



Asia Pacific Data Centre Group **Target's Statement**

**The Directors of
Asia Pacific Data Centre Group
unanimously recommend that you**

ACCEPT

**the NEXTDC Offer
in the absence of a superior proposal**

This is an important document and requires your immediate attention. If you are in any doubt about how to deal with this document, you should consult your financial, legal or other professional adviser immediately.

This Target's Statement has been issued by Asia Pacific Data Centre Holdings Limited (ACN 159 621 735) (**APDC Holdings**) and Asia Pacific Data Centre Limited (ACN 159 624 585) (**APDC Limited**) as responsible entity for Asia Pacific Data Centre Trust (ARSN 161 049 556) (**APDC Trust**) in response to the offer by NEXTDC Limited (ACN 143 582 521) (**NEXTDC**) to acquire all of your Securities in Asia Pacific Data Centre Group (**NEXTDC Offer**).

Financial adviser



Legal adviser

ashurst

IMPORTANT NOTICES

Nature of this document

This Target's Statement has been issued by Asia Pacific Data Centre Holdings Limited (ACN 159 621 735) and Asia Pacific Data Centre Limited (ACN 159 624 585) as responsible entity for Asia Pacific Data Centre Trust (ARSN 161 049 556) (together, Asia Pacific Data Centre Group, or APDC) under Part 6.5 of the Corporations Act in response to the NEXTDC Offer, made pursuant to the Replacement Bidder's Statement dated 8 August 2017 issued by NEXTDC (which replaced the Original Bidder's Statement dated 31 July 2017). References to the Bidder's Statement in this document are to the Replacement Bidder's Statement dated 8 August 2017.

ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with the Australian Securities and Investments Commission (ASIC) on 25 August 2017 and provided to the Australian Securities Exchange (ASX) on 25 August 2017. Neither ASIC nor ASX, nor any of their respective officers, take any responsibility for the contents of this Target's Statement.

Date of this Target's Statement

This Target's Statement is dated 25 August 2017.

Defined terms

A number of terms are used in this Target's Statement which are defined in section 9.1 of the Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act. Section 9.2 of this Target's Statement sets out some rules of interpretation that apply to this Target's Statement.

No account of personal circumstances

This Target's Statement and the Independent Expert's Report does not take into account the individual investment objectives, financial or tax situation or particular needs of any person. It does not contain personal financial advice. You should seek independent financial and taxation advice before making a decision as to whether or not to accept the NEXTDC Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement and the Independent Expert's Report may be in the nature of forward looking statements. Statements other than statements of historical facts may be forward looking statements. You should be aware that such statements are only predictions and are subject to both known and unknown risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of APDC, its officers and employees, any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on NEXTDC contained in this Target's Statement has been prepared by APDC from publicly available information including the Bidder's Statement. Information in this Target's Statement about NEXTDC has not been independently verified by APDC. Accordingly, APDC does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Independent Expert's Report

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. Neither APDC nor any of its officers or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report, except, in the case of APDC, in relation to the information which it has provided to the Independent Expert.

Risk factors

APDC Securityholders should note that there are a number of risk factors attached to their investment in APDC. Section 7 of this Target's Statement sets out further information on those risks.

Charts and diagrams

Any diagrams, charts, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this Target's Statement.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions outside Australia may be restricted by law and any person who comes into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Target's Statement has been prepared in accordance with Australian law and the nature of the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Privacy

APDC has collected your information from the register of APDC Securityholders for the purposes of providing you with this Target's Statement. The type of information APDC has collected about you includes your name, contact details and information on your securityholdings in APDC. Without this information, APDC would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the names and addresses of APDC Securityholders to be held in a public register.

APDC Securityholder information line

If you have any questions in relation to the information contained in this Target's Statement, please contact Link Market Services on +61 1300 554 474. Further information relating to the NEXTDC Offer can be obtained from APDC's website at www.asiapacificdc.com.

CHAIRMAN'S LETTER



Asia Pacific Data Centre Group
Asia Pacific Data Centre Holdings Limited ACN 159 621 735
Asia Pacific Data Centre Trust ARSN 161 049 556

25 August 2017

Dear APDC Securityholders

On 31 July 2017, NEXTDC Limited (**NEXTDC**) announced an off-market and unconditional takeover offer to acquire all of the stapled securities (**APDC Securities**) in Asia Pacific Data Centre Group (**APDC**) for A\$1.87 cash per APDC Security (**NEXTDC Offer**).

Your Directors unanimously recommend that you **ACCEPT** the NEXTDC Offer in the absence of a superior proposal.

NEXTDC's offer price of A\$1.87 for each APDC Security (**Offer Price**) represents:

- a premium of 13.3% to APDC's net tangible assets (**NTA**) as at 30 June 2017;
- a premium of 1.6% when compared with the closing price of A\$1.84 per APDC Security on 28 July 2017, the last trading day prior to the announcement of the NEXTDC Offer; and
- a premium of 19.5% when compared with the closing price of A\$1.57 per APDC Security on 1 May 2017, the last trading day before 360 Capital announced its acquisition of a 19.8% stake in APDC.

In addition, APDC Securityholders will be entitled to receive the A\$0.0243 per APDC Security distribution announced on 26 June 2017 (payable 28 August 2017).

The Directors note that, since the NEXTDC Offer was announced, the APDC Securities have traded at prices higher than the Offer Price of A\$1.87 per APDC Security.¹

In forming its recommendation, your Board has carefully considered the following:

- the NEXTDC Offer is unconditional;
- the Offer Price represents an attractive premium to NTA and the trading price of APDC Securities prior to 360 Capital announcing its acquisition of a 19.8% stake in APDC;
- the NEXTDC Offer is all cash and provides you with certainty of value for APDC Securities;
- the Independent Expert has concluded that the NEXTDC Offer is fair and reasonable to APDC Securityholders;
- no binding superior proposals have been made or announced as at the date of this Target's Statement. Although the terms of a conditional proposal to make an offer to acquire APDC Securities for A\$1.80 cash per APDC Security were provided to APDC by 360 Capital on 25 July 2017, no offer capable of acceptance by the APDC Securityholders has subsequently been made by 360 Capital;
- if the NEXTDC Offer is not successful and if no superior proposal emerges, there is a risk that the price of APDC Securities may trade below the Offer Price of A\$1.87; and
- there are other potential risks in not accepting the NEXTDC Offer, as described further in section 1.2(g) of this Target's Statement.

Your Directors intend to accept the NEXTDC Offer for all the APDC Securities they own or control in the absence of a superior proposal.

The Directors appointed BDO Corporate Finance (East Coast) Pty Ltd to provide an Independent Expert's Report on the NEXTDC Offer. The summary of the Independent Expert's Report is contained in Appendix 2 to this Target's Statement, with the full version available free of charge from www.asiapacificcdc.com or by contacting Link Market Services on +61 1300 554 474. In it, the Independent Expert has concluded that the NEXTDC Offer is fair and reasonable to APDC Securityholders.

This Target's Statement contains the formal response of your Board to the NEXTDC Offer. We strongly encourage you to

¹ The high closing price being A\$1.90, most recently on 14 August 2017.

read all the information contained in this Target's Statement (including the Independent Expert's Report) carefully and to seek independent advice. You are also strongly encouraged to read the Bidder's Statement which you should have received in the mail.

The NEXTDC Offer is currently scheduled to close at **7.00pm (AEST) 15 September 2017**, unless further extended.

Your Board will continue to keep you informed of any further developments relating to the NEXTDC Offer. If you have any questions about the information contained in this Target's Statement, please contact Link Market Services on +61 1300 554 474. We will also post updates on our website at www.asiapacificdc.com.

Yours sincerely

A handwritten signature in black ink, appearing to read "I. H. Fraser".

Ian Fraser
Chairman
Asia Pacific Data Centre Group

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CORPORATE DIRECTORY	

KEY DATES	
Date of the NEXTDC Offer	14 August 2017
Date of this Target's Statement	25 August 2017
Close of Offer Period (unless extended or withdrawn earlier) ²	7.00pm (AEST), 15 September 2017

² NEXTDC may only withdraw the NEXTDC Offer with the written consent of ASIC.

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1. EVALUATION OF THE NEXTDC OFFER

The Directors recommend that you **ACCEPT** the Offer, in the absence of a superior proposal. The reasons for this recommendation are:

1	The NEXTDC Offer is unconditional
2	The Offer Price represents an attractive premium for your APDC Securities compared to NTA and the trading price of APDC Securities prior to 360 Capital announcing its acquisition of a 19.8% stake in APDC
3	The NEXTDC Offer is all cash and provides you with certainty of value for your APDC Securities
4	The Independent Expert has concluded that the NEXTDC Offer is fair and reasonable to APDC Securityholders
5	The NEXTDC Offer has the unanimous support of your Directors
6	No superior proposal has been made or announced
7	There is a risk that the APDC Security price may trade below the Offer Price if the NEXTDC Offer is not successful and no superior proposal emerges
8	There are other potential risks in not accepting the NEXTDC Offer

Alternative Option: Sell on-market

The Directors also note that, since the NEXTDC Offer was announced, the APDC Securities have traded at prices higher than the Offer Price of A\$1.87 per APDC Security.³

As an alternative to accepting the NEXTDC Offer (or doing nothing), you have the option to sell your APDC Securities on market. An on market sale is subject to the risks set out in section 1.3(d) of this Target's Statement.

³ The high closing price being A\$1.90, most recently on 14 August 2017.

1.1 Background to Offer

(a) Key events in the last four months

On 2 May 2017, 360 Capital announced that it had acquired a 19.8% interest in APDC at a price of A\$1.57 per APDC Security.⁴

On 28 June 2017, 360 Capital called a meeting of the members of APDC Trust, to consider resolutions to remove APDC Limited and appoint 360 Capital FM Limited as responsible entity of APDC Trust (**RE Replacement Meeting**).

A number of developments followed thereafter, including:

- (i) **Third Party Engagement Process:** On 7 July 2017, APDC announced that it was progressing confidential discussions with third parties who had expressed an interest in acquiring APDC Securities or assets and that APDC had commenced a broader process to determine whether any other parties had any interest to acquire APDC Securities or assets (**Third Party Engagement Process**);
- (ii) **Recommendation to vote against resolutions at the RE Replacement Meeting:** On 13 July 2017, APDC released an explanatory memorandum (**APDC EM**) containing the APDC Board's recommendation that the APDC Securityholders vote against the resolutions proposed by 360 Capital at the RE Replacement Meeting;
- (iii) **Acquisition by NEXTDC:** On 18 July 2017, NEXTDC announced that it had acquired a 14.1% interest in APDC for A\$1.78 per APDC Security. Between 19 July 2017 and 27 July 2017 NEXTDC acquired a further 5.89% interest in APDC, bringing its total interest in APDC Securities to 19.99% at prices of between A\$1.78 and A\$1.85 per APDC Security;
- (iv) **360 Capital Proposal:** On 25 July 2017, 360 Capital provided APDC with the terms of a conditional proposal to acquire all the APDC Securities at A\$1.80 cash per APDC Security (**360 Capital Proposal**);
- (v) **NEXTDC Offer:** On 26 July 2017, NEXTDC announced a proposal to acquire all the APDC Securities it does not already own by way of a takeover bid at A\$1.85 cash per APDC Security (**Initial Proposal**), which was followed by the NEXTDC Offer on 31 July 2017 (discussed in section 1.1(b) below); and
- (vi) **Cancellation of RE Replacement Meeting:** On Wednesday 26 July 2017, 360 Capital announced the cancellation of the RE Replacement Meeting.

(b) NEXTDC Offer

On 26 July 2017, NEXTDC announced its Initial Proposal.

Subsequently on 31 July 2017, NEXTDC announced the NEXTDC Offer to acquire all of the APDC Securities it does not already own for A\$1.87 cash per APDC Security, released the Original Bidder's Statement in relation to the NEXTDC Offer (which has since been superseded by the Replacement Bidder's Statement dated 8 August 2017) and announced that it has instructed its broker to purchase on its behalf all APDC Securities offered for sale to it on the ASX during the period from the date of the Original Bidder's Statement until the end of the Offer Period, at up to the Offer Price of A\$1.87 per APDC Security.

(c) Status of Third Party Engagement Process

During the Third Party Engagement Process, APDC granted due diligence to a number of third parties including 360 Capital. As at the date of this Target's Statement, APDC has not received any alternative proposal to the NEXTDC Offer capable of acceptance by APDC Securityholders.

As discussed in section 1.2(d) below, the Board of APDC considers the NEXTDC Offer to be superior to the 360 Capital Proposal as the NEXTDC Offer has a higher Offer Price of A\$1.87 per APDC Security and is unconditional, and as at the date of this Target's Statement, no offer capable of acceptance by APDC Securityholders has been made by 360 Capital and 360 Capital has not announced any improved proposal or offer.

⁴ 360 Capital now has a 19.98% interest in APDC Securities, having acquired a further 0.16% interest between 5 May 2017 and 19 July 2017 at prices of between A\$1.78 and A\$1.85 per APDC security.

