

21 May 2020

Clark Property Update

The Directors of Site Group International Limited ("Site", ASX:SIT) are pleased to provide an update of concept planning and analysis of the proposed development of its Clark, Pampanga 30 hectare facility.

This update shows further progress and planning achievements from previously released information of late 2019 and early 2020. Importantly it highlights the assumed 'Base Case' scenario of developing 'as is' on a Floor Area Ratio (FAR) of 1.25 land utilisation as against a potential FAR 6 utilisation ratio.

Whilst COVID-19 has led to lockdown of Government and Business globally and led to delay in the planning phase of this project, Site has revised its scheduling and development plans on the basis of a gradual return to business from mid 2021.

Key highlights of progress to date include:-

- a) Site masterplan as conceptualised by Palafox Associates, the country's largest urban planner, is consistent and compliant with the Clark Development Corporation (CDC) urban renewal masterplan prepared by Palafox for CDC in 2017;**
- b) Palafox submitted its recommendation to CDC to rezone Site's property into mixed use with FAR of 6 in December 2019:**
- c) Site Executive has had meetings with the heads of Base Commission Development Authority (BCDA) and CDC who welcomed the masterplan and acknowledge the benefits of the project to the overall urban development of the Clark Freeport Zone (CFZ). Both institutions expressed their desire to redevelop the property;**
- d) Site's Clark property is the last piece of land of its size in the CFZ that can be developed into an integrated community addressing the needs of a centralised business district.**

Attached is a copy of the presentation.



PROJECT UPDATE

Clark Development Plan

(MAY 2020)

Property Details

Location: Clark Freeport Zone (CFZ), Pampanga, Philippines
About 80 kilometers from Manila, 2 hours by land, 3 kilometers from the Clark International Airport

Land area: 293,728 sqm

Current Use: Mixed-use educational campus and related facilities

Current FAR: 1.25x

Potential Expanded Use: General mixed-use

Potential FAR: 6x

Lease term: 25 years + renewable for another 25 years (Oct.. 2009 – Oct. 2060)

Lease rate:

Minimum Guaranteed Lease: About US\$40k/month with 10% escalation every 3 years

Plus percentage of Gross Revenues ranging from 1-3% from Years 1 onwards

Plus percentage of Gross Revenues of Subleases ranging from 5-10% from Years 1 onwards

The Property's proximity to the Clark International Airport, Subic Bay, and major road networks strategically links the city to other major CBD's locally and internationally. As part of Central Luzon, the Property is at the center of all high-priority infrastructure projects of the famous Build, Build, Build Program of the government. As a locator in an economic zone, the Company is granted long-term leases that provide effective economic ownership of the land to a foreign-controlled entity. The CFZ offers multiple investment incentives and tax breaks including duty free imports, exemption from VAT and minimal corporate tax of 5.0% of Gross Income Earned, as opposed to the regular 30% of net taxable income outside economic zones.

Build, Build, Build Programs:

