

Extraordinary General Meeting

30 June 2016



- The TM is convening the EGM to seek the approval from Unitholders by way of Ordinary Resolutions in respect of:
 - (i) Resolution 1: the Proposed Internalisation;
 - (ii) Resolution 2: the Proposed Distribution of Returns; and
 - (iii) Resolution 3: the Proposed Preferential Offering.

The Proposed Internalisation

- Croesus Retail Trust (“CRT”) is proposing to internalise its trustee-manager (“TM”)
- Internalisation will result in bringing management functions in-house; key management will enter into service agreements
- This will bring about stronger alignment of interest between Management, Board of Directors and Unitholders
- Currently, CRT pays:
 - i. Base fee of 0.5% of the value of trust property
 - ii. Performance fee of 3.0% of net property income
 - iii. Acquisition fee of 1.0% of purchase consideration of any new acquisitions
 - iv. Divestment fee of 0.5% of sale price of real estate sold or divested
- Post-internalisation, all management fees to third parties will be “eliminated” resulting in significant cost savings

Purchase Consideration for the Trustee-Manager

- CRT will acquire the TM for JPY 4,100.0 million (approximately S\$50.0 million)
- KPMG has undertaken a valuation of the TM, which is between JPY4,200.1 million to JPY4,501.7 million (equivalent to approximately S\$51.2 million to S\$54.9 million)
- The purchase consideration is at a 2.4% – 8.9% discount to the independent valuation range



- The TM proposes to issue new units to raise gross proceeds ranging from S\$20.0 million to S\$22.1 million via a Preferential Offering, to part fund the purchase consideration under the Proposed Internalisation

Sponsor Undertakings

1

Acquire from the open market before 30 June 2017, and hold CRT units amounting to at least S\$16.0 million⁽¹⁾ (which represents approximately 50.0% of the Purchase Consideration that the Sponsor has an effective interest in)

2

Lock-up of (a) all existing Sponsor units; and (b) units acquired under the Preferential Offering and (c) open-market acquisitions

- All CRT units held by the Sponsor will be locked up until 30 June 2018
- Further lock-up arrangement from 1 July 2018 until 30 June 2020 in respect of 50.0%

Notes:

(1) Includes the aggregate of (A) 64.0% of the total purchase consideration paid by Evertrust for the Preferential Offering Units that it sub-underwrites pursuant to the Sub-Underwriting Agreement and (B) the aggregate value of all the Units which are legally or beneficially held by themselves and the Sponsor on the Completion Date ("All Existing Sponsor Units") (which shall be computed based on the number of Units multiplied by S\$0.7952 per Unit, being the volume weighted average price for trades done on the SGX-ST for the full market day on 21 June 2016)

Proposed Internalisation is DPU Accretive to CRT

**After the 2016
Acquisitions After the
Internalisation**

**FY2015 DPU
(S\$ cents)**

7.94

8.02

**NAV per
unit (JPY)
(as at 30
June 2015)**

75.88

74.86

**Leverage
(2015)
(as at 30
June 2015)**

47.8%

48.1%

S\$ Cents

**+ 1.0%
Accretion**

7.94

8.02

After the 2016
Acquisitions

After the Internalisation

**Proposals are DPU accretive
for CRT**

Feedback from Media

Media Source

Key Commentary



*"The proposal is a **“good step in the right direction”** and may also prompt smaller REITS to move towards a similar direction."*

- The Straits Times (14 June 2016)

THE BUSINESS TIMES

*"Good show of commitment to unitholders that they are keeping their **"skin in the game"** ... Studies have shown that **internal managed trusts tend to trade at a premium to externally managed ones.**"*

- Business Times (24 June 2016)



*"Higher valuations garnered by internally managed REITs reflect **greater investor confidence.** The market for stocks of REITs with better corporate governance tends to be **more liquid and efficient** than those for other REITs."*

- The Edge (week of 20-26 June 2016)

Feedback from Research Analysts

Broker

Key Commentary



“Based on our study REITs in other countries (the US and Australia), internally managed REITs tend to trade at c.20%-40% premium on book value to those that are externally managed”

- Religare Institutional Research



“... able to undertake new acquisitions of properties competitively at a reduced cost to unitholders. Stronger alignment of interest ... This will likely to enhance the level of corporate governance.”

- RHB



“We believe that the purchase consideration for CRT’s trustee manager is fair...we are positive on the proposed internalisation as it further aligns the interest of CRT’s management team and its unitholders.”

- DBS Group Research

Why Vote in Favour?

- ✓ **Stronger alignment of interests**
- ✓ Unitholders will **have the right to endorse the appointment of Directors**
- ✓ **Substantial cost savings** as excess cash from management and acquisition / divestment fees will be distributed to Unitholders; the financial benefits will become more significant as CRT continues to grow its portfolio of assets
- ✓ The **transaction is DPU accretive to CRT**
- ✓ The purchase consideration is at a **2.4% – 8.9% discount to the independent valuation range**
- ✓ **Sponsor undertakings further demonstrate long-term support** towards Croesus Retail Trust



Thank You

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