



BUILDING

# STRONG FOUNDATIONS



ANNUAL REPORT 2017





54 Serangoon North Avenue 4

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## VISION

To be a leading Real Estate Investment Trust with a portfolio of quality industrial assets across the Asia Pacific region.

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## MISSION

- To deliver stable and secure returns, and long-term capital growth to our Unitholders
- To develop a resilient and balanced portfolio through strategic investments of quality assets, proactive asset management of our properties, and prudent capital and risk management
- To operate as a company of integrity for the benefit of our Unitholders, tenants, employees, partners and other stakeholders within the communities that we do business in

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## CORPORATE PROFILE

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 December 2017 has a diversified portfolio of 48 properties located across Singapore, with a total gross floor area of approximately 9.9 million sq ft and a property value of S\$1.68 billion<sup>1</sup>. The properties are in the following business sectors: General Industrial, Light Industrial, Logistics/Warehouse, High-Specs Industrial, and Business Park, are located close to major transportation hubs and key industrial zones island-wide. ESR Fund Management (S) Limited's ("ESR-FM" or the "Manager") objective is to provide Unitholders with a stable and recurring income stream through the successful implementation of the following strategies:

- Pro-active asset management
- Acquisition of value-enhancing properties
- Divestment of non-core properties
- Prudent capital and risk management

View more information on our website: [www.esr-reit.com.sg](http://www.esr-reit.com.sg)

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<sup>1</sup> Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest



*From left to right:*

- ▶ **MR ADRIAN CHUI**  
Chief Executive Officer (“CEO”) and Executive Director
- ▶ **MR OOI ENG PENG**  
Independent Chairman

# BUILDING **STRONG** **FOUNDATIONS**

**Dear Unitholders,**

On behalf of the Board of Directors of ESR-FM, we are pleased to present ESR-REIT’s Annual Report for the year ended 31 December 2017 (“FY2017”).

FY2017 has been a momentous year for the REIT, following the change in shareholders of the Manager in January 2017. Significantly, ESR Cayman Limited (“ESR” or “Sponsor”)

as a developer-sponsor, has a c.12.4%<sup>1</sup> stake in the REIT, showcasing a clear alignment of interests with Unitholders. A subsequent name change exercise in June 2017 saw Cambridge Industrial Trust renamed as ESR-REIT, accentuating the importance of the REIT as part of ESR’s business activities.

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<sup>1</sup> As at 31 December 2017

The Sponsor is a leading Pan-Asian logistics developer, owner and operator with over US\$10.0 billion of assets under management, and approximately 109.8 million square feet ("sq ft") of gross floor area ("GFA") of assets in operation and under development, mostly within its key markets of China, Japan and Korea. Co-founded by Warburg Pincus, ESR's blue-chip investors include APG, CPPIB, Goldman Sachs, Morgan Stanley, AIP, PGGM, Ping An, SK Holdings, State Street Global Advisors and Stepstone.

Having a strong developer sponsor like ESR gives ESR-REIT the ability to leverage on its Sponsor's pipeline of assets, its financial strength, as well as its network, expertise and relationships with leading global e-commerce companies, retailers, logistics service providers and manufacturers.

Amidst the changes at the corporate level, the Manager has maintained a very focused and disciplined approach towards enhancing the quality of its assets, retaining key tenants, engaging in active portfolio management activities such as the leasing of available space and managing lease renewals, divestment of non-core properties and prudent capital and risk management.

Last year marked a number of firsts for ESR-REIT under the new ownership. In 4Q2017, ESR-REIT completed the acquisition of both 8 Tuas South Lane and an 80% stake in a special purpose vehicle ("SPV") that owns 7000 Ang Mo Kio Avenue 5 for a collective purchase consideration of approximately S\$346.1 million.

The two yield-accretive acquisitions have not only increased the value of ESR-REIT's portfolio significantly, but have also improved overall portfolio quality and marked ESR-REIT's inaugural acquisitions since ESR came on-board as Sponsor.

In another first, we diversified our funding sources by successfully issuing S\$150 million of subordinated perpetual securities in November 2017 which were used to partially fund the two acquisitions.

In yet another significant milestone, we demonstrated our ability to diversify our pools of capital by announcing in December 2017 our intention to undertake an equity fund raising. On 27 February 2018, we announced a pro rata non-renounceable Preferential Offering ("EFR") to raise gross proceeds of up to c.S\$141.9 million to reduce debt, thus providing us with potential debt headroom for future financing flexibility. To demonstrate its support, commitment and validation of the acquisitions to ESR-REIT, the Sponsor

“**FY2017 HAS BEEN A MOMENTOUS YEAR FOR THE REIT, FOLLOWING THE CHANGE IN SHAREHOLDERS OF THE MANAGER IN JANUARY 2017. SIGNIFICANTLY, ESR CAYMAN LIMITED (“ESR”) AS A DEVELOPER-SPONSOR, HAS A c.12.4%<sup>1</sup> STAKE IN THE REIT, SHOWCASING A CLEAR ALIGNMENT OF INTERESTS WITH UNITHOLDERS.**”

has agreed to take up its full pro rata entitlement and has also agreed to undertake to subscribe to any unsubscribed units up to a total of S\$125.0 million ("Sponsor Undertaking").

#### **FINANCIAL PERFORMANCE**

Total revenue for the year was S\$109.7 million and net property income ("NPI") was S\$78.4 million, down year-on-year ("y-o-y") by 2.1% and 4.7% respectively. The decrease in NPI was mainly due to higher property operating expenses from master lease conversions and the full year impact of the leases converted in the prior year. Distribution per Unit ("DPU") for FY2017 was 3.853 cents which was 7.7% lower.

ESR-REIT's statement of financial position was bolstered by the abovementioned acquisitions which increased total portfolio valuation to S\$1.68 billion and the inaugural issuance of subordinated perpetual securities which have been recorded as equity for accounting purposes.

Our pro-active approach to capital management continued in FY2017 with ESR-REIT successfully completing the issuance of subordinated perpetual securities as well as increasing the limit of one of our debt facilities by S\$100.0 million to finance the new acquisitions. ESR-REIT's portfolio remains 100% unencumbered and has no major refinancing requirements until towards the end of FY2018. Given that the proposed

## LETTER TO UNITHOLDERS

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EFR<sup>2</sup> had been announced but not completed as at the end of FY2017, gearing as calculated by debt to total assets was at 39.6% which is at the higher end of our target range of 30-40%. Following the completion of the EFR<sup>3</sup>, debt to total assets would potentially reduce to c.32.5%<sup>4</sup>. With proceeds from the EFR being used to partially repay existing debt facilities and rebalance our capital structure, the REIT will be well-positioned with a potential debt headroom of up to c.S\$421.9 million before debt to total assets would reach the top end of our gearing target range.

### OPERATIONS

Despite the continuing challenging environment for industrial property, ESR-REIT's portfolio fundamentals remained sound with an occupancy rate of 93.0% as at 31 December 2017, only marginally lower than the 94.7% recorded at the end of FY2016 but above the JTC Industrial average of 88.9% recorded at the end of 2017.

We remain committed to optimising portfolio returns through active asset management initiatives.

For FY2017, c.1.19 million sq ft of space was renewed, despite the impact from the prevailing downward pressure on rents which has resulted in negative rental reversions. Most notably, our portfolio's Weighted Average Lease Expiry ("WALE") has increased significantly from 3.7 years to 4.3 years as at the end of FY2017. It is a significant feature of the portfolio today that single tenanted property leases expiring in the next three years represent only 20.2% of the portfolio by income, which is significantly lower than the 43.7% as at the end of FY2012. This allows us to concentrate on multi-tenanted lease expiries and reduces the impact of single-tenant lease conversions to multi-tenant leases which have been prevalent in the last five years, while still maintaining portfolio's long-term rental stability.

## DESPITE THE CHALLENGING OPERATING ENVIRONMENT, THE MANAGER HAS PERSEVERED IN ITS EFFORTS TO BUILD A RESILIENT AND DIVERSIFIED PORTFOLIO.

As part of our strategy to create a more diverse and resilient portfolio, ESR-REIT has also divested three non-core assets and redeployed the proceeds into two higher-yielding and better quality acquisitions. As at 31 December 2017, ESR-REIT's portfolio comprised 48 investment properties, valued at S\$1.68 billion<sup>5</sup>, compared to 49 investment properties valued at S\$1.35 billion the year before. Investment property values were down by 3.1% on a like for like basis, with three properties making up about 70% of this writedown. This was attributed to property-specific issues such as master lease conversions.

ESR-REIT's portfolio comprises quality industrial properties across Singapore's key industrial zones, with a total gross floor area of approximately 9.9 million square feet, across the following sub-asset classes: General Industrial, Light Industrial, Logistics/Warehouse, High-Specs Industrial and Business Park. The REIT now has a diversified base of 207 tenants, and following the acquisition of the 7000 Ang Mo Kio Avenue 5, its tenant trade sector categories have broadened to include the Information Communications sector.

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2 With reference to the announcement dated 14 December 2017

3 On 27 February 2018, the Manager announced an EFR on the basis of 199 New Units for every 1,000 existing Units in ESR-REIT to raise gross proceeds of up to c.S\$141.9 million; Sponsor will undertake to subscribe in full its pro rata entitlement and excess units up to a total subscription amount of not less than S\$125.0 million

4 In the circular dated 2 February 2018, the illustrative pro forma aggregate leverage as at 31 December 2017 post equity fund raising (based on Sponsor Undertaking) is expected to be c.32.5%

5 Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest

## **OUTLOOK FOR FY2018**

Despite the challenging operating environment, the Manager has persevered in its efforts to build a resilient and diversified portfolio. These efforts have paid off and there has been a noticeable increase in enquiries in FY2017. We expect the leasing market to remain competitive due to high levels of new supply that are not expected to abate until late 2018. Accordingly, ESR-REIT's portfolio performance will continue to see the impact of the prevailing downward pressure on rents, resulting in the continuing potential negative rental reversions. Nonetheless, we will continue to focus on improving asset quality and maintaining occupancy amidst the challenging leasing market.

Notwithstanding the overall industrial market conditions, it is heartening that we are able to start 2018 in a relative position of strength and build strong foundations. Following the successful completion of the EFR in end March 2018 and with the ongoing support of the Sponsor, the balance sheet is well-positioned to continue the momentum that was achieved towards the end of FY2017.

## **BOARD RENEWAL**

On behalf of the Board, we extend our gratitude towards Mr Michael Patrick Dwyer, our former Non-Executive Director who retired during the year, for his guidance and assistance in ensuring a smooth transition of the Manager ownership to ESR. Michael served with great commitment and dedication for close to nine years.

At the same time, we welcomed several new directors to our Board – Mr Erle William Spratt (Independent Non-Executive Director), Mr Jeffery David Perlman (Non-Executive Director), Mr Jeffery Shen Jinchu (Non-Executive Director) and Mr Philip John Pearce (Independent Non-Executive Director). We would like to thank them for their counsel, guidance and support thus far.

## **NOTES OF APPRECIATION**

On behalf of the Board, we also express our heartfelt thanks to our stakeholders, including our Trustee, our auditors, our real estate services partners, our legal advisors and relationship banks for their continued support and quality services. Special appreciation goes to our customers - our tenants. Without them, the ongoing stability of ESR-REIT would not have been possible.

We would also like to personally thank the Management and staff, for their continued dedication, enthusiasm and commitment to hard work as we embark on a new beginning for ESR-REIT.

Last but not least, to you our Unitholders, for the confidence and support shown by you for the Board and the Manager. On behalf of the Board, we again look forward to your attendance and active participation at ESR-REIT's upcoming Annual General Meeting ("AGM") which will be held on 20 April 2018.

### **MR OOI ENG PENG**

*Independent Chairman*

### **MR ADRIAN CHUI**

*CEO and Executive Director*

## FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013
<b>BALANCE SHEET</b>					
Total assets (S\$ million)	1,695.8	1,367.0	1,430.9	1,380.5	1,260.9
Total net borrowings (S\$ million)	669.8	509.6	525.3	475.4	354.9
Unitholders' funds (S\$ million)	778.9	827.0	872.9	866.3	861.5
<b>KEY FINANCIAL RATIOS</b>					
Net asset value per Unit (cents)	59.3	63.4	67.3	68.1	69.5
Debt to total assets (%)	39.6 <sup>1</sup>	37.5	36.9	34.8	28.7
Weighted average all-in cost of debt (p.a.) (%)	3.6	3.7	3.7	3.7	3.9
Interest cover (times) <sup>2</sup>	3.5	3.6	4.0	5.2	5.6
<b>CAPITAL MANAGEMENT</b>					
Total loan facilities (S\$ million)	715.0	615.0	565.0	570.0	440.0
Gross borrowings (S\$ million)	672.0	512.5	528.5	480.0	362.2
Perpetual securities issued (S\$ million)	150.0	–	–	–	–
Units in issue (million)	1,313.6	1,304.4	1,297.8	1,271.5	1,239.3
Market capitalisation (S\$ million) <sup>3</sup>	742.2	704.4	733.2	864.6	855.1
<b>TRADING STATISTICS FOR FINANCIAL YEAR</b>					
Opening price	S\$0.540	S\$0.565	S\$0.680	S\$0.695	S\$0.675
Highest price	S\$0.615	S\$0.580	S\$0.725	S\$0.785	S\$0.860
Lowest price	S\$0.535	S\$0.485	S\$0.530	S\$0.665	S\$0.640
Closing price	S\$0.565	S\$0.540	S\$0.565	S\$0.680	S\$0.690
Volume weighted average price	S\$0.571	S\$0.539	S\$0.657	S\$0.718	S\$0.727
Total volume traded (million Units)	320.0	415.0	333.9	558.7	694.9
Average volume per day (million Units)	1.3	1.7	1.4	2.2	2.8
Unit Price Performance <sup>4</sup>	11.9%	3.2%	-10.5%	8.1%	9.5%

1 On 27 February 2018, the Manager announced an EFR on the basis of 199 New Units for every 1,000 existing Units in ESR-REIT to raise gross proceeds of up to c.S\$141.9 million. The higher debt to total assets at end of FY2017 is due to short-term debt drawn down to fund the two acquisitions in December 2017, and the proceeds of the EFR will be used to substantially repay this debt. In the circular dated 2 February 2018, the illustrative pro forma aggregate leverage as at 31 December 2017 post equity fund raising (based on Sponsor Undertaking) is expected to be c.32.5%

2 Computed based on EBITDA excluding gain on disposal of investment properties and changes in fair value of investment properties divided by interest expenses

3 Computed based on closing price and Units in issue at the end of financial year

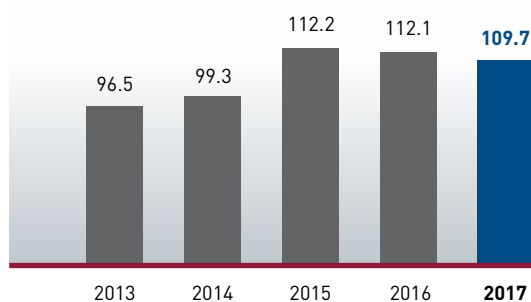
4 Performance is calculated on the change in unit price over the year, based on the closing price of the last day of the preceding year and the closing price of the current year, including the assumption that distributions paid were reinvested at the closing price on the ex-distribution dates



## FIVE-YEAR FINANCIAL SUMMARY

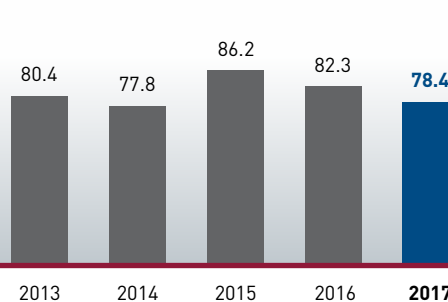
### GROSS REVENUE

**S\$109.7 million**



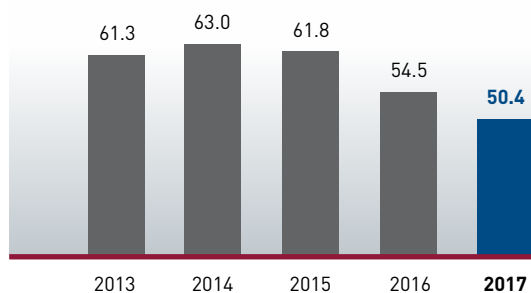
### NET PROPERTY INCOME ("NPI")

**S\$78.4 million**



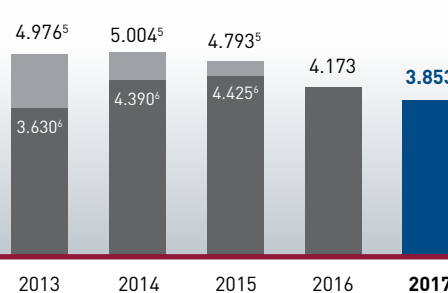
### TOTAL DISTRIBUTABLE INCOME

**S\$50.4 million**



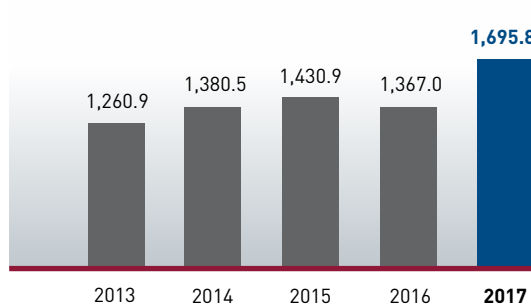
### DISTRIBUTION PER UNIT ("DPU")

**3.853 cents**



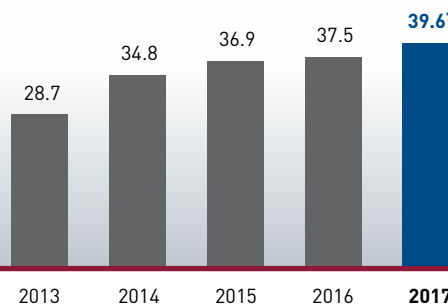
### TOTAL ASSETS

**S\$ 1,695.8 million**



### DEBT TO TOTAL ASSETS

**39.6%<sup>7</sup>**



<sup>5</sup> Includes capital/capital gains and management fees paid out in Units

<sup>6</sup> DPU excluding capital/capital gains and management fees paid out in Units

<sup>7</sup> On 27 February 2018, the Manager announced an EFR on the basis of 199 New Units for every 1,000 existing Units in ESR-REIT to raise gross proceeds of up to c.S\$141.9 million. The higher debt to total assets at end of FY2017 is due to short-term debt drawn down to fund the two acquisitions in December 2017, and the proceeds of the EFR will be used to substantially repay this debt. In the circular dated 2 February 2018, the illustrative pro forma aggregate leverage as at 31 December 2017 post equity fund raising (based on Sponsor Undertaking) is expected to be c.32.5%

ENHANCING NETWORK TIES

# BUILDING STRONG SYNERGIES

Our multi-dimensional approach towards our business leverages on existing organisational frameworks between ESR-REIT and our Sponsor ESR, enabling us to develop and maximise our capabilities while forging mutually-beneficial collaborations. This synergistic partnership positions us for further expansion and the opportunity to diversify our business.



## ESR: OUR SPONSOR

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Leading Pan-Asian logistics developer, owner and operator **ESR** has

**OVER  
US\$10.0  
BILLION**

of Assets Under Management (“AUM”)

**ESR** has strategic relationships with some of the world’s top e-commerce companies, bricks-and-mortar retailers, third-party logistics (“3PL”) and cold-chain logistics providers

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**ESR’s** key markets include:

- **CHINA**
- **JAPAN**
- **SOUTH KOREA**
- **SINGAPORE**
- **AUSTRALIA**
- **INDIA**

# ESR-REIT STRUCTURE



1 ESR holds an indirect interest in c.12.4% of ESR-REIT as at 31 December 2017  
 2 ESR Funds Management (S) Limited is c.80% owned by ESR Investment Management Pte. Ltd. which is indirectly owned by ESR, and 20% owned by Mitsui & Co., Ltd  
 3 ESR Property Management Pte. Ltd. is c.100% owned by ESR Investment Management Pte. Ltd. which is indirectly owned by ESR

ESR-REIT AT A GLANCE



**48** Properties across 5 different sub-asset classes



Portfolio valued at **S\$1.68 billion** a year-on-year increase of **▲ 23.8%** due to new acquisitions



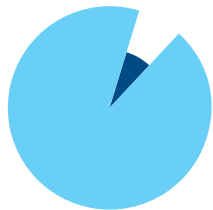
**207** tenants across **23** different trade sectors

**100%** unencumbered investment properties



Portfolio occupancy of

**93%**



Weighted Average Lease Expiry of **4.3 years**

## COMPETITIVE STRENGTHS



### RESILIENT AND BALANCED PORTFOLIO

A balanced portfolio with 48 quality income-producing industrial properties valued at S\$1.68 billion across five sub-asset classes in key industrial zones across Singapore.



### ACTIVE ASSET MANAGEMENT

Maximising the growth potential of the portfolio is done through an asset management strategy which focuses on proactive marketing and leasing of spaces, delivering high standards of property and customer service, improving operational efficacy and costs, and engaging in Asset Enhancement Initiatives.



### DIVERSIFIED TENANT NETWORK

An extensive tenant base of 207 clients creates a network that reduces overall exposure to any one particular sector.



### EXPERIENCED MANAGEMENT TEAM

ESR-REIT's management team comprises of real estate and finance professionals with proven track records and a wealth of experience across local and regional real estate companies and financial institutions, which set the tone for a collaborative team culture focused on results.



### PRUDENT CAPITAL AND RISK MANAGEMENT

ESR-REIT has a stable and secure income stream supported by prudent capital and risk management strategies. Diversified sources of funding ensure ESR-REIT can tap into alternative pools of capital in order to optimise Unitholder returns.



### STRONG AND COMMITTED SPONSOR

As a leading Pan-Asian logistics developer, owner and operator, ESR has strong development expertise and an established regional tenant network. ESR-REIT has access to the pipeline of properties from ESR in an increasingly asset-scarce environment.

## OUR SPONSOR

### ESR: A STRONG AND COMMITTED DEVELOPER-SPONSOR

Headquartered in Hong Kong, ESR is a leading Pan-Asian logistics developer, owner and operator. Its focus is on the development and management of institutional-quality logistics facilities with a high quality tenant base of 3PLs providers, e-commerce companies, brick-and-mortar retailers, cold-chain logistics providers and industrial companies.

Co-founded by Warburg Pincus and backed by some of the world's pre-eminent investors including APG, CPPIB, Goldman Sachs, Morgan Stanley AIP, PGGM, Ping An, SK Holdings, State Street Global Advisors and Stepstone, ESR's platform represents one of the largest in the Asia-Pacific region.

As at 31 December 2017, ESR manages approximately 109.8 million sq ft of projects owned and under development across China, Japan, Singapore, South Korea and India, with capital and funds management offices in Hong Kong and Singapore. Its current AUM stands at over US\$10 billion.

 **External AUM**  
**> US\$10 billion**

 **GFA**  
**109.8 million sq ft in operation and under development**

#### ► EQUITY INVESTORS

WARBURG PINCUS

STATE STREET  
GLOBAL ADVISORS

SK

Goldman  
Sachs

apg  
All Pensions Group

StepStone

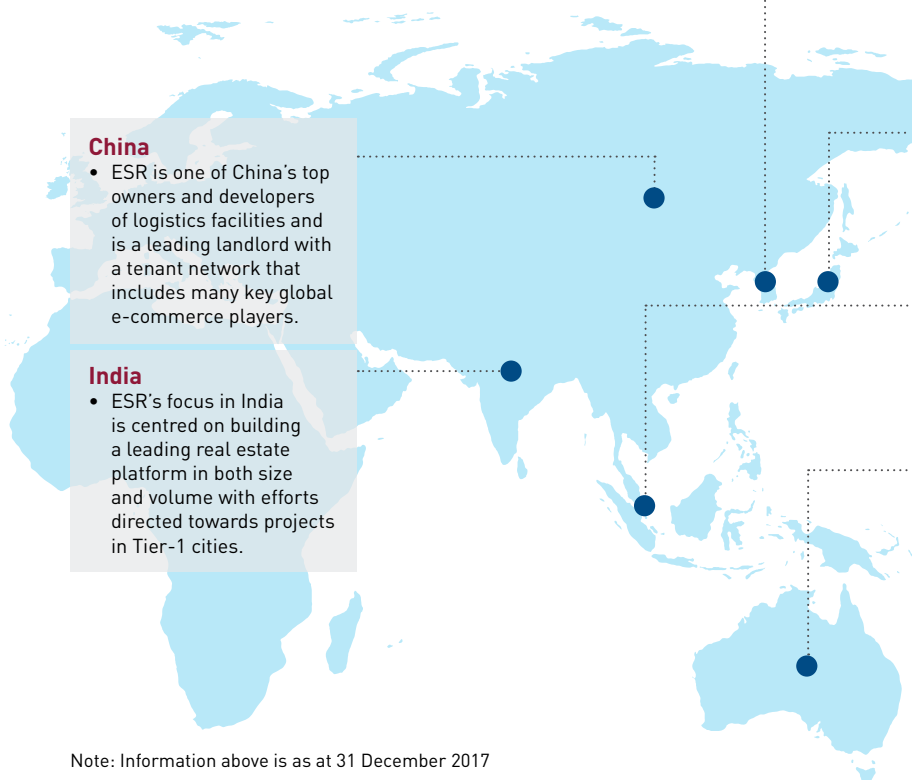
#### ► FUND LEVEL INVESTORS

CPP  
INVESTMENT  
BOARD

PGGM

中国平安  
PING AN  
保险 · 银行 · 投资

STATE OIL FUND OF THE REPUBLIC OF AZERBAIJAN



#### China

- ESR is one of China's top owners and developers of logistics facilities and is a leading landlord with a tenant network that includes many key global e-commerce players.

#### India

- ESR's focus in India is centred on building a leading real estate platform in both size and volume with efforts directed towards projects in Tier-1 cities.

#### South Korea

- ESR is currently involved in various development projects in South Korea and is set to become one of the country's largest modern warehouse developers.

#### Japan

- As an established logistics developer in Japan, ESR has strong execution and capital market capabilities with experience in managing sizable developments.

#### Singapore

- In January 2017, ESR invested in ESR-REIT, acquiring c.12.4% stake in ESR-REIT. It also holds a c.80% stake in ESR-FM and a c.100% stake in ESR-PM.

#### Australia

- ESR has established a presence in Australia following its investment in PropertyLink and Centuria Capital. ESR is currently the largest shareholder of both funds which have a collective AUM of A\$6.0 billion.

## CREATING VALUE FOR OUR UNITHOLDERS

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Significant events in 2017 boosted portfolio resilience and rebalanced capital structure, enabling ESR-REIT to begin 2018 from a position of strength.



### COMMITMENT OF DEVELOPER SPONSOR

- ESR became developer-sponsor, majority shareholder in the Manager and second largest Unitholder in the REIT in January 2017
- Name change to “ESR-REIT” signifies importance of REIT as part of ESR’s business activities and Sponsor’s commitment to the REIT
- To demonstrate its commitment and support for ESR-REIT, ESR has undertaken to subscribe up to S\$125.0m in the EFR announced on 27 February 2018



### PROACTIVE ASSET MANAGEMENT

- Renewed and leased approximately 1.19 million sq ft of space
- Completion of Asset Enhancement Initiative for 120 Pioneer Road
- Improved WALE from 3.7 years to 4.3 years
- Diversified tenant trade segments



### NON-CORE DIVESTMENTS

- Completed three non-core divestments (55 Ubi Avenue 3, 87 Defu Lane 10 and 23 Woodlands Terrace) for a total consideration of S\$57.3 million
- Divested at above valuation and purchase price
- Re-aligned portfolio while recycling capital



### YIELD ACCRETIVE ACQUISITIONS

- Completed two yield-accretive acquisitions in December 2017 at a total purchase consideration of almost S\$346.1 million – 8 Tuas South Lane and 80% of an SPV that owns 7000 Ang Mo Kio Avenue 5
- 7000 Ang Mo Kio Avenue 5 is ESR-REIT’s largest transaction to date
- Portfolio valuation boosted by c.24% to S\$1.68 billion



### DISCIPLINED CAPITAL MANAGEMENT

- Issued S\$150.0 million of subordinated perpetual securities at 4.6% coupon in November 2017
- On 27 February 2018, the Manager announced an EFR on the basis of 199 New Units for every 1,000 existing Units in ESR-REIT to raise gross proceeds of up to c.S\$141.9 million
- Diversified pools of capital and prudent capital management have created debt headroom for financial flexibility



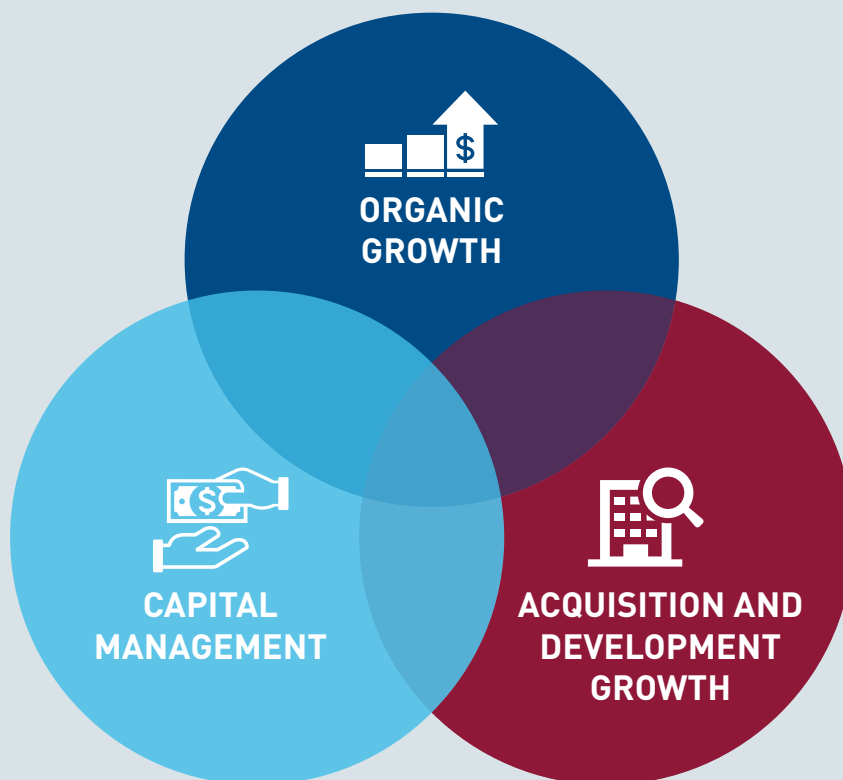
## OUR LONG-TERM STRATEGY

Our long-term strategy focuses on a three-pronged approach that leverages on synergies with our Sponsor while developing a diversified and resilient property and tenant network across Asia Pacific in order to deliver stable returns for our Unitholders.



### ORGANIC GROWTH

- ▶ Focus on asset enhancements to unlock value
- ▶ Proactive asset management to maximise unit holder returns
- ▶ Regular review of portfolio, recycling of capital and enhancements to portfolio quality
- ▶ Leverage on our Sponsor's capabilities by tapping onto ESR's client network to enhance the REIT's tenant quality and to diversify the tenant base
- ▶ Possible partnerships with existing ESR tenants who are keen to expand into Asia Pacific region



### ACQUISITION AND DEVELOPMENT GROWTH

#### ACQUISITIONS

- ▶ ESR-REIT's general mandate obtained at the 2017 AGM provides financial flexibility to execute expansion plans
- ▶ Evaluation of yield-accretive and value-enhancing opportunities in Singapore and within Asia Pacific region with expansion to focus on scalability in markets where ESR Group has presence eg. Australia, China, Japan, South Korea
- ▶ With close to c.109.8 million sq ft of existing and under-development projects across China, Japan and South Korea, ESR offers the REIT with a pipeline of possible acquisition opportunities from its network of properties

#### DEVELOPMENT

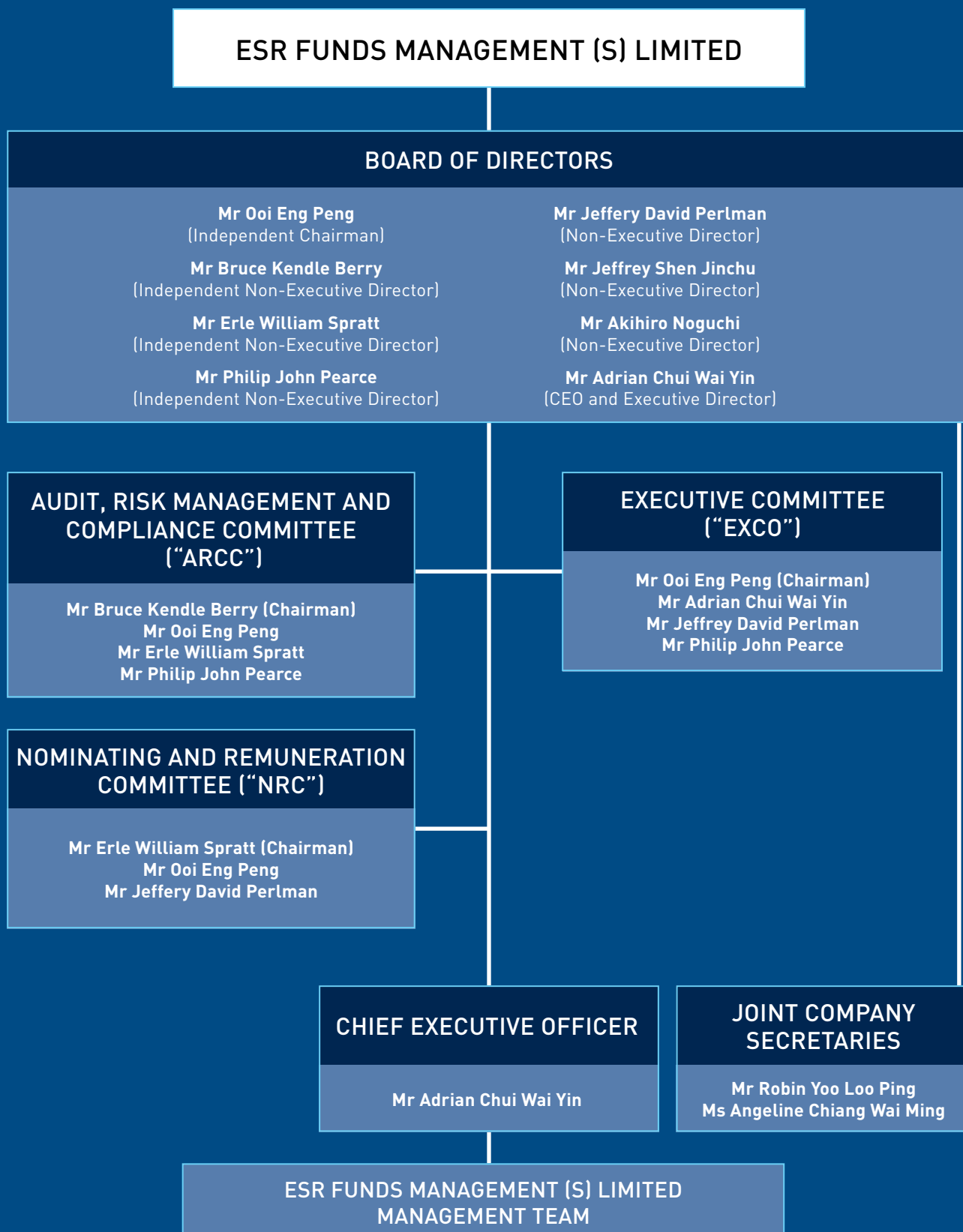
- ▶ May potentially participate individually or as part of a joint venture with our Sponsor. These development projects will provide potential upside while any downside risks from these projects are protected from proceeds of stable income-generating assets
- ▶ Ability to leverage on our Sponsor proven track record as a developer of Built-To-Suit ("BTS") warehousing and distribution facilities for leading global e-commerce companies



### CAPITAL MANAGEMENT

- ▶ Maintaining a well-staggered debt maturity profile and a debt to total assets target range of 30-40% to mitigate financial and liquidity risk
- ▶ Putting in place prudent capital and risk management initiatives to support stable recurring income for Unitholders
- ▶ 100% of assets unencumbered
- ▶ Regular engagement with banking partners in order to broaden and strengthen relationships
- ▶ Diversifying sources of funding with a focus on tapping onto alternative pools of capital

## ORGANISATION STRUCTURE



## BOARD OF DIRECTORS

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**MR OOI ENG PENG**  
Independent Chairman

**MR BRUCE KENDLE BERRY**  
Independent Non-Executive Director



**MR ERLE WILLIAM SPRATT**  
Independent Non-Executive Director

**MR PHILIP JOHN PEARCE**  
Independent Non-Executive Director

**MR JEFFREY DAVID PERLMAN**  
Non-Executive Director



**MR JEFFREY SHEN JINCHU**  
Non-Executive Director

**MR AKIHIRO NOGUCHI**  
Non-Executive Director

**MR ADRIAN CHUI WAI YIN**  
CEO and Executive Director

The Board of ESR-FM comprises seven Non-Executive Directors (four independent and three non-independent) and one Executive Director. Together, they bring to the Board a wide range of industry experience, and knowledge in real estate, asset management, finance and banking, and strategic planning. The Board is committed to ensuring that the highest standards of corporate governance are practised in the management of ESR-REIT and ESR-FM. A fundamental part of the board's responsibility is to protect and enhance ESR-REIT Unitholders' value and interests.