(d) **FY2017 financial information**

On 25 August 2017 APDC announced its FY2017 Financial Results and released the FY2017 Appendix 4E and annual financial report. As noted in the ASX announcement regarding the FY2017 Financial Results, the highlights include:

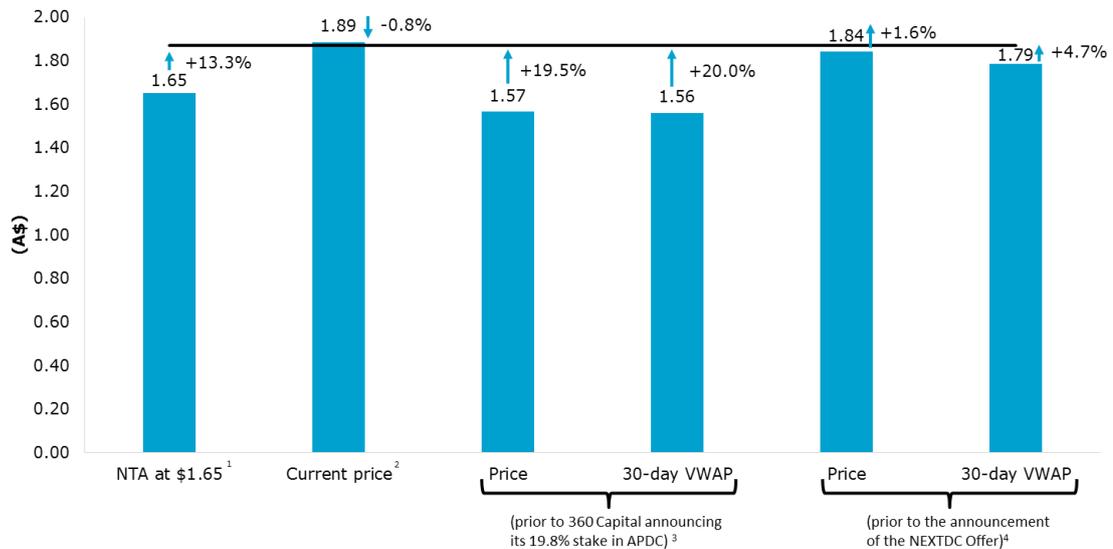
- distributions paid or payable of A\$11.18 million, representing distributions per stapled security of 9.72 cents;
- portfolio value of A\$212.8 million, representing an increase of A\$25.8 million in the value of the portfolio, or 13.8%;
- gearing of 11.9%;
- net tangible assets of A\$1.65 per APDC Security; and
- A\$13.39 million of rental income earned pursuant to the leases.

The FY2017 Financial Results and the FY2017 Appendix 4E and annual financial report may be obtained free of charge from APDC's website at www.asiapacificdc.com or by contacting Link Market Services on +61 1300 554 474.

1.2 **Why you should ACCEPT the NEXTDC Offer**

(a) **The Offer Price represents an attractive premium for your APDC Securities**

As set out in the chart below, the Offer Price of A\$1.87 per APDC Security represents an attractive premium to the volume weighted average prices (VWAPs) of APDC Securities across various periods to 28 July 2017, which was the last trading day prior to the announcement of the NEXTDC Offer.



Notes:

1. As announced by APDC to ASX on 25 August 2017.

2. Closing price as at 24 August 2017.

3. All figures as at 1 May 2017, the trading day immediately prior to 360 Capital announcing its acquisition of a 19.8% stake in APDC.

4. All figures as at 28 July 2017, the trading day immediately prior to the announcement of the NEXTDC Offer.

Note: Trading data obtained from Bloomberg. Bloomberg is not required to give, and has not given, consent to the inclusion of the trading data.

As noted in the chart, the Offer Price of A\$1.87 cash per APDC Security represents:

- a premium of 13.3% to APDC's NTA of A\$1.65 per APDC Security (as announced by APDC to ASX on 25 August 2017); and

- a premium of 19.5% when compared to the closing price of A\$1.57 per APDC Security on 1 May 2017, the last trading day prior to 360 Capital's announcement of its acquisition of a 19.8% interest in APDC Securities.

The Directors also note that since the NEXTDC Offer was announced, the APDC Securities have traded at prices higher than the Offer Price of A\$1.87 cash per APDC Security.⁵ The Directors consider that this may be due to an expectation that there may be a superior proposal or offer to the NEXTDC Offer. However, to date no superior proposal has been made or announced.

(b) The all cash Offer provides you with certainty of value for your APDC Securities

The Offer Price of A\$1.87 cash per APDC Security provides APDC Securityholders with certainty of value. You will cease to be exposed to the risks associated with an investment in APDC, including potential security price volatility due to general market conditions, the real estate market, and business performance.

In contrast, if the NEXTDC Offer lapses, the amount which APDC Securityholders will be able to realise for their APDC Securities will be uncertain and subject to, amongst other things, the performance of APDC's business from time to time, the vagaries of security market conditions and the real estate market.

There is also a risk to APDC Securityholders who do not accept the NEXTDC Offer if NEXTDC obtains control of APDC (by owning at least 50.1% of APDC Securities) and APDC Securities have reduced liquidity (which may also be the case even where NEXTDC's interest in APDC Securities is less than 50.1%). This may result in downward pressure on the trading price of APDC Securities and make it more difficult for APDC Securityholders to sell their APDC Securities.

(c) The NEXTDC Offer has the unanimous support of your Directors

Having carefully considered the terms of the NEXTDC Offer against all available alternatives, your Directors unanimously recommend that you **ACCEPT** the NEXTDC Offer, in the absence of a superior proposal.

Your Directors intend to accept the NEXTDC Offer for all the APDC Securities they own or control in the absence of a superior proposal.

(d) No superior proposal has been received

As at the date of this Target's Statement, APDC has not received any superior proposal from a third party compared to the NEXTDC Offer.

Although 360 Capital provided the terms of the 360 Capital Proposal to APDC on 25 July 2017 and 360 Capital provided an update in relation to the 360 Capital Proposal on 17 August 2017, it remains subject to certain conditions being satisfied, reflects a value for APDC Securities that is less than the NEXTDC Offer and no offer capable of acceptance by APDC Securityholders has been made by 360 Capital. APDC has permitted 360 Capital to conduct due diligence of APDC to determine whether it will submit an improved proposal or offer.

The Board of APDC considers the NEXTDC Offer to be superior to the 360 Capital Proposal. The Board also notes that there are no other discussions underway that the Board believes are likely to lead to any superior proposal being made.

(e) There is the risk that the APDC Security price may trade below the Offer Price if the NEXTDC Offer is not successful and there is no other offer for your APDC Securities

The closing APDC Security price on the ASX on 1 May 2017, being the last trading day prior to the announcement of 360 Capital's acquisition of a 19.8% interest in APDC, was A\$1.57. Prior to the announcement of the RE Replacement Meeting, the historical high for the APDC Security price was A\$1.74.

Since the NEXTDC Offer was announced, the APDC Securities have traded at prices higher than the Offer Price of A\$1.87 cash per APDC Security.⁶ The Directors consider that this may be due to an expectation that there may be a superior proposal or offer to the NEXTDC Offer. However, to date no superior proposal has been made or announced.

⁵ The high closing price being A\$1.90, most recently on 14 August 2017.

⁶ The high closing price being A\$1.90, most recently on 14 August 2017.

If the NEXTDC Offer is not successful and no superior proposal or offer emerges, there is the risk that the APDC Security price may trade below the Offer Price of A\$1.87 per APDC Security.

(f) **The Independent Expert has concluded that the NEXTDC Offer is fair and reasonable**

The Directors appointed BDO Corporate Finance (East Coast) Pty Ltd (the **Independent Expert**) to prepare an Independent Expert's Report. The Independent Expert has concluded that the NEXTDC Offer of A\$1.87 cash per APDC Security is fair and reasonable for APDC Securityholders.

The Independent Expert has assessed the fair market value of an APDC Security on a control basis to be in the range of A\$1.59 to A\$1.76.

On the basis that the Offer Price is in excess of the estimated fair market value of an APDC Security, the Independent Expert has concluded that the NEXTDC Offer is **fair and reasonable**.

The Directors of APDC encourage you to read the Independent Expert's Report in its entirety. The summary of the Independent Expert's Report is at Appendix 2 of this Target's Statement, with the full version available free of charge from APDC's website at www.asiapacificdc.com or by contacting Link Market Services on +61 1300 554 474.

(g) **There are risks in not accepting the NEXTDC Offer**

At the end of the Offer Period, any APDC Securityholders who do not accept the NEXTDC Offer will be subject to the following risks:

- (i) NEXTDC has stated in the Bidder's Statement that if it acquires at least 90% of APDC Securities, it intends to arrange for APDC to be removed from the official list of the ASX and acquire your APDC Securities through the implementation of compulsory acquisition procedures in accordance with section 661B of the Corporations Act, in which case you will be compelled to sell your APDC Securities to NEXTDC but may not receive your consideration for a number of weeks;
- (ii) if NEXTDC does not acquire at least 90% of APDC Securities but is in a position to cast the majority of votes at a general meeting of APDC Securityholders, then NEXTDC will be able to:
 - (A) control the composition of the boards of APDC Holdings and APDC Limited;
 - (B) replace the responsible entity of APDC Trust;
 - (C) significantly influence the strategic direction of APDC generally, including by reviewing APDC's existing capital management and distribution policies; and
 - (D) cause distributions on APDC Securities to be reduced or not paid in the future. See also section 6.8 of this Target's Statement, which describes the status of the September 2017 Distribution.

NEXTDC has indicated in the Bidder's Statement that it will consider board composition at the end of the Offer Period, having regard to the size of its stake and the circumstances applicable at that time;

- (iii) if NEXTDC does not acquire at least 90% of APDC Securities but acquires 75% (or more) of APDC Securities it will, subject to applicable voting exclusions in the Corporations Act and (if APDC remains listed) the ASX Listing Rules, be able to pass a special resolution at a general meeting of APDC Securityholders. This would enable NEXTDC to, among other things, change the constitution of APDC Holdings and/or APDC Trust;
- (iv) the APDC Security price may fall following the end of the Offer Period;
- (v) the liquidity of APDC Securities may be lower than at present, potentially affecting your ability to dispose of your APDC Securities. NEXTDC has stated in the Bidder's Statement that where NEXTDC does not acquire at least 90% of APDC Securities APDC's listing on the ASX is intended to be maintained (subject to continued compliance by APDC with the ASX Listing Rules). However, in this circumstance your ability to sell APDC Securities may be affected by reduced liquidity which may result in downward pressure on the trading price of APDC Securities and make it more difficult for APDC Securityholders to sell their APDC Securities; and
- (vi) if NEXTDC acquires a sufficiently high percentage of APDC Securities in the year ending 30 June 2018, there is a risk that APDC Trust may not qualify as a "Managed Investment Trust" under the tax rules for the entire year and certain concessions enjoyed by the APDC Trust and APDC

Securityholders will no longer be applicable after the June 2017 Distribution (see section 5 of the Australian Taxation Letter at Appendix 1).

There may be possible reasons for you not to accept the NEXTDC Offer. These are contained in the Bidder's Statement and section 1.3 of this Target's Statement.

1.3 Possible reasons for not accepting the NEXTDC Offer

You may wish to decline to follow the unanimous recommendation of the Directors to accept the Offer in respect of your APDC Securities and instead not accept the NEXTDC Offer for a number of reasons, including the following.

(a) **You may wish to remain an APDC Securityholder**

If you accept the NEXTDC Offer, you will no longer be entitled to participate in the future financial performance of APDC (including distributions) or exercise the rights of an APDC Securityholder.

(b) **You may disagree with the Directors' recommendation and the Independent Expert's conclusion**

You may hold a different view to the Directors and the Independent Expert and believe that the Offer Price of A\$1.87 cash per APDC Security is inadequate.

(c) **You may consider that there is potential for a superior proposal to emerge in the foreseeable future**

It is possible that a superior proposal for APDC could materialise in the future. However, as at the date of this Target's Statement, no alternative proposal which is capable of acceptance by an APDC Securityholder has been received.

(d) **You may want to sell your APDC Securities on market**

You may wish to cash out your investment in APDC on market if you expect proceeds may be higher. Since the NEXTDC Offer was announced, the APDC Securities have traded at prices higher than the Offer Price of A\$1.87 cash per APDC Security.⁷ The Directors consider that this may be due to an expectation that there may be a superior proposal or offer to the NEXTDC Offer. However, to date no superior proposal capable of acceptance has been made or announced.

If you sell your APDC Securities on market, you:

- will lose the ability to accept the NEXTDC Offer or any other offer which may eventuate;
- will not be entitled to receive any increased consideration if the Offer Price is increased by NEXTDC;
- may receive more or less for your APDC Securities than the Offer Price;
- may incur a brokerage charge; and
- may not obtain sufficient buyers to complete a trade above the Offer Price of A\$1.87 per APDC Security (including because APDC Securities may be affected by reduced liquidity).

(e) **The tax consequences of the NEXTDC Offer may not be suitable to your financial position**

As set out in Appendix 1 of this Target's Statement, acceptance of the NEXTDC Offer by APDC Securityholders is likely to have tax implications.

You should carefully read and consider the taxation consequences of accepting the NEXTDC Offer. However, APDC Securityholders should not rely on the disclosure of taxation considerations in section 7 of the Bidder's Statement or in Appendix 1 of this Target's Statement as being advice on their own affairs. The APDC Board encourages APDC Securityholders to consult with their own independent taxation advisers regarding the taxation implications of accepting the NEXTDC Offer given their own particular circumstances.

⁷

The high closing price being A\$1.90, most recently on 14 August 2017.

2. APDC DIRECTORS' RECOMMENDATION AND DIRECTORS' INTERESTS

2.1 Directors of APDC

As at the date of this Target's Statement, the directors of APDC are:

- Ian Fraser (Independent Non-Executive Chairman)
- Chris Breach (Independent Non-Executive Director)
- John Wright (Independent Non-Executive Director)
- Francina Turner (Executive Director, CEO and Company Secretary)

2.2 Directors' recommendation and intentions

After taking into account the matters in this Target's Statement and in the Bidder's Statement, each of your Directors recommend that you **ACCEPT** the NEXTDC Offer, in the absence of a superior proposal.

Since the NEXTDC Offer was announced, the APDC Securities have traded at prices higher than the Offer Price of A\$1.87 cash per APDC Security.⁸ The Directors consider that this may be due to an expectation that there may be a superior proposal or offer to the NEXTDC Offer. However, to date no superior proposal has been made or announced.

The reasons for the Directors' recommendation are set out in section 1.2 of this Target's Statement.

Your Directors intend to accept the NEXTDC Offer for any APDC Securities they own or control, in the absence of a superior proposal.

In evaluating the NEXTDC Offer, your Directors encourage you to:

- read the whole of this Target's Statement, including the Independent Expert's Report (the summary of which is included in Appendix 2), together with the Bidder's Statement;
- consider your alternatives as outlined in section 4 of this Target's Statement; and
- if you are in any doubt as to what you should do, seek independent financial, legal, taxation or other professional advice.

