

# ASCENDAS REAL ESTATE INVESTMENT TRUST

(Constituted in the Republic of Singapore  
pursuant to a trust deed dated 9 October 2002 (as amended))

## MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE UNITHOLDERS OF ASCENDAS REAL ESTATE INVESTMENT TRUST, HELD ON WEDNESDAY, 27 NOVEMBER 2019 AT 3.00 P.M. AT THE STAR GALLERY, LEVEL 3, THE STAR PERFORMING ARTS CENTRE, 1 VISTA EXCHANGE GREEN, SINGAPORE 138617

**Present :** Unitholders / proxies

As per the attendance list

**In Attendance :** Directors of Ascendas Funds Management (S) Limited, as manager of  
Ascendas Real Estate Investment Trust (the "Manager")

Mr Lim Hock San, Chairman  
Mr Manohar Khiatani  
Mr William Tay Wee Leong, Chief Executive Officer  
Mr Andrew Geoffrey Lim Cho Pin  
Mr Chan Pengee, Adrian  
Mr Daniel Cuthbert Ee Hock Huat  
Ms Lim Sau Hoong  
Mr Wong Yew Meng

HSBC Institutional Trust Services (Singapore) Limited, as trustee of Ascendas  
Real Estate Investment Trust

Ms Christine Png  
Ms Valenie Chwee

Company Secretaries of the Manager

Ms Mary Judith de Souza  
Mr Hon Wei Seng

Management of the Manager

Ms Koo Lee Sze, Chief Financial Officer  
Ms Serena Teo, Head, Portfolio Management  
Ms Yeow Kit Peng, Head, Capital Markets & Investor Relations  
Mr Lawden Tan, Head, Investment and Business Development

**By Invitation:** Bernard Lim, SAC Capital Private Limited  
Foo Siang Sheng, SAC Capital Private Limited  
Benjamin Phua, SAC Capital Private Limited

(These minutes should be read with Appendix A which records the questions posed and answers given during the meeting.)

## **1.0 WELCOME AND INTRODUCTION OF THE PANEL**

- 1.1 Ms Yeow Kit Peng (Head, Capital Markets & Investor Relations) ("**Ms Yeow**"), the emcee for the meeting, welcomed the unitholders and proxies present at the Extraordinary General Meeting ("**EGM**") of Ascendas Real Estate Investment Trust ("**Ascendas Reit**") and introduced Chairman (as defined below) to the unitholders. Chairman greeted the unitholders and introduced the panelists comprising the Board of Directors, the Chief Financial Officer and the Head of Capital Markets & Investor Relations of Ascendas Funds Management (S) Limited to the unitholders.
- 1.2 Ms Yeow informed all present that in accordance with the trust deed constituting Ascendas Reit ("**Trust Deed**"), the Trustee had nominated Mr Lim Hock San to preside as the chairman of the EGM ("**Chairman**"). The conduct of the EGM was then handed over to Chairman.

## **2.0 QUORUM**

- 2.1 Chairman informed the unitholders that a quorum was present and he declared the EGM was duly convened.

## **3.0 NOTICE OF EGM**

- 3.1 With the consent of the unitholders present, the notice of EGM dated 1 November 2019 contained in the circular to the unitholders ("**Notice of EGM**") was taken as read by Chairman.

## **4.0 VOTING BY ELECTRONIC POLL**

- 4.1 Chairman informed the unitholders that in accordance with paragraph 9 of the Schedule of the Trust Deed and in line with Rule 730A(2) of the Listing Manual of Singapore Exchange Securities Trading Limited, voting on the resolution would be conducted by poll. DrewCorp Services Pte Ltd ("**DrewCorp**") and Boardroom Corporate & Advisory Services Pte. Ltd. had been appointed as scrutineer and polling agent respectively.
- 4.2 An explanation of the electronic polling process was presented by DrewCorp.
- 4.3 Following the presentation by DrewCorp, Chairman proceeded to table the resolution, for the consideration of the unitholders and proxies present at the meeting.

