United Engineers Limited

(Company Registration No. 191200018G)
(Incorporated in Singapore)

PROPOSED DIVESTMENT OF BUILD-TO-SUIT MIXED-USE DEVELOPMENT AT CHANGI BUSINESS PARK KNOWN AS UE BIZHUB EAST

1. Introduction

The Board of Directors ("**Board**" or "**Directors**") of United Engineers Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the proposed divestment of the Group's build-to-suit ("**BTS**") mixed-use development at Changi Business Park known as UE BizHub EAST (the "**Property**").

United Engineers Developments Pte Ltd ("**UED**" or the "**Vendor**"), a wholly owned subsidiary of the Company, has today entered into a conditional put and call option agreement (the "**PCOA**") with Viva Industrial Trust Management Pte. Ltd. ("**VITM**") in its capacity as the manager of the proposed Viva Industrial Real Estate Investment Trust ("**REIT**"), for the sale of the Property by UED to, and the purchase of the Property from UED by, the trustee of the REIT ("**REIT Trustee**" or the "**Purchaser**") (the "**Divestment**").

2. Rationale for the Divestment

The rationale for the Divestment are as follows:

2.1 *Unlocking Value*

The Divestment represents part of the Group's on-going strategy to unlock value from its various investments in properties including BTS projects.

The Group regularly evaluates divestment opportunities to monetise its investments in properties to free up resources for investing in new projects, allowing the Group's property portfolio to be refreshed, streamlined and consolidated, thereby maximising its overall returns.

They include outright sale to third parties as well as sale and leaseback to third party real estate investment trusts or individual or portfolio properties. The Group has divested its industrial properties in the past, including UE Tech Park, which was divested to MacarthurCook Industrial REIT (now known as AIMS AMP Capital Industrial REIT) in 2007 with a 5-year leaseback, and UE Print Media Hub, a BTS industrial development for sale (catering to the print-and-media industry), which was sold to the Crescendas group in 2011.

2.2 *Maintaining the Group's Strength in the Mid-Tier Hotel Segment*

Under the terms of the Divestment, the Group will continue to operate the Property's Park Avenue Changi hotel through a hotel lease. This would prevent any disruption to the hotel operations and enable the Group to maintain the number of keys of 708 hotel rooms/suites in the mid-tier hotel segment under its Park Avenue brand name.

2.3 *Maintaining the Group's Position as a Manager of Sizeable Commercial and Industrial Space*

Under the terms of the Divestment, the Group will continue to manage about 505,000 square feet of net lettable area of business park and retail spaces (or 413,500 square feet and 91,500 square feet of each respectively) in the Property, thereby maintaining its position as a manager of sizeable commercial and industrial space.

2.4 *Opportunity for the Group to invest in a stapled group comprising the REIT and a business trust ("**Stapled Group**"), the REIT manager and the trustee-manager*

Under the terms of the Divestment, the Group will have the opportunity to invest in an enlarged diversified industrial property portfolio through the subscription of 5% of the stapled securities of the Stapled Group, which comprises the REIT and a proposed business trust to be known as Viva Industrial Business Trust (the "**Business Trust**"), which stapled securities are proposed to be issued and listed on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), and a 10% stake in each of VITM, being the manager of the REIT ("**REIT Manager**"), and Viva Asset Management Pte. Ltd. ("**VAM**", together with VITM, the "**Managers**"), being the trustee-manager of the Business Trust.

Further details relating to the hotel lease, UED's appointment as property manager for the business park and retail spaces and the opportunity afforded to UED to invest in the Stapled Group and the Managers are set out in paragraph 4 below.

3. Information on the Property

The Property comprises two (2) adjoining business park buildings and a 251-room hotel and convention centre with retail spaces, and is situated at 2, 4, 6 and 8 Changi Business Park Avenue 1, Singapore 486015. The development is awarded the Green Mark Gold Award and Green Mark Gold^{Plus} Award by the Building and Construction Authority ("**BCA**") under the BCA Green Mark Gross Floor Area (GM GFA) Incentive Scheme.

The business park buildings, hotel and convention centre and retail spaces have a net floor area of approximately 634,000 square feet. The Property has a leasehold period of 30 years commencing from 1 February 2008 with an option to extend for another 30 years. The temporary occupation permits ("**TOPs**") for the Property were obtained in two phases, respectively on 24 April 2012 and 4 May 2012, following which fitting-out works were carried out to the hotel and convention centre and completed in October 2012.

