
NEWS RELEASE

Muis Issues S\$25 Million Musharaka Bonds

Bonds – to be managed by UOB Asia Limited – are the first of its kind in Singapore

Singapore, 15 June 2001 – Majlis Ugama Islam Singapura (Muis), the Islamic Religious Council of Singapore, is issuing a S\$25 million Musharaka Bond issue ('Bond') to partially finance its acquisition of a six-storey commercial building on Beach Road.

The Bonds, which are managed by UOB Asia Limited, are the first of its kind to be launched in Singapore. It has been approved by a Muis-appointed panel of Islamic scholars specialising in Islamic financing.

The Bonds have been structured in accordance with Islamic Shari'aa laws under the Islamic financing modality of Musharaka (or joint venture). In essence, under the Musharaka arrangement, Muis and the Bond Investors enter into a joint venture to engage in a leasing business to lease a commercial property in Singapore.

Muis will pay the Bond Investors a return on capital employed of 3.5 per cent per annum on a semi-annual basis. The Bonds, maturing in five years or 2006, will be redeemed at their principal amount by Muis on maturity. The Bonds are in bearer form in denominations of S\$250,000 each.

Muis' President, Hj Maarof Hj Salleh, said, "The issue of this Musharaka Bond marks a milestone in Muis' role in promoting the religious and economic activities of the Muslim community in Singapore. The Bond will enable us to finance the acquisition of a prime commercial building that will help enhance the overall yield of our Waqf property portfolio. At the same time, we are pleased to spearhead the launch of the inaugural bond issue that is in accordance to Shari'aa laws."

The acquisition of 11 Beach Road ('property') is part of an asset rationalisation exercise by Muis to acquire a good quality property to replace several smaller Waqf properties comprising old properties in need of substantial upgrading, and to improve returns on the investment properties. Waqf is part of an Islamic tradition by which people of means dedicate their properties or put them into trust for pious, religious and charitable purposes. In Singapore, the management of such Waqf assets is vested with Muis.

UOB Asia's Managing Director, Mr Michael Sng, said, "We share Muis' enthusiasm on the launch of this first-ever Musharaka Bonds in Singapore. UOB Asia is proud to be the manager of this Bond and we see great potential for such bonds as they provide an excellent investment opportunity for Islamic funds, which is a fast-growing pool of capital. This will add depth to Singapore's bond market."

Muis has budgeted S\$34 million for the purchase and refurbishment of the six-storey building on Beach Road. The property is held under Fusion Investments Pte Ltd ('Fusion'), a wholly-owned subsidiary of Muis. Muis will invest S\$9 million in Fusion on behalf of the Waqf fund while the balance S\$25 million will be from the Bond proceeds.

Fusion will, in turn, enter into an Ijarah Contract (lease management agreement) with Freshmill Pte Ltd (a management company wholly-owned by Muis) to manage the leases of the property for an annual rental revenue which, in turn, will be distributed to Muis and the Bond Investors in the proportion of their respective contributions. The lease management contract will be for a five-year period expiring on the maturity date of the Bond.

Muis will also provide collateral to the Bond Investors in the form of a mortgage on the property. The mortgage will be discharged upon the Bonds being redeemed in full.

The property is a six-storey commercial building constructed to a plot ratio of 4.71 on a land area of 8,558 square feet. The land has a 999-year lease commencing from 25 January 1827. The building accommodates a total lettable area of 34,254 square feet. Built in 1985, it comprises a retail/showroom on the ground and first floor, with offices on the remaining floors. There are 17 basement car parks and a passenger lift serving every floor. The property is currently fully let and it will undergo a S\$2.5 million refurbishment.

The property is located at the junction of Beach Road and Seah Street, on the corner plot of the Raffles Hotel and Shopping Arcade block. The location is only 1.5 km from the city centre at Raffles Place and is easily accessible by public transportation.