2.3 Interests and dealings of Directors in APDC Securities

As at the date immediately before the date of this Target's Statement, the Directors had the following relevant interest in APDC Securities:

Director	Number of APDC Securities
Ian Fraser	50,000
Chris Breach	16,605
John Wright	50,000
Francina Turner	-

No Director has acquired or disposed of a relevant interest in any APDC Securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

2.4 Interests and dealings of Directors in NEXTDC Shares

As at the date immediately before the date of this Target's Statement, no Director had a relevant interest in any NEXTDC Shares.

⁸ The high closing price being A\$1.90, most recently on 14 August 2017.

No Director has acquired or disposed of a relevant interest in any NEXTDC Shares in the 4 month period ending on the date immediately before the date of this Target's Statement.

2.5

Benefits and agreements

(a) Benefits to Directors

No Director has been or will be given, as a result of the NEXTDC Offer, any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the Board, managerial office or related body corporate of APDC.

No Director has agreed to receive, or is entitled to receive, any benefit from NEXTDC which is related to or conditional on the NEXTDC Offer, other than in their capacity as a holder of APDC Securities.

(b) Benefits in connection with retirement from office

Section 6.2 of the Bidder's Statement states that if NEXTDC acquires all of the APDC Securities it is expected that the positions of APDC's current employees would become redundant, and its employees would either be redeployed or their employment would be terminated. If redundancies do occur, the relevant employees will receive benefits in accordance with their contractual and other legal entitlements.

As Executive Director, CEO and Company Secretary of APDC, Ms Francina Turner is an employee of APDC, with a fixed annual remuneration of A\$242,500 (inclusive of superannuation entitlements). Ms Turner's current employment agreement has no fixed term. In the event of the termination of her employment (which requires 3 months' notice to be given by APDC) and depending on the reason for the termination, amounts may be payable for unpaid accrued entitlements. If employment is terminated in circumstances of redundancy or without cause then Ms Turner will be entitled to a minimum amount of three months fixed remuneration. If APDC wishes to exercise its employment restraint rights it may do so for up to nine months of restraint for an additional payment of six months of fixed remuneration.

(c) Agreements in connection with or conditional on the NEXTDC Offer

No agreement has been made between any Director and any other person in connection with, or conditional upon, the outcome of the NEXTDC Offer, other than in their capacity as a holder of APDC Securities.

(d) Interests in contracts with NEXTDC

No Director has any direct interest in any contract entered into by NEXTDC.

As stated in section 6.3 of this Target's Statement, all three of APDC's data centre properties are leased by NEXTDC.

3. FREQUENTLY ASKED QUESTIONS

You may have questions about the NEXTDC Offer. The following set of questions and answers is intended to assist in your understanding of the NEXTDC Offer. They are qualified by, and should be read in conjunction with, all other parts of this Target's Statement.

Question	Answer	Where to find additional information
<i>Who is making the NEXTDC Offer?</i>	NEXTDC is the company making the NEXTDC Offer. NEXTDC is listed on the ASX (ASX:NXT) and is also the tenant of the three data centre properties owned by APDC (S1, M1 and P1) under long-term, triple-net leases. Information in relation to NEXTDC can be obtained in section 5 of this Target's Statement and section 2 of the Bidder's Statement.	Refer to section 5 of this Target's Statement and section 2 of the Bidder's Statement.
<i>What is NEXTDC offering for my APDC Securities?</i>	The Offer Price is A\$1.87 cash per APDC Security. The NEXTDC Offer is unconditional.	Refer to section 1 and section 9.1 of the Bidder's Statement.
<i>What is the Bidder's Statement?</i>	The Bidder's Statement is the document prepared by NEXTDC which sets out the terms of the NEXTDC Offer, as required by the Corporations Act. NEXTDC lodged the Original Bidder's Statement with ASIC and the ASX on 31 July 2017, and the Replacement Bidder's Statement with ASIC and the ASX on 8 August 2017. References to the Bidder's Statement in this document are to the Replacement Bidder's Statement. All APDC Securityholders should have recently received a copy of the Replacement Bidder's Statement in the post.	
<i>What is this Target's Statement?</i>	This Target's Statement is the formal response by the Board of APDC to the NEXTDC Offer, as required by the Corporations Act. This document has been prepared by APDC and contains important information to help you decide whether to accept the NEXTDC Offer.	
<i>What choices do I have as an APDC Securityholder?</i>	As an APDC Securityholder, you have the following choices in respect of your APDC Securities: <ul style="list-style-type: none"> • accept the NEXTDC Offer; • sell all or part of your APDC Securities, for example, on the ASX (unless you have previously accepted the NEXTDC Offer); or • do nothing and retain your APDC Securities. <p>A summary of the implications of each of the above choices is set out in section 4 of this Target's Statement.</p> <p>You should seek independent legal, financial, taxation or other professional advice if you are in doubt as to what you should do in response to the NEXTDC Offer.</p>	Refer to section 4 of this Target's Statement.
<i>What are the Directors of APDC recommending?</i>	Your Directors unanimously recommend that you ACCEPT the NEXTDC Offer, in the absence of a superior proposal. The reasons for your Directors' recommendation are set out in section 1.2 of this Target's Statement.	Refer to section 1.2 of this Target's Statement.
<i>What do the Directors intend to do with their APDC Securities?</i>	Your Directors intend to accept the NEXTDC Offer for any APDC Securities they own or control, in the absence of a superior proposal. The Directors' interests in APDC Securities are set out in section 2.3 of this Target's Statement.	Refer to section 2.3 of this Target's Statement.

Question	Answer	Where to find additional information
<i>What is the opinion of the Independent Expert?</i>	<p>The Independent Expert has concluded that the NEXTDC Offer is fair and reasonable to APDC Securityholders.</p> <p>You are encouraged to read the Independent Expert's Report in full. The summary of the Independent Expert's Report is set out in full in Appendix 2 to this Target's Statement, with the full version available free of charge from APDC's website at www.asiapacificdc.com or by contacting Link Market Services on +61 1300 554 474</p>	Refer to Appendix 2 to this Target's Statement.
<i>Are there any reasons why I might not accept the NEXTDC Offer?</i>	Possible reasons for not accepting the NEXTDC Offer are set out in section 1.3 of this Target's Statement.	Refer to section 1.3 of this Target's Statement.
<i>How do I accept the NEXTDC Offer?</i>	Instructions on how to accept the NEXTDC Offer are set out in section 9.3 of the Bidder's Statement.	Refer to section 9.3 of the Bidder's Statement.
<i>How do I reject the NEXTDC Offer?</i>	To reject the NEXTDC Offer, you do not need to do anything.	
<i>What are the consequences of accepting the NEXTDC Offer now?</i>	If you accept the NEXTDC Offer, your acceptance will prevent you from withdrawing your APDC Securities from the NEXTDC Offer or otherwise disposing of your APDC Securities.	Refer to section 9.5 of the Bidder's Statement.
<i>If I accept the NEXTDC Offer, can I withdraw my acceptance?</i>	No. If you have accepted the Offer, you cannot withdraw your acceptance.	Refer to section 9.5 of the Bidder's Statement.
<i>When does the NEXTDC Offer close?</i>	The Offer is currently scheduled to close at 7.00pm (AEST) on Friday, 15 September 2017, but the Offer Period can be extended by NEXTDC or automatically in certain circumstances.	Refer to section 9.2 of the Bidder's Statement.
<i>What happens if there is a superior proposal from a third party?</i>	<p>If there is a superior proposal from a third party, the Directors will reconsider their recommendation in relation to the NEXTDC Offer and advise APDC Securityholders accordingly.</p> <p>If you have already accepted the NEXTDC Offer at that time, you will not be able to withdraw your acceptance and accordingly will be unable to accept a superior proposal if one arises.</p>	Refer to section 4 of this Target's Statement and 9.5 of the Bidder's Statement.
<i>What is the status of the 360 Capital Proposal?</i>	The 360 Capital Proposal remains subject to certain conditions being satisfied and no offer capable of acceptance by APDC Securityholders has been made by 360 Capital.	Refer to section 4.4 of this Target's Statement.
<i>What happens if NEXTDC increases the Offer Price?</i>	<p>If you accept the NEXTDC Offer and NEXTDC subsequently increases the Offer Price, you will receive the increased consideration for your APDC Securities.</p> <p>However the increase in Offer Price will not be available to APDC Securityholders who have already sold their APDC Securities on the ASX.</p>	Refer to sections 4.1 and 4.2 of this Target's Statement.
<i>When will I receive the Offer Price if I accept the NEXTDC Offer?</i>	You will be paid the Offer Price on or before seven Business Days after your acceptance of the NEXTDC Offer.	Refer to section 9.6 of the Bidder's Statement.
<i>What are the tax implications of accepting the NEXTDC Offer?</i>	<p>A general outline of the tax implications of accepting the NEXTDC Offer is set out in Appendix 1 of this Target's Statement and section 7 of the Bidder's Statement.</p> <p>As the outline is general in nature and not addressed to the personal circumstances of APDC Securityholders, you should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the NEXTDC Offer.</p>	Refer to Appendix 1 of this Target's Statement and section 7 of the Bidder's Statement.

Question	Answer	Where to find additional information
<i>Can I be forced to sell my APDC Securities?</i>	You cannot be forced to sell your APDC Securities unless NEXTDC acquires a relevant interest in at least 90% of all APDC Securities, in which case NEXTDC will be entitled, and intends, to compulsorily acquire any APDC Securities it does not already own and you will receive the same consideration for your APDC Securities that you would have received under the NEXTDC Offer. However, you may not receive the consideration for your APDC Securities until a number of weeks later compared to accepting the NEXTDC Offer.	Refer to section 4.3 of this Target's Statement and section 6.2 of the Bidder's Statement.
<i>Can I accept the NEXTDC Offer for only some of my APDC Securities?</i>	No. You cannot accept the NEXTDC Offer for only some of your APDC Securities. You may only accept the Offer for all of your APDC Securities.	Refer to section 9.3(a)(1) of the Bidder's Statement.
<i>Can I sell my APDC Securities on market?</i>	You can sell all or some of your APDC Securities on market but not if you have accepted the NEXTDC Offer in respect of those APDC Securities. However, you will likely incur brokerage charges and, if you sell on market, will not be able to participate in any superior proposal for APDC securities if such a proposal is made or any increase in the Offer Price that may be made by NEXTDC.	Refer to sections 1.3(d) and 4.2 of this Target's Statement.
<i>Can NEXTDC vary the NEXTDC Offer?</i>	Yes. NEXTDC can vary the NEXTDC Offer by extending the Offer Period or increasing the Offer Price in accordance with the Corporations Act. However, NEXTDC has no obligation to do so.	Refer to section 9.8 of the Bidder's Statement.
<i>Can the NEXTDC Offer be withdrawn?</i>	NEXTDC can only withdraw the NEXTDC Offer with the consent of ASIC.	Refer to section 9.7 of the Bidder's Statement.
<i>Will I need to pay brokerage if I accept the NEXTDC Offer?</i>	<p>If you accept the NEXTDC Offer, you will not be required to pay brokerage in respect of your APDC Securities if your APDC Securities are registered in an Issuer Sponsored Holding (your SRN starts with an 'I') in your name and you deliver them directly to NEXTDC.</p> <p>However, if your APDC Securities are registered in a CHESS Holding (your 'HIN' starts with an 'X'), or you are a beneficial owner whose Securities are registered in the name of a broker, bank, custodian or other nominee, you should ask your 'Controlling Participant' (usually your broker) or nominee whether it will charge any transactional fees or service charges in connection with your acceptance of the NEXTDC Offer.</p> <p>You may incur brokerage costs if you choose to sell your APDC Securities on the ASX.</p> <p>You should also not be liable for stamp duty in respect of the transfer of your APDC Securities to NEXTDC. NEXTDC has indicated in the Bidder's Statement that it will pay any stamp duty on the transfer of your APDC Securities to it.</p>	Refer to page 7, paragraph 5 of the Bidder's Statement.
<i>How can I get updates on the APDC Security price?</i>	<p>It is likely that the market trading price of APDC Securities will vary during the Offer Period.</p> <p>You can check the market price for all ASX listed securities by visiting www.asx.com.au. The ticker for APDC Securities on the ASX is AJD.</p>	Refer to section 4.2 of this Target's Statement.
<i>Is there a number I can call if I have further queries?</i>	If you have any further questions about information contained in this Target's Statement, please contact Link Market Services on +61 1300 554 474.	

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4. YOUR CHOICES AS AN APDC SECURITYHOLDER

Under the NEXTDC Offer, NEXTDC is offering A\$1.87 cash per APDC Security.

Your Directors unanimously recommend that you **ACCEPT** the NEXTDC Offer subject to there being no superior proposal in relation to APDC. As at the date of this Target's Statement, no superior proposal capable of acceptance has been received by APDC.

As an APDC Securityholder, you have several choices available to you. You are encouraged to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your APDC Securities.

4.1 Accept the NEXTDC Offer

You may choose to accept the NEXTDC Offer. Details of how to accept the NEXTDC Offer are set out in section 9.3 of the Bidder's Statement.

You should note that:

- (a) if you accept the NEXTDC Offer, you will not be able to sell your APDC Securities to anyone else or accept any superior proposal capable of acceptance by APDC Securityholders that may emerge or otherwise deal with your APDC Securities;
- (b) If you accept the NEXTDC Offer and NEXTDC subsequently increases the Offer Price, you will be entitled to the benefit of that increased consideration for your APDC Securities; and
- (c) NEXTDC has stated in its Bidder's Statement that it may withhold 12.5% of your Offer Price under the non-resident CGT withholding tax rules if you are a 'relevant foreign resident' and you do not provide NEXTDC with a signed Relevant Foreign Resident Declaration Form (see section 7.4 of the Bidder's Statement). If you receive a Relevant Foreign Resident Declaration Form and believe that these rules should not apply to you, you should return the signed declaration form with your acceptance form (see section 4 of the Australian Taxation Letter at Appendix 1 for further details).

