

Issuer: Viva Industrial Trust Management Pte. Ltd.

Security: Stapled Securities of Viva Industrial Trust

Meeting details:

Date: 20 April 2018

Time: 10.00 a.m.

Venue: 750E Chai Chee Road, #03-01 Viva Business Park, Singapore 469005

Company Description

Viva Industrial Trust (“VIT”) is a Singapore-focused business park and industrial property trust listed on the Mainboard of the Singapore Exchange, which comprises Viva Industrial Real Estate Investment Trust (“VI-REIT”) and Viva Industrial Business Trust (“VI-BT”). VIT focuses on building a diversified portfolio of income-producing real estate which is used predominantly for business park and other industrial purposes in Singapore and elsewhere in the Asia-Pacific region, while VI-BT is presently inactive. VIT’s portfolio comprises nine properties located in Singapore, namely (i) UE BizHub EAST, (ii) Viva Business Park, (iii) Mauser Singapore, (iv) Jackson Square, (v) Jackson Design Hub, (vi) Home-Fix Building, (vii) 11 Ubi Road 1, (viii) 30 Pioneer Road, and (ix) 6 Chin Bee Avenue, with an aggregate gross floor area of 3.90 million sq ft. For more information on VIT, please visit <http://www.vivaitrust.com>.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=T8B)

1. The group's gross revenue of \$111.7 million for FY2017 was 17.4% higher than that of FY2016, primarily due to the additional rental income contribution of \$7.4 million from 6 Chin Bee Avenue, which was acquired in January 2017.

As the group received rental support of \$14.7 million during the year, it means that 12.6% of the group's gross revenue was not supported by underlying leases.

As declared in Note 22 (page 150 - Earnings and distribution per stapled security/unit), without the additional cash flow received due to rental support/rental arrangement, the DPS/DPU for the year ended 31 December 2017 would be 6.442 cents instead of 7.472 cents. The DPS/DPU for FY2016 would have been 5.766 cents instead of 6.958 cents.

Under the UE BizHub EAST ("UEBH") rental arrangement, the group received \$11.16 million in 2016 and \$9.47 million in 2017 (page 146 – Note 17 Rental support/rental arrangement). The 5-year rental arrangement will end on 3 November 2018. Based on the arrangement, the rental support threshold is approximate \$28.7 million.

- (i) As the group received \$9.47 million in 2017 under the UEBH rental arrangement, the estimated rental income from UEBH is \$17.8 million. **With the operation of the Downtown Line, what level of improvement in performance can be expected from UEBH?**
- (ii) **How confident is the manager that UEBH will be able to generate rental of approximately \$28.7 million in net rental income following the expiry of the rental arrangement?**
- (iii) **If not, can the board help stapled securityholders understand the impact on the group's cash flow and distribution following the expiry of the rental arrangement for UEBH?**
- (iv) Following the settlement agreement with the Jackson International Private Limited ("JIPL"), the group no longer enjoys any rental support arrangement for Jackson Square. **What is the projected net rental income for Jackson Square based current occupancy and rental rates?**
- (v) **Has the board/manager evaluated its acquisition policy and reviewed the use of rental support arrangements to support the purchase cost?**

2. Can the board/manager provide stapled securityholders with better clarity on the following operational matters? Specifically:

- (i) **Viva Business Park (VBP):** As at 31 December 2017, the occupancy of VBP was 78.5%. Other than a mention that the "white" space committed occupancy was 97.2% as at 31 December 2017, the manager did not provide any specific detail on how it was going to improve overall occupancy rate of VBP. **What is the manager's strategy to lease out the balance of the 21.5% vacant space in VBP?**
- (ii) **UE BizHub EAST (UEBH):** The occupancy of UEBH was 90% as at 31 December 2017. **What is the average occupancy of the Changi Business Park sub-market and how does UE BizHub East compare with that?**
- (iii) **Asset Enhancement Initiatives (AEI):** **What are the AEI opportunities for the assets in the portfolio?**

3. The last update announcement made by the stapled group regarding the proposed merger of VIT and ESR-REIT was on 30 March 2018. The receipt of the proposal from ESR Funds Management (S) Limited was first announced on 29 January 2018.

The parties have agreed to extend the period of exclusivity to the earlier of (a) the date of execution of a definitive implementation agreement between the parties in relation to the Scheme, and (b) 30 April 2018.

(i) **With discussions entering the third month, what are the main issues that have yet to be sorted out/agreed upon?**

As there is no certainty or assurance that the proposed merger will be undertaken at all, it is important that the REIT manager and the trustee-manager keep their focus on the underlying operations of the stapled group.

(ii) **How does the board ensure that sufficient attention, energy and time is given by the manager and the trustee-manager to attend to the day-to-day running/leasing operations?**