

# ASX RELEASE

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## Expression of Interest update and sale of responsible entity

APDC is pleased to provide the following updates:

- the first round of the EOI campaign has closed with APDC Trust's properties attracting strong interest from domestic and offshore institutional investors and data centre operators; and
- APDC has outsourced the responsible entity functions of APDC Trust to One Investment Group, a leading independent provider of responsible entity services. This is expected to enhance APDC's governance arrangements and result in cost savings in excess of \$200,000 per annum.

### EOI campaign update

Asia Pacific Data Centre Group (**APDC**) is pleased to report that the first round of the global sales campaign for its three data centres (**Properties**) has received a very strong response with expressions of interest at a substantial premium to the current book value.

The Board has shortlisted several parties for physical inspections who have been given a further week to submit their final proposals, at which stage APDC will provide the preferred party with access to final due diligence with a view to exchanging contracts as soon as practicable thereafter.

APDC has received formal notice of NEXTDC's rejection pursuant to its rights of first refusal for the sale of the Properties at \$300 million.

APDC will provide, as appropriate, further updates to the market following close of the second round of the expression of interest process, scheduled for 24 January 2018.

### APDC outsources responsible entity functions

APDC is pleased to announce that it has sold Asia Pacific Data Centre Limited (**APDC RE**), the responsible entity of Asia Pacific Data Centre Trust (**APDC Trust**), to One Investment Group, a leading independent provider of responsible entity services.

In conjunction with the outsourcing of the responsible entity function of APDC, One Investment Group has appointed a wholly-owned subsidiary of APDC (**Manager**) as investment manager of APDC Trust. These transactions (**Transactions**) are expected to strengthen APDC's corporate governance framework and yield cost savings to APDC since it will no longer need to satisfy the statutory obligations imposed on responsible entities whilst maintaining asset management responsibilities for APDC Trust.

### Background and strategic rationale

The Board of APDC had, since its appointment on 23 November 2017, been advancing a number of strategies to promote governance and improve the financial performance of APDC and had

progressed a proposal to outsource the responsible entity services of APDC Trust prior to NEXTDC announcing its intention to convene a meeting to consider a resolution to wind-up APDC Trust (**Wind-up Proposal**). Following that announcement, matters relating to the outsourcing of the responsible entity services of APDC Trust and the Wind-up Proposal were delegated to an Independent Board Committee (**IBC**) comprising Lawrence Gibbs and John Wilson, both independent non-executive directors.

The IBC has been responsible for considering and determining all matters relating to the Transactions. In respect of the Transactions, the IBC engaged an **independent adviser, Wexted Advisors, which has concluded that the Transactions are in the best interests of APDC Securityholders.**

The IBC believes that the Transactions are in the best interests of securityholders for reasons including:

- the provision of responsible entity services is not a core business for APDC and APDC RE has been operating on a cost recovery basis;
- APDC is no longer required to maintain the costly resources required to properly perform its statutory and compliance obligations as responsible entity;
- having regard to the additional resources which APDC would require to properly perform the responsible entity function, APDC's relatively low asset base means that it is unable to provide the responsible entity function on a cost-effective basis as compared to an outsourcing arrangement;
- as a result of the sale and the outsourcing of the responsible entity functions, APDC is expected to benefit from cost savings in excess of \$200,000 per annum (as assessed by Wexted Advisors);
- APDC will no longer need to set aside capital for regulatory purposes;
- APDC's corporate governance framework will be strengthened with the additional independent oversight to be provided by the new owner of the APDC RE (which is One Investment Group); and
- after the sale of the APDC RE, APDC will still retain the asset management function of APDC Trust and thereby preserve the key benefits associated with an internalised management model. APDC, at the direction of the IBC, has commenced the search for a new executive management team.

The key terms of the sale of APDC and the investment management agreement are annexed to this announcement.

APDC has obtained the consent of its financier to the sale of APDC RE.