## **5.0 ABSENTATIONS FROM VOTING**

5.1 Chairman informed unitholders that CapitaLand Limited and its associates, including the sponsor, CapitaLand Singapore (BP&C) Pte Ltd (the “**Sponsor**”), and the Manager, would abstain from voting on the resolution and in the interest of good corporate governance, Mr Lim Cho Pin Andrew Geoffrey and Mr William Tay Wee Leong will also abstain from voting at the EGM.

## **6.0 ORDINARY RESOLUTION 1: THE PROPOSED ACQUISITIONS of 28 UNITED STATES PROPERTIES AND 2 SINGAPORE PROPERTIES**

6.1 Ordinary Resolution 1 as stated in the Notice of EGM was proposed by Hwee Mei Lai and seconded by Ng Yan Yap.

6.2 A Q&A session followed and was recorded separately.

6.3 There being no further questions from the unitholders, Chairman announced the commencement of voting for Resolution 1.

6.4 After electronic polling was conducted on Resolution 1, Boardroom announced the results of the voting as follows:

### Ordinary Resolution 1

No. of Votes For	:	1,314,646,597 representing 93.20%
No. of Votes Against	:	95,860,690 representing 6.80%

Chairman declared Ordinary Resolution 1 carried.

## **7.0 CLOSE OF EXTRAORDINARY GENERAL MEETING**

7.1 As there was no other business to be transacted at the EGM, Chairman declared the meeting closed and thank the unitholders for their attendance.

7.2 The meeting ended at 4.06 pm.

Confirmed by:

Lim Hock San  
Chairman

## **ASCENDAS REAL ESTATE INVESTMENT TRUST**

### **RECORD OF QUESTIONS RAISED BY UNITHOLDERS AND THE CORRESPONDING ANSWERS FROM THE DIRECTORS DURING THE PROCEEDINGS AT THE EXTRAORDINARY GENERAL MEETING OF THE HOLDERS OF UNITS OF ASCENDAS REAL ESTATE INVESTMENT TRUST (“Ascendas Reit”) HELD ON WEDNESDAY, 27 NOVEMBER 2019 AT 3.00 P.M. AT THE STAR GALLERY, LEVEL 3, THE STAR PERFORMING ARTS CENTRE, 1 VISTA EXCHANGE GREEN, SINGAPORE 138617**

1. **Tax burdens on cash flow from the United States (“US”)**
  - 1.1 To Mr Fong Wai Yip’s queries on (i) how the Manager plans to control and minimise tax burdens imposed on cash flows entering into Singapore from the US entities; and (ii) the risk that tax advantages for the US entities may be withdrawn, Mr William Tay, the CEO and Executive Director (“**Mr Tay**”), firstly responded that Ascendas Reit has adopted a different structure as compared to the other structures such as the Barbados structure or through portfolio interest exemption scheme (“**Other Acquisition Structures**”).
  - 1.2 Mr Tay then reassured the unitholders of Ascendas Reit (“**Unitholders**”) that the adopted acquisition structure is expected to be tax-efficient, with single mid-digit effective tax rate.
  - 1.3 Mr Tay further explained that since the acquisition involves a US real estate investment trust (“**REIT**”), Ascendas Reit will benefit from the tax transparency granted to US REITs and will only be exposed to 30% withholding taxes. The amount of withholding tax may be reduced by interest expense and tax depreciation.
2. **Overseas expansion**
  - 2.1 To Mr Fong Wai Yip’s queries on (i) whether the distributions will be made in foreign currencies or Singapore dollars; (ii) whether these distributions are hedged; and (iii) how the foreign currencies are being hedged (if any), Mr Tay responded that Ascendas Reit is mindful of the foreign exchange risk and reassured that Ascendas Reit is a prudent REIT. For example, when Ascendas Reit entered into Australia and the United Kingdom, 100% of the acquired assets were matched with local currency denominated loans. The same approach will be adopted for the acquisition of the properties in US (the “**US Properties**”). Mr Tay also clarified that there is a 12-month forward hedge for cashflow.