## BOARD OF DIRECTORS

---

### 1 MR OOI ENG PENG, 62

#### Independent Chairman

Date of appointment as Director: 27 July 2012  
Date of last re-appointment as Director: 27 July 2015  
Length of service as a Director: 5 years 7 months

#### BOARD COMMITTEES SERVED ON:

- Audit, Risk Management, Compliance Committee (Member)
- Nominating and Remuneration Committee (Member)
- Executive Committee (Chairman)

#### DESCRIPTION:

Mr Ooi has over 30 years of real estate experience in property investment, development, project management and fund investment, and management businesses in both Asia and Australia. Mr Ooi was previously the CEO of Lend Lease Asia, based in Singapore from 2010 to 2011. From 2006 to 2010, he was the CEO of Investment Management and Retail Asia for Lend Lease based in Singapore. Prior to his roles in Asia, he was regional Chief Financial Officer ("CFO") of Lend Lease Communities Asia Pacific (2003 to 2005), Global CFO of Lend Lease Investment Management (2002 to 2003) and CFO of Lend Lease Development (2000 to 2002), all based in Sydney.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Commerce, University of New South Wales, Australia
- Member of the Certified Practising Accountants of Australia

#### PRESENT DIRECTORSHIPS/CHAIRMANSHIPS<sup>1</sup>:

##### Listed Companies

- Perennial Real Estate Holdings Limited

##### Other Principal Commitments<sup>2</sup>

- Savant Global Capital Pty Ltd
- ESR-MTN Pte. Ltd.
- ESR-SPV2 Pte. Ltd.

#### PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:

- Perennial China Retail Trust Management Pte. Ltd. (the Manager of Perennial China Retail Trust)

### 2 MR BRUCE KENDLE BERRY, 64

#### Independent Non-Executive Director

Date of appointment as Director: 16 September 2016  
Length of service as a Director : 1 year 5 months

#### BOARD COMMITTEES SERVED ON:

- Audit, Risk Management, Compliance Committee (Chairman)

#### DESCRIPTION:

Mr Berry has over 31 years of business experience covering, construction, property, financial management, infrastructure, and project finance in both Asia and Australia. From 2005 to 2012 Mr Berry was with AMP Capital Services Limited where he held a number of senior management positions including Fund Manager for a diversified infrastructure fund, and was seconded as the CFO for the then ASX listed DUET.

Prior to this, Mr Berry was with Lend Lease Corporate for 22 years, and held a number of senior roles in subsidiary or joint venture companies including CFO for Civil and Civic Ltd, Lyonnaise Asia Water Services Pte Ltd and Oakwood Asian Pacific Pte Ltd.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Commerce, University of New South Wales
- Master of Business Administration, University of Sydney
- Chartered Accountant, Chartered Accountants of Australia and New Zealand
- Graduate member of Australia Institute of Company Directors

#### PRESENT DIRECTORSHIPS/CHAIRMANSHIPS<sup>1</sup>:

##### Listed Companies

Nil

##### Other Principal Commitments<sup>2</sup>

Nil

#### PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:

Nil

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1 Present (as at 31 December 2017) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2015 to 31 December 2017)

2 The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not be normally be considered principal commitments

### 3 MR ERLE WILLIAM SPRATT, 50

#### Independent Non-Executive Director

Date of appointment as Director: 13 January 2017  
Length of service as a Director : 1 year 1 month

#### BOARD COMMITTEES SERVED ON:

- Nominating and Remuneration Committee (Chairman)
- Audit, Risk Management, Compliance Committee (Member)

#### DESCRIPTION:

Mr Spratt has more than 30 years of experience in audit and advisory services as well as finance and real estate investment. He started his career with Deloitte in audit and advisory services, followed by more than 16 years with Lend Lease Corporation, where he held a number of senior roles including CFO for Lend Lease Development Australia and Lend Lease Real Estate Investments Japan, Commercial Manager in Lend Lease Development Australia, Investment Director in Lend Lease Retail Singapore and Fund Manager in Lend Lease Investment Management Singapore.

Upon leaving Lend Lease, Mr Spratt joined M&G Real Estate as Investment Director and Fund Manager of the Asia Property Fund in 2010. He held these roles until he left M&G Real Estate in November 2016.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Economics, University of Sydney
- Qualified as a Chartered Accountant, Chartered Accountants of Australia and New Zealand

#### PRESENT DIRECTORSHIPS/CHAIRMANSHIPS<sup>1</sup>:

##### Listed Companies

Nil

##### Other Principal Commitments<sup>2</sup>

- Aerial Equity Pte. Ltd.
- Aerial Equity Pty Ltd
- Gabriel Nominees Pty Ltd
- SprattFam Pty Ltd
- Tramic Nominees Pty Ltd
- Wirrabara Village Pty Ltd

#### PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:

Nil

### 4 MR PHILIP JOHN PEARCE, 51

#### Independent Non-Executive Director

Date of Appointment as Director: 5 April 2017  
Length of service as a Director: 11 months

#### BOARD COMMITTEES SERVED ON:

- Audit, Risk Management, Compliance Committee (Member)
- Executive Committee (Member)

#### DESCRIPTION:

Mr Pearce has extensive real estate experience in the Asia Pacific Region. He most recently held the position of Managing Director, Greater China for the Goodman Group, where he was responsible for US\$5 billion of assets across Hong Kong and China and the establishment of the Goodman Group's business in China. Previously, Mr Pearce was a Director sitting on the board of the Goodman Group from 1 January 2013 to July 2016. While at Goodman he worked in Singapore, Hong Kong and China. Mr Pearce was seconded to the manager of Ascendas Real Estate Investment Trust from October 2002 to July 2006 where he held the position of Portfolio Manager.

Prior to joining Goodman he was at AMP Henderson Global Investors in Sydney where he worked in various roles within the AMP Henderson Property Group including valuation, asset management and fund management.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Commerce (Land Economy), University of Western Sydney, Australia
- Graduate Diploma in Applied Finance, Australian Securities Institute
- Member of the Australian Institute of Company Directors

#### PRESENT DIRECTORSHIPS/CHAIRMANSHIPS<sup>1</sup>:

##### Listed Companies

Nil

##### Other Principal Commitments<sup>2</sup>

- Rosewood International Pty Limited
- Oberon Developments Pty Limited

#### PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:

Nil

## BOARD OF DIRECTORS

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### 5 MR JEFFREY DAVID PERLMAN, 34

#### Non-Executive Director

Date of appointment as Director: 18 January 2017

Length of service as a Director: 1 year 1 month

#### BOARD COMMITTEES SERVED ON:

- Nominating and Remuneration Committee (Member)
- Executive Committee (Member)

#### DESCRIPTION:

Mr Perlman, based in Singapore, joined Warburg Pincus in 2006 and leads the firm's investments in Southeast Asia. Additionally, Mr Perlman focuses on real estate investments across the greater Asia-Pacific region. Prior to joining Warburg Pincus, he worked in the Real Estate Investment Banking Group at Credit Suisse.

He currently serves on the Board of Directors for ARA Asset Management Holdings, ESR Cayman Limited, ESR Funds Management (S) Limited (Manager of ESR-REIT), GO-JEK, Lodgis Hospitality Holdings, Mofang Apartments, Nova Property Investment, PT. Nirvana Wastu Pratama, Trax Technology Solutions and Vincom Retail Joint Stock Company.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Business Administration (BBA) from the Ross School of Business, University of Michigan

#### PRESENT DIRECTORSHIPS/CHAIRMANSHIPS<sup>1</sup>:

##### Listed Companies

Nil

##### Other Principal Commitments<sup>2</sup>

- ESR Cayman Limited
- Cubic City (China) Service Apartment Group Holdings Limited (also known as 'Mofang Apartments')
- Vincom Retail Joint Stock Company
- Nova Property Investment Co., Ltd.
- PT Nirvana Wastu Pratama
- PT Aplikasi Karya Anak Bangsa (also known as 'GO-JEK')
- ARA Asset Management Holdings Pte Ltd (previously known as 'Athena Investment Company (Singapore) Pte Limited')
- Lodgis Hospitality Holdings Private Limited (previously known as 'Helen Holdings Private Limited')
- Trax Technology Solutions Pte Ltd

#### PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED

##### COMPANIES HELD OVER THE PRECEDING THREE YEARS:

- 7 Days Group Holdings Limited (previously listed NYSE: SVN, delisted in 2013)

### 6 MR JEFFREY SHEN JINCHU, 45

#### Non-Executive Director

Date of appointment as Director: 18 January 2017

Length of service as a Director: 1 year 1 month

#### BOARD COMMITTEES SERVED ON:

Nil

#### DESCRIPTION:

Mr Shen has over 21 years of industrial real estate experience, and is currently the group co-CEO of ESR Group, the leading Pan-Asian logistics real estate developer and operator. ESR Group represents one of the largest logistics real estate platforms in the region with 109.8 million sq ft of projects owned and under development across China, Japan, South Korea, Singapore and India. Mr Shen oversees the overall management of business and the general oversight of the ESR's business operations.

Prior to ESR, Mr Shen was the Senior VP of GLP Investment Management (China) Co., Ltd., the former ProLogis China, and during his tenure from January 2004 to May 2011, he was responsible for both the business development and the general management of the company in China.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor Degree in Economics & Management, Shanghai Jiao Tong University
- Master of Business Administration, Eastern China University

#### PRESENT DIRECTORSHIPS/CHAIRMANSHIPS<sup>1</sup>:

##### Listed Companies

Nil

##### Other Principal Commitments<sup>2</sup>

- ESR Cayman Limited
- Shanghai e-Shang Warehouse Services Co., Limited

#### PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED

##### COMPANIES HELD OVER THE PRECEDING THREE YEARS:

Nil

## 7 MR AKIHIRO NOGUCHI, 41

### Non-Executive Director

Date of appointment as Director: 9 June 2014  
Length of service as a Director: 3 years 9 months

#### BOARD COMMITTEES SERVED ON:

Nil

#### DESCRIPTION:

Mr Noguchi joined Mitsui & Co., Ltd, Tokyo in 2002 and is currently the Deputy General Manager of the Financial and New Business Department in Mitsui & Co. (Asia Pacific) Pte. Ltd.

Based in Singapore, Mr Noguchi is engaged in initiating new business developments, focusing on REITS/real estate funds in ASEAN. His areas of expertise include asset management, asset finance and leasing, mergers and acquisitions and corporate risk.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Master of Economics, Kyushu University, Japan
- Bachelor of Economics, Kyushu University, Japan

#### PRESENT DIRECTORSHIPS/CHAIRMANSHIPS<sup>1</sup>:

##### Listed Companies

Nil

##### Other Principal Commitments<sup>2</sup>

- Mitsui & Co. (Asia Pacific) Pte. Ltd.
- Challenger Emerging Market Infrastructure Fund Pte. Ltd.

#### PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:

Nil

## 8 MR ADRIAN CHUI WAI YIN, 42

### CEO and Executive Director

Date of appointment as Director: 24 March 2017  
Length of service as a Director: 11 months

#### BOARD COMMITTEES SERVED ON:

- Executive Committee (Member)

#### DESCRIPTION:

Prior to joining the Manager, Mr Chui ran the South East Asia real estate advisory division of Standard Chartered Bank ("SCB"). His overall responsibilities at SCB included structuring, fundamental analysis and approval of acquisition financing for real estate companies / REITs / Business Trusts, valuation and execution advice for mergers and acquisitions, as well as structuring, execution and investment case positioning and strategies of REIT Initial Public Offerings ("IPOs") and follow-on offerings of equity, equity-linked and debt securities across all real estate segments.

Before SCB, Mr Chui was the Director of Real Estate, Lodging and Leisure Group at UBS Investment Bank's Singapore office, where he headed a team involved in structuring and listing of Singapore and cross-border REITs / Business Trusts and property company IPOs for Southeast Asia. His past work experience also includes a stint at Morgan Stanley Asia (Singapore) Securities Pte Ltd, where he was the lead property research analyst responsible for Singapore listed REITs and property companies. He has also held management roles with CapitaCommercial Trust Management Limited and was part of the pioneer management team at Ascendas Funds Management (S) Limited.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Business, Nanyang Technological University, Singapore

#### PRESENT DIRECTORSHIPS/CHAIRMANSHIPS<sup>1</sup>:

##### Listed Companies

Nil

##### Other Principal Commitments<sup>2</sup>

- ESR-MTN Pte. Ltd.
- ESR-SPV2 Pte. Ltd.
- Cambridge SPV1 LLP
- 7000 AMK LLP

#### PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:

Nil

## MANAGEMENT TEAM

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### 1 MR ADRIAN CHUI

#### CEO and Executive Director

Mr Chui joined the Manager in March 2017 as CEO and Executive Director. He reports to the Board and is responsible for achieving ESR-REIT's fiduciary duties to Unitholders as well as managing major stakeholder relationships. His key responsibilities include setting the strategic objectives for ESR-REIT alongside the Board as well as driving the overall business plan execution with the support of the management team.

### 2 SHANE HAGAN

#### Chief Operating Officer ("COO") and CFO

Mr Hagan joined the ESR-REIT Manager in January 2016 as COO and CFO. He reports to the CEO and works alongside the Board. He is responsible for the operational and financial performance of the Trust and the Manager.



Mr Hagan has over 20 years of experience in the real estate industry across New Zealand, Australia and Singapore. Prior to joining the Manager, Mr Hagan held executive positions in a number of different S-REITs including Mapletree Commercial Trust and Ascendas Real Estate Investment Trust.

Mr Hagan is a Singapore Citizen and holds a Bachelor's Degree in Commerce and Administration from Victoria University. He is a Chartered Accountant of the Institute of Chartered Accountants of New Zealand (now known as Chartered Accountants Australia and New Zealand).



### 3 CHARLENE-JAYNE CHANG

#### Head of Capital Markets

Ms Chang joined the Manager in April 2017 as Head of Capital Markets. She reports to the CEO and manages the capital markets, treasury and investor relations functions of the Manager, including the provision of insights on originating and executing capital markets and treasury strategies.

Prior to joining the Manager, Ms Chang was a Director of the Commercial Real Estate division at Standard Chartered Bank and has originated and executed major transactions across Singapore and Southeast Asia for real estate companies, REITS and Business Trusts. In her role, she was responsible for the structuring, valuation, fundamental analysis, financing and execution advice for mergers and acquisitions, initial public offerings, and follow-on offerings of equity, equity-linked and debt securities.

Before joining Standard Chartered Bank, Ms Chang was based in the Hong Kong and Singapore Corporate Finance offices of the Royal Bank of Scotland, providing corporate finance advisory and executing cross-border transactions across Hong Kong, China and Southeast Asia.

Ms Chang holds a Bachelor of Business Administration with double majors in Finance and Management from the National University of Singapore.

### 4 NANCY TAN

#### Head of Real Estate

Ms Tan joined the Manager in February 2009 and was appointed as Head of Real Estate in February 2011. She reports to the CEO and formulates strategic plans to maximise the returns of ESR-REIT's assets. She oversees the investments, asset management, property management and leasing departments. She has over 20 years of experience in the real estate and asset management industry in Singapore.

Prior to joining the Manager, Ms Tan was the Fund Manager of MacarthurCook Industrial REIT. She also held management positions in a number of established real estate firms, including Far East Organisation and City Developments Limited.

Ms Tan holds a Bachelor of Science (Estate Management) from the National University of Singapore and a Graduate Diploma in Marketing from the Marketing Institute of Singapore.

### 5 LOY YORK YING

#### Head of Compliance

Ms Loy joined the Manager in June 2014 as Head of Compliance. She reports to the CEO and is responsible for all internal and external compliance requirements for the Trust, the Manager and all other related companies of the Manager. She has over 10 years of experience in regulatory and compliance requirements in the financial services industry.

Prior to joining the Manager, Ms Loy was the Head of Regulatory Advisory and Policy, Compliance at Maybank Singapore and was responsible for the oversight and management of all compliance-related requirements of Singapore branch. Prior to that, she also managed portfolio and provided financial advisory services to high net-worth individuals with DBS Bank Ltd and UOB Ltd.

Ms Loy holds a Bachelor of Business (Banking) from Nanyang Technological University. She also holds the Institute of Banking and Finance Advanced, Compliance (Banking) Certification.

INVESTING IN A RESILIENT PORTFOLIO

# STEPPING UP TO NEW CHALLENGES

As one of Singapore's pioneering industrial REITs, ESR-REIT has played a significant role in shaping the industrial landscape. With 48 properties across five industrial sub-asset classes, we hold a substantial portfolio with assets across key industrial zones. In a rapidly evolving business landscape, we aim to become a future-ready company and remain focused on a strategy that strengthens and broadens our portfolio, draws on our expertise and leverages on our experience to become the landlord of choice.



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In FY2017, ESR-REIT's  
acquisitions amounted to

**c.S\$346.1  
MILLION**

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Invested in

**GENERAL INDUSTRIAL,  
LIGHT INDUSTRIAL,  
LOGISTICS/WAREHOUSE,  
HIGH-SPECS INDUSTRIAL  
AND BUSINESS PARK**

---

Well-diversified portfolio across

**5 PRIMARY INDUSTRY  
SEGMENTS** with  
**NO INDIVIDUAL SUB-  
SECTOR ACCOUNTING  
FOR MORE THAN 12.7%**  
of ESR-REIT's rental income



## MANAGER'S REPORT

In FY2017, ESR-REIT recorded gross revenue of S\$109.7 million, which was 2.1% lower than FY2016. NPI decreased 4.7% to S\$78.4 million. The gross revenue and NPI were lower as they were impacted by higher property operating expenses from lease conversions of properties during the year and the full year impact of the leases converted in the prior year, and were only partially offset by the positive impact of the new leases and acquisitions completed in mid- December 2017. Total distributable income for FY2017 was S\$50.4 million, translating to a DPU of 3.853 cents for FY2017, a 7.7% decrease as compared to the year before.

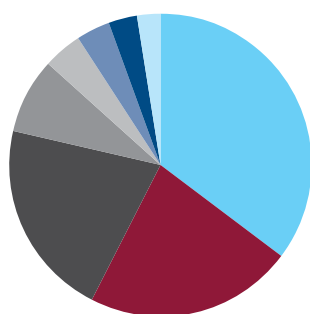
In a rapidly evolving industrial property landscape, growing the business has become increasingly challenging. But ESR-REIT's focus on capital recycling, yield-accretive acquisitions and divestment of non-core properties has enabled it to remain nimble, notwithstanding the challenging environment.

In December 2017, ESR-REIT announced the completion of two yield-accretive acquisitions: 8 Tuas South Lane and an 80% stake in 7000 Ang Mo Kio Avenue 5 for a combined purchase consideration of approximately S\$346.1 million. With the addition of these two properties, ESR-REIT's total portfolio

### Diversified Tenant Base and Trade Sectors No individual trade sector accounts for more than 12.7% of ESR-REIT's Rental Income

#### Breakdown by Tenant Base (by Rental Income)

As at 31 December 2017



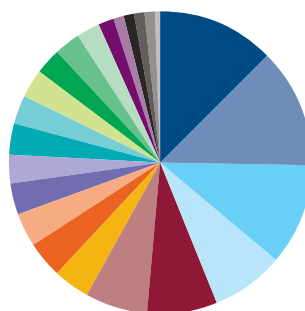
Manufacturing	35.2%
Transportation and Storage	22.3%
Wholesale, Retail Trade Services and Others	20.9%
Professional, Scientific and Technical Activities	8.2%
Infocomm	4.1%
Others	3.5%
Construction, Civil and Engineering Services	3.1%
Precision Engineering	2.7%

valuation increased by c.24% and as at end FY2017 stands at S\$1.68 billion<sup>1</sup>. The addition of these two properties to our pool of assets has not only improved our portfolio quality in areas such as WALE and land lease expiry profile but has also enabled us to diversify our tenant trade segments.

ESR-REIT is a long-term investor in industrial properties and the Manager actively reviews the REIT's portfolio regularly. Following these reviews, certain properties may be considered for divestment to optimise overall portfolio quality and returns. The Manager's efforts in active capital recycling resulted in

#### Breakdown by Tenant Trade Sectors (by Rental Income)

As at 31 December 2017



Wholesale of Household Goods, Textiles, Furniture and Furnishing and Others	12.7%
Computer, Electronic and Optical Products (Manufacturing)	12.6%
General Storage	11.0%
Fabricated Metal Products	7.8%
Logistics	7.5%
Water and Energy	6.5%
Data Centre	4.1%
Specialised Storage	3.8%
Other Services	3.5%
Professional Computer, Electronic and Optical Products	3.4%
Architectural and Engineering Activities and Related Technical Consultancy	3.2%
Construction, Civil and Engineering Services	3.1%
Paper and Paper Products	3.1%
Wholesale of Industrial, Construction and IT Related Machinery and Equipment	3.1%
Car Distribution	2.8%
Precision Engineering	2.7%
Machinery and Equipment	2.5%
Pharmaceutical	1.6%
Education	1.3%
Others (Wholesale)	1.1%
Rubber and Plastic Products	1.1%
M&E Services and Gas Supply	1.1%
Others	0.4%

<sup>1</sup> Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest

the divestment of three non-core assets in FY2017 for a total consideration of S\$57.3 million – both 55 Ubi Avenue 3 and 87 Defu Lane 10 were sold at 0.2% and 0.6% above book value respectively, and 23 Woodlands Terrace was sold at 2.8% above book value.

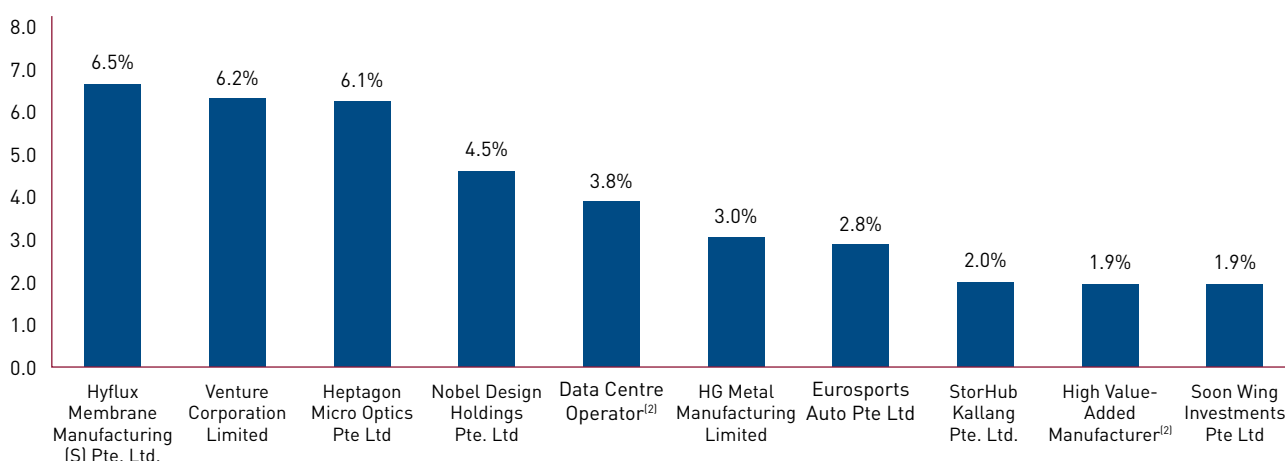
Sales proceeds were used for some repayment of debt, which in turn helped to reduce aggregate leverage for greater debt headroom, facilitating potential acquisitions to enhance the performance of ESR-REIT's portfolio.

Sale proceeds were mainly used to repay existing loan facilities, which rebalanced the REIT's capital structure post acquisitions of 8 Tuas South Lane and 7000 Ang Mo Kio Avenue 5. This has in turn enhanced the REIT's portfolio performance and demonstrated the Manager's ability to recycle capital into better quality acquisitions. The ongoing strategy of capital recycling and divestment of non-core properties in FY2017 has enabled the Manager to acquire yield accretive assets with an efficient funding mix.

### Quality and Diversified Tenant Base Top 10 Tenants Account for 38.7% of Rental Income

#### Top 10 Tenants (by Rental Income)<sup>(1)</sup>

As at 31 December 2017



(1) Excludes Tellus Marine Engineering Pte Ltd as the lease has been pre-terminated in January 2018

(2) Tenant cannot be named due to confidentiality obligations

Independent valuations of ESR-REIT's properties were carried out in December 2017. In line with the broader market, overall portfolio valuation was 3.1% lower on a like for like basis as compared to the year before. About 70% of the write-down was attributed to three properties facing property specific issues such as master lease conversions. The recently acquired 7000 Ang Mo Kio Avenue 5 property also contributed towards a 10.5% increase in the portfolio's exposure to High-Specs Industrial space. As at 31 December 2017, High-Specs Industrial space now contributes to 23.4% of ESR-REIT's rental income, as compared to the 12.9% from the same period a year ago.

Since 2012, ESR-REIT has been moving towards converting several of its STBs to MTBs, in order to create a more balanced and resilient portfolio. In FY2017, there were 21 MTBs in ESR-REIT's portfolio, a drop from the 23 in FY2016. This was

due to the sale of three properties, 55 Ubi Avenue 3, 87 Defu Lane 10 and 23 Woodlands Terrace and the acquisition of 7000 Ang Mo Kio Avenue 5. Despite keen market competition, the leasing team adopted a proactive occupancy management strategy and successfully leased c.1.19 million sq ft of space during the year, including five master lease renewals and one new master lease. Portfolio occupancy remained high at 93.0%, above the JTC Industrial average of 88.9% as at 31 December 2017. The retention rate for MTBs was at 51.1%, mainly impacted from the non-renewal of CWT's lease at the ramp-up facility at 3 Pioneer Sector 3.

ESR-REIT maintains a diversified tenant base of 207 tenants, with the top 10 tenants accounting for 38.7% of rental income in FY2017.

## MANAGER'S REPORT

As at 31 December 2017, 58.8% of rental income came from MTBs, while 41.2% was attributed to STBs. Weighted average land lease balance was 33.8 years while the WALE has improved, from 3.7 years to 4.3 years. The WALE for new leases signed in FY2017 is 4.0 years, accounting for 2.7% of

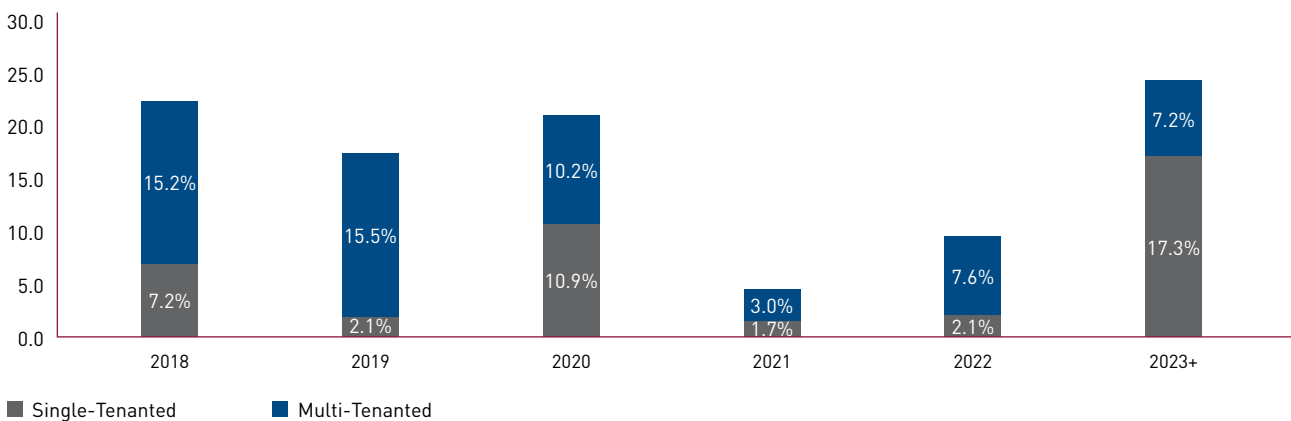
the total rental income. Measured by total rental revenue, approximately 22.4% of ESR-REIT's leases (by rental income) are due for renewal in FY2018, of which 7.2% are for STBs and 15.2% are for MTBs.

### Proactive Lease Management

- Renewed and leased approximately 1.19 million sq ft of leases in FY2017
- Tenant retention rate of 51.1%

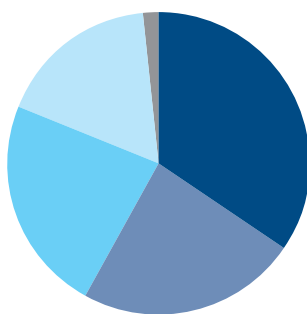
### WALE by Rental Income

As at 31 December 2017



### Asset Class by Rental Income

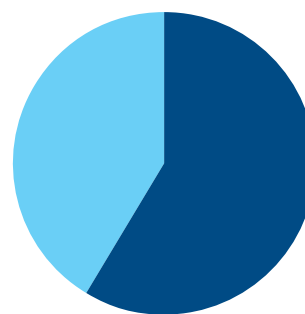
As at 31 December 2017



● General Industrial	34.7%
● High-Specs Industrial	23.4%
● Logistics/Warehouse	23.1%
● Light Industrial	17.3%
● Business Park	1.5%

### Single-Tenanted vs Multi-Tenanted by Rental Income

As at 31 December 2017



● Multi-Tenanted	58.8%
● Single-Tenanted	41.2%

## Key Portfolio Statistics

	AS AT 31 DEC 2017	AS AT 31 DEC 2016
Number of Properties	48	49
Valuation (S\$ billion)	1.68 <sup>(1)</sup>	1.35
GFA (million sq ft)	9.9 <sup>(1)</sup>	8.4
NLA (million sq ft)	9.0 <sup>(1)</sup>	7.7
Weighted Average Lease Expiry (years)	4.3	3.7
Weighted Average Land Lease Expiry (years)	33.8	34.0
Occupancy (%)	93.0	94.7 <sup>(2)</sup>
Number of Tenants	207	215
Average Security Deposit (months)	7.0	8.2

(1) Includes 7000 Ang Mo Kio Avenue 5 on a 100% basis, in line with accounting policy, of which ESR-REIT has 80% economic interest

(2) Excludes 120 Pioneer Road which was undergoing AEI

## PROACTIVE ASSET MANAGEMENT

In August 2016, Asset Enhancement Initiative (“AEI”) works commenced for the property at 120 Pioneer Road. The building received its Temporary Occupation Permit on 28 September 2017, coinciding with the opening of the new Tuas West Road MRT station along the East-West MRT Line. The building

is the first in ESR-REIT’s portfolio to feature a green wall façade and other environmentally-friendly features such as the use of LED light fixtures in common areas and water saving facilities in the toilets. The building was also awarded the Water Efficient Building (Basic) (“WEB”) certification in December 2017.



AEI	DESCRIPTION OF WORKS	PROJECT COST (S\$ million)
120 Pioneer Road	Façade upgrading, installation of passenger/ cargo lifts, toilet refurbishment, fire safety code compliance	5.0

## MANAGER'S REPORT

### PRUDENT CAPITAL AND RISK MANAGEMENT

Building on the momentum generated, ESR-REIT has in the last year, sought to improve its capital structure by diversifying

its sources of capital and strengthening its credit profile. These efforts have helped to better manage our risks and potentially deliver better returns to Unitholders.