To-date, 73% of the business park space and 90% of the retail space have been leased out. Major tenants for the business park space include CISCO Systems (USA) Pte Ltd, BT Singapore Pte Ltd and Abacus Travel Systems Pte Ltd. Retail tenants include NTUC Fairprice, which operates one of its Xtra hypermarkets on the Property known as Fairprice Xtra@Changi Business Park, F&B cafe operators such as Song Fa Bak Kut Teh and Swiss-Bake Pte Ltd, and Fitness First Singapore Pte Ltd, a health club and gym operator.

The Park Avenue Changi hotel opened for business in December 2012 and was officially launched in January 2013.

The net asset value of the Property is approximately S$288 million based on the unaudited consolidated financial statements of the Group as at 31 March 2013. The open market value of the Property, based on an independent valuation commissioned by UED and undertaken by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("**Colliers International**") was S$293 million as at 31 December 2012. The valuation dated 30 January 2013, which was conducted for financing and year-end financial reporting

purposes, took into account factors such as occupancy and rental rates for the business park and retail spaces as well as that for the hotel and its accessibility as at 31 December 2012.

4. Salient Terms of the Divestment

The salient terms of the Divestment are as follows:

4.1 *Sale Price and Terms of Payment*

Upon signing the PCOA, VITM has pursuant to the terms of the PCOA, paid S$300,000 to UED as the call option fee ("**Call Option Fee**") for the grant by UED of a call option to VITM as the REIT Manager for the purchase of the Property from UED ("**Call Option**"), and UED has pursuant to the terms of the PCOA, paid S$1 to VITM as the put option fee for the grant of a put option by VITM as the REIT Manager to UED ("**Put Option**") which will enable UED to put the Property to VITM as the REIT Manager for purchase.

Pursuant to the Call Option and the Put Option respectively (each, an "**Option**"), the REIT Trustee is the named party (in the case of the Call Option) having the right to exercise the Option, and (in the case of the Put Option) to whom the Option is exercisable at, and to complete the purchase of the Property.

Upon the exercise of the relevant Option, the REIT Trustee (as Purchaser) is deemed to have entered into a binding contract (the "**SPA**") with UED (as Vendor) for the sale and purchase of the Property upon the terms of the Purchase Conditions (as defined in, and attached to the PCOA), and the Call Option Fee received by UED will be applied as a deposit ("**Deposit**") to account of the Sale Price (as defined below).

The sale consideration for the Property is S$518 million (the "**Sale Price**") and is to be satisfied wholly in cash. The Sale Price was arrived at on an arm's length basis between a willing seller and a willing buyer taking into account, among others, the independent valuation by Colliers International commissioned by UED (referred to in paragraph 3 above), UED's rental yield commitment in relation to the Property (consisting of the rent payable in respect of the Hotel Lease and the Rental Support (as respectively defined below)) and its management's review of recent transacted prices of comparable properties.

The balance amount of the Sale Price (less the Deposit) will be paid to the Vendor upon the completion of the sale and purchase of the Property pursuant to and in accordance with the terms of the SPA ("**Completion**"). Under the terms of the SPA, provided that the conditions precedent to the Completion (referred to in paragraph 4.3 below) have been fulfilled, the Completion shall take place on such date (the "**Completion Date**") to be fixed in writing by the REIT Trustee or by the Vendor provided that the Completion Date shall be no earlier than 1 week from the date of the exercise of the Call Option or (as the case may be) the Put Option and no later than 29 November 2013 unless otherwise mutually agreed in writing by the parties.

4.2 *Exercise of the Call Option or Put Option*

The Call Option or the Put Option is exercisable upon satisfaction of all of the following events:

(a) Approval of the JTC Corporation ("**JTC**") for the Divestment and the lease of the hotel and convention centre ("**Hotel Lease**") by the REIT Trustee to UED; and

(b) the Managers obtaining the eligibility to list from the SGX-ST in respect of the proposed listing of the Stapled Group and the registration of the prospectus in connection with the listing of the Stapled Group with the Monetary Authority of Singapore.

4.3 *Conditions Precedent to the Completion*

The Completion is subject to:

(a) the financing facilities of the REIT being available for drawdown on the Completion Date;

(b) listing of, and commencement of trading in, the stapled securities of the Stapled Group on the SGX-ST; and

(c) the entry into the following agreements:

(i) Services Agreement

A services agreement ("**Services Agreement**"), pursuant to which the REIT Trustee will appoint UED as the property manager to operate, manage, maintain and market the business park and retail spaces of the Property for a term of 5 years from the Completion Date at a property management fee of S$14,000 per month. The property management fee will be increased by 5% in the fourth year of the term. The property management fee for the fifth year will be the same as for the fourth year of the term.