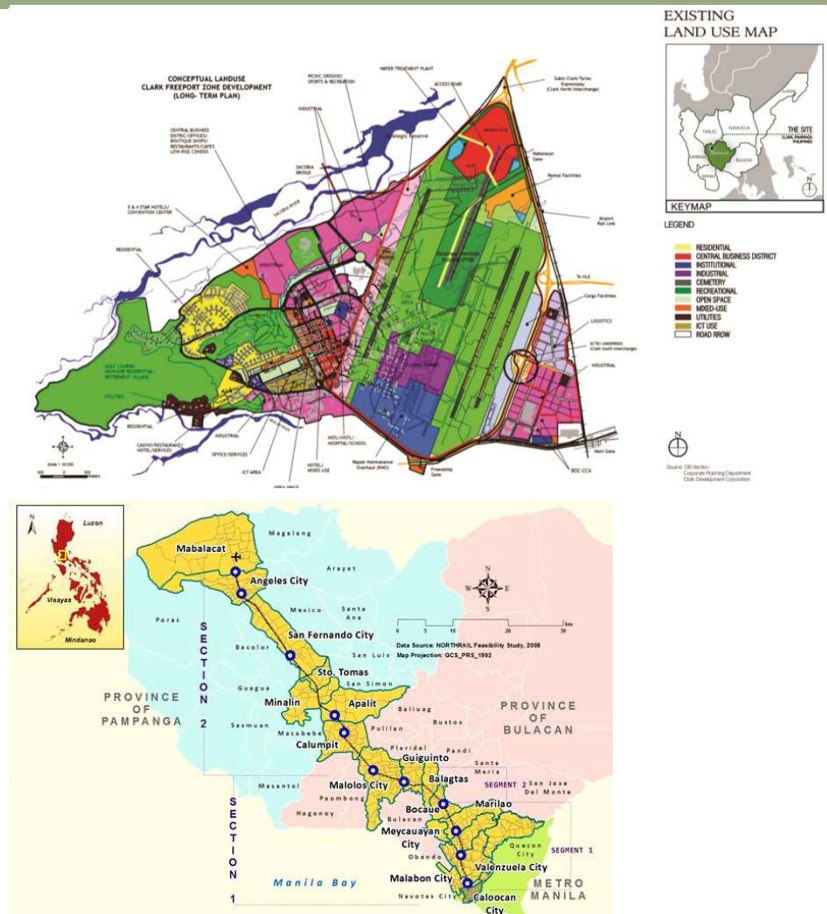
Clark Airport Expansion: 2nd gateway to Manila. 4 to 8 million passenger capacity by 2020

Subic Clark Cargo Railway: connect Subic Port and Clark International Airport

Manila Clark Railway: 106-kilometer train line linking Manila to Clark

Skyway Stage 3: elevated expressway from Makati to Quezon City

NLEX-SLEX Connector Road: connect 2 major industrial hubs, Clark and Laguna



Project Highlights

1. **Last large scale project in a high growth area:** The Project is a unique, mixed-use real estate investment opportunity that allows strategic investors to participate in the growth of a region poised to become the next economic powerhouse in the Philippines. Property is the largest remaining piece of land in the CFZ which is the international metro hub north of Manila, and serves as the 2nd air gateway of the country. Clark is the focus of various high priority Build Build Build Programs of the national government for regional connectivity. The Project benefits from the robust regional growth, abundant supply of skilled labor force, and disaster resilient infrastructure. Clark's strong fundamentals enable the project to deliver good returns for investors due to its location in the CFZ, experienced management team, and master planned development. Clark is well positioned to scale up for the renewed demand after the reopening of world economies for offshoring business, logistics, warehousing, e-commerce.
2. **Benefits of the Project to CDC:** The Project, conceptualized by Palafox Associates (the country's largest urban planner), is consistent and compliant with the CDC urban renewal masterplan prepared by Palafox for CDC in 2017. Palafox submitted its recommendation to CDC to rezone Site's property into mixed use with FAR of 6 in December 2019. CDC stands to significantly boost its revenues from the redevelopment of the property by 6 folds or 500% from US\$40 million (without the project) to about US\$250 million.
3. **Attractive base case business plan and opportunity for enhanced business case:** Both scenarios of FAR 1.25 and FAR 6 show attractive returns with IRR of 17% and 25%, respectively. The business cases mainly anchor on office demand which is the most promising sector post Covid environment.