#### Key Capital Management Indicators

- **Debt to total assets of 39.6%**<sup>(1)</sup>
- **69.2% of interest rates fixed for the next 1.9 years**
- **S\$150.0 million in subordinated perpetual securities raised at a 4.6% coupon on 3 Nov 2017**

EFR announced on 27 February 2018 to raise gross proceeds of up to c.S\$141.9 million, to partially repay Revolving Credit Facilities ("RCF") drawn down to fund the 7000 Ang Mo Kio Avenue 5 acquisition<sup>(2)</sup>

- Illustrative pro forma aggregate leverage as at 31 December 2017 post equity fund raising is expected to be c.32.5%, and fixed interest rate exposure is expected to increase to c.85%
- Sponsor committed to undertake to subscribe in full its pro-rata entitlement and excess units up to a total subscription amount of not less than S\$125.0 million
- Mitsui has committed to subscribe in full its pro rata entitlement

	AS AT 31 DEC 2017	AS AT 31 DEC 2016
Total gross debt (S\$ million)	672.0	512.5
Debt to total assets (%)	39.6	37.5
Weighted average all-in cost of debt (%) p.a.	3.55	3.71
Weighted average debt expiry (years)	2.4	3.1
Interest coverage ratio (times)	3.5	3.6
Interest rate exposure fixed (%)	69.2	90.7
Proportion of unencumbered investment properties (%)	100	100
Available committed facilities (S\$ million)	43.0	102.5

(1) On 27 February 2018, the Manager announced an EFR on the basis of 199 New Units for every 1,000 existing Units in ESR-REIT to raise gross proceeds of up to c.S\$141.9 million. The higher debt to total assets at end of FY2017 is due to short-term debt drawn down to fund the two acquisitions in December 2017, and the proceeds of the EFR will be used to substantially repay this debt. In the circular dated 2 February 2018, the illustrative pro forma aggregate leverage as at 31 December 2017 post equity fund raising (based on Sponsor Undertaking) is expected to be c.32.5%

(2) With reference to the Circular dated 2 February 2018

### KEY CAPITAL MANAGEMENT ACTIVITIES

In November 2017, ESR-REIT successfully launched and issued its inaugural S\$150 million subordinated perpetual securities (Series 006 of the Medium Term Note ("MTN") programme). The perpetual securities were issued at an attractive coupon of 4.6% and was a significant achievement, given that it was the very first perpetual securities issuance for ESR-REIT. Proceeds from the issuance were used to partially finance acquisitions and to repay existing revolving credit loan facilities.

In December 2017, ESR-REIT successfully entered into an agreement with HSBC to increase its existing loan facility from S\$100 million to S\$200 million. This was part of the Manager's efforts to secure effective sources of capital for the REIT, providing the REIT the competitive edge to remain flexible to deploy capital for potential acquisitions in an efficient manner.

On 27 February 2018, the Manager announced the EFR of up to approximately 262.8 million new Units in ESR-REIT on the basis of 199 for every 1,000 existing Units in ESR-REIT at the issue price of S\$0.54 per New Unit to raise gross proceeds of up to c.S\$141.9 million, which will be used to repay certain debt facilities.

As at 31 December 2017, approximately 69.2% of ESR-REIT's interest rate exposure was fixed for further 1.9 years on average. All-in-all, the capital markets activities conducted in FY2017 broadened ESR-REIT's sources of capital funding, and reduced our weighted average all-in cost of debt from 3.71% in FY2016 to 3.55% in FY2017.



## DIVERSIFIED DEBT MATURITY PROFILE

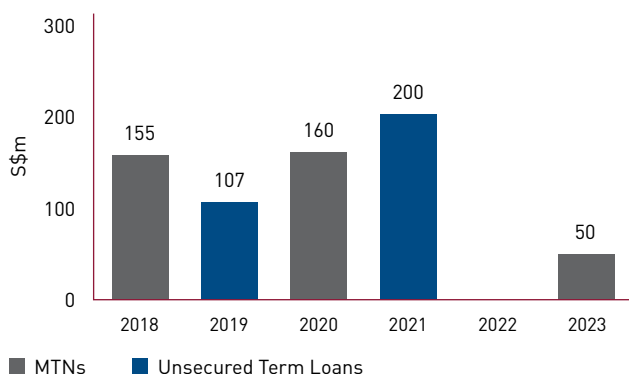
- Well-staggered debt maturity profile, with no more than 30% of debt expiring per year
- Available RCF of S\$43.0 million provides ESR-REIT with financial flexibility for working capital requirements

### Well-Staggered Debt Maturity Profile

- **100% unencumbered investment properties**
- **No refinancing due till 4Q2018**
- **Undrawn committed RCF of S\$43.0 million provides ESR-REIT with financial flexibility for working capital requirements**

### Debt Maturity Profile

(as at 31 Dec 2017)



## STAKEHOLDER ENGAGEMENT

ESR-REIT believes in effective and transparent stakeholder engagement and is committed to disseminating all material information that would reasonably be required to make an informed decision about investment in ESR-REIT's securities in a fair, timely and cost-efficient manner. We adopt proactive communication with Unitholders, investors, analysts, media, clients, partners and our entire stakeholder community.

## TENANT AND PARTNER ENGAGEMENT

In 2017, the Manager continued with our proactive Tenant Engagement Programme, which includes regular annual events such as educational seminars and festive gatherings. In August 2017, we organised a Durian Party for our tenants, business partners and stakeholders which was attended by close to 200 representatives of our tenant and stakeholder community. In the same month, we also launched an Agent Incentive Scheme at an Agent Engagement Event. We also organised educational seminars related to industry topics of relevance to our tenants in regular intervals. These events serve as a platform to foster closer relationships with the management team while providing us an in-depth understanding of tenants needs in a constantly evolving landscape.

More details on ESR-REIT's Investor Relations Programme are available on pages 33-34.

## MANAGER'S REPORT

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- ▶ Appointment of Mr Erle William Spratt as an Independent Non-Executive Director of the Manager
- ▶ Completion of acquisition by ESR of c.80% indirect interest in the Manager
- ▶ Appointment of Mr Jeffery David Perlman and Mr Jeffery Shen Jinchu as Non-Executive Directors of the Manager
- ▶ Announcement of 4Q2016 DPU of 0.996 cents and yearly valuation of real estate assets



- ▶ Announcement of 2Q2017 DPU of 0.956 cents



- ▶ New units issued and listed at an issue price of S\$0.5713 per Unit under the Distribution Reinvestment Plan ("DRP") in relation to the 2Q2017 distribution
- ▶ Completed divestment of 55 Ubi Avenue 3



- ▶ ESR acquires c.11% of the REIT's Units, effectively becoming its second largest Unitholder



- ▶ Announcement of 3Q2017 DPU of 0.964 cents
- ▶ Announced proposed acquisition of 8 Tuas South Lane



- ▶ Appointment of Mr Adrian Chui as CEO and Executive Director of the Manager
- ▶ Resignation of Mr Michael Patrick Dwyer as a Non-Executive Director of the Manager



- ▶ Issued S\$150 million of 4.6% subordinated perpetual securities as part of ESR-REIT's S\$750 million Multicurrency MTN programme
- ▶ Completed divestment of 87 Defu Lane 10
- ▶ New units issued and listed at an issue price of S\$0.5568 per Unit under the DRP in relation to the 3Q2017 distribution



- ▶ Appointment of Mr Philip John Pearce as an Independent Non-Executive Director
- ▶ 8th Annual General Meeting held on 25 April 2017
- ▶ Announcement of 1Q2017 DPU of 1.004 cents



- ▶ Completed acquisition of 8 Tuas South Lane and the 80% stake in the SPV that owns 7000 Ang Mo Kio Avenue 5
- ▶ Completed divestment of 23 Woodlands Terrace
- ▶ Announced a proposed EFR. Subsequently, the Manager announced an EFR on the basis of 199 for every 1,000 existing Units in ESR-REIT to raise gross proceeds of up to c.S\$141.9 million



- ▶ Appointment of Mr Philip John Pearce as a member of the ARCC



- ▶ Announcement of change of name from "Cambridge Industrial Trust" to "ESR-REIT"

## INVESTOR ENGAGEMENT

### INVESTOR RELATIONS

The Manager has a dedicated investor relations team that engages in a comprehensive and proactive investor relations programme guided by three main principles:

- **Timeliness:** Regular disclosures on ESR-REIT's business initiatives, strategies and performance are communicated to our investors, analysts, potential Unitholders, the media and other stakeholders in a timely manner.
- **Transparency:** We promote investor confidence by ensuring open and transparent communication with all stakeholders.
- **Clarity:** A conscious effort is made to ensure information is communicated to stakeholders in clear language that avoids unnecessary jargon. ESR-REIT's financial results are announced four times a year and all announcement materials are uploaded on SGXNET as well as on our website.

The Manager communicates key updates on operational and financial performance as well as the REIT's strategy and initiatives through various platforms such as conferences and meetings, briefings, print publications and online communication.

ESR-REIT's Annual General Meeting ("AGM") was held on 25 April 2017 and was attended by close to 250 Unitholders. Unitholders were able to ask questions and give feedback to the management team and to the Board of Directors at the open dialogue session following the formal proceedings. The use of electronic voting by poll of resolutions put forward at the AGM has also contributed towards time savings and accuracy in the collation of poll results.

In FY2017, the Manager held regular meetings with analysts, as well as potential and current investors in Singapore, Thailand, Hong Kong and Japan. Engagements included participation in local and regional conferences, one-on-one meetings, group teleconferences, organised site visits as well as post-investor luncheons.

Briefings for analysts and the media were held every six months, in conjunction with the release of ESR-REIT's half year and full-year results. These briefings helped to facilitate a better understanding of the Trust's corporate developments and financial performance.

The Manager also maintains a dedicated Investor Relations section on ESR-REIT's website, which contains electronic copies of quarterly financial results, investments, corporate actions and disclosures uploaded through the SGX-ST via SGXNet. An email alert subscription service also enables investors to receive the latest updates on ESR-REIT. A newly-designed website was launched in March 2018 to make it easier for potential and existing investors to navigate the website and to facilitate access to financial and corporate materials.

ESR-REIT is covered by five research houses in Singapore. The full list of research houses and analysts is available at [www.esr-reit.com.sg](http://www.esr-reit.com.sg).

### FINANCIAL CALENDAR

	FY2017	FY2018*
Announcement of Full Year Financial Results	25 January 2017	17 January 2018
Extraordinary General Meeting	–	27 February 2018
Payment of Fourth Quarter Distribution to Unitholders	28 February 2017	28 February 2018
Announcement of First Quarter Financial Results	25 April 2017	20 April 2018
Annual General Meeting for Unitholders	25 April 2017	20 April 2018
Payment of First Quarter Distribution to Unitholders	31 May 2017	May 2018
Announcement of Second Quarter Financial Results	13 July 2017	July 2018
Payment of Second Quarter Distribution to Unitholders	31 August 2017	August 2018
Announcement of Third Quarter Financial Results	17 October 2017	October 2018
Payment of Third Quarter Distribution to Unitholders	24 November 2017	November 2018

\* Subject to changes

## INVESTOR ENGAGEMENT



8th Annual General Meeting

### INVESTOR AND MEDIA RELATIONS CALENDAR FY2017

DATE	ACTIVITY
25 Jan	4Q and FY2016 Analyst and Media Results Earnings Call
25 Apr	8th Annual General Meeting 2017
22 to 24 May	Hong Kong and Singapore Investor Roadshow by Citigroup
13 Jul	2Q and 1H2017 Analyst Results Earnings Call
14 Jul	2Q and 1H2017 Post-Results Investor Luncheon by CIMB
18 to 20 Jul	Tokyo Investor Roadshow
24 Aug	SGX-Citi C-Suite Singapore REITS and Sponsors Corporate Day 2017
13 Sept	Bangkok Investor Roadshow by Maybank Kim Eng Securities
3 Oct	SGX-Credit Suisse Real Estate Corporate Day 2018
23 Oct	Singapore Investor Roadshow by DBS
7 Nov	Singapore Investor Roadshow by RHB
20 to 21 Nov	SGX-Maybank Kim Eng and Mizuho Securities Corporate Day in Tokyo
14 Dec	Media and Analyst Year-End Event

To receive the latest updates on ESR-REIT, please visit [www.esr-reit.com.sg](http://www.esr-reit.com.sg) and subscribe to our email alert service.

For enquiries, please contact:

#### INVESTOR RELATIONS

**Ms Cheryl Lim**

138 Market Street  
#26-03/04 CapitaGreen  
Singapore 048946

T: (65) 6827 9332

F: (65) 6827 9339

E: [ir@esr-reit.com.sg](mailto:ir@esr-reit.com.sg)

#### UNIT REGISTRAR

**B.A.C.S. Private Limited**

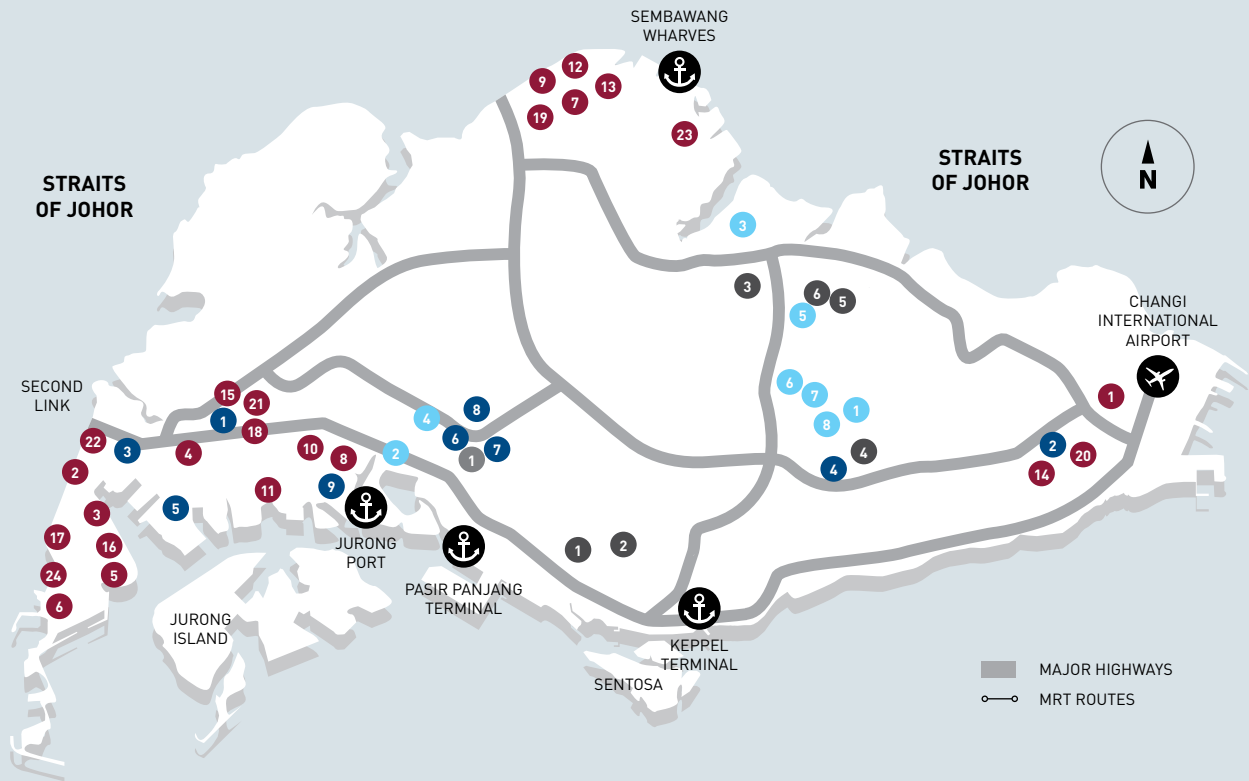
8 Robinson Road #03-00  
ASO Building  
Singapore 048544  
T: (65) 6593 4848  
F: (65) 6593 4847

#### UNITHOLDER DEPOSITORY

**The Central Depository (Pte) Limited**

9 Buona Vista Drive  
#01-19/20 The Metropolis  
Singapore 138588  
T: (65) 6535 7511  
E: [asksg@sgx.com](mailto:asksg@sgx.com)

## PROPERTY LOCATIONS



### GENERAL INDUSTRIAL

- 1 1/2 Changi North Street 2
- 2 2 Tuas South Avenue 2
- 3 3 Tuas South Avenue 4
- 4 5/7 Gul Street 1
- 5 8 Tuas South Lane
- 6 9 Tuas View Crescent
- 7 11 Woodlands Walk
- 8 15 Jurong Port Road
- 9 21B Senoko Loop
- 10 22 Chin Bee Drive
- 11 25 Pioneer Crescent
- 12 28 Senoko Drive
- 13 28 Woodlands Loop
- 14 31 Changi South Avenue 2
- 15 31 Kian Teck Way
- 16 43 Tuas View Circuit
- 17 60 Tuas South Street 1
- 18 160A Gul Circle
- 19 30 Marsiling Industrial Estate Road 8
- 20 45 Changi South Avenue 2
- 21 86/88 International Road
- 22 120 Pioneer Road
- 23 511/513 Yishun Industrial Park
- 24 79 Tuas South Street 5

### LIGHT INDUSTRIAL

- 1 16 Tai Seng Road
- 2 30 Teban Gardens Crescent
- 3 70 Seletar Aerospace View
- 4 30 Toh Guan Road
- 5 11 Serangoon North Avenue 5
- 6 128 Joo Seng Road
- 7 130 Joo Seng Road
- 8 136 Joo Seng Road

### LOGISTICS AND WAREHOUSE

- 1 1 Third Lok Yang Road and 4 Fourth Lok Yang Road
- 2 25 Changi South Avenue 2
- 3 31 Tuas Avenue 11
- 4 160 Kallang Way
- 5 3 Pioneer Sector 3
- 6 3C Toh Guan Road East
- 7 4/6 Clementi Loop
- 8 9 Bukit Batok Street 22
- 9 24 Jurong Port Road

### HIGH SPECS INDUSTRIAL

- 1 2 Jalan Kilang Barat
- 2 11 Chang Charn Road
- 3 12 Ang Mo Kio Street 65
- 4 21/23 Ubi Road 1
- 5 54 Serangoon North Avenue 4
- 6 7000 Ang Mo Kio Avenue 5

### BUSINESS PARK

- 1 16 International Business Park

## PROPERTY DETAILS

# GENERAL INDUSTRIAL



	ADDRESS	LEASE TYPE	GROSS FLOOR AREA (sq ft)	LETTABLE AREA (sq ft)	LAND TENURE (years)
1	1 Changi North Street 2	Master lease	125,870	125,870	30+30
2	2 Changi North Street 2				
2	2 Tuas South Avenue 2	Master lease	217,351	217,351	60
3	3 Tuas South Avenue 4	Master lease	315,522	315,522	30+30
4	5/7 Gul Street 1	Master lease	98,864	98,864	29.5
5	8 Tuas South Lane	Master lease	781,124	768,201	30+16
6	9 Tuas View Crescent	Master lease	71,581	71,581	30+30
7	11 Woodlands Walk	Master lease	96,625	96,625	30+30
8	15 Jurong Port Road	Master lease	245,172	245,172	28
9	21B Senoko Loop	Master lease	195,823	195,823	30+30
10	22 Chin Bee Drive	Master lease	120,653	120,653	30
11	25 Pioneer Crescent	Master lease	76,003	76,003	30+28
12	28 Senoko Drive	Master lease	159,338	159,338	30+30



**REMAINING  
TERM OF  
LAND LEASE**  
(years)

**ACQUISITION  
DATE**

**PURCHASE  
PRICE/  
DEVELOPMENT  
COST**  
[S\$million]

**OCCUPANCY**  
[%]  
as at 31 Dec 2017

**RENTAL  
INCOME**  
[S\$million]  
as at 31 Dec 2017

**VALUATION**  
[S\$million]  
as at 31 Dec 2017

43.2

19-Oct-10

22.1

100

1.8

22.0

47.9

41.0

25-Jul-06

23.0

100

2.4

36.1

41.4

19-Mar-13

15.0

100

2.0

42.9

19.8

15-Jul-11

14.5

100

1.4

15.0

36.3

13-Dec-17

106.1

100

0.4

115.0

40.6

25-Jul-06

5.6

100

0.5

10.2

37.8

29-Oct-12

17.3

100

1.4

17.2

17.2

30-Jan-13

43.0

100

3.8

37.5

35.1

28-Jan-08

27.8

100

2.5

26.4

17.7

28-Sep-10

15.0

100

1.5

14.5

49.1

29-Mar-12

15.3

100

1.2

16.3

22.0

25-Jun-07

12.0

100

1.7

13.7

## PROPERTY DETAILS

### GENERAL INDUSTRIAL



	ADDRESS	LEASE TYPE	GROSS FLOOR AREA (sq ft)	LETTABLE AREA (sq ft)	LAND TENURE (years)
13	28 Woodlands Loop	Master lease	131,859	131,859	30+30
14	31 Changi South Avenue 2	Master lease	59,697	59,697	30+30
15	31 Kian Teck Way	Master lease	33,088	33,088	30+19
16	43 Tuas View Circuit	Master lease	122,836	122,836	30
17	60 Tuas South Street 1	Master lease	44,675	44,675	30
18	160A Gul Circle	Master lease	86,075	86,075	27
19	30 Marsiling Industrial Estate Road 8	Multi-tenanted	217,953	175,747	30+30
20	45 Changi South Avenue 2	Multi-tenanted	73,684	63,530	30+30
21	86/88 International Road	Multi-tenanted	237,229	237,229	30+30
22	120 Pioneer Road	Multi-tenanted	244,513	219,331	30+28
23	513 Yishun Industrial Park A	Multi-tenanted	224,689	200,562	30+30
	511 Yishun Industrial Park A				29+30
24	79 Tuas South Street 5	-	67,942	67,942	30+30





REMAINING TERM OF LAND LEASE (years)	ACQUISITION DATE	PURCHASE PRICE/ DEVELOPMENT COST [S\$million]	OCCUPANCY (%) as at 31 Dec 2017	RENTAL INCOME [S\$million] as at 31 Dec 2017	VALUATION [S\$million] as at 31 Dec 2017
37.8	25-Jul-06	13.0	100	1.7	17.5
37.2	27-Jul-07	7.3	100	0.8	12.0
24.7	25-Jul-06	3.2	100	0.6	5.7
20.1	21-Sep-12	13.5	100	1.5	16.0
17.2	29-Jun-11	6.4	100	0.3	4.0
22.8	13-May-15	19.1	100	1.6	18.2
31.9	24-Oct-12	39.0	82	2.7	36.6
37.7	25-Jul-06	8.3	92	1.0	12.1
37.0	25-Jul-06	32.6	90	3.3	43.0
37.2	24-Oct-07	31.1	36	1.4	40.6
35.9	30-Nov-10	32.6	84	1.5	26.1
36.4					
42.1	30-Apr-08	10.4	-	-	11.0

## PROPERTY DETAILS

### LIGHT INDUSTRIAL



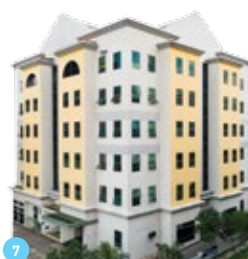
	ADDRESS	LEASE TYPE	GROSS FLOOR AREA (sq ft)	LETTABLE AREA (sq ft)	LAND TENURE (years)
1	16 Tai Seng Street	Master Lease	215,666	215,666	30+30
2	30 Teban Gardens Crescent	Master Lease	139,525	139,525	10+22
3	70 Seletar Aerospace View	Master Lease	53,729	53,729	30
4	30 Toh Guan Road	Multi-tenanted	332,001	292,944	30+30
5	11 Serangoon North Avenue 5	Multi-tenanted	146,619	112,601	30+30
6	128 Joo Seng Road	Multi-tenanted	92,849	73,407	30+30
7	130 Joo Seng Road	Multi-tenanted	118,320	89,626	30+30
8	136 Joo Seng Road	Multi-tenanted	101,321	78,189	30+30



5



6



7



8

REMAINING TERM OF LAND LEASE (years)	ACQUISITION DATE	PURCHASE PRICE/ DEVELOPMENT COST [S\$million]	OCCUPANCY (%) as at 31 Dec 2017	RENTAL INCOME [S\$million] as at 31 Dec 2017	VALUATION [S\$million] as at 31 Dec 2017
49.5	29-May-12	72.9	100	5.8	60.5
21.4	17-Mar-14	41.0	100	3.6	38.9
23.8	22-Nov-12	8.5	100	1.0	9.2
37.6	25-Jul-06	35.0	84	5.7	59.7
39.3	25-Jul-06	14.0	94	2.2	20.0
34.4	25-Jun-07	10.0	91	1.2	12.0
33.9	25-Jul-06	12.0	93	1.7	15.6
32.8	25-Jul-06	10.3	100	1.3	12.8

## PROPERTY DETAILS

### LOGISTICS & WAREHOUSE



	ADDRESS	LEASE TYPE	GROSS FLOOR AREA (sq ft)	LETTABLE AREA (sq ft)	LAND TENURE (years)
1	1 Third Lok Yang Road and 4 Fourth Lok Yang Road	Master lease	114,111	114,111	30
2	25 Changi South Avenue 2	Master lease	72,998	72,998	30+30
3	31 Tuas Avenue 11	Master lease	75,579	75,579	30+30
4	160 Kallang Way	Master lease	322,604	322,604	60
5	3 Pioneer Sector 3	Multi-tenanted	716,510	645,499	30+30
6	3C Toh Guan Road East	Multi-tenanted	192,864	172,323	30+30
7	4/6 Clementi Loop	Multi-tenanted	300,920	255,560	30+30
8	9 Bukit Batok Street 22*	Multi-tenanted	157,863	132,447	30+30
9	24 Jurong Port Road	Multi-tenanted	817,021	737,817	30+12

\*Property held for divestment. Divestment completed on 5 March 2018



REMAINING TERM OF LAND LEASE (years)	ACQUISITION DATE	PURCHASE PRICE/ DEVELOPMENT COST [S\$million]	OCCUPANCY (%) as at 31 Dec 2017	RENTAL INCOME [S\$million] as at 31 Dec 2017	VALUATION [S\$million] as at 31 Dec 2017
14.0	25-Jul-06	12.4	100	1.2	11.7
36.8	25-Jul-06	7.3	100	1.0	12.5
36.3	25-Jul-06	8.7	100	1.1	12.3
15.1	25-Jul-06	23.2	100	2.5	26.8
33.0	25-Jul-06	93.4	86	8.3	95.7
33.1	30-Jan-12	35.5	97	2.3	29.7
35.8	13-Jun-11	63.4	80	3.2	48.1
35.1	25-Oct-07	18.3	98	2.2	23.6
19.2	25-Jul-06	96.0	95	8.1	89.4

## PROPERTY DETAILS

### HIGH SPECS INDUSTRIAL



	ADDRESS	LEASE TYPE	GROSS FLOOR AREA (sq ft)	LETTABLE AREA (sq ft)	LAND TENURE (years)
1	2 Jalan Kilang Barat	Multi-tenanted	82,652	67,667	99
2	11 Chang Charn Road	Multi-tenanted	97,546	74,064	99
3	12 Ang Mo Kio Street 65	Multi-tenanted	180,425	166,124	30+30
4	21/23 Ubi Road 1	Multi-tenanted	202,770	148,055	30+30
5	54 Serangoon North Avenue 4	Multi-tenanted	139,249	116,761	30+30
6	7000 Ang Mo Kio Avenue 5 <sup>1</sup>	Multi-tenanted	1,073,233	834,783	32+30

### BUSINESS PARK



	ADDRESS	LEASE TYPE	GROSS FLOOR AREA (sq ft)	LETTABLE AREA (sq ft)	LAND TENURE (years)
1	16 International Business Park	Master lease	69,258	69,258	30+30

<sup>1</sup> Valuation of 7000 Ang Mo Kio Avenue 5 is on a 100% basis, of which ESR-REIT has 80% economic interest



**REMAINING  
TERM OF  
LAND LEASE**  
(years)

**ACQUISITION  
DATE**

**PURCHASE  
PRICE/  
DEVELOPMENT  
COST**  
(S\$million)

**OCCUPANCY**  
(%)  
as at 31 Dec 2017

**RENTAL  
INCOME**  
(S\$million)  
as at 31 Dec 2017

**VALUATION**  
(S\$million)  
as at 31 Dec 2017

44.5	25-Jul-06	20.0	83	2.1	26.9
39.0	31-Mar-14	32.0	96	2.2	29.7
32.8	13-Sep-14	39.8	64	3.1	38.9
39.1	25-Jul-06	25.0	100	3.9	35.6
38.5	01-Mar-13	21.0	100	2.3	22.3
39.1	13-Dec-17	240.0	92	1.1 <sup>2</sup>	303.0

**REMAINING  
TERM OF  
LAND LEASE**  
(years)

**ACQUISITION  
DATE**

**PURCHASE  
PRICE/  
DEVELOPMENT  
COST**  
(S\$million)

**OCCUPANCY**  
(%)  
as at 31 Dec 2017

**RENTAL  
INCOME**  
(S\$million)  
as at 31 Dec 2017

**VALUATION**  
(S\$million)  
as at 31 Dec 2017

38.6	19-Dec-14	30.3	100	1.9	31.3
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<sup>2</sup> Rental income covers post-acquisition period from 14 December 2017 to 31 December 2017.

# SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

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Prepared by CBRE Pte. Ltd.

## THE SINGAPORE MARKET

According to the Ministry of Trade and Industry (“MTI”), Singapore’s Gross Domestic Product (“GDP”) posted a 3.6% growth in 2017. Growth in the year was mainly supported by the manufacturing sector, contributed by robust output expansions in the precision engineering and electronics industries. The services producing industries grew by 2.8% on the back of growth in the Finance and Insurance, Wholesale and Retail trade and Transportation and Storage sectors. Conversely, the construction sector contracted by -8.4% as weakness in construction demand from the private sector continues to weigh down on the sector.

Singapore’s economy is expected to post moderate growth in 2018 as compared to 2017 with GDP growth expected to fall slightly above the middle of the forecast range of 1.5-3.5%. The manufacturing sector is expected to continue being the key driver of growth with healthy global demand in the semiconductor equipment and semiconductor markets. The projected improvement in global growth will consequently lead to firm external demand, benefiting the externally-oriented services sector of Finance and Insurance, Transportation and Storage and Wholesale Trade. The Health and Social Services and Information and Communications sectors are expected to remain resilient, supported by continued expansion of the local healthcare sector and ongoing Smart Nation initiative. Lastly, the construction sector is expected to remain subdued with continued weakness in demand.

## GOVERNMENT MEASURES AND POLICIES

**Flexibility in Land Use Planning:** National Development Minister Lawrence Wong introduced the Enterprise District Concept in 2017 which would be piloted at strategic clusters around Singapore. The Enterprise District will fall under the purview of a Master Developer who would be given the flexibility to determine a wider range of uses than current industrial land guidelines, thereby encouraging the development of an integrated ecosystem amongst various users within the district. The evolving economic and manufacturing landscape meant that companies are increasingly agglomerating their business functions into an integrated facility. The Enterprise District concept opens up the possibility for businesses to house their production lines, showrooms, retail stores, headquarters and research and development functions into a single location which may otherwise be constrained

under current zoning guidelines. The policy builds upon the recommendation by the Committee on the Future Economy (“CFE”) which encourages the creation of dense clusters of “mutually reinforcing economic activities” where companies and institutions may be sited together. This facilitates partnerships and encourages cross-collaboration between various users. The government has since announced that Enterprise Districts would be piloted at Punggol Digital District (“PDD”) and Kampong Bugis.

## Transfer of Housing and Development Board (“HDB”) Industrial Properties and Land to JTC Corporation (“JTC”):

Further to the announcement made by the government in 2016, the transfer of HDB’s industrial properties and land to JTC has taken effect on 1 January 2018. The merger of all public sector industrial properties and land into a single government agency will provide industrialists and businesses with a one-stop centralised solution for their industrial needs.

**Industry Transformation Map:** The government is currently developing 23 Industry Transformation Maps (“ITM”) to promote the growth and competitiveness of several industries in Singapore. These industries currently account for over 80% of Singapore’s GDP. The roadmap aims to develop strategies to support companies move up the value chain, improve operational efficiencies and overseas expansion. It focuses on investing in people and equipping them with the necessary skills to support greater value creation. Firms are encouraged to leverage on research and development to develop new product and services. The Logistics ITM in particular, is expected to add S\$8.3 billion in value to the sector and create 2,000 PMET<sup>1</sup> jobs by 2020. The involvement of trade associations and chambers will ensure the optimal utilisation of resources and raise awareness amongst logistics players on the initiatives available. Further, the Logistics ITM strive to improve the domestic logistics system through the consolidation of logistics at retail malls, deployment of federated lockers and potential goods mover system.

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1 Refers to professionals, managers, executives and technicians



**Next – Generation Industrial Parks:** The new generation of industrial parks to be developed by the government will be very different from the current conventional estates which are segregated by industries whose primary focus is on production. Jurong Innovation District (“JID”) and PDD are both touted as examples of a next generation industrial estate. JID is envisaged to be the future of innovation for enterprise, learning and living where production, innovation, learning and research activities are housed within an industrial estate. PDD is an upcoming industrial park that combines amenities for the community with a university and business park. Industries within PDD will be co-located with the Singapore Institute of Technology, facilitating cross collaboration between the various stakeholders.

**Changi East Development:** The Changi 2036 Steering Committee was established in 2012 to formulate a long-term airport expansion plan at a 1,080-hectare site at Changi East. This is part of an ongoing effort to strengthen Singapore’s position as a regional air transportation hub. A key recommendation would be the development of a new passenger terminal (Terminal 5) at the site over two phases. It is expected to become one of the largest airport terminal in the world with an initial passenger handling capacity of 50 million per annum. Additionally, the committee also recommends for a three-runway system through the conversion and lengthening of an existing military runway for civilian uses. This increase in runway capacity will improve aircraft movement efficiency and enable the airport to handle more take-offs and landings. The aerospace and logistics industries will benefit from the anticipated growth in air traffic and cargo movements. As part of the master plan, land will be set aside for air freight and aircraft Maintenance, Repair and Operations (“MRO”) activities at Changi East Industrial Zone.

**Kuala Lumpur – Singapore High Speed Rail:** The High-Speed Rail (“HSR”) was first raised as part of Malaysia’s Economic Transformation Programme in 2010. An agreement was jointly announced by the Prime Ministers of Malaysia and Singapore to build a HSR link between both countries in 2013. The network is expected to cut down travelling time between Singapore and Kuala Lumpur to 90 minutes, improving cross-border connectivity, increased convenience and wider market access for businesses. The rail will have seven stations in Malaysia at Bandar Malaysia, Sepang-Putrajaya, Seremban, Melaka, Muar, Batu Pahat and Iskandar Puteri. The train terminus in Singapore will be located at Jurong East, which is envisaged to be the country’s second central business district. The project is scheduled for completion in 2026.

