



ENHANCING STRENGTHS EXPANDING REACH

SUNTEC REIT
Annual Report 2017



OUR MISSION

Forging ahead to create, provide and deliver premium value to all stakeholders of Suntec REIT.

ENHANCING STRENGTHS, EXPANDING REACH

Listed on 9 December 2004, Suntec Real Estate Investment Trust (“Suntec REIT”) is one of the pioneer real estate investment trusts in Singapore. With a strong foundation built over the last 13 years and a proven track record, Suntec REIT is one of the leading real estate investment trusts in Singapore with assets under management of S\$9.6 billion. As we seek to enhance our strengths and expand our reach, our portfolio has grown to seven high quality assets across Singapore and Australia.

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ABOUT SUNTEC REIT

Listed on 9 December 2004 on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”), Suntec Real Estate Investment Trust (“Suntec REIT”) is the first composite REIT in Singapore, owning income-producing real estate that is primarily used for office and/or retail purposes.

As at 31 December 2017, Suntec REIT’s portfolio comprises office and retail properties in Suntec City, a 60.8 percent interest in Suntec Singapore Convention & Exhibition Centre, a one-third interest in One Raffles Quay, a one-third interest in Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall and a 30.0 per cent interest in 9 Penang Road which is currently under development. All the properties are strategically located in the growth corridors of Marina Bay and the Civic and Cultural District within Singapore’s Central Business District. In Australia, Suntec REIT holds a 100.0 per cent interest in 177 Pacific Highway located in Sydney, a 25.0 per cent interest in Southgate Complex, Melbourne and a 50.0 per cent interest in Olderfleet, 477 Collins Street, a commercial building which is currently under development in Melbourne.

Suntec REIT is managed by an external manager, ARA Trust Management (Suntec) Limited (the “Manager”). The Manager is focused on delivering regular and stable distributions to Suntec REIT’s unitholders, and to achieve long-term growth in the net asset value per unit of Suntec REIT, so as to provide unitholders with a competitive rate of return on their investment.

ABOUT ARA TRUST MANAGEMENT (SUNTEC) LIMITED

Suntec REIT is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA Asset Management Limited (“ARA”).

Established in 2002, ARA is a premier integrated real estate fund manager driven by a vision to be the best-in-class real estate fund management company focused on the management of real estate investment trusts (“REITs”) and private real estate funds.

ARA’s diverse suite of REITs and private real estate funds are invested in the office, retail, logistics/industrial, hospitality and residential sectors. ARA has distinguished itself over the years with its unique investor-operator philosophy, which nurtures each asset from acquisition to divestment to add value to every stage of the asset life cycle. Built on a foundation of strong corporate governance and business integrity, it counts some of the world’s largest pension funds, financial institutions, endowments and family offices as its investors.

ARA has approximately 1,300 staff in 21 cities in eight countries. It manages over 90 properties measuring approximately 57 million square feet in Asia Pacific, with approximately S\$40 billion in assets under management.

The Manager is responsible for the management and administration of Suntec REIT, as well as the implementation of Suntec REIT’s strategic long-term growth.

ENHANCING STRENGTH

Through proactive asset management, we have successfully navigated numerous property cycles. We have also developed Suntec City, our flagship property, into an iconic destination of choice for shopping, work and play. As the real estate landscape evolves, we will continue to enhance our strengths to bolster the value proposition of our properties.



Suntec City

ENDURING VALUE

Our proven track record was built on our portfolio of high quality assets, proactive asset management, prudent capital management and strategic acquisitions which enable us to consistently deliver enduring value to our unitholders.

MBFC Tower 1

MBFC Tower 2





One Raffles Quay

Marina Bay Financial Centre & One Raffles Quay

EXPANDING REACH

Throughout the years, we have expanded our reach with strategic acquisitions which propelled Suntec REIT to its next phase of growth. To diversify our income streams and geographical markets, Suntec REIT made its maiden overseas acquisition in Australia in 2013. Today, Suntec REIT owns three assets across Sydney and Melbourne, the latest being the state-of-the-art premium grade office building, Olderfleet, 477 Collins Street, in Melbourne.



*Olderfleet, 477 Collins Street
Artist's impression*

KEY FIGURES FOR 2017

ASSETS UNDER MANAGEMENT

\$9.6 BILLION

Slight increase from S\$9.5 billion in 2016 due to the progressive development of Olderfleet, 477 Collins Street.

DISTRIBUTABLE INCOME

\$263.0 MILLION

Increased 3.7% year-on-year ("y-o-y") mainly due to the higher contribution from 177 Pacific Highway, contribution from Southgate Complex and capital distribution.

DISTRIBUTION PER UNIT

10.005^{CENTS}

In line with 2016 DPU of 10.003 cents.



PORTFOLIO OCCUPANCY

99.2%

(Office)

98.8%

(Retail)



NET PROPERTY INCOME

\$244.5 MILLION

Increased 8.9% y-o-y mainly due to higher contribution from 177 Pacific Highway and Suntec City Office.

INCOME CONTRIBUTION FROM JOINT VENTURES

\$89.7 MILLION

In line with FY 2016.



ALL-IN FINANCING COST

2.5%

Per Annum

AGGREGATE LEVERAGE RATIO

36.4%

Gearing ratio stood at 35.0% as at 31 December 2017.



NET ASSET VALUE PER UNIT

\$2.119

Declined 1.3% y-o-y due to the issuance of 95.7 million new units¹.

Note:

¹ Relates to convertible bonds which were converted into new units on 29 May 2017.

YEAR IN REVIEW

2017 JANUARY

- Achieved distributable income of S\$66.1 million for the period 1 October 2016 to 31 December 2016. Distribution per unit (“DPU”) for the quarter amounted to 2.596 cents.

2017 MARCH

- Issued S\$100 million medium term notes under the US\$1.5 billion Euro Medium Term Note Programme.

2017 APRIL

- Announced the occurrence of a change of control event pertaining to the S\$300 million 1.75% convertible bonds due 2021. The event arose due to the proposed acquisition by Athena Investment Company (Cayman) Limited of all the issued and paid-up ordinary shares in the capital of ARA Asset Management Limited of which the Manager is a wholly-owned subsidiary.
- Unitholders approved all resolutions tabled at Suntec REIT’s annual general meeting held on 18 April 2017.
- Achieved distributable income of S\$61.8 million for the period 1 January 2017 to 31 March 2017. DPU for the quarter amounted to 2.425 cents.

2017 MAY

- Entered into a S\$600 million 5-year unsecured facility agreement.
- Received conversion notices for the conversion of S\$166.5 million in principal amount and redemption notices for the redemption of S\$45.5 million in principal amount of the convertible bonds due 2021. Accordingly, 95,689,646 new units of Suntec REIT were issued.

2017 JULY

- Achieved distributable income of S\$66.0 million for the period 1 April 2017 to 30 June 2017. DPU for the quarter amounted to 2.493 cents.
- Announced the acquisition of a 50.0% interest in Olderfleet, 477 Collins Street, a premium-grade commercial building to be developed in Melbourne, Australia.
- Issued S\$100 million medium term notes under the US\$1.5 billion Euro Medium Term Note Programme.

2017 AUGUST

- Received the Platinum Award – Retail & Office REIT at the inaugural Asia Pacific Best of the Breeds REITs Awards 2017.
- Completed the acquisition of the 50.0% interest in Olderfleet, 477 Collins Street.

2017 OCTOBER

- Achieved distributable income of S\$65.9 million for the period 1 July 2017 to 30 September 2017. DPU for the quarter amounted to 2.483 cents.

2017 NOVEMBER

- Issued S\$300 million 7-year convertible bonds at 1.75% fixed coupon.

CHAIRMAN'S REPORT

Dear Unitholders,

On behalf of the Board of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT (the "Manager"), it is my pleasure to present to you the annual report of Suntec REIT for the financial year ended 31 December 2017 ("FY 2017").

2017 was a fruitful year for Suntec REIT. While our existing assets continued to deliver a steady income for our unitholders, we expanded our footprint in Australia with the acquisition of a 50.0% interest in Olderfleet, 477 Collins Street. Located within Melbourne's Central Business District ("CBD"), the 40-level state-of-the-art premium grade office building is under construction and is expected to achieve practical completion by mid 2020.

While we remain Singapore-centric, our strategy to expand in Australia for income diversification has helped us mitigate the property cycles in our Singapore core market as we continue to deliver stable sustainable returns to our unitholders.

ROBUST FINANCIAL AND OPERATING PERFORMANCE FOR FY 2017

Notwithstanding the uncertainties in the macroeconomic environment and challenging operating conditions, Suntec REIT delivered a resilient performance in FY 2017. Suntec REIT continues to reap the benefits from the diversification strategy into Australia. While the Singapore assets continued to deliver steady income, the properties in Australia, 177 Pacific Highway and Southgate Complex, contributed to our robust performance in FY 2017.

The distributable income from operations of S\$234.0 million was 1.9% higher year-on-year mainly due to the higher contribution from 177 Pacific Highway and Southgate Complex, which was partially offset by lower retail contribution. Including the capital distribution of S\$29.0 million, the total distributable income of S\$263.0 million was 3.7% higher year-on-year. The distribution per unit ("DPU") attained for FY 2017 was 10.005 cents, in line with FY 2016 DPU of 10.003 cents. This translated to a distribution yield of 4.7% based on Suntec REIT's closing price of S\$2.15 per unit on 31 December 2017. Since Suntec REIT's public listing on 9 December 2004, we have delivered a total DPU of 123.5 cents and a total return of 238.5%. As at end 2017, our assets under management ("AUM") stood at S\$9.6 billion.

I am also pleased to report that the committed occupancy rates of our office and retail portfolios remained at a high of 99.2% and 98.8% respectively as at 31 December 2017.

PRUDENT AND PROACTIVE CAPITAL MANAGEMENT

Suntec REIT remains focused on our key strategy of prudent and proactive capital management. Our balance sheet remains healthy, with total debt outstanding at approximately S\$3.3 billion. As at 31 December 2017, the all-in financing cost for FY 2017 was 2.50% per annum and the aggregate leverage ratio of 36.4% was below the regulatory limit

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477 COLLINS
STREET."**



of 45.0%. In 2017, Suntec REIT secured a total of S\$1.1 billion in financing. This reduced our re-financing needs for 2018 to S\$237.3 million or approximately 8.0% of our total borrowings. The debt maturity was also extended to 3.19 years as at 31 December 2017. Amidst a climate of rising interest rates, we will remain prudent in our capital management and continue to monitor the interest rate environment vigilantly.

EXPANDED FOOTPRINT IN AUSTRALIA

In August 2017, we completed the acquisition of a 50.0% interest in Olderfleet, 477 Collins Street, a freehold land and property to be developed for A\$414.17 million.

Strategically located within Melbourne's CBD, the development is set to become the largest premium grade office building to be delivered in the city in over 25 years. With a net lettable area of approximately 624,000 square feet, the pre-committed occupancy for the building was 39.1% with an additional approximate 9.0% of net lettable area with Heads of Agreement signed as at 31 December 2017. We expect to achieve a high pre-commitment rate prior to practical completion in mid 2020.

The development is a strategic fit with Suntec REIT's portfolio of high quality assets and enhances the REIT's income and geographical diversification.

PROACTIVE ASSET MANAGEMENT

Our office and retail portfolios continued to perform well despite the challenging operating environment.

Notwithstanding the surge of new supply that entered the Singapore office market in 2017, our strategy of proactive asset management has enabled us to maintain our Singapore office portfolio occupancy rate at above market occupancy level. The occupancy of our Singapore office portfolio was 99.7% as compared to the overall CBD Grade A occupancy of 89.2% as at 31 December 2017. This is a testament to the resiliency of our assets.

Whilst the Singapore office market has shown positive growth towards the end of 2017, we are cognizant of the remaining vacant space in the newly completed buildings and secondary stock in the market. We will continue our proactive asset management to strengthen our office proposition and maintain the high occupancy level for our Singapore office portfolio.

The committed occupancy for our portfolio of properties in Australia improved to 97.3% as at 31 December 2017. The office markets in Sydney and Melbourne are expected to continue to be on an upward trend driven by positive occupier demand coupled with limited new supply.

As a result of our proactive forward renewal strategy, the office lease expiry for 2018 had been reduced to 11.3% of net lettable area, thus mitigating the leasing risks for the year ahead.

On the retail front, our strategies of active tenant adjustments, increasing asset utilisation and encouraging communities to hub at Suntec City, have translated to a stronger operational performance in 2017. The overall committed occupancy for the mall maintained at a high of 99.0% as at 31 December 2017 while both footfall and tenant sales per square foot grew by 12.8% and 4.8% year-on-year respectively.

During the year, we strengthened the ecosystem with over 20 new-to-market brands or concept stores at Suntec City. To optimise the use of prime spaces, we reconfigured spaces near the Esplanade and Promenade MRT entrances and refreshed the tenancy mix.

In 2018, we will continue our proactive asset management strategies to further strengthen Suntec City's value proposition.

For the projects that are under development, construction works for 9 Penang Road and Olderfleet, 477 Collins Street are in progress, and we look forward to unveiling the new developments by the end of 2019 and mid 2020 respectively.

SUSTAINABILITY REPORTING

Sustainability is an important aspect of Suntec REIT's long term business strategy as this guides the engagement with our stakeholders and is the underlying principle when we make business decisions. We will be sharing more on this in our inaugural sustainability report which will be released separately in 2018.

LOOKING AHEAD

The Singapore economy is expected to grow modestly in 2018, with the Ministry of Trade and Industry estimating GDP growth to be between 1.5% to 3.5%. In Australia, the Reserve Bank of Australia expects the GDP growth to be slightly above 3.0% over both 2018 and 2019.

As we enhanced our strengths and expanded our reach in 2017, we will continue to proactively manage our assets, embark on new asset enhancement initiatives and expand our AUM with prudent capital management, to fulfil our mission of creating value and delivering stable, sustainable returns to our unitholders.

IN APPRECIATION

I would like to thank my fellow board members for their continued counsel and the management team for their hard work and commitment. Last but not least, I would like to extend my heartfelt appreciation to our unitholders, tenants, business partners and stakeholders for their continued trust and valuable support.

CHEW GEK KHIM

Chairman and Non-Executive Director

2 March 2018

FINANCIAL HIGHLIGHTS

| CONSOLIDATED STATEMENT OF TOTAL RETURN FOR THE FINANCIAL YEAR | 2017 | 2016 |
|---|-----------|-----------|
| Gross Revenue | S\$354.2m | S\$328.6m |
| Net Property Income | S\$244.5m | S\$224.6m |
| Income Contribution From Joint Ventures ¹ | S\$89.7m | S\$89.7m |
| Distributable Income | S\$263.0m | S\$253.7m |
| - from operations | S\$234.0m | S\$229.7m |
| - from capital | S\$29.0m | S\$24.0m |
| Distribution Per Unit | 10.005¢ | 10.003¢ |
| - from operations | 8.907¢ | 9.057¢ |
| - from capital | 1.098¢ | 0.946¢ |

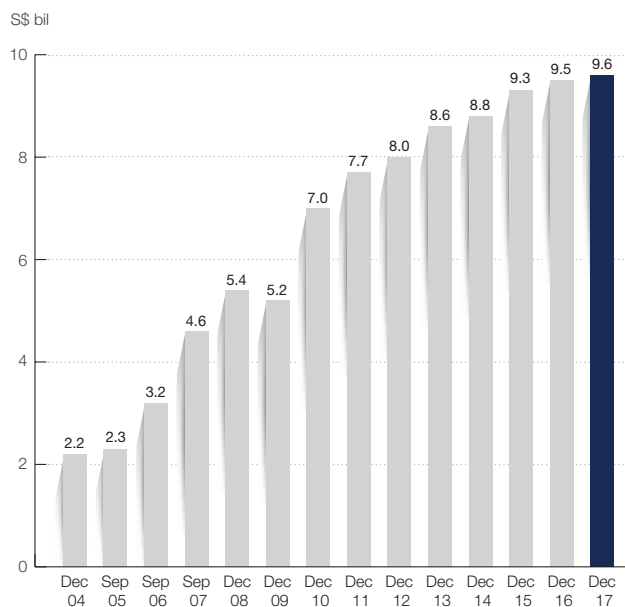
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 31 DEC 2017 | 31 DEC 2016 |
|--|-------------|-------------|
| Investment Properties | S\$6,387.3m | S\$6,247.8m |
| Interest In Joint Ventures ² | S\$2,660.2m | S\$2,642.9m |
| Total Assets | S\$9,241.6m | S\$9,093.4m |
| Debt at Amortised Cost | S\$3,230.9m | S\$3,305.8m |
| Total Liabilities | S\$3,474.6m | S\$3,500.1m |
| Unitholders' Funds | S\$5,639.1m | S\$5,468.9m |
| Net Asset Value Per Unit | S\$2.119 | S\$2.147 |
| Aggregate Leverage Ratio ³ | 36.4% | 37.7% |

Notes:

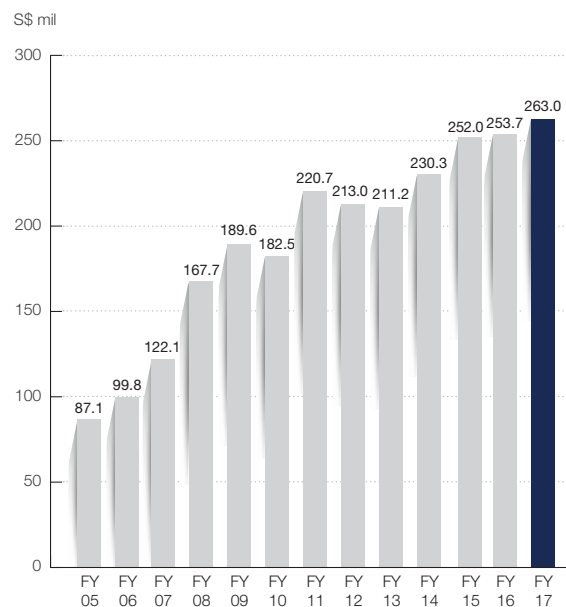
- Refers to the one-third interest in One Raffles Quay, one-third interest in the Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall which were acquired in 2007 and 2010 respectively and 25.0% interest in Southgate Complex which was acquired in 2016.
- Refers to the one-third interest in One Raffles Quay, one-third interest in the Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall, 25.0% interest in Southgate Complex, 30.0% interest in 9 Penang Road (formerly known as Park Mall) and 50.0% interest in Olderfleet, 477 Collins Street which was acquired in 2017.
- Refers to the ratio of the value of borrowings (inclusive of proportionate share of borrowings of joint ventures and deferred payments (if any) to the value of the Deposited Property in accordance with Appendix 6 on the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "Property Funds Appendix").

STRONG GROWTH AND PERFORMANCE TRACK RECORD SINCE LISTING

Assets Under Management



Distributable Income



UNIT PERFORMANCE

| UNIT PERFORMANCE AS AT ¹ | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|----------|----------|----------|----------|----------|
| Last Done Unit Price | S\$2.150 | S\$1.650 | S\$1.550 | S\$1.960 | S\$1.540 |
| Highest Unit Price | S\$2.190 | S\$1.800 | S\$2.000 | S\$1.975 | S\$2.000 |
| Lowest Unit Price | S\$1.650 | S\$1.505 | S\$1.470 | S\$1.535 | S\$1.465 |
| Market Capitalisation ² (m) | S\$5,703 | S\$4,185 | S\$3,908 | S\$4,904 | S\$3,489 |
| Traded Volume for the Financial Year (m) | 1,421 | 1,329 | 1,582 | 2,282 | 2,161 |

Notes:

- 1 Unit performance statistics as at 31 December for the respective financial years.
- 2 Based on 2,265 million units, 2,502 million units, 2,521 million units, 2,537 million units and 2,652 million units in issue as at 31 December 2013, 2014, 2015, 2016 and 2017 respectively.

| UNIT PERFORMANCE AS AT ¹ | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------|------|------|------|------|
| Traded Yield (based on DPU ¹) | 4.65 | 6.06 | 6.45 | 4.80 | 6.06 |
| Singapore Government 10-Year Bond ² | 1.97 | 2.44 | 2.60 | 2.28 | 2.56 |

Notes:

- 1 Based on the last done unit price (as stated in the table above) and the full year DPU based on the period from 1 January to 31 December. Calculations were based on a DPU of 9.330 cents, 9.400 cents, 10.002 cents, 10.003 cents and 10.005 cents for FY 2013, FY 2014, FY 2015, FY 2016 and FY 2017 respectively.
- 2 As at 31 December for the respective financial years.

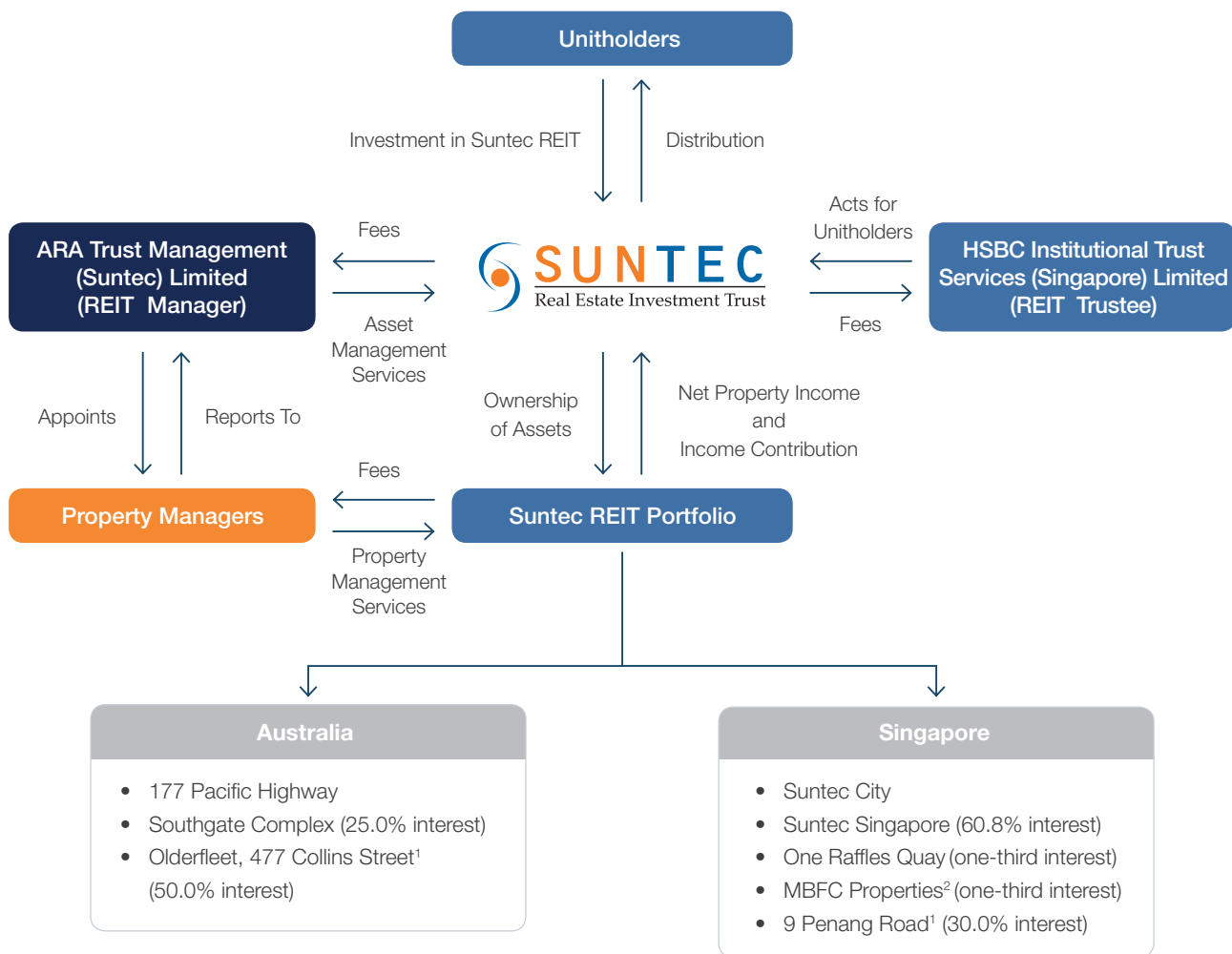
For 2017, Suntec REIT's unit opening price was S\$1.655 and closed at S\$2.150 with a market capitalisation of S\$5.7 billion as at 31 December 2017. Suntec REIT's FY 2017 DPU yield of 4.65% has also outperformed the Singapore Government 10-year bond yield at 1.97%. As at the end of FY 2017, Suntec REIT unitholders would have achieved a total return of 238.5% since listing. As one of Singapore's most liquid listed REITs, the overall traded volume was 1,421 million units for the 12 months ended 31 December 2017. Suntec REIT is also a constituent member of major global indices such as the MSCI Singapore Index, FTSE NAREIT/EPRA Global Real Estate Index and the Global Property Research (GPR) 250 Index series. It is also a constituent of the FTSE Straits Times Mid Cap Index and FTSE Straits Times Real Estate Index in Singapore.

RELATIVE PERFORMANCE INDICES FOR THE FINANCIAL YEAR 2017

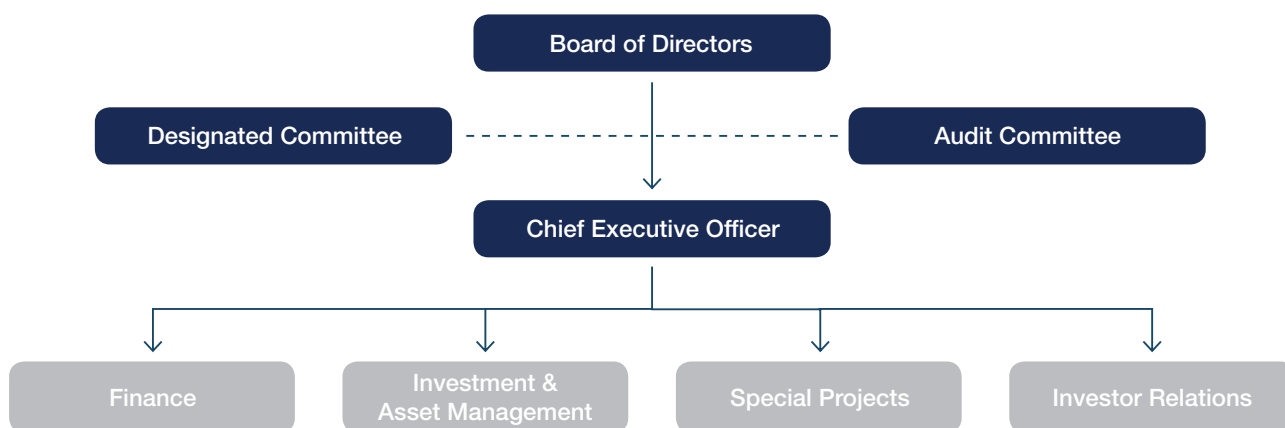


TRUST STRUCTURE AND ORGANISATION CHART

TRUST STRUCTURE



ORGANISATION STRUCTURE – ARA TRUST MANAGEMENT (SUNTEC) LIMITED



Notes:

- 1 Currently under development.
- 2 Refers to Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall.

BOARD OF **DIRECTORS**



MS CHEW GEK KHIM

Chairman and Non-Executive Director

Ms Chew Gek Khim joined the Board on 21 January 2014 and was appointed Chairman on 17 April 2014. She has been the Chairman of The Straits Trading Company Limited since 24 April 2008, first as Non-Executive and Non-Independent Chairman and then as Executive Chairman since 1 November 2009.

Currently, Ms Chew is also Executive Chairman of Tecity Group, which she joined in 1987. She is Chairman of Malaysia Smelting Corporation Berhad and sits on the board of ARA Asset Management Holdings Pte. Ltd. and Singapore Exchange Limited. In the preceding four years, Ms Chew also sat on the Board of CapitaLand Retail China Trust (formerly CapitaRetail China Trust), a SGX-ST listed trust of the CapitaLand Group.

Ms Chew is also Deputy Chairman of the Tan Chin Tuan Foundation in Singapore and Chairman of the Tan Sri Tan Foundation in Malaysia. She is a member of the Securities Industry Council of Singapore and Board of Governors of S. Rajaratnam School of International Studies.

Ms Chew graduated from the National University of Singapore in 1984 and is a lawyer by training. She was awarded the *Chevalier de l'Ordre National du Mérite* in 2010, the Singapore Businessman of The Year 2014 in 2015, and the Meritorious Service Medal at the National Day Award in 2016.



MR LIM HWEI CHIANG, JOHN

Non-Executive Director

Mr Lim Hwee Chiang, John joined the Board on 30 August 2004. Currently, Mr Lim is the Group Chief Executive Officer and Director of ARA Asset Management Holdings Pte. Ltd., the ultimate holding company of ARA Asset Management Limited and its subsidiaries. He is a Non-Executive Director of ARA Asset Management (Fortune) Limited, ARA Asset Management (Prosperity) Limited, ARA-CWT Trust Management (Cache) Limited, and Hui Xian Asset Management Limited. Mr Lim is also the Chairman of APM Property Management Pte. Ltd., Suntec Singapore International Convention & Exhibition Services Pte. Ltd. and the management council of The Management Corporation Strata Title Plan No. 2197 (Suntec City). In addition, Mr Lim is an Independent Director and Chairman of the remuneration committee of Singapore-listed Teckwah Industrial Corporation Limited, the Chairman of the property management committee of the Singapore Chinese Chamber of Commerce & Industry, the Managing Director of Chinese Chamber Realty Private Limited and a Director of the Financial Board of the Singapore Chinese Chamber of Commerce. He is also Chairman of both the Asia Pacific Real Estate Association ("APREA") and the Consultative Committee to the Department of Real Estate, National University of Singapore. In the preceding three years, Mr Lim was also a Director of Am ARA REIT Managers Sdn. Bhd.

Mr Lim has more than 30 years of experience in the real estate industry, and has received many notable corporate awards. These include the PERE Global Awards 2016 Industry Figure of the Year: Asia, Ernst & Young Entrepreneur of the Year Singapore 2012, Ernst & Young Entrepreneur of the Year – Financial Services 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr Lim, along with the Board of Directors of ARA, is also a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012. In 2017, he was conferred the Public Service Medal (PBM) by the President of Singapore in recognition of his contributions to the community.

Mr Lim holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

BOARD OF DIRECTORS



MR CHEN WEI CHING, VINCENT

Lead Independent Non-Executive Director

Mr Chen Wei Ching, Vincent is the Lead Independent Director, Chairman of the audit committee and member of the designated committee of the Manager. He joined the Board on 1 October 2010 and was appointed Lead Independent Director and Chairman of the audit committee on 17 April 2014.

Mr Chen has more than 20 years of experience in the banking and finance industry, having spent 17 years with the First National Bank of Chicago, Bank of America, and Banque Francaise du Commerce Exterior, and subsequently co-founded a financial consulting firm in 1988. Since 1993, he has been managing his personal and family investments. He has also served as an independent director on the boards of a number of public listed companies.

Mr Chen holds a Bachelor of Science degree in Industrial Engineering from Cornell University, and a Master of Business Administration degree from the University of Pennsylvania.



MR CHAN PEE TECK, PETER

Independent Non-Executive Director

Mr Chan Pee Teck, Peter is an Independent Director and member of the audit committee. He joined the Board on 1 January 2017. Mr Chan is the founder and Managing Partner of Crest Capital Asia, a regional private equity practice investing in mid-cap enterprises in Singapore, Australia and Indonesia specializing in designing and customizing alternative direct investment programmes for regional family office clients and managing the assets under these programmes.

Mr Chan started his private equity career in 1987 with one of the earliest US private equity firms in Asia. He then joined a division of ING Barings Asia Private Equity as Managing Director in 1996 and started its investment programme in Asia and setting up presence in Singapore, Indonesia, India, China, Taiwan and South Korea. He formed Crest Capital Asia in 2004 to take over when ING withdrew from the business. Mr Chan is responsible for the general management of the funds under management, conceptualizing and innovating new fund strategies as well as investor communication.

Mr Chan graduated with a Bachelor of Accountancy (Hons) Degree from the National University of Singapore and is a Fellow Member of both the Institute of Singapore Chartered Accountants as well as the Certified Public Accountants of Australia. In addition to being board member of Teckwah Industrial Corporation Ltd, he is also board member of Clarity, a not-for-profit organization which mission is to support people with mental conditions to help them regain self-confidence and re-discover their abilities.



MRS YU-FOO YEE SHOON
Independent Non-Executive Director

Mrs Yu-Foo Yee Shoon is an Independent Director and member of the audit committee. She joined the Board on 1 January 2017. Mrs Yu-Foo is currently the Justice of the Peace, Chairman of Traditional Chinese Medicine Practitioners Board, Ministry of Health and also an Independent Director of KOP Limited and Singapura Finance Ltd. She is also Advisor of Nuri Holdings (S) Pte Ltd, and Senior Advisor, International Advisory Panel of Hyflux Ltd.

Mrs Yu-Foo was the Former Minister of State, retired after 27 years in politics. Before she became Minister of State, she was the first woman Mayor in Singapore and she started her career with National Trades Union Congress (NTUC) and she was the Deputy Secretary-General of NTUC.

Mrs Yu-Foo graduated from Nanyang University with a Bachelor of Commerce and a Masters Degree in Business from Nanyang Technology University. She was awarded the Honorary Doctorate of Education by Wheelock College of Boston, United States in 2008.



MR CHOW WAI WAI, JOHN
Non-Executive Director

Mr Chow Wai Wai, John is a Non-Executive Director and the Chairman of the designated committee of the Manager. He joined the Board on 1 July 2007. Currently, Mr Chow is also the Managing Director of Winsor Industrial Corporation Limited, which has international operations, spanning countries in the US, Europe and Asia, and he holds directorships in the various subsidiaries and associated companies of the Winsor companies. He is an Executive Director of Hong Kong-listed Wing Tai Properties Limited and is also a Non-executive Director of Hong Kong-listed Dah Sing Financial Holdings Limited.

Mr Chow has more than 30 years of experience in property investment and management, textile and clothing businesses. He serves as an Honorary Chairman of the Hong Kong Garment Manufacturers Association.

Mr Chow received his Bachelor of Arts (Economics) degree from the University of British Columbia.

BOARD OF **DIRECTORS**



MR CHAN KONG LEONG

Chief Executive Officer and Executive Director

Mr Chan Kong Leong was appointed as Chief Executive Officer on 1 January 2017. He is a Director of One Raffles Quay Pte. Ltd., Harmony Convention Holding Limited and Park Mall Pte. Ltd. Mr Chan is also a Partners' Representative of BFC Development LLP. Prior to this, he was the Chief Operating Officer of Suntec REIT and was responsible for all operational matters, including asset management, investment, finance, investor relations and strategic planning.

Before joining Suntec REIT, Mr Chan was with the CapitaLand Group where he held senior management appointments including Senior Vice President, Head of Regional Investment, Asset & Fund Management of CapitaLand Mall Asia, Program Director of CAPITASTAR and Regional General Manager, West China.

Mr Chan has 20 years of private and public sector experience in managing investment, development, asset management, operations, strategic planning, stakeholder

relations and corporate functions. He has held other senior management appointments in the last 13 years including Head of Corporate Finance, Investor Relations & Corporate Communications at GuocoLand Limited and Chief Operating Officer of Sembawang Kimtrans Ltd. Before his move to the private sector, Mr Chan was with the Singapore Economic Development Board where he was responsible for formulating economic engagement strategies and promoting economic linkages between Singapore and Indonesia.

Mr Chan graduated with a First Class Honours in Bachelor of Science in Building from the National University of Singapore. As the best graduate for the entire course of study, he was awarded the Lee Kuan Yew Gold Medal, the Sally Meyer Gold Medal and the Singapore Institute of Surveyors & Valuers Gold Medal. Mr Chan is also a Chartered Financial Analyst charter holder.

MANAGEMENT TEAM

MR CHAN KONG LEONG

Chief Executive Officer and Executive Director

Please refer to description under the section on 'Board of Directors'.

MS NG EE SAN

Finance Director

Ms Ng Ee San heads the Finance team and assists the Chief Executive Officer on the finance, treasury and capital management functions of Suntec REIT.

Ms Ng has more than 15 years of experience in accounting and finance. Prior to joining the Manager, she was the Finance Manager at Ascott Residence Trust Management Limited, the manager of Ascott Residence Trust. She was also previously an Accountant at Wing Tai Holdings Limited and The Hour Glass Limited, and has held various positions with PSA Corporation Limited and Deloitte & Touche LLP.

Ms Ng holds a Bachelor of Accountancy Degree from Nanyang Technological University, Singapore, and is a member of Institute of Singapore Chartered Accountants ("ISCA").

MR RAYMOND ONG

Director, Special Projects

Mr Ong assists the Chief Executive Officer on acquisitions, projects, operational and asset management matters and oversees Suntec REIT's project developments.

Prior to his appointment, Mr Ong was the Director, Project of APM Property Management Pte Ltd (a 100% subsidiary of ARA Asset Management Limited) since 2012 where he led the project team in the remaking of Suntec City which was successfully completed in 2015.

Mr Ong has more than 30 years of experience in real estate development, project and property management. Prior to joining the group, he worked with public listed property companies Centrepont Properties Ltd, Parkway Holdings Ltd and Wing Tai Property Management Pte Ltd, and with private property companies Kallang Development Pte Ltd and SK Land Pte Ltd. He had held positions as Executive Director and General Manager taking charge of development and property management.

Mr Ong holds a Diploma in Mechanical Engineering from Singapore Polytechnic.

MS LYNN LEE

Assistant Finance Director

Ms Lee is a member of the Finance team, responsible for overseeing the financial activities of Suntec REIT and provides support in areas of secretariat compliance, taxation and treasury.

Ms Lee has more than 15 years of experience in accounting and finance. Prior to joining the Manager, she was the Senior Manager of Wheelock Properties (S) Limited where she was responsible for the finance operations of its group of companies. She was also previously an Assistant Finance Manager at Banyan Tree Holdings Limited and had held various positions with The Hour Glass Limited and PricewaterhouseCoopers LLP.

Ms Lee holds an ACCA Certificate (UK) and is a member of ISCA.

MS CHAN CHUEY LENG

Assistant Director, Asset Management

Ms Chan Chuey Leng is a member of the Asset Management team, responsible for overseeing and driving the performance of the retail and office portfolio of Suntec REIT.

Ms Chan has more than 20 years of experience in marketing and leasing of commercial, retail, industrial and residential properties. Prior to joining the Manager, she was the Marketing and Leasing Manager at Cathay Cineleisure International Pte Ltd. She was previously the Assistant Marketing Manager with Tuan Sing Holdings Limited and prior to that, was the Assistant Marketing Manager with Riverwalk Promenade Pte Ltd.

Ms Chan holds a Bachelor of Science (Honours) Degree in Estate Management from the National University of Singapore.

MS LIM KIM LOON

Assistant Director, Asset Management

Ms Lim Kim Loon is a member of the Asset Management team, responsible for monitoring the performance of the retail assets, and in strategising and implementing asset enhancement initiatives.

Ms Lim has 20 years of real estate experience in areas of property management and maintenance, marketing and lease management of commercial and retail properties. Prior to joining the Manager, she was with CapitalLand Retail Management Pte Ltd where she was responsible for the day-to-day management of a shopping mall.

Her responsibilities included the leasing, marketing, operations, asset enhancement and financial performance. She previously held positions as Manager of the Property Department at The Great Eastern Life Assurance Co Limited and Marketing Officer of SLF Management Services Pte Ltd.

Ms Lim holds a Bachelor of Science (Honours) Degree in Estate Management from the National University of Singapore.

MANAGEMENT

TEAM

MR KEN TEO

Manager, Asset Management

Mr Ken Teo supports the Chief Executive Officer to develop and implement business plans and asset enhancement initiatives to optimise operating and asset performance of Suntec City.

He has 6 years of experience in real estate including asset management, investment, portfolio management, fund syndication, market research and property management. Prior to joining the Manager, he was an Assistant Manager handling investment, asset management, portfolio management and fund syndication in Europe and USA at Mapletree Investments Pte Ltd. Prior to that, he held asset management and property management positions at Keppel REIT Management Limited and Keppel Land Limited.

Mr Teo holds a First Class Honours in Bachelor of Science in Project and Facilities Management from the National University of Singapore. As the best graduate for the entire course of study, he was awarded the Lee Kuan Yew Gold Medal, Singapore Institute of Surveyors & Valuers Gold Medal and the National University of Singapore Society Medal for Outstanding Achievement.

MR KENNY TAN

Manager, Special Projects

Mr Kenny Tan is a member of the Projects team, responsible for asset enhancement work and overseeing the operations of the asset portfolio of Suntec REIT. With more than 20 years of experience in the building construction industry, he was involved in numerous commercial, retail, industrial, institutional and residential projects.

Prior to joining the Manager, Mr Tan was the Deputy M&E Manager for AIOC (Lanka) Pte Ltd and Woh Hup International Pte Ltd for projects in Sri Lanka and prior to that, he was the M&E Manager with Shimizu Corporation. He also held various positions with local and multi-national companies managing both private and public projects.

Mr Tan holds a Bachelor of Engineering Management from University of Western Sydney, Australia.

MS TAN CHENG CHENG

Finance Manager

Ms Tan Cheng Cheng is a member of the Finance team, assisting in managing the monthly accounts and preparation of financial statements and providing support in areas of secretariat compliance, taxation and treasury.

Ms Tan has more than 20 years of commercial/industrial experience. Prior to joining the Manager, she was the Accountant responsible for the finance operations of property-related subsidiaries of United Industrial Corporation Limited.

Ms Tan holds an ACCA Certificate (UK) and is a member of ISCA.

MS MELISSA CHOW

Manager, Investor Relations

Ms Melissa Chow oversees the Investor Relations function of Suntec REIT. Her responsibilities include facilitating the timely communication of quality information to unitholders, potential investors, key stakeholders and providing the Manager with key market updates.

Ms Chow has over 8 years of experience in the field of investor relations. Prior to joining the Manager, she was an investor relations associate at a private equity firm where she managed the communication channels between the company and the investment community. She was previously with a boutique public and investor relations agency.

Ms Chow holds a Bachelor of Business Management (Finance and Corporate Communications) from Singapore Management University.

MS EUNICE ONG

Assistant Finance Manager

Ms Eunice Ong is a member of the Finance team, assisting in managing the monthly accounts and preparation of financial statements and providing support in areas of secretariat compliance, taxation and treasury.

Ms Ong has over 7 years of experience in accounting and finance. Prior to joining the Manager, she was the Assistant Finance Manager at Keppel DC REIT Management Pte Ltd where she was responsible for the finance operations of the Manager and Keppel DC Reit and its subsidiaries. She was also previously an auditor with PricewaterhouseCoopers LLP. Ms Ong holds a Bachelor of Accountancy Degree from Nanyang Technological University, Singapore and is a member of ISCA.

MR ANG GUO DONG

Assistant Manager, Investments & Asset Management

Mr Ang Guo Dong undertakes evaluation and execution of investment opportunities at Suntec REIT. He is also responsible for managing the Australian assets. He joined the Manager upon graduation and has over 3 years of experience in real estate investments and asset management. Mr Ang holds a Bachelor of Science in Real Estate (Honours) from the National University of Singapore.

MS CANDY ZHANG

Senior Analyst

Ms Candy Zhang is an analyst, responsible for interpreting data, analyzing results using statistical techniques and providing ongoing reports. Ms Zhang has over 3 years of experience in areas of analytics and asset management. Prior to joining the Manager, she was a Specialist at WIND Group and an Executive at CapitalLand Mall Asia. Ms Zhang holds a Master of Science degree in Financial Engineering from National University of Singapore.

