



(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

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## ENTRY INTO PROPERTY MANAGEMENT AGREEMENTS

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### 1. INTRODUCTION

ESR Funds Management (S) Limited, as manager of ESR-REIT (the “**ESR-REIT Manager**”), wishes to announce that it has today entered into a property management agreement (the “**ESR-REIT PMA**”) with RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the “**ESR-REIT Trustee**”) and ESR Property Management (S) Pte. Ltd., the existing property manager for the properties of ESR-REIT (the “**Property Manager**”), in connection with the provision of property management services for all properties located in Singapore which are directly owned by ESR-REIT. Simultaneous with the entry into the ESR-REIT PMA, ESR Funds Management (S) Limited, as manager of Viva Trust (a wholly-owned sub-trust of ESR-REIT) (the “**VT Manager**” and together as the ESR-REIT Manager, the “**Manager**”), and Perpetual (Asia) Limited, as trustee of Viva Trust (the “**VT Trustee**”), have also today entered into a property management agreement with the Property Manager in respect of the nine properties which Viva Trust holds (the “**VT PMA**” and together with the ESR-REIT PMA, the “**PMAs**”).

As at the date of this announcement, the Property Manager is a wholly-owned subsidiary of ESR Investment Management Pte. Ltd. (“**ESRIM**”). The Manager is 67.3% owned by ESRIM, 25.0% owned by Shanghai Summit Pte Ltd and 7.7% owned by Mitsui & Co., Ltd.. ESRIM is in turn indirectly owned by ESR Cayman Limited which through its subsidiaries holds a deemed interest in approximately 9.3% of the issued units in ESR-REIT. ESRIM is therefore regarded as a “controlling shareholder” of the Manager under both the Listing Manual of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and Appendix 6 of the Code on Collective Investment Schemes (the “**Property Funds Appendix**”).

As the Property Manager is a wholly-owned subsidiary of ESRIM, the Property Manager (being a subsidiary of a “controlling shareholder” of the Manager) is (for the purposes of the Listing Manual) an associate of the Manager and an associate of the controlling shareholder of the Manager, and the Property Manager is therefore an “interested person” and an “interested party” of ESR-REIT for the purposes of Chapter 9 of the Listing Manual and paragraph 5 of the Property Funds Appendix, respectively.

Therefore, the entry into each of the PMAs with the Property Manager will constitute an “interested person transaction” and an “interested party transaction” under Chapter 9 of the Listing Manual and paragraph 5 of the Property Funds Appendix, respectively. The ESR-REIT Manager is making this announcement as the PMAs, aggregated with all other transactions between ESR-REIT and ESRIM or its associates for the current financial year, exceeds 3.0%, but is less than 5.0%, of the latest audited net tangible assets of ESR-REIT.

## **2. DETAILS OF THE PMAS**

The term of each of the PMAs is for a period of three and a half years commencing from 1 January 2019 (the “**Commencement Date**”). The existing property management agreements entered into with the Property Manager in respect of ESR-REIT and Viva Trust shall terminate on the Commencement Date.

### **2.1 Property Manager’s Services**

The services to be provided by the Property Manager for each property under its management in respect of both PMAs include the following:

- (a) property management services, recommending third party contracts for provision of property maintenance services, supervising the performance of service providing contractors, arranging for adequate insurances and ensuring compliance with building and safety regulations;
- (b) lease management services, including co-ordinating tenants’ fitting-out requirements, administration of rental collection, management of rental arrears, administration of all property tax matters, and initiating lease renewals and negotiation of terms;
- (c) marketing and marketing co-ordination services, including acting as a non-exclusive marketing agent for the marketing and letting out of properties; and
- (d) project management services in relation to the development or redevelopment (unless otherwise prohibited by the Property Funds Appendix or any other laws or regulations), the refurbishment, retrofitting and renovation works to a property, including recommendation of project budget and project consultants, and supervision and implementation of the project.