You may also be liable to pay tax on acceptance of the Offer. See Appendix 1 of this Target's Statement, which sets out a general outline of the key Australian taxation implications for APDC Securityholders from accepting the NEXTDC Offer.

4.2 Sell your APDC Securities on the ASX

You remain free to sell your APDC Securities on the ASX, provided you have not already accepted the NEXTDC Offer.

On 24 August 2017 (the last practicable date prior to the finalisation of this Target's Statement), the closing security price for APDC Securities on the ASX was A\$1.885. The APDC Board also notes that, since the NEXTDC Offer was announced the APDC Securities have traded at prices higher than the Offer Price of A\$1.87 cash per APDC Security.⁹ The Directors consider that this may be due to an expectation that there may be a superior proposal or offer to the NEXTDC Offer. However, to date no superior proposal has been made or announced. The latest price for APDC Securities may be obtained from the ASX website at www.asx.com.au. The ticker for APDC Securities on the ASX is AJD.

If you sell your APDC Securities on the ASX, you:

- will lose the ability to accept the NEXTDC Offer and will not be entitled to receive any increased consideration for the APDC Securities you have sold, if the Offer Price is increased by NEXTDC;
- will not be able to accept any other offers for your APDC Securities;
- may receive more or less for the APDC Securities you have sold than the Offer Price;
- may incur a brokerage charge; and

⁹ The high closing price being A\$1.90, most recently on 14 August 2017.

- may not obtain sufficient buyers to complete a trade above the Offer Price of A\$1.87 per APDC Security (including because APDC Securities may be affected by reduced liquidity).

If you wish to sell your APDC Securities on the ASX you should contact your broker for information on how to effect that sale. You may also be liable to pay tax as a result of selling your APDC Securities on market.

4.3 **Do nothing and retain your APDC Securities**

If you do not wish to accept the NEXTDC Offer and want to retain your APDC Securities, you should simply do nothing. However, you should note that:

- if NEXTDC becomes the holder of a relevant interest in at least 90% of all APDC Securities on issue during or at the end of the Offer Period, NEXTDC intends to proceed with compulsory acquisition of the outstanding APDC Securities in accordance with the provisions of Part 6A.1 of the Corporations Act and arrange for APDC to be removed from the official list of the ASX. Refer to section 6.2 of the Bidder's Statement for details on compulsory acquisition;
- if NEXTDC acquires at least 50.1% of all APDC Securities but does not become entitled to compulsorily acquire your APDC Securities, you will be exposed to the risks of being an APDC Securityholder where NEXTDC has control of APDC (by owning at least 50.1% of APDC Securities). See section 1.2(g) of this Target's Statement which describes certain risks in not accepting the NEXTDC Offer including the potential consequences of NEXTDC having control of APDC; and
- if NEXTDC acquires a sufficiently high percentage of APDC Securities in the year ending 30 June 2018, there is a risk that APDC Trust may not qualify as a "Managed Investment Trust" under the tax rules for the entire year and certain concessions enjoyed by the APDC Trust and APDC Securityholders will no longer be applicable after the June 2017 Distribution (see section 5 of the Australian Taxation Letter at Appendix 1).

4.4 **Alternatives to the NEXTDC Offer**

During the Third Party Engagement Process, APDC granted due diligence to a number of third parties including 360 Capital. As at the date of this Target's Statement, APDC has not received any alternative proposal to the NEXTDC Offer capable of acceptance by APDC Securityholders.

Although 360 Capital provided the terms of the 360 Capital Proposal to APDC on 25 July 2017 and 360 Capital provided an update in relation to the 360 Capital Proposal on 17 August 2017, it remains subject to certain conditions being satisfied, reflects a value for APDC Securities that is less than the NEXTDC Offer and no offer capable of acceptance by APDC Securityholders has been made by 360 Capital. As at the date of this Target's Statement, 360 Capital has not announced any improved proposal or offer. APDC has permitted 360 Capital to conduct due diligence of APDC to determine whether it will submit an improved proposal or offer.

The Board of APDC does not consider the 360 Capital Proposal to be superior to the NEXTDC Offer.

5. **INFORMATION RELATING TO NEXTDC**

The bidder under the NEXTDC Offer is NEXTDC, which is listed on the ASX (ASX:NXT) and is also the tenant of APDC's three data centre properties owned by APDC (S1, M1 and P1) under long-term, triple-net leases.

The Bidder's Statement includes further information about NEXTDC and the NEXTDC Offer.

In particular, the following information can be found in the Bidder's Statement:

Information	Section of the Bidder's Statement
Information on NEXTDC	Section 2
Sources of consideration for the NEXTDC Offer	Section 5
NEXTDC's intentions in relation to APDC	Section 6
Terms of the NEXTDC Offer	Section 9

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6. INFORMATION RELATING TO APDC

6.1 Overview

APDC is a special purpose real estate investment trust (**REIT**) which commenced trading on the ASX on 9 January 2013 (ASX:AJD) to own data centre properties. APDC has the objective of providing investors with stable income and the potential for capital growth. Its head office is in Sydney and it owns properties in Sydney, Melbourne and Perth.

As at 24 August 2017, APDC had a market capitalisation of A\$216.8 million (based on a closing price of A\$1.885).

6.2 FY2017 financial information

As noted in section 1.1(d), on 25 August 2017 APDC announced its FY2017 Financial Results and released the FY2017 Appendix 4E and annual financial report.

The FY2017 Financial Results and the FY2017 Appendix 4E and annual report may be obtained free of charge from APDC's website at www.asiapacificdc.com or by contacting Link Market Services on +61 1300 554 474.

6.3 Objectives

APDC's objective is to provide investors with stable income sourced from rental income earned from its data centres and the potential for capital growth. In order to achieve this objective, APDC owns a geographically diverse portfolio of data centres in three Australian capital cities. APDC's data centre investment properties comprise the land and buildings. This includes essential building service improvements but excludes the tenant's fit out such as the plant and equipment and specialised data hall or data centre technical improvements.

The land and buildings in the current portfolio are leased on long-term triple-net terms to NEXTDC, pursuant to which all maintenance, taxes, insurance and outgoings are paid by NEXTDC as the tenant. The leases provide for upwards only annual CPI rental increases and market reviews in every fifth year, not exceeding 110% of the preceding year's rent.

6.4 Overview of APDC since listing on the ASX

APDC was established with the intention of providing investors with a stable income via quarterly distributions of cash flows and the potential for capital growth by investing in assets in a high growth and developing industry. APDC intended to further invest in data centre assets in the Asia Pacific region, and in particular data centre assets developed and operated by NEXTDC.

Following the expiry of the alliance period with NEXTDC on 21 December 2015, the Board of APDC has been actively investigating acquisition opportunities with other data centre operators.

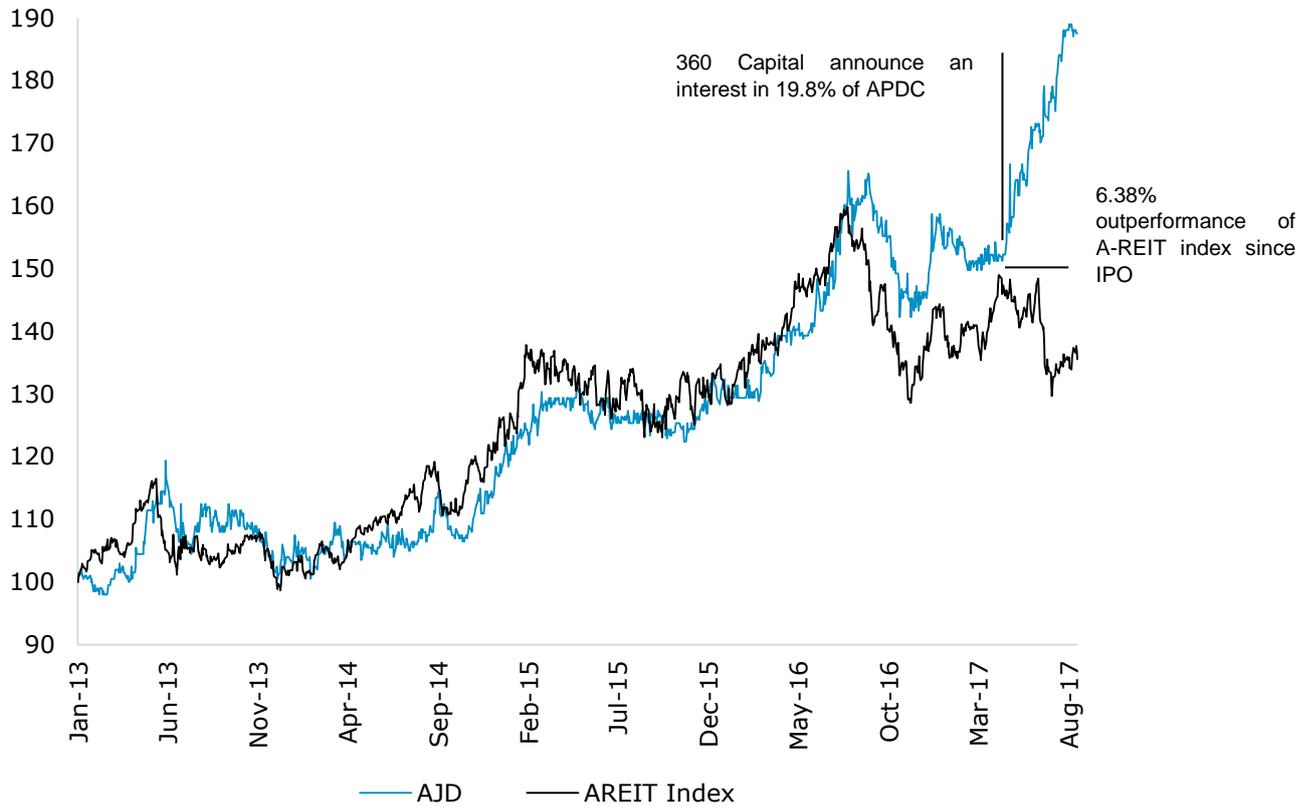
Over the last 19 months, the Board of APDC has investigated the opportunity to purchase 10 data centres in Australia, and made indicative offers on six assets. These offers did not proceed for a number of reasons, including valuation, due diligence issues and vendor withdrawal of the sale asset.

APDC has seen consistent increases in the value of its portfolio. This has been achieved on the back of the increased demand for institutional grade commercial assets.

As illustrated by the chart below, since IPO, and prior to 360 Capital announcing its acquisition of a 19.8% stake in APDC, APDC had outperformed the ASX/S&P 200 A-REIT Index by 6.38%, and delivered a total securityholder return of 18% per annum.

There has been significant corporate activity surrounding APDC over the last four months. The key events which have occurred in this time are set out in section 1.1 of this Target's Statement.

APDC Security price performance (January 2013 to present)¹



- Note:** As at 24 August 2017. Adjusted to reflect that APDC Securities traded on a partly paid basis until 2 May 2013. All figures have been rebased to 100. Trading data obtained from Bloomberg.

6.5 Portfolio overview

APDC's portfolio was independently valued at A\$212.8 million as at 30 June 2017, up from A\$187 million at 30 June 2016, and:

- is diversified across three properties located in major metropolitan areas of Sydney, Melbourne and Perth;
- has been 100% leased since listing; and
- is leased to the sole tenant, NEXTDC, on triple net leases.

Refer to section 6.6 for detail of the revised valuation of S1, APDC's Sydney property, announced by APDC on 25 August 2017.

Portfolio Metrics

Key portfolio metrics	As at 30 June 2017
Number of assets	3
Portfolio value (\$m)	212.8
Weighted average cap rate	6.47%
Gross lettable area (m ²)	46,893
Proportion leased	100%
WALE (years)	10.83

Property details

Property	M1, Melbourne, VIC	S1, Sydney, NSW	P1, Perth, WA	Portfolio
	826-846 Lorimer Street, Port Melbourne	4 Eden Park Drive, Macquarie Park	10 Malaga Drive, Malaga	
Independent value (\$m)	80.0	95.3	37.5	212.8
Last independent value date	Jun-17	Jun-17	Jun-17	-
Cap rate (%)	6.25	6.25	7.50	6.47
Gross lettable area (m ²)	17,354	19,984	9,555	46,893
Proportion leased	100%	100%	100%	100%
WALE (years)	10.47	10.87	11.41	10.83

6.6 Property revaluations

APDC's portfolio of three properties was independently revalued by Jones Lang LaSalle as at 30 June 2017. This resulted in a A\$20.5 million increase in value of APDC's portfolio to A\$212.8 million. The increase in values was driven by general firming of yields in Sydney, Melbourne and Perth markets for institutional grade commercial assets.

The current valuation of the portfolio represents an approximate 54% increase in valuation relative to acquisition cost.

Property	Prior independent valuation (\$m)	New independent valuation (\$m)	Change	Prior cap rate (%)	New cap rate (%)
M1, Melbourne	72.0	80.0	11.11%	6.75	6.25
S1, Sydney	80.0	95.3	19.13%	6.75	6.25
P1, Perth	35.0	37.5	7.14%	7.75	7.50
Portfolio	187.0	212.8	13.80%	6.94	6.47

S1 Rent Review and Revised Valuation

The determining valuer assessed the market rental for S1 at \$6,095,000 per annum (\$305 per m2 per annum), representing an increase of \$445,000 per annum (7.87%) from the previous annual rental.

This increase will become effective from 21 December 2017 and continue to apply unless revised under CPI adjustments or market rent reviews in future.

Following this determination, the Board of APDC commissioned Jones Lang LaSalle to apply the market rental to the valuation of S1. As a result, S1's fair value as at 30 June 2017 is \$95,300,000 based on an independent valuation.

6.7 Board and Management

Mr Ian Fraser (Independent Non-Executive Chairman)

Mr Ian Fraser is a chartered accountant and non-executive company director with 45 years' experience as a business and accounting professional, including 10 years as a company director of listed and unlisted public companies and 27 years as a partner with KPMG. He retired as a senior audit and corporate advisory partner in 2004.

Mr Fraser is a Councillor of the QIMR Berghofer Medical Research Institute. He retired from the Board of Wilson HTM Investment Group Ltd in 2013 after 7 years as a director and RP Data Ltd in 2011 after 3 years as chairman and 5 years as a director.