Market Prospects

- 9 infrastructure projects are on track for completion within 18 months which will accelerate economic productivity, and at least 5 are directed towards Clark
- Resilient demand from the IT-BPM industry as multinational corporations aggressively cut costs and increase production in a climate of falling revenues
- Strong come back of the Philippine Offshore Gaming Operations (POGO) sector once travel bans are lifted with growth coming from all over Asia
- Liberalization of foreign ownership of more industries
- Multinational corporations to diversify out of China and setting up disaster recovery centers in the Philippines servicing the Chinese market as POGO sector has demonstrated that the Philippines can attract Chinese labor at a significant scale
- Infinitive levels of global fiscal stimulus packages
- The Philippines REIT sector is well positioned for longevity and sustainability due to: Philippines has one of the largest and most vibrant office and retail sectors in the world; Philippines is one of the top 4 largest markets in the world in terms of office space demand and retail consumer activity; and REIT stocks are one of the best defensive assets

Source: Leechiu Property Consultants

Office Market Prospects (Bulk of Project Clark's revenues)

- Share of POGOs overtook IT-BPM in 2019 accounting for 44% of office demand of 1.751 million sqm
- Office demand halved from Q1 2019 in Q1 2020 of 157k sqm due to Covid situation
- Bay Area had biggest share of 27% in 2019 while provincial locations had 17%

Provincial	2019 (sqm)			Q1 2019	Q1 2020	% change
			% to national			
Cebu	32%	97,000	6%	8,000	6,000	-25%
Clark/Pampanga	28%	86,000	5%	13,000	22,000	69%
Cavite	19%	58,000	3%		4,000	
Iloilo	6%	17,000	1%		17,000	
Davao	4%	12,000	1%	6,000		
Bohol	4%	12,000	1%			
Tarlac	4%	11,000	1%	5,000		
Batangas	2%	6,000	0%			
Others	2%	5,000	0%			
Total Provincial	100%	304,000	17%	32,000	49,000	

	2018	% share	2019	% share	% change	Q1 2019	Q1 2020	% change
	(sqm)		(sqm)			(sqm)	(sqm)	
IT-BPM	658,000	40%	596,000	34%	-9%	150,000	49,000	-67%
POGO	437,000	27%	774,000	44%	77%	83,000	28,000	-66%
Others	538,000	33%	381,000	22%	-29%	64,000	80,000	25%
Total	1,633,000	100%	1,751,000	100%	7%	297,000	157,000	-47%
Metro Manila	1,200,000	74%	1,400,000	82%	17%	265,000	108,000	-59%
Provincial	427,000	26%	304,000	18%	-29%	32,000	49,000	53%
Total	1,627,000	100%	1,704,000	100%	5%	297,000	157,000	-47%

	2019 (sqm)					Q1 2019	Q1 2020	% change
	% share	Total	IT-BPM	POGO	Others	(sqm)		
Bay Area	27%	477,000	28,000	395,000	54,000	57,000	1,000	-98%
QC	17%	304,000	189,000	102,000	13,000	84,000	36,000	-57%
BGC	13%	229,000	147,000		82,000	35,000	8,000	-77%
Makati	13%	227,000	21,000	83,000	123,000	26,000	25,000	-4%
East	8%	145,000	35,000	60,000	50,000	46,000	33,000	-28%
Alabang	4%	65,000	26,000	22,000	17,000	17,000	5,000	-71%
Provincial	17%	304,000	150,000	112,000	42,000	32,000	49,000	53%
TOTAL	100%	1,751,000	596,000	774,000	381,000	297,000	157,000	-47%

- Clark/Pampanga overtook Cebu to be the largest office market in Q1 2020
- Clark/Pampanga recorded a 69% increase in demand in Q1 2020