MANAGER'S REPORT

YEAR IN REVIEW

Suntec REIT achieved a distributable income of S\$263.0 million and distribution per unit of 10.005 cents for the financial year ended 31 December 2017 ("FY 2017"). In August 2017, Suntec REIT expanded its footprint in Australia, with the acquisition of a 50.0% interest in Olderfleet, 477 Collins Street, a premium grade office building in Melbourne's Central Business District. The 40-level state-of-the-art building is currently under construction and is expected to achieve practical completion by mid 2020.

As at end FY 2017, Suntec REIT's assets under management ("AUM") has grown to approximately S\$9.6 billion¹, underpinned by a 2.9 million sq ft of prime office portfolio and 1.0 million sq ft of retail portfolio strategically-located in the prime districts of Singapore and Australia.

FINANCIAL PERFORMANCE

Suntec REIT achieved gross revenue of S\$354.2 million in FY 2017 which was 7.8% higher compared to the corresponding period in 2016 ("FY 2016"). This was mainly due to the rental contribution by 177 Pacific Highway and higher contribution from Suntec City Office which was partially offset by lower retail revenue.

Office revenue in FY 2017 was S\$175.7 million, an increase of 19.1% year-on-year, due to the full year rental contribution from 177 Pacific Highway and higher contribution from Suntec City Office.

The retail revenue of S\$118.8 million was 2.4% lower than in FY 2016 mainly due to the negative rental reversions at Suntec City.

Convention revenue of S\$59.7 million was 0.6% higher year-on-year due to higher exhibition revenue attained in FY 2017.

Net property income in FY 2017 was S\$244.5 million, an increase of 8.9% year-on-year. This was similarly due to the contribution from 177 Pacific Highway and Suntec City Office which was partially offset by lower retail contribution.

The income contribution from the joint ventures for FY 2017 was S\$89.7 million. This comprised the income contribution of S\$28.8 million from the one-third interest in One Raffles Quay, S\$53.6 million from the one-third interest in Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall (the "MBFC Properties") and S\$7.3 million from the 25.0% interest in Southgate Complex. The total income contribution for FY 2017 was in line with FY 2016 of S\$89.7 million.

Suntec REIT achieved a total distributable income of S\$263.0 million in FY 2017, an increase of 3.7% year-on-year. This was mainly due to higher contribution from 177 Pacific Highway, contribution from Southgate Complex and capital distribution which was partially offset by lower retail contribution. The DPU achieved for FY 2017 amounted to 10.005 cents, which translated to an annual yield of 4.65%² for the year.

Notes:

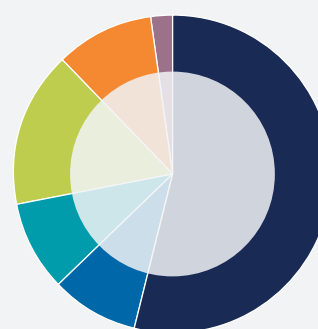
- 1 Includes the carrying values of S\$173.4 million and S\$70.8 million for 9 Penang Road and Olderfleet, 477 Collins Street respectively.
- 2 Based on the market closing price of S\$2.150 as at 31 December 2017.

| Cents | FY 2017 | FY 2016 |
|-----------------------|---------|---------|
| Distribution Per Unit | 10.005 | 10.003 |
| - from operations | 8.907 | 9.057 |
| - from capital | 1.098 | 0.946 |

NET PROPERTY INCOME & INCOME CONTRIBUTION FROM JOINT VENTURES

Contribution by Asset

FY 2017

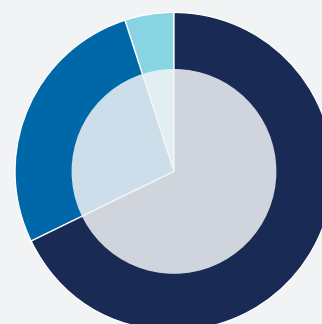


- 54% Suntec City
- 16% MBFC Properties
- 9% Suntec Singapore
- 10% 177 Pacific Highway
- 9% One Raffles Quay
- 2% Southgate Complex

NET PROPERTY INCOME & INCOME CONTRIBUTION FROM JOINT VENTURES

Contribution by Segment³

FY 2017



- 68% Office
- 27% Retail
- 5% Convention

- 3 Total income contribution from MBFC Properties is based on approximate 92% split between office and 8% retail. Total income contribution from Southgate Complex is based on approximate 84% split between office and 16% retail.

MANAGER'S REPORT

PROPERTY PORTFOLIO

On 8 August 2017, Suntec REIT completed the acquisition of a 50.0% interest in Olderfleet, 477 Collins Street for A\$414.17 million. The new premium grade office building which is strategically located in Melbourne's Central Business District, is under construction and is expected to achieve practical completion by mid 2020.

The property is 39.1% pre-committed with an additional approximate 9.0% of net lettable area with Heads of Agreements signed. Olderfleet, 477 Collins Street is a strategic fit with Suntec REIT's portfolio of high quality assets and will enhance the REIT's income and geographical diversification. Upon completion, the acquisition will improve earnings and distributions to unitholders.

In FY 2017, the office proposition for Southgate Complex was also strengthened. Office refurbishments works for nine floors which amounted to approximately 113,000 sq ft of net lettable area was completed.

In Sydney, 177 Pacific Highway achieved 5.5 star NABERS Energy rating, exceeding the initial target of 5 star NABERS Energy rating.

Development works for 9 Penang Road is in progress and is scheduled to complete by end 2019.

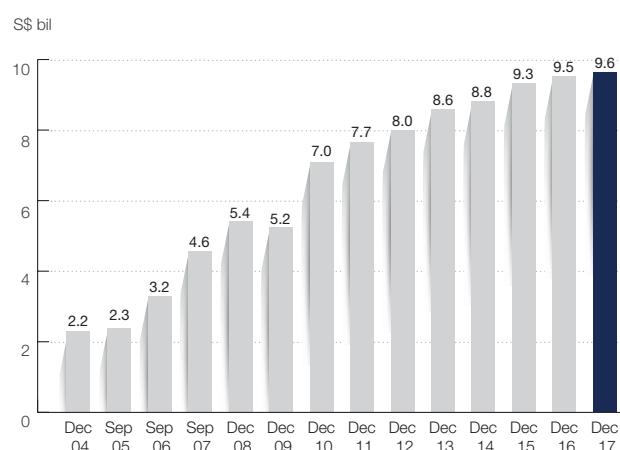
Suntec REIT's property portfolio comprising of approximately 2.9 million sq ft of attributable office space and more than 1.0 million sq ft of retail and convention space was valued at S\$9.4 billion and together with cash and other assets, the total AUM was S\$9.6 billion as at 31 December 2017, 1.1% higher than the preceding year. The net asset value of Suntec REIT and its subsidiaries stood at S\$2.119 per unit as at 31 December 2017.

| Property Valuation (\$ Millions) | 31 Dec 2017 | 31 Dec 2016 |
|---|----------------|----------------|
| Suntec City ¹ | 5,011.0 | 5,008.3 |
| Suntec Singapore ² | 425.6 | 418.3 |
| One Raffles Quay ³ | 1,273.0 | 1,273.0 |
| MBFC Properties ³ | 1,693.0 | 1,693.0 |
| 9 Penang Road ⁴ | 173.4 | 163.5 |
| 177 Pacific Highway ⁵ | 605.6 | 553.4 |
| Southgate Complex ⁶ | 173.9 | 160.4 |
| Olderfleet, 477 Collins Street ⁷ | 70.8 | - |
| Total | 9,426.3 | 9,269.9 |

Notes:

- Based on the valuation by Savills Valuation and Professional Services (S) Pte Ltd.
- Based on the valuation by Savills Valuation and Professional Services (S) Pte Ltd, reflecting the value of Suntec REIT's 60.8% interest in Suntec Singapore.
- Based on the valuation by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, reflecting the value of Suntec REIT's one-third interests in One Raffles Quay and the MBFC Properties.
- Reflecting Suntec REIT's 30.0% interest of the carrying value of 9 Penang Road.
- Based on the valuation by Jones Lang LaSalle Advisory Services Pty Ltd.
- Based on the valuation by Jones Lang LaSalle Advisory Services Pty Ltd, reflecting the value of Suntec REIT's 25.0% interest in Southgate Complex.
- Reflecting Suntec REIT's 50.0% interest of the carrying value of Olderfleet, 477 Collins Street.

ASSETS UNDER MANAGEMENT



CAPITAL STRUCTURE

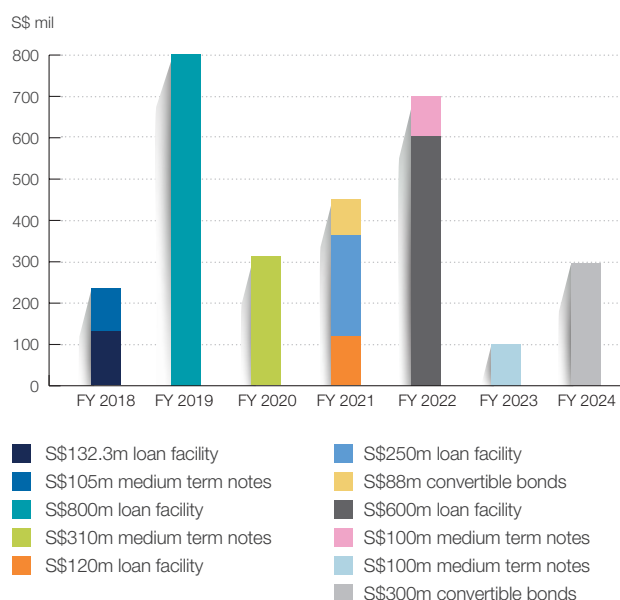
Suntec REIT's total consolidated debt stood at S\$3,271 million, with Debt-to-Assets and Aggregate Leverage ratios of 35.0% and 36.4% respectively as at 31 December 2017. The all-in cost of financing of Suntec REIT's debt portfolio for FY 2017 was 2.50% per annum.

In FY 2017, Suntec REIT secured a total of S\$1.1 billion in financing. This comprised S\$600 million 5-year unsecured loan facility, S\$100 million 5-year medium term notes, S\$100 million 6-year medium term notes and the issuance of S\$300 million 7-year convertible bonds at 1.75% fixed coupon. The proceeds from the convertible bonds were utilised to partially refinance Suntec REIT's existing debt.

Suntec REIT's exposure to derivatives is elaborated in the Financial Statements. The fair value derivative for FY 2017, which is included in the Financial Statements as "Derivative Assets" and "Derivative Liabilities", was S\$1.0 million and S\$40.6 million respectively. The net fair value derivative represented 0.7% of the net assets of Suntec REIT as at 31 December 2017.

DEBT MATURITY PROFILE (REIT LEVEL)

As at 31 December 2017



MANAGER'S REPORT

STRONG OCCUPANCY FOR ASSET PORTFOLIO

Suntec REIT's asset portfolio performance continued to remain strong. In particular, the Singapore office portfolio has consistently maintained occupancy rates at above market levels. As at 31 December 2017, the Singapore office portfolio achieved an overall committed occupancy of 99.7%, 10.5% higher than the overall CBD Grade A occupancy of 89.2%¹. The committed occupancies for Suntec City Office, One Raffles Quay and MBFC Towers 1 and 2 were 99.5%, 100% and 99.8% respectively. In Australia, the committed occupancy for 177 Pacific Highway maintained at 100% while the committed occupancy for Southgate Complex (Office) improved to 90.7% as at 31 December 2017.

For the Singapore retail portfolio, the overall committed occupancy as at 31 December 2017 was 99.0%. The committed occupancy for Suntec City Mall strengthened further to 99.0%, while the committed occupancy for Marina Bay Link Mall improved to 99.5%. In Australia, the committed occupancy for Southgate Complex (Retail) increased to 91.7% as at 31 December 2017.

As such, Suntec REIT's overall committed occupancy for the office and retail portfolio stood at 99.2% and 98.8% respectively as at 31 December 2017.

| Committed Office Occupancy as at | 31 Dec 2017 | 31 Dec 2016 |
|-----------------------------------|--------------|--------------|
| Suntec City Office | 99.5% | 98.9% |
| One Raffles Quay | 100.0% | 100.0% |
| MBFC Towers 1 & 2 | 99.8% | 99.8% |
| Singapore Office Portfolio | 99.7% | 99.3% |
| 177 Pacific Highway | 100.0% | 100.0% |
| Southgate Complex | 90.7% | 86.1% |
| Australia Office Portfolio | 97.3% | 95.9% |
| Overall Office Portfolio | 99.2% | 98.6% |

| Committed Retail Occupancy as at | 31 Dec 2017 | 31 Dec 2016 |
|-----------------------------------|--------------|--------------|
| Suntec City Mall | 99.0% | 97.9% |
| Marina Bay Link Mall | 99.5% | 97.4% |
| Singapore Retail Portfolio | 99.0% | 97.9% |
| Southgate Complex | 91.7% | 89.0% |
| Australia Retail Portfolio | 91.7% | 89.0% |
| Overall Retail Portfolio | 98.8% | 97.7% |

Note:

1 Source: JLL

LEASING ACHIEVEMENTS IN FY 2017

For the office portfolio, a total of 726,684 sq ft of new, renewal and replacement leases were secured in FY 2017. The tenant retention ratio for FY 2017 was 64.0%. The average rent secured for FY 2017 for the Singapore and Australia office portfolios were S\$8.61 psf/mth and A\$4.78 psf/mth respectively.

| Office Leasing Activities | Tenants | NLA (sq ft) |
|-----------------------------------|------------|----------------|
| Renewal leases & lease extensions | 117 | 510,125 |
| Replacement leases | 74 | 197,932 |
| New leases | 6 | 18,627 |
| Total | 197 | 726,684 |

For the retail portfolio, a total of 358,297 sq ft of new, renewal and replacement leases were secured in FY 2017. The tenant retention ratio for FY 2017 was 64.0%.

| Retail Leasing Activities | Tenants | NLA (sq ft) |
|-----------------------------------|------------|----------------|
| Renewal leases & lease extensions | 108 | 189,177 |
| Replacement leases | 80 | 162,672 |
| New leases | 10 | 6,448 |
| Total | 198 | 358,297 |

PROPERTY PORTFOLIO



HIGH QUALITY COMMERCIAL ASSETS STRATEGICALLY LOCATED IN SINGAPORE'S & AUSTRALIA'S PRIME DISTRICTS

Suntec REIT's portfolio comprises prime commercial properties in Suntec City, a 60.8% interest in Suntec Singapore, a one-third interest in One Raffles Quay and a one-third interest in Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall (the "MBFC Properties") and 30.0% interest in 9 Penang Road which is currently under development. These properties are located within Singapore's growth precincts, namely Marina Bay, the Civic and Cultural District, as well as within the Central Business District. In addition, in Australia, Suntec REIT holds a 100% interest in 177 Pacific Highway located in Sydney and a 25.0% interest in the iconic Southgate Complex in Melbourne. In August 2017, Suntec REIT completed the acquisition of a 50.0% interest in Olderfleet, 477 Collins Street which is currently under construction.

Spanning a total net lettable area ("NLA") of about 3.9 million sq ft, the properties derive a steady stream of income from a well-diversified pool of strong office and retail tenants. The committed occupancy of Suntec REIT's office and retail portfolios stood at 99.2% and 98.8% respectively as at 31 December 2017.

PROPERTY STATISTICS

As at 31 December 2017

| | |
|-----------------------------------|---------------------------------|
| Total Net Lettable Area | 3,940,709 ^{1,2} sq ft |
| • Office | 2,931,887 sq ft |
| • Retail | 1,008,822 sq ft |
| Number of tenants (actual) | 865 |
| • Office | 409 |
| • Retail | 456 |
| Valuation | S\$9,426.3 million ³ |
| Committed Occupancy | |
| • Office | 99.2% |
| • Retail | 98.8% |

Notes:

- 1 Reflects the total net lettable area of Suntec City Office, Suntec City Mall, Suntec Singapore (Retail) and 177 Pacific Highway.
- 2 Reflects one-third interests in One Raffles Quay and MBFC Properties and 25.0% interest in Southgate Complex.
- 3 Includes the valuation of Suntec REIT's 60.8% interest in Suntec Singapore, the valuation of Suntec REIT's one-third interests in One Raffles Quay and MBFC Properties, the valuation of Suntec REIT's 25.0% interest in Southgate Complex, the carrying values of Suntec REIT's 30.0% interest in 9 Penang Road and 50.0% interest in Olderfleet, 477 Collins Street.

VIBRANT TENANT MIX

Suntec REIT's office portfolio leases are well diversified across 13 business sectors. 62.5% of the total gross office revenue for the month of December 2017 was attributable to the major business sectors of Banking, Insurance and Financial Services, and Technology, Media and Telecommunications. The top 10 tenants of the office portfolio contributed 23.5% of Suntec REIT's total gross revenue for the month of December 2017 and occupied an area representing 34.7% of the REIT's total office portfolio NLA.

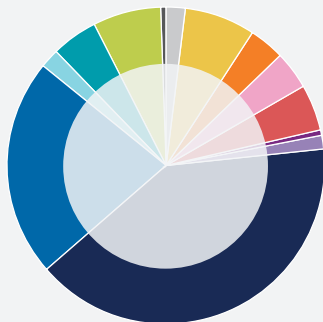
For the retail portfolio, 54.6% of the total gross retail revenue for the month of December 2017 was attributable to the major business sectors of Food and Beverage, and Fashion and Accessories. The top 10 tenants of the retail portfolio contributed 5.3% of Suntec REIT's total gross revenue for the month of December 2017 and occupied an area representing 27.0% of the REIT's total retail portfolio NLA.



OFFICE PORTFOLIO BUSINESS SECTOR ANALYSIS

(By Gross Rental Income¹)

As at 31 December 2017



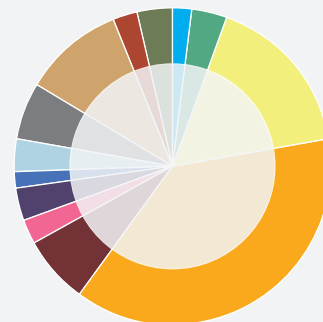
Note:

- Includes one-third interest in One Raffles Quay and one-third interest in Marina Bay Financial Centre Towers 1 and 2 and 25.0% interest in Southgate Complex (Office).

RETAIL PORTFOLIO BUSINESS SECTOR ANALYSIS

(By Gross Rental Income¹)

As at 31 December 2017



Note:

- Includes 60.8% interest in Suntec Singapore (Retail), one-third interest in One Raffles Quay, one-third interest in the Marina Bay Link Mall and 25.0% interest in Southgate Complex (Retail).

PROPERTY PORTFOLIO

OFFICE PORTFOLIO – TOP 10 TENANTS

(By Gross Rental Income¹)

As at 31 December 2017

| Tenant | Business Sector | NLA (sq ft) | % of Total Office NLA | % of Total Monthly Gross Rental Income |
|--|---|----------------|-----------------------|--|
| UBS AG | Banking, Insurance and Financial Services | 195,885 | 7.0% | 4.6% |
| Standard Chartered Bank | Banking, Insurance and Financial Services | 138,726 | 5.0% | 3.9% |
| Barclays | Banking, Insurance and Financial Services | 89,460 | 3.2% | 2.4% |
| Deutsche Bank | Banking, Insurance and Financial Services | 93,247 | 3.3% | 2.3% |
| CIMIC Group Limited | Real Estate and Property Services | 114,206 | 4.1% | 2.3% |
| Vodafone Hutchison Australia Pty Limited | Technology, Media and Telecommunications | 107,360 | 3.8% | 2.2% |
| Nomura Investments Singapore Pte Ltd | Banking, Insurance and Financial Services | 56,859 | 2.0% | 1.5% |
| Pay Pal Pte Ltd | Technology, Media and Telecommunications | 55,327 | 2.0% | 1.5% |
| Jacobs Group (Australia) Pty Ltd | Consultancy / Services | 73,873 | 2.6% | 1.5% |
| Ernst & Young | Banking, Insurance and Financial Services | 48,291 | 1.7% | 1.3% |
| Total | | 973,234 | 34.7% | 23.5% |

Note:

1 Includes one-third interest in One Raffles Quay, one-third interest in Marina Bay Financial Centre Towers 1 and 2 and 25.0% interest in Southgate Complex (Office).

RETAIL PORTFOLIO – TOP 10 TENANTS

(By Gross Rental Income¹)

As at 31 December 2017

| Tenant | Business Sector | NLA (sq ft) | % of Total Retail NLA | % of Total Monthly Gross Rental Income |
|---------------------------------------|------------------------------------|----------------|-----------------------|--|
| Cold Storage Singapore (1983) Pte Ltd | Hypermarket/Supermarket | 46,442 | 5.1% | 0.9% |
| Golden Village Multiplex Pte Ltd | Leisure, Fitness and Entertainment | 60,098 | 6.7% | 0.8% |
| Food Republic Pte. Ltd. | Food and Beverage | 16,692 | 1.8% | 0.6% |
| True Fitness Pte Ltd | Leisure, Fitness and Entertainment | 30,441 | 3.4% | 0.6% |
| RE&S Enterprises Pte. Ltd. | Food and Beverage | 13,254 | 1.5% | 0.4% |
| Cotton On Singapore Pte. Ltd. | Fashion and Accessories | 14,926 | 1.7% | 0.4% |
| Pertama Merchandising Pte Ltd | Electronics and Technology | 22,217 | 2.5% | 0.4% |
| Copitiam Pte. Ltd. | Food and Beverage | 12,688 | 1.4% | 0.4% |
| Uniqlo (Singapore) Pte. Ltd. | Fashion and Accessories | 13,619 | 1.5% | 0.4% |
| Eat At Seven Pte. Ltd. | Food and Beverage | 12,988 | 1.4% | 0.4% |
| Total | | 243,365 | 27.0% | 5.3% |

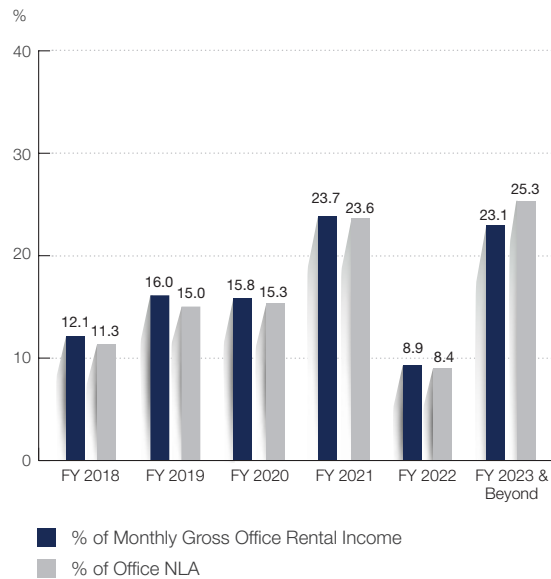
Note:

1 Includes 60.8% interest in Suntec Singapore (Retail), one-third interest in One Raffles Quay, one-third interest in the Marina Bay Link Mall and 25.0% interest in Southgate Complex (Retail).



OFFICE PORTFOLIO LEASE EXPIRY PROFILE¹

As at 31 December 2017



Note:

- Includes one-third interest in One Raffles Quay, one-third interest in Marina Bay Financial Centre Towers 1 and 2 and 25.0% interest in Southgate Complex (Office).

LEASE EXPIRY PROFILE

In FY 2017, approximately 726,684 sq ft of office space was renewed and signed, including a pre-commitment of approximately 333,768 sq ft of office leases expiring in FY 2018. As at 31 December 2017, 11.3%, 15.0% and 15.3% of the total office NLA are due to expire in FY 2018, FY 2019 and FY 2020 respectively, whilst 57.3% is due to expire in FY 2021 and beyond.

For the retail portfolio, as at 31 December 2017, 25.0%, 27.1% and 29.7% of the total retail NLA are due to expire in FY 2018, FY 2019 and FY 2020 respectively, whilst 17.0% is due to expire in FY 2021 and beyond.

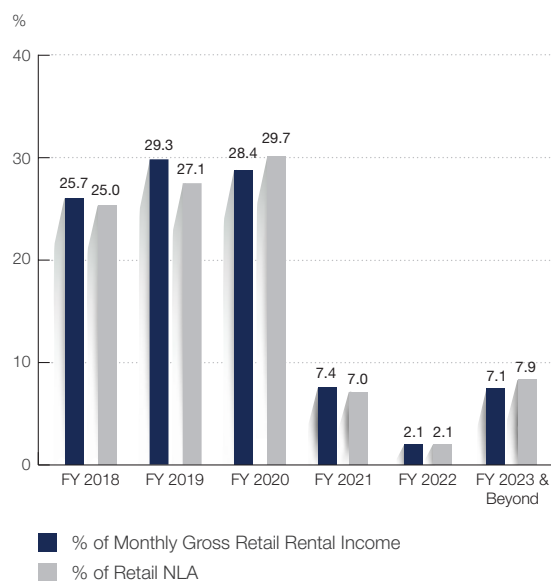
WEIGHTED AVERAGE LEASE EXPIRY PROFILE

The weighted average lease expiry ("WALE") of the overall office portfolio was 3.80 years as at 31 December 2017. The Singapore and Australia office portfolio WALE was 3.03 years and 6.82 years respectively. The WALE of the office leases committed in FY 2017 was 3.05 years, contributing 26.2% to the total monthly gross office rental income.

The WALE of the overall retail portfolio was 2.35 years as at 31 December 2017. The Singapore and Australia retail portfolio WALE was 2.24 years and 6.31 years respectively. The WALE of the retail leases committed in FY 2017 was 2.60 years, contributing 37.8% to the total monthly gross retail rental income.

RETAIL PORTFOLIO LEASE EXPIRY PROFILE¹

As at 31 December 2017



Note:

- Includes 60.8% interest in Suntec Singapore (Retail), one-third interest in the Marina Bay Link Mall and 25.0% interest in Southgate Complex (Retail).

PROPERTY PORTFOLIO

SUNTEC CITY



Suntec City is an iconic integrated commercial development located in the Marina Bay Precinct within Singapore's Central Business District.

Developed by a consortium of successful business leaders from Hong Kong with a vision of making the complex "The Business Capital of Asia", Suntec City is a landmark development which comprises five Grade A office towers, a world-class convention and exhibition centre, and one of Singapore's largest shopping mall, all of which are interlinked by street level plazas and underground walkways. The world-famous Fountain of Wealth, which sits in the heart of Suntec City, embodies an abundance of life and an endless variety of bustling activity.

The remaking of Suntec City commenced in June 2012 and was completed in June 2015. In October 2015, Suntec City celebrated its official opening in a ceremony which was graced by Mr Tan Chuan-Jin, who was then the Minister for Social and Family Development. The rejuvenated Suntec City is now

transformed into a premier MICE¹, business, shopping and lifestyle destination.

Suntec REIT owns approximately 59% in Suntec City Office Towers and 100% in Suntec City Mall, and a 60.8% interest in Suntec Singapore Convention and Exhibition Centre. Easily accessible by car and public transport networks, Suntec City houses a total of 3,066 car park lots over two basement levels. It is directly connected to both the Promenade and Esplanade stations on the Circle and Downtown lines and is also a 5-minute walk to City Hall station with the North-South and East-West lines.

Note:

¹ Meetings, Incentives, Conventions and Exhibitions

The Manager's objective for Suntec City is to generate sustainable growth for the office, retail and convention businesses.



PROPERTY STATISTICS

As at 31 December 2017

| | |
|-----------------------------------|---|
| Location | 3, 5, 6, 7, 8 and 9 Temasek Boulevard and 1 Raffles Boulevard, Singapore |
| Title | Leasehold 99 years from 1989 |
| Total Net Lettable Area | 2,282,926' sq ft |
| • Office | 1,332,253 sq ft |
| • Retail | 950,673 sq ft |
| Number of tenants (actual) | 601 |
| Car Park Lots | 3,066 ² |
| Purchase Price | S\$2,484.6 million ³ |
| Market Valuation | S\$5,436.6 million ⁴ (31 December 2016: S\$5,426.6 million) |
| Gross Revenue | S\$313.3 million ⁵ (2016: S\$313.5 million) |
| Net Property Income | S\$209.1 million (2016: S\$210.1 million) |
| Committed Occupancy | 99.3% (31 December 2016: 98.5%) |



Notes:

- 1 Reflects the total net lettable area of Suntec City Office, Suntec City Mall and Suntec Singapore (Retail).
- 2 Owned and managed by the Management Corporation Strata Title Plan No. 2197 (MCST).
- 3 Includes the purchase price for strata office space and the investment of a 60.8% interest in Suntec Singapore.
- 4 Includes the value of a 60.8% interest in the Suntec Singapore of S\$425.6 million.
- 5 Comprises gross rental income of S\$230.0 million and other income of S\$5.0 million and S\$78.3 million from Suntec Singapore.

SUNTEC CITY OFFICE



Suntec REIT owns a net lettable area of approximately 1.3 million sq ft in Suntec City Office Towers, comprising strata units in Towers One, Two and Three, and all strata units in Towers Four and Five. Towers One to Four are 45-storey buildings of column-free floor space, whilst Tower Five is an 18-storey building with large floor plates of up to 28,000 sq ft.

With quality buildings fronting the Marina Bay skyline and complemented by a wealth of amenities from the integrated shopping mall, Suntec City Office draws a good stream of diverse multinational firms ranging from sectors such as Technology, Media and Telecommunications, Banking, Insurance and Financial Services and Shipping and Freight Forwarding.

DIVERSE TENANT MIX

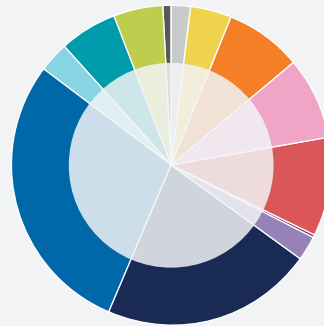
For the month of December 2017, 28.7% of the total gross office revenue was attributable to the Technology, Media and Telecommunications sector, followed by 21.6% and 10.0% from Banking, Insurance and Financial Services sector and Shipping and Freight Forwarding sector respectively.

In terms of NLA, as at 31 December 2017, 28.7% of Suntec City's office NLA for was attributable to the Technology, Media and Telecommunications sector, followed by 22.8% and 10.1% from Banking, Insurance and Financial Services sector and Shipping and Freight Forwarding sector respectively.



SUNTEC CITY OFFICE BUSINESS SECTOR ANALYSIS (By Gross Rental Income)

As at 31 December 2017



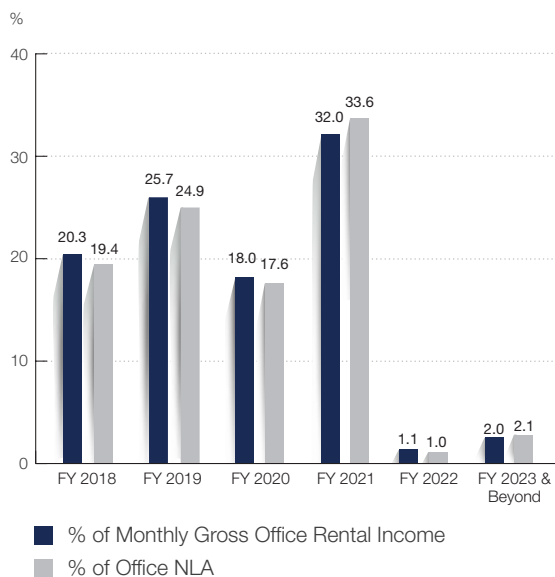
The top 10 office tenants of Suntec City office contributed 18.0% of Suntec City's total gross revenue for the month of December 2017, representing 33.7% of the Suntec City office NLA.

LEASE EXPIRY PROFILE

Based on the committed leases as at 31 December 2017, 19.4%, 24.9% and 17.6% of Suntec City's office NLA is due to expire in FY 2018, FY 2019 and FY 2020 respectively, whilst 36.7% is due to expire in FY 2021 and beyond.

SUNTEC CITY OFFICE LEASE EXPIRY PROFILE

As at 31 December 2017



PROPERTY PORTFOLIO

SUNTEC CITY MALL



Suntec City Mall is one of Singapore's largest malls and a leading shopping destination, offering a unique one-stop shopping, dining, recreation and entertainment experience for many. It caters to the needs of the working population from the five office towers within Suntec City and office buildings in the vicinity, the daily flow of tourists and locals, as well as the vast network of local and international delegates who convene at Suntec Singapore Convention & Exhibition Centre for exhibitions, seminars and conferences.

Suntec City is an exciting, lifestyle destination offering over 360 specialty retail stores, varied food and beverage concepts and entertainment options. In 2017, over 20 new-to-market brands or concept stores opened in Suntec City. These include AW Lab, Bern, Commas, Da Vinci Innovation Labs, Dookki, Fightzone, Sichuan Kungfu Fish, MST Golf, Lincoln Richmond, Nya Nya Cafe, OMU, Ramen Nagi, Watch Wonderland and Zero Latency.

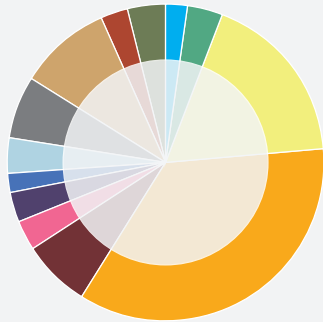
Navigation around Suntec City was also enhanced in 2017, with the introduction of the QuickChat and QuickFind applications which enable shoppers to start a real time chat with customer service officers and assist drivers to quickly locate their vehicles.

EVENTS AT SUNTEC CITY

In 2017, Suntec City hosted a myriad of activities and events to encourage communities to hub at the city. Themed promotions held in conjunction with key events such as Chinese New Year, Valentine's Day, International Women's Day, Food Festival, Mother's Day, Great Singapore Sale, Father's Day, Hari Raya, National Day, Formula 1 - Singapore Grand Prix, Mid-Autumn Festival, Deepavali and Christmas, were well-received. Specially curated live shows featuring characters such as the Shoppies during the Great Singapore Sale as well as Care Bears, Forever Friends and Paddington Bear during the Christmas festive season were hugely popular with the crowd.

SUNTEC CITY RETAIL BUSINESS SECTOR ANALYSIS¹ (By Gross Rental Income)

As at 31 December 2017



- 2.3% Books, Stationery and Education
- 3.7% Electronics and Technology
- 17.8% Fashion and Accessories
- 35.2% Food and Beverage
- 7.0% Hair, Beauty and Wellness
- 2.9% Homeware and Home Furnishings
- 3.2% Hypermart / Supermarket
- 1.9% Jewellery and Watches
- 3.6% Kid's Fashion, Toys and Kid's Speciality
- 6.5% Leisure, Fitness and Entertainment
- 9.5% Services and Others
- 2.7% Specialty and Gifts
- 3.7% Sporting Goods and Apparel

Note:

¹ Includes 60.8% interest in Suntec Singapore (Retail).

Over 5,000 fans also gathered at Suntec City to catch the Korean celebrities Hwang Jung-min, So Ji-sub and Song Joong-ki who were in town to promote the movie, The Battleship Island.

In 2017, Suntec City also hosted the Purple Parade for the second year running where approximately 10,000 members of the public came together to lend their support and celebrate the abilities of the special needs community.

VIBRANT TENANT MIX

For the month of December 2017, 53.0% of the total gross retail revenue was attributable to the Food and Beverage and Fashion and Accessories sectors, and the remaining from other varied sectors such as Services and Others, Hair, Beauty and Wellness, Leisure, Fitness and Entertainment, and Electronics and Technology.

In terms of NLA, as at 31 December 2017, 27.5% of Suntec City retail NLA was attributable to the

SUNTEC CITY RETAIL LEASE EXPIRY PROFILE¹

As at 31 December 2017



Note:

¹ Includes 60.8% interest in Suntec Singapore (Retail).



Food and Beverages sector, followed by 16.8% and 12.7% from the Fashion and Accessories sector, and Leisure, Fitness and Entertainment sector respectively.

The top 10 retail tenants of Suntec City contributed 8.9% of Suntec City's total gross revenue for the month of December 2017, representing 28.7% of the mall's total NLA.

LEASE EXPIRY PROFILE

Based on the committed leases as at 31 December 2017, 25.8%, 27.4% and 30.7% of Suntec City's total retail NLA is due to expire in FY 2018, FY 2019 and FY 2020 respectively, whilst 15.1% is due to expire in FY 2021 and beyond.

SUNTEC SINGAPORE CONVENTION & EXHIBITION CENTRE



Suntec Singapore Convention & Exhibition Centre (“Suntec Singapore”), is a world-class meeting, convention and exhibition venue. The award-winning facility can cater to events from 10 to 10,000 persons, offering direct access to approximately 5,800 hotel rooms, 1,000 retail outlets, 300 restaurants within close proximity to Singapore’s entertainment and cultural attractions.

Since 1995, Suntec Singapore has hosted many key notable events such as the World Trade Organization

Ministerial Meetings in 1996, the Annual Meetings of the Board of Governors of the International Monetary Fund and World Bank Group in 2006 and the APEC Leaders Week in 2009. It also served as one of the largest sporting venues for the inaugural Youth Olympic Games in 2010.

On 18 August 2011, Suntec REIT secured strategic majority control of Suntec Singapore through the acquisition of an additional 40.8% equity stake, raising the effective stake from 20.0% to 60.8%.



Following the completion of the asset enhancement works in June 2013, conference delegates at the transformed Suntec Singapore now enjoy new facilities which incorporate enhanced flexibility, functionality and convertibility. Another highlight is the impressive three-storey high definition digital wall comprising 664 full HD LED screens which was awarded the Guinness World Records title for "Largest High Definition Video Wall".

In 2017, Suntec Singapore hosted approximately 1,600 events. It also received numerous

international, regional and local accolades and awards in recognition of its high standards of service excellence, dedication and passion. The awards received include "Outstanding Venue Award – Runner Up" at the AFECA Awards 2017, "Best Corporate MICE Venue" at the HRM Asia Readers' Choice Awards 2017, "Best Convention & Exhibition Centre – Editors' Choice Award" by CEI Asia, "Top Asian Venue" Exhibition Showcase Magazine and the 12th consecutive award for "Asia's Leading Meetings & Conference Centre" at the World Travel Awards 2017.

ONE RAFFLES QUAY



One Raffles Quay is a prime landmark commercial development located in Singapore's Central Business District comprising a 50-storey office tower (the "North Tower"), a 29-storey office tower (the "South Tower"), an underground link to the Downtown and Raffles Place MRT stations with excellent connectivity and accessibility along the Downtown, North-South and East-West MRT lines, a sheltered plaza serving as a drop-off point and a hub car park with 713 car park lots.

Designed by internationally renowned architectural firm Kohn Pedersen Fox Associates of New York, its state-of-the-art building services and management systems cater to the needs of global financial tenants.

One Raffles Quay was accorded the top award in the Office category at the FIABCI Prix d'Excellence Awards 2008, which recognises the world's outstanding real estate developments.

One Raffles Quay has a large and diversified tenant base comprising 51 office tenants and five retail tenants. The major office tenants include ABN AMRO Bank N.V., Deutsche Bank, Ernst & Young, The Royal Bank of Scotland and UBS AG.

In equal partnership with reputable property companies Hongkong Land and Keppel REIT, Suntec REIT holds a one-third interest in One Raffles Quay.

A prestigious iconic prime Grade 'A' office development, One Raffles Quay is well-positioned to capitalise on the future growth of the Marina Bay area, given its proximity to Marina Bay.

The Manager's objective for One Raffles Quay is to generate sustainable growth from its interest in the property for Suntec REIT unitholders.

STRONG TENANT MIX

For the month of December 2017, 85.7% of the total gross revenue was attributable to the Banking, Insurance and Financial Services sector.

LEASE EXPIRY PROFILE

Based on the committed leases as at 31 December 2017, 70.1% of One Raffles Quay's total NLA is due to expire during the period from FY 2018 to FY 2022, whilst 29.9% is due to expire in FY 2023 and beyond.

PROPERTY STATISTICS

As at 31 December 2017

| | |
|-----------------------------------|---|
| Location | One Raffles Quay, Singapore 048583 |
| Title | Leasehold 99 years from 2001 |
| Total Net Lettable Area | 1,328,410 sq ft |
| Net Lettable Area | 442,803 ¹ sq ft |
| Number of tenants (actual) | 56 |
| Car Park Lots | 713 |
| Purchase Price | S\$941.5 million ¹ |
| Market Valuation | S\$1,273 million ¹ (31 December 2016: S\$1,273 million) |
| Net Income Contribution | S\$28.8 million ² (2016: S\$29.2 million) |
| Committed Occupancy | 100% (31 December 2016: 100%) |

Notes:

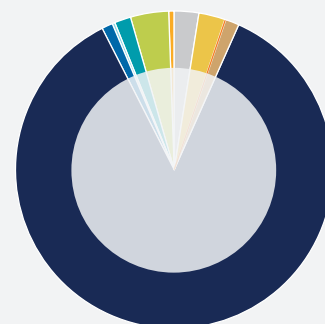
- 1 Reflects one-third interest.
- 2 Comprises dividend income and interest income from the joint venture net of all taxes.



ONE RAFFLES QUAY BUSINESS SECTOR ANALYSIS

(By Gross Rental Income¹)

As at 31 December 2017

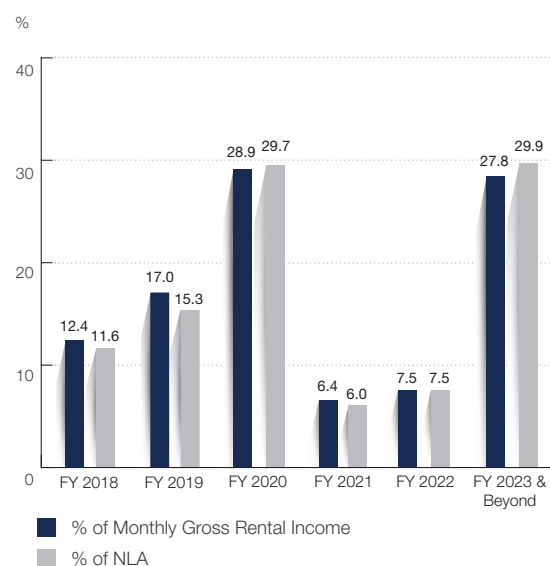


Note:

- 1 Reflects one-third interest.

ONE RAFFLES QUAY LEASE EXPIRY PROFILE¹

As at 31 December 2017



Note:

- 1 Reflects one-third interest.

MBFC PROPERTIES¹



The Marina Bay Financial Centre is a prime landmark commercial development strategically located in the heart of Marina Bay.

Designed by the internationally renowned architectural firm Kohn Pedersen Fox Associates of New York, Phase 1 of the development comprises a 33-storey office tower ("Tower 1"), a 50-storey office tower ("Tower 2"), Marina Bay Residences, the Marina Bay Link Mall which consists of approximately 94,960 sq ft of NLA for retail use including the ground levels of Tower 1 and Tower 2 and the Ground Plaza, and 697 car park lots. It is directly connected to the Downtown MRT station and there is also an underground link from Marina Bay Link Mall to Raffles Place MRT station.

In May 2013, the Marina Bay Financial Centre celebrated its grand opening in a ceremony which was officiated by the Prime Minister of Singapore, Mr Lee Hsien Loong.

The MBFC Properties was named Best Commercial Development in South East Asia at the 2013 South East Asia Property Awards. It was accorded the

top award in the Office category at the FIABCI Prix d'Excellence Awards 2012, which recognises the world's outstanding real estate developments. The MBFC Properties also clinched the Gold award for the Mixed-Use category and the Participants' Choice Award in the MIPIM Asia Awards 2011.

The MBFC Properties has a premier tenant base, with major office tenants including Barclays, BHP Billiton, Macquarie, Nomura and Standard Chartered Bank.