(ii) Hotel Lease

The Hotel Lease, for a term of 5 years from the Completion Date, at a rent of S$8,550,000 per annum. Under the terms of the Hotel Lease, UED has the option to renew the lease for 3 successive terms of 5 years each, subject to JTC's approval for each renewal.

Upon JTC's approval of the first option term, UED is obliged to exercise such option term of 5 years at a rent of S$9,660,000 per annum.

(iii) Subscription Agreement

A subscription agreement ("**Subscription Agreement**") between UED, the Managers and the Managers' holding company granting UED the right to subscribe, prior to the Completion Date, for a 10% stake in each of the Managers at a subscription price equivalent to 5% of the issued and paid up capital of each of the Managers.

Under the terms of the Subscription Agreement, UED shall have the option after twelve (12) months but before the expiry of thirty-six (36) months from the Completion Date to require the other shareholders of the Managers to purchase UED's 10% shareholding ("**Share Purchase**") for a consideration in cash of S$4,000,000.

(iv) Pre-IPO Subscription Agreement

An agreement ("**Pre-IPO Subscription Agreement**") among, *inter alia*, the Managers and UED pursuant to which UED will subscribe for 5% of the stapled securities of the Stapled Group ("**Subscribed Stapled Securities**") at a subscription price for each of the stapled securities of the Stapled Group which will be equivalent to the issue price for those securities to be offered to the public under an initial public offering of the Stapled Group.

Under the terms of the Pre-IPO Subscription Agreement, UED will not be permitted to sell:

(a) 100% of the Subscribed Stapled Securities for a period of 180 days from the issuance of those securities ("**First Lock-Up Period**"); and

(b) 50% of the Subscribed Stapled Securities for a period of 180 days immediately following the First Lock-Up Period.

(v) Right of First Refusal

An agreement ("**ROFR**") between the Company, the REIT Trustee and VAM, as the trustee-manager of the Business Trust, pursuant to which the Company shall grant for a nominal consideration of S$1 a right of first refusal to the REIT Trustee and VAM over the property at 12 Ang Mo Kio Street 64 Singapore 569087 known as UE BizHub CENTRAL ("**Relevant Asset**"). The ROFR covers any proposed offer to, and any proposal by, the Company to dispose of any interest in the Relevant Asset. The ROFR expires on the later of the date falling 2 years from the listing of the Stapled Group and the date on which UED sells all its shares in the Managers.

If the financing facilities of the REIT are not available for drawdown on Completion Date, or the listing and trading of the stapled securities of the Stapled Group do not take place on the Completion Date, the SPA will be rescinded and the Deposit shall be forfeited to UED and each of the proposed agreements referred to in paragraph 4.3(c)(i) to (v) above will not take effect.

4.4 *Rental Support*

Under the terms of the SPA, UED will provide to the REIT rental income support ("**Rental Support**") for the business park and the retail spaces of the Property, which is equivalent to the difference between an agreed amount ("**Agreed Amount**") and net property income, being rental income received from tenants by the Purchaser net of operating expenses, for each 12-month period commencing from the Completion Date over a duration of five (5) years.

The Agreed Amounts are as follows: (i) S$26,002,112 per year for the first two (2) years, (ii) S$27,302,218 per year for next two (2) years, and (iii) S$28,667,329 for the remaining one (1) year. UED will top-up the difference and pay the Rental Support amount to the Purchaser if net property income is below an Agreed Amount while the Purchaser will pay UED the surplus amount when net property income exceeds an Agreed Amount.

In view of the leases for the business park and retail spaces of the Property being progressively secured by UED after the respective TOPs were received in the

second quarter of 2012, and as the leases have yet to mature in terms of tenant performance, passing rents and retail foothold, the rental income support arrangement is intended to provide the REIT as a potential IPO vehicle, with certainty and stabilized rental income.

5. Use of Proceeds

The net proceeds from the Divestment will be utilized to repay bank borrowings, pay for the shortfall in the net rental income commitment, provide working capital for the Group and/or fund other investment opportunities.

Pending deployment, the net proceeds may be deposited with banks and/or financial institutions.

6. Gain on Divestment

Upon completion of the Divestment, UED will realize an estimated net divestment gain after tax of approximately S$86.7 million after making provision for shortfall in the net rental income commitment for the Property and transaction costs.

If the option under the Subscription Agreement were to be exercised, upon completion of the Share Purchase, UED will realize a divestment gain net of tax of approximately S$3.2 million.

7. Financial Effects

The financial effects of the Divestment on the Group's net tangible assets ("**NTA")** and earnings per share ("**EPS**") have been prepared (i) based on the Group's audited consolidated financial statements for the financial year ended 31 December 2012 ("**FY2012**"); and (ii) assuming the net divestment gain after tax of approximately S$86.7 million (without taking into account the potential net gain after tax of approximately S$3.2 million from the Share Purchase).

