaiyi Group Ltd. and Suntec REIT. Completed in October 2019, the office component of the Property has been fully leased to a single tenant on a long lease tenure.

Based on the Property’s stabilised net property income, the net property yield is estimated at 3.3% per annum over the Agreed Value.

The Divestment is in line with the Manager’s pro-active portfolio management strategy to maximise the operational performance of assets and capitalise on opportunities to improve financial flexibility to pursue growth opportunities to enhance the resilience, diversification and value of Suntec REIT’s portfolio for Unitholders.

#### **3.2 Strengthen Balance Sheet**

The Divestment provides Suntec REIT the opportunity to optimise its capital structure and enhance long-term sustainable returns for Unitholders. The net proceeds from the Divestment is expected to be approximately S\$88.2 million.

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<sup>1</sup> As the Divestment will constituted an “interested party transaction” under the Property Funds Appendix (as defined herein), the acquisition fee shall be payable in Units which shall not be sold one year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

The proceeds from the Divestment will provide the Manager with financial flexibility to pare down bank borrowings to improve Suntec REIT's average leverage ratio or be redeployed to acquire accretive, higher yield assets.

### **3.3 Realise value of capital appreciation**

The Divestment allows Suntec REIT to realise capital gains from the Property while continuing to maintain dominance in the Singapore office market.

The Agreed Value (on a 30.0% basis) of S\$295.5 million or S\$2,468 per square foot is attractive and represents a 30.3% higher than the total development cost of the Property of \$226.8 million (on a 30.0% basis).

Post Divestment, Suntec REIT continues to be anchored by the resilient office segment which will contribute more than 80% to the REIT's total income contribution on a *pro forma* basis with Singapore properties constituting about 75% of total assets under management.

## **4. PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT**

The Share Purchase Agreement contains customary provisions relating to the Divestment, including representations and warranties, indemnities and pre-completion covenants and other commercial terms.

The principal terms of the Share Purchase Agreement include, amongst others, the following:

- (i) the parties to the Share Purchase Agreement agree that the rights of pre-emption contained in the JVA (as defined in the Share Purchase Agreement) shall be waived for the purpose of the Share Purchase Agreement and the Divestment; and
- (ii) in the event that, within 36 months after Completion, any of the Purchaser, the JVCo Group, Mr Gordon Tang, Madam Celine Tang, Phoenix 99 Pte. Ltd. and/or SingHaiyi Group Ltd enters into any transaction resulting in a partial disposal of the Property, a disposal of the entire Property or a transaction involving the shares or securities of the entities which directly or indirectly hold the Property at a price higher than the Divestment, the Purchaser undertakes to pay the Vendor 30% of the difference in the sale price and \$985.0 million or \$2,468 per sq ft, whichever is applicable.

## **5. USE OF SALE PROCEEDS AND FINANCIAL EFFECTS OF THE DIVESTMENT**

### **5.1 Use of sale proceeds**

After taking into account the Divestment related expenses (including the divestment fee payable to the Manager), the net proceeds from the Divestment would be approximately S\$88.2 million, resulting in an estimated net gain from the Divestment of approximately S\$66.5 million. The net proceeds of the Divestment may be used to pare down bank borrowings and/or fund future acquisitions.

## 5.2 Pro forma financial effects

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Divestment on the NAV per Unit and the distribution per Unit (“DPU”) of Suntec REIT presented below were prepared based on the audited financial statements of Suntec REIT for the financial year ended 31 December 2020 (“FY2020”).

### 5.2.1 Pro Forma DPU

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Divestment on Suntec REIT’s DPU for the financial year ended 31 December 2020, as if Suntec REIT had completed the Divestment on 1 January 2020, are as follows:

	Before the Divestment	After the Divestment
Net Income (S\$’000)	115,080 <sup>(1)</sup>	115,700
Distributable income (S\$’000)	209,220	209,220 <sup>(2)</sup>
Total number of Units in issue (’000)	2,837,673 <sup>(3)</sup>	2,838,650 <sup>(4)</sup>
DPU (Singapore cents)	7.402	7.402 <sup>(5)</sup>
DPU accretion (%)		-

**Notes:**

- (1) Refers to Net Income before net change in fair value of financial derivatives and net change in fair value of investment properties for FY2020.
- (2) No income contribution was declared in FY2020.
- (3) Number of Units issued and to be issued as at 31 December 2020.
- (4) Number of Units issued and to be issued as at 31 December 2020, inclusive of divestment fee Units of 977,505 (issued at \$1.5115 per Unit).
- (5) The additional divestment fee Units did not result in a change in DPU.