Source: Leechiu Property Consultants

Office Market Prospects

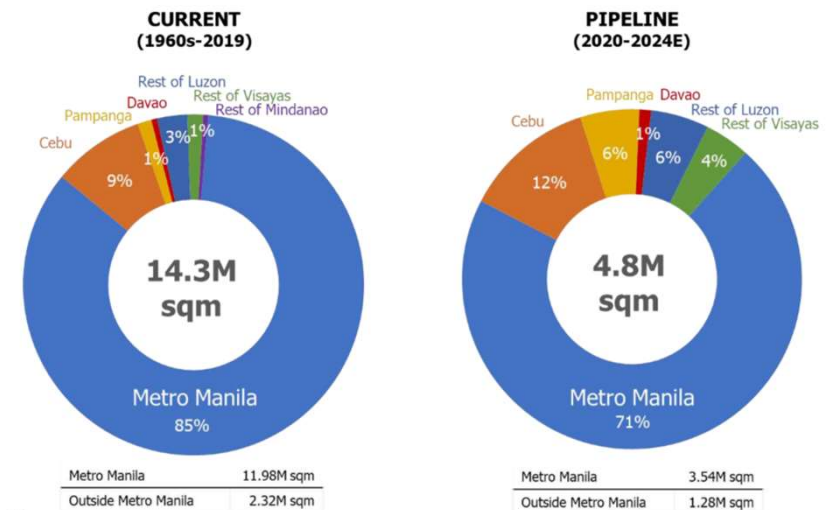
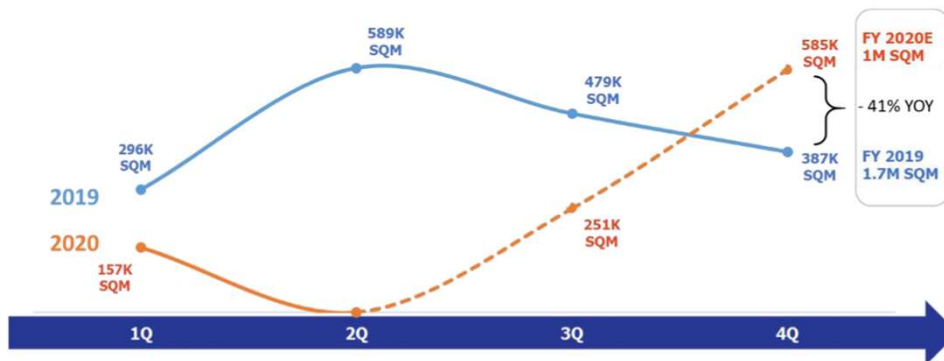
- Clark/Pampanga is forecasted to significantly increase its market share in the next 5 years as well as the other provincial locations amidst a reducing Metro Manila's share
- Clark/Pampanga will benefit from its PEZA status which has been suspended in Metro Manila and Cebu

A Year in Transactions

Philippine Office Demand per Quarter | FY 2019 vs. 2020E

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- We are seeing that **COVID-19** and the **Enhanced Community Quarantine** has affected all businesses, and that **office space transactions due for 2Q 2020 will be pushed back**.
- We expect resurgence of office space demand once COVID-19 situation stabilizes.