(a) NTA

Assuming that the Divestment had been completed on 31 December 2012, the NTA per share of the Group would increase from S$3.98 per share to S$4.26 per share.

(b) EPS

Assuming that the Divestment had been completed on 1 January 2012, the EPS of the Group for FY2012 would increase from 24.3 cents per share to 53.6 cents per share.

8. Relative Figures Under Rule 1006 of the Listing Manual

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST ("**Listing Manual**") are set out below.

Bases	Relative Figure (%)
Rule 1006(a) – Net asset value of the Property to be disposed, compared with the Group's net asset value as at 31 March 2013	23.2(1)
Rule 1006(b) – Net profits attributable to the Property for the three months ended 31 March 2013 compared with the Group's net profits for the same period	2.5(2)
Rule 1006(c) – Aggregate value of the consideration to be received, compared with the Company's market capitalization as at 3 July 2013	71.6(3)
Rule 1006(d) – Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable (4)

Notes:

(1) Computed based on the unaudited net asset value of the Property as at 31 March 2013 of approximately S$288 million (assuming that the Divestment was completed on 31 March 2013) divided by the Group's unaudited net asset value as at 31 March 2013 of S$1,243 million.

(2) Computed based on the unaudited net profits attributable to the Property for the three months ended 31 March 2013 ("**1Q2013**") of S$0.3 million, as compared to the unaudited consolidated net profits of the Group for 1Q2013 of S$11.9 million

(3) Computed based on the Sale Price amounting to approximately S$518 million divided by the market capitalisation of the Company of S$723 million as at 3 July 2013. The Company does not have treasury shares.

(4) Not applicable as no equity securities are proposed to be issued by the Company as consideration for the Divestment.

9. Application for Waiver from the SGX-ST

As the relative figures under Rule 1006 (a) and (c) of the Listing Manual exceed 20%, the Divestment would constitute a "major" transaction for the purposes of Chapter 10 of the Listing Manual. Under Rule 1014(2) of the Listing Manual, a "major" transaction would be subject to the approval of the members of the Company ("**shareholders**") in a general meeting.

The Company is pleased to announce that the SGX-ST has on 18 June 2013, granted to the Company a waiver from complying with the requirement in Rule 1014(2) of the Listing Manual, that is, the requirement to seek shareholders' approval for the Divestment (the "**Waiver**"), subject to the following:

(a) the Company announcing the Waiver, details of the reasons for its seeking the Waiver and the conditions as required by Rule 107 of the Listing Manual; and

(b) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

The Company had applied for the Waiver on primarily the following grounds:

(i) Based on the Group's track record and its strategy (as outlined in paragraph 2.1 above), the Company is of the view that the sale of the Property would be in the

ordinary course of the Group's business. Hence, the development, acquisition and sale of hospitality properties and mixed-use projects with a hospitality component are part and parcel of its activities in the property and hospitality sectors.

(ii) There is no change to the Group's core businesses. In particular, the Group's hospitality division will continue to operate, regardless of the Divestment. The Group's intention is to grow its hospitality business.

(iii) The Company is of the view that shareholders should not be overly concerned about the Divestment as it does not affect the main business and principal activities of the Group, ownership of the Property not being necessary or essential to the continued functioning of the Group's businesses. Rationalisation of the properties portfolio to monetize profitable assets is a continual process.

In addition, the Divestment is expected to have a positive effect on the NTA and EPS of the Group.

10. Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any direct or indirect interest in the Divestment (other than their shareholdings in the Company).

11. Service Contract

No person will be appointed to the Board in connection with the Divestment and no service contracts in relation thereto will be entered into by the Company.

12. Caution in Trading

Shareholders are advised to exercise caution in trading their shares as the Divestment is subject to numerous conditions and there is no certainty or assurance as the date of the Announcement that the Divestment will be completed. The Company will make the necessary announcements when there are further developments on the Divestment and shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt as to the action they should take.

13. Documents for Inspection

A copy each of the PCOA dated 4 July 2013 (to which is appended, each in the agreed form, the proposed Services Agreement, Hotel Lease, Subscription Agreement, Pre-IPO Agreement and ROFR) and Colliers International's valuation report on the Property dated 30 January 2013 is available for inspection during normal business hours at the registered office of the Company at 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL, Singapore 569088 for 3 months commencing from the date of this Announcement.

BY ORDER OF THE BOARD

Heng Fook Pyng, Jeslyn
Company Secretary

4 July 2013