

PARAGON REIT
Incorporated in the Republic of Singapore
(A Real Estate Investment Trust Constituted
Under The Laws Of The Republic Of Singapore
Pursuant To A Trust Deed Dated 9 July 2013 (As Amended))

MINUTES OF THE NINTH ANNUAL GENERAL MEETING OF PARAGON REIT

Minutes of the Ninth Annual General Meeting of unitholders of PARAGON REIT held at Orchid Ballroom, Sands Expo & Convention Centre, 10 Bayfront Ave, Singapore 018956 on Monday, 17 April 2023, at 3.30 p.m.

PRESENT

Board of Directors

Present in person:

Dr Leong Horn Kee	Chairman, Non-Executive and Non-Independent Director
Ms Jennie Chua	Deputy Chairman, Non-Executive and Independent Director
Mr Eugene Lai	Non-Executive and Lead Independent Director
Mrs Trina Loh	Non-Executive and Independent Director
Ms Hoo Sheau Farn	Non-Executive and Independent Director
Mr Bernard Phang	Non-Executive and Independent Director
Mr Gerald Yong	Non-Executive and Non-Independent Director
Ms Ginney Lim	Non-Executive and Non-Independent Director

Absent with apologies:

Mr Ray Ferguson	Non-Executive and Independent Director
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Unitholders

As per attendance records maintained by the Company Secretary

IN ATTENDANCE

Mr Brent Huang	Company Secretary
Ms Susan Leng	Chief Executive Officer (CEO)
Mr Benjamin Kuah	Chief Financial Officer (CFO)
Ms Belinda Zheng	Investment Manager
Mr Marc Ang	Asset Manager
Ms Chan Kim Lim	Manager, DBS Trustee Limited
Mr Jek Lim	Partner, KPMG
Ms Victoria Leong	Partner, Allen & Gledhill LLP
Ms Victoria Paul	Senior Manager, Boardroom Corporate & Advisory Services Pte Ltd
Ms Fiona Tan	Scrutineer, RHT Governance, Risk & Compliance (Singapore) Pte Ltd

1. The Chairman welcomed unitholders of PARAGON REIT (“**Unitholders**”) to the Annual General Meeting of PARAGON REIT (“**AGM**”) and called the meeting to order. The Chairman opened the meeting by highlighting key changes to PARAGON REIT during the last financial year, including PARAGON REIT’s new sponsor, PARAGON REIT’s new name and the change in PARAGON REIT’s financial year-end. He then invited the CEO, Ms Susan Leng, to address Unitholders.
2. The CEO gave a presentation on PARAGON REIT’s performance for the financial year ended 31 December 2022.

3. The Company Secretary, Mr Brent Huang, confirmed that there was sufficient quorum to constitute the meeting as required under Paragraph 6 in Schedule 1 of the Deed of Trust constituting PARAGON REIT dated 9 July 2013 (as amended).

NOTICE OF MEETING

4. The notice dated 27 March 2023 convening the meeting was agreed to be taken as read.
5. In line with PARAGON REIT's commitment towards promoting greater corporate transparency, the Chairman informed the meeting that all resolutions at the AGM would be put to the vote by way of a poll.
6. Accordingly, the Chairman exercised his right under Paragraph 10 in Schedule 1 of the Deed of Trust constituting PARAGON REIT dated 9 July 2013 (as amended) to demand a poll in respect of each of the resolutions to be put to the vote of Unitholders at the AGM.
7. The Chairman informed the meeting that polling would be conducted in a paperless manner using a wireless handheld device, and invited the Company Secretary, to brief the meeting on the poll voting process before commencing discussion on the AGM Agenda.
8. The Company Secretary briefed the Unitholders on the poll voting process. RHT Governance, Risk & Compliance (Singapore) Pte Ltd was the Scrutineer. Boardroom Corporate & Advisory Services Pte Ltd, which provided the electronic poll voting services for the AGM, gave a short presentation explaining the voting process. A test resolution was conducted to familiarise Unitholders with the poll voting process.
9. The Chairman informed all Unitholders that as Chairman of the AGM, he had been appointed as proxy to vote for and against the resolutions to be tabled at the AGM.

