



(Constituted in the Republic of Singapore pursuant to a trust deed dated 6 February 2004 (as amended))

ONE GEORGE STREET:

- (1) **CapitaLand Commercial Trust enters into a 50:50 limited liability partnership (“LLP”) with an SPV owned by insurer FWD Group**
 - (2) **One George Street to be sold and contributed to the LLP**
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1. INTRODUCTION

1.1 Sale and Contribution of certain interest in One George Street and Entry into Joint Venture

CapitaLand Commercial Trust Management Limited, as manager of CapitaLand Commercial Trust (“**CCT**”, and the manager of CCT, the “**Manager**”) is pleased to announce that HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of CCT (the “**Trustee**”), has:

- (i) entered into a limited liability partnership agreement (the “**LLP Agreement**”) with OGS (II) Limited (the “**JV Partner**”), which is a special purpose vehicle owned by insurer FWD Group (which is unrelated to CCT), and established a limited liability partnership in Singapore known as One George Street LLP (“**OGS LLP**”) with CCT holding 50.0% of OGS LLP and the JV Partner holding the remaining 50.0% of OGS LLP; and
- (ii) entered into a sale and contribution agreement with OGS LLP (the “**Sale and Contribution Agreement**”) in relation to the sale and contribution of the property known as One George Street located at 1 George Street, Singapore 049145 (“**One George Street**”, and the “**Property**”) to OGS LLP (the “**Property Transaction**”).

Upon the completion of the above transactions, One George Street will be wholly owned by OGS LLP, and CCT will hold 50.0% of OGS LLP with the JV Partner holding the remaining 50.0%. As OGS LLP is a limited liability partnership, it is tax transparent for Singapore income tax purposes. CCT’s share of income from One George Street through OGS LLP is also tax transparent in the same manner as prior to the transfer of One George Street to OGS LLP.

1.2 Information on the Property

One George Street is a 23-storey Grade A office building conveniently located close to Raffles Place MRT interchange station, Clarke Quay MRT station and Chinatown MRT station.

The valuation as at 31 December 2016 for One George Street conducted by Knight Frank Pte Ltd (the “**Independent Valuer**”), which was commissioned by the Manager and the Trustee, is S\$1,014.0 million. The methods used by the Independent Valuer were the capitalisation method and the discounted cash flow method.

2. PRINCIPAL TERMS OF THE TRANSACTION

Upon the completion of the transactions, One George Street will be wholly owned by OGS LLP, and CCT will hold 50.0% of OGS LLP with the JV Partner holding the remaining 50.0%.

The agreed value of One George Street is S\$1,183.2 million (or S\$2,650 psf based on the building’s net lettable area) (the “**Agreed Value**”). CCT will receive 50.0% of the Agreed Value amounting to approximately S\$591.6 million.

2.1 Principal Terms of the Sale and Contribution Agreement

Pursuant to the Sale and Contribution Agreement, CCT has agreed to sell a certain percentage interest in One George Street to OGS LLP (the “**Sale Percentage**”) and CCT (in its capacity as a partner of OGS LLP) has agreed to make a capital contribution-in-kind to OGS LLP of the balance interest in One George Street to OGS LLP (the “**Contribution Percentage**”). The Sale Percentage and the Contribution Percentage would be determined after taking into account the amount of the LLP Bank Loan (as defined below). The Manager would, on completion of the Property Transaction (“**Completion**”), announce the actual Sale Percentage and Contribution Percentage.

For the avoidance of doubt, although the Sale Percentage and Contribution Percentage would vary depending on the amount of the LLP Bank Loan to be obtained prior to Completion, CCT would immediately upon Completion of the transaction hold 50.0% of OGS LLP with the JV Partner holding the remaining 50.0% of OGS LLP.