### 5.2.2 Pro forma NAV

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Divestment on Suntec REIT’s NAV per Unit as at 31 December 2020, as if the Divestment was completed on 31 December 2020, are as follows:

	Before the Divestment	After the Divestment
NAV (S\$’000)	6,113,170	6,121,366
Total number of Units in issue (’000)	2,837,673 <sup>(1)</sup>	2,838,650 <sup>(2)</sup>
NAV per Unit (S\$)	2.054	2.057

**Note:**

- (1) Number of Units issued and to be issued as at 31 December 2020.
- (2) Number of Units issued and to be issued as at 31 December 2020, inclusive of divestment fee Units of 977,505 (issued at \$1.5115 per Unit).

## 6. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

### 6.1 Interested person transaction under the Listing Manual and interested party transaction under the Property Funds Appendix

The Purchaser's controlling shareholders are Mr Gordon Tang and Madam Celine Tang (who is the spouse of Mr Gordon Tang). Collectively, Mr Gordon Tang and Madam Celine Tang hold 292,172,932 Units in their joint accounts, representing approximately 10.28%<sup>1</sup> of the total issued Units<sup>2</sup>. For the purposes of Chapter 9 of the Listing Manual of the SGX-ST ("**Listing Manual**") and Appendix 6 to the Code of Collective Investment Schemes issued by the Monetary Authority of Singapore ("**MAS**") ("**Property Funds Appendix**"), the SGX-ST and MAS are of the view that, when calculating Mr Gordon Tang's and Madam Celine Tang's interest in Suntec REIT, their Units should be aggregated with the Units held by their family members<sup>3</sup>. Accordingly, Mr Gordon Tang and Madam Celine Tang are considered controlling Unitholders for the purpose of Chapter 9 of the Listing Manual and the Property Funds Appendix for the Divestment.

As such, the Purchaser (being an associate<sup>4</sup> of a controlling Unitholder) is (for the purposes of the Listing Manual) considered an "interested person" of Suntec REIT and (for the purposes of the Property Funds Appendix) considered an "interested party" of Suntec REIT. However, as the Sale Consideration (aggregated with the value of all transactions entered into with the same interested person during the current financial year) is less than 5% of Suntec REIT's latest audited net tangible asset and NAV respectively, Unitholders' approval in respect of the Divestment is not required under the Listing Manual and the Property Funds Appendix.

### 6.2 Existing Interested Person Transactions

Prior to the date of this announcement, Suntec REIT had not entered into any interested person transactions with the Purchaser, Mr Gordon Tang, Madam Celine Tang and any of their associates during the course of the current financial year.

As at the date of this announcement, the total of all interested person transactions entered into by Suntec REIT for the current financial year is approximately S\$295,657,000.

## 7. AUDIT COMMITTEE STATEMENT

Having regard to the rationale for and key benefits of the Divestment as set out in paragraph 3 above, the audit committee of the Manager is of the opinion that the Divestment is on

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1 Mr Gordon Tang and Madam Celine Tang hold 256,134,532 and 214,376,666 Units respectively, representing approximately 9.01% and 7.54% of the total issued Units respectively. Mr Gordon Tang together with his spouse, Madam Celine Tang, hold 178,338,266 Units in their joint accounts.

2 The total number of Units in issue as at the date of this announcement is 2,842,111,015.

3 Madam Yang Chanzhen (Mr Gordon Tang's mother) holds 197,203,400 Units in joint accounts with Mr Tang Jialin (Mr Gordon Tang's son), and solely holds 5,177,800 Units. Madam Yang Chanzhen and Mr Tang Jialin are also deemed interested in the 57,095,100 Units held by Senz Holdings Limited ("**Senz**") by virtue of their entitlement to exercise or control not less than 20 per cent of the voting rights in Senz. Collectively Madam Yang Chanzhen and Mr Tang Jialin hold 259,476,300 Units, representing 9.13% of the total issued Units.

4 As defined in the Listing Manual and Property Funds Appendix.

normal commercial terms and is not prejudicial to the interests of Suntec REIT and its minority Unitholders.