In equal partnership with reputable property companies Hongkong Land and Keppel REIT, Suntec REIT holds a one-third interest in the MBFC Properties.

The Marina Bay Sands Integrated Resort, Singapore Flyer, Gardens by the Bay, Esplanade Theatres, international and boutique hotels, residential apartments and waterside food and beverage outlets are all within close proximity.

Note:

¹ Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall.

STRONG TENANT MIX

For the month of December 2017, 65.3% of the total gross revenue was attributable to the Banking, Insurance and Financial Services sector.

LEASE EXPIRY PROFILE

Based on the committed leases as at 31 December 2017, 82.2% of the total NLA of the MBFC Properties is due to expire during the period from FY 2018 to FY 2022, whilst 17.5% is due to expire in FY 2023 and beyond.

The Manager's objective for the MBFC Properties is to generate sustainable growth from its interest in the property for Suntec REIT unitholders.

PROPERTY STATISTICS

As at 31 December 2017

| | |
|-----------------------------------|---|
| Location | 8 Marina Boulevard, Singapore 018981 |
| Title | Leasehold 99 years from 2005 |
| Total Net Lettable Area | 1,737,999 sq ft |
| Net Lettable Area | 579,333 ¹ sq ft |
| Number of tenants (actual) | 110 |
| Car Park Lots | 697 |
| Purchase Price | S\$1,495.8 million ¹ |
| Market Valuation | S\$1,693 million ¹ (31 December 2016: S\$1,693 million) |
| Net Income Contribution | S\$53.6 million ² (2016: S\$58.7 million) |
| Committed Occupancy | 99.8% (31 December 2016: 99.7%) |

Notes:

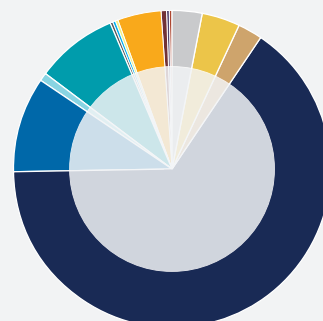
- 1 Reflects one-third interest.
- 2 Comprises distribution income and interest income from the joint venture net of all taxes.



MBFC PROPERTIES BUSINESS SECTOR ANALYSIS

(By Gross Rental Income¹)

As at 31 December 2017

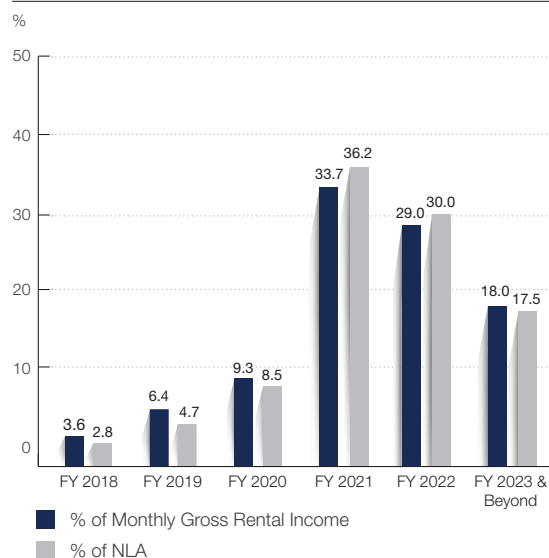


Note:

- 1 Reflects one-third interest.

MBFC PROPERTIES LEASE EXPIRY PROFILE¹

As at 31 December 2017



Note:

- 1 Reflects one-third interest.

177 PACIFIC HIGHWAY



177 Pacific Highway, the 31-storey A-grade commercial tower in North Sydney received its practical completion on 1 August 2016. The landmark building is designed by award-winning architecture firm Bates Smart and boasts state-of-the-art design and harbour views. In addition to the 5 Star Green Star – Office Design v3 Certified Rating received in 2016, the building was also awarded 5.5 star NABERS Energy rating in January 2018, exceeding the initial target of 5 star NABERS Energy rating.

177 Pacific Highway premier tenant base include CBRE, CIMIC Group Limited, Cisco Systems, Jacobs Engineering Group Inc, Objective Corporation, Pepper Group Limited and Vodafone Group Plc.

177 Pacific Highway is located in one of the most prominent sites in North Sydney Central Business District at the junction of Pacific Highway and Berry Street. The property's prime location enables it to enjoy direct access to a number of major surrounding roadways and is well served by public transport. The property is a 5-minute walk from North Sydney station.

STRONG TENANT MIX

For the month of December 2017, 39.9% of the total gross revenue was attributable to the Technology, Media and Telecommunications sector.

LEASE EXPIRY PROFILE

Based on the committed leases as at 31 December 2017, there were no leases expiring during the period from FY 2018 to FY 2022. The leases are only due to expire from 2023 onwards.

The Manager's objective for 177 Pacific Highway is to generate sustainable growth from the property for Suntec REIT unitholders.

PROPERTY STATISTICS

As at 31 December 2017

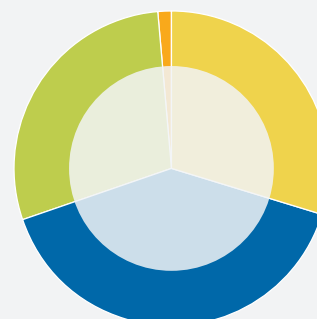
| | |
|-----------------------------------|---|
| Location | 177 Pacific Highway, North Sydney, NSW 2060, Australia |
| Title | Freehold |
| Total Net Lettable Area | 430,915 sq ft |
| Number of tenants (actual) | 10 |
| Car Park Lots | 112 |
| Purchase Price | S\$457.5 million ¹ |
| Market Valuation | S\$605.6 million ² (31 December 2016: S\$553.4 million ²) |
| Net Property Income | S\$35.4 million ³ (2016: S\$13.1 million ^{4,5}) |
| Committed Occupancy | 100% (31 December 2016: 100%) |

Notes:

- Based on total actual progress payment made, at an average exchange rate of A\$1.00 = S\$1.107.
- Based on an exchange rate of A\$1.00 = S\$1.0441 as at 31 December 2017 and 31 December 2016.
- Based on an exchange rate of A\$1.00 = S\$1.0201.
- Based on an exchange rate of A\$1.00 = S\$1.0267.
- Based on the net property income received after practical completion on 1 August 2016.

177 PACIFIC HIGHWAY BUSINESS SECTOR ANALYSIS (By Gross Rental Income)

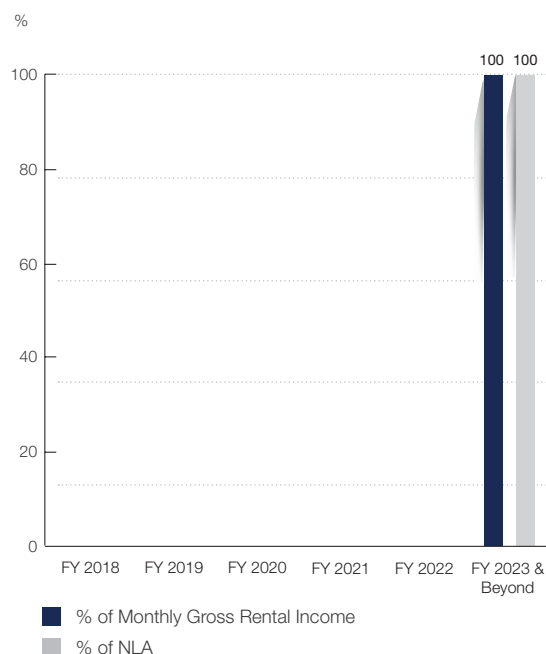
As at 31 December 2017



- 29.9% Real Estate and Property Services
- 39.9% Technology, Media and Telecommunications
- 29.0% Consultancy / Services
- 1.2% Food and Beverage

177 PACIFIC HIGHWAY LEASE EXPIRY PROFILE

As at 31 December 2017



SOUTHGATE COMPLEX



Southgate Complex is a freehold, landmark waterfront integrated development located alongside the Yarra River in the Southbank arts and leisure precinct of Melbourne, Australia.

Southgate Complex comprises two A-Grade office towers, the 30-storey “IBM Centre”, the 25-storey “The Herald and Weekly Times Tower”, a 3-storey retail podium and a car park with 1,026 lots. In FY 2017, the office proposition for Southgate Complex was also strengthened. Office refurbishments works for nine floors which amounted to approximately 113,000 sq ft of net lettable area was completed.

Southgate Complex is directly opposite Flinders Street train station and within close proximity to Melbourne’s city rail loop. It is also surrounded by business, residential, recreational and retail amenities.

Southgate Complex has a premier tenant base with major office tenants including APT Management Services, City Road Melbourne, Government of Australia, IBM Australia and The Herald and Weekly Times.

The property is currently owned by Suntec REIT, PIP Trust and Dexu Group with interests of 25%, 25% and 50% respectively.

On 27 February 2018, Dexus Group had exercised its option to put its 50% interest to Southgate Trust, a managed investment trust, jointly held by Suntec REIT and PIP Trust, in the proportion of 50:50.

STRONG TENANT MIX

For the month of December 2017, 39.5% of the total gross revenue was attributable to the Technology, Media and Telecommunications sector.

LEASE EXPIRY PROFILE

Based on the committed leases as at 31 December 2017, 59.1% of the total NLA of Southgate Complex is due to expire during the period from FY 2018 to FY 2022, whilst 31.6% is due to expire in FY 2023 and beyond.

The Manager's objective for Southgate Complex is to generate sustainable growth from the property through the strengthening office market in the CBD of Melbourne and repositioning of the retail component for Suntec REIT unitholders.

PROPERTY STATISTICS

As at 31 December 2017

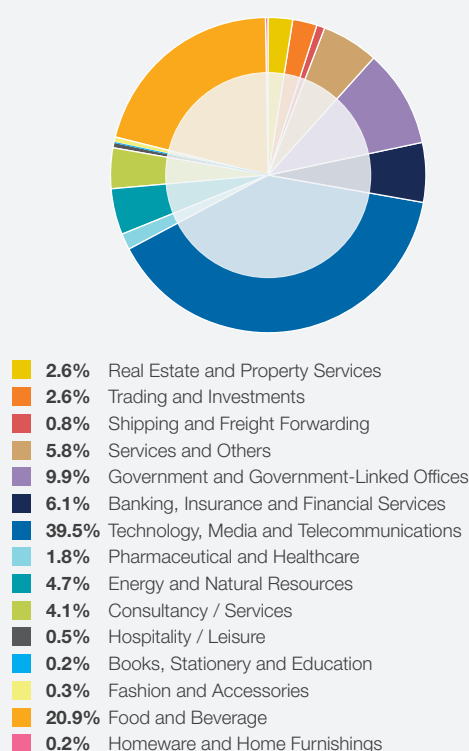
| | |
|-----------------------------------|---|
| Location | 40 and 60 City Road, 3 Southbank Avenue, Southbank, Melbourne, VIC 3006, Australia |
| Title | Freehold |
| Total Net Lettable Area | 818,926 sq ft |
| Net Lettable Area | 204,732 sq ft ¹ Office: 178,236 sq ft Retail: 26,496 sq ft |
| Number of tenants (actual) | 88 |
| Car Park Lots | 1,026 |
| Purchase Price | S\$153.4 million ² |
| Market Valuation | S\$173.9 million ^{1,3} (31 December 2016: S\$160.4 million ³) |
| Net Income Contribution | S\$7.3 million ⁴ (2016: S\$1.9 million ^{5,6}) |
| Committed Occupancy | 90.8% (31 December 2016: 86.5%) |

Notes:

- 1 Reflects 25.0% interest.
- 2 Based on an exchange rate of A\$1.00 = S\$1.0615 being the exchange rate at the time of acquisition.
- 3 Based on an exchange rate of A\$1.00 = S\$1.0441 as at 31 December 2017 and 31 December 2016.
- 4 Based on an exchange rate of A\$1.00 = S\$1.0201
- 5 Based on an exchange rate of A\$1.00 = S\$1.0267
- 6 Based on the net income contribution received following the completion of the acquisition on 4 November 2016.

SOUTHGATE COMPLEX BUSINESS SECTOR ANALYSIS (By Gross Rental Income¹)

As at 31 December 2017

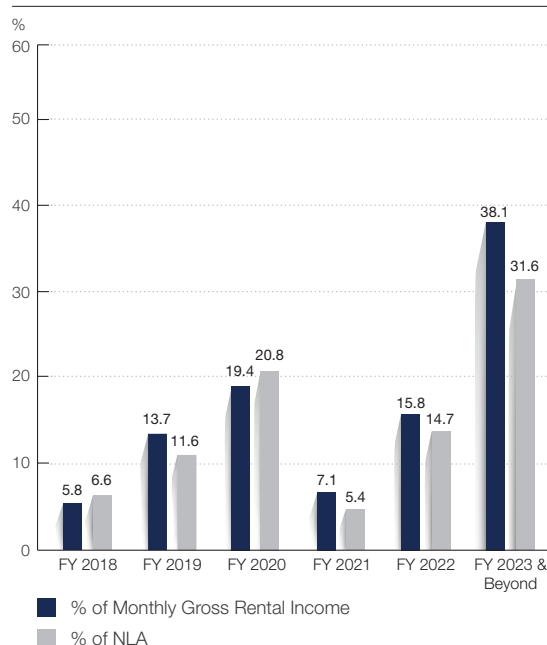


Note:

- 1 Reflects 25.0% interest.

SOUTHGATE COMPLEX LEASE EXPIRY PROFILE¹

As at 31 December 2017



■ % of Monthly Gross Rental Income
■ % of NLA

Note:

- 1 Reflects 25.0% interest.

PROPERTY PORTFOLIO

9 PENANG ROAD



9 Penang Road is a new Grade A commercial building which is undertaken through a joint venture with Haiyi Holdings Pte Ltd, Singhaiyi Group Ltd and Suntec Real Estate Investment Trust, with an interest of 35.0%, 35.0% and 30.0% respectively. The new ten-storey building consists of two wings with an approximate net lettable area of 352,000 sq ft of office space across eight floors and 15,000 sq ft of retail space at the first level. In line with the Urban Redevelopment Authority's Walking and Cycling Plan, a cycling path and end-of-trip facilities will be provided in this development. The lease tenure of the land was also extended to a fresh 99 years.

The development is situated at the former Park Mall site which the Manger divested in December 2015 as part of its proactive portfolio management strategy. The premise was taken back in end September 2016 and development works for 9 Penang Road commenced on 1 December 2016 and is currently undergoing construction works. As at end December 2017, the construction works was approximately 19% completed. The development is estimated to cost approximately S\$800 million and the building is scheduled to complete by end 2019.

The Manager's objective for 9 Penang Road upon its completion, is to generate sustainable growth from the property for Suntec REIT unitholders.

PROPERTY STATISTICS

As at 31 December 2017

| | |
|--------------------------------|---|
| Location | 9 Penang Road, Singapore 238459 |
| Title | Leasehold 99 years from 2016 |
| Site Area | 97,267 sq ft |
| Gross Floor Area | 458,941 sq ft |
| Total Net Lettable Area | Approximately 367,000 sq ft |
| Net Lettable Area | Approximately 110,100 sq ft ¹ |
| Car Park Lots | Approximately 121 |
| Purchase Price | S\$245.1 million ² |
| Market Valuation | S\$280.5 million ^{1,3} (31 December 2016: S\$280.5 million) |

Notes:

- 1 Reflects 30% interest.
- 2 Refers to the original purchase price of Park Mall acquired in 2005 and includes the purchase price for the additional land amounting to 1,316.2 sqm along Penang Road.
- 3 The carrying value as at 31 December 2017 and 31 December 2016 was S\$173.4 million and S\$163.5 million respectively.

OLDERFLEET, 477 COLLINS STREET



Artist's impression

On 8 August 2017, Suntec REIT completed the acquisition of a 50.0% interest in Oldfleet, 477 Collins Street, a freehold land and property to be developed from Mirvac Group (“Mircac”) for a consideration of A\$414.17 million. Mirvac continues to be the co-owner, with its remaining 50% interest in the property. The new premium grade office building is under construction and is expected to achieve practical completion by mid 2020. As at end 2017, the construction works was approximately 11% completed.

Strategically located within Melbourne’s Central Business District (“CBD”), the property has a pre-committed occupancy of 39.1% as at 31 December 2017 with an additional approximate 9.0% of net lettable area with Heads of Agreement signed.

Designed by award winning Grimshaw Architects, the main entrance will incorporate facades of three heritage listed buildings. The 40-level state-of-the-art building is targeting to achieve 5 Star Green Star rating, 5 star NABERS Energy rating as well as International WELL Platinum rating for Core & Shell. The property will also provide market leading amenities including business lounge, wellness centre, childcare centre and best-in-class end-of-trip facilities.

The property is adjacent to the 5-Star Intercontinental Melbourne Hotel, and is located within the Melbourne CBD Free Tram Zone. In addition to the four tram lines serving Collins Street, the Southern Cross Station, Victoria’s primary metropolitan and regional transportation hub is also a short walking distance away.

Oldfleet, 477 Collins Street is a strategic fit with Suntec REIT’s portfolio of quality assets and augments Suntec REIT’s presence in Australia. The acquisition will further enhance Suntec REIT’s income and geographical diversification.

The Manager’s objective for Oldfleet, 477 Collins Street upon its completion, is to generate sustainable growth from the property for Suntec REIT unitholders.

PROPERTY STATISTICS

As at 31 December 2017

| | |
|--------------------------------|--|
| Location | 477 Collins Street, Melbourne, VIC 3000, Australia |
| Title | Freehold |
| Site Area | 41,969 sq ft |
| Gross Floor Area | 908,482 sq ft |
| Total Net Lettable Area | Approximately 624,000 sq ft |
| Net Lettable Area | Approximately 312,000 sq ft ¹ |
| Car Park Lots | Approximately 414 |
| Purchase Price | A\$414.17 million ^{1,2} |
| Market Valuation | S\$432.4 million ^{1,3} |

Notes:

- 1 Reflects 50% interest.
- 2 The purchase price took into account an independent valuation based on the discounted cash flow method, capitalisation approach and direct comparison approach.
- 3 Based on an exchange rate of an A\$1.00 = S\$1.0441 as at 31 December 2017 and on an “as if complete” basis. The carrying value as at 31 December 2017 was S\$70.8 million.



THE SINGAPORE OFFICE PROPERTY MARKET

OVERVIEW

Based on the data from the Ministry of Trade and Industry, the Singapore economy recorded a better-than-expected growth rate of 3.6% year-on-year (“y-o-y”) in 2017. The full-year GDP growth exceeded the government’s forecast range of 3.0% to 3.5%, it was the best performance since 2014. The labour market in Singapore also showed signs of recovery in 2017 with fewer retrenchments and an increase in the number of employed local residents. The overall unemployment rate fell to 2.1% in December 2017 from the 2.2% recorded a year ago.

In 2017, with the completion of major office developments, such as GSH Plaza at Cecil Street, Vision Exchange at Venture Drive, two office towers at Marina One at Straits View and UIC Building at Shenton Way, the stock of island-wide office space increased by nearly 2.1 million sq ft from a year ago. The island-wide stock rose from 83.2 million sq ft as of end 2016 to 85.3 million sq ft as of end 2017.

In light of the stronger economic growth and a stabilising job market, the office leasing market begun to come alive in the past few quarters with the momentum carrying on towards the end of 2017. According to the statistics from the Urban Redevelopment Authority (“URA”), the island-wide office leasing activity registered a total of 4,639¹ leasing contracts. This represented a 15.3% increase from the previous year.

The “flight-to-new projects” theme continued to dominate the leasing market. Most of the newly completed large developments, such as Guoco Tower, Marina One, DUO Tower and UIC Building, experienced healthy commitments. Tenants from the Technology, Media and Telecommunications sector and co-working space operators have taken up large amounts of office space in new Grade A buildings as well as the

Note:

¹ Based on data downloaded on 23 February 2018.

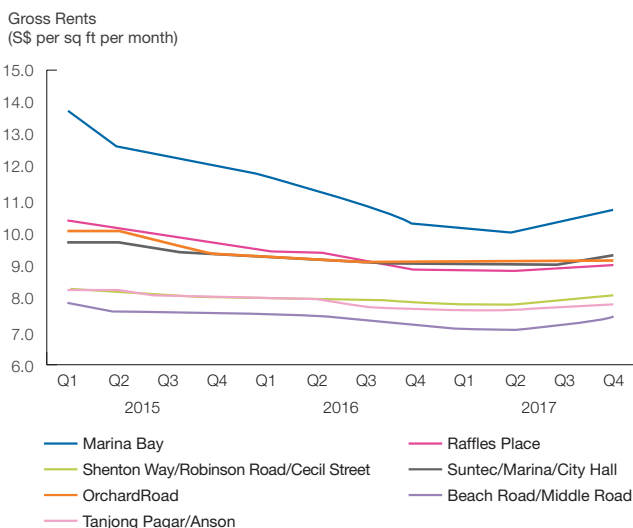
secondary stock left behind in older buildings by tenants moving to newer developments. Therefore, the demand for office space in the Downtown Core Planning Area, which includes the Central Business District (“CBD”), amounted to slightly over 1 million sq ft for the whole of 2017, the highest since 2012.

However, healthy demand in Downtown Core has been offset by a negative take-up in the Orchard Planning Area, Rest of Central Area and Fringe Area due to a withdrawal of stock in the market and tenants relocating to the CBD. In addition, although newly completed developments, such as Marina One and UIC Building, have achieved high commitments, there remains vacant space as tenants have not moved in. Consequently, the island-wide net demand of office space only amounted to 645,800 sq ft in 2017, lower than the 2.1 million sq ft net supply during the same period, thus pushing down the overall occupancy rate by 1.5% y-o-y to 87.4% as at the end of 2017.

Sentiments amongst landlords and office marketing professionals have swung from pessimism to optimism as fears of oversupply began to evaporate. Backed by healthy commitment by tenants, landlords of prime new office buildings have turned bold and have begun to raise asking rents. Landlords of older buildings have also followed suit. As a result of these factors, office rents turned the corner in 3Q 2017 with URA’s office rental index in the Central Region rising 2.4% quarter-on-quarter (“q-o-q”). In the last quarter of 2017, rental index rose another 2.6% q-o-q, bringing the full-year growth to 0.4%.

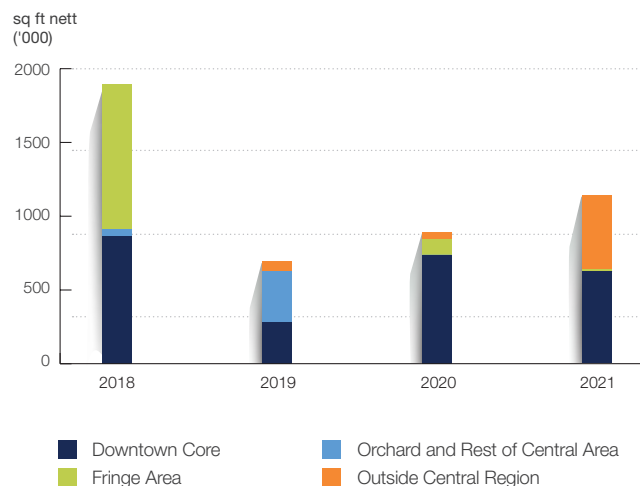
As of 4Q 2017, the average monthly rents of CBD Grade A offices tracked by Savills increased by 1.9% y-o-y to S\$8.94 per sq ft. The year therefore saw a turnaround in rents which had been falling for nearly two years since 2Q 2015. On a location basis, recovery in rents was broad-based. Rents of Grade A offices in the Suntec/Marina/City Hall area also rose 2.2% y-o-y in 2017 and as of 4Q 2017, stood at an average of S\$9.31 per sq ft.

AVERAGE RENTS OF GRADE A OFFICE SPACE BY LOCATION



Source: Savills Research

UPCOMING NET LETTABLE OFFICE SPACE BY YEAR AND REGION



Source: Savills Research

OUTLOOK

As at the end of 4Q 2017, a total of about 4.7 million sq ft net lettable area (“NLA”) of office space is expected to be completed from 2018 to 2021. About 1.9 million sq ft or 41.1% of the pipeline office supply will be completed in 2018, mainly coming from Frasers Tower at Cecil Street and three office towers at Paya Lebar Quarter at Paya Lebar Road/Sims Avenue. Between 2019 and 2021, the pipeline office supply is around 2.8 million sq ft NLA, translating to an average supply of about 923,400 sq ft of office space per annum. This is relatively limited compared with that in 2018.

The overall outlook for 2018 is promising in terms of economic growth and business confidence. While pockets of weakness remain in some sectors, growth is broadening beyond trade-related industries with economic expansion expected to remain on track in the coming year. Occupancy of CBD Grade A office space is expected to improve throughout 2018. With the newly completed office space substantially committed, we believe that their landlords, possessing the financial muscle and riding on a limited pipeline stock of new buildings in the medium term, will be able to sign on tenants at increased rents. For now, if the existing trend continues, we expect average CBD Grade A office rents to rise 10.0% each year for 2018 and 2019.

THE SINGAPORE RETAIL PROPERTY MARKET

OVERVIEW

According to the latest data by the Singapore Department of Statistics, after three consecutive years of contraction, retail sales (excluding motor vehicles) in constant dollar terms went up by a modest 1.3% y-o-y for 2017. Although performance still remained patchy in some sectors such as food retailers, mini-marts & convenience stores and optical goods & books, consumers’ spending have shown some improvement backed by a broader pick-up across the rest of the economy.

In the meantime, tourism arrivals hit a record high with their spending increasing for the second year in a row. Preliminary estimates released by the Singapore Tourism Board showed that in 2017, the overall number of arrivals increased by 6.2% y-o-y to 17.4 million while the tourism receipts rose by 3.9% y-o-y to S\$26.8 billion. The growth in spending was mainly driven by the increase in visitor numbers across all 10 of Singapore’s top markets, while the top high-spending ones include arrivals from China, Indonesia, India, Australia and Japan.

The retail landscape, as well as the use of the space, is constantly evolving to adapt to shifting consumer behaviour and disruptive technologies. It no longer solely involves a purchase transaction, but also an experience. Instead of competing with online channels, which are likely to see further growth in the near term, both retailers and landlords are integrating different kinds of offerings, to provide an experience which cannot be replicated online. This is the concept of ‘retailtainment’, which involves a fusion of the traditional retail offering with entertainment-driven and lifestyle add-ons to create a unique in-store experience.

Regardless of the importance of having e-platforms, physical stores still remain crucial in providing the shopping experience that cannot be achieved in e-stores. Therefore, there are also online brands which tapped into the softer rental market to establish their physical presence in the malls.

According to URA’s statistical releases, as of 4Q 2017, the total island-wide stock of retail space increased by approximately 312,200 sq ft y-o-y to 65.4 million sq ft. Major retail developments completed in 2017 include the Singapore Post Centre in Paya Lebar, The Heart at Marina One at Marina Bay and Northpoint City (South Wing) at Yishun. On the other hand, some existing malls had made way for new commercial developments or have been temporarily closed for a makeover. The notable ones include Serangoon Plaza in Little India, which is to be redeveloped into an integrated project for office, medical and retail uses, and Century Square in Tampines, which is undergoing a S\$60 million refurbishment works.

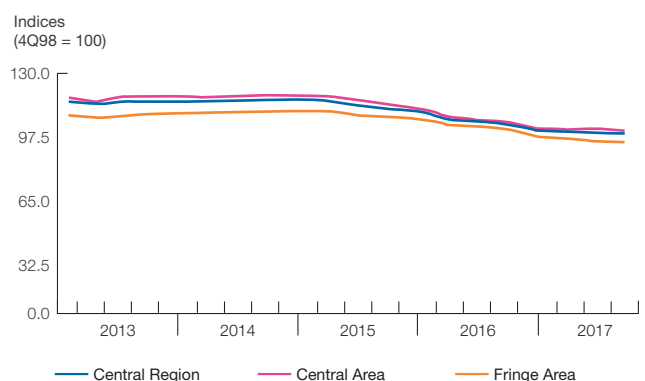
On the demand front, in 2017, the amount of occupied retail space island-wide expanded by 376,700 sq ft of NLA. Newly-completed malls are still enjoying healthy take-up rates. In addition, landlords’ combative action to keep their malls and shops occupied with lower rents also worked. Coupled with the corresponding 312,200 sq ft of net supply in the year, the occupancy level of retail space island-wide improved slightly by 0.1% y-o-y to 92.6% as of 4Q 2017.

The URA’s index of retail space in the Central Region inched down 0.5% q-o-q in 4Q 2017, making it 12 consecutive quarters of decline since 1Q 2015 and taking the drop for the whole of 2017 to 4.7%. It was noted that the rental decline has decelerated in the last two quarters of 2017, which may suggest the market is heading towards the bottom of its down cycle.

OUTLOOK

Based on Savills estimates, as at the end of 4Q 2017, the total pipeline supply over the next few years amounts to approximately 2.5 million sq ft of NLA. Of this, about 88.2% of the future supply is expected to complete in 2018 and 2019. The major projects in 2018 include the retail mall in Paya Lebar Quarter and the completion of asset enhancement works at Century Square. For 2019, Project Jewel, a mixed-use complex in Changi Airport, will contribute the bulk of new retail supply of about 579,000 sq ft. In the same year, Funan (the redevelopment of former Funan DigitalLife Mall) at North Bridge Road and City Gate (the redevelopment of Keypoint) at Beach Road will also be ready and will add about 324,000 sq ft and 101,000 sq ft of retail space respectively. By location, the Downtown Core Planning Area accounts for about 481,600 sq ft or 19.4% of the total future supply.

URA RENTAL INDEX OF RETAIL SPACE



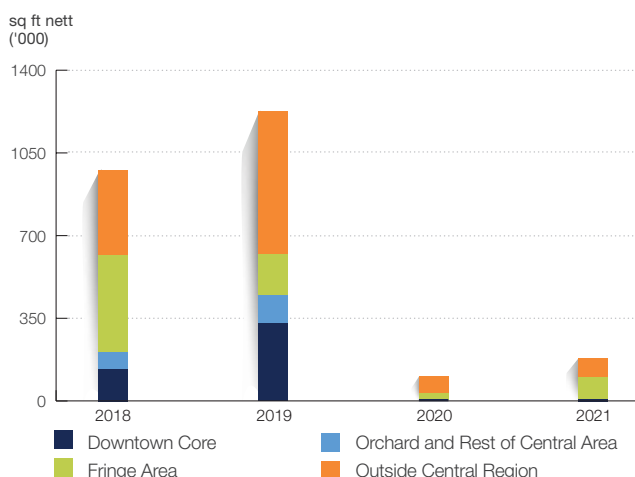
Source: URA, Savills Research

The Singapore retail industry will continue to face pressure from rising business operating expenses such as increased staff costs, rents and an additional cost in digitalisation to stay competitive in the evolving retail landscape. Even though the economy is showing positive signs of expansion, cautious sentiments and manpower constraints among retailers may restrict significant recovery in the market.

In addition, the retail sector remains soft with more retail sales shifting from offline to online. E-retail has been gaining larger share of the local retail spend - Singapore is the third largest e-commerce market in South-east Asia according to the latest Worldpay's annual global payments report. While local shoppers tend to spend more online, Savills expects that tourists will contribute more to the local retail sales, as the World Travel & Tourism Council predicts that Singapore's revenue from tourism will rise by 3.0% annually from 2017 to 2027. Given the local consumers' shift to online spending coupled with the growth potential of international spenders, the demand for retail space in tourist shopping destinations like Orchard Road and Marina Bay precinct could soon be more sought after.

Looking into 2018, we believe that rents would begin to find support. Going forward, we do not believe that landlords can purely rely on cyclical effects to lift rents. Although there has been an increase in retail sales, market feedback suggests that there is still a lack of spending power. Therefore for rents to be maintained, landlords will have to think ahead to the next trend and for rents to be raised, landlords will have to be creative and astute with retail and F&B concepts. Asset management working hand in hand with market research and data analysis therefore takes on an even greater importance.

UPCOMING NET LETTABLE RETAIL SPACE BY YEAR AND REGION



Source: Savills Research

THE AUSTRALIA OFFICE PROPERTY MARKET

OVERVIEW

According to the Australian Bureau of Statistics, the economy grew at a rate of 2.8% over the year to September 2017. Based on the IMF's latest World Economic Outlook, a resurgence in the mining sector and a recovery in resources' reliant states should result in average economic growth of 2.96% in 2018. A significant recovery in full-time employment saw labour market conditions continue to strengthen across Australia and

employment growth in 2017 was recorded at 3.3%. Australia's record breaking streak of 26 years of uninterrupted economic growth is largely underpinned by population growth unrivalled by its developed peers.

OFFICE MARKETS

Rental growth and capital value growth remained strong across Australian CBD office markets, except for in Perth CBD. Whilst down from the year prior, office leasing demand in 2017 was in line with historical averages, with Savills recording 1,153,145 sqm of leasing activity nationally. There was an increase in activity from tenants in the Finance & Insurance and Property & Business Services sectors in 2017 compared to 2016. Notably, tenant demand for office space from the Mining sector was up on the year prior, on the back of a resurgence in mining sector profits. Signs of a strengthening economy are evident with strong economic growth nationally, employment growth at record high levels and consumer and business sentiments at their highest levels since the Global Financial Crisis ("GFC"). While all CBD office markets recorded yield compression in the 12 months to December 2017, the current low interest and bond rate environment, leaves scope for continued yield compression.

SYDNEY CBD AND NORTH SYDNEY:

The Sydney CBD office market has stood out across all key indicators. The overall vacancy rate has fallen from 6.2% to 4.6% in the 12 months leading up to December 2017, representing the lowest vacancy rate in the last decade. Much of the leasing activity occurred in prime quality assets and the flight-to-quality was further exacerbated with over 91,000 sqm of secondary grade buildings being withdrawn for demolition purposes in the CBD's Core precinct alone.

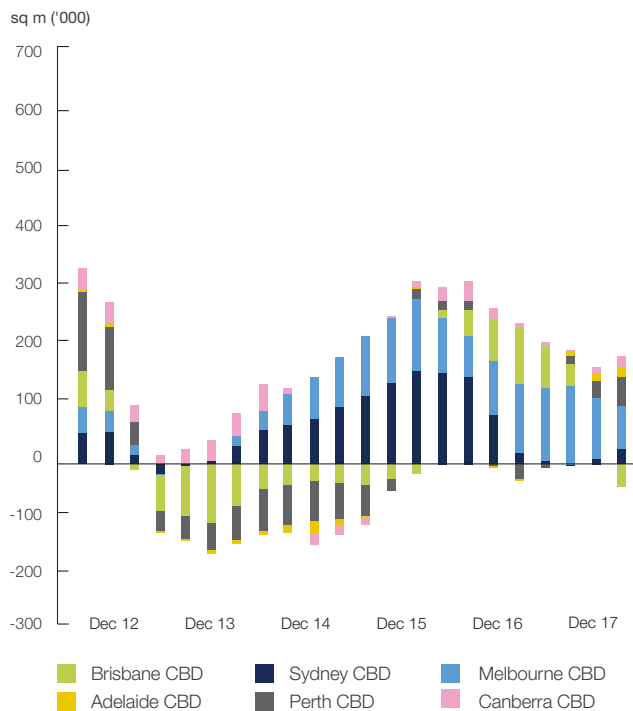
Net demand for office space in the Sydney CBD was positive with 24,827 sqm of total net absorption recorded over 2017. Supply constraints continue to limit opportunities for tenants in the CBD, and provide favourable conditions to landlords, evident from incentives falling to the lowest levels since the GFC. With no major additions due until 2019, net supply is expected to remain negative during 2018 (with more than 50,000 sqm set to be withdrawn this year), following a year of negative net supply in 2017. Rents in the Sydney CBD office market continued to record significant growth with average Grade A net face rents increasing by 16.3% in the year to December 2017. Average Prime grade net effective rents ranged between \$740 and \$915 per sqm.

The strength of the Sydney CBD office market has clearly spilled over into the North Shore office market. In particular, North Sydney has benefitted from occupiers driven by a lack of contiguous space in Sydney CBD. This had the effect of driving rents up, with A Grade net effective rents increasing by 18% over 2017, on the back of rising net face rents and significant falls to incentives. Average Prime grade net effective rents in North Sydney ranged between \$565 and \$615 per sqm. In the 12 months to December 2017, Savills recorded 67,322 of leasing activity in the North Shore market, with approximately 93% of space within the North Sydney precinct.

MELBOURNE CBD AND SOUTHBANK

The Melbourne CBD office market has been going from strength to strength on the back of strong economic indicators. Forward indicators point to continued outperformance and have provided the impetus for business expansions and

AUSTRALIAN OFFICE CBD NET ABSORPTION BY CITY



Source: Savills Research

accommodation upgrades. Strong take-up combined with a considerable amount of stock withdrawals led to a decline in vacancy levels across prime and secondary markets. The total vacancy rate of has fallen from 6.6% to 4.6% in the 12 months leading up to December 2017. Melbourne CBD showed the strongest net absorption of any CBD nationally, with net absorption recorded at 74,800 sqm over 2017, delivering 16 consecutive quarters of positive net absorption.

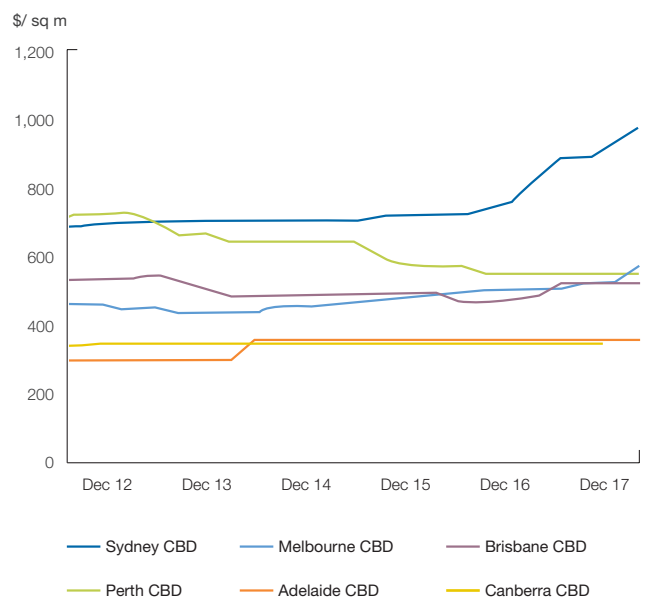
Rents in Melbourne CBD are now witnessing a cyclical upturn, with average A Grade net face rents growing by 10.5% y-o-y. Growth in net effective rents over the past three years was a result of rising net face rents and falling incentives. Net incentive levels have fallen from a high of 31% in June 2014 to 27% for Prime grade property. Average Prime grade net effective rents ranged between \$385 and \$540 per sqm.

The vacancy rate in the Southbank precinct climbed up to 5.1% after recording the lowest vacancy rate nationally just six months ago. Over the year to December 2017, Savills recorded 28,328 sqm of leasing activity in Melbourne's Fringe markets (across St Kilda Road and Southbank).

OUTLOOK

Looking ahead for Sydney CBD, we anticipate a return to positive net supply in 2019, gradually building to a peak in 2021 as new Premium supply in the Core precinct becomes a key feature of the market. With net supply forecast to be negative in 2018, Savills expects further falls to vacancy rates in Sydney CBD, particularly in Prime grade vacancies, until at least 2019, when major project additions may help alleviate some of the pent-up demand over the next 12-18 months. Given signs of a strengthening economy, it is likely that continued rental growth on the back of tight leasing market conditions will remain a feature through to 2019/20. Vacancy constraints and the

AUSTRALIAN OFFICE AVERAGE A GRADE NET FACE RENT BY CITY



Source: Savills Research

increasing rental levels in the Sydney CBD will likely strengthen tenant demand for North Shore commercial space. Tenants with upcoming expiries in the CBD are already considering the North Shore office markets, particularly North Sydney, as a viable alternative given the price differential. Additionally, the North Shore commercial market is set to benefit from infrastructure projects, such as the new Metro railway line, which will improve accessibility and reduce commute times to each of the North Shore precincts.

In Victoria, favourable business conditions are likely to translate into positive leasing activity over the next 12 months. Savills anticipates further falls in the vacancy rate as a result of strong demand drivers coupled with limited upcoming supply. Nearly 295,000 sqm is forecast to hit the market in 2020. Strong tenant demand is likely to extend across the St Kilda Road and Southbank precincts from Melbourne CBD as its vacancy rate falls further from its current lowest rate nationally. Incentive levels are likely to continue to fall, in turn, boosting rents resulting from the limited availability of office space. Rental growth is expected to be distinct in the Prime office accommodation.

In terms of growth sectors, we expect an increase in tenant demand from the Mining sector and the Professional & Technical Service sector. With professional job advertisements healthy nationally, we can expect tenant demand from the Professional & Business and Finance & Insurance sectors to continue to grow in terms of demand for office space across Sydney and Melbourne markets. Continued Government and higher education expansions in Victoria will see increased activity from these sectors in Melbourne's office markets.

RISK MANAGEMENT

The Manager recognises that effective and proactive risk management is an important part of Suntec REIT's business strategy. The Board and Audit Committee ("AC") are responsible for ensuring that the Manager establishes robust risk management policies and procedures to safeguard Suntec REIT's assets and address its strategic enterprise, operational, financial and compliance risks.

Suntec REIT's enterprise risk management ("ERM") framework is adapted from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO Model"). The ERM Framework, together with the internal control activities, aims to provide reasonable assurance on safeguarding of assets, maintenance of reliable and proper accounting records, compliance with relevant legislations and against material misstatement of losses.

The Manager applies the ERM Framework as a structured process in making risk based strategies and decisions across respective functions, identifying potential issues and events that may affect Suntec REIT, managing risks to an acceptable level and within risk appetite as approved by the Board and AC and providing assurance to the Board that the system of risk management and internal controls are adequate and effective in mitigating the identified risks.

In its ERM framework, key risks and mitigating controls are identified and monitored in the risk profile and reviewed by the Manager and the AC on a regular basis. The risk profiles highlight the changes in risk assessment, quantitative and qualitative factors affecting the inherent risk levels and effectiveness of mitigating controls supporting the residual risks, within the risk appetite or tolerance approved by the Board. In addition, the Internal Auditors perform a review of the risk profile as part of the internal audit plan approved by the AC.

The key risks identified include but are not limited to:

STRATEGIC RISK

Strategic risks relates to sustainable long-term growth of the REIT. All investment proposals are subject to a rigorous, disciplined and thorough evaluation process according to the relevant investment criteria including, but not limited to, alignment to Suntec REIT's investment objective, asset quality, location, total expected returns, growth potential and sustainability of asset performance, taking into account the existing economic and financial market conditions.

Asset enhancement, development and/or redevelopment initiatives are initiated when necessary to ensure that Suntec REIT's properties remain competitive. To mitigate against execution risks, the Manager has in place robust tender assessment and selection process as well as regular project control group meetings to monitor track development milestones, project budget and pre-leasing status.

OPERATIONAL RISK

The Manager has in place a monitoring framework to manage the day-to-day activities and mitigate operational risks. These include periodic meetings to identify potential operational risks, reviewing and resolving operational issues. The Manager has established and strictly adheres to a set of Standard Operating Procedures ("SOPs") to identify, monitor and manage operational risks associated with day-to-day management and maintenance of Suntec REIT's properties. The SOPs are reviewed periodically to ensure relevance, effectiveness and in line against industry best practices. In addition, compliance is reinforced by staff training.

Internal audits are also carried out periodically to review compliance with SOPs, and identify and rectify any lapses in procedures. The property manager also conducts regular site inspections, audits and monthly reviews to ensure the safety of tenants, employees and visitors.

To mitigate against leasing risk, the Manager employs proactive leasing strategies including actively engaging tenants for forward renewals, spreading out the portfolio lease expiry profile as well as achieving a diversified tenant base to reduce concentration risk.