**Johor Bahru – Singapore Rapid Transit System Link:** A bilateral agreement was signed between Singapore and Malaysia in January 2018 to build a cross-border transit system otherwise known as the Johor Bahru – Singapore Rapid Transit System (“RTS”) between both countries. The transit system is expected to be completed by end 2024 and will link Bukit Chagar Station in Johor Bahru to Woodlands North Mass Rapid Transit (“MRT”) station which sits along the Thomson-East Coast MRT Line. The line will improve connectivity between commuters from both sides of the causeway and will facilitate the flow of goods and talents. Further, the station is located within close proximity to the upcoming Woodlands North Coast precinct which is envisaged to be a new employment cluster in the north with offices and business parks.

## SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

### INDUSTRIAL GOVERNMENT LAND SALES

The government releases industrial land for sale through the Industrial Government Land Sales ("IGLS") Programme. For the first half of 2018, a total of 13 sites were released for sale with six on the confirmed list and seven on the reserve list.

**Table 1: 1H 2018 IGLS List of Confirmed Sites**

NO.	LOCATION	SITE AREA (Hectare)	ZONING	GROSS PLOT RATIO	LAND TENURE	ESTIMATED AVAILABLE DATE <sup>2</sup>
1	Plot 18, Tuas South Link 3	0.43	B2	1.4	20	January 2018
2	Plot 21, Tuas South Link 3	0.78	B2	1.4	20	February 2018
3	Woodlands Industrial Park E7/E8	0.88	B2	2.5	20	March 2018
4	Plot 26, Tuas South Link 3	0.47	B2	1.4	20	April 2018
5	Plot 10, Tampines Industrial Drive	0.47	B2	1.4	20	May 2018
6	Plot 2, Tanjong Penjuru	0.88	B2	2.5	20	June 2018

Source: JTC

The six industrial sites on the confirmed list are all zoned as Business 2 and could potentially yield 797,000 sq ft GFA of industrial space.

**Table 2: 1H 2018 IGLS List of Reserve Sites**

NO.	LOCATION	SITE AREA (Hectare)	ZONING	GROSS PLOT RATIO	LAND TENURE	ESTIMATED AVAILABLE DATE <sup>2</sup>
1	Plot 13, Tuas South Link 1	2.40	B2	2.0	30	January 2018
2	Braddell Road	1.00	B1	2.5	30	January 2018
3	Plot 19, Tuas South Link 3	0.45	B2	1.4	20	March 2018
4	Plot 20, Tuas South Link 3	0.44	B2	1.4	20	April 2018
5	Yung Ho	1.26	B2	2.5	30	May 2018
6	Gul Circle	1.00	B2	1.4	20	June 2018
7	Woodlands Avenue 12	2.10	B2	2.5	30	June 2018

Source: JTC

The seven industrial sites on the reserve list are primarily zoned as Business 2 with the exception of a parcel along Braddell Road which has a Business 1 zoning. Collectively, the seven sites could potentially yield 1.9 million sq ft of GFA of industrial space.

### THE FACTORY MARKET

#### Existing Factory Supply

Total island-wide factory stock as at 4Q2017 stood at 383.7 million sq ft, having edged up by 2.8% y-o-y or 10.5 million sq ft. The bulk of total stock at 85.7% is private in nature, with public stock forming the remaining 14.3%. Several notable factory completions within the year would include JTC Food Hub@Senoko (923,543 sq ft), Carros Centre<sup>3</sup> (354,132 sq ft) and West Star at 11 Tuas Bay Close (456,389 sq ft).

<sup>2</sup> Available date refers to the estimated date when the detailed conditions of sale will be made available and tenders can be submitted

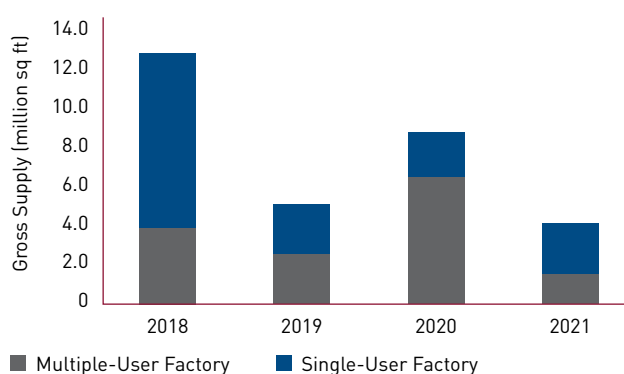
<sup>3</sup> Refers to factory component only

JTC Food Hub@Senoko is a seven storey ramp-up development by JTC, Singapore's largest industrial landlord. The development provides flexible modular real estate space for Small and Medium Enterprises ("SMEs") from the food industry to operate their business in. It has an integrated shared cold room and warehouse facility which reduces costs and improves productivity amongst tenants. Carros Centre is a freehold ramp-up development at 60 Jalan Lam Huat. The property is positioned as an automobile hub with tenants ranging from car servicing workshops to parts and supplies dealership. It was developed by BS Capital Group. West Star is a 30-year leasehold ramp-up industrial development at Tuas and was developed by BH-ZACD (Tuas Bay) Pte. Ltd. The development enjoys excellent accessibility to the future Tuas Port and targets end-users from the manufacturing, clean, light and heavy industries.

### Future Factory Supply

Over the next four years from 2018 to 2021, total island-wide upcoming factory supply is estimated to amount to 30.8 million sq ft of GFA. The bulk of this pipeline is made up of Single-User Factories 53.3% with Multiple-Use Factories forming the remaining 46.7%.

Chart 1: Future Factory Supply (2018 - 2021)



Sources: JTC, CBRE

Table 3: Selected Upcoming Factory Supply (2018 - 2021)

NO.	PROPOSED PROJECT	DEVELOPER	LOCATION	REGION	GFA (sq ft)
<b>2018</b>					
1	Trendspace	JTC	Sungei Kadut Street 2	North	727,101
2	Woodlands Connection	Yee Lee Development Pte. Ltd	Woodlands Sector 2	North	143,052
3	Mega@Woodlands	Wee Hur Development Pte. Ltd	Woodlands Close	North	1,053,355
4	Nordcom Two	Grow-Tech Properties Pte. Ltd.	Gambas Avenue	North	749,167
<b>2019</b>					
5	Bedok Food City	Housing and Development Board	Bedok North Avenue 4	East	1,154,966
6	T-Space	Goldprime Land Pte. Ltd.	Tampines North Drive 1	East	737,004
7	Platinum@Pioneer	Soon Hock Realty Pte. Ltd.	Tuas Avenue 11	West	134,441
<b>2020</b>					
8	Defu Industrial City	Housing and Development Board	Bartley Road East / Kim Chuan Road	North East	3,518,073
9	JTC Automotive Hub@ Jalan Terusan	JTC	Jalan Terusan	West	1,005,994
<b>2021</b>					
10	Multiple-user factory <sup>4</sup>	Housing and Development Board	Ang Mo Kio Street 64/65	North East	921,282

Sources: JTC, CBRE

<sup>4</sup> Multiple-user factory at Ang Mo Kio Street 64/65, Bedok Food City and Defu Industrial City by HDB were transferred to JTC on 1 January 2018

## SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

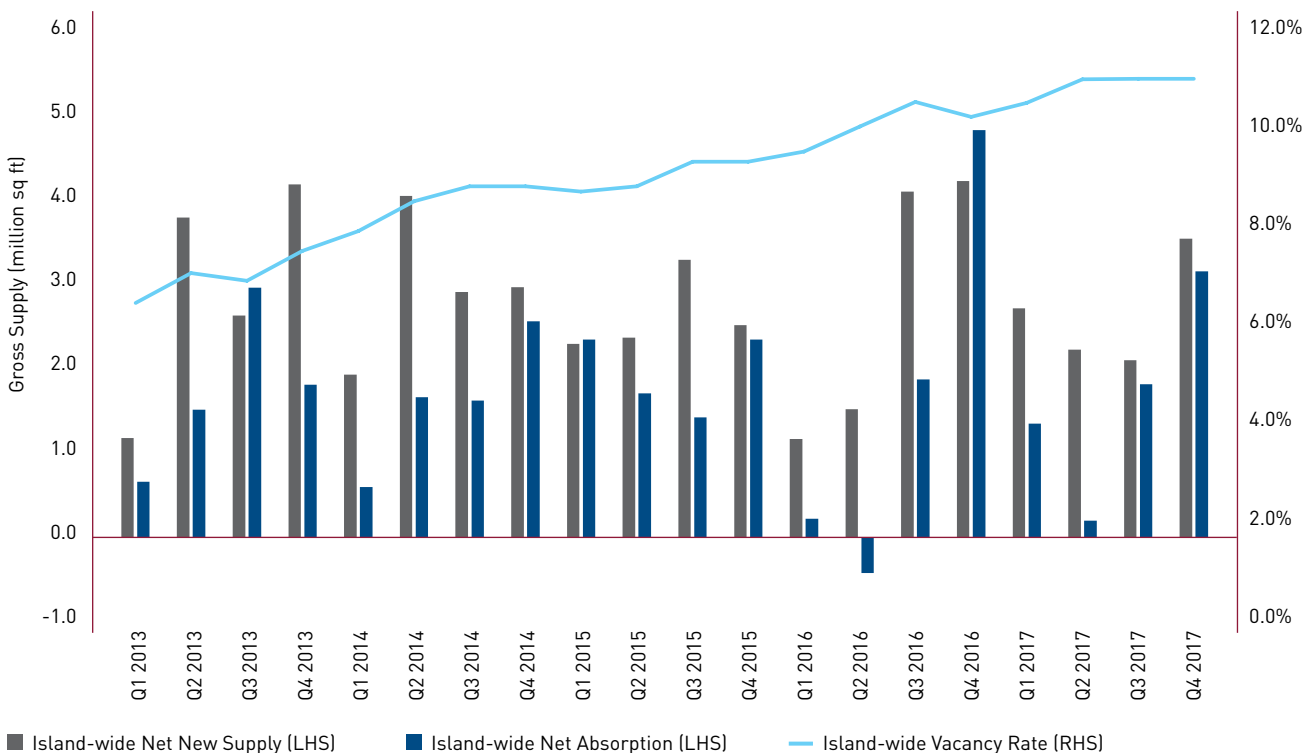
Bedok Food City<sup>4</sup> is a multi-storey and multi-tenanted industrial development at Bedok North Avenue 4 for food industries. The complex is expected to contain 140 modular units with space optimization being a key feature as tenants will enjoy the flexibility to configure the space for their own business requirements. The project is currently being developed by the HDB and is expected to be completed in 2019. Defu Industrial City<sup>4</sup> is one of the largest single contributor of upcoming factory space and is expected to be completed in 2020. It is developed by HDB and is located at the site of the former Kim Chuan Water Reclamation Plant. The development will be six-stories in height and is targeted at the light and general industries. It falls within the Greater Defu Master Plan which was conceptualized by HDB in partnership with other government agencies in guiding the long-term redevelopment of Defu Industrial Estate. JTC Automotive Hub is a multi-storey

and multi-tenanted ramp-up facility along Jalan Terusan in Jurong. The development will be a hub for the automotive industry with features such as vehicular repair workshop units and car washing facilities. It is being developed by JTC and is expected to be completed in 2020.

### Demand and Vacancy

The island-wide net absorption for factory space in 4Q2017 was 3.1 million sq ft which has been exceeded by the net new factory supply of 3.5 million sq ft. Completions during the quarter include Tiong Seng Building (155,000 sq ft) at 21 Fan Yoong Road and Proxima@Gambas (421,945 sq ft) by NSS Realty Pte. Ltd. The island-wide factory vacancy rate stood at 11% (+7.8% Y-o-Y) and has been steadily increasing over the last five years as net new supply outweighs market demand.

**Chart 2: Factory Demand and Vacancy (2013-2017)**



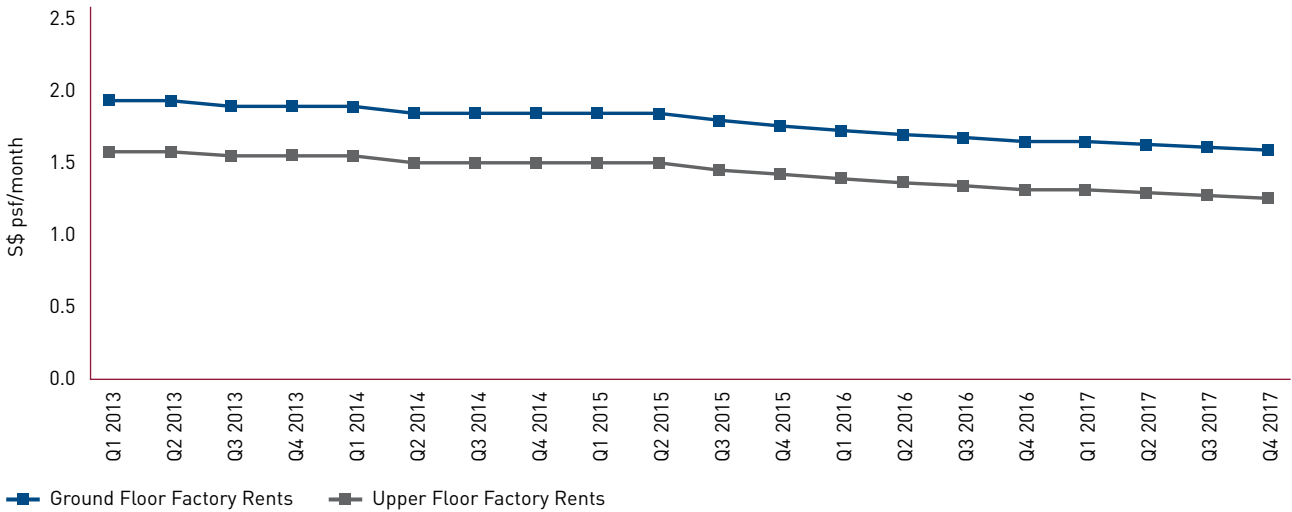
Sources: JTC, CBRE

### Rent

According to CBRE's basket of multiple-user factory space, rents continued to exhibit a downwards trend in 2017 following the previous five-year peak in 2013. As at 4Q2017, ground and upper floor factory space commands a monthly rental of S\$1.59 per sq ft ("psf") and S\$1.25 psf respectively, marking

a -3.6% and -4.6% y-o-y decline. Ground floor units generally command a rental premium over upper floor space as they enjoy better accessibility to amenities such as loading bays which are typically located on the ground floor of non-ramp up facilities.

**Chart 3: Multiple-User Factory Rents (2013-2017)**



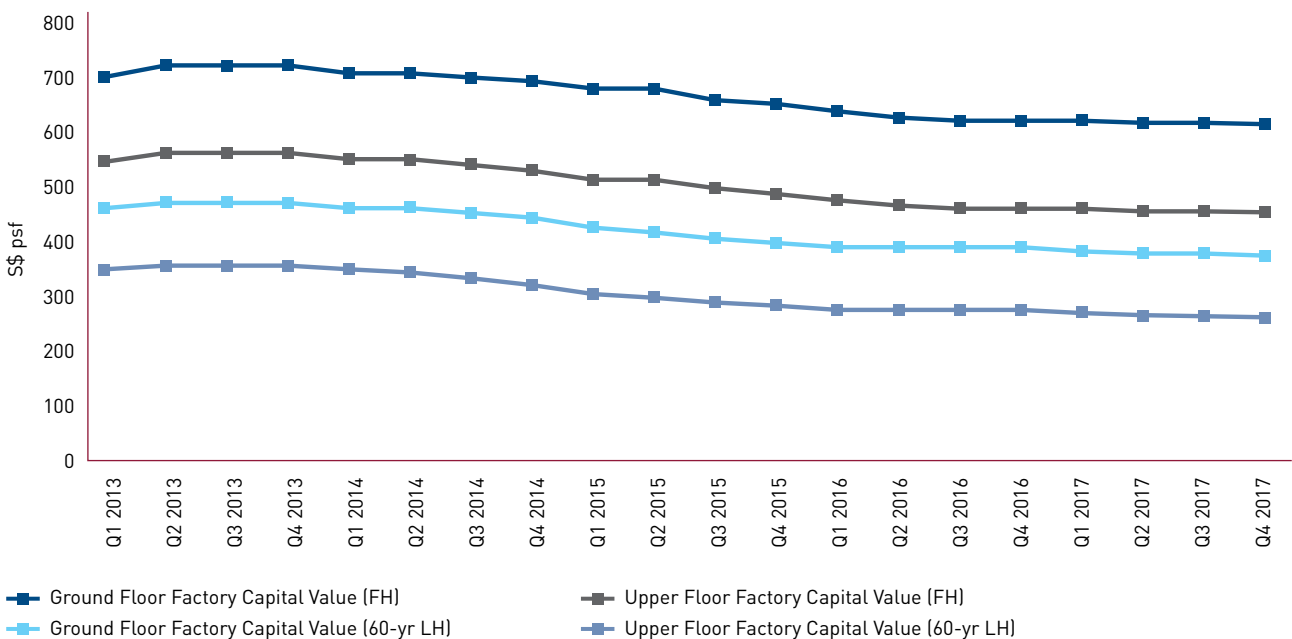
Source: CBRE

**Capital Value**

CBRE tracks the capital value of strata-titled factory space for freehold and 60-year leasehold properties. As at 4Q2017, the capital value for space on the ground and upper floors of freehold factories is S\$618 psf and S\$456 psf respectively, marking a -1.0% and -1.5% y-o-y decline. Similarly, the capital value for 60-year leasehold factories registered a decline in 2017 with rents for space on the ground and upper floors

recording \$376 psf (-4.1% y-o-y) and S\$263 psf (-5.1% y-o-y) respectively. As evident in the narrower decline, freehold industrial assets generally demonstrate more resilience in price movements as compared to industrial leasehold assets. By virtue of their longer tenures, the capital value for freehold assets will typically command a price premium over leasehold assets.

**Chart 4: Strata-Titled Factory Capital Value (2013-2017)**



Source: CBRE

## THE WAREHOUSE MARKET

### Existing Warehouse Supply

Total island-wide warehouse stock as at 4Q2017 stood at 112.3 million sq ft, a y-o-y increase of 10.2% or 10.4 million sq ft. Existing warehouse space is primarily private in nature with 99.5% of stock owned by the private sector and the remaining 0.5% held by the government. The increase in warehouse stock comes after the completion of several major warehouse developments over the year which include CWT Districtpark (2,375,595 sq ft<sup>5</sup>), Hankyu Hansin Logistics Centre (515,591 sq ft) and Toll City (1,087,155 sq ft). No public sector warehouse projects were completed in 2017.

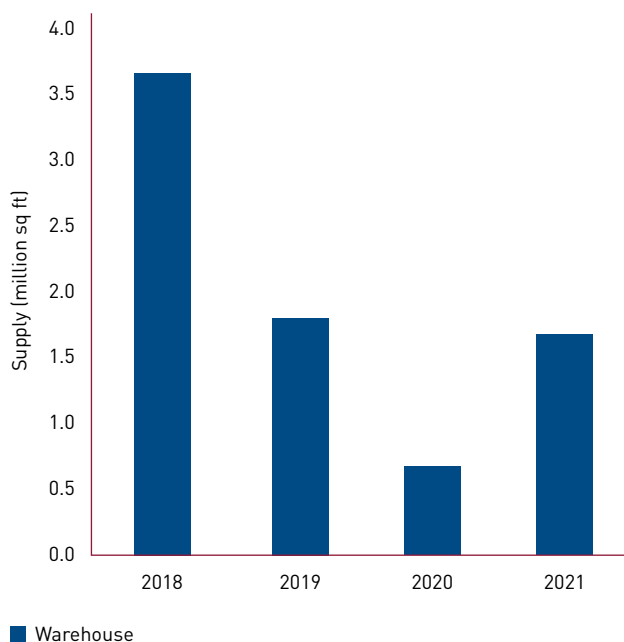
CWT Distripark is the largest warehousing development completed in 2017 and is located within the logistics cluster at Jalan Buroh. Hankyu Hansin Logistics Centre is a nine-level ramp-up integrated warehousing facility at Jalan Buroh. It is an integrated development with warehousing space, distribution centre, processing areas and ancillary offices. It will primarily be occupied by Hankyu Hansin Express (Singapore) Pte. Ltd and will be the firm's largest warehousing facility in the region. Toll City is a next generation ramp-up warehousing facility by Toll Logistics (Asia) Ltd at 60 Pioneer Road. It sits within a 3km radius from the upcoming Tuas Mega Port, positioning itself as a strategic base for global supply chain operations. It is designed to meet the needs of growth industries such as Pharmaceutical and Healthcare, Component and Parts Management and E-Commerce.

### Future Warehouse Supply

As at 4Q2017, island-wide warehouse pipeline over the next four years (2018 – 2021) totalled 8.0 million sq ft of GFA. Future supply is expected to start declining from 2019 (1.8 million sq ft) before hitting a trough of 0.7 million sq ft in 2020. Notable projects coming on stream over the next few years include JTC Logistics Hub (1,401,245 sq ft) and a warehouse development (322,809 sq ft) by Panalpina World Transport (S) Pte. Ltd.

JTC Logistics Hub@Gul is a multi-tenanted integrated warehouse facility at Gul Circle and will be the largest single stock of upcoming warehouse space when it is completed in 2020. The facility will house a wide spectrum of amenities, providing a one-stop solution for industrialists' commercial needs. These include container depots, warehouses and a heavy vehicle park which are currently decentralized and located at various parts of Singapore, thereby incurring higher costs for companies.

Chart 5: Future Warehouse Supply (2018 - 2021)



Sources: JTC, CBRE

5 GFA as at 4Q2017, when the property achieved its Temporary Occupancy Permit

**Table 4: Selected Upcoming Warehouse Supply (2018 - 2020)**

NO.	PROPOSED PROJECT	DEVELOPER	LOCATION	REGION	GFA (sq ft)
<b>2018</b>					
1	Warehouse development	HSBC Institutional Trust Services (Singapore) Ltd	Tuas Avenue 1	West	479,424
2	Warehouse development	Panalpina World Transport (S) Pte. Ltd.	Pioneer View	West	322,809
<b>2019</b>					
3	JTC Logistics Hub	JTC	Gul Circle	West	1,401,245
<b>2020</b>					
4	Single-user industrial development	OJJ Foods Pte. Ltd.	Chin Bee Avenue	West	30,785

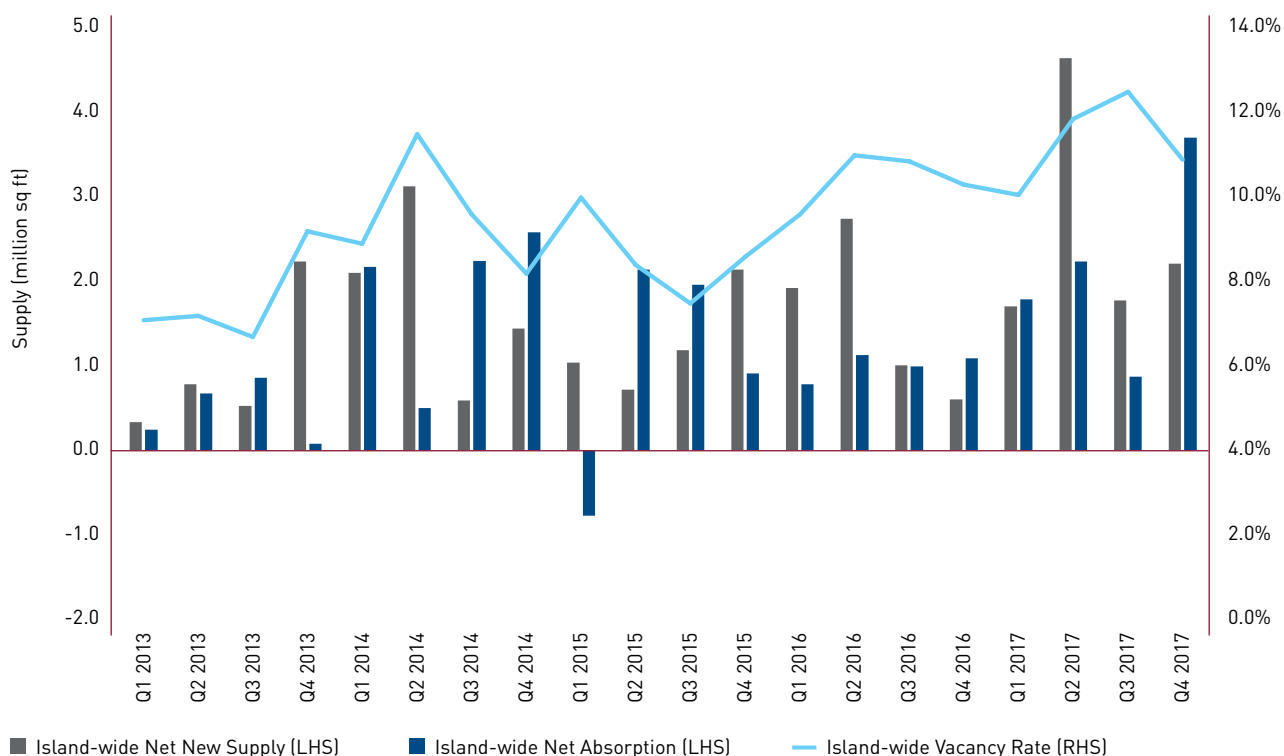
Sources: JTC, CBRE

### Demand and Vacancy

The island-wide net absorption for warehouse space in 4Q2017 was 3.7 million sq ft which exceeds the net new warehouse supply of 2.2 million sq ft. The increase in net absorption for 2017 was primarily attributable to high levels of pre-commitment from occupiers. This coincided with the completion of several mega logistics hubs during the year,

which are occupied by major 3PL players. Consequently, the island-wide warehouse vacancy rate declined to 10.9% during the quarter. Warehouse completions during the quarter include TAC Warehouse (107,639 sq ft) and a warehouse development (428,403 sq ft) at 39 Benoi Road by GKE Warehousing and Logistics Pte. Ltd.

**Chart 6: Warehouse Demand and Vacancy (2013-2017)**



Sources: JTC, CBRE

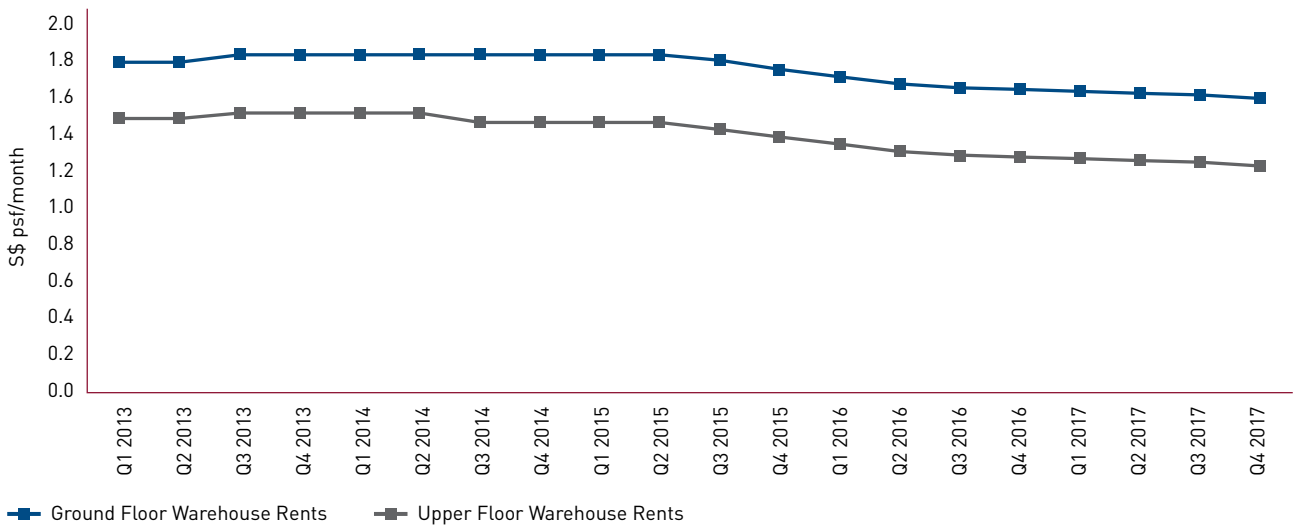
# SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

## Rent

Ground and upper floor warehouse rents continued to moderate in 4Q2017, with rental declining by -3.0% and -3.9% y-o-y to S\$1.59 psf and S\$1.22 psf respectively. Similar to factory

space, ground floor units generally command a premium over upper floor space as they enjoy better accessibility to amenities such as loading bays which are typically located at the ground floor.

**Chart 7: Warehouse Rents (2013 - 2017)**

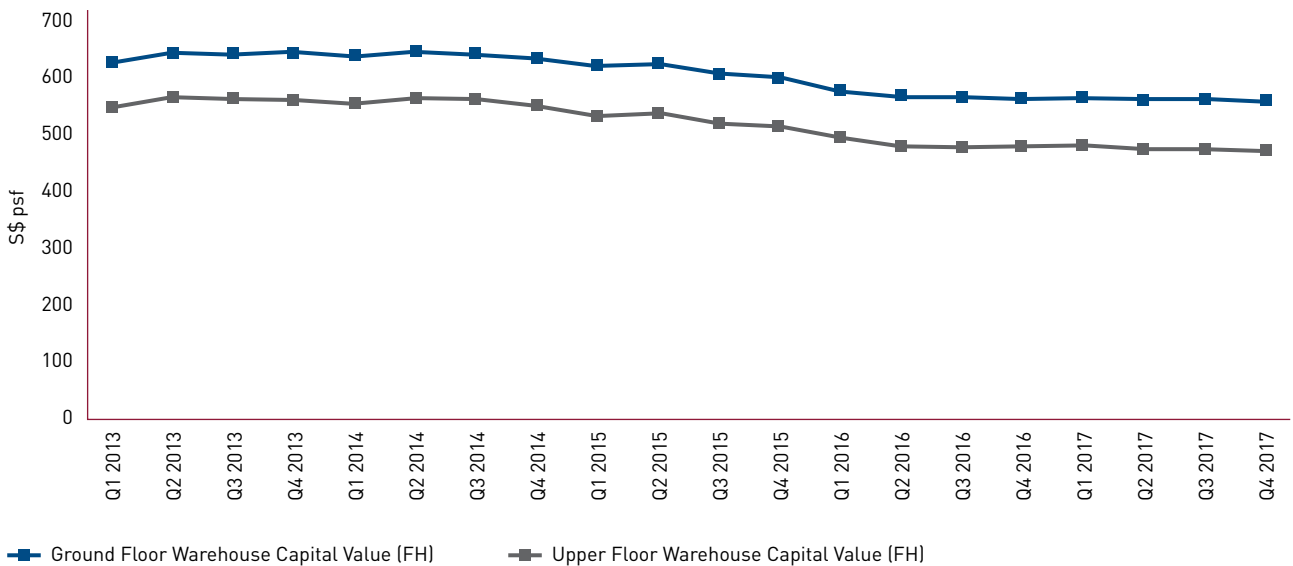


Source: CBRE

## Capital Value

Capital value for freehold warehouse space has been steadily declining since 4Q2014 with spaces on the ground and upper floors having a value of S\$562 psf and S\$475 psf respectively as at 4Q2017. This represents a -0.5% and -1.0% y-o-y change.

**Chart 8: Freehold Warehouse Capital Value (2013 - 2017)**



Source: CBRE



## THE BUSINESS PARK MARKET

### Existing Business Park Supply

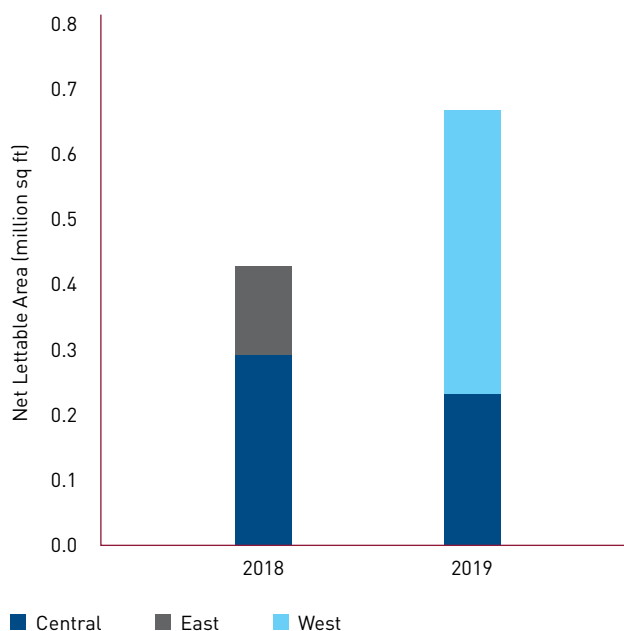
Total island-wide business park stock as at 4Q2017 stood at 23.1 million sq ft, inching up by 0.1% y-o-y. The majority (84.6%) of total stock is held privately with the remaining 15.4% being public stock. No notable business parks projects were completed in 2017.

### Future Business Park Supply

As at 4Q2017, the island-wide business park pipeline for the next two years (2018-2019) totalled 1.1 million sq ft of NLA. Approximately 39.3% will enter the market in 2018 with notable projects being a business park development at Media Circle (one-north) and Pasir Panjang Road. These developments will be developed by BP-DoJo LLP and Singapore Science Park Ltd. respectively.

Business park supply will ramp up in 2019 with 60.7% of total upcoming supply expected to enter the market throughout the course of the year. The largest development would be Cleantech Three (NLA: 442,956 sq ft) which will be developed by JTC. It is located at Cleantech loop and will be a multi-tenanted facility catering to firms involved in clean technology activities.