Completion is subject to, and conditional upon, among other things, (a) the approval of the Head Lessor (being President of the Republic of Singapore) to the transfer of the Property by CCT to OGS LLP, and (b) the Bermuda Monetary Authority having no objection to the transactions contemplated under the Sale and Contribution Agreement (collectively the “**Conditions**”).

2.2 Sale Consideration and Valuation

The Agreed Value is used to determine the sale consideration and the value of the capital contribution-in-kind, and was negotiated on a willing-buyer and willing-seller basis.

The total deposit which the JV Partner has paid to CCT is S\$88.7 million. After deducting the total deposit paid, OGS LLP will pay CCT the balance of the sale consideration for the Sale Percentage interest in One George Street on Completion.

OGS LLP will be obtaining an external bank financing (the “**LLP Bank Loan**”) to part finance

the acquisition of One George Street.

Completion of the Property Transaction is expected to take place approximately six weeks after the date of the Sale and Contribution Agreement or four weeks after the fulfilment of the Conditions, whichever is the later.

2.3 Principal Terms of the LLP Agreement

Under the terms of the LLP Agreement, the JV Partner will make a capital contribution in cash to OGS LLP equivalent to the value of the capital contribution-in-kind by CCT of the remaining Contribution Percentage interest in One George Street.

Pursuant to the terms of the LLP Agreement, CCT and the JV Partner shall each contribute (and have contributed) S\$1.00 in cash immediately upon registration of OGS LLP as capital of OGS LLP. Each of CCT and the JV Partner agrees and undertakes, subject to execution of the Sale and Contribution Agreement, to make additional capital contribution to OGS LLP.

Further, for the initial two years, if the JV Partner does not achieve an agreed after-tax return on equity, CCT will direct OGS LLP to pay the JV Partner instead of CCT such portion of the income from OGS LLP to which CCT is entitled, which is equivalent to the shortfall in the said agreed after-tax return on equity but not exceeding 50% of the asset management fees paid by OGS LLP (the “**JV Partner Payments**”).

The Manager estimates (at the higher end of the spectrum) that the JV Partner Payments may aggregate approximately S\$2.3 million over the limited two-year period, and is of the view that the arrangement is in the interest of unitholders of CCT (“**Unitholders**”) because the sale premium over valuation achieved for the sale of the Property of S\$84.6 million (for 50% of the Property given that CCT will indirectly retain a 50.0% interest in One George Street through CCT’s 50% interest in OGS LLP) would more than off-set such estimated JV Partner Payments. From the third year onwards, there would not be any JV Partner Payments.

2.4 Appointment of Asset Manager

CCT and the JV Partner have agreed that OGS LLP shall appoint CapitaLand Commercial Trust Management Limited (“**CCTML**”) as the asset manager of OGS LLP for a term of five years from the date of Completion on the terms and subject to the conditions of an asset management agreement (“**Asset Management Agreement**”) to be entered into between OGS LLP and CCTML at or prior to Completion. The initial term of five years may be renewed at the option of CCTML for successive periods of three years each, provided that if approval from Unitholders is required for any such renewal, such approval will be obtained before the Asset Management Agreement is renewed. The fees of the asset manager shall be paid by OGS LLP.

The fees payable pursuant to the Asset Management Agreement would comprise (i) a base fee of 0.1% per annum of the value of the deposited property of OGS LLP and (ii) a performance fee of 5.25% per annum of OGS LLP’s net investment income (before the asset manager’s base management fee and non-operating income such as gains on disposal or revaluation of the properties held by OGS LLP) and is consistent with the current fee structure to derive fees payable by CCT for its wholly owned properties. To ensure that there is no double counting of management fees, for so long as CCTML receives its asset management fees pursuant to the Asset Management Agreement, the Manager will waive

the equivalent amount of fee which it is entitled to under the trust deed constituting CCT in relation to CCT's interest in OGS LLP.