Human capital risk is mitigated by maintaining a robust human resource policy which includes interview assessment of selected candidates, fair and competitive remuneration in line with industry conditions, and personal development and training opportunities to enhance staff progression and retention in a conducive workplace.

A Business Continuity Plan is in place to mitigate the business continuity risk of interruptions or catastrophic loss to its operations. In addition, Suntec REIT's properties are also properly insured in accordance with current industry practices.

FINANCIAL RISK

The Manager actively and closely monitors Suntec REIT's financial risks and capital structure under both normal and stressed conditions. The Manager ensures that funding sources are diversified and that the maturity profile of borrowings is well spread. Borrowings are refinanced early, where possible, to reduce refinancing risk and lengthen debt maturity. The Manager also adheres closely to the bank covenants in loan agreements and with Appendix 6 of the Code of Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS").

Interest rate risk is managed on a continuing basis with the objective of limiting Suntec REIT's exposure to changes in interest rates. The Manager manages Suntec REIT's exposure to interest rate volatility through interest rate swaps.

Credit risk is mitigated by conducting tenant credit assessments. For new leases, credit evaluation is performed and on an on-going basis, tenant credit and arrears are closely monitored by the Manager. Credit risks are further mitigated through the upfront collection of security deposits of an amount typically equivalent to three months' rental.

COMPLIANCE RISK

Suntec REIT is subject to applicable laws and regulations of the various jurisdictions in which it operates, including the Listing Manual of the Singapore Exchange Securities Trading Limited, the Code of Collective Investment Schemes issued by the MAS and tax rulings issued by the Inland Revenue Authority of Singapore. The Manager, being a Capital Markets Services Licence holder, is required to comply with the conditions of the Capital Markets Services Licence for REIT Management issued by MAS under the Securities and Futures Act.

The Manager has put in place policies and procedures with the necessary checklists to facilitate compliance with the applicable laws and regulations. The Manager works closely with external legal professionals and internal compliance support from the ARA Group on legal and regulatory matters. The Manager stays well informed of the latest developments in the relevant laws and regulations through training and attending relevant seminars.

INVESTOR COMMUNICATIONS

The Manager is committed towards upholding the utmost standards of accountability to Suntec REIT's unitholders. It achieves this through good corporate transparency practices, maintaining an active channel of communication for investors, analysts and other stakeholders to access accurate and timely information on Suntec REIT, and in working towards fostering good long-term relationships with its stakeholders.

The senior management team of the Manager has held regular meetings and conference calls with institutional investors throughout the year. Our participation in various key regional equity and property conferences as well as seminars and symposiums, has enabled us to remain accessible to both institutional and retail investors and given us the opportunity to provide key strategic and performance updates on Suntec REIT. The eighth annual general meeting of Suntec REIT unitholders in April 2017 was well-attended by retail investors. It was an opportune time for senior management of the Manager to actively engage retail investors in their enquiries and discussions about Suntec REIT.

The Manager conducts regular post-results briefings subsequent to the release of the quarterly financial results. There is extensive coverage on Suntec REIT, with research coverage by analysts from 21 local and foreign brokerage firms, providing a global reach to shareholders and potential investors worldwide.

The Suntec REIT website is regularly updated with current financial and corporate information on Suntec REIT, including



press releases, announcements, corporate earnings results and other key information. Users can access the website at www.suntecreit.com to download these reports.

UNITHOLDER ENQUIRIES

For more information on Suntec REIT and its operations, please contact the Manager, ARA Trust Management (Suntec) Limited via the following:

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Manager, Investor Relations

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Fax: +65 6835 9672
Email: enquiry@suntecreit.com
Website: www.suntecreit.com

PROPOSED SUNTEC REIT FY 2018 CALENDAR

APRIL 2018

- Annual General Meeting
- Announcement of the first quarter results

MAY 2018

- Books closure date to determine the first quarter distribution entitlement
- The first quarter distribution

JULY 2018

- Announcement of the second quarter and half-year results

AUGUST 2018

- Books closure date to determine the second quarter distribution entitlement
- The second quarter distribution

OCTOBER 2018

- Announcement of the third quarter and nine months results

NOVEMBER 2018

- Books closure date to determine the third quarter distribution entitlement
- The third quarter distribution

JANUARY 2019

- Announcement of the fourth quarter and full year results

FEBRUARY 2019

- Books closure date to determine the fourth quarter distribution entitlement
- The fourth quarter distribution

TRUSTEE

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Facsimile: +65 6835 9672

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Chew Gek Khim
Chairman and Non-Executive Director

Lim Hwee Chiang, John
Non-Executive Director

Chen Wei Ching, Vincent
Lead Independent Non-Executive Director

Chan Pee Teck, Peter
Independent Non-Executive Director

Yu-Foo Yee Shoon
Independent Non-Executive Director

Chow Wai Wai, John
Non-Executive Director

Chan Kong Leong
Chief Executive Officer and Executive Director

AUDIT COMMITTEE

Chen Wei Ching, Vincent
Chairman

Chan Pee Teck, Peter
Member

Yu-Foo Yee Shoon
Member

DESIGNATED COMMITTEE

Chow Wai Wai, John
Chairman

Chen Wei Ching, Vincent
Member

Chan Pee Teck, Peter
Member

Seow Bee Lian, Cheryl
Member

COMPANY SECRETARIES OF THE MANAGER

Yeoh Kar Choo Sharon
Chiang Wai Ming

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Telephone: +65 6213 3388
Facsimile: +65 6225 2230

(Partner-in-charge: Eng Chin Chin)
(Appointed since Financial Year 2016)

STOCK EXCHANGE QUOTATION

BBG: SUN SP Equity
RIC: SUNT.SI

WEBSITES

www.suntecreit.com
www.ara-asia.com

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CORPORATE

GOVERNANCE

ARA Trust Management (Suntec) Limited, as the manager of Suntec Real Estate Investment Trust (“Suntec REIT”, and the manager of Suntec REIT, the “Manager”), has adopted an overall corporate governance framework designed to meet best practice principles. The Manager recognises that an effective corporate governance culture is critical to its performance and consequently, the success of Suntec REIT, which it manages. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of Suntec REIT unitholders (“Unitholders”).

The Manager holds a Capital Markets Services (“CMS”) Licence issued by the Monetary Authority of Singapore (the “MAS”) to carry out REIT management activities. Accordingly, the Manager shall comply with the regulations as required under the licensing regime for REIT Managers.

The Manager is committed to sound corporate governance policies and practices and observes high standards of conduct in line with the recommendations of the Code of Corporate Governance issued by MAS on 2 May 2012 (“2012 Code”).

The following segments describe the Manager’s main corporate governance policies and practices. They encompass proactive measures for avoiding situations of conflict or potential conflicts of interest, prioritising the interests of Unitholders over that of the Manager’s, complying with applicable laws and regulations, and ensuring that the Manager’s obligations under the Trust Deed (as defined below) are properly and efficiently carried out. The Manager confirms that it has adhered to the principles and guidelines as set out in the 2012 Code, and has specified and explained areas of deviation relating to the composition of Directors, board committees, listed company board representations, external board assessment and disclosure on executive remuneration.

THE MANAGER OF SUNTEC REIT

The Manager has general powers of management over the assets of Suntec REIT and its main responsibility is to manage Suntec REIT’s assets and liabilities in the best interest of Unitholders. The Manager’s executive officers are qualified CMS Licence representatives who fulfil the requirements under the applicable MAS regulations.

The primary role of the Manager is to set the strategic direction of Suntec REIT and make recommendations to HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Suntec REIT (the “Trustee”), on the acquisition, divestment and enhancement of assets of Suntec REIT in accordance with its stated investment strategy.

Other main functions and responsibilities of the Manager include:

1. using its best endeavours to ensure that the business of Suntec REIT is carried out and conducted in a proper and efficient manner and to conduct all transactions with or for Suntec REIT at arm’s length and on normal commercial terms;
2. preparing property reports on a regular basis, which may contain forecasts on the net income, capital expenditure, sales and valuations, explanations of major variances from previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, occupancy costs and any other relevant assumptions. The purpose of these reports is to monitor and explain the performance of Suntec REIT’s assets;
3. ensuring compliance with the applicable provisions of the Securities and Futures Act (“SFA”), the Securities and Futures (Licensing and Conduct of Business) Regulations (“SF(LCB)R”), the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), the Code on Collective Investment Schemes (the “CIS Code”) issued by the MAS, including the Property Funds Appendix contained in the CIS Code, the Singapore Code on Takeovers and Mergers, the Trust Deed (as amended), the relevant MAS Notices and Guidelines, the tax ruling dated 15 June 2004 issued by the Inland Revenue Authority of Singapore, the CMS licensing conditions and all other relevant legislation or contracts;
4. attending to all communications with Unitholders; and
5. supervising the property managers who provide property management, lease management, marketing and marketing co-ordination services in relation to Suntec REIT’s properties pursuant to the respective property management agreements.

The Manager was appointed in accordance with the terms of the trust deed constituting Suntec REIT dated 1 November 2004 which has been amended by a first supplemental deed dated 25 January 2006, a second supplemental deed dated 20 April 2006, a third supplemental deed dated 30 July 2007, a fourth supplemental deed dated 11 October 2007, a fifth supplemental deed dated 29 September 2008, a sixth supplemental deed dated 14 April 2010, a first amending and restating deed dated 7 September 2010 and a second amending and restating deed dated 14 April 2016 (collectively, the “Trust Deed”).

CORPORATE GOVERNANCE

(A) BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1 *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

The Board of Directors of the Manager (the "Board") is entrusted with responsibility for the overall management of the Manager. The Board is responsible for the overall corporate governance of the Manager, including establishing goals for managing and monitoring the achievement of these goals.

The Board is also responsible for the strategic business direction and risk management of Suntec REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and appointment of directors. The Board has established a framework for the management of the Manager and Suntec REIT and the framework comprises a system of strong internal controls, robust risk management processes and clear policies and procedures. The Board also reviews and sets the values and ethical standards of Suntec REIT as well as considers sustainability issues relevant to its business environment and stakeholders.

The Board meets regularly to review the Manager's key activities. Board meetings are held once every quarter (or more often if necessary). Where necessary, additional meetings would be held to address significant transactions or issues requiring the Board's attention. The Constitution of the Manager provides for Directors to convene meetings via teleconferencing, videoconferencing or other similar means of communication.

Directors may request for explanations from, briefings by or discussions with management of the Manager ("Management") on any aspect of Suntec REIT's operations, and may request for any additional reports and documents requiring the Board's attention. When circumstances require, Board members may exchange views outside the formal environment of Board meetings. All Directors are expected to exercise objective judgement in the best interests of Suntec REIT.

Four Board meetings were held during the financial year ended 31 December 2017 ("FY 2017"). The attendance of the Directors at Board meetings and Board Committee meetings, as well as the frequency of such meetings, are disclosed in this report.

Matters that are specifically reserved for the Board's decision and approval include:

- corporate strategies and policies of Suntec REIT;
- financial restructuring;
- any significant acquisitions and disposals;
- annual budget;
- financial performance of Suntec REIT and the approval of the release of quarterly and full year results;
- audited financial statements;
- issue of new Suntec REIT's units ("Units");
- income distributions and other returns to Unitholders; and
- Interested Person Transactions (as defined below) of a material nature.

The Board also reviews the assessment of key risks to the assets of Suntec REIT, as well as financial and treasury management administration and acts upon any comments from the auditors of Suntec REIT.

The Board has adopted a set of prudent internal controls which it believes is adequate in safeguarding Unitholders' interest and Suntec REIT's assets. A set of internal guidelines setting out the level of authorisation and financial authority limits for operating/capital expenditure, capital management, leasing and other corporate matters is adopted to facilitate operational efficiency with oversight by the Board. Apart from matters stated above that specifically require approval from the Board, the Board approves transactions exceeding established threshold limits, and delegates authority for transactions below those limits to Board Committees.

Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important impact on Suntec REIT and its disclosure obligations, the Directors are briefed on such changes either during a Board meeting, at specially convened sessions by external auditors, lawyers and professionals, or via circulation of Board papers. Relevant regulatory updates and news releases issued by the SGX-ST, the MAS and the Accounting and Corporate Regulatory Authority ("ACRA") will also be circulated to the Board for information.

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The Directors continue to receive regular training and updates on relevant laws, rules and regulations and are able to participate in conferences, seminars or any training programme in connection with their duties. A list of training courses and seminars which might be of interest is sent to the Directors for their consideration. The costs of arranging and funding the training of the Directors will be borne by the Manager. In FY 2017, the Directors have attended an “Update of REITs regulatory framework” workshop organised by Allen and Gledhill LLP. In addition to talks conducted by professionals, the Directors are able to attend relevant courses relating to changes in the industry and seminars such as those conducted by the Singapore Institute of Directors. Some directors also attended a site visit to Suntec REIT’s properties in Australia for a better understanding of the diverse portfolio of Suntec REIT assets and the property market in Australia.

All approved Directors are given formal appointment letters explaining the terms of their appointment as well as their duties and obligations. An induction programme is arranged for new Directors to be briefed on the business activities of Suntec REIT and its strategic directions and policies. Mr Chan Pee Teck, Peter and Mrs Yu-Foo Yee Shoon were appointed as Independent Non-Executive Directors with effect from 1 January 2017 and both new Directors have experience acting as a director of a listed company.

BOARD COMPOSITION AND GUIDANCE

Principle 2 *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% Unitholders. No individual or small group of individuals should be allowed to dominate the Board’s decision making.*

The Board presently comprises seven members: one Executive Director, three Non-Executive Directors and three Independent Non-Executive Directors. Each Director is a well-respected individual from the corporate and/or industry circles with diverse experience and network.

The Chairman of the Board is Ms Chew Gek Khim.

The composition of the Board is determined using the following principles:

1. the Chairman of the Board should be a Non-Executive Director;
2. the Board should comprise Directors with a broad range of commercial experience including expertise in fund management and the property industry; and
3. at least one-third of the Board should comprise Independent Directors.

The Independent Non-Executive Directors exercise objective judgement on Suntec REIT’s affairs and from Management. The independence of each Independent Director is reviewed upon appointment and thereafter the Board reviews their independence annually with reference to the guidelines set out in the 2012 Code and applicable laws and regulations.

None of the Independent Directors have any relationship with the Manager, its related corporations, its officers or the 5% Unitholders that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of Suntec REIT.

The assessment of a Director’s independence also takes into account the enhanced independence requirements and the definition of “independent director” as set out in the draft amendments to the SF(LCB)R (the “Draft SF(LCB)R”). Under the enhanced independence requirements set out in the Draft SF(LCB)R, an independent director is one who: (i) is independent from any management and business relationship with the Manager and Suntec REIT; (ii) is independent from any substantial shareholder¹ of the Manager and any substantial Unitholder² of Suntec REIT; and (iii) has not served on the Board for a continuous period of nine years or longer. Each Independent Non-Executive Director has declared that there were no relationships (as defined in the enhanced independence requirements under the Draft SF(LCB)R) or instances that would otherwise deem him or her not to be independent and none of the Independent Directors have served for a continuous period of nine years or longer on the Board.

Notes:

¹ the term “substantial shareholder” refers to a person who has an interest or interests in one or more voting shares in the Manager and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the Manager.

² the term “substantial Unitholder” refers to a person who has an interest or interests in one or more Units and the total votes attached to that Unit or those Units is not less than 5% of the total votes attached to all the Units.

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Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to Suntec REIT's business and enable the Board to make informed and balanced decisions. Non-Executive Directors also constructively provide inputs and enable the Board to interact and work with Management to help shape the strategic process.

When reviewing Management proposals or decisions, the Independent Non-Executive Directors bring their objective judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors meet without presence of the Management on a needs-basis.

The Independent Non-Executive Directors have provided declarations of their independence, which have been reviewed by the Board. On the bases of the declarations of independence provided, the Board has determined that these Independent Non-Executive Directors are independent as defined under the enhanced independence requirements of the Draft SF(LCB)R. Each of them has recused himself or herself from reviewing his or her own independence.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of industry expertise and experience. In particular, the Manager strives to ensure that the Board as a whole has the requisite background, experience and knowledge in business, accounting and finance and management skills critical to Suntec REIT's businesses. Collectively and individually, the Directors act in good faith and exercise due diligence and care in the course of their deliberations and, at all times, consider objectively the interests of Suntec REIT and its Unitholders.

A healthy exchange of ideas and views between the Board and Management through regular meetings and updates enhances the management of Suntec REIT. This, together with a clear separation of roles between Chairman and Chief Executive Officer ("CEO"), provide a healthy and professional relationship between the Board and Management.

The Board noted that its current composition of Independent Directors has not made up at least half of the Board, and that the Chairman is not an Independent Director under the Guidelines of the 2012 Code. The Board has assessed its independence element and is of the view that the current composition of Directors provides sufficient independence because:

- (i) There are three Independent Non-Executive Directors and three Non-Executive Directors, out of a total of seven members. Therefore, Independent Non-Executive Directors make up 43% of the Board and Non-Executive Directors make up 86% of the Board;
- (ii) There are two newly appointed Independent Non-Executive Directors in 2017, who bring fresh independent perspectives to the Board, out of a total of three independent members;
- (iii) The Independent Non-Executive Directors have been assessed based on more stringent independence criteria which include (a) length of service not more than nine years, (b) independence from management and business relationships with the Manager and Suntec REIT, (c) independence from substantial shareholders of the Manager and substantial Unitholders of Suntec REIT (i.e. substantial defined as not less than 5% of total votes), and (d) and other factors described in Principle 4 of this report;
- (iv) A separate Lead Independent Director has been appointed given that the Chairman is not an Independent Director. The Lead Independent Director serves in a lead capacity to co-ordinate the activities of the non-executive members in circumstances where it is inappropriate for the Chairman to direct and address matters relating to Suntec REIT and its Unitholders;
- (v) In addition to the three Independent Non-Executive Directors, one of the Non-Executive Directors would have fulfilled the independence criteria (i.e. independent from any management and business relationships with the Manager and Suntec REIT and independent from any substantial shareholder of the Manager and any substantial Unitholder), save for the requirement that the length of service be not more than nine years;
- (vi) All appointment and re-appointment of Directors, in particular the Independent Non-Executive Directors, are being endorsed (or re-endorsed) by the Unitholders' resolution at Annual General Meetings of Suntec REIT; and
- (vii) Interested Director(s) are required to abstain from voting when passing Board resolution and the quorum for such matter must comprise a majority of Independent Non-Executive Directors, excluding such interested Director(s).

Based on the above assessment, the Board is of the view that the current composition of Directors who, as a group, provide the diversity in respect of skills, experience, gender and knowledge of Suntec REIT and that the current Board size is appropriate, taking into consideration of the nature and scope of the Suntec REIT's operations. The Board believes that in spirit it has adhered to Principle 2 in terms of board composition and guidance, and the Board would continue to review its composition to ensure that it is able to exercise sound objective and independent judgement in the interests of Suntec REIT and its Unitholders.

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Under the Draft SF(LCB)R, Independent Directors are required to comprise at least half of the Board, or where Unitholders are given the right to appoint the Directors, at least one-third of the Board.

In compliance with this regulation, ARA Asset Management Limited (“ARA”) has provided an undertaking to the Trustee that, among others, the Unitholders shall have the right to endorse (or re-endorse) on the appointment of at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), where the Directors whose appointments are put forth for endorsement shall be those who will be re-elected under the Constitution of the Manager and/or those who are newly appointed as Directors. See details disclosed under Principle 4.

Profiles of the Directors and other relevant information are set out on pages 15 to 18 of this annual report. There were no Alternate Directors in FY 2017.

BOARD COMMITTEE

The Board is supported by various Board Committees, namely the audit committee (“Audit Committee”) and designated committee (“Designated Committee”), to assist the Board in discharging its responsibilities and enhance its corporate governance framework. The Board has delegated specific responsibilities to these Board Committees and their composition and terms of reference are described in this report.

The Board accepts that while these Board Committees have the authority to examine particular issues in their specific areas respectively, the Board Committees shall report to the Board with their decision(s) and/or recommendation(s) and the ultimate responsibility on all matters lies with the Board.

Designated Committee

The Designated Committee is tasked to assist the Board in reviewing matters relating to financing, refinancing, hedging strategies and arrangements and transactions involving derivative instruments for hedging purposes. The Designated Committee has adopted its own terms of reference.

The Designated Committee would also assist the Board in other reviews and projects.

No Designated Committee meeting was held in FY 2017. However, the Designated Committee reviewed matters relating to financing, refinancing and hedging arrangements through email communication with Management. The members of Designated Committee comprise:

- Mr Chow Wai Wai, John (Chairman)
- Mr Chen Wei Ching, Vincent (Member)
- Mr Chan Pee Teck, Peter (Member)
- Ms Seow Bee Lian, Cheryl (Member*)

* Ms Seow is the Assistant Group Chief Executive Officer, Group Finance of ARA.

Directors’ attendance at Board and Audit Committee Meetings in FY 2017

| Directors | Board Meetings | | Audit Committee Meetings | |
|----------------------------|----------------|--------------------------------------|--------------------------|--------------------------------------|
| | Participation | Attendance/ Number of Meetings | Participation | Attendance/ Number of Meetings |
| Ms Chew Gek Khim | Chairman | 4/4 | NA | NA |
| Mr Lim Hwee Chiang, John | Member | 3/4 | NA | NA |
| Mr Chen Wei Ching, Vincent | Member | 4/4 | Chairman | 4/4 |
| Mr Chan Pee Teck, Peter | Member | 3/4 | Member | 3/4 |
| Mrs Yu-Foo Yee Shoon | Member | 4/4 | Member | 4/4 |
| Mr Chow Wai Wai, John | Member | 3/4 | NA | NA |
| Mr Chan Kong Leong | Member and CEO | 4/4 | CEO | NA |

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3 *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The roles of Chairman and CEO are separate and held by Ms Chew Gek Khim and Mr Chan Kong Leong respectively. The Chairman and the CEO are not immediate family members. The separation of responsibilities between the Chairman and the CEO facilitates effective oversight and a clear segregation of duties and accountability.

The Chairman leads the Board and ensures that its members work together with Management in a constructive manner to address strategies, business operations and enterprise issues. The Chairman also ensures that there is effective communication with Unitholders and promotes a culture of openness and high standard of corporate governance. The CEO has full executive responsibilities over the business direction and day-to-day operational decisions of managing Suntec REIT in accordance with the objectives established by the Board. The CEO is a licensed representative approved by the MAS and is resident in Singapore.

BOARD MEMBERSHIP AND PERFORMANCE

Principle 4 *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

The Manager has not established a nominating committee as the Board has considered that it would itself perform the full functions of a nominating committee and a separate committee, comprising majority of Independent Directors, is not necessary. Accordingly, the Board has assessed its independence element under Principle 2 and is of the view that the current composition of Directors provides sufficient strong independence to perform the role of a nominating committee.

The Board performs the various functions of the nominating committee, including tabling nominations to the Board, reviewing the structure, size, composition, performance and renewal of the Board, reviewing the independence of Board members and ensuring that there is professional development of the Board.

Process for appointment of new Directors

When reviewing and recommending the appointment of new Directors, the Board takes into consideration the current Board size and mix, and the principles outlined earlier in this statement. The Board has put in place a process for shortlisting, evaluating and nominating candidates for appointment as Directors. The selection and appointment of candidates is evaluated taking into account various factors including the current and mid-term needs and goals of Suntec REIT, as well as the relevant expertise of the candidates and their potential contributions. Candidates may be put forward or sought through contacts and recommendations by the Directors or through external referrals where applicable.

Criteria for appointment of new Directors

The Board reviews each candidate's ability to contribute to the proper guidance of the Manager in its management of Suntec REIT, including attributes such as integrity, commitment, financial literacy, reputation and whether he or she is a fit and proper person in accordance with the Guidelines on Fit and Proper Criteria issued by MAS (which require the candidate to be competent, honest, to have integrity and be financially sound). The Board unanimously approves the appointment of new Directors via Board resolution to assess the candidates' profiles and credentials. As a whole, the Board seeks to refresh its membership progressively taking into account the balance of skills and experience, while ensuring the continuity of long-serving Directors.

Endorsement by Unitholders for appointment of Directors

On 13 March 2017, an undertaking has been entered into between ARA and the Trustee (the "Undertaking") to provide Unitholders with the right to endorse the appointment of each of the Directors by way of an ordinary resolution at the Annual General Meeting ("AGM") of Unitholders. Pursuant to the Undertaking, ARA undertakes to the Trustee:

- (i) to procure the Manager to include in the agenda for each AGM of Unitholders (commencing from the AGM held in 2017), the resolutions to endorse (or re-endorse) the appointment of at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), where the Directors whose appointments are put forth for endorsement shall be those who will be re-elected under the Constitution of the Manager and/or pursuant to sub-paragraph (ii) below for those who are newly appointed as Director;

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- (ii) (where, at any time, a person is newly appointed as Director) to procure the Manager to seek Unitholders' endorsement for his appointment as a Director at the next AGM of Suntec REIT immediately following his appointment; and
- (iii) to procure any person whose appointment as a Director was not endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting of Suntec REIT where the endorsement or re-endorsement (as the case may be) for his appointment was sought, either (i) to resign or otherwise be removed from the Board of Directors of the Manager within 60 days from the date of the relevant general meeting or (ii) in the event that the Board of Directors of the Manager determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed and the regulatory approval for such appointment (if any) has been obtained, which appointment shall take place as soon as reasonably practicable after the relevant general meeting.

Review of Directors' Independence

The Board undertakes the role of determining the independence status of the Directors annually.

In identifying potential candidates for directorship on the Board of the Manager, the above selection process was followed. Mr Chan Pee Teck, Peter and Mrs Yu-Foo Yee Shoon were appointed as Independent Directors with effect from 1 January 2017. The appointment of new Independent Directors allows the Board to refresh itself in an orderly and progressive manner and comply with the applicable regulatory requirements.

The independence of each Director is reviewed prior to appointments and thereafter the Board reviews the independence of the Directors annually with reference to the Guidelines set out in the 2012 Code and applicable laws and regulations. In furtherance of rigorous review of the independence of Independent Directors, the Board has enhanced the internal assessment criteria. This rigorous review is applied equally to all Independent Directors and factors considered in this rigorous approach include questions on family connections, voting arrangements at Unitholders' or Directors' meetings, financial dependency on director fees and level of objectivity demonstrated at such meetings.

The Board has received written declarations from each of the Independent Directors in respect of his independence pursuant to the 2012 Code and applicable laws and regulations. The Board has reviewed and determined that Mr Chen Wei Ching, Vincent, Mr Chan Pee Teck, Peter and Mrs Yu-Foo Yee Shoon are considered to be independent and are free from any of the relationships stated in the Guidelines of the 2012 Code and the Draft SF(LCB)R. In the spirit of good corporate governance, the Board has appointed Mr Chen Wei Ching, Vincent as Lead Independent Director in 2014. The Lead Independent Director is available to Unitholders if they have concerns and for which contact through the normal channels of Chairman, the CEO or the Finance Director, has failed to resolve or is inappropriate. The Lead Independent Director also co-ordinates an annual meeting, or as and when required, with other Independent Directors without the presence of Management, and provides feedback to the Chairman.

Annual review of Directors' time commitments

Although the Directors have other listed company board representations and principal commitments, the Board has determined that each individual Director has devoted sufficient time and attention to his/her role as a Director and to the affairs of the Manager. In FY 2017, the Directors attended the Board meetings, had given feedback and participated constructively when discussing the activities of Suntec REIT. The Board has also procured written confirmations from each of the Independent Directors stating that they are able to carry out their duties as a Director of the Manager and they would address any competing time commitments that may arise, despite their multiple Board representations. The Board is of the view that such external appointments do not hinder the Directors from carrying out their duties as Directors of the Manager and therefore believes that it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold.

Principle 5 *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

The Manager believes that performance of the whole Board, Board Committees and individual Directors are better reflected in, assessed and evidenced by their proper guidance, diligent oversight and able leadership, and the support that it lends to Management in steering Suntec REIT in the appropriate direction under both favourable and challenging market conditions. Ultimately, the interests of Suntec REIT will be safeguarded and reflected in the maximisation of Unitholders' value in the long-term performance of Suntec REIT.

Contributions by an individual Board member are assessed based on various criteria, including whether objective perspectives are provided on issues, whether business opportunities and strategic relationships are facilitated, and the amount of time and effort accorded to Suntec REIT's affairs.

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The Board continuously assesses its effectiveness as a whole throughout the year and is of the view that the composition, performance and attendance of the Board, Board Committees and Directors were satisfactory and had met the Board's expectation. The Board has not engaged any external consultant to conduct a formal annual assessment of the performance of the Board and each individual Director. Where relevant, the Board will consider such an engagement.

ACCESS TO INFORMATION

Principle 6 *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

On an on-going basis and prior to Board meetings, Management provides complete, adequate and timely information to the Board on Suntec REIT's affairs and issues that requires the Board's decision. Explanatory background information relating to matters brought before the Board includes quarterly results announcements, budgets, and copies of relevant disclosure documents related to the operational and financial performance of Suntec REIT.

The CEO keeps all Board members, including Independent Directors, abreast of key developments affecting Suntec REIT as well as material transactions so that the Board is kept fully aware of the affairs of Suntec REIT, its business, the business and financial environment as well as the risks faced by Suntec REIT and the Manager. All Directors have independent and unrestricted access to Management, the Company Secretary, as well as the Internal Auditors and External Auditors at all times.

Board meetings for each year are scheduled in advance to facilitate the Directors' administrative arrangements and commitments. Board papers are generally circulated at least three days in advance of each meeting and include background explanatory information for the Directors to prepare for the meeting and make informed decisions. Information provided to the Board includes financial results, market and business developments, and business and operational information. Management also surfaces key risk issues for discussion and confers with the Audit Committee and the Board regularly. If a Director is unable to attend the Board meetings, he or she would review the Board papers and advise the Chairman or the chairman of the relevant Board Committee of his or her views on the matters to be discussed and conveyed to other Directors at the meetings. Where appropriate, Management will be requested to attend meetings of the Board and Board Committees in order to provide their input and insight into the matters being discussed, and to respond to any queries that the Directors may have.

The Company Secretary and/or her authorised designate(s) attend(s) all Board meetings and assist(s) the Board in ensuring that Board procedures and all other rules and regulations applicable to the Manager are complied with. The Company Secretary advises the Board on governance matters and works with the Chairman to ensure that information flows within the Board, its Board Committees and between Management and the Non-Executive Directors. The Company Secretary will also assist with professional development and training for Directors when required to do so.

The appointment and the removal of the Company Secretary shall be reviewed by the Board.

The Manager has in place procedures to enable Directors, whether as a group or individually, to obtain independent professional advice as and when necessary, in furtherance of their duties, at the Manager's expense. The appointment of such independent professional advisors is subject to approval by the Board.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7 *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

LEVEL AND MIX OF REMUNERATION

Principle 8 *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

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The Board has assessed its independence element under Principle 2 and is of the view that the current composition of Directors provides sufficient strong independence to perform the full role of a remuneration committee. Accordingly, Board has considered that a separate remuneration committee, comprising a majority of Independent Directors, would not be necessary.

The Board has assessed the remuneration policies and practices of ARA and deemed such remuneration policies and practices to be appropriate for Suntec REIT. Accordingly, the Manager has adopted the remuneration policies and practices of ARA, which has an established framework for the remuneration, compensation, benefits and succession planning for the Directors and key executives of the Manager.

The Manager advocates a performance based remuneration framework. In adopting the remuneration policies and practices of ARA, the Manager ensures that such remuneration policies and packages are aligned with the interests of the Unitholders and are designed to attract and retain talented staff, while taking into account the prevailing market conditions within the industry. The Board has access to independent remuneration consultants as and when required.

The remuneration structure comprises an annual fixed pay which is benchmarked against the market to maintain competitiveness, and a variable performance bonus which is based on key performance indicators ("KPIs") that are tied to the financial performance of Suntec REIT and the individual performance related to the organisational goals. This allows for better alignment of executive compensation with Unitholders' value creation. The remuneration is not linked to the gross revenue of Suntec REIT.

Under the remuneration policies and practices adopted, a comprehensive and structured performance assessment is carried out annually for the CEO and Executive Officers of the Manager. At the start of the year, KPIs for the CEO and Executive Officers are discussed and agreed upon to ensure that such indicators are specific, measurable, result-oriented and time bound. Such KPIs reflect organisational goals to increase Unitholder value and are linked to Suntec REIT's and the individual's performance. A mid-year review is carried out to monitor the performance and relevance of these indicators and a year-end review is carried out to measure actual performance against the KPIs. Based on these reviews, the variable year-end bonus for the CEO and Executive Officers is determined. The Board is of the view that the KPIs were achieved and that remuneration is aligned to performance in respect of FY 2017.

In addition to their base salary and a variable year-end bonus, designated Executive Officers of the REIT Manager participate in a Performance Based Bonus Scheme (the "Scheme"). Under the Scheme, designated Executive Officers of the Manager may be entitled to a pool of incentive payments based on certain performance indicators linked to the growth of Suntec REIT and optimising the returns to Unitholders. The incentive payments are paid in cash and allocated amongst the designated Executive Officers based on various factors and conditions, including seniority, length of service, performance and contributions.

DISCLOSURE OF REMUNERATION

Principle 9 *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The remuneration of the Non-Executive Directors for FY 2017 comprises entirely Directors' fees and the details of the Non-Executive Directors' remuneration is set out below:

| Name of Director | Salary (S\$) | Bonus (S\$) | Directors' Fees (S\$) | Others (S\$) | Total (S\$) |
|----------------------------|--------------|-------------|-----------------------|--------------|-------------|
| Ms Chew Gek Khim | - | - | 120,000 | - | 120,000 |
| Mr Lim Hwee Chiang, John | - | - | 60,000 | - | 60,000 |
| Mr Chen Wei Ching, Vincent | - | - | 100,000 | - | 100,000 |
| Mr Chan Pee Teck, Peter | - | - | 80,000 | - | 80,000 |
| Mrs Yu-Foo Yee Shoon | - | - | 80,000 | - | 80,000 |
| Mr Chow Wai Wai, John | - | - | 60,000 | - | 60,000 |

Director's fees are established annually and the amount is dependent on their responsibilities on the Board and Board committees while taking into account the industry practices and norms on remuneration. Each Director is paid a fixed fee.

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The Manager is cognisant of the requirement to disclose (i) the remuneration of the CEO and each individual Director on a named basis and (ii) the remuneration of at least the top five key Executive Officers (which shall not include the CEO and Executive Officers who are Directors), on a named basis, in bands of S\$250,000. The Board has assessed and decided not to disclose (i) the remuneration of the CEO, Executive Directors and Executive Officers on a named basis, whether in exact quantum or in bands of S\$250,000; and (ii) the aggregate remuneration of the top five key Executive Officers for the following reasons:

- (i) the competition for talent in the REIT management industry is very keen and the Manager has, in the interests of Unitholders, opted not to disclose the remuneration of its CEO and top five Executive Officers so as to minimise potential staff movement which would cause undue disruptions to the management team of Suntec REIT;
- (ii) it is important that the Manager retains its competent and committed staff to ensure the continuity of business and operations of Suntec REIT;
- (iii) due to the confidentiality and sensitivity of staff remuneration matters, the Manager is of the view that such disclosures could be prejudicial to the interests of Unitholders. Conversely, the Manager is of the view that such non-disclosure will not be prejudicial to the interests of Unitholders as the information provided regarding the Manager's remuneration policies is sufficient to enable Unitholders to understand the link between remuneration paid to the CEO and the top five Executive Officers and their performance; and
- (iv) there is no misalignment between the remuneration of the CEO and Executive Officers and the interests of the Unitholders as their remuneration is paid out from the fees the Manager receives from Suntec REIT, and not by Suntec REIT itself.

There are no employees of the Manager who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year.

In FY 2017, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and key management personnel.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10 *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board seeks to keep Unitholders updated on Suntec REIT's operating and financial performance, position and prospects through quarterly and full year financial reports as well as timely announcements on developments in its businesses which would likely to materially affect the price or value of the Units, to enable Unitholders to make informed investment decisions. Quarterly results are released to Unitholders within 45 days of the reporting period, while the full year results are released to Unitholders within 60 days of the financial year end. In presenting the financial reports, the Board aims to provide a balanced and understandable presentation of Suntec REIT's financial performance, position and prospects.

Management provides the Board with a continual flow of relevant information on the performance of Suntec REIT on a timely basis in order that the Board may effectively discharge its duties.

In addition, Management provides the Board with the policies and procedures which are put in place to comply with the necessary legislative and regulatory requirements. These include the compliance risk assessment and various checklists established under the SFA, SGX-ST, CIS Code, Trust Deed and standards.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11 *The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard Unitholders' interest and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

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Risk Assessment and Management of Business Risk

Effective risk management is a fundamental part of Suntec REIT's business strategy. Recognising and managing risks is central to the business and serves to protect Unitholders' interests and Suntec REIT's assets. Suntec REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved and appropriate controls and measures are put in place before the Manager proceeds with the execution.

Key risks, process owners, risk factors, mitigating actions and risk indicators are continually identified, assessed and monitored by Management as part of Suntec REIT's enterprise risk management framework (the "ERM Framework") and documented in the risk profile (the "Risk Profile") maintained by the Manager and reviewed by the Audit Committee and the Board.

The ERM Framework lays out the governing policies and procedures which comply with the recommendations of the 2012 Code, and ensures that the risk management and internal control systems provide reasonable assurance on safeguarding of assets, maintenance of reliable and proper accounting records, compliance with relevant legislations and against material misstatement of losses.

Risk Management Committee

A separate risk management committee (the "Risk Management Committee") was established to assist the Audit Committee in assessing the adequacy of internal controls. The Risk Management Committee comprises the CEO, Finance Director and the Head of ARA Group Risk Management & Internal Audit Division ("GRM & IA"). GRM & IA is a division of ARA, the holding company of the Manager.

The Risk Management Committee meets regularly to review the Risk Profile of Suntec REIT. The Risk Management Committee, which is headed by the CEO, reports to the Audit Committee on overall risk management matters every six months during the Audit Committee meetings. The Risk Management Committee identifies the strategic, operational, financial, compliance and information technology risks faced by Suntec REIT and sets out the appropriate mitigating actions and monitoring mechanism to respond to these risks and changes in the external business environment. The Risk Profile highlights the changes in risk assessment, quantitative and qualitative factors affecting the inherent risk levels and effectiveness of mitigating controls supporting the residual risks within the risk appetite approved by the Board. The key risks highlighted in the Risk Profiles include strategic, leasing, asset management, financial and compliance risk.

The CEO and his management team are primarily responsible for maintaining the internal controls and risk management systems. Risks are proactively identified and addressed. The ownership of these risks lies with the respective departmental heads with stewardship residing with the Board. The Internal Auditors also perform reviews of the Risk Profiles and related internal control systems, including financial, operational, compliance and information technology controls, as part of the internal audit plan approved by the Audit Committee. Any material non-compliance or improvements identified for the risk management processes is reported to the Audit Committee. In addition, the External Auditors perform tests of certain controls relevant to the preparation of Suntec REIT's financial statements. The External Auditors report any significant deficiencies of such internal controls to the Audit Committee. The Audit Committee and the Board review the adequacy and effectiveness of Suntec REIT's risk management and internal control systems at least once annually.

The Audit Committee and the Board believe that the internal controls, including financial, operational, compliance and information technology controls, risk management systems and sustainability measures put in place to manage the risks are adequate and effective and the residual risks are acceptable.

The Board has received written assurance from the CEO, Finance Director and Internal Auditors of the Manager that: (a) the financial records have been properly maintained and that the financial statements give a true and fair view of Suntec REIT's operations and finances; and (b) Suntec REIT's risk management and internal control systems are effective.

In addition, an Internal Assessment Checklist ("1207(10) Checklist") had been used by Management as a guide to assess the adequacy of internal controls addressing financial, operational and compliance risks and to confirm whether there are any significant deficiencies. The 1207(10) Checklist covers the areas of risk management, internal audit, internal controls, information technology, fraud assessment, external audit and compliance. The completed 1207(10) Checklist is reviewed by the Audit Committee, in conjunction with the reports submitted by the Internal Auditors and External Auditors, as well as the letters of undertaking from the CEO and Finance Director of the Manager to give assurance on the state of internal controls.

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Based on the ERM Framework established, the 1207(10) Checklist and the reviews conducted by the Internal Auditors and External Auditors, together with the Management's confirmation on the adequacy and effectiveness of the internal controls, the Board is of the opinion (with the concurrence of the Audit Committee) that, taking into account the nature, scale and complexity of the Manager's operations, the systems of risk management and internal controls addressing financial, operational, compliance and information technology control risks were adequate and effective to meet the needs of Suntec REIT in its current business environment as at 31 December 2017, pursuant to Rule 1207(10) of the Listing Manual of the SGX-ST. In addition, the Audit Committee has also reviewed and is satisfied with the adequacy of the resources devoted to and qualifications of the Manager's executive officers who are performing accounting, financial reporting and compliance roles.

Whistle-Blowing Policy

Pursuant to the Whistle-Blowing Programme which has been put in place, the Audit Committee reviews arrangements by which staff of the Manager or any other persons may, in confidence, raise their concerns to the Audit Committee about possible improprieties in matters of financial reporting or such other matters in a responsible and effective manner.

The objective of the Whistle-Blowing Programme, as approved by the Audit Committee, is to ensure that arrangements are in place for independent investigation of such concerns and allow appropriate follow-up actions to be taken.

The Audit Committee is guided by the Whistle-Blowing Programme to ensure proper conduct and closure of investigations, including handling of possible improprieties, prohibition of obstructive or retaliatory actions, confidentiality, disciplinary and civil or criminal actions. All such investigations are undertaken by the Internal Auditors based on instructions from the Audit Committee.

Details of the Whistle-Blowing Programme and arrangements are posted on Suntec REIT's website. The website provides a feedback channel for any complainant to raise possible improprieties directly to the Audit Committee. New staff will be briefed on the Whistle-Blowing Programme during the staff orientation programmes. The Whistle-Blowing Policy and Code of Conduct, amongst other policies, are also covered as part of the staff's annual declaration of compliance.

AUDIT COMMITTEE

Principle 12 *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

The Board has established an Audit Committee to assist in the discharge of its responsibilities. The Audit Committee's role is to assist the Board in ensuring the integrity of the financial reporting and that sound internal controls are put in place. In keeping with best practices in corporate governance, all members of the Audit Committee (including the Audit Committee Chairman) are Independent Directors.

The Audit Committee currently comprises three Independent Directors, namely:

- Mr Chen Wei Ching, Vincent Chairman
- Mr Chan Pee Teck, Peter Member
- Mrs Yu-Foo Yee Shoon Member

The members of the Audit Committee bring with them professional expertise and experience in the financial, business management and consultancy fields. The Board is of the view that the Audit Committee Chairman and members of the Audit Committee are appropriately qualified, with the necessary accounting and financial management expertise and experience to discharge their responsibilities. Mr Chen Wei Ching, Vincent has more than 20 years of experience in the banking and financial management industry, while Mr Chan Pee Teck, Peter has extensive experience in financial, investment and fund management industries as managing partner of a private equity company, Crest Capital Asia Pte Ltd which previously had funds invested in retail real estate assets. Mrs Yu-Foo Yee Shoon has relevant financial and commercial experience as a Board Member of KOP Limited and adviser for reputable organisations.

None of the Audit Committee members was previously a partner or director of KPMG LLP, the incumbent external auditors within the previous 12 months or hold any financial interest in the external auditor.