Chart 9: Future Business Park Supply



Source: CBRE

Table 5: Selected Upcoming Business Park Supply (2018 - 2019)

NO.	PROPOSED PROJECT	DEVELOPER	LOCATION	MICRO MARKET	ESTIMATED NLA (sq ft)
<b>2018</b>					
1	Business Park Development	BP-DoJo LLP	Media Circle	one-north	173,428
2	Business Park Development	Singapore Science Park Ltd.	Pasir Panjang Road	Science Park	124,969
3	Business Park Development	Kingsmen Creatives Ltd.	Changi Business Park Central 2	Changi Business Park	139,715
<b>2019</b>					
4	JTC Cleantech Three	JTC Corporation	Cleantech Loop	Cleantech Park	442,956

Sources: JTC, CBRE

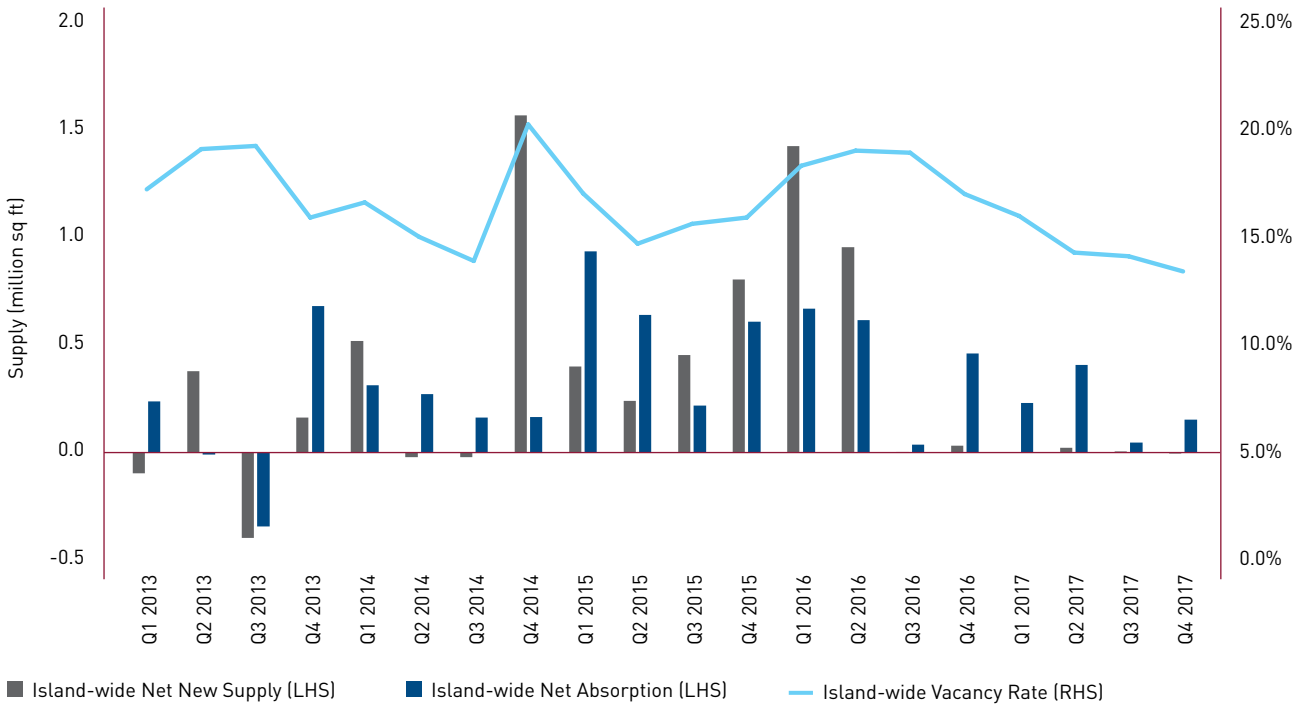
### Demand and Vacancy

The Business Park sector has been relatively quiet in 2017 with limited supply entering the market. Vacancy rates continued to move on a downward trajectory since 3Q2016

to 13.4% in 4Q2017. Island-wide net absorption for business park space in 2017 was 0.8 million sq ft. Leasing and enquiry activity has been slow in recent quarters with a noticeable dearth of large tenant movements.

# SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

**Chart 10: Business Park Demand and Vacancy (2012-2017)**



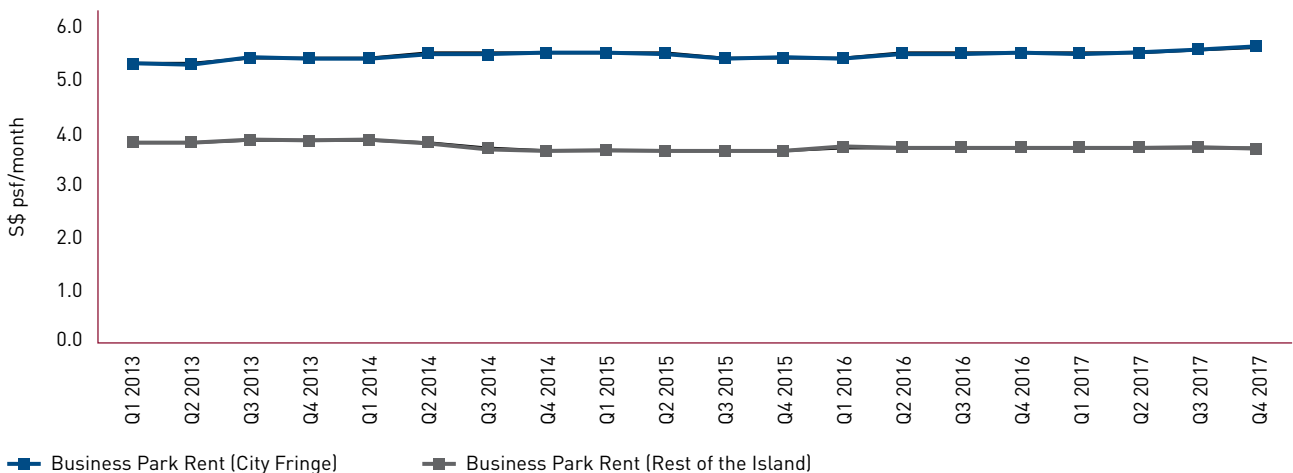
Sources: JTC, CBRE

## Rent

Business Park rents have generally been very resilient. As at 4Q2017, city-fringe business park monthly rents increased by 1.8% y-o-y to reach S\$5.60 psf while the rest of island submarket remained constant at S\$3.70 psf. During this period, rents in the city fringe commanded a 51.4% premium over that of other business park spaces which are located across the rest of the island. The disparity in performances between

the city-fringe and rest of island submarkets reflects the clear advantages of Business Parks in the city-fringe, which have proven to be attractive to occupiers who are drawn by the lower rents and excellent locational attributes. Examples of business parks space which are located in the city-fringe include Mapletree Business City and Alexandra Technopark, both of which are located within the Alexandra micro-market.

**Chart 11: Business Park Rent (2013-2017)**



Source: CBRE

## KEY INDUSTRIAL INVESTMENT TRANSACTIONS

The industrial investment market witnessed robust growth in 2017 with transaction volume totalling S\$4.01 billion, representing a 41.8% increase from the volume S\$2.83 billion seen in 2016. The S\$1.97 billion sale of Jurong Aromatics Complex to a United States-based petroleum company makes it the largest industrial transaction of the year. The past year has also seen the first industrial collective sale since 2014, with the freehold Citimac Complex along MacPherson Road being sold to Chinese developer named Zhao for S\$430.1 million.

Noticeably, acquisition activities amongst industrial S-REITs have been relatively muted with the only purchase made by ESR-REIT (formerly Cambridge Industrial Trust) of 8 Tuas South Lane from Hyflux Membrane Manufacturing (S) Pte. Ltd. for S\$95 million. Conversely, several local industrial assets were divested by Mapletree Logistics Trust, Mapletree Industrial Trust, ESR-REIT, Soilbuild Business Space REIT and Ascendas REIT. The divestments were mainly to end-users that found it attractive to purchase premises amidst the current softening market.

**Table 6: Selected Factory Transactions in 2017**

QUARTER	PROPERTY NAME	PRICE [S\$] (excluding DC)	PRICE [S\$ psf]	LAND TENURE	BUYER	SELLER
Q4	61 and 71 Tuas Bay Drive	\$55,000,000	\$264 per GFA	60 years	SB (Pioneer) Investment Pte. Ltd.	Soilbuild Business Space REIT
Q4	51 Ubi Avenue 3	\$22,500,000	\$175 per Site Area	30 years	Far East Group Limited	Moduslink Corporation
Q4 <sup>(6)</sup>	87 Defu Lane 10	\$17,500,000	\$375 per Site Area	30+30 years	NC Precision Pte. Ltd.	ESR-REIT
Q3	Jurong Aromatics Complex	\$1,971,107,875	\$358 per Site Area	30 + 30 years	A United States Petroleum Company	Jurong Aromatics Corporation
Q3	8 Ang Mo Kio Avenue 12	\$40,902,000	\$106 per Site Area	60 years	STMicroelectronics	Micron Technology Inc
Q3 <sup>(7)</sup>	55 Ubi Avenue 3	\$22,138,000	\$157 per GFA	30+30 years	Undisclosed	ESR-REIT
Q3	Markono Logistics Building	\$14,510,000	\$187 per NLA	30 + 30 years	Venus Beauty Pte Ltd	Mapletree Logistics Trust
Q1	10 Chia Ping Road	\$20,000,000	\$268 per Site Area	30 + 30 years	MSS Jurong West Pte. Ltd	Tat Lee Engineering Pte. Ltd.

Note: NLA refers to Net Lettable Area. GFA refers to Gross Floor Area. Transactions are recorded at the point of announcement.  
Source: CBRE

(6) Transaction is recorded upon completion of sale

(7) Transaction is recorded upon completion of sale

## SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

**Table 7: Selected Warehouse Transactions in 2017**

QUARTER	PROPERTY NAME	PRICE [S\$] (excluding DC)	PRICE [S\$ psf]	LAND TENURE	BUYER	SELLER
Q2	10 Woodlands Link	\$19,280,000	\$183 per NLA	60 years	Sengkang Import and Export Pte. Ltd.	Ascendas REIT
Q1	20 Old Toh Tuck Road	\$14,250,000	\$176 per NLA	30 + 30 years	MSS Toh Tuck Pte. Ltd.	Mapletree Logistics Trust

Note: NLA refers to Net Lettable Area. GFA refers to Gross Floor Area. Transactions are recorded at the point of announcement.  
Source: CBRE

**Table 8: Selected Business Park Transactions in 2017**

QUARTER	PROPERTY NAME	PRICE [S\$] (excluding DC)	PRICE [S\$ psf]	LAND TENURE	BUYER	SELLER
Q3	13 International Business Park	\$24,800,000	\$228 per GFA	60 years	Pension Real Estate Singapore Pte. Ltd.	Ascendas REIT

Note: NLA refers to Net Lettable Area. GFA refers to Gross Floor Area. Transactions are recorded at the point of announcement.  
Source: CBRE

### INDUSTRIAL OUTLOOK

#### Factory and Warehouse

Occupiers are capitalising on more competitive rents to relocate or increase their existing footprint in light of the current soft rental market. The expected improvement in the country's macroeconomic indicators will bode well for the industrial occupier market in the mid-term. Going forward, despite remaining under pressure with increasing vacancy rates, the occupier market is expected to pick up with more momentum in the leasing market and a stabilisation of vacancy rates. Flight to quality continues to be seen amongst industrialists whereby higher specification quality developments are witnessing better leasing success as well as holding up on rents. This has led to a disparity in expectations between the rental for a higher quality building versus its conventional industrial counterparts.

The industrial market continues to remain highly regulated with the government having a considerable amount of influence on the sector. The increased flexibility in land use planning will create better synergies between the manufacturing and services industries. This will be piloted at the first Enterprise District in Punggol and a multi-tenanted building at Woodlands North Coast. Both projects will be spearheaded by JTC. To promote the growth and competitiveness of industries in Singapore, the government has announced plans to develop 23 ITMs for various sectors. The goal would be to address

issues within each industry and deepen partnerships between various stakeholders. The logistics ITM in particular encourage firms to leverage on technology to improve productivity. Higher degrees of automation such as the usage of autonomous guided vehicles, drones, uninterrupted power supply and internet connectivity will enhance the competitiveness of the logistics industry.

Going forward, the ongoing structural changes in the form of a rebalancing of demand and supply dynamics will benefit the industrial market.

#### Business Park

Business park space is expected to continue remaining as a favourable option for qualified tenants who are seeking long term stability with the prospects for the sector looking stable. Tenants in this space include incubators and firms from the fintech and technology sectors. The limited new supply of business park space will support the market over the medium term as only a handful of projects are able to offer considerable leasable space. Improving economic fundamentals and a recovery in the office rental market should consequently result in a widening of the rental gap between the office and business park sector, pushing cost sensitive occupiers to consider business park space as a viable alternative to office space.

### **Qualifying Clause**

This Report is subject to the following limiting conditions:

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POSITIONING FOR GREATER OPPORTUNITIES

# DELIVERING SUSTAINABLE RETURNS

We go beyond bricks and mortar to deliver value through our funds management and capital recycling programmes, employing fresh perspectives to identify new avenues of growth and profitability for our business. Innovation, tenacity and a drive to succeed are part of our three-pronged strategy to grow into a sizeable Pan-Asian REIT. This targeted approach integrates our core competencies in both fund and property management, as well as our links with ESR, to diversify our capital sources and drive sustained long-term value for our Unitholders.





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Issued

**S\$150  
MILLION**

Perpetual Securities at

**4.6%  
COUPON**

in November 2017

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Launched EFR to raise up to

**c. S\$141.9  
MILLION**

to provide potential debt  
headroom for financial  
flexibility

## SUSTAINABLE BUSINESS

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As ESR-REIT embarks on its next phase of growth, the Manager believes that sustainability will play a vital role in the REIT's overall business strategy.

The Manager recognises that environmental, social and governance ("ESG") issues are increasingly important to the REIT's stakeholders and is committed to managing ESG risks and opportunities across the REIT's diversified portfolio to ensure business resilience while contributing positively to the environment and society, and at the same time, creating long-term value for all stakeholders.

To ensure that sustainability is incorporated into the organisation's business strategies, policies and practices, a Sustainability Committee was established to integrate

sustainability into the REIT's day-to-day operations. Guided by the Board of Directors, the Committee implements, executes and monitors policies and procedures across ESR-REIT and is also responsible for the annual sustainability reporting process.

ESR-REIT considers its sustainability performance in the context of its business objectives and benchmarks its performance against industry peers in order to identify areas for improvement. The Sustainability Committee reviews the Manager's approach to operations, investments and projects on a regular basis to evaluate if current policies and measures are adequate to improve the REIT's future performance so that remedial actions can be taken to address any gaps.



### ENVIRONMENTAL STEWARDSHIP

At ESR-REIT, we believe that reducing our environmental footprint can help us improve efficiency, reduce operational costs and provide a conducive work environment for tenants and staff. We also believe that environmentally-friendly business practices will position us in a positive light with tenants and investors.

An increase in energy consumption will lead to high greenhouse gas ("GHG") emissions, which in turn causes global warming. Singapore is taking steps to reduce its GHG emissions and strives to achieve a 36% reduction in emissions intensity by 2030.

We strive to reduce our GHG emissions by improving the energy performance and efficiency of our properties. We track and monitor our utilities consumption on a monthly basis to help



ensure we are being as energy efficient as possible. We have implemented various environmentally-friendly practices and initiatives over the years to reduce the energy consumption of our properties. They include:

- Replacing staircase lighting with LED lighting at 30 Toh Guan Road;
- Replacing basement carpark lighting with T5 lighting with motion sensors at 2 Jalan Kilang Barat;
- Undertaking lift modernisation works at 3C Toh Guan Rd East and 128 Joo Seng;
- Upgrading the water chiller system at 21 Ubi Road 1; and
- Equipping eight of ESR-REIT's properties with solar energy harvesting facilities.

In FY2017, we also increased our efforts to improve both the energy and water efficiency of our properties.

The Building and Construction Authority ("BCA") Green Mark certification for 30 Toh Guan Road was renewed, bringing the total number of BCA Certified buildings in ESR-REIT's portfolio to five. As part of our long-term sustainable business strategy, we will also be aiming to attain BCA Green Mark Certification for all our buildings that undergo AEI.

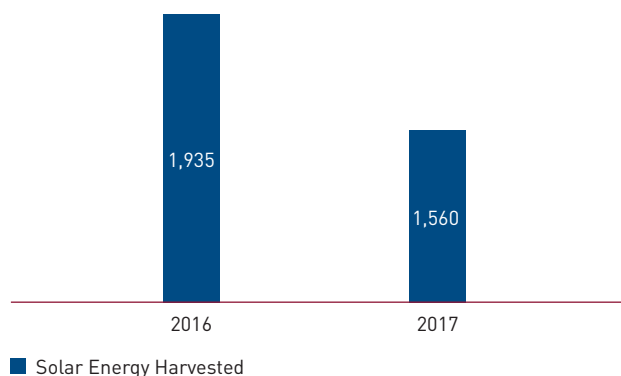
BCA CERTIFICATION		
CERTIFICATIONS	PROPERTY	YEAR OF AWARD
BCA Green Mark 'Certified' Certification	30 Toh Guan Road	2017 <sup>(1)</sup>
BCA Green Mark 'Certified' Certification	86 International Road	2016
BCA Green Mark 'Certified' Certification	21B Senoko Loop	2015
BCA Green Mark 'Certified' Certification	88 International Road	2014
BCA Green Mark 'Gold' Certification	3 Pioneer Sector 3	2015

(1) BCA Green Mark Certification first awarded in December 2012. The property had its certification renewed in March 2017

In line with Singapore's efforts towards water conservation, we have embarked on water efficiency initiatives to achieve WEB Certification for all our upgraded toilets in our properties. In FY2017, we obtained WEB Certification for an additional four buildings – 120 Pioneer Road, 54 Serangoon North Avenue 4 and 86/88 International Road. This brings the total number of buildings within our portfolio with WEB Certification to 12.

In FY2017, we also continued our solar panel programme and maintained solar panel installations at seven of our properties. As part of this programme, we managed to harvest and use a total of 1,560,748 kWh of solar energy.

### Total Solar Energy Harvested (MWh)



The total electricity consumption of ESR-REIT's properties was 9,666,436 kWh in FY2017, a c.14% increase from FY2016 levels. Our electricity consumption intensity increased from 131 kWh/m<sup>2</sup> in FY2016 to 145 kWh/m<sup>2</sup> in FY2017, due mainly to the conversion of a STB to a MTB which has resulted in an increased energy consumption. In FY2016, there were also increases in energy consumption recorded for several other buildings which were converted to MTBs during that period. However, as the conversions were completed progressively over the FY2016 period, the energy consumption data recorded did not accurately reflect the total energy consumption of these buildings on a full-year basis.

OVERVIEW OF ESR-REIT'S ENERGY CONSUMPTION <sup>(1)</sup>		
	2016	2017
Grid Electricity Consumption	8,421,322 kWh	9,666,436 kWh
Electricity Consumption Intensity	131 kWh/m <sup>2</sup>	145 kWh/m <sup>2</sup>
CO <sub>2</sub> e Emissions Released	3,639,695 kg CO <sub>2</sub> e	4,102,435 kg CO <sub>2</sub> e
CO <sub>2</sub> e Emissions Intensity	56.7 kg CO <sub>2</sub> e/m <sup>2</sup>	61.7 kg CO <sub>2</sub> e/m <sup>2</sup>

(1) Data reported was limited to the common areas of properties within the operational control of ESR-PM

## SUSTAINABLE BUSINESS

### A COMMITMENT TO DEVELOPING AND NURTURING TALENT

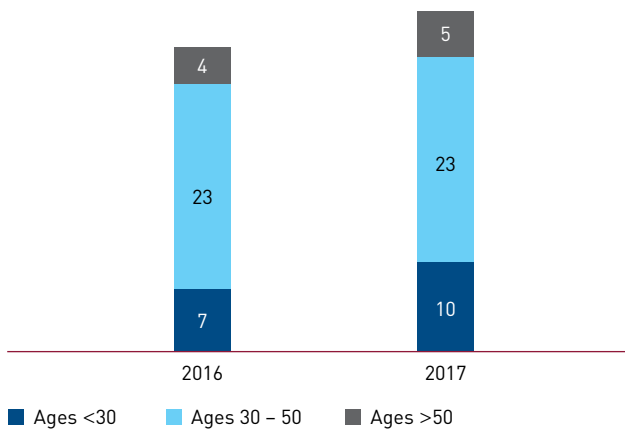
At ESR-REIT, we believe that our employees are our biggest asset and we are committed to developing and nurturing the talent we recruit. As of 31 December 2017, there were 38 employees at the Manager and all of them were based in Singapore. Most of our employees were within the 30 to 50 years age group. Male and female employees accounted for 34% and 66% of the Manager's workforce, respectively.

We track and monitor our workforce data, including staff turnover, absence rate, overtime and training hours to ensure the effective management of our resources, skills in our workforce and capacity and demand issues.

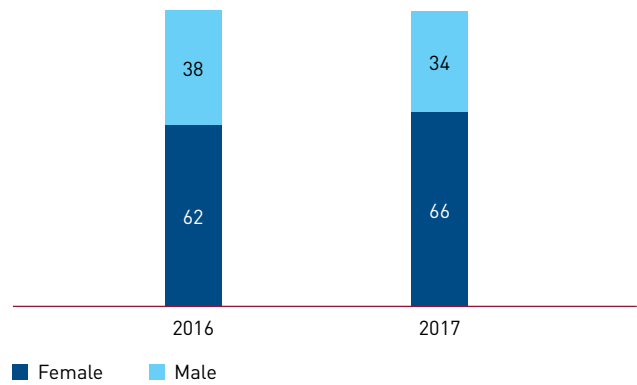
### Building an Inclusive Workforce

Our commitment to workplace diversity is demonstrated through our Human Resource Management ("HRM") policy and practices, which are aligned with the key principles defined by the Tripartite Guidelines on Fair Employment Practices ("TGFEF") and the Ministry of Manpower's Fair Consideration Framework. We strive to ensure that all our employees have an equal opportunity to succeed and that all decisions relating to recruitment and promotion are based on merit.

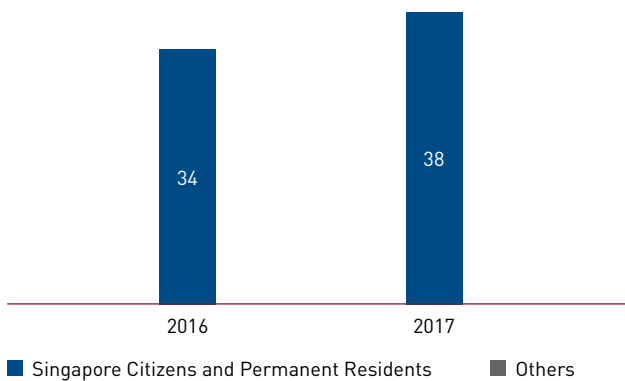
#### Employees' Age Profile



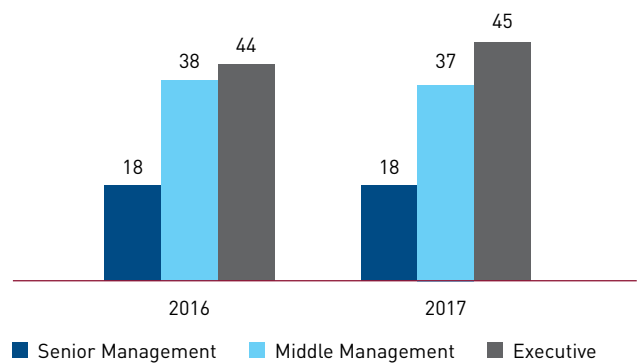
#### Number of Employees by Gender (%)



#### Employees' Diversity Profile



#### Number of Employees by Employment Category (%)



At ESR-REIT, we aim to recruit and retain the right talent and seek to proactively identify and develop future leaders of the organisation.

We have a structured recruitment process to help ensure that we find the right talent to drive our business forward. All new employees are required to participate in a comprehensive orientation programme that covers topics such as ESR-REIT's culture, health, safety and business practices.

We believe that competitive compensation and employee benefits are essential to attract and retain the best talent to support the organisation in achieving its goals and creating sustained shareholder value. We have established a remuneration framework to ensure that remuneration for performance is competitive and in line with industry practice. All our employees undergo bi-annual performance reviews in which their supervisors discuss with them their strengths, skills and development needs.

Exit interviews are conducted to understand employees' reasons for leaving the organisation. Through the interviews, we are able to receive feedback and comments from employees that allow us to identify areas for improvement.

We encourage professional and personal growth for all employees. Each employee is required to complete at least 20 hours of training every year and all employees are encouraged to participate in relevant workshops, seminars and courses to improve their skills and capabilities. Some of the training programmes/courses include Employee Engagement Seminars like "Engaging Self and Others", bi-monthly internal training courses to reinforce/update staff on company policies and regulations, and specialised training for software systems. In FY2017, each employee received an average of 33.6 hours of training.

We believe that employee engagement is key to a motivated and successful workforce and monitor employee engagement and satisfaction levels through our Annual Satisfaction Survey. The Annual Satisfaction Survey covers the following topics:

1. Commitment of Team Members
2. Strength of the Line Managers
3. Team Spirit and Collaboration
4. Strategy and Leadership

In FY2017, we achieved an overall employee satisfaction score of 80%.

We seek to support our employees' well-being by providing them with various benefits to maximise their physical and social wellness. We offer flexible work arrangements to our employees to ensure that they are able to meet their personal or family commitments and be productive and contented in the workplace.

## **BUILDING RELATIONSHIPS WITH TENANTS**

We develop good tenant relationships by anticipating, understanding and responding appropriately to the needs of our tenants. This is achieved through regular communication, timely resolution of issues and progressive upgrading of facilities.

We engage our tenants through periodic site visits, email correspondence, various events and the annual Tenant Satisfaction Survey. In the Tenant Satisfaction Survey 2017, the overall tenant satisfaction achieved was 71.8%. Feedback gathered centred around the following aspects:

1. Service quality provided by various teams
2. Service provided by external vendors
3. Tenants' environmental policies

We seek to create an environment that encourages tenant loyalty. We track and monitor our tenant occupancy and retention rates on an annual basis and benchmark our performance against industry peers in order to identify areas for improvement. In FY2017, our tenant occupancy rate was 93.0% and our tenant retention rate was 51.1%.

## **ENGAGING WITH LOCAL COMMUNITIES**

Working responsibly also includes contributing back to the communities we operate in, helping them to build the skills and support network needed to create sustainable success. We have given back to the local education system through the provision of financial support to outstanding students, while at the same time developing a pipeline of future talent in the real estate industry through the introduction of a Sponsorship Programme for Real Estate students of Ngee Ann Polytechnic. We have also supported the wider community by contributing donations in cash and in-kind.

## SUSTAINABLE BUSINESS

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### **A ROBUST CORPORATE GOVERNANCE FRAMEWORK**

Having a robust corporate governance framework in place can enhance stakeholders' trust, protect ESR-REIT's assets, the interests of its Unitholders and enhance the value of Unitholders' investment in the REIT.

The Manager strives to protect the assets and the reputation of ESR-REIT and enhance the value of Unitholders' investment by adopting good corporate governance practices, which include abiding by all applicable legislation and regulations. The establishment of relevant regulatory related policies and procedures ensures compliance with applicable legislation and regulations. The Manager monitors compliance with regulatory requirements through routine compliance monitoring programmes, reporting of regulatory breaches and internal/external/regulatory inspection findings.

More details on ESR-REIT's corporate governance policies and practices are further outlined on pages 71–91 of this report.

### **DETAILED SUSTAINABILITY REPORT**

The Manager strongly believes that a commitment towards building a sustainable business will strengthen and support its efforts to maximise value and create stable long-term returns for Unitholders and other stakeholders within the community.

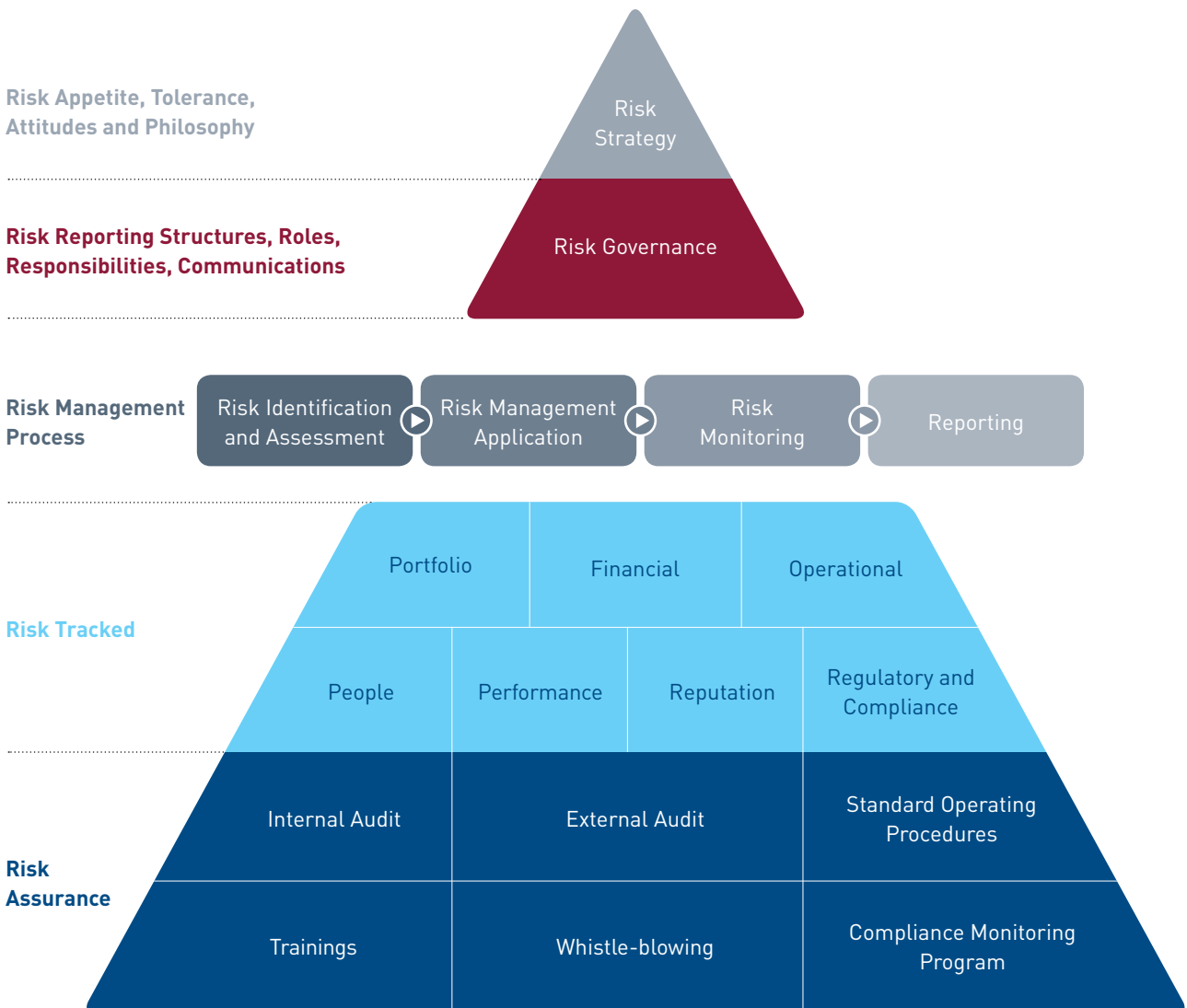
ESR-REIT's detailed sustainability initiatives are outlined in its third Sustainability Report which will be published on ESR-REIT's website ([www.esr-reit.com.sg](http://www.esr-reit.com.sg)) at the end of April 2018. The report is being prepared in accordance with the Global Reporting Initiative (GRI) Standards (2016) – Core option and SGX-ST's sustainability reporting requirements.

# RISK MANAGEMENT

Proactive and effective risk management is a fundamental part of ESR-FM's business strategy.

ESR-FM recognises that risk management is about opportunities as much as it is about threats. To capitalise on opportunities, ESR-FM has to take risks. Therefore risk

management is not about pursuing risk minimisation as a goal but rather optimising the risk-reward relationship, within known and agreed risk appetite levels. ESR-FM, therefore, takes risks in a prudent manner for justifiable business reasons.



## RISK MANAGEMENT

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### STRONG OVERSIGHT AND GOVERNANCE

The Board of Directors of the Manager have the overall responsibility of governing risks and ensuring that ESR-FM maintains a sound risk management system and internal controls to safeguard Unitholders' interests and ESR-REIT's assets. For these purposes, the Board is assisted by the ARCC which provides dedicated oversight of risk management at the Trust and Manager Level. The ARCC currently comprises four independent members and meets on a quarterly basis. The meetings are attended by the CEO, COO and CFO and Head of Compliance of ESR-FM.

#### Risk Management Process

The Manager adopts a four-step risk management process to manage different risks by performing the following steps:

- 1 Risk identification and assessment;
- 2 Risk management application;
- 3 Risk monitoring; and
- 4 Reporting

#### 1 Risk Identification and Assessment

The Enterprise-Risk Management ("ERM") Risk Appetite Statement was formulated and approved by the Board to identify the nature and extent of key material risks and risk appetite threshold of ESR-REIT and ESR-FM. Both Risk Appetite Statements are monitored on a quarterly basis to ensure that all risks are appropriately managed. The ERM Risk Appetite Statements are reviewed and tabled to both the Board and ARCC on a quarterly basis for their notation. The metrics adopted for each measure will be reviewed at least annually or more frequently if the business environment warrants.

Besides using ERM Risk Appetite Statement as one of the tools to identify and assess risks, ESR-FM requires respective Head of Departments to proactively identify, assess and document material operational risks as well as controls and/ or treatment actions needed to address them, on a quarterly basis. The Key Risks and Control Matrix ("Risk Matrix") covers ESR-REIT's and ESR-FM's material operational risks, the likelihood of the risks occurring, the consequences should they occur and the controls put in place to mitigate or manage these risks. The material operational risks are sub-categorised into commercial and legal, economic/ financial, market, operational, technology, business continuity, human resources, occupational health and safety ("OHS")/ environmental, development and strategic. The Risk Matrix is reviewed by both the CEO and COO and CFO before they are presented to the ARCC and the Board.

#### 2 Risk Management Application

Besides using the ERM Risk Appetite Statement and Risk Matrix to identify and assess the risks, ESR-FM also uses other tools to manage risks. The Compliance Matrix is one such tool that lists a summary of the major regulatory requirements related to both ESR-FM and ESR-REIT. It covers the Securities and Futures Act ("SFA"), Securities and Futures Regulations ("SFR") and related Notices and Guidelines, SGX-ST Listing Rules, Code Of Collective Investment Scheme ("CIS"), Companies Act and Personal Data Protection Act. Identified regulations are reviewed yearly or whenever the business environment changes substantially or whenever there are new relevant regulations to ensure that the matrix is kept up-to-date.

ESR-FM has various policies and procedures to reduce operational risks by providing uniform practices that serve as a basis for guidance in day-to-day operation and to facilitate the understanding and correct implementation of different work processes. All policies and procedures are reviewed and updated where relevant at least once a year to ensure they are kept up-to-date. Any revisions, amendments and supplements to the various policies must be approved by the Board, ARCC or the CEO, as appropriate.