AGENDA ITEM NO. 1:

REPORT OF DBS TRUSTEE LIMITED, STATEMENT BY PARAGON REIT MANAGEMENT PTE LTD AND AUDITED FINANCIAL STATEMENTS

10. The Chairman referred the Unitholders to the Report of DBS Trustee Limited, the statement by PARAGON REIT Management Pte Ltd as manager of PARAGON REIT (the "**Manager**") and the Audited Financial Statements of PARAGON REIT for the financial year ended 31 December 2022.
11. The Chairman then proposed:-

"That the Report of DBS Trustee Limited, as trustee of PARAGON REIT, the statement by PARAGON REIT Management Pte Ltd, as manager of PARAGON REIT and the Audited Financial Statements of PARAGON REIT for the financial year ended 31 December 2022 be, and are hereby approved and adopted."

12. The Chairman then invited comments or questions from Unitholders. Questions were raised by Unitholders and answered by the Chairman, Chief Executive Officer and Chief Financial Officer of the Manager. Below is the summary of the answers to relevant and substantial questions raised by the Unitholders at the meeting:

Question 1

Page 170 of the Annual Report discloses a translation loss of S\$59.5 million in FY2022 against a translation loss of S\$16.2 million in the previous year. Page 204 of the Annual Report states that segment assets amount to A\$773 million and page 173 disclosed loans of A\$277 million. Does that mean that only a small percentage of the value of Australian dollars is hedged directly, thus causing these large losses?

The strength of the Singapore Dollar against the Australian Dollar accounts for the translation loss. This is reflected in the statement of financial position and not in the statement of total returns and therefore does not affect distributions to Unitholders.

Foreign exchange exposure arising from overseas investments is largely hedged by matching funding in either same-currency financing or cross currency swap arrangements.

The Manager maximises the amount of natural hedge. We also have cross currency swaps to match the Australian income and Australian interest payments.

Question 2

(a) It is mentioned in the Annual Report that tenant sales and footfall have recovered to near pre-pandemic levels. Do you see the momentum continuing with regard to footfall and tenant sales for Paragon in particular?

(b) About 18% of leases are due for renewal in 2023, 35% in 2024 and another 28% in 2025. With the return of tourists, are you enjoying higher rental reversions?

(a) Tenant sales have recovered to pre-Covid levels with tourist arrivals recovering as well. Paragon is likely to benefit from an increase in footfall and sales with the reopening of Chinese borders as tourists from China constitutes a big market for Singapore. The positive impact from China tourism has yet to be fully realised. We are looking forward to an upside in footfall and sales once more Chinese tourists arrive in Singapore.

(b) During Covid-19, rental reversions came down, but our 16M FY2022 rental reversions have since improved compared to FY2021. We look forward to further improvements in rental reversions.

Question 3

PARAGON REIT's gearing is quite low at about 29.8%. The interest coverage ratio is adequate, and PARAGON REIT has about S\$1 billion in debt headroom before it reaches the 45% gearing limit. Will PARAGON REIT look to acquire a mall for expansion, such as The Seletar Mall which is owned by the Sponsor, Cuscaden Peak Investments?

PARAGON REIT has one of the lowest gearing levels in the REIT industry at 29.8%, and the Manager's disciplined capital management has proved favourable in the current environment, mitigating against the high interest costs.

The Manager is continually on the lookout for potential acquisitions, but any decision to acquire a property will depend on a number of factors, including yield accretion, capital management, location, sustainability, positioning and opportunity to create value.

With respect to The Seletar Mall, any decision on this acquisition would depend on the independent assessment of the Board on the offer price and transaction terms, as and when the Sponsor decides to divest The Seletar Mall.

Question 4

- (a) *The Sponsor of PARAGON REIT, Cuscaden Peak, is a consortium which comprises Hotel Properties Limited, Mapletree and Capitaland, some of which have their own REITs. As PARAGON REIT on its own is relatively small compared to some of these other REITs, and does not have as strong a pipeline of assets (which are available for acquisition and are accretive), would the Manager consider a merger with one of these REITs?*
- (b) *With the trend of mergers in the REIT sector, Unitholders are concerned about the competitiveness of PARAGON REIT against larger REITs. How does PARAGON REIT compete with these other REITs?*
- (c) *In terms of expansion, is PARAGON REIT looking to expand beyond Singapore and Australia?*

- (a) As mentioned in the Chain Offer Document, it is the intention of the Sponsor for PARAGON REIT to continue with its existing activities and there are no plans to make any material changes to PARAGON REIT's existing business, re-deploy its fixed assets or to initiate any major changes to the investment policy, except in the ordinary course of business.

We are unable to comment on what plans the Sponsor may have at their level. The Manager is focused on how to further enhance and improve its business.