### **2.2 Fees**

The fees payable to the Property Manager under each of the PMAs are as follows:

#### **(a) Property and Lease Management Services**

For property management services rendered by the Property Manager in respect of ESR-REIT, the Property Manager shall be entitled to receive from ESR-REIT a property management fee of 2.0% per annum of the gross revenue of the relevant property.

For property management services rendered by the Property Manager in respect of Viva Trust for:

- (i) a property held by Viva Trust other than UE Bizhub East (Hotel Component), the Property Manager shall be entitled to receive from Viva Trust a property management fee of 2.0% per annum of the gross revenue; and
- (ii) UE Bizhub East (Hotel Component), the Property Manager shall be entitled to receive from Viva Trust a property management fee of 1.0% per annum of the gross revenue.

For lease management services provided by the Property Manager in respect of the properties held by ESR-REIT and Viva Trust (other than UE Bizhub East (Hotel Component)), the Property Manager shall be entitled to receive from each of ESR-REIT and Viva Trust a lease management fee of 1.0% per annum of the gross revenue of the relevant property.

**(b) Marketing Services**

For marketing services provided by the Property Manager for a property, the Property Manager shall be entitled to receive from each of ESR-REIT and Viva Trust the following fees:

- (i) a commission equivalent to two (2) months' gross rent inclusive of service charge, for securing a tenancy of more than three (3) years;
- (ii) a commission equivalent to one (1) month's gross rent inclusive of service charge, for securing a tenancy of three (3) years or less;
- (iii) a commission equivalent to one (1) month's gross rent inclusive of service charge, for securing a renewal of tenancy of more than three (3) years; and
- (iv) a commission equivalent to half ( $\frac{1}{2}$ ) month's gross rent inclusive of service charge, for securing a renewal of tenancy of three (3) years or less.

If a third party agent secures a tenancy, renewal of tenancy or licence, the Property Manager will be responsible for all marketing services commissions payable to such third party agent, and the Property Manager shall be entitled to receive from each of ESR-REIT and Viva Trust the following fees:

- (1) a commission equivalent to 2.4 months' gross rent inclusive of service charge, for securing a tenancy of more than three (3) years; and
- (2) a commission equivalent to 1.2 months' gross rent inclusive of service charge, for securing a tenancy of three (3) years or less.

For the avoidance of doubt, the Property Manager shall only be entitled to receive from each of ESR-REIT and Viva Trust, either the fees set out in paragraph 2.2(b)(i) to (iv) or the fees set out in paragraph 2.2(b)(1) to (2).

**(c) Property Tax Services**

In relation to the property tax services provided by the Property Manager for a property, the Property Manager is entitled to the following fees under each of the PMAs if the proposed annual value of a property is reduced resulting in property tax savings for the relevant property:

- (i) where the proposed annual value of a property is S\$1.0 million or less, a fee of 7.5% of the property tax savings;
- (ii) where the proposed annual value of a property is more than S\$1.0 million but does not exceed S\$5.0 million, a fee of 5.5% of the property tax savings; and

- (iii) where the proposed annual value of a property is more than S\$5.0 million, a fee of 5.0% of the property tax savings.

The above-mentioned fee is a lump sum fixed fee based on the property tax savings calculated on a 12-month period. If in compliance with applicable regulatory requirements relating to interested person/party transactions relating to real estate investment trusts, the approval of unitholders of ESR-REIT (“**Unitholders**”) is required for payment of such fees under both PMAs, such payment will be subject to the obtaining of such Unitholders’ approval, and if such approval cannot be obtained within the requisite time period for lodgement of the relevant property tax objection, the Property Manager shall not be obliged to undertake such property tax objection and the ESR-REIT Trustee or, as the case may be, the VT Trustee shall be entitled to engage other consultants to undertake the property tax objection in respect of such property.