To increase the level of awareness and knowledge of various risks, controls requirements and processes within ESR-REIT and ESR-FM, all new employees are required to undergo induction training by the various departments. On-the-job training will be provided to equip the staff with the knowledge and skills to carry out their work. Internal training will be conducted for the purpose of information sharing, especially on changes relating to internal policies. Staff are encouraged to source for external training that relates to their field of expertise and/or are included in personal development plans. Skills and knowledge acquired via such training can be applied to their work to improve work processes or control requirements thus effectively reducing operational risks for ESR-FM.

### 3 Risk Monitoring

To ensure that risks are effectively managed and controlled, the following are some of the methods of risk monitoring adopted by ESR-FM. The monitoring results are reported to ARCC and noted by the Board through ARCC updates.

1. Quarterly monitoring of ERM Risk Appetite Statement
2. Quarterly review of Key Risk and Control Matrix
3. Quarterly monitoring of outstanding internal/external audit recommendations
4. Quarterly attestations from employees, appointed representatives, Heads of Departments and Directors in terms of compliance with relevant regulatory requirements
5. Quarterly reporting of breaches, potential breach and loss events

In addition to the above risk monitoring methods, ESR-FM has formulated a Compliance Monitoring Framework using the Compliance Matrix as a base document. A risk assessment of all regulatory requirements impacting both ESR-REIT and ESR-FM will be performed on an annual basis which will guide the approach taken for Compliance's oversight function. The risk assessment exercise consists of both inherent risk and residual risk assessment with a rating scale of low, medium and high. With the results generated, Compliance will conduct oversight through a combination of routine monitoring and risk-based monitoring programmes (otherwise known as the Compliance Monitoring Programme). A two-year Compliance Monitoring Program based on the results of the risk assessment will be tabled to both the ARCC as well as the Board for approval. Upon the approval of the program, Compliance will proceed to implement the program and the results of the reviews will be tabled to both ARCC and the Board on a quarterly basis for their review.

### 4 Reporting

Reports are provided to ARCC/Board/Regulators on a regular basis to provide updates on ESR-FM's risk and compliance management activities.

#### Risk Tracked

ESR-FM undertakes an iterative and comprehensive approach in identifying, managing, monitoring and reporting of material risks. Such material risks include:

#### Portfolio Risk

The key objectives of ESR-FM are to deliver secure and stable distributions to Unitholders and to achieve long-term growth in Net Asset Value ("NAV") per unit in order to provide Unitholders with a competitive rate of return for their investment. To achieve these objectives, the Manager uses the following strategies:

1. Pro-actively managing ESR-REIT's property portfolio to maximise returns;
2. Selectively acquiring properties that meet our investment criteria and enhance Unitholders' value;
3. Divesting of non-core properties; and
4. Adopting prudent capital and risk management strategies

The investment portfolio will primarily comprise real estate used mainly for industrial purposes (including investments in real estate related assets and/or other related value enhancing assets or instruments). The investments will be made in Singapore and Asian markets, with the current focus on the local market, depending on investment opportunities and market conditions and will be for the long-term. To manage the impact of economic uncertainties, ESR-FM monitors economic development as well as any policies that have an impact on the daily operations within the portfolio.

#### Financial Risk

ESR-FM monitors the financial market risk and capital structure actively as prudent capital management is the key for a sustainable business. ESR-FM needs to ensure that there is diversity in terms of source of funds, a well-staggered debt maturity profile, and a gearing ratio within its target range, to mitigate any financial and liquidity risk.

#### Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to ESR-REIT, as and when they fall due. ESR-FM established credit limits for tenants and monitors their balances on an on-going basis. Credit evaluations are performed by ESR-FM before lease agreements are entered

## RISK MANAGEMENT

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into with the lessees. In addition, ESR-REIT requires the lessees to provide tenancy security deposits or corporate guarantees, or to assign rental proceeds from sub-lessees to ESR-REIT.

### Interest Rate

ESR-REIT's exposure to changes in interest rates relate primarily to its interest-bearing financial liabilities. Interest rate risk is managed by ESR-FM on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. ESR-REIT adopts a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps and/or fixed rate borrowings.

### Currency Risk

At present, all transactions involving ESR-REIT are denominated in Singapore dollars and the Group faces no currency risk. If this were to change in the future, ESR-FM would consider currency hedging to the extent appropriate.

### Liquidity and Refinancing Risk

ESR-FM monitors the liquidity risk of ESR-REIT and maintains a level of cash and cash equivalents deemed adequate by management to finance ESR-REIT's operations. Typically, ESR-REIT will ensure that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. ESR-FM monitors and observes the CIS Code issued by the Monetary Authority of Singapore ("MAS") concerning limits on total borrowings.

### Operational Risk

Guidelines and policies are put in place to ensure business continuity. This includes the monitoring of incidents and ensuring safety-related standards and procedures are set in place. To mitigate the risk of any disasters, disaster recovery testing is conducted at least once a year.

### Performance and Reputation Risk

ESR-REIT's NPI yield, Mean Expense Ratio ("MER") and DPU are some of the metrics monitored and measured against peer benchmarks to ensure that the Trust is performing better than or at least on par with the market. In addition, regulatory requirements on base capital and financial resources are being monitored to ensure that the requirements are met on an ongoing basis.

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of ESR-REIT by tenants, counterparties, shareholders, investors and regulators. ESR-FM uses formal media monitoring to assess if there are any adverse news on ESR-REIT that warrants any actions from the Manager.

Other than the above material risks, ESR-FM also needs to manage the following risks:

### Regulatory and Compliance Risk

Due to the nature of business, ESR-FM, being a Capital Markets Services Licence Holder, is required to comply with the relevant legislation and regulations issued by MAS, SGX-ST and the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of ESR-REIT and its Unitholders. Thus, any changes in these legislation and regulations may affect ESR-REIT's business, results or operations. The Manager has established relevant regulatory related policies and procedures to ensure ESR-REIT's and ESR-FM's compliance with applicable legislation and regulations. Regulatory compliance is being monitored via the reporting of results of compliance monitoring program, non-compliance instances, regulatory breaches and overdue internal/external/regulatory inspection findings to ensure that both ESR-REIT and ESR-FM are adhering to regulatory requirements.

### People Risk

People are the key to the business. Succession planning is in place for key personnel and staff remuneration is reviewed periodically to ensure it is aligned to the market to retain and reward staff.

### Risk Assurance

On top of the risk management tools that are highlighted above, the Manager also has a Whistle Blowing Policy put in place which provides an avenue to employees and external parties to raise any concerns about possible improprieties in matters of financial reporting or other matters to the ARCC Chairman. Independent investigation and appropriate follow-up action will be taken for all concerns raised.



## CORPORATE GOVERNANCE

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ESR-REIT, constituted as a trust, is externally managed by ESR-FM. ESR-REIT has no personnel of its own. ESR-FM appoints qualified and experienced executives to manage its operations.

The Manager is committed to maintaining high standards of corporate governance in line with the Singapore Code of Corporate Governance. The Board and Management believe that sound corporate governance policies and practices are essential to protect the assets of ESR-REIT and the interests of its Unitholders and to enhance the value of Unitholders' investment in ESR-REIT.

The Manager has general powers of management over the real estate and real estate related assets of ESR-REIT. The Manager's main responsibility is to manage ESR-REIT's assets and liabilities for the benefit of the Unitholders. It sets the strategic direction of ESR-REIT and gives recommendations to the Trustee on the acquisition, property development, divestment and/or enhancement of assets of ESR-REIT in accordance with its stated investment strategy. The Manager is also responsible for the capital and risk management of ESR-REIT. In executing its strategy, the Manager is responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, including the SGX-ST Listing Rules, the CIS Code (including its property funds appendix ("Property Funds Appendix")) and the Trust Deed.

The Manager also supervises the performance of the Property Manager to ensure that it meets its objectives pursuant to the property management agreement. The Manager holds a Capital Markets Services Licence ("CMS Licence") issued by MAS to carry out REIT management under the SFA. Under its CMS Licence, the Manager appoints relevant officers and staff as its representatives to conduct REIT management activities on its behalf.

This report describes the Manager's corporate governance practices and structures that were in place during FY2017, to comply with the Code of Corporate Governance ("the Code") issued by MAS on 2 May 2012. Any deviations from the Code are explained.

### SIGNIFICANT CHANGES DURING REPORTING PERIOD

#### Change of Majority Shareholder of ESR-FM

- nabInvest Capital Partners Pty Limited ("NAB") and CREIM Limited completed the sale of their aggregate 80% indirect interest in ESR-FM to e-Shang Infinity Cayman Limited ("Infinity"), a subsidiary of ESR Cayman Limited ("ESR"), on 18 January 2017.

#### Change of Board Members of ESR-FM

- With the change of the majority shareholders of ESR-FM on 18 January 2017:
  - The representative directors of NAB and CREIM Limited stepped down respectively on 18 January 2017 (Mr David Ian MacGregor) and 27 March 2017 (Mr Michael Patrick Dwyer).
  - Mr Jeffrey David Perlman and Mr Jeffrey Shen Jinchu were appointed as Non-Executive Directors on 18 January 2017.
- Mr Adrian Chui was appointed as CEO and Executive Director on 24 March 2017.
- Mr Philip John Pearce was appointed as Independent Non-Executive Director on 5 April 2017.

#### Accessibility of Annual Report

Limited copies of the annual report were printed, however a PDF version is available for download from the corporate website: [www.esr-reit.com.sg](http://www.esr-reit.com.sg)

### PRINCIPLES AND GUIDELINES OF THE CODE OF CORPORATE GOVERNANCE 2012 CODE

#### BOARD MATTERS

- Principle 1: The Board's Conduct of Affairs
- Principle 2: Board Composition and Guidance
- Principle 3: Chairman and Chief Executive Officer
- Principle 4: Board Membership
- Principle 5: Board Performance
- Principle 6: Access to Information

#### REMUNERATION MATTERS

- Principle 7: Procedures for Developing Remuneration Policies
- Principle 8: Level and Mix of Remuneration
- Principle 9: Disclosure on Remuneration

#### ACCOUNTABILITY AND AUDIT

- Principle 10: Accountability
- Principle 11: Risk Management and Internal Controls
- Principle 12: Audit Committee
- Principle 13: Internal Audit

#### UNITHOLDER RIGHTS AND RESPONSIBILITIES

- Principle 14: Unitholder Rights
- Principle 15: Communication with Unitholders
- Principle 16: Conduct of Unitholder Meetings

### 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 primary responsibility is to lead and to supervise the management of the business and affairs of the Manager and the Trust. The top-stewardship responsibility of the Board is to ensure that the Trust is managed in the best interests of all Unitholders. This includes protecting ESR-REIT's assets and Unitholders' interests and enhancing the value of Unitholders' investment in ESR-REIT.

The functions of the Board are defined broadly as follows:

- To ensure the Manager discharges its duties to act in the best interests of all Unitholders of the Trust and to give priority to the interests of the Unitholders over the interest of the Manager and the shareholders of the Manager in the event of conflict between the interests of the Unitholder and in the interest of the Manager or shareholders of the Manager;
- To provide entrepreneurial leadership, set strategic and financial objectives, major corporate policies, annual budgets, and ensure that the necessary financial and human resources are in place for the Manager to meet its objectives;
- To establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- To review senior management performance;
- To set the Manager's values and standards and ensure that obligations to shareholders and others are understood and met.
- To consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board oversees a system of internal controls and business risk management processes that set the guidelines which govern matters reserved for Board's decision and approval. This includes approval limits for investments and divestments, bank borrowings, capital expenditure and cheque signatories. Appropriate delegation of authority for approval of capital and operating expenditure and specified financial transactions are also provided at Management level to facilitate operational efficiency.

The Board meets at least once every quarter, and on such other occasions that necessitate its involvement. Members of the Board also meet periodically without the presence of Management to discuss and review Management performance. Where exigencies prevent a Director attending a Board meeting in person, the Manager's Constitution permits Board meetings to be held by way of telephone conference or by means of similar communication equipment by which all persons participating in the meeting are able to hear and be heard by all other participants. The Board and Board Committees may also make decisions by way of resolutions in writing.

Various Board Committees, namely ARCC, NRC and EXCO have been constituted with clear written Terms of Reference to assist the Board in the discharge of its functions. Each of these Board Committees operates under delegated authority from the Board. The Board may form other Board Committees as dictated by business imperatives. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board member, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

Composition of the Board of Directors and its Committees as at 28 February 2018:

NAME	BOARD	ARCC	NRC	EXCO
Ooi Eng Peng	Independent Chairman	M	M	C
Bruce Kendle Berry	Independent Non-Executive Director	C	-	-
Erle William Spratt	Independent Non-Executive Director	M	C	-
Philip John Pearce	Independent Non-Executive Director	M	-	M
Akihiro Noguchi	Non-Executive Director	-	-	-
Jeffrey David Perlman	Non-Executive Director	-	M	M
Jeffrey Shen Jinchu	Non-Executive Director	-	-	-
Adrian Chui Wai Yin	CEO and Executive Director	-	-	M

Denotes C- Chairman; M- Member

A total of seven Board meetings were held in FY2017. The Board also schedules a Board Strategy meeting once a year to discuss strategic matters. A table showing the attendance record of Directors at Board and Board Committee meetings during FY2017 is set out as follows:

BOARD MEMBERS	BOARD MEETINGS <sup>(1)</sup>		ARCC		NRC		ANNUAL GENERAL MEETING
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	
Mr Ooi Eng Peng	7	7	5	5	1	1	✓
Mr Bruce Kendle Berry	7	7	5	5	N.A.	N.A.	✓
Mr Erle William Spratt	7	7	5	5	1	1	✓
Mr Philip John Pearce	7	6	5	4	N.A.	N.A.	✓
Mr Jeffrey David Perlman	7	5	N.A.	N.A.	1	— <sup>(2)</sup>	✓
Mr Jeffrey Shen Jinchu	7	3	N.A.	N.A.	N.A.	N.A.	✓
Mr Akihiro Noguchi	7	6	N.A.	N.A.	N.A.	N.A.	✓
Mr Adrian Chui Wai Yin	7	6	5	4	N.A.	N.A.	✓

(1) Not including other meetings attended by directors with Management

(2) Mr Jeffrey David Perlman was represented by Mr Jeffrey Shen at this NRC meeting

To enable the Board of Directors to be able to properly discharge their duties and responsibilities as Board or Board Committee members, the Board is provided with routine updates on developments and changes in the operating environment, including revisions to accounting standards affecting ESR-REIT and/or the Manager. Directors are also kept updated, on a quarterly basis, on revisions to relevant laws and regulations impacting the business. Directors are also encouraged to participate in industry conferences, seminars and training programmes in connection with their duties.

Newly appointed directors are given induction trainings after joining the Board together with an induction pack which includes constitutional documents of ESR-REIT and

the Manager, contact information of each Board member, Management staff and Company Secretary. The training covers business activities of ESR-REIT, its strategic directions and policies, the regulatory environment in which ESR-REIT and the Manager operate, and the Manager's corporate governance practices, statutory and other duties and responsibilities as directors. Where a director has no prior experience as a director of a listed company, further training in areas such as accounting, legal and industry-specific knowledge is provided.

As a principle of good corporate governance, all directors are appointed for three years, subject to extension for a further three years at the Board's and shareholders' discretion. Letters of appointment are issued to directors upon their appointment,

## CORPORATE GOVERNANCE

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setting out their duties and responsibilities to the Manager and ESR-REIT. These include seeking the Chairman's prior approval before accepting any additional commitments that may affect the time allocated to their role as a director of the Manager. None of the directors of the Manager has entered into any service contract directly with ESR-REIT.

### 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% shareholders<sup>1</sup>. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

#### Board Composition and Independent Directors

The Board presently consists of eight members, four of whom are independent Directors. This complies with the composition guidelines in the Code of Corporate Governance, which require at least half the Board to comprise of independent Directors. The Chairman of the Board is Mr Ooi Eng Peng.

The current Board is represented by members with a breadth of expertise in finance, accounting, real estate and management.

The Board believes that the current board size, composition and balance between Executive, Non-Executive and Independent directors is appropriate and provides sufficient diversity without interfering with efficient and effective decision-making. It allows for a balanced exchange of views, robust deliberations and debates among members and effective oversight over Management, ensuring no individual or small group dominates the Board's decisions or its process.

With the background of skills, experience and core competencies of its members, the Board is of the view that it has the appropriate mix of expertise and experience, skills needed in the strategic direction and planning of the business of ESR-REIT. The composition of the Board is reviewed periodically to ensure that the board size is appropriate and comprises directors with an appropriate mix of expertise, skills, and experience to discharge their duties and responsibilities.

All independent directors are subject to an annual independence assessment, conducted by the NRC, based on the guidelines set out under the Code as well as Response to Feedback on

Consultation on Enhancement to the Regulatory Regime Governing REITS and REIT Managers. The assessment also takes into account additional factors such as the director's business relationship with ESR-REIT, the Manager and/or related entities, whether the director has received any gifts or financial assistance from ESR-REIT, the Manager and/or related entities, whether the director is financially dependent on ESR-REIT, the Manager and/or related entities, as recommended under the Nominating Committee Guide. None of the directors have served the Manager for a period exceeding nine years.

The NRC has tabled the result of the assessment and made recommendation to the Board on the independence of each Independent Director. With respect to FY2017, the Board is of the view that the following directors are independent:

- Mr Ooi Eng Peng
- Mr Bruce Kendle Berry
- Mr Erle William Spratt
- Mr Philip John Pearce

### 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 the Chairman and the CEO are separate. The Chairman and the CEO are not related to each other, nor is there any business relationship between them. This is consistent with the principle of instituting an appropriate balance of power and authority.

The Chairman of the Board is an Independent Director. He leads the Board, ensures its effectiveness in all aspects of its role; sets its meeting agenda and ensures that adequate time is available for discussion for all agenda items; promotes a culture of openness and debate at the Board; arranges for directors to receive accurate, timely and clear information; monitors CEO's effective communication with Unitholders and other stakeholders; encourages constructive relations within the Board and between the Board and Management; facilitates the effective contribution of non-executive directors and promotes high standards of corporate governance in general.

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<sup>1</sup> The term "10% shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares

The CEO has full executive responsibilities over the business direction and operational decisions in managing ESR-REIT and is responsible for implementing ESR-REIT's strategies and policies. He ensures the quality and timeliness of the flow of information between Management and the Board, Unitholders and other stakeholders.

## Board Membership

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

### Nominating and Remuneration Committee

The Manager has established a NRC to make recommendations to the Board on all director appointments and related matters including the following:

- The review of structure, size and composition of the Board and Board Committees;
- The review of succession plans for the directors, CEO and key management staff;
- The appointment and re-appointment of all directors;
- Recommend CEO's remuneration and incentive to the Board for consideration and approval by the shareholders of the Manager
- Review and recommend Management's proposal for Key Performance Indicators ("KPIs"), short-term bonus and long-term incentive pool to be paid to staff

The NRC currently comprises of three Directors, the majority of whom, including the Chairman of the NRC, are independent; namely:

- |                             |          |
|-----------------------------|----------|
| 1. Mr Erle William Spratt   | Chairman |
| 2. Mr Ooi Eng Peng          | Member   |
| 3. Mr Jeffrey David Perlman | Member   |

### Process and Criteria for Appointment of Directors

New directors are appointed by way of a board resolution. The NRC shall make recommendations to the Board on all Board appointments, re-appointments and composition of the Board, taking into account the balance between executive and non-executive directors, independent and non-independent directors, the scope and nature of the operations of ESR-REIT and the requirements of the business. Appointment of alternate directors are not encouraged.

In addition, the NRC takes into account that the Board composition should reflect balance in matters such as skill representation, tenure, experience, age spread and diversity. The NRC identifies suitable candidates with skills and experience that will complement the existing Board and ensure that the candidate has sufficient time available to commit to his responsibilities as a Director for appointment to the Board. During the search process, the NRC may also tap on the personal contacts of current directors and senior management for recommendations of prospective candidates. The NRC will also consider professional networking sessions, inputs from the Manager's shareholders, and the use of third party executive/Board search firms at the company's expense. Nominations of incoming directors may be made by any of the Manager's shareholders and are openly discussed and objectively evaluated by the NRC before any appointment and/or reappointment is made. Appointment of directors is also subject to MAS approval.

### Annual Review of Directors' Time Commitments

The Code requires listed companies to fix the maximum number of Board representations on other listed companies that their directors may hold and to disclose this in their annual report.

Although no maximum limit has been formally set by the Board on the number of listed company board representations a Director with multiple board representations may hold, the NRC is of the view that the duties of all Directors have been fully discharged based on the time and attention devoted by each Director, their individual abilities and their respective individual contribution of skills, knowledge and experience and their commitment to the affairs of ESR-REIT. The Board is of the view that such 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. None of the directors sit on the board of more than two listed companies.

### Key Information Regarding Directors

The key information regarding Directors is set out in pages 17 to 21 of the Annual Report, which covers academic and professional qualifications, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments.

### Board Performance

**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 Board has in place a formal process to annually assess the effectiveness of the Board and the ARCC through feedback from individual directors on areas relating to the Board's and ARCC's competencies and effectiveness.

The review includes assessing both the Board and ARCC composition, access to information, attendance and ability to contribute effectively and have meaningful participation and rigorous decision making during the meetings, strategic planning, risk management, accountability and oversight, directors' development and management. All directors are requested to complete a Board Evaluation Questionnaire and are allowed to individually express their personal and confidential assessment of the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. Based on the responses to the Questionnaire returned by each director, a consolidated report is prepared and presented to the Chairman and the Board. The results of the evaluation will be reviewed both by the Chairman and the Board. Action plans will be implemented for areas which the Board is of the view that improvements are required to enhance the overall effectiveness of the Board and the ARCC.

Individual director's performance is evaluated annually and informally on a continual basis by the Board. The criteria taken into consideration include the value of contribution to the development of strategy, attendance at Board and ARCC meetings, the degree of preparedness, industry and business knowledge and experience each director possess which are crucial to the business of ESR-REIT and the Manager. Accordingly, the annual review of the Board's performance was carried out for FY2017.

### 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 ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

All directors have unrestricted access to ESR-REIT's and the Manager's records and information. A Deed of Access, which sets out their rights to access or inspect the records and information, is issued to directors upon their appointment.

The Board is provided with timely and complete information both prior to board meetings and on an ongoing basis so as to allow the Board to make informed decisions to discharge its duties and responsibilities. Generally, board papers are distributed at least one week prior to Board meetings to ensure that directors have sufficient time to review the information provided. However, sensitive matters may be tabled at the meeting itself, or discussed without papers being distributed. Parties who can provide relevant information on matters tabled at Board meetings will be in attendance to provide further information that may be required.

The information provided to the Board includes board papers, financial results, market and business developments, and business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of ESR-REIT's performance, financial position and prospects. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period.

A one day off-site business overview and Board strategy meeting is organised annually for an in-depth discussion by the Board and the Management on strategic issues and directions pertaining to ESR-REIT and the Manager. Where appropriate, the Management arranges for the Directors to visit the properties to better appraise the Directors of the business.

In addition to the information provided above, Management remains available at all times to answer any query raised by any Director. Frequent dialogues and interaction take place between Management and the Directors. The Directors are thus able to access the Manager's operations and information at a deeper level, allowing them to better strategise and guide ESR-REIT in their role as Directors. Furthermore, the Board Papers Portal allows Board members to securely access and read Board/Board Committee papers and materials electronically at any place and any time, using the Directors' electronic or mobile devices.

Board members have separate and independent access to Management as well as to the Company Secretary. The Company Secretary attends all Board meetings and ensures that board procedures and applicable rules and regulations are complied with. The appointment and the removal of the Company Secretary is subject to Board's approval. The Company Secretary, together with the CEO ensure good information flows between Management and the directors.

The Board takes independent professional advice as and when necessary, with approval from the Chairman, to enable it to discharge its responsibilities effectively. Individual directors can seek independent professional advice with the consent of the Chairman or ARCC Chairman. For complex matters, the Board may from time to time appoint a subcommittee to assist the Board in its deliberations and to provide recommendations.

## 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 (“KMP”) to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

### Disclosure on 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 KMP, and performance.**

### Procedures for Developing Remuneration Policies

ESR-REIT, constituted as a Trust, is externally managed by the Manager and accordingly, it has no personnel of its own. Through the NRC, the Board has instituted a formal and transparent procedure in developing remuneration policies and framework relating to CEO and Non-Executive Directors. Independent Directors’ fees and the CEO’s remuneration, including all employees of the Manager are paid by the Manager and not the Trust.

Guided by the Remuneration Framework, NRC with the endorsement of the Board, reviews on periodic basis:

- the directors’ fees and allowances provided to the Independent Directors. Directors do not decide on their own fees;
- remuneration components of the CEO, as well as the KMP.

### Directors’ Fees

There are no directors’ fees paid to the CEO and Non-Executive Directors. All Independent Directors are appointed for a period of 3 years and are subject to extension for a further 3 years at the discretion of the Board and the Shareholders. Accordingly, the Independent Directors’ fees are established once every 3 years. The Independent Directors are paid a basic fee. The fees are dependent on the level of responsibilities at the Board level, and where applicable, additional responsibilities given in other committees set up by the Board. The Chairman of the Board and ARCC are paid higher fees compared with members of the Board and ARCC in view of greater responsibilities carried by those appointments. ESR-FM also ensures that the remuneration of its CEO and executive director shall not only be linked to ESR-REIT’s gross revenue.

### CEO and Select KMP

#### Remuneration

The NRC reviews the remuneration of the CEO and some KMP of the Manager annually or as and when there is a significant change to the structure of the Manager. With the change of the majority shareholder of ESR-FM, the NRC together with the Manager commissioned Aon-Hewitt<sup>2</sup> to develop a new compensation framework that reflects the following key considerations:

- a) Alignment to Performance
  - a. Clear and measurable performance indicators
  - b. Incentives-linked to performance to drive the right behaviour
- b) Market Practice and Benchmarking
  - a. A framework that reflects the current market evolution
  - b. Benchmarking of compensation with market
- c) Reflects Business Realities
  - a. Reflects ESR-REIT’s strategic priorities and business plan
  - b. In line with regulatory changes

<sup>2</sup> Aon-Hewitt has no relationship with ESR-REIT or ESR-FM

## CORPORATE GOVERNANCE

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The objectives of the Total Compensation Framework are as follows:

- Rewarding employees to work towards achieving the strategic goals of ESR-REIT and targets as approved by the Board ;
- Retaining outstanding or good performers and attracting good candidates to execute ESR-REIT's strategic priorities and business plan;
- Providing clear and achievable targets to motivate performance and efficiency;
- Create a culture and environment of meritocracy and right long-term behaviour in the way the Manager conducts its business

The remuneration components within the Total Compensation Framework include fixed pay, fixed allowances, short-term incentive ("STI") bonus and long-term incentives plan ("LTIs").

The STI is driven by the Manager Corporate Scorecard where it covers a mixture of financial and non-financial KPIs which is aligned to both ESR-REIT and the Manager. The KPIs include financials such as DPU, debt costs, operating costs, and non-financials such as talent management, occupancy rate and risk management and control processes. Linking STI bonus to the Manager Corporate Scorecard helps to achieve strategic goals of ESR-REIT which are aligned to the interests of the unitholders.

The purpose of the LTIs is to reward KMP for achievement of the company's strategic objectives that will maximise unitholders value. The LTIs payout is conditional upon the achievement of pre-determined performance targets measured over a 3-year period. The award of the LTIs will lapse if performance is not met at the end of the performance period.

For FY2017, the Manager, as per previous years, carried out a formal bi-annual performance review process to reinforce strengths, identify improvements and plan for the development of the employees. Based on the performance review, the Board and the NRC are of the opinion that all the performance conditions used to determine the remuneration of KMP of the Manager were met and that the STI bonus pool is a reasonable percentage of the Manager's profit. The NRC and the Board are of the view that the remuneration is aligned to FY2017 performance and that the new Total Compensation Framework is aligned with the long-term interests and risk management policies of the Manager. There were no ESR-REIT units issued to employees in 2017. To date, the Manager has not implemented a Share Employee Option Scheme as part of its remuneration package.

The Manager reviews, on an annual basis, the relationships between employees, shareholders and board members to ensure that there is no conflict of interest. For FY2017, there were no employees who are immediate family members of any director or the CEO or any of the existing staff.

The Manager is cognisant of the requirements stated within the Code and the "Notice to all Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management" to disclose (i) the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; (ii) the remuneration of at least the top five key executive officers (who are neither Directors nor the CEO) in bands of S\$250,000, with a breakdown (in percentage or dollar terms) of each key executive officer's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; and (iii) the aggregate total remuneration paid to the top five key executive officers (who are neither Directors nor the CEO). In the event of non-disclosure, the Manager is also required to provide reasons for such non-disclosure.

The Manager has decided (a) to disclose the CEO's remuneration in bands of S\$250,000 (instead of on a quantum basis), (b) to disclose the remuneration of the top four KMP of the Manager in bands of S\$250,000, and (c) to disclose the total remuneration of the top five KMP of the Manager (including the CEO). In arriving at its decision, it took into account the sensitivity and confidential nature of remuneration matters and the competitive nature of the business environment in which the Manager operates, to ensure stability and continuity of the management team. The Manager is of the view that disclosure in such manner is not prejudicial to the interests of Unitholders as the indicative range for the top five KMP (including the CEO), as well as the total remuneration for the top five KMP (including the CEO), are made known to Unitholders. In addition, sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between ESR-REIT's performance and the remuneration of the top five KMP (including the CEO). Lastly, the remuneration of all the Manager personnel is paid by the Manager out of the fees that it receives (of which the quantum and basis have been disclosed within the Financial Statements), rather than by ESR-REIT. Remuneration of the independent directors and the KMP of the Manager is paid in cash.



Directors' fees paid in FY2017 are as follows:

BOARD MEMBERS	MEMBERSHIP	FEES PAID FOR FY2017
Mr Ooi Eng Peng	Independent Chairman, EXCO Chairman, ARCC and NRC Member	S\$144,000
Mr Bruce Kendle Berry	Independent Non-Executive Director, Chairman of ARCC	S\$88,000
Mr Erle William Spratt	Independent Non-Executive Director, Chairman of NRC and ARCC Member	S\$79,267 <sup>(1)</sup>
Mr Philip John Pearce	Independent Non-Executive Director, ARCC and EXCO Member	S\$59,214 <sup>(2)</sup>
Mr Jeffrey David Perlman	Non-Executive Director, NRC and EXCO Member	NA
Mr Jeffrey Shen Jinchu	Non-Executive Director	NA
Mr Akihiro Noguchi	Non-Executive Director	NA
Mr Adrian Chui Wai Yin	CEO and Executive Director and EXCO Member	NA

(1) Appointed as Independent Non-Executive Director with effect from 13 January 2017

(2) Appointed as Independent Non-Executive Director with effect from 5 April 2017

Remuneration of the top five KMP (who are not directors) and CEO in bands of S\$250,000 for FY2017 are as follows:

KEY MANAGEMENT PERSONNEL	FIXED COMPENSATION + STATUTORY CONTRIBUTION (%) <sup>(1)</sup>	SHORT-TERM INCENTIVES + STATUTORY CONTRIBUTION (%) <sup>(2)</sup>	LONG-TERM INCENTIVES (%) <sup>(3)</sup>	TOTAL (%)
<b>BETWEEN S\$750,000 AND S\$1,000,000</b>				
Adrian Chui Wai Yin	49.7	50.3	–	100
<b>BETWEEN S\$500,000 AND S\$750,000</b>				
Shane Hagan	80.7	19.3	–	100
<b>BETWEEN S\$250,000 AND S\$500,000</b>				
Nancy Tan	68.7	31.3	–	100
Charlene-Jayne Chang	66.3	33.7	–	100
Elena Arabadjieva <sup>(4)</sup>	100.0	–	–	100
<b>BELOW S\$250,000</b>				
Loy York Ying	79.4	20.6	–	100
<b>Total for top five KMP (including CEO):</b>				<b>S\$2,749,258</b>

(1) The amount disclosed includes base salary, Annual Wage Supplement, allowances and employer's CPF contribution for FY2017

(2) The amount disclosed includes bonuses declared for FY2017

(3) As the total compensation framework was only implemented in the second half of the year, the targets set for LTIs will only commence from FY2018

(4) Elena Arabadjieva (previous Head of Investor Relations and Corporate Communications) resigned on 31 May 2017

### 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 is responsible for providing a balanced and understandable assessment of ESR-REIT's performance, position and prospects, which extend to interim and other price sensitive public reports, and reports to regulators (where required). Management provides the Board with relevant information on the performance of ESR-REIT and the Manager on a timely basis and as the Board may require from time to time, in order for the Board to effectively discharge its duties. Quarterly and annual financial reports and other material information are disseminated to the unitholders through announcements via SGXNET, ESR-REIT's corporate website, and where applicable, media releases and analyst briefings.

The Board meets regularly to review the financial performance of ESR-REIT and the Manager against the yearly approved budget, taking note of any significant variances for quarter-on-quarter and year-to-date performance. In assessing business risks, the Board takes into account the economic environment and risks associated with the property industry.

The Board also reviews the risks to the assets of ESR-REIT, examines the management of liabilities, and will act upon any comments from internal and external auditors of ESR-REIT. Given the importance of compliance and risk management, the ARCC has been tasked to oversee this aspect of the Manager and ESR-REIT's operations. The ARCC reviews and assesses the adequacy of the Manager's financial, operational, compliance, information technology controls, risk management policies and systems established by the Management. The ARCC also oversees the establishment and operation of the risk management system, including reviewing the adequacy of risk management practices for material risks, such as commercial and legal, financial and economical, operational and technology risks, on a regular basis; and reviews major policies for effective risk management.

#### 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' interests 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.**

The Manager has put in place a system of internal controls to safeguard ESR-REIT's assets, Unitholders' interests and to manage risk in general. The Manager's approach to risk management and internal control and the management of key business risks is set out in the "Risk Management" section on pages 67 to 70 of the Annual Report.

ESR-REIT's and the Manager's ERM framework have been implemented to further enhance risk management capabilities. Key risks, control measures and management actions are continually identified, reviewed and monitored as part of the ERM process. The monitoring of the risks identified is via a "traffic light alert system". The risk appetite threshold of each risk is based on the colours of a traffic light – Red, Amber and Green. Green is within the acceptable risk appetite, Amber signals increasing risk which needs to be monitored and reduced as necessary and Red means it is outside the risk appetite that both ESR-REIT and the Manager is willing to undertake and thus measures and steps need to be put in place to reduce the risk level to within the acceptable range. The ERM Risk Appetite Statement is monitored on a quarterly basis to ensure that all risks are appropriately managed. The Statement is reviewed and tabled to both the ARCC and the Board on a quarterly basis for their notation. The metrics adopted for each measure will be reviewed at least annually or more frequently if the business environment warrants.