## Wind-up Proposal

The basis upon which NEXTDC has brought the Wind-up Proposal is unconvincing. NEXTDC has sought to justify the Wind-up Proposal on the grounds that:

- (a) it has concerns regarding whether a capital distribution will occur. As announced by APDC on 19 December 2017, no decision has been made regarding any capital distribution. Any future decision regarding a capital distribution will now rest with the responsible entity (which is now controlled by One Investment Group).
- (b) it has concerns over the governance and management of APDC. The APDC board is highly experienced and takes its governance responsibilities seriously. The governance arrangements have been improved by the outsourcing of the responsible entity functions of APDC Trust. In addition, in the past 7 weeks

(since the new board of APDC was appointed on 23 November 2017) the APDC board has:

- (i) sought to independently value the Properties;
- (ii) progressed value-enhancing initiatives for APDC securityholders, including assessing potential acquisitions of new properties;
- (iii) engaged with APDC's financiers in respect of a new facility to provide APDC with, amongst other things, the flexibility to pursue such value-enhancing initiatives;
- (iv) commenced an EOI process in light of favourable market developments;
- (v) sought to engage constructively with NEXTDC as a major securityholder of APDC; and
- (vi) engaged a finance executive to manage the financial affairs of APDC and commenced a search for senior executive management for APDC.

Having regard to the above and the ongoing EOI campaign, APDC reiterates its request that NEXTDC withdraws the Wind-up Proposal.

## **Annexure**

### **Key terms of the sale of APDC RE**

The consideration for the acquisition is an amount equal to the net assets of APDC RE. The consideration reflects, amongst other things, the limited security of tenure of APDC RE, the fact that APDC RE currently operates on a cost recovery basis and, following the sale, APDC RE will only be entitled to receive the fees set out below. Wexted Advisors has confirmed that the consideration is reasonable.

Following the sale, APDC RE will be entitled to receive:

- a responsible fee equal to 0.07% p.a. of the gross asset value of APDC Trust (subject to a minimum yearly fee of \$200,000); and
- a custody fee equal to 0.02% p.a. of the gross asset value of APDC Trust if a custodian external to One Investment Group is not appointed (subject to a minimum monthly fee of \$2,000).

These fees are exclusive of GST and indexed to the higher of 3% and CPI on 1 July each year.

### **Key terms of the investment management agreement**

The scope of services to be provided by the Manager are wide-ranging and include:

- administering and managing the APDC Trust assets and liabilities;
- preparing financial reports for APDC Trust;
- compliance of APDC Trust with the ASX Listing Rules; and
- preparing communications to Members.

In performing these services, the Manager must:

- comply with all proper instructions given by APDC RE (other than those which may cause the Manager to breach any relevant law);
- act in the best interests of Members; and
- exercise its functions, duties and powers in good faith and with the degree of care, diligence and skill that a reasonable person would exercise.

The IMA has a 5 year term. The IMA may be terminated in circumstances including if APDC RE ceases to be the responsible entity of APDC Trust or at the direction of APDC Trust unitholders holding more than 50% of the units on issue. The Manager may also terminate the IMA on 3 months' notice.

The Manager will receive a fee equal to 0.85% per annum on that part of the gross asset value of APDC Trust which is up to \$350 million and 0.65% p.a. on that part of the gross asset value of APDC Trust which is \$350 million or greater. The Manager is entitled to be reimbursed for its properly incurred costs and expenses.

### **About One Investment Group**

One Investment Group is a leading independent Australian funds management business specialising in responsible entity, trustee, corporate trust, custodian and fund administration services.

One Investment Group specialises in a range of asset classes including real estate, private equity, infrastructure, equities, mortgage and fund of funds and is responsible for in excess of 200 funds and \$25bn.

One Investment Group is not a fund manager and its clients include global and Australian listed companies, sovereign wealth funds, banks, insurance companies, pension funds, private equity firms and boutique managers.

The founders of One Investment Group together have in excess of 40 years' experience in mergers and acquisitions, capital markets, funds management and corporate governance, and are supported by an executive team and independent directors who each have in excess of 20 years' relevant experience.

One Investment Group is the only corporate trustee provider in Australia able to offer a one-stop-shop solution encompassing responsible entity/trustee, custody, fund accounting and registry services.