

SYNOPSIS OF QUESTIONS AND ANSWERS (NO. 2) FOR SALE OF SITE FOR COMMERCIAL DEVELOPMENT AT ORCHARD ROAD / SOMERSET ROAD (SOMERSET CENTRAL)

(Total of 7 Q&A – dated 30 June 2006)

Q1 Will the URA entertain the following on the terms of the current Conditions of Tender ?

- (a) a tender which is submitted by (i) the trustee of a real estate investment trust authorized under the Securities and Futures Act (“REIT”) and (ii) one or more other companies;**
- (b) a tender which is submitted by a trust where the beneficiaries are (i) the trustee of a real estate investment trust authorized under the Securities and Futures Act (“REIT”) and (ii) one or more other companies;**
- (c) a tender which is submitted by company where the shareholder is a trust whose beneficiaries are (i) the trustee of a real estate investment trust authorized under the Securities and Futures Act (“REIT”) and (ii) one or more other companies; and**
- (d) a tender which is submitted by a company whose shareholders are (i) the trustee of a real estate investment trust authorized under the Securities and Futures Act (“REIT”) and (ii) one or more other companies.**

Q2 On the current terms of the Conditions of Tender and Building Agreement, will the URA permit the approved developer to be:

- (a) (i) the trustee of a real estate investment trust authorized under the Securities and Futures Act (“REIT”) and (ii) one or more other companies;**
- (b) a trust where the beneficiaries are (i) the trustee of a real estate investment trust authorized under the Securities and Futures Act (“REIT”) and (ii) one or more other companies;**
- (c) a company where the shareholder is a trust whose beneficiaries are (i) the trustee of a real estate investment trust authorized under the Securities and Futures Act (“REIT”) and (ii) one or more other companies; and**

- (d) a company whose shareholders are (i) the trustee of a real estate investment trust authorized under the Securities and Futures Act (“REIT”) and (ii) one or more other companies.

The enquirer has provided the following clarifications to Questions 1 and 2 :

- the 'trust' referred to in both questions is a unlisted special purpose trust;
- the 'real estate investment trust authorised under the Securities and Futures Act' ("REIT") referred to in both questions is an existing real estate investment trust that is listed on the SGX with units which can be freely transacted in the market; and
- for the purpose of Question 2, the successful tenderer(s) is or are same party or parties referred to in the respective sub-paragraphs of Question 2 as the proposed approved developer.

Taking into account the above clarifications and on the assumption that none of the one or more companies referred to in both questions are public listed companies, the responses are as follows -

Replies to Question 1 as follows:

- (a) Yes. A tender may be submitted jointly by (i) the trustee of the REIT on behalf of the REIT and (ii) one or more other companies ("the Companies"). If the tender is successful, the successful tenderers will have to carry out the proposed development on the Land Parcel and sign the Building Agreement if the option for an approved developer to do so is not taken up. In such event, the following conditions will apply:

Condition (1) Each of the Companies shall have to ensure that its shareholders as at the tender submission date hold a controlling interest of more than 50% shares in the Company until TOP is issued for the whole of the proposed development on the Land Parcel.

Condition (2) Further, if any of the shareholders of the Companies is, at the tender submission date, also a company, such last mentioned company shall also have to ensure that its shareholders as at the tender submission date hold a controlling interest of more than 50% of the shares in the company until TOP is obtained for the whole of the proposed development.

No special controlling interest requirements will be imposed in relation to the REIT.

- (b) Yes. A tender may be submitted by the trustee of the trust on behalf of the trust, and where the beneficiaries of the trust are (i) the trustee of the REIT on behalf of the REIT and (ii) the Companies. If the tender is successful, the successful tenderer will have to carry out the proposed development on the Land Parcel and sign the Building Agreement if the option for an approved developer to do so is not taken up. In this case, we assume that the beneficiaries of the tendering trust referred to in (i) and (ii) above are fixed by the terms of the trust and will not be changed. On this basis, the following condition will apply:

Condition (1) Each of the Companies referred to in (ii) above will have to ensure that its shareholders as at the tender submission date hold a controlling interest in the Company until TOP is issued for the proposed development on the Land Parcel.

No special controlling interest requirements will be imposed in relation to the REIT.

- (c) Yes. A tender may be submitted by a company where the sole shareholder is the trustee of the trust (holding the shares on behalf of the trust), and the beneficiaries of the trust are (i) the trustee of a REIT on behalf of the REIT and (ii) the Companies. If the tender is successful, the successful tenderer will have to carry out the proposed development on the Land Parcel and sign the Building Agreement if the option for an approved developer to do so is not taken up. In such event, the following condition will apply:

Condition (1) The successful tenderer company shall have to ensure that the trustee of the trust (on behalf of the trust) holds a controlling interest in the successful tenderer company until TOP is issued for the whole of the proposed development on the Land Parcel.

In this case, we assume also that the beneficiaries of the trust referred to in (i) and (ii) above are fixed by the terms of the trust and will not be changed.

- (d) Yes. A tender may be submitted by a company whose shareholders are (i) the trustee of the REIT holding the shares on behalf of the REIT and (ii) the Companies. If the tender is successful, the successful tenderer will have to carry out the proposed development on the Land Parcel and sign the Building Agreement if the option for an approved developer to do so is not taken up. In such event, the following conditions will apply:

Condition (1) The successful tenderer company shall have to ensure that its shareholders as referred to in (i) and (ii) above jointly hold a controlling interest in the successful tenderer company until TOP is issued for the whole of the proposed development on the Land Parcel.

Condition (2) Each of the Companies referred to in (ii) shall also have to ensure that its shareholders as at the tender submission date hold a controlling interest of more than 50% of the shares in the company until TOP is obtained for the whole of the proposed development.