In addition, a Risk and Control Matrix covering ESR-REIT's and the Manager's relevant material operational risks by sub-category (e.g. Commercial and Legal; Economical/Financial; Operational; and Technology), the likelihood of the risk occurring, the consequence should it occur and the controls put in place to mitigate or manage these risks, is being used for risk monitoring. Risks are analysed by combining estimates of likelihood and consequences, adequacy of existing controls/treatments or actions to determine whether a level of risk is to be accepted, or requires specific management responsibility or escalation to the ARCC. Identified risks are reviewed quarterly or whenever the business environment changes substantially to ensure that changes in circumstances have not altered risk priorities. Identified controls/treatments or actions are reviewed quarterly to ensure that changes in circumstances have not affected their adequacy and effectiveness.

For FY2017, due to the change in ownership structure of the Manager, ESR became the Manager's developer-sponsor. ESR has a c.12.4% stake in the REIT, confirming a clear alignment of interest with Unitholders. Due to this change, the risk profile of the REIT has changed dramatically. Coupled with the regain of the General Mandate, the REIT is on a firmer footing to foster business expansion. Given the above change together with a rejuvenated Board of the Manager, the ARCC together with the Management team conducted a risk assessment workshop to identify the top 14 risks/concerns faced by both the REIT as well as the Manager for prioritisation and these have been consolidated into the Risks and Control Matrix. The Management team further performed a detailed review on all risks and agreed on updates to the ratings and controls in place for each risk. The revised Risk and Control Matrix is currently being used for risk monitoring purpose and continues to be reviewed on a quarterly basis or whenever the business environment changes substantially to ensure that changes in circumstances have not altered risk priorities.

In addition to the Risk and Control Matrix, reports on the internal controls are also provided to the ARCC on a periodic basis to assess the adequacy of the existing internal controls and risk framework.

The ARCC, through the assistance of internal and external auditors, reviews and reports to the Board on the effectiveness and adequacy of ESR-REIT's risk management and internal control system, including financial, operational, compliance and information technology controls, taking into consideration the reports and assurance provided by Management, recommendations of both internal and external auditors and the timely and proper implementation of all required corrective, preventive or improvement measures.

In line with the strategic objectives to provide Unitholders with a stable and secure income stream and to achieve long term growth in net asset value per unit, the Manager critically analyses each transaction before proceeding. To arrive at an investment decision, the Manager identifies the risk exposures and determines how to mitigate, transfer, manage and/or reduce those risks, where possible, to a level which is appropriate for the corresponding expected return on that investment. Extensive procedures, including due diligence, are carried out at various stages of the investment process.

The Board reviews management reports and feasibility studies on proposed acquisitions prepared by the Manager, and approves the proposal if the Board believes it is in the best interests of the Trust and its Unitholders to enter into the transaction.

The Manager is committed to conduct its business within a framework that fosters the highest ethical and legal standards. The Manager has a whistle-blowing policy that is made available on ESR-REIT's website. The policy provides a channel for external parties, in addition to employees, to raise concerns and continues to provide employees reassurance that they will be protected from reprisals or victimisation for whistleblowing in good faith.

The Board has received confirmation from both the CEO and the COO and CFO of the Manager that they are not aware of any events that have arisen which would have a material effect on the financial results of ESR-REIT and its subsidiaries, except as disclosed in the financial results, and nothing has come to their attention which may render the financial results false or misleading.

The Board and ARCC have also received confirmation from CEO and the COO and CFO as well as the Head of Compliance that to the best of their knowledge and belief, the system of risk management and internal controls were adequate and effective to address all material risks. Their confirmation is based on:

- Both internal and external auditors have confirmed that based on their audits conducted, there were no issues to warrant any significant concerns in the risk management and internal controls system of ESR-FM;
- Compliance Department has confirmed the following:
  - Based on their Internal quarterly compliance monitoring reviews conducted, there were no issues to warrant any significant concerns in the areas covered in the compliance monitoring program;
  - There were no issues to warrant significant concerns on the continuous fit and properness of directors and appointed representatives based on the annual due diligence conducted on them;
- Quarterly and annual attestations on the risk monitoring tools, quarterly attestations from employees, appointed representatives, Management Team and Directors in terms of compliance with relevant regulatory requirements;
- Sufficient training hours were attended by all staff;
- Policies and procedures are in place to reduce operational risks and serves as guidance in day-to-day work processes;
- Quarterly letter of representation by both CEO and the COO and CFO confirming that nothing has come to their attention which may render the result announcements to be false and misleading in any material aspect.

## CORPORATE GOVERNANCE

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- There have been no communications from the relevant regulatory bodies concerning material non-compliance with or deficiencies in the internal controls of ESR-REIT as well as the managers;
- There has been no fraud or suspected fraud affecting the Group involving the management, employees who have significant roles in internal controls or others;

Based on the above, pursuant to Rule 1207(10) of the Listing Manual, the Board with the concurrence of the ARCC is satisfied that the Manager's system of internal controls addressing financial, operational, compliance and information technology risks was adequate for FY2017, to provide reasonable assurance that assets are safeguarded and that proper accounting records are maintained and financial statements are reliable.

The Board of Directors has reasonable assurance on the internal controls of the Manager after taking into account the nature, scale and complexity of ESR-FM's operations to support the type of properties that ESR-REIT invests in and size of ESR-REIT's property portfolio.

### Dealing in ESR-REIT Units

The Trust Deed requires each director of the Manager to give notice to the Manager of his acquisition of units or to any changes to the number of units which he holds, or in which he has an interest, within two business days after such acquisition, or the occurrence of the event giving rise to changes in the number of units which he holds, or in which he has an interest, as applicable. The SFA also requires directors and CEO of the Manager to give such notice. All dealings in units by the directors and CEO of the Manager are to be announced through SGXNET.

In general, the directors and employees of the Manager are encouraged to hold the units and not to deal on short-term considerations.

The Manager has adopted an internal policy which provides guidelines for dealing in units, under which directors, CEO and employees are prohibited from dealing in units in the period commencing:

1. One month before the public announcement of ESR-REIT's annual results and, where applicable, ESR-REIT's property valuations, ending on the date of announcement of the relevant results;
2. Two weeks before the announcement of ESR-REIT's quarterly results, ending on the date of announcement of the relevant results; and
3. At any time whilst in possession of undisclosed material information.

In addition, while in possession of undisclosed material information, Directors and employees of the Manager are not to advise others to trade in ESR-REIT units or communicate such information to another person.

Prior to the commencement of the prohibition period, directors and employees are reminded not to trade during this period or whenever they are in possession of undisclosed material information.

In addition, the Manager has given an undertaking to the MAS that it will announce to the SGX-ST the particulars of its holdings in the units and any changes thereto within two business days after the date on which it acquires or disposes of any units. The Manager has also undertaken that it will not deal in ESR-REIT units during the period commencing two weeks before the public announcement of ESR-REIT's quarterly results or one month before the annual results, and if applicable, property valuation, and ending on the date of announcement of the relevant results.

### Review Procedures for Interested Party Transactions ("IPT")

The Manager has established an internal control system to ensure that all future transactions involving the Trustee and any related party of the Manager or ESR-REIT are undertaken on normal commercial terms and will not be prejudicial to the interests of ESR-REIT and the Unitholders. Generally, the Manager will demonstrate to the ARCC that such transactions satisfy the foregoing criteria, which may entail obtaining quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent valuers, in accordance with the Property Funds Appendix.

In addition:

- transactions equal to or exceeding \$100,000 in value but below 3% of the value of ESR-REIT's net tangible assets are subject to review by the ARCC at regular intervals;
- transactions equal to or exceeding 3%, but below 5% of the value of ESR-REIT's latest audited net tangible assets, are subject to the review and prior approval of the ARCC. Such approval will only be given if the transactions are on normal commercial terms and consistent with similar types of transactions made by Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5% of the value of ESR-REIT's latest audited net tangible assets, are reviewed and approved by the ARCC who may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning ESR-REIT relate to transactions entered into, or to be entered into, by the Trustee for and on behalf of ESR-REIT with a related party of the Manager or ESR-REIT, the Trustee is also required to ensure that such transactions are conducted on normal commercial terms and are not prejudicial to the interests of ESR-REIT and the Unitholders.

Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or ESR-REIT. If the Trustee is to sign any contract with a related party of the Manager or ESR-REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Appendix and the provisions of the Listing Manual relating to interested person transactions, as well as such other guidelines issued by MAS and the SGX-ST that apply to REITs. All IPTs (and the basis, quotation obtained to support its basis) entered into are maintained in records by the Manager and reviewed by the ARCC.

ESR-REIT will, in compliance with Rule 905 of the Listing Manual, announce any interested person transaction if such transaction, either by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3% or more of ESR-REIT's latest audited net tangible assets.

## Dealings with Conflicts of Interest

The following key protocols have been established to deal with conflict of interest issues:

- all executive officers are employed by the Manager;
- all resolutions in writing of the directors of the Manager in relation to matters concerning ESR-REIT must be approved by a majority of the directors, including at least one Independent Director;
- at least half the Board is comprised of Independent directors;
- in respect of the matters in which a director or his associates have an interest, direct or indirect, such interested director will notify his interest and, where appropriate, abstain from voting. In such matters, the Board may also seek external professional advice to assist in their deliberations;
- matters in which any of its shareholders has an interest (whether directly or indirectly), the nominee director appointed by the relevant shareholder shall abstain from voting in such matters and the quorum must comprise a majority of the independent directors;
- all IPTs must be reviewed by the ARCC and approved by a majority of the ARCC. If a member of the ARCC has an interest in a transaction, he or she will, where appropriate, abstain from voting;
- directors receive training about their duties including the importance of not being influenced by directives from the shareholders which may conflict with the obligations of the Manager owed to clients, Unitholders or third parties who may, in turn, owe obligations to ESR-REIT, or with their broader duties as directors;
- notwithstanding any request from its shareholders, decisions regarding service providers retained by the Manager go through a due diligence process conducted by the Manager to ensure that appropriate services are acquired in the circumstances;
- to prevent misuse of confidential information, employees must not disclose, or use for their own purposes, or cause any unauthorised disclosure of, any information of a confidential nature relating to the business of the Manager or its affiliates or its agents or customers;

- under the Trust Deed, other than a meeting convened for the removal of the Manager, the Manager and its associates are prohibited from being counted in a quorum for or voting at any meeting of Unitholders convened to approve any matter in which the Manager or any of its associates has a material interest. For so long as ESR-FM is the Manager, the controlling shareholders (as defined in the Listing Manual) of ESR-FM and their respective associates are prohibited from being counted in the quorum for or voting at any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholder and/or their associates have a material interest;
- 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 for and on behalf of ESR-REIT with an affiliate of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) for legal advice on the matter. If that law firm is of the opinion that the Trustee, on behalf of ESR-REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager is obliged to take appropriate action in relation to such agreement. The directors of the Manager will 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 a breach of any agreement entered into by the Trustee for and on behalf of ESR-REIT with an affiliate of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and in the interests of Unitholders. Any decision by the Manager not to take action against an affiliate of the Manager shall not constitute a waiver of the Trustee's rights to take such action as it deems fit against such affiliate; and
- the Manager ensures that the CEO is fully committed to the operations of ESR-REIT's operations as he is employed full-time in the day-to-day operations of the REIT manager and he does not take up any executive role in another entity.

### 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 ARCC was established to assist the Board in its oversight of ESR-REIT and the Manager's governance in relation to financial, risk, audit, information technology and compliance matters. The ARCC scope of authority and responsibilities are defined in its term of reference and in compliance with the revised second edition of the Audit Committee ("AC") Guidelines announced in August 2014.**

In line with the revised second Edition of the AC Guidelines and MAS Notice and Guidelines to REIT Managers, the ARCC must comprise of at least three directors, majority of whom must be independent. Currently, all four members in the ARCC are independent as indicated in the table below:

1. Mr Bruce Kendle Berry  
Chairman (Independent Non-Executive Director)
2. Mr Ooi Eng Peng  
Member (Independent Non-Executive Director)
3. Mr Erle William Spratt  
Member (Independent Non-Executive Director)
4. Mr Philip John Pearce  
Member (Independent Non-Executive Director)

The separation of the roles of the Chairman of the Board and the Chairman of the ARCC ensures greater independence of the ARCC in the discharge of its duties.

Members of the ARCC bring with them invaluable experience and professional expertise in the accounting, financial management and real estate areas. Mr Bruce Kendle Berry is a Chartered Accountant and Mr Erle William Spratt is qualified as a Chartered Accountant of Chartered Accountants Australia and New Zealand. Mr Ooi Eng Peng is a Member of the Certified Practising Accountants of Australia. Mr Philip John Pearce has extensive real estate experience in the Asia Pacific region.

The ARCC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any director or staff to attend its meetings. The ARCC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The ARCC functions are broadly defined as assisting the Board in fulfilling its oversight responsibilities by:

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial information provided by the Manager to any governmental authority or the public and any announcements relating to the company's financial performance;
- assessing, and challenging, where necessary, the accuracy, completeness, and consistency of financial reports, before they are submitted to the Board for approval or made public;
- reviewing and monitoring the effectiveness and adequacy of the systems of internal controls, including financial, operational, compliance, information technology and risk management controls and procedures that Management and the Board have established;
- reviewing the assurance provided by the CEO and COO and CFO that the financial records have been properly maintained, and the financial statements give a true and fair view of the company's operations and finances;
- overseeing and reviewing the adequacy and effectiveness of the company's risk management function;
- overseeing management in establishing the risk management framework of the company;
- reviewing the effectiveness of the company's internal audit function;
- reviewing the scope and results of the external audit (EA), the independence and objectivity of the EA. The ARCC shall then recommend to the Board the appointment, reappointment and removal of the EA and its remuneration and terms of engagement;
- ensuring that ESR-REIT and the Manager comply with the requisite laws and regulations;
- overseeing the establishment and operation of the whistleblowing process in the company;
- reviewing IPTs

**The ARCC's activities for FY2017, included the following:**

**(a) Financial Reporting**

The ARCC reviewed the interim and annual financial statements and financial announcements required by the SGX-ST, for recommendation to the Board for approval.

The ARCC's oversight of financial reporting included review of changes in Financial Reporting Standards and discussions with Management and the external auditors on the impact of current and impending changes on financial reporting by the Group.

In the review of the financial statements, the ARCC has discussed with management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with management and the external auditor and were reviewed by the ARCC:

SIGNIFICANT MATTERS	HOW THE ARCC REVIEWED THESE MATTERS AND WHAT DECISIONS WERE MADE
Valuation of investment properties	<p>The ARCC considered the approach and methodology applied to the valuation model in assessing the valuation of the investment properties. The accounts adopted the values determined by the relevant independent valuers.</p> <p>The ARCC reviewed the reasonableness of the projected cash flows, the key assumptions used (including the market rental growth, capitalisation and discount rates) and the procedures taken where rates were outside the expected range in the valuation model.</p> <p>The valuation of the investment properties was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for FY2017. Please refer to page 97 of this Annual Report.</p>
Contingent tax exposure	<p>The ARCC received and reviewed ongoing reporting from management of the Manager, tax advisors and external lawyers' basis of assessment and views that the gain on the disposal is capital and should not be subject to income tax.</p> <p>The ARCC reviewed the reasonableness of management's assessment and concurred that the disclosures in the financial statements provided a balanced description of the current tax status and risks.</p> <p>The contingent tax exposure was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for FY2017. Please refer to page 97 of this Annual Report.</p>

## CORPORATE GOVERNANCE

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Following the review and discussions, the ARCC recommended to the Board to approve the full year financial statements.

### (b) External Audit

Ernst & Young LLP (“E&Y”) was appointed as the external auditor of ESR-REIT on 25 April 2017. The ARCC reviewed and approved the audit plan and scope with the external auditors and critically reviewed the report on the audit of the year-end financial statements.

The ARCC assessed the independence and quality of the external auditor and also met with the external auditors without the presence of the Management throughout the year. E&Y also provided regular updates to the ARCC on relevant changes to the accounting standards and the implications on the financial statements. The aggregate amount of the audit fees paid/payable by ESR-REIT and its subsidiary to the external auditors for FY2017 was S\$230,000, of which audit and non-audit fees amounted to S\$151,000 and S\$79,000 respectively. The ARCC has undertaken a review of all non-audit services provided by the auditors and they would not, in the ARCC’s opinion, affect the independence of the auditors.

At the end of the financial year, the ARCC also evaluated the performance of the external auditors via a checklist, as part of its responsibility to recommend to the Board whether the external auditors should be reappointed in the following year. The checklist was drafted based on the “ACRA’s Audit Quality Indicators Disclosure Framework” which covers the audit hours spent, experience of audit team, quality of work, level of independence etc.

Based on the result of the checklist and interactions with E&Y, the ARCC is of the opinion that E&Y has fulfilled the audit requirements of ESR-REIT. The Board has taken into account ARCC’s recommendation and concurred with ARCC’s endorsement. Accordingly, the Manager confirms that ESR-REIT complies with Rule 712 and 715 of the Listing Manual with respect to the suitability of the audit firm for ESR-REIT and its subsidiary. The Board also recommended the re-appointment of E&Y at the coming Annual General Meeting to be held on 20 April 2018.

### (c) Internal Audit

The three-year Internal Audit Rotational Plan for FY2015 to FY2017 recommended by PricewaterhouseCoopers LLP (“PwC”) was approved by the ARCC in 2014.

The ARCC reviewed the scope of internal audit work and its audit program; it reviewed the findings during the year and Management’s responses thereto; and it satisfied itself as to the adequacy of the internal audit function.

An annual internal assessment was performed on PwC to evaluate the performance and effectiveness of the internal auditors. The internal assessments include the monitoring of performance of the internal audit function and annual review performed by the Compliance Department.

### (d) IPT

The ARCC reviewed IPT to ensure compliance with internal procedures, provisions of the Listing Manual and the Property Funds Appendix.

### (e) Whistle Blowing

The ARCC ensures that the Whistle Blowing Policy put in place provides an avenue through which staff and external parties may raise, in good faith and in confidence, any concerns about possible improprieties in matters of financial reporting or other matters to the Chairman of the ARCC and that there will be independent investigation and appropriate follow-up action taken.

External parties can raise their concerns by submitting the prescribed form found on [www.esr-reit.com.sg/whistleblowing.html](http://www.esr-reit.com.sg/whistleblowing.html), to [whistleblowing@esr-reit.com.sg](mailto:whistleblowing@esr-reit.com.sg).

The ARCC meets at least four times a year. It has full access to the external and internal auditors and meets with the auditors, without the presence of Management, on a quarterly basis.

The number of ARCC meetings held and corresponding attendances for FY2017 are set out on page 73.

## Internal Audit

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

Given the Manager’s size and scale of operations, the Manager outsources the internal audit function. PwC has been appointed as the internal auditor for a 3-year period from FY2015 to FY2017. PwC adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal auditor primary reporting line is to the Chairman of ARCC and administratively to the CEO. The ARCC reviews and approves the annual internal audit plan, and ensures that the internal auditor has adequate resources to perform its functions. The ARCC also reviews the results of internal audits and Management’s actions in resolving any audit issues reported.



In October 2017, after approaching two other public accounting firms to provide their quotes under a closed tender system, ARCC approved the appointment of PwC for FY2018 to FY2020, due to good track record and familiarity with internal control processes of majority of Singapore's financial institutions. This would put the Trust in good stead as PwC has the capability to provide subject matter expertise to address multi-facet issues, from time to time, faced by the Trust. The ARCC is satisfied with the suitability of the internal auditors and is of the view that the internal audit function is adequately resourced to perform its functions, and has appropriate standing within the Manager.

## UNITHOLDERS RIGHTS AND RESPONSIBILITIES

### Unitholders' Rights

**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.**

### Communication with Unitholders

**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.**

### Conduct of Unitholder Meetings

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

The Manager has in place a dedicated investor relations team and an Investor Relations and Corporate Communication Policy which handles communications with investors, the investment community, analysts and the media, and sets out the principles and practices that the Manager adopts to ensure that Unitholders and prospective investors are provided with relevant up to date information on the REIT to make informed investment decisions.

The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders, the investing community and other stakeholders. The Manager's disclosure policy requires timely and full disclosure of financial reports and all material information relating to ESR-REIT by way of public releases or announcements through the SGX-ST via SGXNet. This will be subsequently followed up with the release on ESR-REIT's website at [www.esr-reit.com.sg](http://www.esr-reit.com.sg).

More information on how the Manager communicates with the Unitholders are set out on page 33 of the Annual Report, under "Investor Relations".

Unitholders are informed of general meetings through notices (such notice will also be published on SGXNet, newspapers and ESR-REIT's website) accompanied by annual reports or circulars sent to them. Any Unitholders who are not able to attend these meetings are allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent before the proxy submission cut-off time. The Manager has also catered for the newly introduced multiple proxy regime, in anticipation of attendance by beneficial unitholders at General Meetings. Directors together with the management, external legal counsel and the auditors will be in attendance at these meetings to address questions from Unitholders.

Unitholders are provided with ample opportunities to raise relevant questions and to communicate their views at Unitholders' meetings. At the Unitholders' meetings, each matter is proposed as a separate resolution. To ensure transparency, the Manager conducts electronic poll voting for the Unitholders/proxies present at the meeting for all resolutions proposed at the Unitholders' meetings. All votes cast for or against and their respective percentages will be displayed immediately at the meeting after the conduct of each poll. The total number of votes cast for or against the resolutions and the respective percentages are also announced in a timely manner after the meeting via SGXNet. The Company Secretary prepares the minutes of the Unitholders' meetings. The minutes are available to Unitholders upon their request.

ESR-REIT's website also provides visitors with the option to sign up for a free email alert service when there is any newly posted information on the website or provide any feedback via the electronic feedback form on the website.

### Our Policies and Practices

The Code encourages listed companies to have a policy on the payment of dividends. The Manager's policy is to distribute 100 percent of ESR-REIT's taxable income, comprising substantially its income from the letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion taking into account the needs of the Trust for capital expenditure, working capital requirements and the liquidity position of ESR-REIT. Since the listing in 2006, ESR-REIT has distributed 100 percent of its taxable income to its Unitholders.

## CORPORATE GOVERNANCE

### CODE OF CORPORATE GOVERNANCE 2012

#### Guidelines for Disclosures

GUIDELINE	QUESTIONS	HOW HAS THE MANAGER COMPLIED?
<b>BOARD'S CONDUCT OF AFFAIRS</b>		
Guideline 1.3	Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Please refer to Principle 1 on The Board's Conduct of Affairs, pages 72 to 74 of the Annual Report.
Guideline 1.4	The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	Please refer to Principle 1 on The Board's Conduct of Affairs, page 73 of the Annual Report.
Guideline 1.5	The types of material transactions which require approval from the Board	Please refer to Principle 1 on The Board's Conduct of Affairs, page 72 of the Annual Report.
Guideline 1.6	The induction, orientation and training provided to new and existing directors	Please refer to Principle 1 on The Board's Conduct of Affairs, pages 73 to 74 of the Annual Report.

#### **BOARD COMPOSITION AND GUIDANCE**

Guideline 2.3	The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	Please refer to Principle 2 on Composition of the Board, page 74 of the Annual Report.
Guideline 2.4	Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed.	N.A.

#### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Guideline 3.1	Relationship between the Chairman and the CEO where they are immediate family members	Please refer to Principle 3 on Chairman and Chief Executive Officer, pages 74 to 75 of the Annual Report.
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#### **BOARD MEMBERSHIP**

Guideline 4.1	Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	Please refer to Principle 4 on Board Membership, page 75 of the Annual Report.
Guideline 4.4	The maximum number of listed company board representations which directors may hold should be disclosed	Please refer to Principle 4 on Board Membership, page 75 of the Annual Report. No maximum limit has been formally set by the Board on the number of listed company board representations a Director can hold as the NRC is of the view that the duties of all Directors have been fully discharged based on the time and attention devoted by each Director, their individual abilities and their respective individual contribution of skills, knowledge, experience and commitment to the affairs of ESR-REIT. None of the directors sit on the boards of more than two listed companies.

GUIDELINE	QUESTIONS	HOW HAS THE MANAGER COMPLIED?
Guideline 4.6	Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Please refer to Principle 4 on Board Membership, page 75 of the Annual Report.
Guideline 4.7	Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Please refer to the following: <ul style="list-style-type: none"> <li>– ‘Board of Directors’, pages 17 to 21 of the Annual Report</li> <li>– Principle 1 on the Board’s Conduct of Affairs, page 73 of the Annual Report</li> <li>– Principle 2 on Composition of the Board, page 74 of the Annual Report</li> <li>– Principle 4 on Board Membership, page 75 of the Annual Report.</li> </ul>

## BOARD PERFORMANCE

Guideline 5.1	The Board should state in the company’s Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company’s Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company’s Annual Report	Please refer to Principle 5 on Board Performance, page 76 of the Annual Report.
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## REMUNERATION MATTERS

Guideline 7.1	Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	Please refer to Principle 4 on Board Membership, page 75 of the Annual Report.
Guideline 7.3	Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	Please refer to Principle 7 on Procedures for Developing Remuneration Policies and Principle 8 on Level and Mix of Remuneration, page 77 of the Annual Report.

## DISCLOSURE ON REMUNERATION

Principle 9	Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration.	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, pages 77 to 79 of the Annual Report.
Guideline 9.1	Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, pages 77 to 79 of the Annual Report.

## CORPORATE GOVERNANCE

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GUIDELINE	QUESTIONS	HOW HAS THE MANAGER COMPLIED?
Guideline 9.2	Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, where the Manager has also provided the reasons for non-disclosure on pages 78 to 79 of the Annual Report in relation to the CEO's remuneration.
Guideline 9.3	Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, pages 78 to 79 of the Annual Report.
Guideline 9.4	Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000	N.A.
Guideline 9.5	Details and important terms of employee share schemes	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, page 78 of the Annual Report.
Guideline 9.6	For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, pages 77 to 79 of the Annual Report.

GUIDELINE	QUESTIONS	HOW HAS THE MANAGER COMPLIED?
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RISK MANAGEMENT AND INTERNAL CONTROLS		
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Guideline 11.3	<p>The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems</p> <p>The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems</p> <p>The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems</p>	<p>Please refer to Principle 11 on Risk Management and Internal Controls, pages 80 to 82 of the Annual Report.</p>
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AUDIT COMMITTEE		
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Guideline 12.1	<p>Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board</p>	<p>Please refer to Principle 12 on Audit Committee, pages 84 to 85 of the Annual Report.</p>
Guideline 12.6	<p>Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement</p>	<p>Please refer to Principle 12 on Audit Committee, page 86 of the Annual Report.</p>
Guideline 12.7	<p>The existence of a whistle-blowing policy should be disclosed in the company's Annual Report</p>	<p>Please refer to Principle 12 on Audit Committee, page 86 of the Annual Report.</p>
Guideline 12.8	<p>Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements</p>	<p>Please refer to Principle 12 on Audit Committee, pages 85 to 86 of the Annual Report.</p>

COMMUNICATION WITH SHAREHOLDERS		
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Guideline 15.4	<p>The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings</p>	<p>Please refer to the following:</p> <ul style="list-style-type: none"> <li>- 'Investor Relations', page 33 of the Annual Report.</li> <li>- Principle 14 on Unitholders' Rights, Principle 15 on Communication with Unitholders and Principle 16 on Conduct of Unitholder Meetings, page 87 of the Annual Report.</li> </ul>
Guideline 15.5	<p>Where dividends are not paid, companies should disclose their reasons.</p>	<p>Please refer to Principle 14 on Unitholders' Rights, Principle 15 on Communication with Unitholders and Principle 16 on Conduct of Unitholder Meetings, page 87 of the Annual Report.</p>





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## REPORT OF THE TRUSTEE

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RBC Investor Services Trust Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of ESR-REIT (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 (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS"), the Trustee shall monitor the activities of ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited) (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 31 March 2006 (as amended) between the Trustee and the Manager (the "Trust Deed") in each annual accounting year 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 year covered by these financial statements, set out on pages 100 to 159 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,  
RBC Investor Services Trust Singapore Limited**



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**Hoi Sau Kheng**  
Director, Trustee Services



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**Farrah Begum Binte Abdul Salam**  
Manager, Trustee Services

**Singapore**  
14 March 2018



## STATEMENT BY THE MANAGER

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In the opinion of the directors of ESR Funds Management (S) Limited, the accompanying financial statements of ESR-REIT (the "Trust") and its subsidiaries (the "Group") set out on pages 100 to 159 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds, Portfolio Statements of the Group and of the Trust, the Consolidated Statement of Cash Flows of the Group and a Summary of Significant Accounting Policies and other explanatory notes, are drawn up so as to present fairly, in all material respects, the financial position and portfolio holdings of the Group and of the Trust as at 31 December 2017, and the financial performance, distributable income, movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the 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 Group and the Trust will be able to meet their financial obligations as and when they materialise.

**For and on behalf of the Manager,  
ESR Funds Management (S) Limited**



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**Mr Ooi Eng Peng**  
Chairman

**Singapore**  
14 March 2018

# INDEPENDENT AUDITOR'S REPORT

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For the financial year ended 31 December 2017  
To the Members of ESR-REIT

## UNITHOLDERS

### ESR-REIT

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of ESR-REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position and consolidated investment properties portfolio statement of the Group and the statement of financial position and investment properties portfolio statement of the Trust as at 31 December 2017, the consolidated statement of total return, consolidated distribution statement, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statement of total return, distribution statements and statements of movements in unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 100 to 159.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statements and statements of movements in unitholders' funds of the Trust are properly drawn up 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 so as to present fairly, in all material respects, the consolidated financial position and consolidated portfolio holdings of the Group and the financial position and portfolio holdings of the Trust as at 31 December 2017 and the consolidated financial performance, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the financial performance and movements in unitholders' funds of the Trust for the year then ended on that date.

### *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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# INDEPENDENT AUDITOR'S REPORT

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For the financial year ended 31 December 2017  
To the Members of ESR-REIT

## **UNITHOLDERS ESR-REIT**

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

### Valuation of investment properties

As at 31 December 2017, the carrying values of investment properties amounted to \$1.68 billion. These investment properties are stated at their values based on independent external valuations and represent the single largest asset category of the Group.

The valuation of the investment property is considered as a key audit matter because it requires significant judgement in the determination of the appropriate valuation methodology and in deciding on the assumptions and estimates that are to be applied in the valuation. The valuation of the investment property is highly sensitive to the key assumptions applied and a small change in the key assumptions can have a significant impact on the valuations.

We assessed the Group's process relating to the selection of the external valuers, the determination of the scope of work of the valuers, and the review of the valuation reports issued by the external valuers. We evaluated the independence, objectivity and competency of the valuers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We considered the valuation methodologies adopted against those applied by other valuers for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation by comparing to supporting leases and external industry and economic data where available. We assessed the reasonableness of key assumptions used in the valuations, including market rental growth, terminal yield, capitalisation and discount rates, by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures and, when necessary, held further discussions with the valuers to understand the effects of additional factors taken into account in the valuations.

We further reviewed the appropriateness of the disclosures in Note 4 and 25 to the financial statements.

### Contingent tax exposure

In a previous financial year, the Trust disposed an investment property. The gain measured against the initial acquisition cost of the property was \$66.8 million. The Manager of the Trust is of the view that the gain of \$66.8 million is capital in nature and should not be subject to income tax. During the current financial year, the Trust disposed three investment properties and the gains measured against the initial acquisition cost was \$3.7 million. Similarly, the Manager of the Trust has assessed this gain to be capital in nature.

The treatment of the abovementioned gain on disposal as a capital gain not subject to tax is subject to agreement by the Inland Revenue Authority of Singapore ("IRAS"). The tax affairs of the Trust for the relevant year of assessment have not been finalised by IRAS. The contingent tax exposure arising from the disposal of investment properties is significant to our audit because it entails significant management judgement on the nature of the gains on the disposal.

Amongst other audit procedures, we inspected and reviewed correspondence between the tax authorities and the Trust. In addition, we reviewed the information and facts presented by the Manager and held discussions with the Manager to understand the basis for their assessment and views that the gain on the disposal is capital and should not be subject to income tax. We assessed the information presented and the reasonableness of the stance taken by the Manager with the assistance of our tax specialists.

We further reviewed the appropriateness of the disclosures in Note 20 to the financial statements.

### **Other Matter**

The financial statements of the Group and Trust for the financial year ended 31 December 2016 were audited by another auditor, who expressed an unmodified opinion on these financial statements on 17 March 2017.

# INDEPENDENT AUDITOR'S REPORT

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For the financial year ended 31 December 2017  
To the Members of ESR-REIT

## UNITHOLDERS

### ESR-REIT

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

#### **Other Information**

ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited), the Manager of the Trust (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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 control 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.

#### **Auditor's 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 skepticism 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 control.
- Obtain an understanding of internal control 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 control.

## INDEPENDENT AUDITOR'S REPORT

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For the financial year ended 31 December 2017  
To the Members of ESR-REIT

### UNITHOLDERS

#### ESR-REIT

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

#### ***Auditor's responsibilities for the audit of the financial statements (cont'd)***

- 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 control 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 law or regulation precludes 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 auditor's report is Nagaraj Sivaram.