- Office transactions is estimated to recover by end 2020

Source: Leechiu Property Consultants

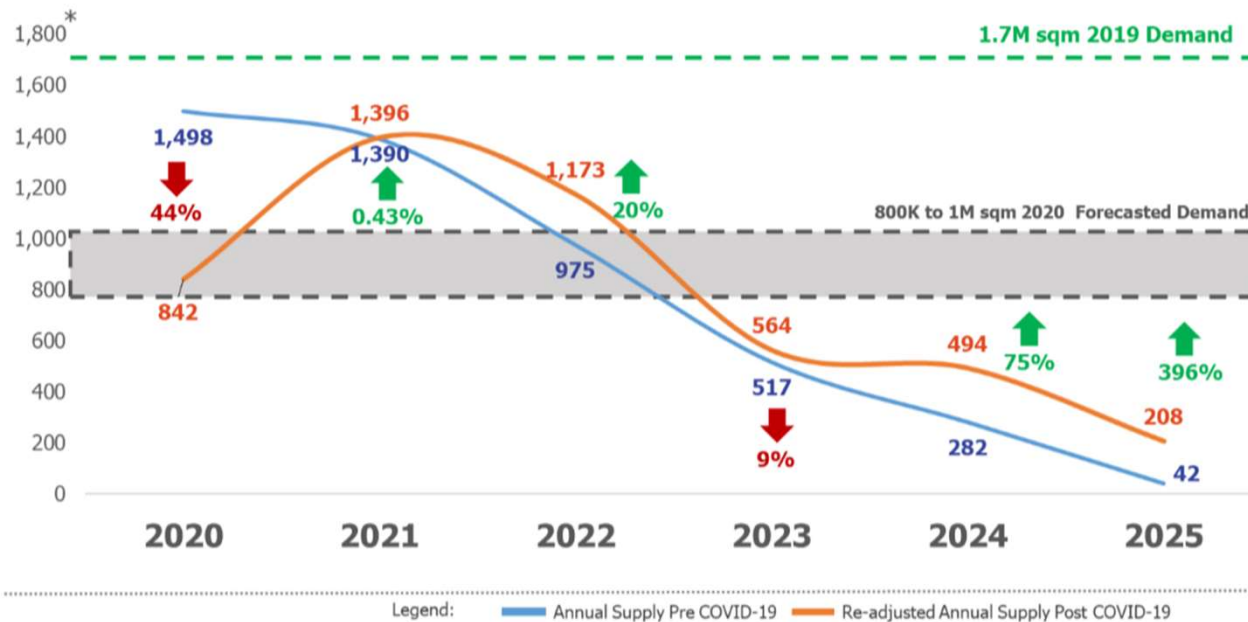
Office Market Prospects

PH Pipeline Office Supply

Pre COVID-19 Supply vs Post COVID-19 Re-adjusted Supply

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- **44% or 440K sqm** of the country's **2020 office supply** is expected to be delayed due to the **Enhanced Community Quarantine**.
- The pandemic will **flatten the supply curve**, thereby **offsetting the slowdown of office leasing transactions** and avoiding a glut in office space. At the end of 2020, we expect the **vacancy to be at manageable levels**.



Source: Leechiu Property Consultants

General Market Prospects

- GDP: to improve back to 5-6% in 2021 mainly driven by infrastructure spending, outsourcing business
- Interest and inflation rates: to remain in their low levels which is good for the property sector
- Office:
 - Primary markets are IT-BPM, POGOS
 - Rent is P500-700/sqm/mo. (US\$10-14/sqm/mo.)
 - renewed demand for offshoring business and POGOS. Social distancing to cushion any decline in space requirement amidst work from home
- Residential:
 - Target markets are condominium dwellers, co-living or dormitories
 - Latest successful project is Clark Sharp Hills selling at P150-160k/sqm (about US\$3,000/sqm)
 - To ride at the back of office demand with greater preference for proximity to services
- Hospitality/Tourism: may take longer to recover in 2-3 years
- Retail: online shopping and lower consumer spending may reduce demand for store space
- Industrial: opportunities in e-commerce, logistics, warehousing
- Institutional: opportunities for schools (university, culinary, IT), training facilities

Development Plan

- In line with CDC's proposed urban renewal masterplan, redevelop the Property into a mixed-use township to continue to provide educational facilities and offer more revenue-generating projects like offices, housing, recreation, light industry, logistics, entertainment (the Project).
- Potential development of a casino with remaining license allotted for Clark in partnership with an operator
- Leading urban planner, Palafox Associates prepared the proposed Concept Plan for an integrated, sustainable and harmonious mixed-use development to complement neighboring developments.
- The concept is inspired by successful campus developments in Silicon Valley, Palo Alto and Cupertino, California



Commercial, Light Industrial,
Institutional



Residential, Serviced Residences



Hotel, Entertainment



Retail



Recreational

Major On-going Developments

New Clark City: 9,450 has. planned urban community managed by the Bases Conversion and Development Authority (BCDA)



Clark Global City: 177 hectares Central Business District (CBD) by Udeena Development Corporation



Mimosa: 201 hectares integrated gaming complex being developed by the Filinvest Group



