



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

MANAGED BY

**CAMBRIDGE INDUSTRIAL TRUST MANAGEMENT LIMITED**

(Company Registration No.: 200512804G, Capital Markets Services Licence No.: CMS 100132-2)

*Capitalised terms used herein, unless otherwise defined, have the meanings as defined in the circular of Cambridge Industrial Trust dated 22 April 2015 (the "Circular") which is enclosed with this letter.*

Dear Unitholders,

On behalf of the Board of Directors of Cambridge Industrial Trust Management Limited, as manager of Cambridge Industrial Trust ("CIT", and the manager of CIT, the "Manager"), I am pleased to invite you to attend an Extraordinary General Meeting ("EGM") of CIT. The details of the EGM are as follows:

Venue : STI Auditorium, Level 9  
168 Robinson Road,  
Capital Tower,  
Singapore 068912

Date : Tuesday, 19 May 2015

Commencing at : 10.00 a.m.

**Please note that this letter is to be read in conjunction with the enclosed Notice of EGM and Circular dated 22 April 2015. In the event of any inconsistency, the Notice of EGM and the Circular are to prevail. You are advised to read the information in the Circular, including the Independent Financial Adviser's ("IFA") Letter set out in Appendix C of the Circular and the advice of the IFA, carefully.**

**Introduction**

At the EGM, you will be invited to vote on the following two resolutions:

**Resolution 1:** The proposed Performance Fee Supplement to the Trust Deed; and

**Resolution 2:** The proposed Performance Fee Unit Pricing Supplement to the Trust Deed.

**Both Resolution 1 and Resolution 2 are to approve changes to the way the Performance Fee is calculated and payable to the Manager of CIT. The Independent Directors and the Audit, Risk Management and Compliance Committee of the Manager, taking into account the opinion and advice of the IFA, are of the view that both resolutions are based on normal commercial terms and that they would not be prejudicial to the interests of CIT and its minority Unitholders.**

Accordingly, the Independent Directors recommend that you vote in favour of both resolutions<sup>1</sup>. Further information about the two resolutions and proposed supplements to the Trust Deed is provided in the enclosed Circular to Unitholders.

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<sup>1</sup> The Independent Directors are paid basic fees for their Board and Board committee memberships which are reviewed periodically and benchmarked against the amounts paid by managers of other listed REITs. The fees of the Independent Directors are not dependent on the Performance Fee received by the Manager.

## **Resolution 1: Performance Fee Supplement to the Trust Deed**

At previous Annual General Meetings of CIT and outside of these meetings, the Manager has received comments from some Unitholders that the existing formula for the calculation of the Performance fee is complex, difficult to understand, not so transparent and may on occasion produce results that are not consistent with market best practice.

In line with our commitment to maintaining high standards of corporate governance and transparency, the Directors have considered these comments seriously and are now seeking to change the existing formula by which Performance Fees have been calculated to one that will be aligned with the growth in the distribution per Unit ("**DPU**") of CIT in respect of each financial year. Unitholders should note that solely for purposes of calculating the DPU under the revised Performance Fee formula, the DPU will be calculated based on the assumption that 100% of CIT's operating income is distributed for the financial year as opposed to the actual DPU for the relevant financial year<sup>2</sup>. (Please refer to paragraph 2.2.2(d) of the Circular for further details.)

The Directors have concluded that a Performance Fee based on 25% of DPU growth represents an equitable share of outperformance. We are also proposing to include a built-in high watermark which will ensure that CIT must continuously outperform the highest DPU achieved in previous years in order for the Manager to be entitled to any Performance Fee. The built-in high watermark will be initially set at 5.357 Singapore cents<sup>3</sup>, being the highest DPU paid since 2009 (or if the DPU achieved during the Performance Fee waiver period as described below is higher, such higher DPU).

To ensure a smooth transition to this new fee model, the Directors have concluded **that performance fees should be waived for two years**. Therefore, the Manager's entitlement to Performance Fee will only be assessed again in FY2017.