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The Audit Committee is guided by its Terms of Reference which defines its duties and scope of authority. Specifically, the duties of the Audit Committee include:

1. reviewing the annual audit plan, including the nature and scope of the internal and external audits before the commencement of these audits;
2. reviewing the adequacy of the internal audit process and effectiveness of Suntec REIT's risk management and internal controls, including financial, operational, compliance and information technology controls;
3. reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the Management;
4. monitoring procedures in place to ensure compliance with applicable legislation, the Listing Manual of the SGX-ST and the Property Funds Appendix;
5. reviewing the quarterly and full year financial statements before these are submitted to the Board for approval, focusing in particular, on the following:
 - changes in accounting policies and practices;
 - major risk areas;
 - significant adjustments resulting from the audit;
 - the going concern statement;
 - compliance with accounting standards;
 - compliance with stock exchange and statutory/regulatory requirements;
 - any significant financial reporting issues and judgements so as to ensure the integrity of the financial statements; and
 - all announcements relating to Suntec REIT's financial performance.
6. reviewing and approving the annual report's financial statements, consolidated statement of financial position and statement of total return and auditors' report;
7. reviewing the Whistle-Blowing Policy and arrangements by which staff of the Manager or the Group (the "Group") and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
8. reviewing and discussing with the External Auditors, any suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on Suntec REIT's operating results or financial position and Management's response;
9. reviewing the assistance given by the Management to the External Auditors;
10. reviewing annually the independence of the External Auditors and the aggregate amount of fees paid to the External Auditors for the financial year;
11. undertaking such other reviews and projects as may be requested by the Board; and
12. monitoring procedures established to regulate Related Party Transactions (as defined below), including ensuring compliance with the provisions of the Listing Manual of the SGX-ST relating to transactions between the Trustee and an "interested person", and the provisions of the Property Funds Appendix relating to transactions between the Trustee and an "interested party" (both such types of transactions constituting "Related Party Transactions").

The Audit Committee is authorised to investigate any matters within its terms of reference. It is entitled to full access to and co-operation by Management and has full discretion to invite any Director or Executive Officer of the Manager to attend its meetings. The Audit Committee has full access to resources and is also provided with regular updates and advice from both the Internal Auditors and External Auditors so as to enable it to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements and to discharge its functions fully. Such updates include briefings conducted by the Internal Auditors or External Auditors during Audit Committee meetings and advice provided from time to time to update the members of the Audit Committee of relevant changes to accounting standards.

In FY 2017, the Audit Committee had met with the Internal Auditors and External Auditors without the presence of Management. The Internal Auditors and External Auditors may also request the Audit Committee to meet if they consider a meeting necessary. Both the Internal Auditors and External Auditors have confirmed that they had full access to and had received the full co-operation and support of Management.

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During the year, the Audit Committee performed an independent review of the quarterly and full year financial statements of Suntec REIT. In the process, the Audit Committee reviewed the key areas of management judgement applied for adequate provisioning and disclosure, accounting policies, key audit matters and any significant changes made that would have a material impact on the financials. The External Auditors also presented their salient features memorandum to the Audit Committee, covering the audit focus areas, key audit matters findings, quality and independence.

The Audit Committee also reviewed and approved the Internal Auditors and External Auditors' respective audit plans to ensure that the plans were sufficiently comprehensive in audit scope and in addressing the significant internal controls of Suntec REIT. All audit findings and recommendations by the Internal Auditors and External Auditors were forwarded to the Audit Committee. Significant issues were discussed at these meetings.

In connection with the ERM Framework under risk management, the Audit Committee has, in FY 2017, reviewed the approach taken in identifying and assessing risks and internal controls in the Risk Profile Register documented and maintained by Management.

The Audit Committee has also conducted a review of all non-audit services provided by the External Auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors. The aggregate amount of audit and non-audit fees paid/payable to the External Auditors for FY 2017 amounted to S\$497,000 and S\$260,000 respectively.

The Audit Committee is satisfied that the resources and experience of the audit engagement partner of KPMG LLP and her team assigned to the audit of Suntec REIT and its subsidiaries were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. The Audit Committee has assessed the performance of the External Auditors based on factors such as performance and quality of their audit and their independence.

The Audit Committee, with the concurrence of the Board, has recommended the re-appointment of KPMG LLP as the External Auditors of Suntec REIT at the forthcoming Annual General Meeting. The Manager, on behalf of Suntec REIT, confirms that it has complied with the requirements of Rules 712 and 716 of the Listing Manual of the SGX-ST in respect of the suitability of the auditing firms of Suntec REIT and its significant associated companies and subsidiaries.

The Audit Committee has reviewed the Whistle-Blowing Policy which provides the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and is satisfied that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up actions to be taken.

On a quarterly basis, Management reports to the Audit Committee the Interested Person Transactions. All Interested Person Transactions together with the Register of Interested Person Transactions are reviewed by the Audit Committee.

Four Audit Committee meetings were held during FY 2017.

INTERNAL AUDIT

Principle 13 *The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The Manager has established and maintains a robust system of internal controls and risk management framework to safeguard Suntec REIT's assets and Unitholders' interests and to provide reasonable assurance against misstatement of loss, maintenance of reliable and proper accounting records and compliance with relevant legislation.

For FY 2017, the internal audit function of the Manager was outsourced to Deloitte & Touche Enterprise Risk Services Pte. Ltd., a member firm of Deloitte Touche Tohmatsu Limited (the "Internal Auditor"). The previous Internal Auditor, Ernst & Young Advisory Pte. Ltd., resigned as it was deemed to be in a conflict given that it was also the external auditor of a shareholder of ARA during FY 2017.

The Internal Auditor conducts audits to evaluate the effectiveness of the risk management and internal control systems in Suntec REIT which include financial, operational, compliance controls and information technology. The internal audit plan adopts a risk-based approach covering all business of Suntec REIT and support functions of the Manager and property managers. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the Audit Committee.

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The Internal Auditor is independent of Management and reports directly to the Audit Committee on audit matters and to Management on administrative matters. The Audit Committee also reviews and approves the annual internal audit plan as well as the internal audit reports and effectiveness of the actions taken by Management on the recommendations made by the Internal Auditor in this respect. The audit assignments cover the assessment of the design and operating effectiveness of the internal controls, as well as, compliance with the stated policies and procedures.

The Audit Committee is satisfied that the Internal Auditor has met the standards set by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Audit Committee is of the view that the Internal Auditor has the relevant qualifications and adequate resources to perform its functions effectively and has maintained its independence from the activities that it audits and had unfettered access to all the related documents, records and personnel. The Audit Committee approves the appointment, removal, evaluation and fees of the Internal Auditor, and conducts an assessment of the Internal Auditors' performance during re-appointments.

In addition to the work performed by the Internal Auditors, the External Auditors also performed tests of certain controls that are relevant to the preparation of Suntec REIT's financial statements. The External Auditors will report any significant deficiencies of such internal controls to the Audit Committee. The Audit Committee also reviews the effectiveness of measures taken by Management in response to the issues noted by the External Auditors. The internal controls are continually being refined by Management.

(D) COMMUNICATION WITH UNITHOLDERS

Principle 14 *Companies should treat all Unitholders fairly and equitably, and should recognise, protect and facilitate the exercise of Unitholders' rights, and continually review and update such governance arrangements.*

Principle 15 *Companies should actively engage their Unitholders and put in place an investor relations policy to promote regular, effective and fair communication with Unitholders.*

Principle 16 *Companies should engage greater Unitholder participation at general meetings of Unitholders and allow Unitholders the opportunity to communicate their views on various matters affecting the company.*

The Listing Manual of the SGX-ST requires that a listed entity disclose to the market matters that would likely have a material effect on the price of the entity's securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The Manager's investor relations and disclosure policy requires timely and full disclosure of all material information relating to Suntec REIT by way of public releases or announcements through the SGX-ST via SGXNET at first instance and subsequently, by way of release on Suntec REIT's website at www.suntecreit.com.

Suntec REIT's website provides Unitholders with comprehensive information required to make well-informed investment decisions. Information on Suntec REIT's business strategies and Directors' profiles can be accessed from the website. The website also features a (1) "Newsroom" link, which shows current and past announcements, financial results and Annual Reports; (2) "Investors" link which shows Suntec REIT's distribution history, historical stock price and research coverage and (3) "Contact Us" link which includes Whistle-Blowing Policy, email alerts and contact details. The Manager has a dedicated Investor Relations Manager who facilitates communication with Unitholders, institutional investors, analysts and media representatives. Unitholders can post their queries and feedback to the dedicated investor relations contact via email or the phone.

Unitholders are notified in advance of the date of release of Suntec REIT's financial results through an announcement via SGXNET. The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of Suntec REIT's half-yearly and full year results. During these briefings, Management will review Suntec REIT's most recent performance as well as discuss the business outlook for Suntec REIT. In line with the Manager's objective of transparent communication, briefing materials are also simultaneously released through the SGX-ST via SGXNET and also made available at Suntec REIT's website.

In FY 2017, Management met with institutional investors and analysts through group presentations, one-on-one meetings and conference calls. Management also strives to maintain regular dialogue with retail investors and keep them updated on developments through participations in seminars and symposiums, timely announcements on the SGXNET and Suntec REIT's website and the general media in order to ensure a level playing field.

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Unitholders are informed of meetings through notices accompanied by annual reports or circulars sent to them. The Manager ensures that Unitholders are able to participate effectively and vote at the Unitholders' meetings. Unitholders are invited at such meetings to put forth any questions they may have on the resolutions to be debated and decided upon. If any Unitholder is unable to attend, he/she is allowed to appoint in advance up to two proxies to vote on his/her behalf at the meeting through proxy forms sent to the Unitholder. The Manager has not implemented absentia voting methods such as voting via email or fax due to security, integrity and other pertinent considerations. At the meetings, each distinct issue is proposed as a separate resolution and full information is provided for each item in the agenda for the Annual General Meeting in the Notice.

The Directors, the Audit Committee, the Management and the External Auditors will be in attendance at these meetings to address questions raised by Unitholders.

Unitholders are accorded the opportunity to raise relevant questions and to communicate their views at Unitholders' meetings. Voting at general meetings is conducted by way of electronic poll voting for all the Unitholders/proxies present at the meeting for all resolutions proposed at the general meeting. Unitholders/proxies will be briefed on the procedures involved in conducting a poll. This allows all Unitholders present or represented at the meetings to vote on a one-unit-one-vote basis. The voting results of all votes cast for or against each resolution is then screened at the meeting with respective percentages and these details are announced through SGXNET after the meeting. The Company Secretary prepares the minutes of Unitholders' meetings, which incorporates comments or queries from Unitholders and responses from the Board and Management and these minutes are available to Unitholders upon request.

Suntec REIT's current distribution policy is to distribute at least 90% of its annual distributable income.

(E) ADDITIONAL INFORMATION

DEALINGS IN SUNTEC REIT UNITS

The Manager has adopted an internal compliance code of conduct to provide guidance to its Directors, key officers and employees in respect of dealings in Units.

In general, the internal code of conduct encourages Directors and employees of the Manager to hold Units, but prohibits them from dealing in such Units:

1. during the period commencing two weeks before the public announcement of Suntec REIT's quarterly results and one month before the public announcement of Suntec REIT's annual results and (where applicable) any property valuations, and ending on the date of announcement of the relevant results or property valuations; and
2. at any time whilst in possession of price-sensitive information.

Directors and employees of the Manager are discouraged from dealing in Units on short-term considerations. The Manager confirms that its Directors and employees have adhered to the internal compliance code of conduct for dealing in the Units for FY 2017.

In addition, the Manager will announce to the SGX-ST particulars of its unitholdings in Suntec REIT and any changes thereto within one business day after the change. The Manager has also undertaken that it will not deal in Units during the period commencing two weeks and one month before the public announcement of Suntec REIT's quarterly and full year results respectively and (where applicable) any property valuations, and ending on the date of announcement of the said information.

DEALING WITH CONFLICTS OF INTEREST

The Manager has instituted the following procedures to deal with potential conflict of interest issues which the Manager may encounter in managing Suntec REIT:

1. the Manager will be a dedicated manager to Suntec REIT and will not manage any other real estate investment trust which invests in the same type of properties as Suntec REIT;
2. all executive officers will be employed by the Manager;
3. all resolutions in writing of the Directors of the Manager in relation to matters concerning Suntec REIT must be approved by all the Directors;

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4. at least one-third of the Board shall comprise Independent Directors;
5. in respect of matters in which a Director or his associates have an interest, direct or indirect, the interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors of the Manager and must exclude such interested Directors;
6. under the Trust Deed, (i) the Manager and its associates are prohibited from voting at or being part of a quorum for any meeting of Unitholders convened to approve any matter in which the Manager or any of its associates has a material interest and (ii) for so long as ARA Trust Management (Suntec) Limited is the Manager of Suntec REIT and Mr Lim Hwee Chiang, John is a controlling shareholder (as defined in the Listing Manual of the SGX-ST) of ARA Trust Management (Suntec) Limited, Mr Lim Hwee Chiang, John and his associates are prohibited from being part of a quorum or voting at any meeting of Unitholders convened to consider a matter in respect for which Mr Lim Hwee Chiang, John and/or his associates has a material interest; and
7. it is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee with an interested person of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors of the Manager have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee with an interested person of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against an interested person of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such interested person.

DEALING WITH INTERESTED PERSON TRANSACTIONS

Review Procedures for Interested Person Transactions

In general, the Manager has established internal control procedures to ensure that all Interested Person Transactions will be undertaken on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of Suntec REIT and Unitholders. As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from independent parties not related to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Appendix).

In addition, the following procedures will be undertaken:

1. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Suntec REIT's latest audited net tangible assets will be subject to review by the Audit Committee at regular intervals;
2. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Suntec REIT's latest audited net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager.

The Manager will, in compliance with Rule 905 of the Listing Manual of the SGX-ST, announce any interested person transaction if such transaction, either individually or when aggregated with other Interested Person Transactions entered into with the same interested person during the same financial year, is 3.0% or more of Suntec REIT's latest audited net tangible assets; and

3. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 5.0% of the value of Suntec REIT's latest audited net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual of the SGX-ST and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

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Where matters concerning Suntec REIT relate to transactions entered into or to be entered into by the Trustee with an interested person of the Manager or Suntec REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on an arm's length basis and on normal commercial terms, are not prejudicial to the interest of Suntec REIT and the Unitholders, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual of the SGX-ST relating to the transaction in question.

Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an interested person of the Manager or Suntec REIT. If the Trustee is to enter into any agreement with an interested person of the Manager or Suntec REIT, the Trustee will review the terms of such agreement to ensure that compliance with the requirements relating to Interested Person Transactions in the Property Funds Appendix and/or the Listing Manual of the SGX-ST (in each case, as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to real estate investment trusts.

For so long as ARA Trust Management (Suntec) Limited is the Manager and Mr Lim Hwee Chiang, John is a controlling shareholder (as defined in the Listing Manual of the SGX-ST) of ARA Trust Management (Suntec) Limited, all transactions between Suntec REIT and the said controlling shareholder and/or their associates shall be considered as "Interested Person Transactions" under Chapter 9 of the Listing Manual and the requirements under the Listing Manual relating to Interested Person Transactions as well as such other regulations and guidelines as may from time to time be prescribed by the SGX-ST shall apply to such transactions.

Role of the Audit Committee for Interested Person Transactions and Internal Control Procedures

All Interested Person Transactions will be subject to regular periodic reviews by the Audit Committee. The Manager's internal control procedures are intended to ensure that Interested Person Transactions are conducted on an arm's length basis and under normal commercial terms and are not prejudicial to Unitholders. Where an interested party is engaged as property management agent or marketing agent for the Trust's properties, the Audit Committee will satisfy itself at least once every two (2) to five (5) years, that the Manager has (i) periodically reviewed the compliance of the agent with the terms of the agreement; and (ii) taken remedial actions where necessary and has documented the reasons for its conclusion.

The Manager maintains a register to record all Interested Person Transactions (and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into), which are entered into by Suntec REIT. The Manager will incorporate into its internal audit plan a review of all Interested Person Transactions entered into by Suntec REIT. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Interested Person Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix and the Listing Manual of the SGX-ST have been complied with. The Audit Committee will periodically review all Interested Person Transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Appendix and the Listing Manual of the SGX-ST. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he is required to abstain from participating in the review and approval process in relation to that transaction.

The Manager will disclose in Suntec REIT's annual report the aggregate value of Interested Person Transactions conducted during the relevant financial year.

Material Contracts

There are no material contracts entered into by Suntec REIT or any of its subsidiaries that involve the interests of the CEO, any Director or any controlling Unitholder, except as disclosed in this annual report.

REPORT OF THE TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”) is under a duty to take into custody and hold the assets of Suntec Real Estate Investment Trust (the “Trust”) and its subsidiaries (the “Group”) in trust for the holders (“Unitholders”) of units in the Trust (the “Units”). In accordance with the Securities and Futures Act, Chapter 289, of Singapore, its subsidiary legislation, and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of ARA Trust Management (Suntec) Limited (the “Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 1 November 2004 (as amended by a first supplemental deed dated 25 January 2006, a second supplemental deed dated 20 April 2006, a third supplemental deed dated 30 July 2007, a fourth supplemental deed dated 11 October 2007, a fifth supplemental deed dated 29 September 2008, a sixth supplemental deed dated 14 April 2010, a first amending and restating deed dated 7 September 2010 and a second amending and restating deed dated 14 April 2016) (the “Trust Deed”) between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the period covered by these financial statements, set out on pages 77 to 136 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

**For and on behalf of the Trustee,
HSBC Institutional Trust Services (Singapore) Limited**

Authorised signatory

Singapore
7 March 2018

STATEMENT BY THE **MANAGER**

In the opinion of the directors of ARA Trust Management (Suntec) Limited, the accompanying financial statements set out on pages 77 to 136, comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds, Portfolio Statements, Consolidated Statement of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of Suntec Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") as at 31 December 2017, the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the total return, distributable income and movements in Unitholders' funds of the Trust for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Trust will be able to meet its financial obligations as and when they materialise.

**For and on behalf of the Manager,
ARA Trust Management (Suntec) Limited**

Lim Hwee Chiang, John
Director

Chan Kong Leong
Director and Chief Executive Officer

Singapore
7 March 2018

INDEPENDENT AUDITORS' REPORT

**Unitholders of Suntec Real Estate Investment Trust
(Constituted under a Trust Deed dated 1 November 2004 (as amended) in the Republic of Singapore)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Suntec Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the Statements of Financial Position and Portfolio Statements of the Group and the Trust as at 31 December 2017, and the Statements of Total Return, Distribution Statements and Statements of Movements in Unitholders' Funds of the Group and the Trust and the Statement of Cash Flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 77 to 136.

In our opinion, the accompanying consolidated financial statements of the Group and the Statement of Financial Position, Portfolio Statement, Statement of Total Return, Distribution Statement and Statement of Movements in Unitholders' Funds of the Trust present fairly, in all material respects, the consolidated financial position and the consolidated portfolio holdings of the Group and the financial position and the portfolio holdings of the Trust as at 31 December 2017 and the consolidated total return, consolidated distributable income, consolidated movements in Unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and movements in Unitholders' funds of the Trust for the year then ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

(Refer to Note 5 to the financial statements)

Risk:

As at 31 December 2017, the Group has interests in six investment properties, including four properties held through interests in joint arrangements (collectively "investment properties").

The Group has engaged independent external valuers to perform independent valuation assessments for each of the investment properties. The valuation process involves significant judgement in determining the appropriate valuation methodology and in estimating the underlying assumptions to be applied. Key underlying assumptions include price per square foot, projected cash flows, growth rates, discount rates, terminal yield and capitalisation rates.

Our response:

We evaluated the qualification and competence of the external valuers and held discussions with the valuers to understand their valuation methods and assumption used, where appropriate.

We compared the valuation methodologies used against those used in the past and those applied by other valuers for similar property types.

INDEPENDENT

AUDITORS' REPORT

Unitholders of Suntec Real Estate Investment Trust (Constituted under a Trust Deed dated 1 November 2004 (as amended) in the Republic of Singapore)

For the underlying assumptions, we tested the integrity of the projected cash flows used in the valuation to supporting leases and other documents. When a growth rate is assumed in the projected cash flows, we assessed the reasonableness by comparing against historical trend and available industry data. We also assessed the price per square foot, discount rates, terminal yields and capitalisation rates, against historical trends and available industry data, taking into consideration comparability and market factors.

Our findings:

The valuers are members of generally-recognised professional bodies for valuers. The valuation methodologies used are comparable to methods used in the prior years and those used for similar property types. The key assumptions used are comparable to the historical trends and within the range of available industry data.

Other information

ARA Trust Management (Suntec) Limited, the Manager of the Trust (the "Manager") is responsible for the other information contained in the annual report. Other Information is defined as all information in the annual report other than the financial statements and our auditors' report. We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT

AUDITORS' REPORT

Unitholders of Suntec Real Estate Investment Trust

(Constituted under a Trust Deed dated 1 November 2004 (as amended) in the Republic of Singapore)

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Eng Chin Chin.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

7 March 2018

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

| | Note | Group | | Trust | |
|--------------------------------------|------|------------------|------------------|------------------|------------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Non-current assets | | | | | |
| Plant and equipment | 4 | 2,109 | 2,284 | 382 | 383 |
| Investment properties | 5 | 6,387,338 | 6,247,771 | 5,011,000 | 5,008,300 |
| Interests in joint ventures | 6 | 2,660,234 | 2,642,904 | 1,463,696 | 1,461,496 |
| Investments in subsidiaries | 7 | – | – | 1,367,549 | 1,293,935 |
| Derivative assets | 10 | 803 | 3,202 | 170 | 3,202 |
| | | <u>9,050,484</u> | <u>8,896,161</u> | <u>7,842,797</u> | <u>7,767,316</u> |
| Current assets | | | | | |
| Derivative assets | 10 | 243 | – | 243 | – |
| Trade and other receivables | 8 | 18,232 | 14,765 | 13,413 | 9,935 |
| Cash and cash equivalents | 11 | 172,655 | 182,450 | 120,801 | 133,754 |
| | | <u>191,130</u> | <u>197,215</u> | <u>134,457</u> | <u>143,689</u> |
| Total assets | | <u>9,241,614</u> | <u>9,093,376</u> | <u>7,977,254</u> | <u>7,911,005</u> |
| Current liabilities | | | | | |
| Interest-bearing borrowings | 12 | 237,004 | 99,798 | 237,004 | 99,798 |
| Trade and other payables | 13 | 108,889 | 93,465 | 56,395 | 52,769 |
| Derivative liabilities | 10 | 456 | 160 | 456 | 160 |
| Security deposits | | 25,387 | 14,546 | 23,211 | 11,903 |
| | | <u>371,736</u> | <u>207,969</u> | <u>317,066</u> | <u>164,630</u> |
| Non-current liabilities | | | | | |
| Interest-bearing borrowings | 12 | 2,993,867 | 3,206,001 | 2,628,756 | 2,841,366 |
| Security deposits | | 39,899 | 51,090 | 37,079 | 48,690 |
| Derivative liabilities | 10 | 40,141 | 22,030 | 40,141 | 20,783 |
| Deferred tax liabilities | 9 | 28,996 | 13,022 | – | – |
| | | <u>3,102,903</u> | <u>3,292,143</u> | <u>2,705,976</u> | <u>2,910,839</u> |
| Total liabilities | | <u>3,474,639</u> | <u>3,500,112</u> | <u>3,023,042</u> | <u>3,075,469</u> |
| Net assets | | <u>5,766,975</u> | <u>5,593,264</u> | <u>4,954,212</u> | <u>4,835,536</u> |
| Represented by: | | | | | |
| Unitholders' funds | | 5,639,074 | 5,468,935 | 4,954,212 | 4,835,536 |
| Non-controlling interests | 16 | 127,901 | 124,329 | – | – |
| | | <u>5,766,975</u> | <u>5,593,264</u> | <u>4,954,212</u> | <u>4,835,536</u> |
| Units in issue ('000) | 17 | <u>2,652,436</u> | <u>2,536,663</u> | <u>2,652,436</u> | <u>2,536,663</u> |
| Net asset value per Unit (\$) | 18 | <u>2.119</u> | <u>2.147</u> | <u>1.862</u> | <u>1.898</u> |

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF TOTAL RETURN

year ended 31 December 2017

| | Note | Group | | Trust | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Gross revenue | 19 | 354,196 | 328,595 | 344,106 | 335,758 |
| Property expenses | 20 | (109,739) | (104,020) | (55,070) | (53,753) |
| Net property income | | 244,457 | 224,575 | 289,036 | 282,005 |
| Share of profit of joint ventures | 6 | 80,340 | 84,902 | – | – |
| Finance income | 21 | 21,084 | 39,521 | 20,072 | 28,722 |
| Finance costs | 21 | (96,692) | (94,226) | (88,733) | (84,270) |
| Net finance costs | | (75,608) | (54,705) | (68,661) | (55,548) |
| Asset management fees | | | | | |
| - base fee | 22 | (32,117) | (31,238) | (28,578) | (27,835) |
| - performance fee | 22 | (15,198) | (15,012) | (15,198) | (15,012) |
| Professional fees | | (691) | (663) | (492) | (575) |
| Trustee's fees | | (1,480) | (1,438) | (1,480) | (1,438) |
| Audit fees | | (420) | (403) | (331) | (300) |
| Valuation fees | | (142) | (125) | (90) | (62) |
| Other expenses | 23 | (955) | (879) | (792) | (750) |
| Net income | | 198,186 | 205,014 | 173,414 | 180,485 |
| Net change in fair value of financial derivatives | | (5,506) | (423) | (5,506) | (423) |
| Net change in fair value of investment properties | 5 | 54,624 | 70,898 | 1,652 | 8,129 |
| Total return for the year before tax | | 247,304 | 275,489 | 169,560 | 188,191 |
| Tax expense | 24 | (18,290) | (14,196) | (135) | (868) |
| Total return for the year after tax | | 229,014 | 261,293 | 169,425 | 187,323 |
| Attributable to: | | | | | |
| Unitholders of the Trust | | 220,298 | 246,546 | 169,425 | 187,323 |
| Non-controlling interests | 16 | 8,716 | 14,747 | – | – |
| | | 229,014 | 261,293 | 169,425 | 187,323 |
| Earnings per Unit (cents) | | | | | |
| Basic | 25 | 8.444 | 9.738 | 6.494 | 7.399 |
| Diluted | 25 | 8.402 | 9.346 | 6.462 | 7.057 |

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

year ended 31 December 2017

| | Group | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Amount available for distribution to Unitholders at the beginning of the year | 65,911 | 69,328 | 65,911 | 69,328 |
| Total return attributable to Unitholders | 220,298 | 246,546 | 169,425 | 187,323 |
| Net tax adjustments (Note A) | (95,399) | (118,740) | 64,592 | 42,402 |
| Taxable income | 124,899 | 127,806 | 234,017 | 229,725 |
| Add: | | | | |
| - Tax exempt dividend income (Note B) | 109,118 | 101,919 | - | - |
| - Others (Note C) | 29,000 | 24,000 | 29,000 | 24,000 |
| Amount available for distribution to Unitholders | 328,928 | 323,053 | 328,928 | 323,053 |
| Distributions to Unitholders: | | | | |
| Distribution of 2.596 cents per Unit for period from 1/10/2016 to 31/12/2016 | (66,132) | - | (66,132) | - |
| Distribution of 2.425 cents per Unit for period from 1/1/2017 to 31/3/2017 | (61,852) | - | (61,852) | - |
| Distribution of 2.493 cents per Unit for period from 1/4/2017 to 30/6/2017 | (66,048) | - | (66,048) | - |
| Distribution of 2.483 cents per Unit for period from 1/7/2017 to 30/9/2017 | (65,860) | - | (65,860) | - |
| Distribution of 2.750 cents per Unit for period from 1/10/2015 to 31/12/2015 | - | (69,490) | - | (69,490) |
| Distribution of 2.371 cents per Unit for period from 1/1/2016 to 31/3/2016 | - | (59,990) | - | (59,990) |
| Distribution of 2.501 cents per Unit for period from 1/4/2016 to 30/6/2016 | - | (63,358) | - | (63,358) |
| Distribution of 2.535 cents per Unit for period from 1/7/2016 to 30/9/2016 | - | (64,304) | - | (64,304) |
| | (259,892) | (257,142) | (259,892) | (257,142) |
| Income available for distribution to Unitholders at end of the year | 69,036 | 65,911 | 69,036 | 65,911 |
| Distribution per Unit (cents) * | 10.005 | 10.003 | 10.005 | 10.003 |

* The distribution per Unit relates to the distributions in respect of the relevant financial year. The distribution for the last quarter of the financial year will be paid subsequent to the reporting date.

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

year ended 31 December 2017

| | Group | | Trust | |
|---|-----------------|------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Note A | | | | |
| Net tax adjustments comprise: | | | | |
| - Amortisation of transaction costs | 20,276 | 17,017 | 20,276 | 17,017 |
| - Asset management fees paid/payable in Units | 35,022 | 34,278 | 35,022 | 34,278 |
| - Net profit from subsidiaries and joint ventures | (120,954) | (110,345) | - | - |
| - Trustee's fees | 1,480 | 1,438 | 1,480 | 1,438 |
| - Net change in fair value of investment properties | (54,624) | (70,898) | (1,652) | (8,129) |
| - Net foreign currency exchange differences | 36 | (596) | 1,271 | (3,172) |
| - Net change in fair value of financial derivatives | 5,404 | 423 | 5,404 | 423 |
| - Deferred tax | 15,974 | 9,395 | - | - |
| - Other items (Note D) | 1,987 | 548 | 2,791 | 547 |
| Net tax adjustments | (95,399) | (118,740) | 64,592 | 42,402 |

Note B

This relates to the dividend income received from Comina Investment Limited, Suntec Harmony Pte. Ltd. and Suntec REIT Capital Pte. Ltd. and distributions of profits from Suntec REIT (Australia) Trust and BFC Development LLP ("BFGD LLP").

Note C

This relates to a portion of the sales proceeds from disposal of an investment property in December 2015.

Note D

This mainly relates to non-tax deductible expenses and rollover adjustments after finalisation of prior year adjustments.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

year ended 31 December 2017

| | Group | | Trust | |
|---|------------------|------------------|------------------|------------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Balance at the beginning of the year | 5,468,935 | 5,444,005 | 4,835,536 | 4,871,077 |
| Total return for the year after tax attributable to Unitholders of the Trust | 220,298 | 246,546 | 169,425 | 187,323 |
| Hedging reserve | | | | |
| Effective portion of changes in fair value of cash flow hedges ⁽¹⁾ | 861 | (4,607) | – | – |
| Foreign currency translation reserve | | | | |
| Translation differences from financial statements of foreign operations | (271) | 5,855 | – | – |
| Net gain recognised directly in Unitholders' funds | 590 | 1,248 | – | – |
| Unitholders' transactions | | | | |
| Creation of Units: | | | | |
| - conversion of convertible bonds | 174,155 | – | 174,155 | – |
| - asset management fees paid in Units | 17,051 | 16,541 | 17,051 | 16,541 |
| Units to be issued: | | | | |
| - asset management fees payable in Units | 17,970 | 17,737 | 17,970 | 17,737 |
| Unit issue expenses | (33) | – | (33) | – |
| Distributions to Unitholders | (259,892) | (257,142) | (259,892) | (257,142) |
| Net decrease in Unitholders' funds resulting from Unitholders' transactions | (50,749) | (222,864) | (50,749) | (222,864) |
| Unitholders' funds at end of the year | 5,639,074 | 5,468,935 | 4,954,212 | 4,835,536 |

⁽¹⁾ This represents the share of fair value change of the cash flow hedges as a result of interest rate swaps entered into by a subsidiary and a joint venture.

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

as at 31 December 2017

| Group | Description of Property | Tenure of Land | Term of Lease | Remaining Term of Lease | Location | Existing Use | Occupancy Rate | | Carrying Value | | Percentage of Unitholders' funds | |
|---|-----------------------------------|----------------|---------------|-------------------------|---|-------------------|----------------|--------|----------------|-------------|----------------------------------|--------|
| | | | | | | | 2017 % | 2016 % | 2017 \$'000 | 2016 \$'000 | 2017 % | 2016 % |
| <i>Investment properties in Singapore</i> | | | | | | | | | | | | |
| | Suntec City Mall | Leasehold | 99 years | 71 years | 3 Temasek Boulevard | Commercial | 99.0 | 98.5 | 2,003,000 | 2,000,300 | 35.5 | 36.6 |
| | Suntec City Office Towers | Leasehold | 99 years | 71 years | 5 - 9 Temasek Boulevard | Commercial | 99.5 | 98.9 | 3,008,000 | 3,008,000 | 53.3 | 55.0 |
| | Suntec Singapore [^] | Leasehold | 99 years | 71 years | 1 Raffles Boulevard | Commercial | n/m | n/m | 700,000 | 686,098 | 12.4 | 12.5 |
| <i>Investment properties in Australia</i> | | | | | | | | | | | | |
| | 177 Pacific Highway ^{^^} | Freehold | - | - | 177 - 199 Pacific Highway, North Sydney | Commercial | 100.0 | 100.0 | 605,578 | 553,373 | 10.7 | 10.1 |
| | Olderfleet, 477 Collins Street | Freehold | - | - | 477 Collins Street, Melbourne | Under development | n/m | n/m | 70,760 | - | 1.3 | - |
| Investment properties, at valuation | | | | | | | | | | | | |
| Interests in joint ventures (note 6) | | | | | | | | | | | | |
| 6,387,338 | | | | | | | | | | | | |
| 2,660,234 | | | | | | | | | | | | |
| 9,047,572 | | | | | | | | | | | | |
| (3,280,597) | | | | | | | | | | | | |
| 5,766,975 | | | | | | | | | | | | |
| (127,901) | | | | | | | | | | | | |
| 5,639,074 | | | | | | | | | | | | |
| Other assets and liabilities (net) | | | | | | | | | | | | |
| Net assets | | | | | | | | | | | | |
| Non-controlling interests | | | | | | | | | | | | |
| Unitholders' funds | | | | | | | | | | | | |
| 113.2 | | | | | | | | | | | | |
| 47.2 | | | | | | | | | | | | |
| 160.4 | | | | | | | | | | | | |
| (58.2) | | | | | | | | | | | | |
| 102.2 | | | | | | | | | | | | |
| (2.2) | | | | | | | | | | | | |
| 100.0 | | | | | | | | | | | | |

[^] denotes Suntec Singapore Convention and Exhibition Centre.

^{^^} 177 Pacific Highway achieved practical completion on 1 August 2016.

n/m denotes not meaningful.

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

as at 31 December 2017

| Trust | Description of Property | Tenure of Land | Term of Lease | Remaining Term of Lease | Location | Existing Use | Committed Occupancy Rate | | Carrying Value | | Percentage of Unitholders' funds | |
|---|---------------------------|----------------|---------------|-------------------------|-------------------------|--------------|--------------------------|--------|----------------|-------------|----------------------------------|--------|
| | | | | | | | 2017 % | 2016 % | 2017 \$'000 | 2016 \$'000 | 2017 % | 2016 % |
| <i>Investment properties in Singapore</i> | | | | | | | | | | | | |
| | Suntec City Mall | Leasehold | 99 years | 71 years | 3 Temasek Boulevard | Commercial | 99.0 | 98.5 | 2,003,000 | 2,000,300 | 40.4 | 41.4 |
| | Suntec City Office Towers | Leasehold | 99 years | 71 years | 5 - 9 Temasek Boulevard | Commercial | 99.5 | 98.9 | 3,008,000 | 3,008,000 | 60.7 | 62.2 |
| Investment properties, at valuation | | | | | | | | | | | | |
| Interests in joint ventures (note 6) | | | | | | | | | | | | |
| Investments in subsidiaries (note 7) | | | | | | | | | | | | |
| Other assets and liabilities (net) | | | | | | | | | | | | |
| Unitholders' funds | | | | | | | | | | | | |
| | | | | | | | | | 5,011,000 | 5,008,300 | 101.1 | 103.6 |
| | | | | | | | | | 1,463,696 | 1,461,496 | 29.5 | 30.2 |
| | | | | | | | | | 1,367,549 | 1,293,935 | 27.6 | 26.8 |
| | | | | | | | | | 7,842,245 | 7,763,731 | 158.2 | 160.6 |
| | | | | | | | | | (2,888,033) | (2,928,195) | (58.2) | (60.6) |
| | | | | | | | | | 4,954,212 | 4,835,536 | 100.0 | 100.0 |

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

as at 31 December 2017

Note:

Suntec City Office Towers comprise 15 strata lots in Suntec City Office Tower One, 10 strata lots in Suntec City Office Tower Two, 76 strata lots in Suntec City Office Tower Three and all the strata lots in Suntec City Office Towers Four and Five.

Suntec Singapore comprises more than one million square feet of versatile floor space over six levels which includes 141,000 square feet of retail space.

177 Pacific Highway is a 31-storey commercial building located in North Sydney, Australia. The building received practical completion on 1 August 2016.

Olderfleet, 477 Collins Street is a proposed 40-storey office building located in Melbourne, Australia. It is currently under development and is scheduled to be completed by mid 2020.

The carrying amounts of the investment properties as at 31 December 2017 and 31 December 2016 were based on independent valuations undertaken by Savills Valuation and Professional Services (S) Pte Ltd, Savills Valuations Pty Ltd and Jones Lang LaSalle Advisory Services Pty Ltd (2016: Savills Valuation and Professional Services (S) Pte Ltd and CBRE Valuations Pty Limited). The independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations were based on discounted cash flow method, capitalisation approach and direct comparison method.

| Description of property | Valuation | |
|--------------------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Suntec City Mall | 2,003,000 | 2,000,300 |
| Suntec City Office Towers | 3,008,000 | 3,008,000 |
| Suntec Singapore | 700,000 | 686,098 |
| 177 Pacific Highway | 605,578 | 553,373 |
| Olderfleet, 477 Collins Street | 432,436* | – |

* For Olderfleet, 477 Collins Street, the carrying amount of the investment property under development is derived based on valuation of \$432.4 million less estimated cost to complete.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED

STATEMENT OF CASH FLOWS

year ended 31 December 2017

| | Group | |
|---|----------------|------------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Net income | 198,186 | 205,014 |
| Adjustments for: | | |
| Allowance for doubtful trade receivables | 1,913 | 627 |
| Bad debts recovered | (12) | – |
| Asset management fees paid/payable in Units | 35,022 | 34,278 |
| Depreciation of plant and equipment | 1,189 | 1,091 |
| Loss on disposal of plant and equipment | 15 | 11 |
| Net finance costs | 75,608 | 54,705 |
| Share of profit of joint ventures | (80,340) | (84,902) |
| | <u>231,581</u> | <u>210,824</u> |
| Changes in: | | |
| - Trade and other receivables | (7,887) | (2,513) |
| - Trade and other payables | 2,433 | (6,937) |
| Cash generated from operations | <u>226,127</u> | <u>201,374</u> |
| Tax paid | (1) | (3,690) |
| Net cash from operating activities | <u>226,126</u> | <u>197,684</u> |
| Cash flows from investing activities | | |
| Capital expenditure on investment properties | (7,986) | (10,769) |
| Acquisition of investment properties | (53,093) | – |
| Progress payments on construction | (16,292) | (129,388) |
| Dividend income received | 71,781 | 64,718 |
| Change in investment in joint ventures | (5,128) | (156,055) |
| Loans to joint ventures | (2,200) | (16,387) |
| Interest received | 20,171 | 36,970 |
| Purchase of plant and equipment | (1,029) | (681) |
| Net cash from/(used in) investing activities | <u>6,224</u> | <u>(211,592)</u> |

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED

STATEMENT OF CASH FLOWS

year ended 31 December 2017

| | Note | Group 2017 \$'000 | 2016 \$'000 |
|---|------|-------------------------|------------------|
| Cash flows from financing activities | | | |
| Distributions to Unitholders | | (257,184) | (257,142) |
| Dividends paid to non-controlling interests | | (5,880) | (7,840) |
| Financing costs paid | | (82,348) | (83,541) |
| Proceeds from convertible bonds | | 300,000 | 300,000 |
| Repayment of convertible bonds | | (45,500) | (280,000) |
| Proceeds from euro medium term notes | | 200,000 | – |
| Proceeds from interest-bearing loans | | 600,000 | 561,756 |
| Unit issue costs paid | | (33) | – |
| Repayment of interest-bearing loans | | (951,200) | (482,500) |
| Net cash used in financing activities | | <u>(242,145)</u> | <u>(249,267)</u> |
| Net decrease in cash and cash equivalents | | | |
| | | (9,795) | (263,175) |
| Cash and cash equivalents at beginning of the year | | 182,450 | 445,267 |
| Effects on exchange rate fluctuations on cash held | | – | 358 |
| Cash and cash equivalents at end of the year | 11 | <u>172,655</u> | <u>182,450</u> |

Significant non-cash transactions

The Group and the Trust had issued or will be issuing a total of 17,713,987 (2016: 20,534,550) Units to the Manager, amounting to approximately \$35,022,000 (2016: \$34,278,000) at unit prices ranging from \$1.7772 to \$2.1354 (2016: \$1.6447 to \$1.7061) as satisfaction of asset management fees payable in Units in respect of the year ended 31 December 2017 (2016: 31 December 2016).

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 7 March 2018.

1. GENERAL

Suntec Real Estate Investment Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 1 November 2004 (as amended by a first supplemental deed dated 25 January 2006, a second supplemental deed dated 20 April 2006, a third supplemental deed dated 30 July 2007, a fourth supplemental deed dated 11 October 2007, a fifth supplemental deed dated 29 September 2008, a sixth supplemental deed dated 14 April 2010, a first amending and restating deed dated 7 September 2010 and a second amending and restating deed dated 14 April 2016) (the "Trust Deed") between ARA Trust Management (Suntec) Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust in trust for the holders ("Unitholders") of Units in the Trust (the "Units").

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 9 December 2004 and was included in the Central Provident Fund Investment Scheme ("CPFIS") on 9 December 2004.

The principal activity of the Trust and its subsidiaries is to invest in income producing real estate and real estate related assets, which are used or substantially used for commercial purposes, with the primary objective of achieving an attractive level of return from rental income and for long term capital growth.

The financial statements of the Trust as at and for the year ended 31 December 2017 comprise the Trust and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in joint ventures.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(i) Property management fees

APM Property Management Pte Ltd ("APM"), the property manager of Suntec City Mall and Suntec City Office Towers, is entitled to receive 3.0% per annum of gross revenue for provision of lease management services, marketing and marketing co-ordination services and property management services. In addition, where the aggregate of all (1) licence fees; (2) media sales; and (3) other advertising and promotion income derived from Suntec City Mall for each financial year exceeds \$5,520,000, APM is entitled to receive a commission of 10.0% of the said licence fees, media sales and other advertising and promotion income which exceeds \$5,520,000 for each financial year.

Suntec Singapore International Convention and Exhibition Services Pte Ltd, the operator of Suntec Singapore Convention and Exhibition Centre, is entitled to receive 3.0% per annum of gross revenue for operations, sales and marketing services for conventions, exhibitions, meetings and events facilities.

The property management fees are payable monthly in arrears.

(ii) Asset management fees

Pursuant to the Trust Deed, asset management fees comprise the following:

- (a) a base fee not exceeding 0.3% per annum of the value of the Deposited Property (being all the assets of the Trust (including all its Authorised Investments) as defined in the Trust Deed) of the Trust or such higher percentage as may be approved by an Extraordinary Resolution of a meeting of Unitholders; and
- (b) an annual performance fee equal to a rate of 4.5% per annum of the Net Property Income (as defined in the Trust Deed) of the Trust and any Special Purpose Vehicles (as defined in the Trust Deed) for each financial year, or such lower percentage as may be determined by the Manager in its absolute discretion or such higher percentage as may be approved by an Extraordinary Resolution at a meeting of Unitholders.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL (CONT'D)

(ii) Asset management fees (cont'd)

Based on the current agreement between the Manager and the Trustee, the base fee is agreed to be 0.3% per annum of the value of the Deposited Property.