Alviera: 1,800 hectare integrated township by Ayala Land



SM Clark: retail/office/hospitality development by retail giant, SM Group



Leading hotel chains providing about 2,200 rooms – Hilton, Marriott, Park Inn, Quest



Development Plan

- Out of total land area of 29.4 has., sublease 18 has. and keep 10.5 has. as open space
- 3 has. for new Site facilities
- Develop around 8 has. for office, residential, industrial and retail/recreational to generate revenues from vertical developments
- Hotel may be undertaken with a hotel investor

	<u>(has.)</u>	<u>%</u>
Subleased land area:	18.8	64%
Open space:	10.5	36%
Total land area:	29.4	103%

<u>Developed area:</u>	<u>(has.)</u>	<u>no. of bldgs.</u>
Office	1.9	6-9
Residential	1.3	5
Industrial	2.5	6
Retail/Recreational	2.4	4
	8.1	

	<u>sublease</u>	<u>develop</u>	<u>rent income</u>	<u>sell</u>
Office	✓	50%	50%	X
Residential	✓	50%	X	50%
Industrial	✓	50%	50%	X
Institutional	SITE			X
Retail	✓	✓	✓	X
Recreational	✓	✓	✓	X
Hotel	✓	✓	✓	X

Development plan subject to detailed planning

Project Timeline

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Authorised for release by the Board.

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Media and Investors

Vernon Wills

Managing Director and CEO

+61 (7) 3114 5188

vern.wills@site.edu.au

Craig Dawson

CFO

+61 (7) 3114 5188

craig.dawson@site.edu.au

Principal & Registered Office: Level 4, 488 Queen St, Brisbane QLD 4000

About Site

Site Group International Limited ("Site") operates several businesses specialising in the delivery of education, training and labour services. Services are delivered to government, corporate and individual clients, predominately operating in energy, mining, construction, oil and gas and industrial sectors.

Site Group International Limited is an emerging company with a strategic business model pursuing earnings-accretive growth based on previous acquisitions along with organic growth.

Wild Geese International

Site operate a Perth based specialist Oil and Gas Competency Development and Design consultancy business unit, out of Perth, and had been operating for ~15 years prior to joining Site.

An Australian Registered Training Organisation, Wild Geese have integrated in to Site's broader national and international service capability.

Site Skills Training

An Australian Registered Training Organisation, Site Skills Training delivers Accredited and Non-Accredited High-Risk Licence, Health and Safety and industry programs extensively throughout Australia and internationally. Site deliver ~25,000 short course programs in Australia each year including delivery of Apprenticeships and Traineeships, and VET in Schools programs.

Site Institute

Site Institute is an Australian Registered Training Organisation and International CRICOS education provider specialising in engineering, trade and business qualifications. Site Institute has students studying from more than 25 countries including Brazil, China, Colombia, France, Germany, Hong Kong, Italy, Nepal, Taiwan UK and Zimbabwe.

Site Online

Site established an online learning, learning software and platform development business. Site Online services and hosts Site's learning, student and competency management systems across its businesses, develops online learning programs, and converts existing learning content in to online programs.

Site Online is also established to service requirements of clients including those of other business units.

Site Group International Pte Ltd

The Site Group International business division builds immersive training environments for the purposes of undertaking competency development, specifically the Engineering, Procurement, Construction and Commissioning of Safe Live Process Plant environments.

SGL is based in Singapore and Malaysia and services predominately oil and gas industry clients throughout the world, utilising industry best practice and international standards for the development of competency frameworks and implementation of training programs.

TESOL Asia

TESOL Asia is a training and industry focussed organisation for Teachers in the English as a Second Language (ESL) sector. It provides access to training, consulting, industry conferences and academic journals around the world.

Teaching English to Speakers of Other Languages (TESOL) focusses on bringing English language acquisition academics together with professional teachers to support and develop the industry globally.