The Directors believe that, by aligning the Performance Fee to growth in DPU with a high watermark and waiving the Performance Fee for two years, CIT is adopting a higher standard than prevailing market practice among Singapore REITs in respect of Performance Fees.

## **Resolution 2: Performance Fee Unit Pricing Supplement to the Trust Deed**

The Directors are also proposing to amend the Trust Deed to change the existing formula for determining the issue price for Performance Fee Units which has to date, deterred the Manager from receiving its Performance Fee in the form of Units.

This is because the existing issue price formula will typically result in Performance Fee Units being issued at the gross asset value ("**GAV**") per Unit (which does not take into account the borrowing and liabilities of CIT), and therefore discourages the Manager to elect to receive its Performance Fee in Units as the issue price will usually be higher than the volume weighted average price ("**VWAP**") per Unit, particularly as CIT has borrowings. (Please see paragraph 3.2.1 of the enclosed Circular for further details on the existing issue price formula for Performance Fee Units and the reason for Units being issued at a higher price than VWAP.)

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2 Unitholders should note that although it is the Manager's intention to distribute 100% of CIT's operating income for each financial year, actual distributions to Unitholders may be less than 100% of CIT's operating income for the relevant financial year. The assumption used for calculation of the DPU for purposes of the revised Performance Fee formula should in no way be construed as a representation or commitment by the Manager that it will distribute 100% of CIT's operating income for each financial year.

3 5.357 Singapore cents was the actual DPU paid to Unitholders for FY2009 and was based on 100.0% of the operating income of CIT for the financial year.

The Directors therefore propose to change the issue price formula so that the issue price of the Performance Fee Units will be based on the higher of (a) net asset value (“NAV”) per unit (as opposed to GAV per Unit) and (b) the VWAP during the ten business days preceding the last day of the relevant financial year. The Directors believe that the safeguard that Performance Fee Units will not be issued at a discount to NAV per Unit will prevent dilution to NAV per Unit which is an advantage to Unitholders compared to the prevailing market practice among Singapore REITs.

The revised issue price formula for Performance Fee Units would be beneficial to Unitholders as it would make more cash available for CIT when the Manager elects to receive some or all of its Performance Fee in Units.

### **Conclusion**

The Directors have taken into consideration the views of Unitholders, market participants and the IFA in drafting and putting to Unitholders the above two Resolutions.

The letter from the IFA attached to the Circular opines that the proposed Performance Fee Supplement and Performance Fee Unit Pricing Supplement are on normal commercial terms and will not be prejudicial to CIT and its minority Unitholders who are not interested persons.

The Independent Directors of the Manager, taking into account the advice and opinion of the IFA, recommend that Unitholders vote **in favour** of the two proposed Resolutions<sup>4</sup>.

### **What you need to do:**

You can vote on the resolutions in person or by appointing proxies at the EGM on Tuesday, 19 May 2015 at 10.00 a.m. If you are appointing proxies, your proxy form must be received by Sunday, 17 May 2015 at 10.00 a.m.

Further information as to the EGM, the resolutions as well as the proxy form (with enclosed notes) are contained in the Circular. Your vote is important and we encourage you to vote in person or by proxy. **If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

**The Directors seek your serious consideration and approval of the two Resolutions.**

We look forward to seeing you at the EGM.

Yours sincerely,

  
Dr Chua Yong Hai  
(Independent Chairman)

for and on behalf of the Board  
Cambridge Industrial Trust Management Limited  
(Company Registration No. 200512804G, Capital Markets Services licence no.: 100132-2)  
as manager of Cambridge Industrial Trust

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<sup>4</sup> The Independent Directors are paid basic fees for their Board and Board committee memberships which are reviewed periodically and benchmarked against the amounts paid by managers of other listed REITs. The fees of the Independent Directors are not dependent on the Performance Fee received by the Manager.