No special controlling interest requirements will be imposed in relation to the REIT.

Please note that our answers are given on the assumption that the REIT referred to in the above sub-paragraphs would not be contravening any applicable laws and regulation in Singapore in participating in the tender for the Land Parcel in the manner specified above and having to be involved in the ownership and development of the Land Parcel in accordance with the Conditions of Tender and Building Agreement if the tender is successful.

Reply to Question 2

- A2 Since the successful tenderer(s) for the cases referred to in sub-paragraphs (a) to (d) of Question 1 is or are same party or parties referred to in the respective sub-paragraphs as being the proposed approved developer, the respective requirements specified in our responses to sub-paragraphs (a) to (d) of Question 1 shall apply.

Q3 The ownership is mentioned as “lease hold” of 99 years. Is it possible to structure the deal as “free hold” with, of course, implications in pricing level. Furthermore we would like to receive documents (excerpts from contract and/or lawyers statement, if possible), explaining what will happen after 99 years regarding the owner.

A3 In Singapore, it is a legislative requirement (under Rule 10 of the State Lands Rules) that all State lands are to be ordinarily leased for a term not exceeding 99 years.

At the expiry of the lease term of 99 years, the interests on the land shall revert back to the Lessor and the Lessee shall have no further interest in the land. Under the provisions of the Lease, it is provided that upon the expiry of the lease term, the Lessee shall yield up to the Lessor without charge the land together with the buildings / structures thereon in good and tenantable condition and state of repair and in clean and sanitary order and condition. However, the Lessor may, immediately before expiry of the lease term, require the Lessee to remove any buildings / structures or other works on the land and to restore the land to its original state as at the commencement of the lease term, failing which the Lessor may proceed to do the same and recover all costs and expenses incurred in doing so from the Lessee.

Extracts of the relevant provisions of the Lease are attached below for your reference :

1(xv) Subject to sub-clause (xvi) at the expiry or earlier determination of the term hereby granted, to yield up to the Lessor without charge the said land together with the buildings/structures and appurtenances thereon in good and tenantable condition and state of repair and in clean and sanitary order and condition;

(xvi) Immediately prior to the expiry or earlier determination of the term hereby granted, to remove any buildings, structures, alterations, additions or structural changes or improvements or any other works built or carried out on or to the said land if so required by the Lessor and in such case to restore the said land to its state as at the commencement of the term hereby granted, in default of which the Lessor may, without prejudice to the Lessor's other rights, proceed to do the same and all costs and expenses incurred by the Lessor shall be recoverable from the Lessee;

Q4 Will differential premium or development levies be payable for approved non-commercial uses that form up to 40% of the maximum permissible Gross Floor Area (GFA); e.g. residential use ?

A4 Based on Clause 3.5 of the Form of Building Agreement in Appendix G of the Conditions of Tender, Clause 2(i) of the Form of Lease in Appendix H of the Conditions of Tender, and Clause 4.1 of the Technical Conditions of Tender, the land parcel shall be developed for a commercial development with a minimum of 60 % of the maximum permissible GFA to be for retail, entertainment and food and beverage uses. Subject to compliance with this requirement, the remaining GFA amounting up to 40% of the maximum permissible GFA can be for uses that are complementary to and supporting the commercial development (such as a hotel and/or residential) provided that such complementary and supporting uses are approved by the Competent Authority under the Planning Act.

No differential premium or development charges will be imposed for any such complementary or supporting uses (up to 40% of the maximum permissible GFA of the commercial development on the land parcel) that are approved by the Competent Authority under the Planning Act.

Q5 The requirement is that minimum of 60% of the GFA for the site to be set aside for retail. How can future changes of demand (office, residential) being handled without contravening the mentioned limit ? What are consequences for the owner in case of changes after a while ?

A5 The site has an extensive frontage along Orchard Road, Singapore's premier shopping street. It is located just next to the Somerset Mass Rapid Transit (MRT) Station and would have a direct access to the Station. The planning intention is to capitalise on the location of the site by providing a critical mass of retail facilities that are centred around the MRT Station and which will further enhance the shopping experience along Orchard Road. In line with the planning objectives, the sales condition for the site requires at least 60% of the maximum permissible Gross Floor Area (i.e. at least 23,660 sqm GFA) to be developed for retail, entertainment and food and beverage uses. The developer of the sale site however will have flexibility to utilise the remaining 40% of the permissible GFA for other compatible uses such as offices, hotel and residential or serviced apartments.

Q6 Can the remaining 40% of GFA be for residential use only ? The web says “other commercial and complementary hotel and residential uses”. Does it mean it cannot be just one of the three possibilities ? Please advise.

A6 Yes, the remaining gross floor area of the site amounting up to 40% of the maximum GFA of the development can be solely for residential use, subject to the successful tenderer providing at least 60% of the maximum permissible gross floor area (GFA) for retail, food and beverage and/or entertainment uses. Please refer to the detailed requirements spelt out in Condition 4.1 of the Technical Conditions of Tender.

Q7 We would like to find out whether URA has decided upfront or imposes any specific conditions on how (the directions etc) you want the pedestrian flow from the Somerset station to be diverted when the construction of the site begins. Currently, people exiting the Somerset MRT station can walk to Orchard Road via the car-park or covered walkway and cross Orchard Road using the traffic lights in front of Orchard Emerald. We would like to know how the pedestrian flow will be affected during the construction of the site.

A7 The entrance/exit point to the Somerset MRT Station experiences a high volume of pedestrian traffic. Thus, LTA requires the successful tenderer of the Somerset Central site to provide and maintain adequate linkages for public accessibility from the Somerset MRT Station entrance to Orchard Road and Somerset Road at all times during the construction of the development. The alignment, dimensions and other details of such linkages will have to meet LTA's requirements.