



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

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## UPDATE REGARDING HYFLUX MEMBRANE MANUFACTURING (S) PTE. LTD.

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### 1. UPDATE

Further to our announcement titled “Announcement Regarding Hyflux Membrane Manufacturing (S) Pte. Ltd.” dated 24 May 2018, ESR Funds Management (S) Limited, as manager of ESR-REIT (the “**Manager**”), refers to the following announcements made by Hyflux Ltd (“**Hyflux**”):

- “Notice to File Proof of Claim in connection with Scheme Meeting(s)” dated 1 February 2019;
- “Extension of Deadline for the Filing of Proofs and Update on the Reorganisation Process” dated 11 February 2019; and
- “Updates on Reorganisation Process – Notice of Scheme Meetings” dated 22 February 2019;

and wishes to update that RBC Investor Services Trust Singapore Limited, as trustee of ESR-REIT (the “**Trustee**”), has on 1 March 2019 filed proofs of claim against Hyflux and Hyflux Membrane Manufacturing (S) Pte. Ltd. (“**Hyflux Membrane**”) in connection with the notices dated 22 February 2019 given for meeting(s) to be held for considering and voting on a compromise or arrangement under the Companies Act (Cap. 50) (“**Scheme Meeting(s)**”) involving the obligations owed by Hyflux and Hyflux Membrane.

As disclosed in our financial results presentation for the fourth quarter ended 31 December 2018 (“**4Q2018**”), Hyflux Membrane is one of ESR-REIT’s top 10 tenants who accounted for approximately 3.5% of the total rental income for December 2018. The rental income received from Hyflux Membrane for 4Q2018 was approximately S\$2.1 million.

For the avoidance of doubt, as at the date of this announcement, Hyflux Membrane has not defaulted in its payment of rental pursuant to the lease agreements entered into with ESR-REIT (the “**Lease Agreements**”) in relation to the property located at 8 Tuas South Lane (the “**Property**”). Pursuant to the Lease Agreements, ESR-REIT presently holds security deposits equivalent to three (3) months of rental in the form of bank guarantees amounting to approximately S\$2.1 million, which have not been drawn down.

The Property is within an established industrial area and next to Singapore’s future global port and international maritime hub - Tuas Mega Port. This port is expected to be the largest container terminal globally housing Singapore’s port-related activities with the Maritime and Port Authority of Singapore beefing up the area with more warehouses and distribution centres to make the overall port operations more efficient and seamless. The transformation of the Tuas area for port development is also expected to increase the attractiveness of the Property. As a result, we have been receiving leasing interest and enquiries for space at the Property.

## 2. ILLUSTRATIVE PRO FORMA IMPACT ANALYSIS

Purely for illustrative purposes only, assuming a hypothetical scenario where (i) Hyflux Membrane was unable to fulfil its rental obligations under the Lease Agreements in FY2018; and (ii) the Manager was unable to lease out any of the space at the Property in FY2018, the illustrative pro forma financial effect on the distributable income and distribution per unit (“DPU”) of ESR-REIT based on its 4Q2018 financial results is as follows:

### **FOR ILLUSTRATIVE PURPOSES ONLY**

	<b>4Q2018</b>	<b>Annualised 4Q2018</b>	<b>Pro Forma Annualised 4Q2018<sup>(1)</sup></b>	<b>Change</b>
Distributable Income (S\$'000)	29,288	117,152	110,869	(5.4%)
DPU (cents)	1.005	4.020	3.804	(5.4%)

**Note:**

- (1) Assuming Hyflux Membrane was unable to fulfil its rental obligations under the Lease Agreements in FY2018 and consequently, ESR-REIT had fully utilised the security deposits obtained under the Lease Agreements which are equivalent to three (3) months of rental, thus resulting in loss of nine (9) months of rental income from Hyflux Membrane in FY2018.

Though the above illustrative pro forma impact analysis does not take into consideration any recovery from the schemes of arrangement proposed by Hyflux and Hyflux Membrane, it is not meant in any way to be a confirmation or an indication of the likely outcome of the Scheme Meeting(s) to be convened by Hyflux and Hyflux Membrane, respectively.

The Manager will make further announcements on the SGXNET as necessary when there are any material developments on this matter. In the meantime, unitholders of ESR-REIT are advised to exercise caution when dealing with the units of ESR-REIT.

### **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

5 March 2019

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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 31 December 2018 has a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 14.1 million sq ft and a property value of S\$3.02 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 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 Asia-Pacific focused logistics real estate platform. Co-founded by senior management and Warburg Pincus, ESR is backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, CITIC CLSA, Goldman Sachs, CPPIB, Ping An and Allianz. The ESR platform represents one of the largest in the Asia-Pacific region, spanning across the People's Republic of China, Japan, Singapore, South Korea, Australia and India. As at 30 September 2018, the company's assets under management (AUM) exceeded US\$14 billion, and the gross floor area (GFA) of projects owned and under development stood at approximately 11 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 (“**Manager**”), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (“**Trustee**”), 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 Manager, the 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 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 Singapore Exchange Securities Trading Limited (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 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 Manager, the Trustee or any of the Affiliates.