Mr Fraser holds a Bachelor of Commerce from the University of Queensland, is a Fellow of the Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Ms Francina Turner (Executive Director, CEO and Company Secretary)

Ms Francina Turner is a senior executive with over 20 years' experience in funds management, real estate, specialised assets and risk management. Over her career, Ms Turner has held leadership roles in listed and unlisted real estate funds with up to A\$1bn of funds under management.

Ms Turner started her career at Macquarie Group Limited where she worked for 13 years in various real estate divisions and funds, including as General Manager of Macquarie Leisure Trust (now Ardent Leisure Group). Following this, Ms Turner held management roles in group-level risk functions at Lend Lease Corporation and Stockland Group before joining the Group.

Ms Turner holds a Bachelor of Commerce (Marketing & Hospitality Management) from University of New South Wales and a Graduate Diploma in Applied Finance from Securities Institute of Australia. Ms Turner is a Fellow of the Royal Institution of Chartered Surveyors. Ms Turner was previously a director of Youth Hostels of Australia (NSW) Limited and Omni Leisure Operations Limited, and Responsible Officer of Macquarie Leisure Management Limited. She has held the role of CEO since November 2012.

Mr Christopher Breach (Independent Non-Executive Director)

Mr Christopher Breach has over 40 years' experience as a property professional and an extensive career covering many types and aspects of the real estate market in Australia, New Zealand, UK and USA. Until 2010, Mr Breach was Managing Director and Licensee of Macquarie Asset Services Limited (part of Macquarie Group Limited) and an executive director of Macquarie Group Limited. Mr Breach was an early initiator of a due diligence product that became the cornerstone of real estate investment over the last 20 years.

Prior to joining Macquarie, Mr Breach was the Director of Valuations and Corporate Real Estate at Jones Lang Wootton.

Mr Breach holds a Diploma in Estate Management from Kingston upon Thames Polytechnic and a Diploma in Financial Markets from the Securities Institute of Australia. He is a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Australian Institute of Company Directors. Mr Breach was the Chairman of Charities Aid Foundation from 1999 to 2009, and was also previously a director of Sydney Community Foundation.

Mr Breach is also a non-executive director of the Indigenous Real Estate Investment Trust which is an initiative of Indigenous Business Australia, to provide wholesale Indigenous investors the opportunity to invest in partnership with other Indigenous groups in an actively managed property fund.

Mr John Wright (Independent Non-Executive Director)

Mr John Wright has over 40 years' experience in accounting and real estate funds management. He started his career at Price Waterhouse as a chartered accountant and has a Bachelor of Economics from the University of Sydney. Following this he worked for a number of funds management and property groups and spent 16 years working for Macquarie Group Limited.

Mr Wright has extensive experience in REITs having spent 14 years at Macquarie Real Estate where he was responsible for the administration aspects for 7 listed REITs (including 3 IPOs), as well as involvement in the establishment of 11 unlisted REITs. His last position was as Head of Corporate Affairs for Charter Hall Group where he was responsible for the integration of the Macquarie real estate platform with Charter Hall.

Mr Wright was an executive director of Macquarie Group Limited for 6 years and director of Macquarie Leisure Group (now Ardent Leisure Group) for 2 years as well as alternate director for 3 other listed REITs during 2002-2009.

6.8 **Distribution guidance – September 2017 Distribution**

In the last four months, APDC has been involved in corporate activity and has incurred significant expenses that would not otherwise arise under normal trading conditions. These expenses include fees and expenses associated with considering and responding to the RE Replacement Meeting and the various proposals given to APDC before and during the course of the Third Party Engagement Process, preparing and arranging the distribution of this Target's Statement and engaging the Independent Expert.

Expenses incurred to the date of this Target's Statement are approximately A\$1,411,000. APDC will incur additional expenses of this nature, with the quantum of these expenses dependent on a variety of factors, including whether a change of control of APDC occurs. If a change of control of APDC occurs, a fee of approximately A\$1,700,000 will be payable to APDC's financial adviser.

It is a term of the NEXTDC Offer that the Offer Price will reduce by the amount of any distribution made by APDC to APDC Securityholders for the September 2017 quarter (**September 2017 Distribution**) (or any other distribution subsequent to the June 2017 quarterly distribution). Prior to making a decision on payment of the September 2017 Distribution the Board will carefully consider APDC's circumstances at that time. It is anticipated that a decision on payment of the September 2017 Distribution will be made by the APDC Board in September 2017 and will be notified to ASX at that time. Given the significant expenses incurred and to be incurred in relation to the corporate activity, it is possible that no September 2017 Distribution will be made or that the September 2017 Distribution will be reduced or limited in size. Similar considerations will apply to APDC distributions in subsequent quarters if corporate activity is ongoing at that time.

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7. RISK FACTORS

In considering this Target's Statement and the NEXTDC Offer, APDC Securityholders should be aware that there are a number of risks which may affect the future operating and financial performance of APDC. Some of the risks can be adequately mitigated, however many are beyond the control of APDC and its Directors and therefore may not be able to be mitigated. The principal risks you should consider when deciding whether to maintain your investment in APDC include the following matters set out below.

A comprehensive list of risks to which an APDC Securityholder may be exposed is set out in the product disclosure statement of APDC dated 3 December 2012, available on www.asiapacificdc.com.

7.1 Risks relating to APDC

As a holder of APDC Securities, you are already exposed to certain general risks associated with your investment in APDC, including the following:

- (a) **(Tenant risk)** An investment in APDC is directly linked to the rental payments of NEXTDC who is the sole tenant in APDC's property portfolio as well as a 19.9% holder of APDC Securities. NEXTDC's ability to pay rent is subject to a number of risks, including NEXTDC's financial position and performance, dependence on data centre infrastructure and technology and demand for data storage services. NEXTDC stated in the Bidder's Statement that, as at the date of the Bidder's Statement, NEXTDC has internal cash and term deposit reserves of more than A\$300 million. NEXTDC also announced on 14 August 2017 that it had agreed on credit approved terms with National Australia Bank Limited in relation to a new A\$300 million dollar debt facility in replacement of its existing A\$100 million debt facility, which increased its access to debt funding to a total of A\$600 million.
- (b) **(Market risk)** As a REIT, APDC is exposed to fundamental risks in the real estate market. This can be affected by many factors external to APDC, including changes in national and local economic and market conditions, inflation (which is taken into account in the determination of applicable rent), changes in interest rates and the availability and/or terms of debt financing and changes in governmental laws and regulations.
- (c) **(Industry and technology risk)** APDC's properties are all freehold property developed as data centres, and as such, APDC's performance depends in part on the demand for data centres in Australia. As highly specialised facilities containing extensive electrical and mechanical systems that are uniquely designed to house and maintain customers' equipment, most data centres are not suited for use by customers for other purposes without major renovation and expenditure. Furthermore, the industries in which data centre operators and their customers operate are also characterised by rapidly changing technology. Such rapid changes in technology may cause APDC's data centre infrastructure to become obsolete without APDC being able to efficiently upgrade or change fitted infrastructure without incurring substantial expense that may not be able to be passed on to its customers. This may negatively impact the ability of (i) APDC to attract data centre operators, and (ii) data centre operators to attract and retain customers, and either impact may have a material effect on the business of APDC.
- (d) **(Payment of forecast distributions)** APDC's ability to pay distributions are subject to the financial circumstances of APDC, which in turn are subject to various risks as described in this section. See also section 6.8 of this Target's Statement in relation to the September 2017 Distribution.
- (e) **(Utilities risk)** APDC and its tenants rely on third parties for the supply of utilities to its data centres (including electricity and water). Such supply is critical as it is directly linked to the ability of tenants to derive data centre utilisation and therefore provide APDC with rental income. It cannot be guaranteed that the third party providers will be able to consistently provide sufficient levels of utilities, or will have the necessary infrastructure to deliver any additional resources that may be required in the utilisation of the data centres. This risk is not within APDC's control as NEXTDC, in its capacity as tenant of S1, P1 and M1, takes responsibility for the supply of utilities under its agreements with APDC.
- (f) **(Structural alterations)** NEXTDC has the right to make structural alterations to the properties without APDC's consent in certain circumstances. Although alterations may not be made where they would decrease the value of the buildings, there is a risk that NEXTDC's alterations may limit the scope of future tenants that the building may accommodate.
- (g) **(Environmental risk)** As with any property there is a risk that one of the properties may fail to comply with applicable environmental laws or regulations. While APDC may be able to pass on that risk to another person in certain circumstances there is always a residual risk that APDC may be primarily liable for such non-compliance. In addition, environmental laws impose penalties for environmental damage and contamination which can be material in size.
- (h) **(Capital expenditure requirements)** The need for unforeseen capital expenditure over the life of APDC (such as repair, maintenance or rectification work on properties) can adversely impact on the returns on an

investment in APDC. While APDC will undertake all reasonable due diligence investigations required prior to acquiring assets, there can be no absolute assurance that properties will not have defects or deficiencies, or that unforeseen capital expenditure will not be required.

- (i) **(Financial leverage)** APDC Trust currently has a five year facility in place with Bankwest (a division of Commonwealth Bank of Australia) (**Bankwest**) to provide the Group with up to A\$29 million of asset-secured debt funding (**Debt Facility**). The Debt Facility matures on 28 November 2018. The Debt Facility is provided at market interest rates for a five year term, and is secured by a mortgage over the S1 Sydney data centre asset. At 30 June 2016, A\$25 million of the facility was drawn (**Core Debt**). APDC Trust renegotiated the interest rate margin on its Debt Facility with Bankwest. The margin has reduced from 2.15% per annum to 1.50% per annum effective from 6 July 2015.

APDC's net income is susceptible to changes in the applicable interest rate or margin as agreed with Bankwest or other financiers that APDC may borrow from in the future. Currently, as part of managing this risk, APDC Trust has a swap agreement with Bankwest to fix the floating interest rate component over A\$12.5 million of the drawn amount for five years. The effective cost of the Core Debt (loan interest, margin and swap interest) is 4.41% per annum as at 30 June 2017.

As disclosed in the APDC EM dated 13 July 2017, APDC has entered into preliminary discussions with Bankwest to refinance the Debt Facility.

7.2 Other specific risks in relation to APDC in light of the NEXTDC Offer

- (a) **(Control by NEXTDC)** The NEXTDC Offer is unconditional. Therefore it is possible that NEXTDC acquires more than 50% of the APDC Securities, but not acquire all of the APDC Securities on issue. In this circumstance NEXTDC will effectively control APDC, and have significant influence over the direction of APDC's business. NEXTDC has indicated in section 6.3 of the Bidder's Statement its intentions for APDC as a part owned controlled entity. NEXTDC may also seek to exercise significant influence with a holding of less than 50% of APDC Securities. See also section 1.2(g) of this Target's Statement, which sets out other potential risks of remaining an APDC Securityholder, for example in the circumstance where NEXTDC is in a position to cast the majority of votes at a general meeting of APDC Securityholders.

Changes to the business of APDC which are initiated or influenced by NEXTDC may result in the trading price of APDC Securities being significantly different from the current trading price of APDC Securities or the Offer Price.

- (b) **(Liquidity risk)** If NEXTDC acquires some but not all of the APDC Securities under the NEXTDC Offer, the number of APDC Securities publicly traded on the ASX could be significantly reduced. In addition, under item 9 of section 611 of the Corporations Act, NEXTDC is entitled to acquire up to an additional 3% interest in APDC every six months without needing to make a further takeover offer.

In light of these factors, there is a risk to APDC Securityholders who do not accept the NEXTDC Offer if NEXTDC obtains control of APDC (by owning at least 50.1% of APDC Securities) and APDC Securities have reduced liquidity (which may also be the case even where NEXTDC's interest in APDC Securities is less than 50.1%). This may result in downward pressure on the trading price of APDC Securities and make it more difficult for APDC Securityholders to sell their APDC Securities.

- (c) **(MIT status of APDC Trust)** If NEXTDC acquires a sufficiently high percentage of APDC Securities in the year ended 30 June 2018, there is a risk that APDC Trust may not qualify as a "Managed Investment Trust" under the tax rules for the year ending 30 June 2018 and later years. As a result, APDC Trust may not have access to the same tax concessions as currently available to APDC Trust and this may have an adverse effect on the tax treatment of APDC Trust, its distributions going forward and on the trading price of APDC Securities (see section 5 of the Australian Taxation Letter at Appendix 1).

8. ADDITIONAL INFORMATION

8.1 Issued capital

As at the date of this Target's Statement, the issued securities in APDC comprise:

- 115,000,100 fully paid ordinary shares in APDC Holdings; and
- 115,000,100 fully paid ordinary units in APDC Trust.

Each fully paid ordinary share in APDC Holdings is stapled to one fully paid ordinary unit in the APDC Trust, together forming an APDC Security. APDC Securities trade on the ASX under the ticker AJD.

8.2 Substantial holders

As at the date of this Target's Statement, based on the substantial securityholder notices provided to APDC, the substantial securityholders of APDC are set out in the table below:

Substantial securityholder	Number of APDC Securities	Relevant Interest
NEXTDC Limited ¹⁰	23,889,090	20.77%
360 Capital Group ¹¹	22,980,000	19.98%

8.3 Material litigation

APDC is not involved in any litigation or dispute which is material in the context of APDC and its subsidiaries taken as a whole.

8.4 Impact of NEXTDC's intentions on material contracts

NEXTDC's intentions in respect of the NEXTDC Offer will have certain consequences in respect of existing arrangements between APDC and third parties. The impact on those arrangements is set out below.

(a) No change of responsible entity

If NEXTDC acquires voting power in more than 50% of APDC, it will have the power to replace the responsible entity of the APDC Trust. However, NEXTDC has stated in its Bidder's Statement that it intends to retain APDC Limited as the responsible entity of the APDC Trust if it acquires voting power in more than 50% of APDC pursuant to the NEXTDC Offer. Accordingly, the NEXTDC Offer will not lead to any consequences under existing agreements between APDC and third parties which result from a change to the responsible entity of the APDC Trust.