The asset management fees shall be paid in the form of Units and/or cash as the Manager may elect. The portion of the base fees payable in the form of Units is payable quarterly in arrears and the portion of the asset management fees payable in cash is payable monthly in arrears. The performance fee is paid annually in arrears, regardless of whether it is paid in form of cash and/or units.

The Manager is also entitled to receive an acquisition fee at the rate of 1.0% of the acquisition price and a divestment fee of 0.5% of the sales price on all future acquisitions and disposals of properties.

(iii) Trustee's fee

Pursuant to the Trust Deed, the Trustee's fee shall not exceed 0.25% per annum of the value of the Deposited Property (subject to a minimum sum of \$9,000 per month) or such higher percentage as may be approved by an Extraordinary Resolution of a meeting of Unitholders.

The Trustee's fee is payable out of the Deposited Property of the Trust on a monthly basis, in arrears. The Trustee is also entitled to reimbursement of all reasonable out-of-pocket expenses incurred in the performance of its duties under the Trust Deed.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants, and the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires the accounting policies to generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards ("FRS").

2.2. Basis of measurement

These financial statements are prepared on the historical cost basis except as otherwise described in the notes below.

2.3. Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Trust's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4. Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

2.4. Use of estimates and judgements (cont'd)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- note 5 – Valuation of investment properties
- note 15 – Valuation of financial instruments

2.5. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Manager has an established control framework with respect to the measurement of fair values. This framework includes a team who reports directly to the Chief Executive Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as property valuations, broker quotes or pricing services, is used to measure fair value, then the team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable data).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- note 5 – Valuation of investment properties
- note 15 – Valuation of financial instruments

2.6. Changes in accounting policy

Revised standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and*
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

2.6. Changes in accounting policy (cont'd)

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 12).

3. SIGNIFICANT ACCOUNTING POLICIES

The Group adopted new or revised financial reporting standards and interpretations which became effective during the year. The initial adoption of these standards and interpretations did not have a material impact on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities.

3.1. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests ("NCI") in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of total return. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method and are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1. Basis of consolidation (cont'd)

Joint operations

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, obligations for the liabilities, relating to the arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

As at 31 December 2017, the Group is a 50% partner with Mirvac Commercial Sub SPV Ltd in 477 Collins Street Joint Venture (the "477 Collins Street Joint Venture"), whose principal activity is that of a property investment and the place of business is Australia. The Group has classified the 477 Collins Street Joint Venture as a joint operation as the joint venture partners control the 477 Collins Street Joint Venture collectively, and the 477 Collins Street Joint Venture is not structured through a separate legal vehicle.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with the equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries and joint ventures in the separate financial statements

Investments in subsidiaries and joint ventures are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

3.2. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of total return.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised and presented in the foreign currency translation reserve (translation reserve) in Unitholders' fund. However, if the foreign operation is disposed of such that control, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the statement of total return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to the statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2. Foreign currency (cont'd)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised and presented in the translation reserve in Unitholders' fund.

3.3. Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The gain or loss arising from the retirement or disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of total return.

Depreciation is recognised as an expense in the statement of total return on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

| | |
|------------------------|-------------|
| Furniture and fittings | 5 years |
| Equipment | 3 - 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4. Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of total return. Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

- in such manner and frequency required under the Property Funds Appendix of the CIS Code issued by the MAS; and
- where the Manager proposes to issue new Units for subscription or to redeem existing Units unless the investment properties have been valued not more than 6 months ago.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of total return.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

For taxation purposes, the Group and the Trust may claim capital allowances on assets that qualify as plant and machinery under the Income Tax Act.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5. Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables excluding prepayments.

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise interest-bearing borrowings, security deposits and trade and other payables.

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5. Financial instruments (cont'd)

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect the reported items in the statement of total return.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of total return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the statement of total return, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve in Unitholders' funds. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of total return.

When the hedged item is a non-financial asset, the amount accumulated in the hedging reserve in Unitholders' funds is retained in Unitholders' funds and is reclassified to the statement of total return in the same period or periods during which the non-financial item affects the statement of total return. In other cases, the amount accumulated in Unitholders' funds is reclassified to the statement of total return in the same period that the hedged item affects the statement of total return. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in Unitholders' funds is reclassified to the statement of total return.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in the statement of total return.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the statement of total return.

Convertible bonds

The convertible bonds comprise a liability for the principal and interest and a derivative liability. The liability component of the convertible bonds is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The derivative liability is recognised initially at the difference between the fair value of the convertible bonds as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability component and derivative liability in proportion to their initial carrying amounts.

Subsequent to initial recognition, the convertible bonds are measured at amortised cost using the effective interest method. The separated derivative liability is measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6. Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including interest in joint ventures, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or economic conditions that correlate with defaults.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for the Manager's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in the statement of total return and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the statement of total return.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in the statement of total return. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods in respect of assets other than goodwill are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7. Unitholders' funds

Unitholders' funds are classified as equity.

Issue costs relate to expenses incurred in connection with the issue of units. The expenses are deducted directly against Unitholders' funds.

3.8. Revenue recognition

Rental income from operating leases

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period in which they are earned. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

Dividend income

Dividend income is recognised on the date that the right to receive payment is established.

3.9. Expenses

Property expenses

Property expenses consist of advertising and promotion expenses, property tax, property management fees (using the applicable formula stipulated in note 1(i)), maintenance charges and other property outgoings in relation to investment properties where such expenses are the responsibility of the Group.

Asset management fees

Asset management fees are recognised on an accrual basis using the applicable formula stipulated in note 1(ii).

Trustee's fee

Trustee's fee is recognised on an accrual basis using the applicable formula stipulated in note 1(iii).

3.10. Finance income and finance costs

Finance income comprises interest income on funds invested and net foreign exchange gains that are recognised in the statement of total return. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings, amortisation of transaction costs incurred on borrowings and net foreign exchange losses that are recognised in the statement of total return. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of total return using the effective interest method.

Foreign exchange gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign exchange movements are in a net gain or net loss position.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11. Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the statement of total return except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in Unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and for differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority (i) on the same taxable entity; or (ii) on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits, against which the temporary differences can be utilised, will be available. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the taxation of the Trust for income earned and expenditure incurred after its listing on the SGX-ST. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of the Trust, the Trustee will not be taxed on the portion of taxable income of the Trust that is distributed to Unitholders. Any portion of the taxable income that is not distributed to Unitholders will be taxed on the Trustee. In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Trust is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the taxable income for the next distribution following the agreement with the IRAS.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11. Tax (cont'd)

Although the Trust is not taxed on its taxable income distributed, the Trustee and the Manager are required to deduct income tax from distributions of such taxable income of the Trust (i.e. which has not been taxed in the hands of the Trustee) to certain Unitholders. However, the Trustee and the Manager will not deduct tax from distributions made out of the Trust's taxable income to the extent that the beneficial Unitholder is:

- An individual (excluding a partnership in Singapore);
- A tax resident Singapore-incorporated company;
- A body of persons registered or constituted in Singapore (e.g. a town council, a statutory board, a registered charity, a registered cooperative society, a registered trade union, a management corporation, a club or a trade and industry association);
- A Singapore branch of a foreign company which has been presented a letter of approval from the Comptroller of Income Tax granting waiver from tax deducted at source in respect of distributions from the Trust;
- An agent bank acting as a nominee for individuals who have purchased Units within the CPFIS and the distributions received from the Trust are returned to CPFIS; or
- An international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145).

The above tax transparency ruling does not apply to gains from sale of properties. Where the gains are trading gains, the Trustee will be assessed for tax. Where the gains are capital gains, the Trustee will not be assessed for tax and may distribute the capital gains without tax being deducted at source.

3.12. Earnings per unit

The Group presents basic and diluted earnings per unit data for its ordinary units. Basic earnings per unit is calculated by dividing the total return for the year after tax attributable to Unitholders of the Trust by the weighted average number of units outstanding during the year. Diluted earnings per unit is determined by adjusting the total return for the year after tax attributable to Unitholders of the Trust and the weighted average number of units outstanding, adjusted for the effects of all dilutive potential units, which comprise convertible bonds.

3.13. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO, who is the Group's chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess the segment's performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

4. PLANT AND EQUIPMENT

| Group | Furniture and fittings \$'000 | Equipment \$'000 | Total \$'000 |
|----------------------------------|-------------------------------------|---------------------|-----------------|
| Cost | | | |
| At 1 January 2016 | 4,511 | 1,812 | 6,323 |
| Additions | 356 | 325 | 681 |
| Disposals | (14) | (81) | (95) |
| At 31 December 2016 | 4,853 | 2,056 | 6,909 |
| Additions | 735 | 294 | 1,029 |
| Disposals | (25) | (33) | (58) |
| At 31 December 2017 | 5,563 | 2,317 | 7,880 |
| Accumulated depreciation | | | |
| At 1 January 2016 | 2,618 | 999 | 3,617 |
| Depreciation charge for the year | 684 | 407 | 1,091 |
| Disposals | (10) | (73) | (83) |
| At 31 December 2016 | 3,292 | 1,333 | 4,625 |
| Depreciation charge for the year | 789 | 400 | 1,189 |
| Disposals | (21) | (22) | (43) |
| At 31 December 2017 | 4,060 | 1,711 | 5,771 |
| Carrying amounts | | | |
| At 1 January 2016 | 1,893 | 813 | 2,706 |
| At 31 December 2016 | 1,561 | 723 | 2,284 |
| At 31 December 2017 | 1,503 | 606 | 2,109 |

| Trust | Equipment \$'000 |
|----------------------------------|---------------------|
| Cost | |
| At 1 January 2016 | 945 |
| Additions | 203 |
| At 31 December 2016 | 1,148 |
| Additions | 214 |
| At 31 December 2017 | 1,362 |
| Accumulated depreciation | |
| At 1 January 2016 | 542 |
| Depreciation charge for the year | 223 |
| At 31 December 2016 | 765 |
| Depreciation charge for the year | 215 |
| At 31 December 2017 | 980 |
| Carrying amounts | |
| At 1 January 2016 | 403 |
| At 31 December 2016 | 383 |
| At 31 December 2017 | 382 |

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTIES

| | Group | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| At 1 January | 6,247,771 | 5,799,901 | 5,008,300 | 5,000,000 |
| Acquisitions | 53,093 | – | – | – |
| Reclassification | – | 373,097 | – | – |
| Capital expenditure capitalised | 32,893 | 1,727 | 1,048 | 171 |
| | 6,333,757 | 6,174,725 | 5,009,348 | 5,000,171 |
| Changes in fair value | 54,624 | 70,898 | 1,652 | 8,129 |
| Effects of movements in exchange rates | (1,043) | 2,148 | – | – |
| At 31 December | 6,387,338 | 6,247,771 | 5,011,000 | 5,008,300 |

The reclassification relates to progress payments made in 2014 to 2016 in relation to commercial building in North Sydney, Australia, which were transferred from other receivables to investment properties upon completion on 1 August 2016.

Measurement of fair value

The fair value of investment properties is determined by external independent valuers having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Valuations of the investment properties are carried out at least once a year.

The valuers have considered valuation techniques including the discounted cash flow method, capitalisation approach and direct comparison method. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value. The capitalisation approach capitalises an income stream into a present value using single-year capitalisation rates. The direct comparison method involves the analysis of comparable sales of similar properties, with adjustments made to differentiate the comparables in terms of location, area, quality and other relevant factors.

Fair value hierarchy

The fair value measurement for investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

The Level 3 fair value table which shows a reconciliation from the opening to the ending balances, is set out in the table above.

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Group and Trust

| Valuation techniques | Key unobservable inputs | Range | Inter-relationship between significant unobservable inputs and fair value measurement |
|-----------------------------|-------------------------|---|--|
| Discounted cash flow method | Discount rate | 6.50% (2016: 6.50% - 7.13%) | The estimated fair value would increase if the discount rates and terminal yield were lower. |
| | Terminal yield | 4.25% - 6.50% (2016: 4.25% - 6.50%) | |
| Capitalisation approach | Capitalisation rate | 4.00% - 6.25% (2016: 4.00% - 6.25%) | The estimated fair value would increase if the capitalisation rate was lower. |
| Direct comparison method | Price per square foot | \$443- \$2,341 (2016: \$435 - \$2,345) | The estimated fair value would increase if the price per square foot was higher. |

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTIES (CONT'D)

Security

The investment property, Suntec Singapore (2016: Suntec Singapore), with a total carrying value of \$700,000,000 (2016: \$686,098,000), has been mortgaged as security for credit facility granted to a subsidiary (note 12).

6. INTERESTS IN JOINT VENTURES

| | Group | | Trust | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Investment in joint ventures | 2,047,112 | 1,990,286 | 850,574 | 850,574 |
| Loans to joint ventures | 613,122 | 652,618 | 613,122 | 610,922 |
| | <u>2,660,234</u> | <u>2,642,904</u> | <u>1,463,696</u> | <u>1,461,496</u> |

The loans to joint ventures are unsecured. The loans bear interest between 2.39% to 4.54% (2016: 2.32% to 5.18%) per annum and settlement is neither planned nor likely to occur in the foreseeable future. As the amount, in substance, forms part of the Group's and the Trust's net investment in the entities, it is stated at cost less accumulated impairment loss.

Details of the joint ventures are as follows:

| Name of joint ventures | Country of incorporation | Effective interests held by the Group | |
|--|--------------------------|---------------------------------------|-----------|
| | | 2017 % | 2016 % |
| One Raffles Quay Pte. Ltd. ("ORQPL") ⁽¹⁾ | Singapore | 33.33 | 33.33 |
| BFC Development LLP ("BFCDLLP") ⁽¹⁾ | Singapore | 33.33 | 33.33 |
| Park Mall Investment Limited ("PMIL") ⁽²⁾ | British Virgin Islands | 30.0 | 30.0 |
| Southgate Trust ("SGT") ⁽²⁾ | Australia | 50.0 | 50.0 |
| <u>Held by joint ventures</u> | | | |
| <u>Held by PMIL</u> | | | |
| Park Mall Holdings Limited ⁽²⁾ | British Virgin Islands | 30.0 | 30.0 |
| <u>Held by Park Mall Holdings Limited</u> | | | |
| Park Mall Pte. Ltd. ⁽³⁾ | Singapore | 30.0 | 30.0 |

One Raffles Quay Pte. Ltd. owns One Raffles Quay, Singapore.

BFC Development LLP owns Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall, Singapore.

Park Mall Pte. Ltd. owns a commercial property under development located at 9 Penang Road, Singapore.

Suntec REIT (Australia) Trust owns 50% interest in Southgate Trust which in turn, owns 50% in Southgate Complex, Melbourne, Australia.

⁽¹⁾ Audited by Ernst & Young LLP. The Manager's Board of Directors and Audit Committee are satisfied that the appointment will not compromise the standard and effectiveness of the audit.

⁽²⁾ Not required to be audited under the laws of the country in which it was incorporated.

⁽³⁾ Audited by KPMG LLP Singapore.

NOTES TO THE FINANCIAL STATEMENTS

6. INTERESTS IN JOINT VENTURES (CONT'D)

The following summarises the financial information of the Group's material joint ventures based on their financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

| | ORQPL \$'000 | BFCDLLP \$'000 | PMIL \$'000 | SGT \$'000 | Total \$'000 |
|---|------------------|-------------------|----------------|----------------|------------------|
| 2017 | | | | | |
| Revenue | 162,691 | 207,197 | 20 | 28,902 | 398,810 |
| Expenses | (82,236) | (99,363) | (867) | (10,592) | (193,058) |
| Net change in fair value of investment properties | 1,800 | – | – | 16,152 | 17,952 |
| Total return for the year^(a) | 82,255 | 107,834 | (847) | 34,462 | 223,704 |
| ^(a) Includes: | | | | | |
| - Depreciation | (21) | (39) | – | – | (60) |
| - Interest income | 100 | 144 | – | 62 | 306 |
| - Interest expense | (29,742) | (53,020) | – | – | (82,762) |
| - Tax (expense)/credit | (16,453) | – | 220 | – | (16,233) |
| Non-current assets | 1,689,306 | 5,069,126 | 578,181 | 347,833 | 7,684,446 |
| Current assets ^(b) | 1,500,603 | 191 | 3,909 | 5,290 | 1,509,993 |
| Current liabilities ^(c) | (55,360) | (25,502) | (5,600) | (6,819) | (93,281) |
| Non-current liabilities ^(d) | (1,045,247) | (1,700,466) | (371,555) | – | (3,117,268) |
| Net assets | 2,089,302 | 3,343,349 | 204,935 | 346,304 | 5,983,890 |
| ^(b) Includes cash and cash equivalents | 9,130 | 7,201 | 3,125 | 2,911 | 22,367 |
| ^(c) Includes current financial liabilities (excluding trade and other payables and provisions) | – | – | – | 273 | 273 |
| ^(d) Includes non-current financial liabilities (excluding trade and other payables and provisions) | 1,039,604 | 1,704,527 | 371,555 | – | 3,115,686 |
| Group's interest in net assets of joint ventures at the beginning of the year | 696,128 | 1,114,444 | 18,377 | 161,337 | 1,990,286 |
| Share of total return | 27,418 | 35,945 | (254) | 17,231 | 80,340 |
| Distributions for the year | (26,826) | (35,940) | – | (7,449) | (70,215) |
| (Loss)/Gain recognised directly in Unitholders' funds | (282) | – | – | 159 | (123) |
| Capital injection | – | – | 1,664 | 3,464 | 5,128 |
| Conversion of loan to investment | – | – | 41,696 | – | 41,696 |
| Carrying amount of interest in joint ventures at the end of the year | 696,438 | 1,114,449 | 61,483 | 174,742 | 2,047,112 |

NOTES TO THE FINANCIAL STATEMENTS

6. INTERESTS IN JOINT VENTURES (CONT'D)

| | ORQPL \$'000 | BFCDLLP \$'000 | PMIL \$'000 | SGT \$'000 | Total \$'000 |
|---|------------------|-------------------|----------------|----------------|------------------|
| 2016 | | | | | |
| Revenue | 167,317 | 233,079 | 15,785 | 4,151 | 420,332 |
| Expenses | (85,910) | (120,329) | (4,472) | (1,375) | (212,086) |
| Net change in fair value of investment properties | 13,200 | 33,000 | – | 2 | 46,202 |
| Total return for the year ^(a) | 94,607 | 145,750 | 11,313 | 2,778 | 254,448 |
| ^(a) Includes: | | | | | |
| - Depreciation | (27) | (79) | – | – | (106) |
| - Interest income | 94 | 73 | – | – | 167 |
| - Interest expense | (30,788) | (63,216) | (232) | – | (94,236) |
| - Tax expense | (16,483) | (8,039) | – | – | (24,522) |
| Non-current assets | 1,687,043 | 5,068,917 | 545,149 | 321,490 | 7,622,599 |
| Current assets ^(b) | 1,509,861 | 10,969 | 18,957 | 3,764 | 1,543,551 |
| Current liabilities ^(c) | (64,918) | (42,687) | (5,734) | (4,866) | (118,205) |
| Non-current liabilities ^(d) | (1,043,614) | (1,693,866) | (497,110) | (892) | (3,235,482) |
| Net assets | 2,088,372 | 3,343,333 | 61,262 | 319,496 | 5,812,463 |
| ^(b) Includes cash and cash equivalents | 21,605 | 15,719 | 10,787 | 2,628 | 50,739 |
| ^(c) Includes current financial liabilities (excluding trade and other payables and provisions) | – | – | – | – | – |
| ^(d) Includes non-current financial liabilities (excluding trade and other payables and provisions) | 1,037,858 | 1,697,927 | 497,110 | 892 | 3,233,787 |
| Group's interest in net assets of joint ventures at the beginning of the year | 694,428 | 1,111,006 | 14,983 | – | 1,820,417 |
| Share of total return | 31,536 | 48,583 | 3,394 | 1,389 | 84,902 |
| Distributions for the year | (27,137) | (37,581) | – | (1,388) | (66,106) |
| Loss recognised directly in Unitholders' funds | (2,699) | – | – | – | (2,699) |
| Return of capital ⁽¹⁾ | – | (7,564) | – | – | (7,564) |
| Capital injection | – | – | – | 161,336 | 161,336 |
| Carrying amount of interest in joint ventures at the end of the year | 696,128 | 1,114,444 | 18,377 | 161,337 | 1,990,286 |

⁽¹⁾ This relates to the adjustments of purchase price for the one-third interest of BFCDLLP acquired from Choicewide Group Limited respectively, arising from the adjustments to construction cost of these investment properties.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES

| | Trust | |
|---------------------------|------------------|------------------|
| | 2017 \$'000 | 2016 \$'000 |
| Equity investment at cost | 829,549 | 797,835 |
| Loan to subsidiaries | 538,000 | 496,100 |
| | <u>1,367,549</u> | <u>1,293,935</u> |

Loans to subsidiaries are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future. These loans are in substance, a part of the Trust's net investment in the subsidiaries and are stated at cost less accumulated impairment loss.

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Effective interests held by the Group | |
|---|--------------------------|---------------------------------------|-----------|
| | | 2017 % | 2016 % |
| <u>Held by the Trust</u> | | | |
| Comina Investment Limited. ⁽²⁾ | British Virgin Islands | 100.0 | 100.0 |
| Suntec Harmony Pte. Ltd. ⁽¹⁾ | Singapore | 100.0 | 100.0 |
| Suntec REIT MTN Pte. Ltd. ⁽¹⁾ | Singapore | 100.0 | 100.0 |
| Suntec REIT Capital Pte. Ltd. ⁽¹⁾ | Singapore | 100.0 | 100.0 |
| Suntec REIT (Australia) Trust ⁽²⁾ | Australia | 100.0 | 100.0 |
| Suntec (PM) Pte. Ltd. ⁽¹⁾ | Singapore | 100.0 | 100.0 |
| <u>Held through subsidiaries</u> | | | |
| <i>Held by Suntec Harmony Pte. Ltd.</i> | | | |
| Harmony Partners Investments Limited ⁽²⁾ | British Virgin Islands | 51.0 | 51.0 |
| <i>Held by Harmony Partners Investments Limited</i> | | | |
| Harmony Investors Group Limited ⁽²⁾ | British Virgin Islands | 60.8 | 60.8 |
| <i>Held by Harmony Investors Group Limited</i> | | | |
| Harmony Investors Holding Limited ⁽²⁾ | British Virgin Islands | 60.8 | 60.8 |
| <i>Held by Harmony Investors Holding Limited</i> | | | |
| Harmony Convention Holding Pte Ltd ⁽¹⁾ | Singapore | 60.8 | 60.8 |
| <i>Held by Suntec REIT (Australia) Trust</i> | | | |
| Suntec REIT 177 Trust ^{(2) (3)} | Australia | 100.0 | 100.0 |
| Suntec Southgate Trust ⁽²⁾ | Australia | 100.0 | 100.0 |
| Suntec REIT 477 Trust ⁽²⁾ | Australia | 100.0 | – |

Harmony Convention Holding Pte Ltd owns Suntec Singapore, Singapore.

Suntec REIT 177 Trust owns 177 – 199 Pacific Highway, North Sydney.

Suntec REIT 477 Trust owns 50% interest in Olderfleet, 477 Collins Street, Melbourne.

⁽¹⁾ Audited by KPMG LLP Singapore.

⁽²⁾ Not required to be audited under the laws of the country in which it is incorporated.

⁽³⁾ For consolidation purposes, this entity has been audited by a member of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS

8. TRADE AND OTHER RECEIVABLES

| | Group | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Trade receivables | 16,534 | 10,749 | 6,939 | 5,290 |
| Impairment losses | (3,175) | (1,490) | (3,122) | (1,365) |
| Net receivables | 13,359 | 9,259 | 3,817 | 3,925 |
| Deposits | 11 | 11 | – | – |
| Amounts due from subsidiaries: | | | | |
| - Trade | – | – | – | 150 |
| - Non-trade | – | – | 6,969 | 4,919 |
| Amounts due from a related corporation of the Manager (trade) | – | 1,541 | – | – |
| Other receivables | 248 | 1,428 | 42 | 16 |
| Prepayments | 4,614 | 2,526 | 2,585 | 925 |
| | 18,232 | 14,765 | 13,413 | 9,935 |

The trade receivables in respect of Suntec Singapore (2016: Suntec Singapore), amounting to \$9,504,000 (2016: \$5,606,000) are charged or assigned by way of security for a credit facility granted to a subsidiary (note 12).

The non-trade amounts due from the subsidiaries are unsecured, interest-free and repayable on demand.

The exposure of the Group and the Trust to currency risk, credit risk and impairment losses related to trade receivables is disclosed in note 15.

9. DEFERRED TAX LIABILITIES

Movements in deferred tax liabilities of the Group during the year

| | At 1 January 2016 \$'000 | Recognised in statement of total return (note 24) \$'000 | At 31 December 2016 \$'000 | Recognised in statement of total return (note 24) \$'000 | At 31 December 2017 \$'000 |
|--------------------------|-----------------------------------|--|-------------------------------------|--|-------------------------------------|
| Investment properties | – | (11,032) | (11,032) | (20,336) | (31,368) |
| Plant and equipment | (5,157) | 3,167 | (1,990) | 1,812 | (178) |
| Tax losses carry-forward | 1,530 | (1,530) | – | 2,293 | 2,293 |
| Others | – | – | – | 257 | 257 |
| | (3,627) | (9,395) | (13,022) | (15,974) | (28,996) |

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL DERIVATIVES

| | Group | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Derivative assets | | | | |
| - Forward exchange contracts | 211 | – | 211 | – |
| - Interest rate swaps | | | | |
| - Used for hedging | 633 | – | – | – |
| - At fair value through statement of total return | 202 | 3,202 | 202 | 3,202 |
| | <u>1,046</u> | <u>3,202</u> | <u>413</u> | <u>3,202</u> |
| <i>Classified as:</i> | | | | |
| Current | 243 | – | 243 | – |
| Non-current | 803 | 3,202 | 170 | 3,202 |
| | <u>1,046</u> | <u>3,202</u> | <u>413</u> | <u>3,202</u> |
| Derivative liabilities | | | | |
| - Forward exchange contracts | – | 111 | – | 111 |
| - Embedded derivatives relating to convertible bonds | 38,481 | 18,103 | 38,481 | 18,103 |
| - Interest rate swaps | | | | |
| - Used for hedging | – | 1,247 | – | – |
| - At fair value through statement of total return | 2,116 | 2,729 | 2,116 | 2,729 |
| | <u>40,597</u> | <u>22,190</u> | <u>40,597</u> | <u>20,943</u> |
| <i>Classified as:</i> | | | | |
| Current | 456 | 160 | 456 | 160 |
| Non-current | 40,141 | 22,030 | 40,141 | 20,783 |
| | <u>40,597</u> | <u>22,190</u> | <u>40,597</u> | <u>20,943</u> |

Interest rate swaps

The Group and the Trust use interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing term loans by swapping the interest expense on a proportion of these term loans from floating rates to fixed rates.

Interest rate swaps of the Group and the Trust with a total notional amount of \$1,470,000,000 (2016: \$1,320,000,000) and \$1,220,000,000 (2016: \$1,070,000,000) respectively, have been entered into at the reporting date to provide fixed rate funding for average terms of 3 years (2016: 3 years) at an average interest rate of 1.31% to 2.20% (2016: 0.89% to 2.20%) per annum. This includes interest rate swaps designated as hedging instruments in cash flow hedges with notional amounts of \$250,000,000 (2016: \$250,000,000).

Forward foreign exchange contracts

The Group manages its exposure to foreign currency movements on its net income denominated in Australian dollar from its investment in Australia by using forward exchange contracts.

Forward exchange contracts with aggregate notional amounts of \$8,026,500 (2016: \$19,393,000), with maturities of less than one year, have been entered into to hedge the currency risk against Australian dollar.

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL DERIVATIVES (CONT'D)

Offsetting financial assets and financial liabilities

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

As at 31 December 2017 and 31 December 2016, the Group's derivative financial assets and liabilities do not have any amounts that are eligible for offsetting under the enforceable master netting arrangement.

11. CASH AND CASH EQUIVALENTS

| | Group | | Trust | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash at bank and in hand | 161,194 | 181,430 | 109,340 | 132,734 |
| Fixed deposits | 11,461 | 1,020 | 11,461 | 1,020 |
| | <u>172,655</u> | <u>182,450</u> | <u>120,801</u> | <u>133,754</u> |

The weighted average effective interest rate relating to cash and cash equivalents at the reporting date for the Group and the Trust is 0.55% and 0.33% (2016: 0.31% and 0.20%) per annum respectively. Interest rates reprice at intervals of one month.

Cash and cash equivalents in respect of Suntec Singapore (2016: Suntec Singapore) amounting to \$29,442,000 (2016: \$26,936,000) are charged or assigned by way of security for a credit facility granted to a subsidiary (note 12).

The exposure of the Group and the Trust to interest rate and currency risks related to financial assets are disclosed in note 15.

NOTES TO THE FINANCIAL STATEMENTS

12. INTEREST-BEARING BORROWINGS

| | Note | Group | | Trust | |
|--------------------------|------|------------------|------------------|------------------|------------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Term loans | | | | | |
| - secured | | 365,111 | 364,635 | – | – |
| - unsecured | | 2,510,523 | 2,661,574 | 2,510,523 | 2,661,574 |
| | | <u>2,875,634</u> | <u>3,026,209</u> | <u>2,510,523</u> | <u>2,661,574</u> |
| Convertible bonds | | | | | |
| - unsecured | 14 | 355,237 | 279,590 | 355,237 | 279,590 |
| | | <u>3,230,871</u> | <u>3,305,799</u> | <u>2,865,760</u> | <u>2,941,164</u> |
| <i>Classified as:</i> | | | | | |
| Current | | 237,004 | 99,798 | 237,004 | 99,798 |
| Non-current | | 2,993,867 | 3,206,001 | 2,628,756 | 2,841,366 |
| | | <u>3,230,871</u> | <u>3,305,799</u> | <u>2,865,760</u> | <u>2,941,164</u> |

The exposure of the Group and the Trust to liquidity and interest rate risks related to interest-bearing borrowings are disclosed in note 15.

Terms and debt repayment schedule

Terms and conditions of outstanding interest-bearing borrowings are as follows:

| | Currency | Weighted average nominal interest rate % | Year of maturity | 2017 | | 2016 | |
|--------------------------|----------|---|---------------------|-------------------------|------------------------------|-------------------------|------------------------------|
| | | | | Face value \$'000 | Carrying amount \$'000 | Face value \$'000 | Carrying amount \$'000 |
| Group | | | | | | | |
| Floating rate term loans | SGD | 2.11% | 2018 – 2022 | 2,268,342 | 2,262,262 | 2,619,542 | 2,612,662 |
| Fixed rate term loans | SGD | 3.13% | 2018 – 2023 | 615,000 | 613,372 | 415,000 | 413,547 |
| Convertible bonds | SGD | 1.75% | 2024 | 300,000 | 272,024 | – | – |
| Convertible bonds | SGD | 1.75% | 2021 | 88,000 | 83,213 | 300,000 | 279,590 |
| | | | | <u>3,271,342</u> | <u>3,230,871</u> | <u>3,334,542</u> | <u>3,305,799</u> |
| Trust | | | | | | | |
| Floating rate term loans | SGD | 2.08% | 2018 – 2022 | 1,902,342 | 1,897,151 | 2,253,542 | 2,248,027 |
| Fixed rate term loans | SGD | 3.13% | 2018 – 2023 | 615,000 | 613,372 | 415,000 | 413,547 |
| Convertible bonds | SGD | 1.75% | 2024 | 300,000 | 272,024 | – | – |
| Convertible bonds | SGD | 1.75% | 2021 | 88,000 | 83,213 | 300,000 | 279,590 |
| | | | | <u>2,905,342</u> | <u>2,865,760</u> | <u>2,968,542</u> | <u>2,941,164</u> |

NOTES TO THE FINANCIAL STATEMENTS

12. INTEREST-BEARING BORROWINGS (CONT'D)

Secured term loan

As at 31 December 2017, the Group has in place a secured term loan facility of \$366.0 million (2016: \$366.0 million) with a panel of banks which it has fully drawn down.

The facility is secured on the following:

- A first legal mortgage on Suntec Singapore (2016: Suntec Singapore (the "Property"));
- A first fixed charge over the central rental collection account in relation to the Property (notes 8 and 11);
- An assignment of the subsidiary's rights, title and interest in the tenancy documents and the proceeds in connection with the Property;
- An assignment of the subsidiary's rights, title and interest in the insurance policies in relation to the Property; and
- A fixed and floating charge over the assets of the subsidiary in relation to the Property, agreements, collateral, as required by the financial institutions granting the facility (note 5).

Unsecured term loans

Included in unsecured term loans are euro medium term notes ("EMTN") amounting to \$615.0 million (2016: \$415.0 million).

NOTES TO THE FINANCIAL STATEMENTS

12. INTEREST-BEARING BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

| | Liabilities | | Derivatives (assets) / liabilities | | | | Total \$'000 |
|--|-------------------------|--------------------------------|------------------------------------|---|--|--|-----------------|
| | Term loans \$'000 | Convertible bonds \$'000 | Interest payable \$'000 | Interest rate swap used for hedging- assets \$'000 | Interest rate swap used for hedging- liabilities \$'000 | Embedded derivatives (assets)/ liabilities relating to convertible bonds \$'000 | |
| Balance at 1 January 2017 | 3,026,209 | 279,590 | 11,463 | - | 1,247 | 18,103 | 3,336,612 |
| Changes from financing cash flows | | | | | | | |
| Financing costs paid | (4,103) | (3,605) | (74,640) | - | - | - | (82,348) |
| Proceeds from convertible bonds | - | 300,000 | - | - | - | - | 300,000 |
| Repayment of convertible bonds | - | (45,500) | - | - | - | - | (45,500) |
| Proceeds from euro medium term notes | 200,000 | - | - | - | - | - | 200,000 |
| Proceeds from interest-bearing loans | 600,000 | - | - | - | - | - | 600,000 |
| Repayment of interest-bearing loans | (951,200) | - | - | - | - | - | (951,200) |
| Total changes from financing cash flows | (155,303) | 250,895 | (74,640) | - | - | - | 20,952 |
| Change in fair value | - | - | - | (633) | (1,247) | (4,317) | (6,197) |
| Other changes | | | | | | | |
| Liability-related | | | | | | | |
| Financing costs | 4,805 | 15,947 | 75,940 | - | - | - | 96,692 |
| Derivative component of convertible bonds | - | (24,695) | - | - | - | 24,695 | - |
| Others | (77) | - | - | - | - | - | (77) |
| Total liability-related other changes | 4,728 | (8,748) | 75,940 | - | - | 24,695 | 96,615 |
| Total equity-related other changes | - | (166,500) | 62 | - | - | - | (166,438) |
| Balance at 31 December 2017 | 2,875,634 | 355,237 | 12,825 | (633) | - | 38,481 | 3,281,544 |

NOTES TO THE FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

| | Group | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Trade payables | 3,988 | 3,234 | 1,460 | 781 |
| Accrued operating expenses | 39,191 | 42,047 | 23,517 | 23,443 |
| Amounts due to a subsidiary (trade) | – | – | – | 230 |
| Amounts due to related parties (trade): | | | | |
| - Trustee | 254 | 247 | 254 | 247 |
| - Manager | 3,624 | 3,988 | 3,624 | 3,988 |
| - Related corporations of the Manager | 1,992 | 1,931 | 1,056 | 980 |
| Deferred income | 29,153 | 25,705 | 9,266 | 9,153 |
| Interest payable | 12,825 | 11,463 | 11,979 | 10,806 |
| Other payables | 17,862 | 4,850 | 5,239 | 3,141 |
| | <u>108,889</u> | <u>93,465</u> | <u>56,395</u> | <u>52,769</u> |

As at 31 December 2017, other payables of the Group include progress payments payable of \$10.3 million (2016 : Nil) for Olderfleet, 477 Collins Street.

The exposure of the Group and the Trust to liquidity and currency risks related to trade and other payables is disclosed in note 15.

14. CONVERTIBLE BONDS – DEBT COMPONENT

| | Group and Trust | |
|--|-----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| At 1 January | 279,590 | 268,459 |
| Redemption of convertible bonds due 2018 | – | (280,000) |
| Redemption of convertible bonds due 2021 | (45,500) | – |
| Conversion of convertible bonds | (166,500) | – |
| Proceeds from issuance of convertible bonds due 2021 | – | 300,000 |
| Proceeds from issuance of convertible bonds due 2024 | 300,000 | – |
| Transaction costs | (3,605) | (4,111) |
| Amount classified as derivative liabilities | (24,695) | (17,599) |
| Amortisation of transaction costs | 3,010 | 2,075 |
| Interest accretion | 12,937 | 10,766 |
| At 31 December | <u>355,237</u> | <u>279,590</u> |

Convertible bonds due 2024

In 2017, the Trust issued \$300.0 million principal amounts of convertible bonds (the “2024 Bonds”) due 2024 which carry a coupon interest at 1.75% per annum. The 2024 Bonds are convertible by bondholders into Units at the conversion price of \$2.189 at any time on or after 9.00 a.m. on 9 January 2018 up to 3.00 p.m. on 23 November 2024 or, if redeemed prior to 23 November 2024, then up to 3.00 p.m. on a date no later than 7 business days prior to the date fixed for redemption thereof.

Based on the conversion price, the 2024 Bonds are convertible into approximately 137,048,881 Units, representing 5.2% of the total number of Units of the Trust in issue as at 31 December 2017. The Trust has the option to pay cash in lieu of issuing new Units on conversion of any 2024 Bonds (“Alternative Settlement Right”). The 2024 Bonds may be redeemed, in whole or in part, at the option of the bondholders on 30 November 2020 at their principal amount plus interest accrued up to the date of the redemption. The 2024 Bonds may also be redeemed, in whole but not in part at their principal amount plus interest accrued to (but excluding) the date of redemption, at the option of the Trust on or at any time after 30 November 2020 but not less than 7 business days prior to 30 November 2024 (subject to the satisfaction of certain conditions).

The bondholders, following the occurrence of a change of control event, which includes change of control of the Manager, as described in the terms and conditions of the 2024 Bonds (the “Terms of the 2024 Bonds”), will have the right to exercise their conversion right at a conversion price determined in accordance with the specified formula set out in the Terms of the 2024 Bonds to convert the 2024 Bonds into Units, subject to the Trust’s Alternate Settlement Right. The 2024 Bonds may also be redeemed, at the option of the bondholders, in whole but not in part at their principal amount plus interest accrued to the date of redemption.

NOTES TO THE FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS – DEBT COMPONENT (CONT'D)

Convertible bonds due 2024 (cont'd)

As at 31 December 2017, the effective interest rate for the 2024 Bonds – debt component – is approximately 3.27% per annum.

Convertible bonds due 2021

In 2016, the Trust issued \$300.0 million principal amounts of convertible bonds (the “2021 Bonds”) due 2021 which carry a coupon interest at 1.75% per annum. The 2021 Bonds are convertible by bondholders into Units at the conversion price of \$2.101 at any time on or after 9.00 a.m. on 16 October 2016 up to 3.00 p.m. on 29 August 2021 or, if redeemed prior to 29 August 2021, then up to 3.00 p.m. on a date no later than 7 business days prior to the date fixed for redemption thereof.

Based on the conversion price, the 2021 Bonds are convertible into approximately 142,789,148 Units, representing 5.6% of the total number of Units of the Trust in issue as at 31 December 2016. The Trust has the option to pay cash in lieu of issuing new Units on conversion of any 2021 Bonds (“Alternative Settlement Right”). The 2021 Bonds may be redeemed, in whole or in part, at the option of the bondholders on 5 September 2019 at their principal amount plus interest accrued up to the date of the redemption. The 2021 Bonds may also be redeemed, in whole but not in part at their principal amount plus interest accrued to (but excluding) the date of redemption, at the option of the Trust on or at any time after 5 September 2019 but not less than 7 business days prior to 5 September 2021 (subject to the satisfaction of certain conditions).

The bondholders, following the occurrence of a change of control event, which includes change of control of the Manager, as described in the terms and conditions of the 2021 Bonds (the “Terms of the 2021 Bonds”), will have the right to exercise conversion right at a conversion price determined in accordance with the specified formula set out in the Terms of the 2021 Bonds to convert the 2021 Bonds into Units, subject to the Trust’s Alternative Settlement Right. The 2021 Bonds may also be redeemed, at the option of the bondholders, in whole but not in part at their principal amount plus interest accrued to the date of redemption.

The conversion price of \$2.101 was changed to \$2.06 on 25 January 2017. The adjusted conversion price is effective as of 28 February 2017.

On 12 April 2017, Suntec REIT had announced an occurrence of a Change of Control Event within the meaning of condition 7.5(d)(ii)(A) of the Terms of the 2021 Bonds. Pursuant to condition 7.5(a) of the Terms of the 2021 Bonds, the conversion price was adjusted from \$2.06 to \$1.74.

During the Change of Control Period, (i) conversion notices for the conversion of \$166.5 million in principal amount of the 2021 Bonds were received pursuant to Condition 7.5(a) of the Terms of the 2021 Bonds and (ii) redemption notices for the redemption of \$45.5 million in principal amount of the 2021 Bonds were received pursuant to Condition 7.6 of the Terms of the 2021 Bonds.

Pursuant to the aforementioned conversion notices received, 95,689,646 new Units were issued on 29 May 2017 at a conversion price of \$1.74 per new unit. Accordingly, \$212.0 million in principal amount of the 2021 Bonds had been converted or redeemed as the case may be and cancelled in accordance with the Terms of the 2021 Bonds. As at 31 December 2017, \$88.0 million of the Bonds remained outstanding.

Based on the adjusted conversion price of \$2.06, the 2021 Bonds are convertible into approximately 42,718,447 Units, representing 1.6% of the total number of Units of the Trust in issue as at 31 December 2017.

As at 31 December 2017, the effective interest rate for the 2021 Bonds – debt component – is approximately 3.33% (2016: 3.32%) per annum.

Convertible bonds due 2018

In 2013, the Trust issued \$280.0 million principal amounts of convertible bonds (the “2018 Bonds”) due 2018 which carry a coupon interest at 1.40% per annum. The 2018 Bonds were convertible by bondholders into Units at the conversion price of \$2.042 at any time on or after 9.00 am on 28 April 2013 up to 3.00 p.m. on 11 March 2018 or, if redeemed prior to 11 March 2018, then up to 3.00 p.m. on a date no later than 7 business days prior to the date fixed for redemption thereof. The 2018 Bonds were fully redeemed during 2016.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

| | Note | Group | | Trust | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Derivative assets | | | | | |
| - Forward exchange contracts | 10 | 211 | – | 211 | – |
| - Used for hedging | 10 | 633 | – | – | – |
| - At fair value through statement of total return | 10 | 202 | 3,202 | 202 | 3,202 |
| Trade and other receivables* | 8 | 13,618 | 12,239 | 10,828 | 9,010 |
| Cash and cash equivalents | 11 | 172,655 | 182,450 | 120,801 | 133,754 |
| | | <u>187,319</u> | <u>197,891</u> | <u>132,042</u> | <u>145,966</u> |

* Exclude prepayments.

The maximum exposure to credit risk for trade receivables at the reporting date by type of tenant is:

| | Group | | Trust | |
|------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Office | 328 | 418 | 237 | 373 |
| Retail | 4,017 | 3,846 | 3,580 | 3,552 |
| Convention | 9,014 | 4,995 | – | – |
| | <u>13,359</u> | <u>9,259</u> | <u>3,817</u> | <u>3,925</u> |

The Group's tenants are engaged in a wide spectrum of business activities across many industry segments.