2.5 Appointment of Property Manager

CCT and the JV Partner have agreed that OGS LLP shall appoint CapitaLand Commercial Management Pte. Ltd. ("**CCMPL**") as the property manager of OGS LLP for a term of five years from the date of Completion on the terms and subject to the conditions of a property management agreement ("**Property Management Agreement**") to be entered into between OGS LLP, CCTML and CCMPL at or prior to Completion. The initial term of five years may be renewed at the option of CCMPL for successive periods of three years each, provided that if approval from Unitholders is required for any such renewal, such approval will be obtained before the Property Management Agreement is renewed. The fees payable pursuant to the Property Management Agreement would comprise a property management fee of 3.0% per annum of net property income and marketing commission of between 0.5 to 2 months' gross rent in respect of tenancies and licences secured by the property manager. The fees of the property manager are consistent with the current fee structure to derive fees payable by CCT for its wholly owned properties and shall be paid by OGS LLP, and accordingly is equally indirectly borne by CCT and the JV Partner in proportion to their interest in OGS LLP.

2.6 Amount of Fees Payable to the Asset Manager and the Property Manager

The aggregate amount of fees payable to CCTML and CCMPL (pursuant to the Asset Management Agreement and the Property Management Agreement respectively) for the duration of terms of the agreements (based on CCT's interest in OGS LLP and the JV Partner Payments), aggregated with other interested person transactions entered into in the current financial year with CapitaLand Limited and its subsidiaries and associates, does not exceed 3% of CCT's latest audited net tangible assets. CCTML and CCMPL are indirect wholly owned subsidiaries of CapitaLand Limited (which is a deemed controlling Unitholder).

3. RATIONALE FOR THE PROPERTY TRANSACTION

The Manager believes that the Property Transaction will bring the following key benefits to Unitholders:

3.1 Active portfolio management

The divestment is in-line with the Manager's strategy to proactively manage and rejuvenate its portfolio.

CCT will use the proceeds to reduce gearing to increase flexibility for future acquisitions or to reinvest into other compelling and sustainable growth opportunities to enhance returns to Unitholders.

3.2 Gain on disposal of One George Street

CCT is expected to recognise an estimated gain on the disposal of One George Street of approximately S\$84.6 million. This is a 16.7% premium over the book value of One George Street of S\$507.0 million as at 31 December 2016 (on a 50.0% basis given that CCT will indirectly retain a 50.0% interest in One George Street through CCT's 50% interest in OGS

LLP).

After taking into consideration the estimated transaction cost of S\$4.9 million, the estimated net gain is S\$79.7 million.

4. USE OF SALE PROCEEDS AND FINANCIAL EFFECTS

4.1 Use of Sale Proceeds

The Manager's current intention is to use the sale proceeds which CCT would receive from OGS LLP to repay existing borrowings and/or to fund growth opportunities.

4.2 Pro Forma Financial Effects

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Property Transaction on the adjusted net asset value ("**NAV**") per unit in CCT ("**Unit**") and the distribution per Unit ("**DPU**") of CCT presented below were prepared based on the audited financial statements of CCT for the financial year ended 31 December 2016.

4.2.1 Pro Forma NAV of the Property Transaction

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Property Transaction on the adjusted NAV per Unit as at 31 December 2016, as if the Property Transaction was completed on 31 December 2016, are as follows:

	Effects of the Property Transaction	
	Before the Property Transaction	After the Property Transaction
Adjusted NAV per Unit (S\$)	1.73	1.77

Note:

(1) The Adjusted NAV per Unit is computed on the basis that CCT will indirectly retain 50% interest in One George Street through CCT's 50% interest in OGS LLP.

4.2.2 Pro Forma DPU of the Property Transaction

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Property Transaction on CCT's DPU for the financial year ended 31 December 2016, as if CCT had completed the Property Transaction on 1 January 2016, are as follows:

	Effects of the Property Transaction	
	Before the Property Transaction	After the Property Transaction
DPU (cents)	9.08	8.68

Notes:

(1) Assume 50.0% of the Agreed Value of S\$591.6 million would reduce CCT's bank borrowings.
(2) Assume LLP incurred borrowings of S\$591.6 million.

5. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

Mr Lim Ming Yan is the Deputy Chairman and a Non-Executive Non-Independent Director of the Manager and the President and Group Chief Executive Officer of CapitaLand Limited. Ms Lynette Leong Chin Yee is the Chief Executive Officer and Executive Non-Independent Director of the Manager. Mr Lim Cho Pin Andrew Geoffrey is a Non-Executive Non-Independent Director of the Manager and the Group Chief Financial Officer of CapitaLand Limited. Mr (TA) Tay Boon Hwee is a Non-Executive Non-Independent Director of the Manager and the Chief Executive Officer of CapitaLand Singapore Limited, a wholly owned subsidiary of CapitaLand Limited. CCTML and CCMPL are indirect wholly owned subsidiaries of CapitaLand Limited.

As at the date of this announcement and based on information available to the Manager as at the date of this announcement, save as disclosed in paragraphs 2.4 and 2.5 of this announcement in relation to CCTML and CCMPL, save for the unitholding interests in CCT held by certain directors of the Manager and by the controlling Unitholders, and save for the shareholding interests in CapitaLand Limited held by certain directors of the Manager, and save as described above, none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Property Transaction or the LLP Agreement.

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 sale and transfer of One George Street or any other transactions contemplated in relation to the sale and transfer of One George Street.

6.2 Disclosure under Rule 1010(13) of the Listing Manual of SGX-ST

Chapter 10 of the Listing Manual classifies transactions by an issuer into (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 the following bases of comparison:

- (i) the 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;
- (iii) the aggregate value of the consideration received, compared with the issuer's capitalisation; and
- (iv) the number of Units issued by the issuer as consideration for the acquisition, compared with the number of Units previously in issue.

The relative figures for the sale and transfer of One George Street using the applicable bases of comparison described above are set out in the table below:

	Transaction (S\$ million)	CCT Group (S\$ million)	Percentage
Rule 1006(a) NAV of assets disposed compared to CCT's NAV	118.4 ⁽¹⁾	5,191.2 ⁽²⁾	2.3%
Rule 1006(b) Net profits attributable to the assets disposed compared to CCT's net profits	3.4	46.0 ⁽²⁾	7.4%
Rule 1006(c) Aggregate value of consideration to be received compared with CCT's market capitalisation ⁽³⁾	591.6 ⁽⁴⁾	4,835.4	12.2%

Notes:

- (1) The NAV of assets disposed and Net profits attributable to the assets disposed are computed on the basis that CCT will indirectly retain 50% interest in One George Street through CCT's 50% interest in OGS LLP.
- (2) CCT's 1Q 2017 unaudited Financial Results announced on 19 April 2017.
- (3) Market capitalisation computed based on CCT's weighted average price of S\$1.63 on 27 April 2017, being the market day immediately prior to the date of the Sale and Contribution Agreement.
- (4) The S\$591.6 million consideration is computed based on 50.0% of the agreed value of One George Street of S\$1,183.2 million on the basis that CCT will indirectly retain a 50.0% interest in One George Street through CCT's 50.0% interest in OGS LLP.

The relative figure in relation to the number of units issued by CCT as consideration for the Property Transaction, compared with the number of units previously in issue, is not applicable to the Property Transaction.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, a transaction would be regarded as being a discloseable transaction. The Manager is of the view that the Property Transaction is in the ordinary course of CCT's business.

CapitaLand Commercial Trust Management Limited
(Registration number: 200309059W)
As manager of CapitaLand Commercial Trust

Toh Su Jin Jason
Company Secretary

2 May 2017

IMPORTANT NOTICE

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.

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

The past performance of CCT is not necessarily indicative of the future performance of CCT.

This announcement may contain forward-looking statements that involve assumptions, 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 other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses (including employee wages, benefits and training costs), 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 on future events.