- (b) PARAGON REIT is sizeable, with over S\$4 billion in total assets. PARAGON REIT has a gearing of 29.8%; we have ample debt headroom and therefore potential to grow.
- (c) The Manager is currently focusing on its existing assets, as well as what it can potentially do to enhance these assets to take advantage of the post-Covid recovery and return of tourists.

For markets beyond Singapore and Australia, the Manager will continue to monitor for opportunities, although the primary focus will be on the more immediate plans for our existing assets.

Question 5

With reference to the trade mix on page 45 of the Annual Report, Luxury Brands comprise about 10.7% of the NLA, but it contributes 32% of the trade mix in terms of gross rental income. What is the occupancy cost ratio (OCR) for Paragon and The Clementi Mall, and how competitive are we compared to other malls?

The overall OCR for Paragon, The Clementi Mall and The Rail Mall remain healthy. To add more colour, OCR is just an indicative figure as it's the average of the entire mall's performance. Assessment of individual tenants' performance is done on an individual lease basis.

Luxury brand tenants look beyond occupancy costs to branding opportunities, including where their stores are located, such as at Paragon which is in the prime Orchard Road shopping district. Occupancy costs are therefore generally higher than what a typical retailer would accept as a result of having a marketing presence on Orchard Road.

The Clementi Mall is a suburban asset which is very resilient and well-supported by a strong residential catchment of both HDB apartments and landed properties. The work-from-home trend during the Covid-19 pandemic was also advantageous for PARAGON REIT as residents in the area continued to visit The Clementi Mall's food establishments. With the Covid-19 pandemic behind us, sentiment amongst retailers is improving and tenants are more confident in making capital expenditures. The Manager is working hard to attract good tenants and manage the OCR.

Question 6

(a) In relation to PARAGON REIT's Australian properties, for example with Westfield Marion in Adelaide, there appears to be room to enhance the assets, however, with PARAGON REIT's 50% ownership of the property, how do we go about doing this?

(b) Is there any impact to Westfield Marion with regard to Myer's lease?

(a) We work with Scentre Group, one of the largest mall operators in Australia. Having Scentre Group as a 50:50 partner in Westfield Marion is an advantage for PARAGON REIT.

Westfield Marion is operated and managed by Scentre Group. Through Scentre Group's strong industry knowledge and market expertise, they continue to actively enhance all of their malls, including Westfield Marion.

Each year, Scentre Group provides their proposals on how they intend to improve the mall. PARAGON REIT follows a very stringent assessment process and reviews these proposals to ensure that any asset enhancement work carried out is advantageous to PARAGON REIT, and will generate greater value for the asset post-enhancement.

(b) PARAGON REIT and Scentre Group have been monitoring the Myer situation closely, and are in close contact with Myer with regard to its Westfield Marion outlet. The sales and overall performance of Myer at Westfield Marion have been stable and performing well.

As part of an active asset management strategy, PARAGON REIT closely monitors other anchor tenants including supermarkets, especially for its Australia assets, as they are users of large areas of floor space.

Question 7

With reference to the consolidated statement of net income and distribution on page 34 of the Annual Report, the Trust Expenses went up by 84.7%, whereas the other expenses rose about 30%. Why did the Trust Expenses increase disproportionately to the rest of the expenses?

In 2022, PARAGON REIT was under the Cuscaden Chain Offer. As part of the regulatory requirements with regard to the Cuscaden Chain Offer, higher trust expenses were incurred as PARAGON REIT was required to perform additional procedures, which broadly included various audit matters and preparation of financials for Unitholders.

Question 8

(a) Why are current liabilities higher than current assets?

(b) Will PARAGON REIT be able to pay off its loans on time when current assets are below current liabilities?

(c) What are the derivatives in your accounts for? Is it risky to use derivatives?

(a) This is typical for a real estate company, whereby the largest assets on the statement of financial position are investment properties that are classified as non-current assets. Taking into account our non-current assets, we are in an overall net asset position.

(b) As highlighted in our presentation, we have refinanced approximately S\$235 million of debt. For FY2023, we only have S\$95 million debt due for refinancing. In terms of refinancing, there are no major issues.

(c) These mainly refer to standard interest hedges to maintain stability in our distributions.

Question 9

Covid-19 was extremely disruptive to businesses. Having gone through the Covid-19 pandemic once, does PARAGON REIT have any contingency or mitigation plans or areas should similar future events occur?

The Manager has learnt a lot from the Covid-19 experience. We paid very close attention to PARAGON REIT's performance, and held regular meetings between the Board and Management to keep track of the performance during this period.