### 3. Occupancy Rates

- 3.1 To Mr Pratyush Rastogi's query on Ascendas Reit's strategy for maintaining good rental growth despite the overall low occupancy rate and therefore low rental income environment in Singapore (as evidenced from JTC reports), Mr Tay first laid out the statistics regarding Ascendas Reit's occupancy rates.
- 3.2 Mr Tay highlighted that in the first quarter and second quarter of 2019, Ascendas Reit had achieved a 3% and 4% positive rent reversion respectively, and occupancy rates have remained stable. Ascendas Reit employs a range of leasing strategies in order to achieve a good balance of rental and occupancy rates.
- 3.3 Additionally, Mr Tay noted that in a uncertain market, some tenants are less likely to relocate given the fit-out capex commitments. The Trust's properties and tenant base are very diversified, and can still achieve attractive rates for certain leases.
- 3.4 To Mr Pratyush Rastogi's further query on the Manager's predictions on the future occupancy rates of Ascendas Reit, Mr Tay opined that the Manager expects occupancy rates to be stable.

### 4. General Observation on US Acquisition and Rights Issue

- 4.1 Mr Lai Yeu Huan ("**Mr Lai**"), in his position as proxy, stated that he was not in favour of the US acquisition. First, Mr Lai commented that Ascendas REIT's entry yield into the US market is tight and market comparables have a higher yield. Mr Lai noted that a valuation was previously done by the vendor on the US Properties, and in less than one year, the valuation of the US Properties has gone up by 7%. Mr Lai was of the view that the valuation is aggressive for such a short period of time. More importantly, Mr Lai was concerned that the funding, through a rights issue, was not optimal. He observed that a rights issue issues equity too cheaply, which he believes that for a premium REIT such as Ascendas Reit, the demand for shares will be strong, and hence, the issuance of equity via a rights issue would be unnecessary. A more favourable cost of equity could be achieved via a mix of a private placement, preferential offering and issuance of consideration units. Moreover, he was of the view that it was unnecessary to issue so much equity to bring down the gearing level of Ascendas Reit which is already very healthy, and to bring it down any further via such dilutive means, would lead to less favourable accretion results.
- 4.2 Responding to Mr Lai's first point, Mr Tay explained that the US is a big market. Generally, the yield range for office properties in US is about 5% to 8%. The US business park properties to be acquired are located in vibrant hubs and anchored near universities. Furthermore, the technology-related jobs created for these cities are in thousands as there is a huge demand for technology, which is expected to continue to stay strong. The average yield range for the business park properties is 5.9% to 6.5%. Hence, the proposed acquisition at 6.4% is a fair one.

- 4.3 Mr Tay also highlighted that Nucleos and FM Global are acquired at very reasonable net property income yield of 5.7% to 7%, given their long remaining land tenure of 52 and 73 years respectively, which is hard to come by in today's market.
- 4.4 On Mr Lai's point on rights issue, Mr Tay acknowledged that rights issues may have a negative perception as they were usually used by companies trading at below net asset value. However, Mr Tay noted that Ascendas Reit is different as it is trading at a significant premium. Moreover, Mr Tay noted that rights issues are a well-accepted way to thank unitholders as it provides unitholders with the option to subscribe or sell the units issued pursuant to the rights issue. It also provides opportunity for new unitholders to participate. Mr Tay further explained that Ascendas Reit was planning to raise a sizeable gross proceed of approximately S\$1.3 billion. A private placement and/or a preferential offering may not be the most suitable option given the many considerations. As to Mr Lai's view that rights issues are cheap, Mr Tay responded that the rights issue price represents a 15% discount to the theoretical ex-rights price ("**TERP**") of S\$3.0955, which is probably one of the tightest in the market.