(b) Change of control of APDC

If NEXTDC acquires voting power in more than 50% of APDC, a "change of control" (as defined in section 50AA of the Corporations Act) occurs in respect of APDC Trust, APDC Limited and APDC Holdings. This constitutes a default under the Debt Facility and the interest rate swap described in section 7.1(i) of this Target's Statement. A default under the Debt Facility entitles Bankwest to, among other things, terminate its obligations with immediate effect and declare that all monies owing be paid immediately or on demand, and a default under the interest rate swap entitles the counterparty to terminate the swap early with a potential obligation on APDC Trust to pay an early termination amount. Bankwest has consented to, and has waived its rights in connection with any default arising under the Debt Facility and the interest rate swap in respect of, the potential change of control as a result of the NEXTDC Offer.

(c) Delisting of APDC

In section 6.2 of the Bidder's Statement, NEXTDC has indicated that if it acquires 90% or more of APDC Securities it intends to arrange for APDC to be removed from the official list of the ASX. In this

¹⁰ Based on the substantial holding notice lodged with the ASX on 23 August 2017.

¹¹ Based on the substantial holding notice lodged with the ASX on 19 July 2017.

circumstance a default occurs under the Debt Facility and the interest rate swap described in section 7.1(i) of this Target's Statement with similar consequences as described in paragraph (b) above. Bankwest has consented to, and has waived its rights in connection with any default arising under the Debt Facility and the interest rate swap in respect of, the delisting taking place as a result of the NEXTDC Offer.

8.5 Latest financial results and financial position

On 25 August 2017 APDC announced its FY2017 Financial Results and released the FY2017 Appendix 4E and annual financial report. The relevant APDC disclosures are available on APDC's website at www.asiapacificdc.com and on the ASX website at www.asx.com.au.

8.6 Bankwest Facility

As disclosed in the APDC EM dated 13 July 2017, APDC has entered into discussions with Bankwest to refinance the Debt Facility. Further discussions are contingent on the outcome of the NEXTDC Offer or other control proposals.

8.7 Consent to be named

Fort Street Advisers has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as APDC's financial advisers in the form and context in which it is named.

Ashurst Australia has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as the Australian legal and tax adviser to APDC.

BDO Corporate Finance (East Coast) Pty Ltd has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to the inclusion of the summary of the Independent Expert's Report in Appendix 2 and statements based on the Independent Expert's Report in the form and context in which the statements are included.

Jones Lang LaSalle Advisory Services Pty Ltd has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to the inclusion of the statements based on its independent valuations (as announced on ASX on 26 June 2017 and 25 August 2017), in the form and context in which the statements are included.

8.8 Consent to inclusion of a statement

Each person named in section 8.7 as having given its consent to the inclusion of a statement or being named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than those statements which have been included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and any statements or report which have been included in this Target's Statement with the consent of that party.

ASIC has published various Class Orders and legislative instruments that modify, or exempt parties from compliance with the operation of various provisions of Chapter 6 of the Corporations Act. APDC has relied on that ASIC Class Order and legislative instrument relief.

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the ASX. Pursuant to this ASIC Class Order, the consent of persons to whom such statements are attributed is not required for the inclusion of these statements in this Target's Statement.

Any APDC Securityholder who would like to receive a copy of any of those documents may obtain a copy free of charge during the Offer Period by contacting Link Market Services on +61 1300 554 474.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- which fairly represents what purports to be a statement by an official person; or
- which are a correct and fair copy of, or extract from, what purports to be a public official document; or

- which are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

Pursuant to this ASIC Instrument, the consent of such persons to whom statements or documents are attributed is not required for the inclusion of those statements in this Target's Statement.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains security price trading data sourced from Bloomberg without its consent.

8.9 **Continuous disclosure**

APDC is a disclosing entity as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules.

Copies of documents filed with the ASX may be obtained from the ASX website at www.asx.com.au and for announcements made by APDC, APDC's website at www.asiapacificdc.com.

Copies of documents lodged with ASIC in relation to APDC may be obtained from, or inspected at, an ASIC office.

APDC Securityholders may obtain a copy of:

- APDC's annual report;
- the APDC Holdings constitution;
- the APDC Trust constitution; and
- any document lodged by APDC with the ASX,

free of charge upon request by contacting Link Market Services on +61 1300 554 474 or from the ASX website at www.asx.com.au. APDC's annual report and this Target's Statement are also available on APDC's website at www.asiapacificdc.com.

8.10 **No other material information**

This Target's Statement is required to include all the information that APDC Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the NEXTDC Offer, but:

- only to the extent to which it is reasonable for APDC Securityholders and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any APDC Director.

The Directors are of the opinion that the information that APDC Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the NEXTDC Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in APDC's releases to the ASX, and in the documents lodged by APDC with ASIC, before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the APDC Securities;
- the matters that APDC Securityholders may reasonably be expected to know;

- the fact that certain matters may reasonably be expected to be known to APDC Securityholders' professional advisers; and
- the time available to APDC to prepare this Target's Statement.

9. **GLOSSARY AND INTERPRETATION**

9.1 **Definitions**

360 Capital means 360 Capital Group (ASX:TGP).

360 Capital Proposal means the conditional proposal by 360 Capital to acquire all APDC Securities at A\$1.80 cash per APDC Security, as provided to APDC on 25 July 2017.

AEST means Australian Eastern Standard Time.

APDC means Asia Pacific Data Centre Group, being the 'stapled group' comprising APDC Holdings and APDC Trust (the responsible entity for which is APDC Limited) whose shares and units are stapled together.

APDC EM means the explanatory memorandum dated 13 July 2017 issued by APDC in response to the notice of meeting dated 28 June 2017 under which the RE Replacement Meeting was convened.

APDC Holdings means Asia Pacific Data Centre Holdings Limited ACN 159 621 735.

APDC Holdings Board means the board of directors of APDC Holdings.

APDC Limited means Asia Pacific Data Centre Limited ACN 159 624 585.

APDC Limited Board means the board of directors of APDC Limited.

APDC Security means a stapled security comprising one fully paid unit in the APDC Trust and one fully paid ordinary share in the issued capital of APDC Holdings.

APDC Securityholder means a holder of APDC Securities.

APDC Trust means Asia Pacific Data Centre Trust ARSN 161 049 556.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

ASX Listing Rules means the official listing rules of the ASX.

Bankwest means Bankwest (a division of Commonwealth Bank of Australia).

Bidder's Statement means the replacement bidder's statement received by APDC from NEXTDC under Part 6.5 of the Corporations Act dated 8 August 2017.

Board means the board of directors of APDC.

Business Day means a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday.

Corporations Act means the *Corporations Act 2001* (Cth).

CPI means the consumer price index published by the Australian Statistician for All Groups weighted average of 8 capital cities or the index that replaces it.

CGT means capital gains tax.

Debt Facility means the five year facility with Bankwest to provide APDC with up to A\$29 million of asset-secured debt funding, maturing on 28 November 2018 and secured by a mortgage over S1.

Directors means the current directors of APDC.

FY2017 Financial Results means the full year financial results announced by APDC on 25 August 2017 for FY2017.

FY2017 means the financial year ended 30 June 2017.

FY2018 means the financial year ending 30 June 2018.

Jones Lang LaSalle means Jones Lang LaSalle Advisory Services Pty Ltd.

June 2017 Distribution means the A\$0.0243 per APDC Security distribution announced by APDC on 26 June 2017 (payable 28 August 2017).

Independent Expert means BDO Corporate Finance (East Coast) Pty Ltd.

Independent Expert's Report means the report prepared by the Independent Expert dated 25 August 2017, a summary of which is set out in Appendix 2 to this Target's Statement.

M1 means the data centre facility owned by APDC located at 826-846 Lorimer Street, Port Melbourne, Victoria 3207.

NEXTDC means NEXTDC Limited ACN 143 582 521.

NEXTDC Offer or Offer means the offer by NEXTDC for APDC Securities, which is contained in section 9.1 of the Bidder's Statement.

NEXTDC Share means one ordinary share in NEXTDC.

Offer Period means the period during which the NEXTDC Offer will remain open for acceptance in accordance with section 9.2 of the Bidder's Statement.

Offer Price means the consideration offered under the NEXTDC Offer, being A\$1.87 cash per APDC Security as at the date of this Target's Statement.

Original Bidder's Statement means the original bidder's statement received by APDC from NEXTDC under Part 6.5 of the Corporations Act dated 31 July 2017 which was replaced by the Bidder's Statement.

P1 means the data centre facility owned by APDC located at 101 Malaga Drive, Malaga, Western Australia, 6090.

RE Replacement Meeting means the meeting of the members of APDC Trust called by 360 Capital on 28 June 2017 to consider resolutions to remove APDC Limited and appoint 360 Capital FM Limited as responsible entity of APDC Trust.

REIT means real estate investment trust.

S1 means the data centre facility owned by APDC located at 4 Eden Park Road, Macquarie Park, New South Wales 2113.

S1 Revised Valuation means the revised valuation of S1 as at 30 June 2017 undertaken by Jones Lang LaSalle as commissioned by the Board of APDC, following the results of the rent review of S1 as announced by APDC on 23 August 2017.

September 2017 Distribution means any distribution to be made to APDC Securityholders by APDC for the September 2017 quarter.

Target's Statement means this document (including any attachments), being the statement of APDC Holdings and APDC Limited (as the responsible entity of APDC Trust) under Part 6.5 Division 3 of the Corporations Act.

VWAPs means volume weighted average prices.

WALE means weighted average lease expiry.

9.2 Interpretation

In this Target's Statement, unless the context requires otherwise:

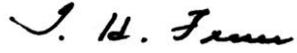
- (a) headings are inserted for convenience and do not affect the interpretation of this Target's Statement;
- (b) words and phrases in this Target's Statement have the same meaning given to them (if any) in the Corporations Act;
- (c) the singular includes the plural and vice versa;
- (d) a gender includes all genders;
- (e) a reference to a person includes a corporation, partnership, joint venture, association, unincorporated body or other body corporate and vice versa;
- (f) if a word is defined, another part of speech has a corresponding meaning;
- (g) a reference to a section or appendix is a reference to a section or appendix of this Target's Statement;
- (h) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (i) unless expressly stated otherwise, a reference to time is a reference to AEST; and
- (j) unless expressly stated otherwise, a reference to dollars, \$, A\$ or AUD is a reference to the lawful currency of Australia.

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10. **AUTHORISATION**

This Target's Statement is dated 25 August 2017 and has been approved by a resolution passed by the Directors of APDC.

Signed for and on behalf of APDC:

A handwritten signature in black ink, appearing to read "I. H. Fraser". The signature is written in a cursive style with a large initial 'I'.

Ian Fraser
Chairman
Asia Pacific Data Centre Group

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APPENDIX 1 : AUSTRALIAN TAXATION LETTER

25 August 2017

The Directors
Asia Pacific Data Centre Holdings Limited
Asia Pacific Data Centre Limited as responsible entity of
the Asia Pacific Data Centre Trust
Level 13
135 King Street
Sydney NSW 2000

Ashurst Australia
Level 11
5 Martin Place
Sydney NSW 2000
Australia

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Australia

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DX 388 Sydney
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Dear Sirs

NEXTDC Limited Offer
Australian taxation implications for APDC Securityholders

1. **INTRODUCTION**

We have been instructed by Asia Pacific Centre Holdings Limited (**APDC Holdings**) and Asia Pacific Data Centre Limited (**APDC Limited**) as responsible entity of the Asia Pacific Data Centre Trust (**APDC Trust**) (together, **APDC**) to provide a general summary of the key Australian taxation implications to APDC Securityholders in accepting the offer from NEXTDC Limited (**NEXTDC**) dated 14 August 2017 to acquire all of the APDC Securities (**NEXTDC Offer** or **Offer**).

This letter provides a general outline of the key Australian taxation implications for APDC Securityholders from disposing of their APDC Securities in return for cash under the Offer.

The taxation consequences to APDC Securityholders of disposing of their APDC Securities depend on a number of factors and will vary depending on their particular circumstances. The outline provided in this letter is of a general nature only, does not comprehensively deal with all taxation implications that may arise and does not consider any specific facts or circumstances that may apply to particular APDC Securityholders.

APDC Securityholders should not rely on the disclosure of taxation considerations in this letter as being advice on their own affairs and should seek their own specific professional tax advice as to the taxation implications applicable to their circumstances. Neither Ashurst, APDC Holdings, APDC Limited nor any of their Directors or advisers accept any liability or responsibility in respect of any statement concerning the taxation consequences to particular APDC Securityholders from disposing of their APDC Securities.

This letter is based on Australian taxation laws in force and administrative practice as at the date of this advice. The opinions expressed in this opinion are not binding on the Australian Taxation Office (**ATO**) (or any other relevant taxing authority), and it is not an assurance that the ATO (or any other relevant taxing authority) will agree with the views presented in this opinion or that any contrary view of the ATO (or any other relevant taxing authority) would not ultimately be upheld by any court.

This letter applies only to APDC Securityholders who hold their APDC Securities on capital account for tax purposes. This letter does not deal with APDC Securityholders who:

- hold their APDC Securities in the course of carrying on a business (eg, as trading stock) or on revenue account (eg, as part of a profit-making undertaking or scheme);
- are temporary residents of Australia, life insurance companies or pooled superannuation trusts for tax purposes;

- are subject to the Taxation of Financial Arrangements provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**); or
- are not residents of Australia for tax purposes and hold their APDC Securities in carrying on a business through a permanent establishment in Australia.

This letter deals with Australian taxation law only and does not deal with the implications of disposing of APDC Securities under the taxation laws of countries other than Australia.

References to tax law are to the provisions of the *Taxation Administration Act 1953* (Cth) (**TAA 1953**) or the ITAA 1997 unless otherwise stated. Capitalised terms in this letter have the meanings given to them under the Target's Statement unless otherwise defined.

2. **AUSTRALIAN RESIDENT SECURITYHOLDERS**

This section 2 applies to APDC Securityholders who are residents of Australia for Australian income tax purposes.