Impairment losses

The ageing of trade receivables that were not impaired at the reporting date was:

| | 2017 \$'000 | 2016 \$'000 |
|-----------------------|----------------|----------------|
| Group | | |
| Not past due | 7,315 | 4,783 |
| Past due 31 – 60 days | 3,141 | 1,990 |
| Past due 61 – 90 days | 1,742 | 1,201 |
| More than 90 days | 1,161 | 1,285 |
| | <u>13,359</u> | <u>9,259</u> |
| Trust | | |
| Not past due | 2,393 | 1,598 |
| Past due 31 – 60 days | 601 | 993 |
| Past due 61 – 90 days | 422 | 624 |
| More than 90 days | 401 | 710 |
| | <u>3,817</u> | <u>3,925</u> |

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

| | Group | | Trust | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| At 1 January | 1,490 | 1,450 | 1,365 | 1,357 |
| Impairment loss recognised | 2,059 | 1,065 | 1,992 | 946 |
| Write-back of impairment loss | (146) | (438) | (109) | (405) |
| Allowance utilised | (228) | (587) | (126) | (533) |
| At 31 December | 3,175 | 1,490 | 3,122 | 1,365 |

Based on historic default rates, the Manager believes that, apart from the above, no additional impairment allowance is necessary in respect of trade receivables as these receivables mainly arose from tenants that have a good track record with the Group, and the Group has sufficient security deposits as collateral.

The allowance account in respect of trade receivables is used to record impairment losses unless the Group and the Trust are satisfied that no recovery of the amounts owing are possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2017 and 31 December 2016, the Group and the Trust do not have any collective impairment on its trade receivables.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | Carrying amount \$'000 | Contractual cash flows \$'000 | Cash flows | | |
|--|------------------------------|-------------------------------------|----------------------------|---------------------------|--------------------------------|
| | | | Within 1 year \$'000 | 1 to 5 years \$'000 | More than 5 years \$'000 |
| Group | | | | | |
| 2017 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Floating rate term loans ⁽¹⁾ | 2,262,262 | (2,389,105) | (179,776) | (2,209,329) | – |
| Fixed rate term loans | 613,372 | (668,114) | (123,824) | (442,627) | (101,663) |
| Convertible bonds | 355,237 | (429,963) | (6,790) | (113,119) | (310,054) |
| Trade and other payables* | 79,736 | (79,736) | (79,736) | – | – |
| Security deposits | 65,286 | (65,286) | (25,387) | (37,833) | (2,066) |
| | 3,375,893 | (3,632,204) | (415,513) | (2,802,908) | (413,783) |
| Derivative financial liabilities/(assets) | | | | | |
| Interest rate swaps (net-settled) | | | | | |
| - Used for hedging ⁽¹⁾ | (633) | (395) | (395) | – | – |
| - At fair value through statement of total return ⁽¹⁾ | 1,914 | (6,803) | (4,312) | (2,491) | – |
| Forward exchange contracts | (211) | | | | |
| - Outflow | – | (7,831) | (7,831) | – | – |
| - Inflow | – | 8,027 | 8,027 | – | – |
| | 1,070 | (7,002) | (4,511) | (2,491) | – |
| | 3,376,963 | (3,639,206) | (420,024) | (2,805,399) | (413,783) |

* Exclude deferred income.

⁽¹⁾ For the purpose of the contractual cash flows calculation, Swap Offer Rate ("SOR") of 0.89% - 1.17% (2016: 0.42% - 0.97%) was used.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

| | Carrying amount \$'000 | Contractual cash flows \$'000 | Cash flows | | |
|--|------------------------------|-------------------------------------|----------------------------|---------------------------|--------------------------------|
| | | | Within 1 year \$'000 | 1 to 5 years \$'000 | More than 5 years \$'000 |
| Group | | | | | |
| 2016 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Floating rate term loans ⁽¹⁾ | 2,612,662 | (2,727,007) | (43,038) | (2,683,969) | – |
| Fixed rate term loans | 413,547 | (452,821) | (13,348) | (439,473) | – |
| Convertible bonds | 279,590 | (324,567) | (5,250) | (319,317) | – |
| Trade and other payables* | 67,760 | (67,760) | (67,760) | – | – |
| Security deposits | 65,636 | (65,636) | (14,546) | (51,075) | (15) |
| | <u>3,439,195</u> | <u>(3,637,791)</u> | <u>(143,942)</u> | <u>(3,493,834)</u> | <u>(15)</u> |
| Derivative financial liabilities/(assets) | | | | | |
| Interest rate swaps (net-settled) | | | | | |
| - Used for hedging ⁽¹⁾ | 1,247 | (3,061) | (2,422) | (639) | – |
| - At fair value through statement of total return ⁽¹⁾ | (473) | (9,321) | (5,647) | (3,674) | – |
| Forward exchange contracts | 111 | | | | |
| - Outflow | – | (19,525) | (19,525) | – | – |
| - Inflow | – | 19,395 | 19,395 | – | – |
| | <u>885</u> | <u>(12,512)</u> | <u>(8,199)</u> | <u>(4,313)</u> | <u>–</u> |
| | <u>3,440,080</u> | <u>(3,650,303)</u> | <u>(152,141)</u> | <u>(3,498,147)</u> | <u>(15)</u> |
| Trust | | | | | |
| 2017 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Floating rate term loans ⁽¹⁾ | 1,897,151 | (2,007,719) | (171,625) | (1,836,094) | – |
| Fixed rate term loans | 613,372 | (668,114) | (123,824) | (442,627) | (101,663) |
| Convertible bonds | 355,237 | (429,963) | (6,790) | (113,119) | (310,054) |
| Trade and other payables* | 47,129 | (47,129) | (47,129) | – | – |
| Security deposits | 60,290 | (60,290) | (23,211) | (35,013) | (2,066) |
| | <u>2,973,179</u> | <u>(3,213,215)</u> | <u>(372,579)</u> | <u>(2,426,853)</u> | <u>(413,783)</u> |
| Derivative financial liabilities/(assets) | | | | | |
| Interest rate swaps (net-settled) | | | | | |
| - At fair value through statement of total return ⁽¹⁾ | 1,914 | (6,803) | (4,312) | (2,491) | – |
| Forward exchange contracts | (211) | | | | |
| - Outflow | – | (7,831) | (7,831) | – | – |
| - Inflow | – | 8,027 | 8,027 | – | – |
| | <u>1,703</u> | <u>(6,607)</u> | <u>(4,116)</u> | <u>(2,491)</u> | <u>–</u> |
| | <u>2,974,882</u> | <u>(3,219,822)</u> | <u>(376,695)</u> | <u>(2,429,344)</u> | <u>(413,783)</u> |

* Exclude deferred income.

⁽¹⁾ For the purpose of the contractual cash flows calculation, Swap Offer Rate ("SOR") of 0.89% - 1.17% (2016: 0.42% - 0.97%) was used.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

| | Carrying amount \$'000 | Contractual cash flows \$'000 | Cash flows | | |
|--|------------------------------|-------------------------------------|----------------------------|---------------------------|--------------------------------|
| | | | Within 1 year \$'000 | 1 to 5 years \$'000 | More than 5 years \$'000 |
| Trust | | | | | |
| 2016 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Floating rate term loans ⁽¹⁾ | 2,248,027 | (2,339,886) | (35,696) | (2,304,190) | – |
| Fixed rate term loans | 413,547 | (452,821) | (13,348) | (439,473) | – |
| Convertible bonds | 279,590 | (324,567) | (5,250) | (319,317) | – |
| Trade and other payables* | 43,616 | (43,616) | (43,616) | – | – |
| Security deposits | 60,593 | (60,593) | (11,903) | (48,675) | (15) |
| | <u>3,045,373</u> | <u>(3,221,483)</u> | <u>(109,813)</u> | <u>(3,111,655)</u> | <u>(15)</u> |
| Derivative financial liabilities/(assets) | | | | | |
| Interest rate swaps (net-settled) | | | | | |
| - At fair value through statement of total return ⁽¹⁾ | (473) | (9,321) | (5,647) | (3,674) | – |
| Forward exchange contracts | 111 | | | | |
| - Outflow | – | (19,525) | (19,525) | – | – |
| - Inflow | – | 19,395 | 19,395 | – | – |
| | <u>(362)</u> | <u>(9,451)</u> | <u>(5,777)</u> | <u>(3,674)</u> | <u>–</u> |
| | <u>3,045,011</u> | <u>(3,230,934)</u> | <u>(115,590)</u> | <u>(3,115,329)</u> | <u>(15)</u> |

* Exclude deferred income.

⁽¹⁾ For the purpose of the contractual cash flows calculation, Swap Offer Rate ("SOR") of 0.89% - 1.17% (2016: 0.42% - 0.97%) was used.

Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Group's floating rate term loans.

Interest rate risk

Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

| | Group | | Trust | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Fixed rate instruments | | | | |
| Interest-bearing borrowings | (1,003,000) | (715,000) | (1,003,000) | (715,000) |
| Interest rate swaps | (1,470,000) | (1,320,000) | (1,220,000) | (1,070,000) |
| | <u>(2,473,000)</u> | <u>(2,035,000)</u> | <u>(2,223,000)</u> | <u>(1,785,000)</u> |
| Variable rate instruments | | | | |
| Interest-bearing borrowings | (2,268,342) | (2,619,542) | (1,902,342) | (2,253,542) |
| Interest rate swaps | 1,470,000 | 1,320,000 | 1,220,000 | 1,070,000 |
| | <u>(798,342)</u> | <u>(1,299,542)</u> | <u>(682,342)</u> | <u>(1,183,542)</u> |

Cash flow sensitivity analysis for variable rate instruments

For the interest rate swaps and the other variable rate financial assets and liabilities, a change of 50 basis points ("bp") (2016: 50 bp) in interest rate at the reporting date would increase/(decrease) Unitholders' funds and total return (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk (cont'd)

| Group | Statement of total return | | Unitholders' funds | |
|-----------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| | 50 bp increase \$'000 | 50 bp decrease \$'000 | 50 bp increase \$'000 | 50 bp decrease \$'000 |
| 2017 | | | | |
| Variable rate instruments | (11,342) | 11,342 | – | – |
| Interest rate swaps | 6,328 | (6,369) | 246 | (247) |
| Cash flow sensitivity (net) | (5,014) | 4,973 | 246 | (247) |
| 2016 | | | | |
| Variable rate instruments | (13,098) | 13,098 | – | – |
| Interest rate swaps | 6,794 | (6,905) | 1,068 | (853) |
| Cash flow sensitivity (net) | (6,304) | 6,193 | 1,068 | (853) |

| Trust | Statement of total return | |
|-----------------------------|---------------------------|--------------------------|
| | 50 bp increase \$'000 | 50 bp decrease \$'000 |
| 2017 | | |
| Variable rate instruments | (9,512) | 9,512 |
| Interest rate swaps | 6,328 | (6,369) |
| Cash flow sensitivity (net) | (3,184) | 3,143 |
| 2016 | | |
| Variable rate instruments | (11,268) | 11,268 |
| Interest rate swaps | 6,794 | (6,905) |
| Cash flow sensitivity (net) | (4,474) | 4,363 |

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, nor does the Group designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect the statement of total return.

Currency risk

At the reporting date, the exposure to currency risk is as follows:

| Group | 2017 AUD \$'000 | 2016 AUD \$'000 |
|--|-----------------------|-----------------------|
| Cash and cash equivalents | 29,767 | 6,698 |
| Trade and other receivables | 6,951 | 4,907 |
| Net statement of financial position exposure | 36,718 | 11,605 |
| Forward exchange contracts | (8,027) | (19,393) |
| Net exposure | 28,691 | (7,788) |

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Currency risk (cont'd)

| | 2017 AUD \$'000 | 2016 AUD \$'000 |
|--|-----------------------|-----------------------|
| Trust | | |
| Cash and cash equivalents | 29,675 | 6,204 |
| Trade and other receivables | 6,951 | 4,907 |
| Net statement of financial position exposure | 36,626 | 11,111 |
| Forward exchange contracts | (8,027) | (19,393) |
| Net exposure | 28,599 | (8,282) |

Sensitivity analysis

A 10% strengthening (weakening) of the Singapore Dollar against Australian Dollar would increase/(decrease) total return (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Statement of total return | |
|-------------------|------------------------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Group | | |
| 10% strengthening | (2,869) | 779 |
| 10% weakening | 2,869 | (779) |
| Trust | | |
| 10% strengthening | (2,860) | 828 |
| 10% weakening | 2,860 | (828) |

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their level in fair value hierarchy, are as follows. It does not include fair value information of financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| Group | Note | Designated at fair value \$'000 | Fair value -- hedging instrument \$'000 | Loans and receivables \$'000 | Other financial liabilities \$'000 | Total carrying amount \$'000 | Fair value | | |
|---|------|---------------------------------------|--|------------------------------------|---|---------------------------------------|-------------------|-------------------|-------------------|
| | | | | | | | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
| 2017 | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| Forward exchange contracts | 10 | 211 | - | - | - | 211 | - | 211 | - |
| Interest rate swaps at fair value through statement of total return | 10 | 202 | - | - | - | 202 | - | 202 | - |
| Interest rate swaps for hedging | 10 | - | 633 | - | - | 633 | - | 633 | - |
| | | 413 | 633 | - | - | 1,046 | | | |
| Financial assets not measured at fair value | | | | | | | | | |
| Trade and other receivables* | 8 | - | - | 13,618 | - | 13,618 | | | |
| Cash and cash equivalents | 11 | - | - | 172,655 | - | 172,655 | | | |
| | | - | - | 186,273 | - | 186,273 | | | |
| Financial liabilities measured at fair value | | | | | | | | | |
| Interest rate swaps at fair value through statement of total return | 10 | (2,116) | - | - | - | (2,116) | - | (2,116) | - |
| Embedded derivatives relating to Convertible bonds | 10 | (38,481) | - | - | - | (38,481) | - | - | (38,481) |
| | | (40,597) | - | - | - | (40,597) | | | |
| Financial liabilities not measured at fair value | | | | | | | | | |
| Interest-bearing borrowings | 12 | - | - | - | (2,875,634) | (2,875,634) | - | - | (2,878,080) |
| Security deposits | | - | - | - | (65,286) | (65,286) | - | - | (62,810) |
| Convertible bonds | 14 | - | - | - | (355,237) | (355,237) | - | - | (359,919) |
| Trade and other payables [^] | 13 | - | - | - | (79,736) | (79,736) | - | - | - |
| | | - | - | - | (3,375,893) | (3,375,893) | | | |

* Excludes prepayments.

[^] Excludes deferred income.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values (cont'd)

| Group | Note | Designated at fair value \$'000 | Fair value – hedging instrument \$'000 | Loans and receivables \$'000 | Other financial liabilities \$'000 | Total carrying amount \$'000 | Fair value | | |
|---|------|---------------------------------------|---|------------------------------------|---|---------------------------------------|-------------------|-------------------|-------------------|
| | | | | | | | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
| 2016 | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| Interest rate swaps at fair value through statement of total return | 10 | 3,202 | - | - | - | 3,202 | - | 3,202 | - |
| Financial assets not measured at fair value | | | | | | | | | |
| Trade and other receivables* | 8 | - | - | 12,239 | - | 12,239 | - | - | - |
| Cash and cash equivalents | 11 | - | - | 182,450 | - | 182,450 | - | - | - |
| | | - | - | 194,689 | - | 194,689 | - | - | - |
| Financial liabilities measured at fair value | | | | | | | | | |
| Forward exchange contracts | 10 | (111) | - | - | - | (111) | - | (111) | - |
| Interest rate swaps at fair value through statement of total return | 10 | (2,729) | - | - | - | (2,729) | - | (2,729) | - |
| Interest rate swaps for hedging | 10 | - | (1,247) | - | - | (1,247) | - | (1,247) | - |
| Embedded derivatives relating to Convertible bonds | 10 | (18,103) | - | - | - | (18,103) | - | - | (18,103) |
| | | (20,943) | (1,247) | - | - | (22,190) | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | | |
| Interest-bearing borrowings | 12 | - | - | - | (3,026,209) | (3,026,209) | - | - | (3,028,161) |
| Security deposits | 14 | - | - | - | (65,636) | (65,636) | - | - | (63,176) |
| Convertible bonds | 14 | - | - | - | (279,590) | (279,590) | - | - | (273,648) |
| Trade and other payables [^] | 13 | - | - | - | (67,760) | (67,760) | - | - | - |
| | | - | - | - | (3,439,195) | (3,439,195) | - | - | - |

* Excludes prepayments.

[^] Excludes deferred income.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values (cont'd)

| Trust | Note | Designated at fair value \$'000 | Loans and receivables \$'000 | Other financial liabilities \$'000 | Total carrying amount \$'000 | Fair value | | |
|---|------|---------------------------------------|------------------------------------|---|---------------------------------------|-------------------|-------------------|-------------------|
| | | | | | | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
| 2017 | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Forward exchange contracts | 10 | 211 | - | - | 211 | - | 211 | - |
| Interest rate swaps | 10 | 202 | - | - | 202 | - | 202 | - |
| | | 413 | - | - | 413 | - | - | - |
| Financial assets not measured at fair value | | | | | | | | |
| Trade and other receivables* | 8 | - | 10,828 | - | 10,828 | - | - | - |
| Cash and cash equivalents | 11 | - | 120,801 | - | 120,801 | - | - | - |
| | | - | 131,629 | - | 131,629 | - | - | - |
| Financial liabilities measured at fair value | | | | | | | | |
| Interest rate swaps | 10 | (2,116) | - | - | (2,116) | - | (2,116) | - |
| Embedded derivatives relating to Convertible bonds | 10 | (38,481) | - | - | (38,481) | - | - | (38,481) |
| | | (40,597) | - | - | (40,597) | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Interest-bearing borrowings | 12 | - | - | (2,510,523) | (2,510,523) | - | - | (2,512,969) |
| Security deposits | 14 | - | - | (60,290) | (60,290) | - | - | (57,988) |
| Convertible bonds | 13 | - | - | (355,237) | (355,237) | - | - | (359,919) |
| Trade and other payables [^] | | - | - | (47,129) | (47,129) | - | - | - |
| | | - | - | (2,973,179) | (2,973,179) | - | - | - |

* Excludes prepayments.

[^] Excludes deferred income.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values (cont'd)

| Trust | Note | Designated at fair value \$'000 | Loans and receivables \$'000 | Other financial liabilities \$'000 | Total carrying amount \$'000 | Fair value | | |
|---|------|---------------------------------------|------------------------------------|---|---------------------------------------|-------------------|-------------------|-------------------|
| | | | | | | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
| 2016 | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Interest rate swaps | 10 | 3,202 | - | - | 3,202 | - | 3,202 | - |
| Financial assets not measured at fair value | | | | | | | | |
| Trade and other receivables* | 8 | - | 9,010 | - | 9,010 | - | - | - |
| Cash and cash equivalents | 11 | - | 133,754 | - | 133,754 | - | - | - |
| | | - | 142,764 | - | 142,764 | - | - | - |
| Financial liabilities measured at fair value | | | | | | | | |
| Forward exchange contracts | 10 | (111) | - | - | (111) | - | (111) | - |
| Interest rate swaps | 10 | (2,729) | - | - | (2,729) | - | (2,729) | - |
| Embedded derivatives relating to Convertible bonds | 10 | (18,103) | - | - | (18,103) | - | - | (18,103) |
| | | (20,943) | - | - | (20,943) | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Interest-bearing borrowings | 12 | - | - | (2,661,574) | (2,661,574) | - | - | (2,663,526) |
| Security deposits | | - | - | (60,593) | (60,593) | - | - | (58,239) |
| Convertible bonds | 14 | - | - | (279,590) | (279,590) | - | - | (273,648) |
| Trade and other payables [^] | 13 | - | - | (43,616) | (43,616) | - | - | - |
| | | - | - | (3,045,373) | (3,045,373) | - | - | - |

* Excludes prepayments.

[^] Excludes deferred income.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Group and Trust

| Type | Valuation technique | Key unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|--|---|---|---|
| Embedded derivatives relating to convertible bonds | Discounted cash flows and market comparison technique: The fair value of the embedded derivative is the difference between the fair value of the convertible bonds based on broker quotes and the fair value of the liability component of the convertible bonds, determined using the discounted cash flows approach. The valuation requires management to estimate the expected cash flows over the life of the convertible bonds to investors, which are not evidenced by observable market data. | Discount rate – 2.99% - 3.21% (2016: 3.69%) | The estimated fair value of the embedded derivatives relating to convertible bonds would increase if the discount rate was lower. |
| Forward exchange contracts and Interest rate swaps | Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and quotes reflect the actual transactions in similar instruments. | Not applicable | Not applicable |

Financial instruments not measured at fair value

| Type | Valuation technique | Key unobservable inputs |
|------------------------|-----------------------|---|
| Group and Trust | | |
| Fixed rate borrowings | Discounted cash flows | Discount rate – 2.81% - 3.27% (2016: 2.81% - 3.31%) |
| Security deposits | Discounted cash flows | Discount rate – 2.26% (2016: 1.84% - 1.85%) |

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings which reprice within three months) are assumed to approximate their fair values because of the short period to maturity or repricing.

(ii) Transfer between Level 1 and 2

During the financial year ended 31 December 2017, there were no transfers between Level 1 and Level 2.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (CONT'D)

(iii) Level 3 fair values

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

| | Group and Trust | |
|---|-----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Embedded derivatives relating to convertible bonds | | |
| At 1 January | (18,103) | (7,895) |
| Amount classified as derivative liabilities (note 14) | (24,695) | (17,599) |
| Changes in fair value recognised in the statement of total return | 4,317 | 7,391 |
| At 31 December | (38,481) | (18,103) |

Sensitivity analysis

If the discount rate assumption applied by management were 5.0% favourable or unfavourable with all other variables held constant, the fair value of the embedded derivative relating to the convertible bonds would decrease/(increase) by \$3,213,000 (2016: \$2,390,000) and (\$3,181,000) (2016: (\$2,367,000)) respectively. The analysis is performed on the same basis as 2016.

16. NON-CONTROLLING INTERESTS

The following subsidiaries have material Non-Controlling Interests ("NCI"):

| Name | Principal places of business/Country of incorporation | Effective interests held by NCI | |
|--|---|---------------------------------|-----------|
| | | 2017 % | 2016 % |
| Harmony Investors Group Limited subgroup ("Harmony") | Singapore | 39.2 | 39.2 |
| Harmony Partners Investment Limited ("HPIL") | British Virgin Islands | 49.0 | 49.0 |

The following summarises the financial information of each of the Group's subsidiaries with material NCI based on their respective financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

| | Harmony \$'000 | HPIL* \$'000 | Intra-group elimination \$'000 | Total \$'000 |
|---|-------------------|-----------------|--------------------------------------|-----------------|
| 2017 | | | | |
| Revenue | 78,339 | – | – | 78,339 |
| Total return for the year | 22,235 | 11,999 | (12,000) | 22,234 |
| Total return attributable to NCI for the year | 8,716 | 5,880 | (5,880) | 8,716 |
| Non-current assets | 701,727 | 58,730 | | |
| Current assets | 44,925 | – | | |
| Non-current liabilities | (374,405) | (55,200) | | |
| Current liabilities | (42,164) | (10) | | |
| Net assets | 330,083 | 3,520 | | |
| Net assets attributable to NCI | 129,393 | 1,725 | (3,217) | 127,901 |
| Cash flows from operating activities | 5,818 | – | | |
| Cash flows used in investing activities | (1,996) | – | | |
| Cash flows used in financing activities (dividends to NCI: \$5,880,000) | (3,578) | – | | |
| Net increase in cash and cash equivalents | 244 | – | | |

* The Company did not prepare a cashflow statement. All expenses and receipts of the Company are paid/received by its subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

16. NON-CONTROLLING INTERESTS (CONT'D)

| | Harmony \$'000 | HPIL* \$'000 | Intra-group elimination \$'000 | Total \$'000 |
|---|-------------------|-----------------|--------------------------------------|-----------------|
| 2016 | | | | |
| Revenue | 80,165 | – | | |
| Total return for the year | 30,450 | 5,735 | | |
| Total return attributable to NCI for the year | 11,937 | 2,810 | – | 14,747 |
| Non-current assets | 688,000 | 58,730 | | |
| Current assets | 41,120 | – | | |
| Non-current liabilities | (431,285) | (55,200) | | |
| Current liabilities | (39,648) | (10) | | |
| Net assets | 258,187 | 3,520 | | |
| Net assets attributable to NCI | 101,209 | 1,725 | 21,395 | 124,329 |
| Cash flows from operating activities | 8,886 | – | | |
| Cash flows used in investing activities | (2,049) | – | | |
| Cash flows used in financing activities (dividends to NCI: \$7,840,000) | (11,676) | – | | |
| Net decrease in cash and cash equivalents | (4,839) | – | | |

* The Company did not prepare a cashflow statement. All expenses and receipts of the Company are paid/received by its subsidiary.

17. UNITS IN ISSUE

| | Group and Trust | |
|---|-----------------|--------------|
| | 2017 '000 | 2016 '000 |
| Units in issue: | | |
| At 1 January | 2,536,663 | 2,521,239 |
| Issue of Units: | | |
| - conversion of convertible bonds to Units | 95,690 | – |
| - asset management fees paid in Units | 20,083 | 15,424 |
| At 31 December | 2,652,436 | 2,536,663 |
| Units to be issued: | | |
| - conversion of the 2021 Bonds to Units* | 121 | – |
| - asset management fees payable in Units | 8,415 | 10,785 |
| Total issued and issuable Units at 31 December | 2,660,972 | 2,547,448 |

* On 25 January 2018, the Trust issued 121,359 Units, as a result of the receipt of the conversion notice for the conversion of \$250,000 in principal amount of the 2021 Bonds with a conversion price of \$2.06.

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust and available for purposes of such distribution less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and

NOTES TO THE FINANCIAL STATEMENTS

17. UNITS IN ISSUE (CONT'D)

- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is the lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The Unitholders cannot give any directions to the Manager or the Trustee (whether at a meeting of Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- the Trust ceasing to comply with the Listing Manual issued by SGX-ST or the Property Funds Appendix; or
- the exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter for which the agreement of either or both the Trustee and the Manager is required under the Trust Deed.

A Unitholder's liability is limited to the amount paid or payable for any Units. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

18. NET ASSET VALUE PER UNIT

| | Note | Group | | Trust | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Net asset value per Unit is based on: | | | | | |
| Net assets attributable to Unitholders | | 5,639,074 | 5,468,935 | 4,954,212 | 4,835,536 |
| | | '000 | '000 | '000 | '000 |
| Total issued and issuable Units at 31 December | 17 | 2,660,972 | 2,547,448 | 2,660,972 | 2,547,448 |

19. GROSS REVENUE

| | Group | | Trust | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Gross rental income | 353,720 | 328,336 | 234,724 | 233,655 |
| Dividend income | – | – | 109,118 | 101,919 |
| Others | 476 | 259 | 264 | 184 |
| | 354,196 | 328,595 | 344,106 | 335,758 |

Included in gross rental income of the Group and the Trust are contingent rents amounting to \$3,423,000 (2016: \$2,520,000) and \$2,593,000 (2016: \$1,791,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

20. PROPERTY EXPENSES

| | Group | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Advertising and promotion expenses | 5,868 | 6,666 | 4,199 | 4,972 |
| Allowance for doubtful receivables (net) | 1,901 | 627 | 1,883 | 541 |
| Depreciation of plant and equipment | 1,189 | 1,091 | 215 | 223 |
| Loss on disposal of plant and equipment | 15 | 11 | – | – |
| Maintenance expenses | 7,775 | 5,121 | 260 | 146 |
| Contributions to maintenance funds | 20,144 | 20,144 | 16,781 | 16,781 |
| Property management fees (including reimbursables) | 22,430 | 25,067 | 7,050 | 7,002 |
| Property tax | 24,361 | 22,074 | 20,770 | 19,902 |
| Utilities | 3,257 | 3,094 | – | 47 |
| Agency commission | 3,232 | 3,910 | 2,462 | 3,250 |
| Food and beverages related cost | 4,137 | 4,282 | – | – |
| Others | 15,430 | 11,933 | 1,450 | 889 |
| | <u>109,739</u> | <u>104,020</u> | <u>55,070</u> | <u>53,753</u> |

Property expenses represent the direct operating expenses arising from rental of investment properties and sale of food and beverages.

21. FINANCE INCOME AND FINANCE COSTS

| | Group | | Trust | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Interest income: | | | | |
| - bank deposits | 536 | 686 | 411 | 613 |
| - loan to joint ventures | 19,661 | 23,090 | 19,661 | 23,090 |
| - progress payments | – | 13,195 | – | – |
| - interest rate swaps | – | 1,676 | – | 1,676 |
| Net foreign exchange gain | 887 | 874 | – | 3,343 |
| Finance income | <u>21,084</u> | <u>39,521</u> | <u>20,072</u> | <u>28,722</u> |
| Interest expense: | | | | |
| - bank loans | (63,148) | (69,132) | (56,604) | (61,016) |
| - convertible bonds | (2,826) | (2,531) | (2,826) | (2,531) |
| - interest rate swaps | (9,966) | (5,070) | (8,000) | (3,706) |
| Amortisation of transaction costs | (20,752) | (17,493) | (20,276) | (17,017) |
| Net foreign exchange loss | – | – | (1,027) | – |
| Finance costs | <u>(96,692)</u> | <u>(94,226)</u> | <u>(88,733)</u> | <u>(84,270)</u> |
| Recognised in the statement of total return | <u>(75,608)</u> | <u>(54,705)</u> | <u>(68,661)</u> | <u>(55,548)</u> |

NOTES TO THE FINANCIAL STATEMENTS

22. ASSET MANAGEMENT FEES

Included in the asset management fees of the Group and the Trust is an aggregate of 17,713,987 (2016: 20,534,550) Units, amounting to \$35,022,000 (2016: \$34,278,000), that have been or will be issued to the Manager in satisfaction of the asset management fees payable in Units.

23. OTHER EXPENSES

Included in other charges are the following items:

| | Group | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Non-audit fees paid to auditors of the Trust | 260 | 222 | 90 | 118 |

24. TAX EXPENSE

| | Note | Group | | Trust | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Current tax expense | | | | | |
| Current year | | – | 2,351 | – | – |
| Adjustment for prior years | | 1 | 44 | 1 | 44 |
| Withholding tax | | 2,315 | 2,406 | 134 | 824 |
| | | 2,316 | 4,801 | 135 | 868 |
| Deferred tax expense | | | | | |
| Origination and reversal of temporary differences | | 11,450 | 11,032 | – | – |
| Adjustment for prior years | | 4,524 | (1,637) | – | – |
| | 9 | 15,974 | 9,395 | – | – |
| Total tax expense | | 18,290 | 14,196 | 135 | 868 |

Reconciliation of effective tax rate

| | Group | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Total return for the year before tax | 247,304 | 275,489 | 169,560 | 188,191 |
| Less: Share of profit of joint ventures | (80,340) | (84,902) | – | – |
| | 166,964 | 190,587 | 169,560 | 188,191 |
| Income tax using the Singapore tax rate of 17% (2016: 17%) | 28,384 | 32,400 | 28,825 | 31,992 |
| Non-tax deductible items | 11,852 | 10,519 | 11,264 | 10,621 |
| Non-taxable income | (7,608) | (7,707) | (361) | (3,457) |
| Withholding tax | 2,315 | 2,406 | 134 | 824 |
| Tax exempt income | – | – | (6,058) | (4,628) |
| Tax transparency | (21,178) | (21,829) | (33,670) | (34,528) |
| Under/(Over)provided in prior years | 4,525 | (1,593) | 1 | 44 |
| Total tax expense | 18,290 | 14,196 | 135 | 868 |

NOTES TO THE FINANCIAL STATEMENTS

25. EARNINGS PER UNIT

Basic earnings per Unit is based on:

| | Group | | Trust | |
|---|---------|---------|---------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Total return for the year after tax attributable to Unitholders | 220,298 | 246,546 | 169,425 | 187,323 |

| | Number of Units | | | |
|---|-----------------|-----------|-----------|-----------|
| | Group | | Trust | |
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Weighted average number of Units: | | | | |
| - outstanding during the year | 2,609,055 | 2,531,808 | 2,609,055 | 2,531,808 |
| - to be issued as payment of asset management fees payable in Units | 23 | 29 | 23 | 29 |
| | 2,609,078 | 2,531,837 | 2,609,078 | 2,531,837 |

In calculating diluted earnings per Unit, the total return for the year after tax and weighted average number of Units in issue are adjusted to take into account the dilutive effect arising from the dilutive Bonds, with the potential Units weighted for the year outstanding.

| | Group | | Trust | |
|---|---------|---------|---------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Total return for the year after tax attributable to Unitholders | 220,298 | 246,546 | 169,425 | 187,323 |
| Loss impact of conversion of the dilutive potential Units | – | (4,829) | – | (4,829) |
| Adjusted total return for the year after tax | 220,298 | 241,717 | 169,425 | 182,494 |

| | Number of Units | | | |
|--|-----------------|-----------|-----------|-----------|
| | Group | | Trust | |
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Weighted average number of Units used in calculation of basic earnings per Unit | 2,609,078 | 2,531,837 | 2,609,078 | 2,531,837 |
| Weighted average number of Units to be issued assuming conversion of the asset management fees/Bonds | 12,973 | 54,364 | 12,973 | 54,364 |
| Weighted average number of Units used in calculation of diluted earnings per Unit | 2,622,051 | 2,586,201 | 2,622,051 | 2,586,201 |

As at 31 December 2017, the Group and the Trust had Bonds which were convertible into approximately 179,767,328 (2016: 142,789,148) Units.

NOTES TO THE FINANCIAL STATEMENTS

26. OPERATING SEGMENTS

For the purpose of making resource allocation decisions and assessing segment performance, the Group's chief operating decision maker reviews internal/management reports of its retail, office and convention business segments. The nature of the leases (lease of retail, office, convention or other space) is the factor used to determine the reportable segments. As the retail, office and convention segments of each property are similar in economic characteristics, nature of services and type of customer, the retail, office and convention segments of each property are aggregated accordingly to form the retail, office and convention reportable segments. This forms the basis of identifying the operating segments of the Group under FRS 108 *Operating Segments*.

Segment revenue comprises mainly income generated from its tenants. Segment net property income represents the income earned by each segment after allocating property operating expenses. This is the measure reported to the chief operating decision maker for the purpose of assessing segment performance.

Unallocated items comprise mainly other income, trust-related income and expenses, changes in fair value of investment properties and tax expense.

Segment information in respect of the Group's geographical segments is not separately presented as the Group's activities for the year ended 31 December 2017 and 31 December 2016 related mainly to properties located in Singapore, except for 177 Pacific Highway located in Australia.

Information regarding the Group's reportable segments is presented in the table below.

Information about reportable segments

| | ← Office → | | | ← Retail → Convention | | | | Total \$'000 |
|---|--------------------------|------------------------|-------------------------------------|--------------------------|------------------------|-------------------------------|-------------------------------|-----------------|
| | Suntec City \$'000 | Park Mall \$'000 | 177 Pacific Highway \$'000 | Suntec City \$'000 | Park Mall \$'000 | Suntec Singapore \$'000 | Suntec Singapore \$'000 | |
| 2017 | | | | | | | | |
| Gross revenue | 134,783 | – | 40,870 | 100,205 | – | 18,629 | 59,709 | 354,196 |
| Property expenses | (26,237) | – | (5,506) | (28,833) | – | (4,241) | (44,922) | (109,739) |
| Reportable segment net property income | 108,546 | – | 35,364 | 71,372 | – | 14,388 | 14,787 | 244,457 |
| 2016 | | | | | | | | |
| Gross revenue | 132,709 | 218 | 14,591 | 100,675 | 237 | 20,816 | 59,349 | 328,595 |
| Property expenses | (27,232) | 335 | (1,492) | (27,415) | 558 | (5,068) | (43,706) | (104,020) |
| Reportable segment net property income | 105,477 | 553 | 13,099 | 73,260 | 795 | 15,748 | 15,643 | 224,575 |

NOTES TO THE FINANCIAL STATEMENTS

26. OPERATING SEGMENTS (CONT'D)

Reconciliation of reportable segment net property income

| | Group | |
|--|----------------|----------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Total return | | |
| Reportable segment net property income | 244,457 | 224,575 |
| Unallocated amounts: | | |
| - Net finance costs | (75,608) | (54,705) |
| - Asset management fees | (47,315) | (46,250) |
| - Other trust expenses | (3,688) | (3,508) |
| - Net change in fair value of financial derivatives | (5,506) | (423) |
| - Net change in fair value of investment properties | 54,624 | 70,898 |
| - Share of profit of joint ventures | 80,340 | 84,902 |
| Consolidated total return for the year before tax | <u>247,304</u> | <u>275,489</u> |

27. COMMITMENTS

| | Group | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (a) Capital commitments | | | | |
| Capital expenditure contracted but not provided for | 414,933 | - | - | - |
| Loan facilities to joint ventures | 553,878 | 614,582 | 553,878 | 556,078 |
| | <u>968,811</u> | <u>614,582</u> | <u>553,878</u> | <u>556,078</u> |

- (b) The Group and the Trust lease out their investment properties. Non-cancellable operating lease rentals receivable are as follows:

| | Group | | Trust | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables: | | | | |
| - Within 1 year | 255,710 | 259,090 | 207,689 | 212,961 |
| - After 1 year but within 5 years | 448,760 | 424,786 | 284,223 | 260,391 |
| - More than 5 years | 141,347 | 165,238 | 18,407 | 3,381 |
| | <u>845,817</u> | <u>849,114</u> | <u>510,319</u> | <u>476,733</u> |

Investment properties comprise commercial properties that are leased to external customers. The leases contain an initial non-cancellable period of between three and twelve years. Subsequent renewals are negotiated with the lessees.

NOTES TO THE FINANCIAL STATEMENTS

28. CONTINGENT LIABILITY

Pursuant to the tax transparency ruling from IRAS, the Trustee and the Manager have provided a tax indemnity for certain types of tax losses, including unrecovered late payment penalties that may be suffered by IRAS should IRAS fails to recover from Unitholders tax due or payable on distributions made to them without deduction of tax, subject to the indemnity amount agreed with IRAS. The amount of indemnity, as agreed with IRAS, is limited to the higher of \$500,000 or 1.0% of the taxable income of the Trust for the financial year. Each yearly indemnity has a validity period of the earlier of seven years from the relevant year of assessment and three years from the termination of the Trust.

29. FINANCIAL RATIOS

| | Group | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Expenses to weighted average net assets ¹ | | | | |
| - including performance component of asset management fees | 0.92 | 0.92 | 0.95 | 0.95 |
| - excluding performance component of asset management fees | 0.64 | 0.64 | 0.65 | 0.64 |
| Portfolio turnover rate ² | - | - | - | - |

¹ The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group and the Trust, excluding property expenses, interest expense and income tax expense.

² The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group and the Trust expressed as a percentage of daily average net asset value.

30. RELATED PARTIES

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

| | Group | |
|--|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Acquisition fees paid to the Manager | 660 | 2,837 |
| Asset management fees paid/payable to a related corporation of the Manager | 3,629 | 3,489 |
| Agency commission paid/payable to a related corporation of the Manager | 3,232 | 4,035 |
| Rental income received/receivable from an associate of the Manager | 1,713 | 1,671 |
| Rental income received/receivable from related corporations of the Manager | 1,047 | 1,109 |
| Property management fees paid/payable (including reimbursable) to related corporations of the Manager | 22,359 | 25,207 |
| Professional services fees paid/payable to related corporations of the Manager | 1,080 | 1,124 |
| | | |
| | Trust | |
| | 2017 \$'000 | 2016 \$'000 |
| Acquisition fees paid to the Manager | 660 | 2,837 |
| Agency commission paid/payable to a related corporation of the Manager | 2,462 | 3,363 |
| Rental income received/receivable from an associate of the Manager | 1,713 | 1,671 |
| Rental income received/receivable from related corporations of the Manager | 636 | 1,109 |
| Property management fees paid/payable (including reimbursable) to a related corporation of the Manager | 7,050 | 7,002 |
| Professional services fees paid/payable to related corporations of the Manager | 1,080 | 1,124 |

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT

The Group has exposure to credit risk, liquidity risk and market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risk. The Manager monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors of the Manager oversees how management of the Manager monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board is assisted in its oversight role by the Audit Committee. The Audit Committee undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

The Manager has established credit limits for tenants and monitors their balances on an on-going basis. Credit evaluations are performed by the Manager before lease agreements are entered into with tenants. The Group establishes an allowance for impairment, based on a specific loss component that relates to individually significant exposures, that represents its estimate of incurred losses in respect of trade and other receivables.

Cash and fixed deposits are placed with financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that are credit worthy.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Manager monitors and observes limits on total borrowings according to the CIS Code issued by the MAS.

The Group has a US\$1,500.0 million (US\$1,500.0 million) (approximately \$1,967.6 million)(2016: approximately \$2,170.2 million) EMTN programme, of which \$615.0 million (2016: \$415.0 million) was utilised as at 31 December 2017 (2016: as at 31 December 2016).

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, which will affect the Group's total return or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

As at 31 December 2017, the Group has entered into interest rate swaps with a total notional amount of \$1,470.0 million (2016: \$1,320.0 million) whereby the Group has agreed with counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured and unsecured term loans.

Currency risk

The Group is exposed to currency risk on distributions from its Australia operations. In 2017, the Group entered into forward currency contracts with a total notional amount of \$8.0 million (2016: \$19.4 million) whereby the Group agreed with counterparties to exchange Australian dollar at specified rates, on specified dates.

Capital management

The Board of Directors of the Manager reviews the Group's capital management policy regularly so as to optimise Unitholders' return through a mix of available capital sources. The Group monitors its gearing ratio and maintains it within the approved limits. The Group assesses its capital management approach as a key part of the Group's overall strategy, and this is continuously reviewed by the Manager. The Group's gearing stood at 35.0% (2016: 36.4%) as at 31 December 2017.

The Group is subject to the aggregate leverage limit as defined in the Property Funds Appendix. The Property Funds Appendix stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's deposited property. The Group complied with the stipulated Aggregate Leverage limit.

There were no changes in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

32. SUBSEQUENT EVENT

Subsequent to 31 December 2017, the Manager declared distribution of 2.604 cents per unit in respect of the period 1 October 2017 to 31 December 2017 which was paid on 27 February 2018.

On 27 February 2018, Dexus Southgate Trust ("Dexus Trust") exercised the put option to sell the balance 50% interest in Southgate Complex to Southgate Trust, pursuant to a put and call option agreement which was previously entered into between Dexus Trust, Southgate Trust and Suntec Southgate Trust. Southgate Trust is jointly held by the Trust (through Suntec REIT (Australia) Trust) and PIP Southgate Sub-Trust in the proportion of 50:50.

On 28 February 2018, the Trust issued 121,359 Units, as a result of the receipt of the conversion notice for the conversion of \$250,000 in principal amount of the 2021 Bonds with a conversion price of \$2.06.

33. ADOPTION OF NEW STANDARDS

Applicable to 2018 financial statements

The following new FRSs, amendments to and interpretations of FRS are effective from the same date, 1 January 2018:

- FRS 115 *Revenue from Contracts with Customers* and Amendments to FRS 115 *Clarifications to FRS 115*;
- FRS 109 *Financial Instruments*;
- *Transfers of Investment Property* (Amendments to FRS 40); and
- INT FRS 122 *Foreign Currency Transactions and Advance Consideration*

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for FRS 109.