**(d) Project Management Services**

For the project management services, the Property Manager shall be entitled to receive from each of ESR-REIT and Viva Trust the following fees:

- (i) where the construction costs are S\$2.0 million or less, a fee of 3.0% of the construction costs;
- (ii) where the construction costs exceed S\$2.0 million but do not exceed S\$20.0 million, a fee of 2.0% of the construction costs;
- (iii) where the construction costs exceed S\$20.0 million but do not exceed S\$50.0 million, a fee of 1.5% of the construction costs; and
- (iv) where the construction costs exceed S\$50.0 million, a fee to be mutually agreed by the Property Manager, the ESR-REIT Manager or, as the case may be, the VT Manager, and the ESR-REIT Trustee or, as the case may be, the VT Trustee.

For the purpose of calculating the fees payable to the Property Manager, “**construction costs**” means all construction costs and expenditure valued by the quantity surveyor engaged by the ESR-REIT Trustee or, as the case may be, the VT Trustee for the project, excluding development charges, differential premiums, statutory payments, consultants’ professional fees and goods and services tax.

If in compliance with applicable regulatory requirements relating to interested person/party transactions relating to real estate investment trusts, the approval of Unitholders is required for payment of any of the abovementioned fees for project management services, such payment will be subject to the obtaining of such Unitholders’ approval, and if such approval is not obtained, the Property Manager shall not be obliged to undertake the relevant project management services and the ESR-REIT Trustee or, as the case may be, the VT Trustee shall be entitled to engage other consultants to undertake the relevant project management services.

### **2.3 Reimbursable Amounts**

Under each of the PMAs, each of the ESR-REIT Trustee and the VT Trustee shall reimburse the salary, Central Provident Fund contribution, allowances, levies, medical claims and all other expenses incurred for the employment of the employees of the Property Manager as set out in the respective PMAs engaged solely for site supervision at the properties. The ESR-REIT Trustee or, as the case may be, the VT Trustee shall also reimburse the site office costs as set out in the respective PMAs incurred by the Property Manager in connection with the provision of services by the Property Manager.

### **2.4 Expenses**

The Property Manager is authorised to utilise funds deposited in operating accounts maintained in the name of ESR-REIT or, as the case may be, Viva Trust to make payment of all costs and expenses incurred in the operation, maintenance, management and marketing of each property within the annual budget approved by the ESR-REIT Trustee on the recommendation of the ESR-REIT Manager or, as the case may be, the VT Trustee on the recommendation of the VT Manager.

### **2.5 Termination**

The ESR-REIT Trustee or the ESR-REIT Manager or, as the case may be, the VT Trustee or the VT Manager may terminate the appointment of the Property Manager in relation to all the properties directly held by ESR-REIT or Viva Trust, respectively, under the management of the Property Manager on the occurrence of certain specified events, which include the liquidation or cessation of business of the Property Manager.

The ESR-REIT Trustee or the ESR-REIT Manager or, as the case may be, the VT Trustee or the VT Manager may also terminate the appointment of the Property Manager specifically in relation to a property under its management in the event of the sale of such property, but the relevant PMAs will continue to apply with respect to the remaining properties managed by the Property Manager under the terms of the relevant PMAs.

In addition, if the Property Manager, within 90 days of receipt of written notice, fails to remedy any breach (which is capable of remedy) of its obligations in relation to a property, the ESR-REIT Trustee or the ESR-REIT Manager or, as the case may be, the VT Trustee or the VT Manager may terminate the appointment of the Property Manager in relation only to such property in respect of which the breach relates, upon giving 30 days' written notice to the Property Manager.

If the ESR-REIT Manager or, as the case may be, the VT Manager, is of the view that the Property Manager has not been achieving certain key performance indicators set out in the relevant PMAs despite receiving notices in writing from the ESR-REIT Manager or, as the case may be, the VT Manager specifying the key performance indicators which the Property Manager has failed to achieve, then the ESR-REIT Trustee or the ESR-REIT Manager or, as the case may be, the VT Trustee or the VT Manager shall have the right to terminate the relevant PMAs in relation only to the property in respect of which the Property Manager's failure to achieve the key performance indicators relates, subject to and in accordance with the relevant PMAs.

On the termination of the appointment of the Property Manager under any of the PMAs, the ESR-REIT Manager or, as the case may be, the VT Manager shall, as soon as practicable, procure the appointment of a replacement property manager for the affected property.