2.1 **CGT event**

For CGT purposes, each APDC Security comprises two separate CGT assets, being an ordinary unit in the APDC Trust (**Unit**) and an ordinary share in APDC Holdings (**Share**). Accordingly, the disposal by an APDC Securityholder of their APDC Securities requires separate CGT calculations in respect of their Units and Shares. The disposal proceeds received for the APDC Securities will need to be allocated between the Units and Shares on a reasonable basis.

(a) APDC Securityholders who accept the Offer

A disposal by an APDC Securityholder of their APDC Securities pursuant to the Offer will constitute a CGT event for the APDC Securityholder in respect of their Units and Shares. The date of the CGT event will be the date the contract to dispose of the APDC Securities is entered into by the APDC Securityholder, being the date on which the APDC Securityholder accepted the Offer.

(b) APDC Securityholders who sell their APDC Securities on market

During the Offer Period, APDC Securityholders who have not already accepted the Offer may choose to sell their APDC Securities on the ASX. The sale of APDC Securities by an APDC Securityholder on the ASX will constitute a CGT event for the APDC Securityholder in respect of their Units and Shares.

The date of the CGT event will be the date the contract to sell the APDC Securities is entered into by the APDC Securityholder.

(c) Compulsory Acquisition

If an APDC Securityholder does not dispose of their APDC Securities either on the ASX or under the Offer and their APDC Securities are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, the APDC Securityholder will be treated as having disposed of their Units and Shares for CGT purposes. The date of the CGT event should be the date when the APDC Securityholder ceases to be the owner of the APDC Securities.

2.2 **Calculation of capital gain or capital loss**

APDC Securityholders will make a capital gain in respect of the disposal of their Units or Shares to the extent that the capital proceeds from the disposal of the Units or Shares are more than the cost base of those Units or Shares. Conversely, APDC Securityholders will make a capital loss in respect of the disposal of their Units or Shares to the extent that the capital proceeds from the disposal of the Units or Shares are less than their reduced cost base of those Units or Shares.

The capital proceeds and cost base of an APDC Securityholder's Units or Shares are broadly described below.

(a) Capital proceeds

The capital proceeds from a disposal by an APDC Securityholder of their Units or Shares is generally the amount of consideration received by the APDC Securityholder for the disposal of their APDC Securities, apportioned on a reasonable basis between their Units and their Shares.

(b) Cost base

The cost base of an APDC Securityholder's Units or Shares generally includes the purchase price paid for the Units or Shares and certain non-deductible incidental costs of their acquisition and disposal. The cost base of an APDC Securityholder's Units should be

reduced to the extent that distributions or parts of distributions received by the APDC Securityholder from the APDC Trust are attributable to tax deferred distributions.

The reduced cost base of the Units or Shares may be less than the cost base of the Units or Shares as a result of certain tax adjustments. The reduced cost base is relevant to calculating capital losses.

2.3 **Capital gains and capital losses**

If an APDC Securityholder makes a capital gain from a disposal of their Units or Shares, the capital gain is aggregated with other capital gains made by the APDC Securityholder in the same income year. Any available capital losses of the APDC Securityholder from the same or previous income years may then be offset against the capital gains (subject to satisfaction of loss recoupment tests). If there is a capital gain remaining after application of available capital losses, the APDC Securityholder may be entitled to apply a discount (see below). Any net capital gain after applying the discount (if applicable) is included in assessable income of the APDC Securityholder in that income year.

Individuals, complying superannuation entities and trusts that have held the CGT asset to which the capital gain relates for at least 12 months before the CGT event, calculated from the date of acquisition of the CGT asset for CGT purposes, may be entitled to discount the amount of the capital gain (after application of capital losses) by 50% in the case of individuals and trusts or by 33⅓% in the case of complying superannuation entities. For trusts, the ultimate availability of the discount for beneficiaries of the trust in relation to distributions of capital gains by the trust will depend on the particular circumstances of the beneficiaries. No discount is available for APDC Securityholders which are companies.

If an APDC Securityholder makes a capital loss from the disposal of their APDC Securities, the capital loss may only be used to offset capital gains of the APDC Securityholder in the same or future income years (subject to satisfaction of loss recoupment tests).

2.4 **Post-June 2017 Distributions**

In its Bidder's Statement, NEXTDC states that if an APDC Securityholder still owns APDC Securities as at the record date for distributions subsequent to the June 2017 Distribution, the APDC Securityholder will be entitled to that distribution. However, if the APDC Securityholder subsequently accepts the Offer, the Offer consideration is correspondingly reduced for any distributions which the APDC Securityholder is paid or entitled to receive.

In respect of Australian resident APDC Securityholders who become entitled to a post-June 2017 distribution prior to accepting the Offer, the taxable components of the distribution will still be required to be included in the assessable income of the APDC Securityholder and taxed in the normal way. However, the taxable components should not be subject to tax again as a capital gain on disposal of their APDC Securities under the Offer.

3. **NON-RESIDENT SECURITYHOLDERS**

This section 3 applies to APDC Securityholders who are not, and have never been, residents of Australia for Australian income tax purposes.

The disposal by a non-resident APDC Securityholder of their APDC Securities should generally only result in Australian CGT implications to a non-resident APDC Securityholder if the APDC Securities are 'indirect Australian real property interests'.

A Share or Unit held by an APDC Securityholder will be an '**indirect Australian real property interest**' if both of the following conditions are met:

- that APDC Securityholder together with its "associates" holds 10% or more of the total APDC Securities on issue in APDC at the time of the CGT event, or has held at least that percentage for any 12 month period within two years preceding the CGT event (referred to as a '**non-portfolio interest**'); and
- more than 50% of the aggregate market value of APDC Holdings' or APDC Trust's assets is directly or indirectly attributable to 'taxable Australian real property' (including interests in Australian real property, leases of Australian real property and mining, quarrying or prospecting rights in respect of materials situated in Australia) (referred to as satisfying the '**principal asset test**').

We are instructed that the principal asset test is satisfied in relation to the APDC Trust but should not be satisfied in relation to APDC Holdings.

Non-resident APDC Securityholders who hold a 'non-portfolio interest' in APDC should obtain

independent tax advice as to the tax implications to them of the disposal.

4. **NON-RESIDENT CGT WITHHOLDING RULES**

APDC Securityholders who dispose of their APDC Securities off-market (eg, pursuant to the Offer or whose APDC Securities are compulsorily acquired) may be subject to the non-resident CGT withholding rules. The non-resident CGT withholding rules do not apply to disposals on the ASX.

Broadly, purchasers that acquire 'indirect Australian real property interests' that are shares in a company or units in a trust (refer to section 3 above) may be required to withhold 12.5% of the consideration and pay that amount to the ATO. The withholding tax is not a final tax, and the seller of the shares or units may receive a credit for amounts withheld on filing an Australian tax return and may receive a refund of tax if amounts have been withheld in excess of their actual Australian tax liability.

These rules are targeted at non-resident sellers. Under the rules, NEXTDC may make a withholding from the cash consideration for the acquisition of an APDC Securityholder's Shares or Units if the Shares or Units are an indirect Australian real property interest and if any of the following apply to the APDC Securityholder (the APDC Securityholder is referred to as a '**relevant foreign resident**')

- NEXTDC knows or reasonably believes that the APDC Securityholder is a non-resident;
- the APDC Securityholder has an overseas address or NEXTDC is authorised to pay the consideration overseas (in a case where NEXTDC does not reasonably believe that the APDC Securityholder is an Australian resident); or
- the APDC Securityholder has a connection outside Australia of a kind specified in the regulations. As at the date of this Target's Statement, no applicable regulations have been made.

In its Bidder's Statement, NEXTDC has stated that if it considers or reasonably believes that the registered owner of APDC Securities is a relevant foreign resident, that registered owner of the APDC Securities may receive a Relevant Foreign Resident Declaration Form. If an APDC Securityholder does not receive a Relevant Foreign Resident Declaration Form and thinks that they are a relevant foreign resident, they may request a Relevant Foreign Resident Declaration Form from NEXTDC (refer to section 7.4(c) of the Bidder's Statement for contact details).

For an APDC Securityholder who receives or requests a Relevant Foreign Resident Declaration Form, if it declares to NEXTDC by the date that the consideration is payable by NEXTDC that the APDC Securityholder is an Australian resident or their Shares or Units are not indirect Australian real property interests, there is no requirement for NEXTDC to withhold under the rules unless NEXTDC knows the declaration to be false. Where an APDC Securityholder receives or requests a form, the securityholder should consider whether a declaration can be made and, if applicable, return the completed form with any acceptance form in order for the withholding tax to not apply.

An APDC Securityholder may also apply to the ATO for a variation notice under section 14-235(2) of Schedule 1 to the TAA 1953 if it is able to justify that a reduced withholding tax rate should apply in respect of the disposal of their APDC Securities. NEXTDC must apply the reduced withholding tax rate as specified in the variation notice in respect of an APDC Securityholder if it becomes aware of the variation notice by the date that the consideration is payable by NEXTDC to the APDC Securityholder. In its Bidder's Statement, NEXTDC has stated that a variation notice which is provided by the APDC Securityholder at the time of accepting the offer will be taken into account by NEXTDC in determining the amount of withholding tax to apply to the APDC Securityholder.

APDC Securityholders should obtain independent tax advice as to the potential implications to them of the non-resident CGT withholding rules.

5. **MANAGED INVESTMENT TRUST STATUS**

As at the date of this Target's Statement, we are instructed that the APDC Trust qualifies as a Managed Investment Trust (**MIT**) for income tax purposes.

As a consequence of the NEXTDC Offer, APDC Trust may cease to qualify as a MIT for the 30 June 2018 income year (eg, if during the 30 June 2018 income year, NEXTDC acquires a sufficient number of APDC Securities such that APDC Trust is considered "closely held" for the purposes of the MIT rules (eg, where 75% or more of the APDC Securities are held by 20 or fewer relevant persons)).

If APDC is not a MIT in respect of the 30 June 2018 income year, MIT tax concessions currently enjoyed by APDC Trust may no longer be applicable with effect from 1 July 2017. We are instructed that the two MIT tax concessions utilised by APDC Trust are the capital treatment election in Division 275 of the ITAA 1997 and the non-resident MIT withholding tax concession.

5.1 **Capital treatment election**

APDC Trust has elected to treat certain qualifying assets (which may include its properties) to be taxed as a capital gain on disposal. As a capital gain, the trust and beneficiaries of the trust may be entitled to discount the amount of the capital gain that is taxed if certain requirements are met.

If APDC Trust is not a MIT in respect of a year, the election has no effect in that year and the revenue or capital characterisation of gains from disposal of such assets for tax purposes will need to be determined under general taxation principles without regard to the capital treatment election.

In such a case, it is possible that such assets continue to have a capital account character. However, it is also possible that this may result in APDC Trust deriving some revenue gains rather than capital gains and discounted capital gains treatment not being available on such gains. If there are disposals that are affected by the above, APDC Limited will assess the impact and the impact will be taken into account in the tax distribution statements to be provided to APDC Securityholders.

5.2 **MIT withholding tax concession**

If APDC Trust is not a MIT in respect of the 30 June 2018 income year, non-resident APDC Securityholders who receive any distributions subsequent to the June 2017 distribution will be subject to non-resident withholding tax rather than MIT withholding tax. However, such a change in MIT status of the APDC Trust does not affect the June 2017 Distribution that was announced on 26 June 2017 (payable 28 August 2017).

For distributions after the June 2017 Distribution, generally, a change in MIT status means that those distributions paid to such non-resident APDC Securityholders which relate to Australian sourced income of the APDC Trust (other than interest, dividends or royalties) should be subject to Australian non-final withholding tax at the tax rate applicable to the APDC Securityholder as follows:

- for an APDC Securityholder which is a company, a withholding tax rate of 30%; or
- for an APDC Securityholder which is not a company, at the marginal tax rate (up to 47%), rather than at the MIT withholding tax rate (15% or 30% depending on whether the APDC Securityholder qualifies for the reduced rate under the rules).

6. **GST & STAMP DUTY**

No liability to GST should arise for APDC Securityholders in respect of a disposal of their APDC Securities. APDC Securityholders may be charged GST on costs they incur which relate to the disposal (eg, legal, financial and tax adviser fees). APDC Securityholders may not be entitled to claim input tax credits or may only be entitled to reduced input tax credits in relation to the GST amount incurred on these costs. APDC Securityholders should seek independent tax advice in relation to their individual circumstances.

No liability to stamp duty should arise for APDC Securityholders in any State or Territory of Australia in respect of a disposal of their APDC Securities. As a term of the NEXTDC Offer, NEXTDC has agreed to pay any stamp duty that may arise on the disposal of APDC Securities. We note that in some States and Territories of Australia APDC will be jointly and severally liable for the payment of any landholder duty. Accordingly, APDC Securityholders may be indirectly affected in the unlikely event that a liability to landholder duty arose while they remain securityholders and if NEXTDC were to fail to meet that liability.

Yours faithfully



Ashurst Australia

APPENDIX 2 : SUMMARY OF INDEPENDENT EXPERT'S REPORT



INDEPENDENT EXPERT'S REPORT
Asia Pacific Data Centre Group

In relation to an unconditional all cash takeover offer to acquire all the securities of Asia Pacific Data Centre Group at an Offer Price of \$1.87 per security by NEXTDC Limited.

25 August 2017

This Financial Services Guide is issued in relation to an independent expert's report (**Report** or **IER**) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF**) at the request of the directors (**Directors**) of Asia Pacific Data Centre Group (**APDC**), comprising Asia Pacific Data Centre Limited and Asia Pacific Data Centre Trust.

Engagement

The IER is intended to accompany the **Target's Statement** that is to be provided by the Directors of APDC to assist the Securityholders of APDC in determining whether to accept the proposed offer by NEXTDC Limited (**NEXTDC**) for all the securities of APDC (**NEXTDC Offer**).

Financial Services Guide

BDOCF holds an Australian Financial Services Licence (License No: 247420) (**Licence**). As a result of our IER being provided to you BDOCF is required to issue to you, as a retail client, a Financial Services Guide (**FSG**). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDOCF is licensed to provide

The Licence authorises BDOCF to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDOCF provides financial product advice by virtue of an engagement to issue the IER in connection with the acquisition of securities by another person.