## 5. Separate Resolutions

- 5.1 To Ms Tan Xiang Ren's queries on why the Manager had only one resolution for the US acquisition and the Singapore acquisitions rather than two separate resolutions, Mr Tay clarified that this was because the US Properties and the Singapore Properties were sold as one portfolio.
- 5.2 Mr Manohar Khiatani ("**Mr Khiatani**") explained the reason for treating the properties as one portfolio. He noted that while Ascendas Reit has been expanding overseas, Singapore still remains key and accounts for more than 70% of Ascendas Reit's portfolio. Since Ascendas Reit was proposing to acquire a large number of properties in US, having one resolution for both the acquisitions of the US Properties and the Singapore Properties would help to maintain Ascendas Reit's proportion of overseas properties and Singapore properties.

## 6. Details and Price of the Singapore Properties and US Properties

- 6.1 Mr Vincent Tan Yong Nee ("**Mr Tan**") referred to D-14 to D-16 of the Circular and noted that the gross yield for FM Global Centre ("**FMGC**") is 5.9%, whereas similar science park properties have an average gross yield of 7.2% to 7.5%. Mr Tan queried why Ascendas Reit was purchasing FMGC at a high price and also asked about details of both the US Properties and the Singapore Properties.
- 6.2 To Mr Tan's first query, Mr Tay explained that FMGC has more than 25 years tenancy and there is a minimum 2.5% escalation of rental rate. In addition, FMGC is a newly completed one-year old property sitting on a long land tenure of 73 years. FMGC is also a two-minute walk to Haw Par Villa MRT station and has easy access to the West Coast Highway and Ayer Rajah Expressway. Mr Tay further explained that the valuation was based on the abovementioned factors, and Ascendas Reit was pleased

to purchase FMGC at 5.7% NPI yield. Relatively speaking, Nucleos has a shorter weighted average lease expiry of 2.1 years and a lower land tenure of 52 years. Hence, the higher NPI yield of about 7% for Nucleos.

6.3 To Mr Tan's query on the Sponsor's mark-up on the selling price of the Singapore Properties to Ascendas Reit, Mr Tay referred to the IFA Letter and explained that the valuation of the Singapore Properties were very close to the purchase price that Ascendas Reit was paying. Mr Tay also explained that the Sponsor was prepared to divest FMGC as it is stable i.e. FMGC has a 100% occupancy locked in for more than 25 years.

6.4 Mr Khiatani further explained that the price of the Singapore Properties was arrived at on a willing-buyer and willing-seller basis, based on independent valuations carried out by Ascendas Reit. Moreover, FMGC has a long, triple net lease, which tend to have lower capitalisation rates.

## 7. Risks and Insurance in the US

7.1 To Mr Tan's query on the risk, mitigation and impact on insurance premium as a result of prevalent natural disasters in US, such as forest fires and earthquakes, Chairman explained that such factors have been taken into account during the due diligence exercise. Mr Tay further reassured that Ascendas Reit has purchased insurance to cover any losses or damages arising from such natural disasters, and the sum insured is in accordance to market practice.

## 8. On-the-ground Management Team

8.1 To Mr Tan's query on who the personnel managing the US Properties would be and the challenges that might be faced, Mr Tay explained that a Sponsor-related entity is managing the US Properties and the team comprised of 10 people based in the US. Mr Tay further reassured Unitholders that the team had one year of experience in managing the assets and had commenced on asset enhancement initiative works. The team is currently actively managing the assets.

## 9. Tax rates in US

9.1 To Mr Lim Sherng Yu Jean's query on (i) the federal tax rate and state tax rate for the purchase of US properties, (ii) whether there has been changes in tax rates and (iii) whether any sensitivity analysis was done based on a 1% increase in such tax rates on the income, Mr Tay clarified that a US REIT is not subject to corporate tax rate and is subject only to 30% withholding tax.