## 8. OTHER INFORMATION

### 8.1 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.

### 8.2 Disclosure under Rule 1010(13) of the Listing Manual

Chapter 10 of the Listing Manual governs the acquisition or divestment of assets, including options to acquire or dispose of assets, by Suntec 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, depending on the size of the relative figures computed on, *inter alia*, the following bases or comparison set out in Rules 1006(a), Rules 1006(b) and 1006(c) of the Listing Manual:

- (i) NAV of the assets to be disposed of, compared with the issuer's NAV;
- (ii) the net profits attributable to the assets disposed of, compared with the issuer's net profits; and
- (iii) the aggregate value of the consideration received, compared with the issuer's market capitalisation.

The relative figures for the Divestment using the applicable bases of comparison described above are set out in the table below.

Comparison of:	Divestment	Suntec REIT	Relative figure (%)
NAV (S\$ million)	81.3 <sup>(1)</sup>	6,113.2	1.3
Net (Loss)/Profits (S\$ million)	(0.6) <sup>(2)</sup>	115.1	-0.5
Consideration against market capitalisation (S\$ million)	89.9 <sup>(3)</sup>	4,264.9 <sup>(4)</sup>	2.1

**Notes:**

- (1) Based on Suntec REIT's share of net assets of JVCo Group as at 31 December 2020.
- (2) Based on Suntec REIT's share of net loss of JVCo Group for FY2020.
- (3) Based on estimate of Suntec REIT's share of adjusted net asset value of JVCo Group as at 15 June 2021, being one day immediately prior to date of the Share Purchase Agreement
- (4) This figure is based on the weighted average price of S\$1.5006 per Unit on the SGX-ST as at 15 June 2021, being the market day immediately prior to 16 June 2021, the date of the Share Purchase Agreement.

### 8.3 Documents Available for Inspection

Copies of the Share Purchase Agreement and the valuation reports of Savills and Knight Frank are available for inspection during normal business hours at the registered office of

the Manager<sup>1</sup> at 5 Temasek Boulevard, #12-01 Suntec Tower Five Singapore 038985 from the date of this announcement up to and including the date falling three (3) months after the date of this announcement.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Suntec REIT is in existence.

BY ORDER OF THE BOARD

**ARA Trust Management (Suntec) Limited**

(as manager Suntec REIT)

(Company Registration No. 200410976R)

Chong Kee Hiong  
Director

16 June 2021

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<sup>1</sup> Prior appointment will be appreciated. Please contact Suntec REIT Investors Relations team (telephone: +65 6835 9232).

## **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), a 66.3% interest in Suntec Singapore Convention & Exhibition Centre, a one-third interest in One Raffles Quay and a one-third interest in Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall. Suntec REIT holds a 100% interest in a commercial building located at 177 Pacific Highway, Sydney, a 100% interest in a commercial building located at 21 Harris Street, Pyrmont, Sydney, a 50.0% interest in Southgate Complex, Melbourne, a 50.0% interest in a commercial building located at Olderfleet 477 Collins Street, Melbourne and a 100% interest in a commercial building located at 55 Currie Street, Adelaide, Australia. Suntec REIT also holds a 50.0% interest in Nova Properties located in London, United Kingdom. Its aim is to invest in income-producing real estate which is primarily used for office and/or retail purposes. Suntec REIT is managed by an external manager, ARA Trust Management (Suntec) Limited. For more details, please visit [www.suntecreit.com](http://www.suntecreit.com).

## **ABOUT ARA TRUST MANAGEMENT (SUNTEC) LIMITED**

Suntec REIT is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA Asset Management Limited ("ARA").

ARA is the largest real assets manager in Asia Pacific with S\$116 billion<sup>1</sup> in gross assets under management. ARA Group operates a multi-product platform diversified across assets, strategies and geographies in both public and private markets, managing real estate investment trusts (REITs) and private funds in real estate, infrastructure and credit globally. ARA's vertically-integrated business includes development and value-add asset management capabilities, an in-house capital raising team, and property management expertise in local markets where ARA invests and manages assets. With a resolute focus on creating sustainable value, ARA manages funds on behalf of many of the world's largest pension funds, sovereign wealth funds and financial institutions.

For more information, please visit [www.ara-group.com](http://www.ara-group.com).

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<sup>1</sup> Includes assets under management by ARA Asset Management Limited and the Group of companies ("ARA Group") and its Associates as at 31 December 2020.



**Important Notice**

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

The value of Units and the income derived from them may fall as well as rise. 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. The past performance of Suntec REIT is not necessarily indicative of the future performance of Suntec REIT.

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 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 and occupancy, changes in operating expenses, including employee wages, benefits and training, 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. 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.