FRS 109

FRS 109 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. Changes in accounting policies resulting from the adoption of FRS 109 will generally be applied by the Group retrospectively, except as described below:

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018:
 - The determination of the business model within which a financial asset is held.
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL").
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under FRS 109 at 1 January 2018 will be regarded as continuing hedging relationships.

The expected impact on adoption of FRS 109 are described below:

(i) Classification and measurement

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model. For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value.

NOTES TO THE FINANCIAL STATEMENTS

33. ADOPTION OF NEW STANDARDS (CONT'D)

(ii) Impairment

FRS 109 replaces the current 'incurred loss' model with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income ("FVOCI"), except for investments in equity investments, and certain loan commitments and financial guarantee contracts.

Under FRS 109, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables, and is currently finalising the testing of its expected credit loss model. The Group does not expect a significant increase to its impairment loss allowance on adoption of FRS 109.

Applicable to financial statements for the year 2019 and thereafter

Of the new FRS, amendments to and interpretations of FRS that are effective for annual periods beginning after 1 January 2018, FRS 116 *Leases* is expected to result in more extensive disclosures being made in the Group's financial statements.

FRS 116, which replaces the existing lease accounting guidance, is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under FRS 116.

(i) The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

(ii) The Group as lessor

FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

STATISTICS OF UNITHOLDERS

DISTRIBUTION OF UNITHOLDINGS

As at 26 February 2018

| Size of Unitholdings | No. of Unitholders | % | No. of Units | % |
|----------------------|--------------------|---------------|----------------------|---------------|
| 1 - 99 | 27 | 0.14 | 541 | 0.00 |
| 100 - 1,000 | 3,783 | 20.29 | 3,655,233 | 0.14 |
| 1,001 - 10,000 | 11,085 | 59.46 | 55,082,191 | 2.07 |
| 10,001 - 1,000,000 | 3,715 | 19.93 | 177,222,925 | 6.66 |
| 1,000,001 AND ABOVE | 34 | 0.18 | 2,425,011,450 | 91.13 |
| Total | 18,644 | 100.00 | 2,660,972,340 | 100.00 |

TWENTY LARGEST UNITHOLDERS

| No. | Name | No. of Units | % |
|--------------|--|----------------------|--------------|
| 1 | Citibank Nominees Singapore Pte Ltd | 1,011,158,526 | 38.00 |
| 2 | DBS Nominees (Private) Limited | 447,778,195 | 16.83 |
| 3 | United Overseas Bank Nominees (Private) Limited | 200,300,870 | 7.53 |
| 4 | HSBC (Singapore) Nominees Pte Ltd | 191,622,229 | 7.20 |
| 5 | Raffles Nominees (Pte) Limited | 106,428,615 | 4.00 |
| 6 | DBSN Services Pte. Ltd. | 94,980,516 | 3.57 |
| 7 | DBS Vickers Securities (Singapore) Pte Ltd | 94,540,600 | 3.55 |
| 8 | Straits Real Estate Pte Ltd | 38,312,000 | 1.44 |
| 9 | ARA Trust Management (Suntec) Limited | 36,577,801 | 1.37 |
| 10 | WTP Investment (Overseas) Limited | 33,523,485 | 1.26 |
| 11 | Sword Investments Private Ltd | 33,494,000 | 1.26 |
| 12 | ARA Real Estate Investors XIII Limited | 26,975,014 | 1.01 |
| 13 | WII Pte. Ltd. | 16,656,900 | 0.63 |
| 14 | DB Nominees (Singapore) Pte Ltd | 15,308,865 | 0.58 |
| 15 | PCK Corporation | 13,649,414 | 0.51 |
| 16 | Chow Chung Kai | 11,041,785 | 0.41 |
| 17 | BNP Paribas Securities Services Singapore Branch | 8,665,232 | 0.33 |
| 18 | Tecity Management Pte Ltd | 6,684,000 | 0.25 |
| 19 | OCBC Nominees Singapore Private Limited | 4,572,500 | 0.17 |
| 20 | Merrill Lynch (Singapore) Pte Ltd | 4,290,986 | 0.16 |
| Total | | 2,396,561,533 | 90.06 |

STATISTICS OF UNITHOLDERS

HOLDER OF 1.75% CONVERTIBLE BONDS DUE 2021

| | |
|-----------------------------|--|
| Due Date: | 5 September 2021 |
| Initial Conversion Premium: | 20% over reference unit price |
| Conversion Price: | S\$2.101 per unit [#] |
| Redemption Price: | 100% of principal amount |
| Conversion Period: | At any time from 16 October 2016 until 29 August 2021, being the date falling 7 days prior to maturity date |

The S\$300 million 1.75% convertible bonds due 2021 issued by HSBC Institutional Trust Services (Singapore) Limited in its capacity as trustee of Suntec Real Estate Investment Trust ("Suntec REIT") on 5 September 2016 (the "2021 Bonds") are represented by a Global Certificate registered in the name of The Bank of New York Depository (Nominees) Limited, which is a nominee of the common depository for and holding the bonds on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, S.A. ("Clearstream").

On 12 April 2017, Suntec REIT announced the occurrence of a Change of Control Event within the meaning of Condition 7.5(d) (ii)(A) of the terms and conditions of the 2021 Bonds (the "Terms and Conditions"). Pursuant to Condition 7.5(a) of the Terms and Conditions, the conversion price was adjusted from S\$2.06 to S\$1.74.

During the Change of Control Period, (i) conversion notices for the conversion of S\$166.5 million in principal amount of the 2021 Bonds were received pursuant to Condition 7.5(a) of the Terms and Conditions and (ii) redemption notices for the redemption of S\$45.5 million in principal amount of the 2021 Bonds were received pursuant to Condition 7.6 of the Terms and Conditions.

Pursuant to the aforementioned conversion notices received, S\$166.5 million in principal amount of the 2021 Bonds were converted and cancelled in accordance with the Terms and Conditions and 95,689,646 new units in Suntec REIT ("New Units") were issued on 29 May 2017 at a conversion price of S\$1.74 per New Unit. S\$45.5 million in principal amount of the 2021 Bonds were also redeemed and cancelled on 30 May 2017 in accordance with Condition 7.6 of the Terms and Conditions.

Accordingly, S\$212.0 million in principal amount of the 2021 Bonds had been converted or redeemed (as the case may be) and cancelled in accordance with the Terms and Conditions.

As at the latest practicable date, The Bank of New York Depository (Nominees) Limited, is entered in the register of holders as the holder of the outstanding S\$88.0 million in principal amount of the 2021 Bonds. The identity of the holders of the beneficial interests in the 2021 Bonds is not currently known.

As at the latest practicable date, 55.0 per cent, 33.8 per cent and 1.2 per cent of the net proceeds from the issue had been utilised to fund the acquisition of an interest in Southgate Complex, partially refinance Suntec REIT's existing debt and fund capital expenditure in Southgate Complex respectively. Such use is in accordance with the stated use and in accordance with the percentage of the net proceeds of the issue allocated to such use as announced on 11 August 2016. The Manager will make further announcements via SGXNET when the remaining net proceeds of the issue are materially disbursed.

[#] The conversion price of the Bonds was adjusted to S\$2.06 per unit with effect from 28 February 2017.

HOLDER OF 1.75% CONVERTIBLE BONDS DUE 2024

| | |
|-----------------------------|---|
| Due Date: | 30 November 2024 |
| Initial Conversion Premium: | 12% over reference unit price |
| Conversion Price: | S\$2.189 per unit |
| Redemption Price: | 100% of principal amount |
| Conversion Period: | At any time from 9 January 2018 until 23 November 2024, being the date falling 7 days prior to maturity date |

The S\$300 million 1.75% convertible bonds due 2024 issued by HSBC Institutional Trust Services (Singapore) Limited in its capacity as trustee of Suntec REIT on 30 November 2017 (the "2024 Bonds") are represented by a Global Certificate registered in the name of The Bank of New York Depository (Nominees) Limited, which is a nominee of the common depository for and holding the bonds on behalf of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

As at the latest practicable date, The Bank of New York Depository (Nominees) Limited, is entered in the register of holders as the holder of S\$300 million in principal amount of the 2024 Bonds. The identity of the holders of the beneficial interests in the 2024 Bonds is not currently known.

100.0 per cent of the net proceeds from the issue had been utilised to partially refinance Suntec REIT's existing debt. Such use is in accordance with the stated use and in accordance with the percentage of the net proceeds of the issue allocated to such use as announced on 8 November 2017.

STATISTICS OF UNITHOLDERS

SUBSTANTIAL UNITHOLDINGS

As at 26 February 2018

As shown in the Register of Substantial Unitholders

| Name | Number of Units | |
|--|-----------------|-----------------|
| | Direct Interest | Deemed Interest |
| ARA Asset Management Limited ⁽¹⁾ | 0 | 153,256,038 |
| ARA RE Investment Group (Singapore) Pte. Ltd. ⁽²⁾ | 0 | 126,753,699 |
| ARA RE Investment Group Limited ⁽²⁾ | 0 | 126,753,699 |
| The Straits Trading Company Limited ⁽³⁾ | 0 | 255,062,038 |
| The Cairns Pte. Ltd. ⁽⁴⁾ | 0 | 255,062,038 |
| Raffles Investments Limited ⁽⁵⁾ | 0 | 278,842,107 |
| Aequitas Pte. Ltd. ⁽⁶⁾ | 0 | 278,842,107 |
| Tecity Pte. Ltd. ⁽⁷⁾ | 0 | 278,842,107 |
| Dr Tan Kheng Lian ⁽⁸⁾ | 968,000 | 278,842,107 |
| Tan Chin Tuan Pte. Ltd. ⁽⁹⁾ | 0 | 278,842,107 |
| BlackRock, Inc. ⁽¹⁰⁾ | 0 | 212,379,665 |
| The PNC Financial Services Group, Inc. ⁽¹¹⁾ | 0 | 212,379,665 |
| Tang Gordon @ Tang Yigang @ Tang Gordon ⁽¹²⁾ | 256,134,532 | 0 |
| Celine Tang @ Chen Huaidan @ Celine Tang ⁽¹²⁾ | 175,026,200 | 0 |
| Athena Investment Company (Cayman) Limited ⁽¹³⁾ | 0 | 164,040,613 |
| Athena Investment Company (Singapore) Pte. Limited ⁽¹⁴⁾ | 0 | 164,040,613 |
| AVICT Dragon Holdings Limited ⁽¹⁵⁾ | 0 | 164,040,613 |
| AVICT Phoenix Holdings Limited ⁽¹⁶⁾ | 0 | 164,040,613 |
| AVIC Trust Co., Ltd. ⁽¹⁷⁾ | 0 | 164,040,613 |
| China Aviation Investment Holdings Co., Ltd. ⁽¹⁸⁾ | 0 | 164,040,613 |
| AVIC Capital Co., Ltd. ⁽¹⁹⁾ | 0 | 164,040,613 |
| Aviation Industry Corporation of China ⁽²⁰⁾ | 0 | 164,040,613 |
| Alexandrite Gem Holdings Limited ⁽²¹⁾⁽²⁵⁾ | 0 | 164,040,613 |
| WP Global LLC ⁽²²⁾⁽²⁵⁾ | 0 | 164,040,613 |
| Warburg Pincus Partners II, L.P. ⁽²²⁾⁽²⁵⁾ | 0 | 164,040,613 |
| Warburg Pincus Partners GP LLC ⁽²³⁾⁽²⁵⁾ | 0 | 164,040,613 |
| Warburg Pincus & Co. ⁽²⁴⁾⁽²⁵⁾ | 0 | 164,040,613 |

Notes:

- (1) ARA Asset Management Limited's ("ARA") is the sole shareholder of the Manager. Accordingly, ARA is deemed to have an interest in the Units held by the Manager.
- (2) ARA RE Investment Group (Singapore) Pte. Ltd. ("ARA RIGS") is a wholly-owned subsidiary of ARA, whereby ARA RE Investment Group Limited ("ARA RIG") is a wholly-owned subsidiary of ARA RIGS.
In addition, ARA RIG's wholly-owned subsidiaries, namely ARA Investors II Limited ("ARA Investors II"), ARA Real Estate Investors XII Limited ("ARA RE XII") and ARA Real Estate Investors XIII Limited ("ARA RE XIII"), collectively hold more than 5% of the Units. Accordingly, each of ARA RIGS and ARA RIG is deemed to have an interest in the Units held by ARA Investors II, ARA RE XII and ARA RE XIII.
- (3) The Straits Trading Company Limited ("STC") holds more than 50 per cent. of the voting rights of each of Straits Real Estate Pte. Ltd. ("SRE") and Sword Investments Private Limited ("Sword") and has a deemed interest in the Units held by SRE and Sword.
In addition, STC, through its wholly-owned subsidiaries, Straits Equities Holdings (One) Pte. Ltd. ("SEH One") and Straits Equities Holdings (Two) Pte. Ltd. ("SEH Two"), collectively holds not less than 20 per cent. of the voting rights in ARA. ARA holds more than 50 per cent. of the voting rights of each of the Manager, ARA Investors II, ARA RE XII and ARA RE XIII. Accordingly, STC is deemed to be interested in the Units held by the Manager, ARA Investors II, ARA RE XII and ARA RE XIII.
- (4) The Cairns Pte. Ltd. ("Cairns") holds more than 50 per cent. of the voting rights of STC. Accordingly, Cairns is deemed to have an interest in the Units that STC has a deemed interest in.
- (5) Raffles Investments Limited ("Raffles") holds more than 50 per cent. of the voting rights of Raffles Investments (1993) Pte Ltd ("Raffles 1993"). Accordingly, Raffles is deemed to have an interest in the Units which Raffles 1993 holds.
In addition, Raffles also holds not less than 20 per cent. of the voting rights in Cairns. Accordingly, Raffles is deemed to have an interest in the Units that Cairns has a deemed interest in.
- (6) Aequitas Pte. Ltd. ("Aequitas") holds more than 50 per cent. of the voting rights of Raffles. Accordingly, Aequitas is deemed to have an interest in the Units that Raffles has a deemed interest in.
- (7) Tecity Pte. Ltd. ("Tecity") holds not less than 20 per cent. of the voting rights of Aequitas. Accordingly, Tecity is deemed to have an interest in the Units that Aequitas has a deemed interest in.
- (8) Dr Tan Kheng Lian holds more than 50 per cent. of the voting rights of Tecity. Accordingly, Dr Tan Kheng Lian is deemed to have an interest in the Units that Tecity has a deemed interest in.
- (9) Tan Chin Tuan Pte. Ltd. is deemed to have an interest in the Units through its subsidiaries, Cairns and Aequitas.

STATISTICS OF UNITHOLDERS

(10) BlackRock, Inc. ("BlackRock") holds a deemed interest because it has indirect control through its various subsidiaries as follows:

(1) BlackRock (Luxembourg) S.A., (2) BlackRock (Netherlands) B.V., (3) BlackRock (Singapore) Limited, (4) BlackRock Advisors (UK) Limited, (5) BlackRock Advisors, LLC, (6) BlackRock Asset Management Canada Limited, (7) BlackRock Asset Management Ireland Limited, (8) BlackRock Asset Management North Asia Limited, (9) BlackRock Asset Management Schweiz AG, (10) BlackRock Financial Management, Inc., (11) BlackRock Fund Advisors, (12) BlackRock Fund Managers Ltd, (13) BlackRock Institutional Trust Company, N.A., (14) BlackRock International Limited, (15) BlackRock Investment Management (Australia) Limited, (16) BlackRock Investment Management (UK) Ltd, (17) BlackRock Investment Management, LLC, (18) BlackRock Japan Co Ltd, (19) BlackRock Life Limited, (20) iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, and so therefore deemed to have an interest in the Units held by the aforementioned entities.

(11) The PNC Financial Services Group, Inc. is deemed shareholder through its over 20% ownership of BlackRock, Inc.

(12) Mr Tang Gordon @ Tang Yigang @ Tang Gordon is the spouse of Madam Celine Tang @ Chen Huaidan @ Celine.

(13) Athena Investment Company (Cayman) Limited ("AIC Cayman") holds 100 per cent. of the issued and paid-up share capital of ARA. Accordingly, AIC Cayman is deemed to have an interest in the Units held by ARA.

(14) Athena Investment Company (Singapore) Pte. Limited ("AIC SG") holds 100 per cent. of the voting rights of AIC Cayman. Accordingly, AIC SG is deemed to have an interest in the Units that AIC Cayman has a deemed interest in.

(15) AVICT Dragon Holdings Limited ("AVICT Dragon") holds more than 20 per cent. of the voting rights of AIC SG. Accordingly, AVICT Dragon is deemed to have an interest in the Units that AIC SG has a deemed interest in.

(16) AVICT Phoenix Holdings Limited ("AVICT Phoenix") holds more than 50 per cent. of the voting rights of AVICT Dragon. Accordingly, AVICT Phoenix is deemed to have an interest in the Units that AVICT Dragon has a deemed interest in.

(17) AVIC Trust Co., Ltd. ("AVIC Trust") holds more than 50 per cent. of the voting rights of AVICT Phoenix. Accordingly, AVIC Trust is deemed to have an interest in the Units that AVICT Phoenix has a deemed interest in.

(18) China Aviation Investment Holdings Co., Ltd ("China Aviation") holds more than 50 per cent. of the voting rights of AVIC Trust. Accordingly, China Aviation is deemed to have an interest in the Units that AVIC Trust has a deemed interest in.

(19) AVIC Capital Co., Ltd ("AVIC Capital") holds more than 50 per cent. of the voting rights of China Aviation. Accordingly, AVIC Capital is deemed to have an interest in the Units that China Aviation has a deemed interest in.

(20) Aviation Industry Corporation of China ("AVIC") is wholly-owned by the Central State-Owned Assets Supervision and Administration Commission of the People's Republic of China. AVIC holds more than 20 per cent. of the voting rights of AVIC Capital. Accordingly, AVIC is deemed to have an interest in the Units that AVIC Capital has a deemed interest in.

(21) Alexandrite Gem Holdings Limited ("AGHL") is wholly-owned by certain private equity funds which are limited liability partnerships (the "Funds") managed by Warburg Pincus LLC ("WP LLC"), a New York limited liability company. Warburg Pincus XII, L.P., a Delaware limited partnership ("WP XII GP") and Warburg Pincus China GP, L.P., a Delaware limited partnership ("WPC GP") are the general partners of the Funds. AGHL holds more than 20 per cent. of the voting rights of AIC SG. Accordingly, AGHL is deemed to have an interest in the Units that AIC SG has a deemed interest in.

(22) WP Global LLC, a Delaware limited liability company ("WP Global"), is the general partner of each of WP XII GP and WPC GP.

(23) Warburg Pincus Partners II, L.P., a Delaware limited partnership ("WPP II"), is the managing member of WP Global.

(24) Warburg Pincus Partners GP LLC, a Delaware limited liability company ("WPP GP LLC") is the general partner of WPP II.

(25) Warburg Pincus & Co., a New York general partnership ("WP"), is the managing member of WPP GP LLC.

MANAGER'S DIRECTORS' UNITHOLDINGS

As at 21 January 2018

As shown in the Register of Directors' Unitholdings

| Name of Director | Number of Units | |
|---------------------------------------|-----------------|-----------------|
| | Direct Interest | Deemed Interest |
| Ms Chew Gek Khim | 0 | 0 |
| Mr Lim Hwee Chiang, John ¹ | 1,000,000 | 1,000,000 |
| Mr Chen Wei Ching, Vincent | 400,000 | 0 |
| Mr Chow Wai Wai John | 2,221,729 | 0 |
| Mr Chan Pee Teck, Peter | 0 | 0 |
| Mrs Yu-Foo Yee Shoon | 0 | 0 |
| Mr Chan Kong Leong | 176,000 | 0 |

Note:

¹ Mr Lim Hwee Chiang, John is deemed to have an interest in 1,000,000 units of Suntec REIT held by Citibank Nominees Singapore Pte. Ltd. (as nominee of JL Philanthropy Ltd). The beneficiary of JL Philanthropy Ltd is JL Charitable Settlement and Mr Lim is the settlor of JL Charitable Settlement.

FREE FLOAT

Based on information made available to the Manager as at 26 February 2018, approximately 70.33% of the Units are held in public hands. Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public.

ADDITIONAL INFORMATION

RELATED PARTY TRANSACTIONS

The transactions entered with related parties during the financial period and which fall within the Listing Manual of the SGX-ST and the Property Funds Appendix (excluding transactions of less than \$100,000 each) are as follows:

| | Aggregate value of all RPTs during the financial year under review (excluding transactions of less than \$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) | Aggregate value of all RPTs during the financial year under review conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions of less than \$100,000) |
|---|--|---|
| | \$'000 | \$'000 |
| ARA Trust Management (Suntec) Limited and its associates | | |
| Asset management fees | 47,405 | – |
| Rental income | 2,760 | – |
| Property management fees and reimbursables | 22,359 | – |
| Professional service fees | 1,080 | – |
| Leasing commission | 3,232 | – |
| Acquisition fee | 660 | – |
| HSBC Institutional Trust Services (Singapore) Limited | | |
| Trustee fees | 1,480 | – |
| | 78,976 | – |

FEES PAYABLE TO THE MANAGER

The Manager is committed to delivering value to the stakeholders of Suntec REIT, in addition to its key responsibilities of managing and maintaining the long term interests of all Unitholders.

The Manager is entitled to the following fees for the management of Suntec REIT, which cover an extensive scope of functions including but not limited to asset management (including asset enhancements), financing, investment management, marketing and investor relations:

- (1) a base fee of 0.3% per annum of the value of the properties of Suntec REIT (as defined under Clause 15.1.1 of the Trust Deed). Pursuant to Clause 15.1.4 of the Trust Deed, the base fee is paid monthly or quarterly, in arrears, in the form of cash and/or Units, as the Manager may elect. The Base Fee, which is based on a fixed percentage of the value of the assets of the Trust, commensurates with the complexity and efforts required of the Manager in managing the Trust.
- (2) a performance fee equal to 4.5% per annum of the Net Property Income of Suntec REIT or any special purpose vehicles for each financial year (as defined under Clause 15.1.2 in the Trust Deed). The performance fee is paid in the form of cash and/or Units, as the Manager may elect. The performance fee methodology is reflective of the alignment of interests between the Manager and the Unitholders in incentivising the Manager to drive higher income yields for Suntec REIT. The Manager is incentivised to review the growth potential of the assets in the portfolio, and improve the long-term performance of such assets on a sustainable basis (as opposed to taking excessive short-term risks) through proactive management including undertaking effective leasing strategies and asset enhancement/repositioning initiatives and achieving cost efficiencies.

ADDITIONAL INFORMATION

In accordance with the Code on Collective Investment Schemes dated 1 January 2016 ("CIS Code"), crystallisation of the Performance Fee should be no more frequent than once a year. Therefore, with effect from FY 2016, the Performance Fee payable in the form of Units and/or cash will be paid on an annual basis in arrears, subsequent to the end of the applicable financial year.

In addition, the Manager is entitled to an acquisition fee¹ which is paid in the form of cash after the completion of an acquisition. The Manager is also entitled to a divestment fee¹ which is paid in cash after the completion of a divestment. Details of the fee structure of the acquisition fee and divestment fee are set out in Note 1 to the Financial Statements herein (and Clause 15.2.1 of the Trust Deed). The acquisition fee and divestment fee payable to the Manager are to recognise the Manager's efforts in actively seeking potential opportunities to acquire new properties and/or in unlocking the underlying value of existing properties within its asset portfolio through divestments to optimise returns to the Unitholders. The Manager provides these services over and above the provision of ongoing management services with an aim to generate long term benefits for the Unitholders.

Note:

¹ In the case of an interested party transaction, the fee is paid in the form of Units at the prevailing market price and such Units should not be sold within one year from their date of issuance as stipulated in the CIS Code.

| | \$'000 |
|---|---------------|
| Total operating expenses, including all fees, charges and reimbursables paid to the Manager and interested parties ^{(1) (2)} | 174,016 |
| Net assets | 5,766,975 |
| Percentage of total operating expenses to Net assets | 3% |

Notes:

¹ Excludes finance costs.

² Includes one-third interest in One Raffles Quay Pte Ltd, one-third interest in BFC Development LLP, 60.8% interest in Harmony Convention Holding Pte Ltd, 30.0% interest in Park Mall Pte. Ltd and 50% interest in Southgate Trust.

SUBSCRIPTION OF SUNTEC REIT UNITS

As at 31 December 2017, an aggregate of 2,652,435,452 Units were in issue. On 25 January 2018, Suntec REIT issued 2,721,824 and 5,693,705 Units to the Manager as asset management base fees for the period from 1 October 2017 to 31 December 2017 and asset management performance fees for the period from 1 January 2017 to 31 December 2017 respectively.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of the holders of units of Suntec Real Estate Investment Trust (“**Suntec REIT**”, and the holders of units of Suntec REIT, “**Unitholders**”) will be held at Level 3, Summit 1, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 16 April 2018 at 2.00 pm to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of HSBC Institutional Trust Services (Singapore) Limited, as trustee of Suntec REIT (the “**Trustee**”), the Statement by ARA Trust Management (Suntec) Limited, as manager of Suntec REIT (the “**Manager**”) and the Audited Financial Statements of Suntec REIT for the financial year ended 31 December 2017 and the Auditors’ Report thereon.

(Ordinary Resolution 1)

2. To re-appoint KPMG LLP as the Auditors of Suntec REIT to hold office until the conclusion of the next AGM of Suntec REIT and to authorise the Manager to fix their remuneration.

(Ordinary Resolution 2)

3. To endorse the appointment of each of the following persons who is a director of the Manager (the “**Director**”, together the “**Directors**”), pursuant to the Deed of Undertaking entered into between ARA Asset Management Limited (the “**Undertaking**”) and the Trustee:

(a) Ms Chew Gek Khim;

(Ordinary Resolution 3)

(b) Mr Lim Hwee Chiang, John; and

(Ordinary Resolution 4)

(c) Mr Chen Wei Ching, Vincent

(Ordinary Resolution 5)

[See Explanatory Notes]

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions, with or without any modifications:

4. GENERAL MANDATE FOR THE ISSUE OF NEW UNITS AND/OR CONVERTIBLE SECURITIES

That authority be and is hereby given to the Manager to

- (a) (i) issue new units in Suntec REIT (“**Units**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may, in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Ordinary Resolution was in force (notwithstanding that the authority conferred by this Ordinary Resolution may have ceased to be in force at the time such Units are issued),

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (A) the aggregate number of Units to be issued pursuant to this Ordinary Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) shall not exceed fifty percent (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) shall not exceed twenty percent (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (B) below);
- (B) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (A) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the total number of issued Units (excluding treasury Units, if any) at the time this Ordinary Resolution is passed, after adjusting for:
 - (i) any new Units arising from the conversion or exercise of any Instruments which are outstanding as at the time this Ordinary Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Units;
- (C) in exercising the authority conferred by this Ordinary Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting Suntec REIT (as amended) (the “**Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (D) unless revoked or varied by the Unitholders in a general meeting, the authority conferred by this Ordinary Resolution shall continue in force until (i) the conclusion of the next AGM of Suntec REIT or (ii) the date by which the next AGM of Suntec REIT is required by applicable regulations to be held, whichever is earlier;
- (E) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Ordinary Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (F) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interest of Suntec REIT to give effect to the authority conferred by this Ordinary Resolution.

[See Explanatory Notes]

(Ordinary Resolution 6)

NOTICE OF ANNUAL GENERAL MEETING

5. TRUST DEED AMENDMENT TO ALLOW FOR UNIT BUY-BACK

That:

- (a) (i) approval be and is hereby given to amend the Trust Deed to, *inter alia*, include provisions regarding the repurchase and redemption of the Units of Suntec REIT in the manner set out in the appendix to the Notice of Annual General Meeting (the “**Appendix**”) dated 24 March 2018 (the “**Proposed Unit Buy Back Trust Deed Supplement**”); and
- (ii) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee, may consider expedient or necessary or in the interests of Suntec REIT to give effect to the Proposed Unit Buy-Back Trust Deed Supplement.

[See Explanatory Notes]

(Extraordinary Resolution 7)

6. GENERAL MANDATE FOR UNIT BUY-BACK

That subject and conditional upon the passing of Extraordinary Resolution 7:

- (a) the exercise of all the powers of the Manager to repurchase issued Units for and on behalf of Suntec REIT not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Manager from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market repurchase(s) on the SGX-ST and/or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted; and/or
 - (ii) off-market repurchase(s) (which are not market repurchase(s)) in accordance with any equal access scheme(s) as may be determined or formulated by the Manager as it considers fit in accordance with the Trust Deed,

and otherwise in accordance with all applicable laws and regulations including the rules of the SGX-ST or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted, be and is hereby authorised and approved generally and unconditionally (the “**Unit Buy-Back Mandate**”);

- (b) (unless revoked or varied by the Unitholders in a general meeting) the authority conferred on the Manager pursuant to the Unit Buy-Back Mandate may be exercised by the Manager at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earliest of:
 - (i) the date on which the next annual general meeting of Suntec REIT is held;
 - (ii) the date by which the next annual general meeting of Suntec REIT is required by applicable laws and regulations or the Trust Deed to be held; or
 - (iii) the date on which repurchases of Units pursuant to the Unit Buy-Back Mandate are carried out to the full extent mandated;

NOTICE OF ANNUAL GENERAL MEETING

(c) in this Ordinary Resolution:

“**Average Closing Price**” means the average of the closing market prices of the Units over the last five Market Days, on which transactions in the Units were recorded, immediately preceding the date of the market repurchase or, as the case may be, the date of the making of the offer pursuant to the off-market repurchase, and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days;

“**date of the making of the offer**” means the date on which the Manager makes an offer for an off-market repurchase, stating therein the repurchase price (which shall not be more than the Maximum Price for an off-market repurchase) for each Unit and the relevant terms of the equal access scheme for effecting the off-market repurchase;

“**Market Day**” means a day on which the SGX-ST and/or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted, is open for trading in securities;

“**Maximum Limit**” means that number of Units representing 2.5% of the total number of issued Units as at the date of the passing of this Ordinary Resolution; and

“**Maximum Price**” in relation to a Unit to be repurchased, means the repurchase price (excluding brokerage, stamp duty, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a market repurchase of a Unit, 105.0% of the Average Closing Price of the Units; and
 - (ii) in the case of an off-market repurchase of a Unit, 110.0% of the Average Closing Price of the Units; and
- (d) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Suntec REIT to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

[See Explanatory Notes]

(Ordinary Resolution 8)

7. TRUST DEED AMENDMENT TO ALLOW FOR ELECTRONIC COMMUNICATIONS OF NOTICES AND DOCUMENTS

That:

- (a) (i) approval be and is hereby given to amend the Trust Deed to, *Inter alia*, include provisions regarding electronic communications of notices and documents to Unitholders in the manner set out in the Appendix (the “**Proposed Electronic Communications Trust Deed Supplement**”); and
- (ii) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee, may consider expedient or necessary or in the interests of Suntec REIT to give effect to the Proposed Electronic Communications Trust Deed Supplement.

[See Explanatory Notes]

(Extraordinary Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING

8. OTHER BUSINESS

To transact such other business as may be transacted at an AGM.

BY ORDER OF THE BOARD
ARA Trust Management (Suntec) Limited
as manager of Suntec REIT

Sharon Yeoh
Chiang Wai Ming
Company Secretaries

Singapore
24 March 2018

Notes

1. A Unitholder entitled to attend and vote at the AGM who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. The proxy form must be lodged at the Unit Registrar's office at Boardroom Corporate and Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not later than 14 April 2018 at 2.00 pm being forty-eight (48) hours before the time fixed for the AGM.
4. A Unitholder who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

"relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at forty-eight (48) hours before the time appointed for AGM in order for the Depositor to be entitled to attend and vote at the AGM.

ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee (or their agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

Explanatory Notes:

1. Ordinary Resolutions 3 to 5 to be passed:

The Manager is a holder of a Capital Markets Services license for REIT management in Singapore and is required by the Monetary Authority of Singapore to comply with the proposed amendments to the Securities and Futures (Licensing and Conduct of Business) Regulations ("SFLCBB") in relation to the board composition of the Manager that will take effect no later than the first annual general meeting of Suntec REIT for the financial year ended 31 December 2017.

Under the proposed amendments to the SFLCBB, the Manager's Board is required to either comprise at least half independent directors, or at least one-third independent directors if Unitholders are given the right to appoint the directors of the Manager. The Manager's Board comprises three independent directors, namely Mr Chen Wei Ching, Vincent, Mr Chan Pee Teck, Peter and Mrs Yu-Foo Yee Shoon, constituting at least one-third (less than half) of the Board.

An Undertaking is entered into between ARA Asset Management Limited, the sole shareholder of the Manager and the Trustee before the first annual general meeting of Suntec REIT for the financial year ended 31 December 2017 which gives the Unitholders the right to endorse the appointment of the relevant Directors as prescribed in the Undertaking and set out below, by way of an ordinary resolution at the relevant general meeting.

a) ARA Asset Management Limited undertakes to the Trustee:

- to procure the Manager to include in the agenda for each annual general meeting of Unitholders (commencing from the annual general meeting to be held in 2018), the ordinary resolutions to endorse (or re-endorse) the appointment of at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), where the Directors whose appointments are put forth for endorsement shall be those who will be re-elected under the Constitution of the Manager and/or pursuant to sub-paragraph (ii) below for those who are newly appointed as Director;
- (where, at any time, a person is newly appointed as Director) to procure the Manager to seek Unitholders' endorsement for his appointment as a Director at the next annual general meeting of Suntec REIT immediately following his appointment; and
- to procure any person whose appointment as a Director was not endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting of Suntec REIT where the endorsement or re-endorsement (as the case may be) for his appointment was sought, either (i) to resign or otherwise be removed from the board of Directors of the Manager within 60 days from the date of the relevant general meeting or (ii) in the event that the board of Directors of the Manager determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed and the regulatory approval for such appointment (if any) has been obtained, which appointment shall take place as soon as reasonably practicable after the relevant general meeting.

NOTICE OF ANNUAL GENERAL MEETING

- b) The Undertaking shall not restrict the Manager or ARA Asset Management Limited from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rule of Singapore Exchange Securities Trading Limited) and the Constitution of the Manager.
- c) The Undertaking shall remain in force until the earlier of:
 - ARA Asset Management Limited ceasing to be the holding company (as defined in the Companies Act of Singapore, Cap. 50) of the Manager; and
 - either party giving notice in writing to terminate the Undertaking to the other party not less than 1 month in advance of the termination.
- d) Detailed information on the Directors (including their current directorships in other listed companies and details of other principal commitments) can be found in the “Board of Directors and Management Team section” in Suntec REIT’s Annual Report 2017.
- e) Upon endorsement, each of the Directors will continue to serve on the board of Directors of the Manager. Ms Chew Gek Khim will continue to serve as Chairman and Non-Executive Director; Mr Lim Hwee Chiang, John will continue to serve as Non-Executive Director; and Mr Chen Wei Ching, Vincent will continue to serve as Lead Independent Non-Executive Director.
- f) The list of all current directorships in other listed companies and details of other principal commitments of the Directors are set out on pages 15 to 18 of Suntec REIT’s Annual Report 2017.

2) Ordinary Resolution 6 to be passed:

Ordinary Resolution 6 above, if passed, will empower the Manager from the date of the AGM until (i) the conclusion of the next AGM of Suntec REIT or (ii) the date by which the next AGM of Suntec REIT is required by the applicable regulations to be held, whichever is earlier, or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest, to issue Units, to make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding 50% of which up to 20% may be issued other than on a *pro rata* basis to Unitholders (in each case, excluding treasury Units, if any).

For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the issued Units at the time Ordinary Resolution 6 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

3) Extraordinary Resolution 7 to be passed:

Extraordinary Resolution 7 above, if passed, will approve the Proposed Unit Buy-Back Trust Deed Supplement.

(See the Appendix in relation to the Proposed Unit Buy-Back Trust Deed Supplement for further details.)

NOTICE OF ANNUAL GENERAL MEETING

4) Ordinary Resolution 8 to be passed:

Ordinary Resolution 8, if passed, will empower the Manager from the date of the AGM of Suntec REIT until (i) the date on which the next annual general meeting of Suntec REIT is held, (ii) the date by which the next annual general meeting of Suntec REIT is required by applicable laws and regulations or the Trust Deed to be held, or (iii) the date on which the repurchases of Units pursuant to the Unit Buy-Back Mandate are carried out to the full extent mandated, whichever is the earliest, to exercise all the powers to repurchase issued Units for and on behalf of Suntec REIT not exceeding in aggregate 2.5% of the total number of Units as at the date of the passing of this Ordinary Resolution, whether by way of market repurchase(s) or off-market repurchase(s), on the terms of the Unit Buy-Back Mandate set out in the Appendix unless such authority is revoked or varied by the Unitholders in a general meeting. As the Proposed Unit Buy-Back Trust Deed Supplement is required for the adoption of the Unit Buy-Back Mandate, Ordinary Resolution 8 is conditional upon the passing of Extraordinary Resolution 7.

5) Extraordinary Resolution 9 to be passed:

In connection with the amendments to the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), companies are allowed to send notices and documents electronically to their shareholders with the express, deemed or implied consent (the “**Deemed Consent Regime**” and the “**Implied Consent Regime**”, respectively) of the shareholders if the constitution of the company provides for it and the specified modes of electronic communications are set out in the constitution of the company (the “**Companies Act Electronic Communications Amendments**”). The SGX-ST has recently amended the listing rules of the SGX-ST (the “**Listing Rules**”) to align the Listing Rules with the Companies Act Electronic Communications Amendments, with issuers allowed to transmit certain types of notices and documents to shareholders (or Unitholders, in the case of a listed real estate investment trust (“**REIT**”) such as Suntec REIT) electronically with the express, deemed or implied consent of shareholders. Accordingly, the Manager proposes to amend the Trust Deed to adopt certain provisions of the Listing Rules to implement the Implied Consent Regime and the Deemed Consent Regime and allow for such electronic transmission of notices and documents in relation to Suntec REIT.

The Code on Collective Investment Schemes allows a real estate investment trust to send its accounts and reports to Unitholders by electronic means (as defined in the Code on Collective Investment Schemes). On 10 November 2016, the Monetary Authority of Singapore (the “**MAS**”) published a consultation paper on “Proposed Amendments to the Code on Collective Investment Schemes” which, among other things, proposed to clarify that a REIT may also send its accounts and reports to Unitholders by electronic means¹. On 15 December 2017, the MAS published a response to feedback received on the “Consultation Paper on Proposed Amendments to the Code on Collective Investment Schemes” in which it stated, among others, that MAS does not intend to prescribe a list of permissible means of electronic transmission of reports, and clarified that while REITs may distribute electronic copies instead of hard copies, Unitholders should still be given the option to request for hardcopy accounts and reports within one month from the notification of the availability of the accounts and reports.

Although Suntec REIT is not bound by the Companies Act, it is bound by the Listing Rules as a listed REIT and the Code on Collective Investment Schemes.

(See the Appendix in relation to the Proposed Electronic Communications Trust Deed Supplement for further details.)

¹ According to the Code on Collective Investment Schemes, electronic means include:

- transmitting via email with softcopy attachments to the email address provided by the Unitholders for correspondence purposes;
- making available via an electronic storage medium (e.g. CD-ROM); and
- posting on a website where the accounts and reports would remain posted on that website for at least 12 months from the date of posting.

SUNTEC REAL ESTATE INVESTMENT TRUST

(Constituted in the Republic of Singapore pursuant to a trust deed dated 1 November 2004 (as amended))

PROXY FORM ANNUAL GENERAL MEETING

IMPORTANT

1. A relevant intermediary may appoint more than one proxy to attend the Annual General Meeting and vote (please see Note 5 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. **PLEASE READ THE NOTES TO THE PROXY FORM.**

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 24 March 2018.

I/We, _____ (Name) _____ (NRIC/Passport Number)

of _____ (Address)

being a unitholder/unitholders of Suntec Real Estate Investment Trust ("**Suntec REIT**"), hereby appoint:

| Name | NRIC / Passport No. | Proportion of Unitholdings | |
|---------|---------------------|----------------------------|---|
| | | No. of Units | % |
| Address | | | |

and/or (delete as appropriate)

| Name | NRIC / Passport No. | Proportion of Unitholdings | |
|---------|---------------------|----------------------------|---|
| | | No. of Units | % |
| Address | | | |

or both of whom failing, the Chairman of the Annual General Meeting ("AGM") as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the AGM of Suntec REIT to be held at Level 3, Summit 1, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 16 April 2018 at 2.00 pm and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/ proxies will vote or abstain from voting at *his/their discretion, as they will on any other matter arising at the AGM.

Note: The Chairman of the AGM will be exercising his/her right under paragraph 11 of Schedule 1 of the trust deed dated 1 November 2004 (as amended) to demand a poll in respect of the resolutions described below to be put to the vote of the Unitholders at the AGM and at any adjournment thereof. Accordingly, such resolutions at the AGM will be voted on by way of poll.

(Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.)

| No. | Ordinary/ Extraordinary Resolution | Resolutions relating to: | No. of votes For** | No. of votes Against** |
|--------------------------|--|---|--------------------------|------------------------------|
| ORDINARY BUSINESS | | | | |
| 1 | Ordinary | To receive and adopt the Report of the Trustee, the Statement by the Manager and the Audited Financial Statements of Suntec REIT for the year ended 31 December 2017. | | |
| 2 | Ordinary | To re-appoint KPMG LLP as Auditors of Suntec REIT and authorise the Manager to fix the Auditors' remuneration. | | |
| 3 | Ordinary | To endorse the appointment of Ms Chew Gek Khim as Director. | | |
| 4 | Ordinary | To endorse the appointment of Mr Lim Hwee Chiang, John as Director. | | |
| 5 | Ordinary | To endorse the appointment of Mr Chen Wei Ching, Vincent as Director. | | |
| SPECIAL BUSINESS | | | | |
| 6 | Ordinary | To authorise the Manager to issue Units and to make or grant convertible instruments. | | |
| 7 | Extraordinary | To approve Trust Deed amendments to allow for Unit Buy-Back. | | |
| 8 | Ordinary | To approve the General Mandate for Unit Buy-Back (subject to the passing of Resolution 7). | | |
| 9 | Extraordinary | To approve the Trust Deed amendments to allow for electronic communications of notices and documents. | | |

* Delete where inapplicable

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018

Total number of Units held

Signature of Unitholder(s)/and, Common Seal of Corporate Unitholder



Affix
Postage
Stamp

ARA TRUST MANAGEMENT (SUNTEC) LIMITED
(as manager of Suntec Real Estate Investment Trust)
c/o
Unit Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01, Singapore Land Tower
Singapore 048623

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IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes To Proxy Form

1. A Unitholder of Suntec REIT ("Unitholder") entitled to attend and vote at the Annual General Meeting ("AGM") who is not a relevant intermediary is entitled to appoint one or two proxies to attend and vote in his/her stead.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a Unitholder.
4. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of Suntec REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this Proxy Form (as defined in note 6 below) will be deemed to relate to all the Units held by the Unitholder.
5. A Unitholder who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

"relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or
- (c) The Central Provident Fund ("CPF") Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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6. The instrument appointing a proxy or proxies (the "Proxy Form") must be deposited at the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not later than 14 April 2018 at 2.00 pm, being forty-eight (48) hours before the time set for the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the AGM in person and in such event, the Manager reserves the right of refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
7. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM.
8. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
9. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of such power or authority must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
10. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by CDP to the Manager.
11. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
12. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/ she is the Unitholder. There shall be no division of votes between a Unitholder who is present in person and voting at the AGM and his/her proxy(ies). A person entitled to more than one vote need not use all his/her votes or cast them the same way.



ARA Trust Management (Suntec) Limited
(As Manager of Suntec REIT)

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