We also continued to keep very close contact with our tenants and had frequent interactions to understand their problems and how we could help them. As many of our tenants were facing relatively lower sales, we supported them through the lowering of rents, and assisted on various other aspects such as promotional activities.

We have enhanced our business continuity plans to allow us to be better prepared in future should such an event occur again.

Question 10

The land where Paragon was built was previously freehold. Did we lose out on the perpetual status of the land?

The land where Paragon was built on was first acquired by Singapore Press Holdings Limited as a freehold property, and remains a freehold property at the Sponsor level under Cuscaden Peak Investments Private Limited.

When PARAGON REIT (formerly known as SPH REIT) underwent its initial public offering in 2013, Paragon was acquired by PARAGON REIT as a 99-year leasehold property. It is not uncommon for a sponsor to inject assets into its REITs with a 99-year lease, as most Singapore-based assets are leased out on a 99-year basis.

Question 11

Given the high interest rate environment today, how has it affected PARAGON REIT's performance and DPU?

During the presentation by the CEO, we highlighted how we have mitigated this by improving our fixed debt component from 71% to 84%, which in turn helped to stabilise interest costs.

It is possible that interest rates may increase further in the future. However, the Manager is keen to avoid over-hedging our debt as we also have to consider the cost of hedging. After discussion, we think that the current level of fixed debt is a fair level which is similar to what other REITs are doing.

13. As there were no more questions, the Chairman put the resolution to the meeting and, based on the polling results, declared it carried. The results of the poll are as follows:

Ordinary Resolution 1	For		Against	
	Number of Units	Percentage (%)	Number of Units	Percentage (%)
	1,970,143,562	99.95	984,834	0.05

**AGENDA ITEM NO. 2:
RE-APPOINTMENT OF AUDITORS**

14. The Chairman proposed:-

“That KPMG LLP be and are hereby re-appointed Auditors of PARAGON REIT until the conclusion of the next Annual General Meeting and that the Manager be authorised to fix their remuneration.”

15. There being no questions, the Chairman put the resolution to the meeting and, based on the polling results, declared it carried. The results of the poll are as follows:

Ordinary Resolution 2 To re-appoint KPMG LLP as the Auditors of PARAGON REIT to hold office until the conclusion of the next Annual General Meeting of PARAGON REIT, and to authorise the Manager to fix their Remuneration.	For		Against	
	Number of Units	Percentage (%)	Number of Units	Percentage (%)
	1,969,618,457	99.90	1,937,948	0.10

**AGENDA ITEM NO. 3:
SPECIAL BUSINESS
AUTHORITY TO ISSUE UNITS**

16. The Chairman explained that the purpose of Agenda item 3 was to allow the Manager to issue units in PARAGON REIT (“Units”) up to a limit of 50 per cent, of which the total number of Units to be issued other than on a pro-rata basis shall not exceed 20 per cent.

17. The Chairman proposed: -

“That pursuant to Clause 5 of the trust deed constituting PARAGON REIT (the “Trust Deed”) and the listing rules of Singapore Exchange Securities Trading Limited (the “SGX-ST”), authority be and is hereby given to the Manager to:

- (a) (i) issue units in PARAGON REIT (“Units”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and
- (b) issue Units in pursuance of any Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

- (A) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-

paragraph (B) below), of which the aggregate number of Units to be issued other than on a pro rata basis to existing Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (B) below);

- (B) subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (A) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:
- (i) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Units;
- (C) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (D) unless revoked or varied by Unitholders in a general meeting of Unitholders, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of PARAGON REIT or (ii) the date by which the next Annual General Meeting of PARAGON REIT is required by applicable regulations to be held, whichever is earlier;
- (E) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (F) the Manager, any director of the Manager, and the Trustee, be and are hereby severally authorised to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, or, as the case may be, the Trustee may consider expedient or necessary or in the interest of PARAGON REIT to give effect to the authority conferred by this Resolution.”

18. There being no questions, the Chairman put the resolution to the meeting and, based on the polling results, declared it carried. The results of the poll are as follows:

Ordinary Resolution 3 To authorise the Manager to issue Units and to make or grant convertible instruments	For		Against	
	Number of Units	Percentage (%)	Number of Units	Percentage (%)
	1,940,659,033	98.45	30,550,930	1.55

TERMINATION OF MEETING

19. On behalf of PARAGON REIT, the Chairman thanked Unitholders for their attendance at the AGM and their support.

20. There being no other business, the AGM was declared closed.

Confirmed

Chairman