**3. RATIONALE**

The Manager believes that the entry into the PMAs would benefit Unitholders. The Property Manager possesses extensive commercial experience in managing the properties of ESR-REIT including expertise in property investment, development and management. This ensures continuity and operational efficiency in the provision of property management services for the properties of ESR-REIT. The fees payable under each of the PMAs are competitive and are within market norms.

**4. AUDIT COMMITTEE**

Having considered the terms and conditions of the PMAs, as well as the rationale for the entry into the PMAs, the audit committee of the Manager (which comprises independent directors of the Manager) is of the view that the entry into the PMAs is on normal commercial terms and negotiated on an arm's length basis and would not be prejudicial to the interests of ESR-REIT and its minority Unitholders.

**5. VALUE OF INTERESTED PERSON/PARTY TRANSACTIONS**

The aggregate value of all interested person/party transactions between ESR-REIT and ESRIM and/or the associates of ESRIM for the current financial year (including the PMAs for a term of three and a half years) is approximately S\$40.4 million, which is less than 5.0% of the latest audited net tangible assets of ESR-REIT as at 31 December 2017. Other than as stated herein and the interested person/party transactions for which Unitholders' approval had been obtained (including the merger between ESR-REIT and Viva Industrial Trust), there were no other interested person/party transactions entered into by ESR-REIT during the current financial year.

**6. INTERESTS OF THE DIRECTORS AND CONTROLLING UNITHOLDERS**

Save as disclosed above and based on the information available to the ESR-REIT Manager as at the date of this announcement, none of the directors of the ESR-REIT Manager or substantial Unitholders have an interest, direct or indirect, in the entry into of the PMAs.

**BY ORDER OF THE BOARD**

ESR Funds Management (S) Limited  
As Manager of ESR-REIT  
(Company Registration No. 200512804G, Capital Markets Services Licence No.100132-5)

Adrian Chui  
Chief Executive Officer and Executive Director  
31 December 2018

For further enquiries, please contact:

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## **About ESR-REIT**

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 22 October 2018 has a diversified portfolio of 56 properties located across Singapore, with a total gross floor area of approximately 13.6 million sq ft and a property value of S\$2.94 billion<sup>1</sup>. The properties are in the following business sectors: General Industrial, Light Industrial, Logistics/Warehouse, Hi-Specs Industrial, and Business Park, and are located close to major transportation hubs and key industrial zones island-wide.

The ESR-REIT Manager's objective is to provide Unitholders with a stable and secure income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Pro-active asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the manager of ESR-REIT, is owned by namely, ESR Cayman Limited ("**ESR**") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

For further information on ESR-REIT, please visit [www.esr-reit.com.sg](http://www.esr-reit.com.sg).

## **About the Sponsor ESR**

ESR is a leading pure-play pan-Asia logistics real estate developer, owner, and operator focused on the key metropolitan areas most closely tied with consumption and global trade. Co-founded by senior management and Warburg Pincus, ESR is backed by some of the world's preeminent investors including APG, CITIC CLSA, CPPIB, Goldman Sachs, JD.com, PGGM, Ping An and SK Holdings. The ESR platform represents one of the largest in the Asia-Pacific region, spanning across Mainland China, Japan, Singapore, South Korea, Australia and India. The company also runs capital and fund management offices in Hong Kong and Singapore. As at 30 June 2018, the company's assets under management reached approximately US\$13 billion, and the gross floor area of projects owned and under development stood at over 10 million square metres.

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<sup>1</sup> Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest.



## Important Notice

The value of units in ESR-REIT ("**Units**") and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR Funds Management (S) Limited, RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT), or any of their respective related corporations and affiliates (individually and collectively "**Affiliates**"). An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the ESR-REIT Manager, the ESR-REIT Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors have no right to request that the ESR-REIT Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This material may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future ESR-REIT business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the ESR-REIT Manager's current view of future events.

This material is for informational purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this material is not to be construed as investment or financial advice, and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the ESR-REIT Manager, the ESR-REIT Trustee or any of the Affiliates.