Our IER includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IER (as a retail client) because of your connection with the matters on which our IER has been issued.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the NEXTDC Offer described in the Target's Statement may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDOCF may receive

BDOCF will receive a fee based on the time spent in the preparation of the IER in the amount of approximately \$100,000 (plus GST and disbursements). BDOCF will not receive any fee contingent upon the outcome of the NEXTDC Offer, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the NEXTDC Offer.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDOCF or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

Referrals

BDOCF does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDOCF is licensed to provide.

Associations and relationships

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDOCF may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDOCF's contact details are as set out on our letterhead.

BDOCF is unaware of any matter or circumstance that would preclude it from preparing the IER on the grounds of independence under regulatory or professional requirements. In particular, BDOCF has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and the Australian Securities and Investments Commission (**ASIC**).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Ltd, Level 11, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (**FOS**). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDOCF is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3, Melbourne VIC 3001

Toll free: 1300 78 08 08

Email: info@fos.org.au

The Directors
Asia Pacific Data Centre Group
Level 13
135 King Street
SYDNEY NSW 2000

25 August 2017

Dear Directors

INDEPENDENT EXPERT'S REPORT IN RELATION TO AN OFF-MARKET AND UNCONDITIONAL TAKEOVER OFFER TO ACQUIRE ALL OF THE STAPLED SECURITIES IN ASIA PACIFIC DATA CENTRE GROUP

1. INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (BDOCF, we, us or our) has been engaged by the Independent Directors (Directors) of APDC to prepare an independent expert's report (Report or IER). The Directors have requested that our Report sets out our opinion as to whether the proposal from NEXTDC to acquire all of the securities in APDC is fair and reasonable to the APDC Securityholders.

2. APPROACH

In preparing our IER, we have considered the requirements of:

- RG 111 Content of expert reports
- RG 112 Independence of experts.

RG 111 establishes guidelines in respect of independent expert reports under the Corporations Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist Securityholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

2.1. Fairness

A proposed transaction is 'fair' if the value of the financial benefit offered by the bidder entity (NEXTDC) to the target entity (APDC) is equal to or greater than the value of the asset being acquired (APDC).

The fairness assessment should assume a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious seller, acting at arm's length.

2.2. Reasonableness

In accordance with paragraph 60 of RG111, an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons to vote for the proposal.

When deciding whether a proposed transaction is 'reasonable', factors an expert might consider include:

- the financial situation and solvency of the entity;
- the alternative options available to the entity;
- the entity's bargaining position;
- whether there is selective treatment of any Securityholder;
- any special value of the transaction to the purchaser.

3. PURPOSE OF REPORT

There is no statutory requirement for the Directors of APDC to commission an IER in relation to the NEXTDC Offer. However, the Directors of APDC have requested that BDO prepare an IER stating whether, in BDO's opinion, the NEXTDC Offer is fair and reasonable.

This IER provides an opinion as to whether the NEXTDC Offer is fair and reasonable to APDC Securityholders.

4. NEXTDC OFFER

On 31 July 2017, NEXTDC Limited announced a takeover offer to acquire all of the stapled securities in APDC that NEXTDC does not already own (NEXTDC Offer) for \$1.87 cash per APDC security (Offer Price).

APDC Securityholders will also be entitled to receive the \$0.0243 per security distribution announced on 26 June 2017 (payable 28 August 2017).

Further details of the NEXTDC Offer are set out in the Target's Statement to be sent to the APDC Securityholders.

5. SUMMARY OF OPINIONS

We have considered the terms of the NEXTDC Offer, as outlined in the body of this Report, and have concluded that the NEXTDC Offer is fair and reasonable to APDC Securityholders.

A summary of our analysis in forming the above opinion is provided below.

The NEXTDC Offer is Fair and Reasonable to APDC Securityholders

5.1. Fairness Assessment

In undertaking our fairness opinion, we have had regard to the Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 *Content of expert reports* (RG 111).

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In relation to the interpretation of RG111.11, ASIC has advised that the appropriate assessment is to compare:

- The fair market value of a security pre-transaction on a control basis (being the value of the securities the subject of the offer, per RG111.11); and
- The fair market value of the offer price.

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which include statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the NEXTDC Offer; and
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by Securityholders.

We have formed our opinion in relation to fairness by comparing the:

- Fair market value of an APDC Security before the NEXTDC Offer (including a premium for control); and
- The cash consideration offered by NEXTDC.

The NEXTDC Offer will be fair if the cash consideration offered by NEXTDC is equal to or greater than the fair market value of a APDC Security before the NEXTDC Offer (including a premium for control).

Accordingly, to undertake this comparison we have undertaken an assessment of the value of a APDC Security before the NEXTDC Offer.

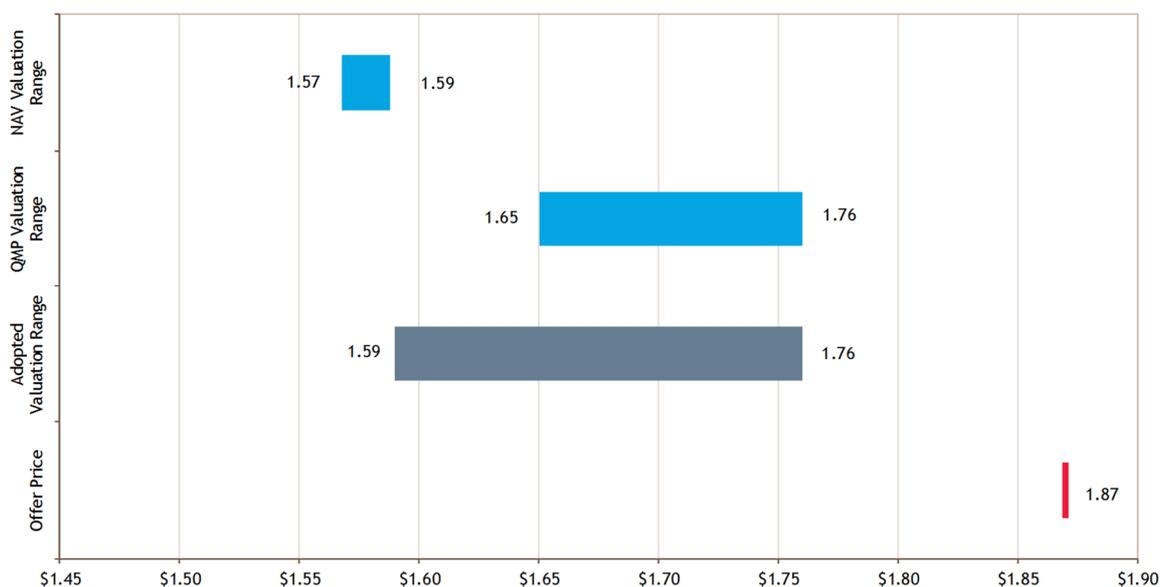
The result of our fairness analysis is summarised below.

Table 1: Fairness assessment

A\$	Low	High
Net asset value (NAV) valuation method	1.57	1.59
Quoted market price (QMP) valuation method	1.65	1.76
Value range of APDC per security (control)	1.59	1.76
Offer price	1.87	1.87

Source: BDOCF analysis

Figure 1: Adopted value range per APDC Security and comparison to Offer Price



Source: BDOCF analysis

We have adopted a value range per APDC Security utilising both the QMP and NAV valuation methodologies.

The Offer Price of \$1.87 exceeds our valuation of an APDC Security on a control basis under all adopted valuation methodologies. As a result, we have concluded that the NEXTDC Offer is fair to APDC Securityholders in the absence of a superior offer.

5.2. The NEXTDC Offer is Reasonable to APDC Securityholders

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes that there are sufficient reasons for APDC Securityholders to accept the offer in the absence of a superior offer.

Whilst the NEXTDC Offer is fair, we have assessed the reasonableness of the NEXTDC Offer by considering the factors arising thereto. Set out below is a summary of factors we have considered in our reasonableness assessment.

Table 2: Summary of factors considered in the reasonableness assessment

Advantages	
The transaction is fair	The offer is Fair in the absence of a superior offer. The NEXTDC Offer is 18% to 19% above our NAV valuation (section 6) and 6% to 13% above our QMP valuation (on a control basis) (section 7).
Certainty of cash	If you accept the NEXTDC Offer you will receive cash of \$1.87 per APDC Security which has a fixed value. If you continue to hold APDC securities, there may be future movements in the value of the security, which may be positive or negative.
Ability to receive revised, higher offer	If you accept the offer, and NEXTDC increases their offer price, you will receive the higher offer price. If you sell your securities on the market, you will not receive any increase in offer price. We note that NEXTDC has not made any indication that it will increase its offer.
No brokerage	You will not incur any brokerage if you accept the NEXTDC Offer. Brokerage may be payable if you sell your Securities on the ASX.
Disadvantages	
No ability to accept a superior offer	If you accept the NEXTDC Offer you will not be able to accept a superior proposal if it emerges in the future. As at the date of this Report, no superior offer has been announced. If NEXTDC increases their offer, and you have previously accepted the NEXTDC Offer, you will receive the increased offer.
Taxation implications	There may be tax consequences arising from accepting the offer (or selling your securities on the ASX). APDC Securityholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the NEXTDC Offer given their own particular circumstances.
Loss of exposure to data centre REIT market	If you accept the NEXTDC Offer you will no longer hold an ADPC Security. You will no longer be exposed to the risks and rewards experienced by ADPC. We note however, that you may reinvest the proceeds of the NEXTDC Offer (net of any tax) into similar investments.

Source: BDOCF analysis

5.3. Situation If You Reject The Offer

At the end of the Offer Period, any APDC Securityholders who do not accept the NEXTDC Offer may be subject to the following risks:

- NEXTDC has stated in the Bidder's Statement that if it acquires at least 90% of APDC Securities, it intends to arrange for APDC to be removed from the official list of the ASX and acquire your APDC Securities through the implementation of compulsory acquisition procedures in accordance with section 661B of the Corporations Act, in which case you will be compelled to sell your APDC Securities to NEXTDC but may not receive your consideration for a number of weeks;
- if NEXTDC does not acquire at least 90% of APDC Securities but is in a position to cast the majority of votes at a general meeting of APDC Securityholders, then NEXTDC will be able to:
 - (A) control the composition of the boards of APDC Holdings and APDC Limited;
 - (B) replace the responsible entity of APDC Trust; and
 - (C) determine the strategic direction of APDC generally.
- If NEXTDC does not acquire at least 90% of APDC Securities but acquires more than 75% of APDC Securities it will, subject to applicable voting exclusions in the Corporations Act and (if APDC remains listed) the ASX Listing Rules, be able to pass a special resolution at a general meeting of APDC Securityholders. This would enable NEXTDC to, among other things, change the constitution of APDC Holdings and/or APDC Trust;
- If a Securityholder rejects the offer and if no superior proposal emerges, there is a risk that the price of APDC Securities may trade below the price of A\$1.87 per APDC Security offered by NEXTDC. As at the date of this Report, no superior offer has been announced;

- As there are fewer securities on issue held by parties other than NEXTDC, the liquidity of APDC Securities may be lower than at present, potentially impacting upon your ability to dispose of your APDC Securities. NEXTDC has stated in the Bidder's Statement that, subject to continued compliance by APDC with the ASX Listing Rules, APDC's listing on the ASX is intended to be maintained; and
- If NEXTDC acquires a sufficiently high percentage of APDC Securities in the year ending 30 June 2018, there is a risk that APDC Trust may not qualify as a "Managed Investment Trust" under the tax rules for the entire year and certain concessions enjoyed by the APDC Trust and APDC Securityholders are no longer applicable after the June 2017 Distribution (see section 5 of the Australian Taxation Letter at Appendix 1).

Based on the above, we are of the opinion that the NEXTDC Offer is reasonable to the APDC Securityholders.

6. OTHER MATTERS

6.1. Securityholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the NEXTDC Offer on the particular circumstances of individual Securityholders. Some individual Securityholders may place a different emphasis on various aspects of the NEXTDC Offer from that adopted in this IER. Accordingly, individual Securityholders may reach different conclusions as to whether or not the NEXTDC Offer is fair and reasonable in their individual circumstances.

The decision of an individual APDC Securityholder in relation to the NEXTDC Offer may be influenced by their particular circumstances and accordingly individual APDC Securityholders are advised to seek their own independent advice.

Approval or rejection of the NEXTDC Offer is a matter for individual APDC Securityholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. APDC Securityholders should carefully consider the Target's Statement. Individual APDC Securityholders who are in doubt as to the action they should take in relation to the NEXTDC Offer should consult their professional adviser.

6.2. General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the NEXTDC Offer. In preparing the IER we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the past, between BDO East Coast Partnership or BDOCF and any of the parties to the NEXTDC Offer
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER.
- We have been appointed as independent expert for the purposes of providing an IER in relation to the NEXTDC Offer for the Directors.
- That we have relied on information provided by the Directors and Management of APDC and that we have not carried out any form of audit or independent verification of the information provided other than our review of the valuation reports.
- That we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

6.3. Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

6.4. Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out in **Appendix 1**.

6.5. Sources of Information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by APDC.

Under the terms of our engagement, APDC agreed to indemnify the partners, directors and staff (as appropriate) of BDO East Coast Partnership and BDOCF and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by APDC which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

6.6. Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and APDC Securityholders to assist them in their decision to accept or reject the NEXTDC Offer. This IER is to accompany the Target's Statement to be sent to APDC Securityholders to consider the NEXTDC Offer and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and APDC Securityholders without our written consent. We accept no responsibility to any person other than the Directors and Securityholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER within the Target's Statement. Apart from this IER, we are not responsible for the contents of the Target's Statement or any other document associated with the NEXTDC Offer. We acknowledge that this IER may be lodged with regulatory authorities.

6.7. Summary

This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

6.8. Financial Service Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD



Sebastian Stevens
Director



David McCourt
Director

CORPORATE DIRECTORY

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