#### **Ernst & Young LLP**

*Public Accountants and  
Chartered Accountants*

#### **Singapore**

14 March 2018

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Investment properties	4	1,652,200	1,332,000	1,349,200	1,292,000
Investments in subsidiaries	5	-	-	215,463	25,206
Loan to a subsidiary	6	-	-	50,500	-
		<u>1,652,200</u>	<u>1,332,000</u>	<u>1,615,163</u>	<u>1,317,206</u>
<b>Current assets</b>					
Investment properties held for divestment	4	23,600	22,000	23,600	22,000
Trade and other receivables	7	8,374	9,278	6,999	9,867
Cash and cash equivalents		11,651	3,699	8,156	2,517
		<u>43,625</u>	<u>34,977</u>	<u>38,755</u>	<u>34,384</u>
<b>Total assets</b>		<u>1,695,825</u>	<u>1,366,977</u>	<u>1,653,918</u>	<u>1,351,590</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	8	28,647	21,464	21,987	21,384
Interest-bearing borrowings	9	154,895	-	154,895	-
Amount due to non-controlling interest	10	60,600	-	-	-
		<u>244,142</u>	<u>21,464</u>	<u>176,882</u>	<u>21,384</u>
<b>Non-current liabilities</b>					
Trade and other payables	8	6,783	8,894	5,715	8,664
Amount due to a subsidiary	11	-	-	40,247	-
Interest-bearing borrowings	9	514,896	509,590	514,896	509,590
		<u>521,679</u>	<u>518,484</u>	<u>560,858</u>	<u>518,254</u>
<b>Total liabilities</b>		<u>765,821</u>	<u>539,948</u>	<u>737,740</u>	<u>539,638</u>
<b>Net assets</b>		<u>930,004</u>	<u>827,029</u>	<u>916,178</u>	<u>811,952</u>
Represented by:					
Unitholders' funds		778,889	827,029	765,063	811,952
Perpetual securities holders' funds	12	151,115	-	151,115	-
		<u>930,004</u>	<u>827,029</u>	<u>916,178</u>	<u>811,952</u>
<b>Units in issue ('000)</b>	13	<u>1,313,623</u>	<u>1,304,434</u>	<u>1,313,623</u>	<u>1,304,434</u>
<b>Net asset value per unit (cents)</b>		<u>59.3</u>	<u>63.4</u>	<u>58.2</u>	<u>62.2</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF TOTAL RETURN

For the financial year ended 31 December 2017

	Note	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Gross revenue</b>	14	109,700	112,087	106,615	109,427
Property expenses	15	(31,255)	(29,814)	(31,052)	(29,716)
<b>Net property income</b>		78,445	82,273	75,563	79,711
Management fees	16	(6,989)	(7,060)	(6,989)	(7,060)
Trust expenses	17	(2,176)	(1,870)	(2,140)	(1,833)
Interest income		113	47	113	47
Borrowing costs	18	(20,439)	(21,147)	(20,439)	(21,142)
<b>Net income</b>		48,954	52,243	46,108	49,723
Interest income from subsidiary		-	-	93	-
Distributable income from subsidiaries		-	-	2,071	1,731
<b>Net income after distributable income from subsidiaries</b>		48,954	52,243	48,272	51,454
Gain on disposal of investment properties	19	221	1,231	221	1,231
Change in fair value of financial derivatives		-	(493)	-	(493)
Change in fair value of investment properties	4	(47,779)	(45,894)	(46,628)	(46,774)
<b>Total return for the year before income tax</b>		1,396	7,087	1,865	5,418
Income tax expense	20	-*	-*	-	-
<b>Total return for the year after income tax</b>		1,396	7,087	1,865	5,418
<b>Attributable to:</b>					
Unitholders of the Trust and perpetual securities holders		614	7,087	1,865	5,418
Non-controlling interest		782	-	-	-
<b>Total return for the year</b>		1,396	7,087	1,865	5,418
<b>Earnings per unit (cents)</b>					
Basic and diluted	21	(0.038)	0.544	0.057	0.416
Distribution per unit (cents)	21	3.853	4.173	3.853	4.173

\* Less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## DISTRIBUTION STATEMENTS

For the financial year ended 31 December 2017

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Total return after income tax, before distribution for the year	614	7,087	1,865	5,418
Add: Distribution adjustments (Note A)	50,891	47,389	49,640	49,058
<b>Net income available for distribution to Unitholders</b>	<b>51,505</b>	<b>54,476</b>	<b>51,505</b>	<b>54,476</b>
Amount reserved for distribution to perpetual securities holders	(1,115)	-	(1,115)	-
<b>Total amount available for distribution</b>	<b>50,390</b>	<b>54,476</b>	<b>50,390</b>	<b>54,476</b>
Less: Distributions (Note B)	(38,179)	(41,442)	(38,179)	(41,442)
<b>Net amount available for distribution to Unitholders as at 31 December</b>	<b>12,211</b>	<b>13,034</b>	<b>12,211</b>	<b>13,034</b>

Note A – Distribution adjustments	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000

### Non-tax deductible items and other adjustments:

Trustee's fees	379	384	379	384
Amortisation of transaction costs relating to debt facilities	1,936	2,488	1,936	2,483
Change in fair value of investment properties	48,379	45,894	46,628	46,774
Change in fair value of financial derivatives	-	493	-	493
Legal and professional fees	533	343	533	327
Adjustment for straight line rent and lease incentives	(1,127)	(1,729)	(617)	(909)
Dividend income from a subsidiary	(718)	-	(718)	-
Returns attributable to perpetual securities holders	1,115	-	1,115	-
Miscellaneous expenses	615	747	605	737
	51,112	48,620	49,861	50,289

### Income not subject to tax:

Gain on disposal of investment properties	(221)	(1,231)	(221)	(1,231)
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### Net effect of distribution adjustments

	50,891	47,389	49,640	49,058
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Note B – Distributions	Group	
	2017 \$'000	2016 \$'000

Distributions to Unitholders during the financial year comprise:

Distribution of 0.964 cents per unit for the period from 1/7/2017 to 30/9/2017	12,612	-
Distribution of 0.956 cents per unit for the period from 1/4/2017 to 30/6/2017	12,470	-
Distribution of 1.004 cents per unit for the period from 1/1/2017 to 31/3/2017	13,097	-
Distribution of 0.987 cents per unit for the period from 1/7/2016 to 30/9/2016	-	12,875
Distribution of 1.078 cents per unit for the period from 1/4/2016 to 30/6/2016	-	14,062
Distribution of 1.112 cents per unit for the period from 1/1/2016 to 31/3/2016	-	14,505
	38,179	41,442
Distribution of 0.996 cents per unit for the period from 1/10/2016 to 31/12/2016	12,992	-
Distribution of 1.139 cents per unit for the period from 1/10/2015 to 31/12/2015	-	14,782
Total Distributions to Unitholders during the financial year <sup>(1)</sup>	51,171	56,224

### Note:

(1) Distributions were partly paid by ESR-REIT issuing an aggregate of 9.2 million units amounting to \$5.2 million (2016: 6.7 million units amounting to \$3.3 million), pursuant to the distribution reinvestment plan.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



## STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2017

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Unitholders' Funds</b>				
<b>Balance at beginning of the year</b>	827,029	872,911	811,952	859,503
<b>Operations</b>				
Total return for the year after tax attributable to Unitholders and perpetual securities holders	614	7,087	1,865	5,418
Less: Amount reserved for distribution to perpetual securities holders	(1,115)	-	(1,115)	-
<b>Net (decrease)/increase in net assets resulting from operations</b>	(501)	7,087	750	5,418
<b>Unitholders' transactions</b>				
Units issued through Distribution Reinvestment Plan	5,173	3,288	5,173	3,288
Equity costs pursuant to: (Note 22)				
- Distribution Reinvestment Plan	(143)	(33)	(143)	(33)
- Perpetual securities	(1,498)	-	(1,498)	-
Distributions to Unitholders	(51,171)	(56,224)	(51,171)	(56,224)
<b>Net decrease in Unitholders' funds resulting from Unitholders' transactions</b>	(47,639)	(52,969)	(47,639)	(52,969)
<b>Balance at end of the year</b>	778,889	827,029	765,063	811,952
<b>Perpetual Securities Holders' Funds</b>				
<b>Balance at beginning of the year</b>	-	-	-	-
Issue of perpetual securities	150,000	-	150,000	-
Amount reserved for distribution to perpetual securities holders	1,115	-	1,115	-
<b>Balance at end of the year</b>	151,115	-	151,115	-
<b>Total</b>	<b>930,004</b>	<b>827,029</b>	<b>916,178</b>	<b>811,952</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
<b>Logistics/Warehousing Properties<sup>(1)</sup></b>				
1 THIRD LOK YANG ROAD AND 4 FOURTH LOK YANG ROAD	Leasehold	30	14 <sup>(6)</sup>	1 Third Lok Yang Road Singapore 627996 and 4 Fourth Lok Yang Road Singapore 629701
31 TUAS AVENUE 11	Leasehold	30+30	36 <sup>(7)</sup>	31 Tuas Avenue 11 Singapore 639105
25 CHANGI SOUTH AVENUE 2	Leasehold	30+30	37 <sup>(8)</sup>	25 Changi South Ave 2 Singapore 486594
160 KALLANG WAY	Leasehold	60	15 <sup>(9)</sup>	160 Kallang Way Singapore 349246
3C TOH GUAN ROAD EAST	Leasehold	30+30	33 <sup>(10)</sup>	3C Toh Guan Road East Singapore 608832
* 9 BUKIT BATOK STREET 22	Leasehold	30+30	35 <sup>(11)</sup>	9 Bukit Batok Street 22 Singapore 659585
4/6 CLEMENTI LOOP	Leasehold	30+30	36 <sup>(12)</sup>	4/6 Clementi Loop Singapore 129810 and 129814
24 JURONG PORT ROAD	Leasehold	30+12	19 <sup>(13)</sup>	24 Jurong Port Road Singapore 619097
3 PIONEER SECTOR 3	Leasehold	30+30	33 <sup>(14)</sup>	3 Pioneer Sector 3 Singapore 628342

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	\$'000	\$'000	%	%
100	100	11,700	12,100	1.50	1.46
100	100	12,300	11,900	1.58	1.44
100	100	12,500	12,700	1.60	1.54
100	100	26,800	28,200	3.44	3.41
97	77	29,700	32,000	3.81	3.87
98	92	23,600	23,600	3.03	2.85
80	76	48,100	51,300	6.18	6.20
95	95	89,400	89,100	11.48	10.77
86	100	95,700	106,800	12.29	12.91
		<b>349,800</b>	<b>367,700</b>	<b>44.91</b>	<b>44.45</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
<b>Light Industrial Properties<sup>(2)</sup></b>				
16 TAI SENG STREET	Leasehold	30+30	50 <sup>(15)</sup>	16 Tai Seng Street Singapore 534138
70 SELETAR AEROSPACE VIEW	Leasehold	30	24 <sup>(16)</sup>	70 Seletar Aerospace View Singapore 797564
30 TEBAN GARDENS CRESCENT	Leasehold	10+22	21 <sup>(17)</sup>	30 Teban Gardens Crescent Singapore 608927
30 TOH GUAN ROAD	Leasehold	30+30	38 <sup>(18)</sup>	30 Toh Guan Road Singapore 608840
128 JOO SENG ROAD	Leasehold	30+30	34 <sup>(19)</sup>	128 Joo Seng Road Singapore 368356
130 JOO SENG ROAD	Leasehold	30+30	34 <sup>(20)</sup>	130 Joo Seng Road Singapore 368357
136 JOO SENG ROAD	Leasehold	30+30	33 <sup>(21)</sup>	136 Joo Seng Road Singapore 368360
11 SERANGOON NORTH AVENUE 5	Leasehold	30+30	39 <sup>(22)</sup>	11 Serangoon North Avenue 5 Singapore 554809
+ 87 DEFU LANE 10	Leasehold	30+30	33 <sup>(23)</sup>	87 Defu Lane 10 Singapore 539219
+ 55 UBI AVENUE 3	Leasehold	30+30	39 <sup>(24)</sup>	55 Ubi Avenue 3 Singapore 408864

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	\$'000	\$'000	%	%
100	100	60,500	73,200	7.77	8.85
100	100	9,200	9,200	1.18	1.11
100	100	38,900	39,800	4.99	4.81
84	99	59,700	59,700	7.66	7.22
91	86	12,000	12,000	1.54	1.45
93	100	15,600	16,100	2.00	1.95
100	100	12,800	13,400	1.64	1.62
94	94	20,000	19,700	2.57	2.38
-	100	-	17,400	-	2.10
-	62	-	22,000	-	2.66
		<b>228,700</b>	<b>282,500</b>	<b>29.35</b>	<b>34.15</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
<b>General Industrial Properties<sup>(3)</sup></b>				
79 TUAS SOUTH STREET 5	Leasehold	30+30	42 <sup>(25)</sup>	79 Tuas South Street 5 Singapore 637604
1/2 CHANGI NORTH STREET 2	Leasehold	30+30/30+30	43/48 <sup>(26)</sup>	1/2 Changi North Street 2 Singapore 498808/498775
9 TUAS VIEW CRESCENT	Leasehold	30+30	41 <sup>(27)</sup>	9 Tuas View Crescent Singapore 637612
28 SENOKO DRIVE	Leasehold	30+30	22 <sup>(28)</sup>	28 Senoko Drive Singapore 758214
31 CHANGI SOUTH AVENUE 2	Leasehold	30+30	37 <sup>(29)</sup>	31 Changi South Avenue 2 Singapore 486478
21B SENOKO LOOP	Leasehold	30+30	35 <sup>(30)</sup>	21B Senoko Loop Singapore 758171
22 CHIN BEE DRIVE	Leasehold	30	18 <sup>(31)</sup>	22 Chin Bee Drive Singapore 619870
31 KIAN TECK WAY	Leasehold	30+19	25 <sup>(32)</sup>	31 Kian Teck Way Singapore 628751
2 TUAS SOUTH AVENUE 2	Leasehold	60	41 <sup>(33)</sup>	2 Tuas South Ave 2 Singapore 637601
60 TUAS SOUTH STREET 1	Leasehold	30	17 <sup>(34)</sup>	60 Tuas South Street 1 Singapore 639925
5/7 GUL STREET 1	Leasehold	29.5	20 <sup>(35)</sup>	5/7 Gul Street 1 Singapore 629318/629320
28 WOODLANDS LOOP	Leasehold	30+30	38 <sup>(36)</sup>	28 Woodlands Loop Singapore 738308

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	\$'000	\$'000	%	%
-	-	11,000	11,300	1.41	1.37
100	100	22,000	23,500	2.82	2.84
100	100	10,200	9,500	1.31	1.15
100	100	13,700	13,800	1.76	1.67
100	100	12,000	11,200	1.54	1.35
100	100	26,400	31,500	3.40	3.81
100	100	14,500	15,100	1.86	1.83
100	100	5,700	5,700	0.73	0.69
100	100	36,100	36,000	4.64	4.35
100	-	4,000	5,200	0.51	0.63
100	100	15,000	14,500	1.93	1.75
100	100	17,500	18,300	2.25	2.21
		<b>188,100</b>	<b>195,600</b>	<b>24.16</b>	<b>23.65</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
<b>Balance brought forward</b>				
<b>General Industrial Properties (cont'd)</b>				
25 PIONEER CRESCENT	Leasehold	30+28	49 <sup>(37)</sup>	25 Pioneer Crescent Singapore 628554
11 WOODLANDS WALK	Leasehold	30+30	38 <sup>(38)</sup>	11 Woodlands Walk Singapore 738265
43 TUAS VIEW CIRCUIT	Leasehold	30	20 <sup>(39)</sup>	43 Tuas View Circuit Singapore 637360
15 JURONG PORT ROAD	Leasehold	28	17 <sup>(40)</sup>	15 Jurong Port Road Singapore 619119
160A GUL CIRCLE	Leasehold	27	23 <sup>(41)</sup>	160A Gul Circle Singapore 629618
@ 3 TUAS SOUTH AVENUE 4	Leasehold	30+30	41 <sup>(42)</sup>	3 Tuas South Avenue 4 Singapore 637610
8 TUAS SOUTH LANE	Leasehold	30+16	36 <sup>(43)</sup>	8 Tuas South Lane Singapore 637302
120 PIONEER ROAD	Leasehold	30+28	37 <sup>(44)</sup>	120 Pioneer Road Singapore 639597
30 MARSILING INDUSTRIAL ESTATE ROAD 8	Leasehold	30+30	32 <sup>(45)</sup>	30 Marsiling Industrial Estate Road 8 Singapore 739193
45 CHANGI SOUTH AVENUE 2	Leasehold	30+30	38 <sup>(46)</sup>	45 Changi South Avenue 2 Singapore 486133
511/513 YISHUN INDUSTRIAL PARK A	Leasehold	29+30/30+30	36/36 <sup>(47)</sup>	511/513 Yishun Industrial Park A Singapore 768768/768736
86/88 INTERNATIONAL ROAD	Leasehold	30+30	37 <sup>(48)</sup>	86/88 International Road Singapore 629176/629177
+ 23 WOODLANDS TERRACE	Leasehold	30+30	39 <sup>(49)</sup>	23 Woodlands Terrace Singapore 738472

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	\$'000	\$'000	%	%
		<b>188,100</b>	<b>195,600</b>	<b>24.16</b>	<b>23.65</b>
100	100	16,300	16,400	2.09	1.98
100	100	17,200	17,400	2.21	2.10
100	100	16,000	16,500	2.05	2.00
100	100	37,500	39,500	4.81	4.78
100	100	18,200	19,500	2.34	2.36
100	100	42,900	40,000	5.51	4.84
100	-	115,000	-	14.76	-
36	53	40,600	37,000	5.21	4.47
82	85	36,600	38,000	4.70	4.60
92	92	12,100	13,200	1.56	1.60
84	56	26,100	26,000	3.35	3.14
90	90	43,000	41,100	5.52	4.97
-	76	-	17,200	-	2.08
		<b>609,600</b>	<b>517,400</b>	<b>78.27</b>	<b>62.57</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
<b>Hi-Specs Industrial Properties<sup>(4)</sup></b>				
21/23 UBI ROAD 1	Leasehold	30+30	39 <sup>(50)</sup>	21/23 Ubi Road 1 Singapore 408724/408725
2 JALAN KILANG BARAT	Leasehold	99	44 <sup>(51)</sup>	2 Jalan Kilang Barat Singapore 159346
11 CHANG CHARN ROAD	Leasehold	99	39 <sup>(52)</sup>	11 Chang Charn Road Singapore 159640
54 SERANGOON NORTH AVENUE 4	Leasehold	30+30	39 <sup>(53)</sup>	54 Serangoon North Avenue 4 Singapore 555854
12 ANG MO KIO STREET 65	Leasehold	30+30	32 <sup>(54)</sup>	12 Ang Mo Kio Street 65 Singapore 569060
<b>Business Park Properties<sup>(5)</sup></b>				
16 INTERNATIONAL BUSINESS PARK	Leasehold	30+30	38 <sup>(55)</sup>	16 International Business Park Singapore 609929
<b>Total properties held by the Trust</b>				
<b>Property held by a subsidiary</b>				
<b>Hi-Specs Industrial Properties<sup>(4)</sup></b>				
^ 7000 Ang Mo Kio Avenue 5	Leasehold	32+30	39 <sup>(56)</sup>	7000 Ang Mo Kio Avenue 5 Singapore 569877
<b>Property held by a subsidiary</b>				
<b>Total properties held by the Group</b>				

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	\$'000	\$'000	%	%
100	100	35,600	36,000	4.57	4.35
83	94	26,900	28,000	3.45	3.39
96	100	29,700	31,500	3.81	3.81
100	92	22,300	21,000	2.86	2.54
64	100	38,900	38,900	5.00	4.71
		<b>153,400</b>	<b>155,400</b>	<b>19.69</b>	<b>18.80</b>
100	100	31,300	31,000	4.02	3.75
		<b>31,300</b>	<b>31,000</b>	<b>4.02</b>	<b>3.75</b>
		<b>1,372,800</b>	<b>1,354,000</b>	<b>176.25</b>	<b>163.72</b>
92	-	303,000	-	38.90	-
		<b>303,000</b>	<b>-</b>	<b>38.90</b>	<b>-</b>
		<b>303,000</b>	<b>-</b>	<b>38.90</b>	<b>-</b>
		<b>1,675,800</b>	<b>1,354,000</b>	<b>215.15</b>	<b>163.72</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

	At Independent Valuation		Percentage of Net assets attributable to Unitholders	
	31/12/2017 \$'000	31/12/2016 \$'000	31/12/2017 %	31/12/2016 %
<b>Trust</b>				
Investment properties, at valuation	1,372,800	1,314,000	179.43	161.83
Other assets and liabilities (net)	(456,622)	(502,048)	(59.68)	(61.83)
Net assets of Trust	916,178	811,952	119.75	100.00
Perpetual securities holders' funds	(151,115)	-	(19.75)	-
Net assets attributable to Unitholders' Funds	765,063	811,952	100.00	100.00
<b>Group</b>				
Investment properties, at valuation	1,675,800	1,354,000	215.15	163.72
Other assets and liabilities (net)	(745,796)	(526,971)	(95.75)	(63.72)
Net assets of Group	930,004	827,029	119.40	100.00
Perpetual securities holders' funds	(151,115)	-	(19.40)	-
Net assets attributable to Unitholders' Funds	778,889	827,029	100.00	100.00

	At Independent Valuation	
	31/12/2017 \$'000	31/12/2016 \$'000

As disclosed in the Statement of Financial Position:

### Trust

Investment properties – non current	1,349,200	1,292,000
Investment properties held for divestment – current (denoted as (*) in the Portfolio Statement)	23,600	22,000
<b>Total investment properties</b>	<b>1,372,800</b>	<b>1,314,000</b>

### Group

Investment properties – non current	1,652,200	1,332,000
Investment properties held for divestment – current (denoted as (*) in the Portfolio Statement)	23,600	22,000
<b>Total investment properties</b>	<b>1,675,800</b>	<b>1,354,000</b>

### Notes

- (1) Buildings classified as Logistics/Warehousing properties are typically equipped with high floor loading and also have a high floor-to-ceiling height. Such buildings can be either single-storey or multi-storey properties with vehicular ramp access and/or heavy-duty cargo lift access.
- (2) Light Industrial properties are single or multi-storey spaces that can be used for light industrial and manufacturing activities, with a low percentage of the facility's usable space set aside for office use.
- (3) General Industrial buildings can be single or multi-storey facilities dedicated to general and heavy manufacturing or factory activities. Such spaces also have a low percentage of the usable space which can be set aside for office use.
- (4) High-specs Industrial facilities are mixed-use industrial buildings with a high proportion of space that can be allocated for office use. These building typically have facilities such air-conditioned units and sufficient floorboard, ceiling height and electrical power capacities to enable both office and manufacturing functions to be carried out concurrently.
- (5) Business Parks are clusters of buildings and offices typically dedicated to business activities relating to high-technology, research and development (R&D) value-added and knowledge-intensive sectors. Companies that take up space in Business Parks can engage in a range of light and clean uses such as technical support, information-communications, healthcare devices, product design, development and testing, service centres and back-end office functions.
- (6) ESR-REIT holds the remainder of a 30 year lease commencing from 16 December 2001.
- (7) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 April 1994.
- (8) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1994.
- (9) ESR-REIT holds the remainder of a 60 year lease commencing from 16 February 1973.
- (10) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 February 1991.
- (11) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1993.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

- (12) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1993.
- (13) ESR-REIT holds the remainder of a 30+12 year lease commencing from 1 March 1995.
- (14) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1990.
- (15) ESR-REIT holds the remainder of a 30+30 year lease commencing from 4 July 2007.
- (16) ESR-REIT holds the remainder of a 30 year lease commencing from 16 October 2011.
- (17) ESR-REIT holds the remainder of a 10+22 year lease commencing from 1 June 2007.
- (18) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 August 1995.
- (19) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1992.
- (20) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1991.
- (21) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1990.
- (22) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 April 1997.
- (23) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 November 1990.
- (24) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 July 1996.
- (25) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 2000.
- (26) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 2001 for 1 Changi North Street 2 and 30+30 year lease commencing from 23 November 2005 for 2 Changi North Street 2.
- (27) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 July 1998.
- (28) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1979.
- (29) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 1995.
- (30) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1993.
- (31) ESR-REIT holds the remainder of a 30 year lease commencing from 16 September 2005.
- (32) ESR-REIT holds the remainder of a 30+19 year lease commencing from 1 September 1993.
- (33) ESR-REIT holds the remainder of a 60 year lease commencing from 4 January 1999.
- (34) ESR-REIT holds the remainder of a 30 year lease commencing from 16 March 2005.
- (35) ESR-REIT holds the remainder of a 29.5 year lease commencing from 1 April 2008.
- (36) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
- (37) ESR-REIT holds the remainder of a 30+28 year lease commencing from 1 February 2009.
- (38) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
- (39) ESR-REIT holds the remainder of a 30 year lease commencing from 1 February 2008.
- (40) ESR-REIT holds the remainder of a 28 year lease commencing from 25 March 2007.
- (41) ESR-REIT holds the remainder of a 27 year lease commencing from 30 September 2013.
- (42) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1999.
- (43) ESR-REIT holds the remainder of a 30+16 year lease commencing from 1 April 2008.
- (44) ESR-REIT holds the remainder of a 30+28 year lease commencing from 16 February 1997.
- (45) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1989.
- (46) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 September 1995.
- (47) ESR-REIT holds the remainder of a 29+30 year lease commencing from 1 June 1995 for 511 Yishun and 30+30 lease commencing from 1 December 1993 for 513 Yishun.
- (48) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1994.
- (49) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 November 1996.
- (50) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1997.
- (51) ESR-REIT holds the remainder of a 99 year lease commencing from 1 July 1963.
- (52) ESR-REIT holds the remainder of a 99 year lease commencing from 1 January 1958.
- (53) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 June 1996.
- (54) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1990.
- (55) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 August 1996.
- (56) The subsidiary holds the remainder of a 30+32 year lease commencing from 30 January 1995.

+ Properties disposed of during the financial year.

@ Property transferred from subsidiary to Trust during the financial year.

^ Property is on 100% basis which includes a 20% non-controlling interest.

Investment properties comprise a diverse portfolio of industrial properties that are leased to external tenants. All of the leases are structured under single-tenancy or multiple-tenancy and the tenancies range from one to twenty eight years for single tenancy and three months to ten years for multiple-tenancy.

An independent valuation exercise was conducted in December 2017 by Edmund Tie & Company on 41 properties, and by Savills Valuation and Professional Services (S) Pte Ltd on 7 properties. These firms are independent valuers having appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations for these properties were based on the direct comparison method, capitalisation approach and discounted cash flow analysis in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, terminal yield, discount rate and average growth rate. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

As at 31 December 2017, the valuations adopted for investment properties amounted to \$1.68 billion (2016: \$1.35 billion). The net fair value loss on investment properties recognised in the Statement of Total Return is \$41.8 million (2016: \$44.2 million). The investment properties are fully unencumbered as at 31 December 2017 and 2016.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Group	
	2017	2016
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Total return after income tax for the year	1,396	7,087
Adjustments for:		
Borrowing costs	20,439	21,147
Change in fair value of financial derivatives	-	493
Change in fair value of investment properties	47,779	45,894
Gain on disposal of investment properties	(221)	(1,231)
Interest income	(113)	(47)
<b>Operating income before working capital changes</b>	69,280	73,343
Changes in working capital:		
Trade and other receivables	57	(1,320)
Trade and other payables	(331)	(2,220)
<b>Cash generated from operating activities</b>	69,006	69,803
Income tax paid	-	(54)
<b>Net cash generated from operating activities</b>	69,006	69,749
<b>Cash flows from investing activities</b>		
Interest received	113	47
Capital expenditure on investment properties	(9,768)	(5,595)
Net cash outflow on purchase of investment properties (including acquisition related costs) (Note A)	(110,462)	-
Proceeds from disposal of investment properties	57,318	27,000
Payment for divestment costs	(433)	(169)
Acquisition of subsidiary, net of cash acquired (Note B)	(237,712)	-
Payment for acquisition costs of subsidiary	(2,826)	-
<b>Net cash (used in)/generated from investing activities</b>	(303,770)	21,283
<b>Cash flows from financing activities</b>		
Proceeds from issuance of perpetual securities	150,000	-
Issue costs for perpetual securities	(1,227)	-
Borrowing costs paid	(19,415)	(20,908)
Equity issue costs paid	(144)	(145)
Proceeds from borrowings	206,000	111,000
Repayment of borrowings	(46,500)	(127,000)
Distributions paid to Unitholders (Note C)	(45,998)	(52,936)
<b>Net cash generated from/(used in) financing activities</b>	242,716	(89,989)
<b>Net increase in cash and cash equivalents</b>	<b>7,952</b>	<b>1,043</b>
<b>Cash and cash equivalents at 1 January</b>	<b>3,699</b>	<b>2,656</b>
<b>Cash and cash equivalents at 31 December</b>	<b>11,651</b>	<b>3,699</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

### NOTES:

#### (A) Net cash outflow on purchase of investment properties (including acquisition costs)

Net cash outflow on purchase of investment properties (including acquisition costs) is set out below:

	Group	
	2017	2016
	\$'000	\$'000
Investment properties acquired	(106,094)	-
Acquisition related costs	(4,368)	-
Net cash outflow	<u>(110,462)</u>	<u>-</u>

#### (B) Net cash outflow on acquisition of a subsidiary

Net cash outflow on acquisition of a subsidiary is set out below:

	Group	
	2017	
	\$'000	
Investment property	(300,000)	
Trade and other receivables	(5,093)	
Cash and cash equivalents	(2,860)	
Trade and other payables	7,953	
Total purchase price	<u>(300,000)</u>	
<u>Less:</u>		
Cash and cash equivalents of subsidiary	2,288	
Non-controlling interest	60,000	
<b>Net cash outflow on acquisition net of cash acquired</b>	<u><b>(237,712)</b></u>	

#### (C) Distributions paid to Unitholders

Distributions for the year ended 31 December 2017 were partly paid by ESR-REIT issuing an aggregate of 9.2 million units (2016: 6.7 million units), amounting to \$5.2 million (2016: \$3.3 million), pursuant to the distribution reinvestment plan.

	Group	
	2017	2016
	\$'000	\$'000
Distributions paid to Unitholders	(51,171)	(56,224)
Distributions paid in units pursuant to distribution reinvestment plan	5,173	3,288
Net distributions paid to Unitholders in cash	<u>(45,998)</u>	<u>(52,936)</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 1. GENERAL

ESR-REIT (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 31 March 2006 (as amended) entered into between ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited) (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"), and is governed by the laws of the Republic of Singapore ("Trust Deed"). On 31 March 2006, ESR-REIT was declared as an authorised unit trust scheme under the Trustees Act, Chapter 337. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

On 25 July 2006, ESR-REIT was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 3 April 2006, ESR-REIT was included under the Central Provident Fund ("CPF") Investment Scheme.

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Trust and its subsidiaries (together referred to as the "Group").

The principal activity of ESR-REIT is to invest in a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. The principal activity of the subsidiaries are set out in Note 5 to the financial statements.

With effect from 23 June 2017, the name of the Trust was changed from Cambridge Industrial Trust to ESR-REIT.

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

#### (A) Trustee's fees

Pursuant to the Trust Deed, the Trustee's fees shall not exceed 0.1% per annum of the value of all the gross assets of ESR-REIT ("Deposited Property"), excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is presently charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property.

#### (B) Management fees

Under the Trust Deed, the Manager is entitled to receive a base fee and performance fee as follows:

- (a) base fee ("Base Fee") of 0.5% per annum of the value of the Deposited Property or such higher percentage as may be fixed by an Extraordinary Resolution of Meeting of Unitholders; and
- (b) performance fee, computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in issue for such financial year.

The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by the Trust in the previous years for which a performance fee was payable ("Highest DPU Threshold"). Whenever a performance fee is earned, the Highest DPU Threshold will be adjusted to the highest DPU achieved. In order to be eligible for a performance fee in future, the Trust would have to outperform the adjusted Highest DPU Threshold.

For the purpose of calculation of the performance fee payable under the revised performance fee structure, the Highest DPU Threshold is initially set at 6.000 cents, or if the DPU achieved during the Performance Fee Waiver period is higher, then such higher DPU.



## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 1. GENERAL (CONT'D)

#### (B) Management fees (cont'd)

The Performance Fee, whether payable in any combination of cash and Units or solely in cash or Units will be payable in arrears within 30 days after the last day of each financial year. If a trigger event occurs resulting in the Manager being removed, the Manager is entitled to payment of any Performance Fee in cash to which it might otherwise have been entitled for that financial year in cash, which shall be calculated, as if the end of the financial year was the date of occurrence of the trigger event, in accordance with the Trust Deed. If a trigger event occurs at a time when any accrued Performance Fee has not been paid, resulting in the Manager being removed, the Manager is entitled to payment of such accrued Performance Fee in cash.

Management fees (Base Fee and Performance Fee, including any accrued Performance Fee which have been carried forward from previous financial years but excluding any acquisition fee or disposal fee) to be paid to the Manager in respect of a financial year, whether in cash or in Units or a combination of cash and Units, are capped at an amount equivalent to 0.8% per annum of the value of Deposited Property as at the end of the financial year (referred to as the "annual fee cap".)

#### (C) Acquisition and disposal fees

The Manager is also entitled to receive the following fees:

- (a) An acquisition fee of 1.0% of each of the following as is applicable, subject to there being no double-counting:
  - (i) the purchase price, excluding GST, of any real estate acquired, whether directly by ESR-REIT or indirectly through a special purpose vehicle;
  - (ii) the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate) where ESR-REIT invests in any class of real estate related assets, including any class of equity, equity-linked securities and/or securities issued in real estate securitisation, of any entity directly or indirectly owning or acquiring such real estate, provided that:
    - ESR-REIT shall hold or invest in at least 50% of the equity of such entity; or
    - if ESR-REIT holds or invests in 30% or more but less than 50% of the equity of such entity, ESR-REIT shall have management control of the underlying real estate and/or such entity;
  - (iii) the value of any shareholder's loan extended by ESR-REIT to the entity referred to in paragraph (ii) above, provided that the provision in paragraph (ii) is complied with; and
  - (iv) the value of any investment by ESR-REIT in any loan extended to, or in debt securities of, any property corporation or other special purpose vehicle owning or acquiring real estate, (where such investment does not fall within the ambit of paragraph (ii)) made with the prior consent of the Unitholders passed by ordinary resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 1. GENERAL (CONT'D)

#### (C) Acquisition and disposal fees (cont'd)

- (b) A disposal fee of 0.5% of each of the following as is applicable, subject to there being no double-counting:
- (i) the sale price, excluding GST, of any investment of the type referred to in paragraph (C)(a)(i) above for the acquisition fee;
  - (ii) in relation to an investment of the type referred to in paragraph (C)(a)(ii) above for the acquisition fee, the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate);
  - (iii) the proceeds of sale, repayment or (as the case may be) redemption of an investment in a loan referred to in paragraph (C)(a)(iii) above for the acquisition fee; and
  - (iv) the value of an investment referred to in paragraph (C)(a)(iv) above for the acquisition fee.

The Manager can opt to receive acquisition and disposal fees in the form of cash or Units or a combination as it may determine.

#### (D) Property manager's fees

ESR Property Management Pte. Ltd. (formerly known as Cambridge Industrial Property Management Pte. Ltd.) (the "Property Manager"), as property manager of all ESR-REIT's properties including the property held through 7000 AMK Pte. Ltd., is entitled to receive the following fees:

- (a) A property management fee of 2.0% per annum of the gross revenue of the relevant property;
- (b) A lease management fee of 1.0% per annum of the gross revenue of the relevant property;
- (c) A marketing services commission equivalent to:
  - (i) one month's gross rent, inclusive of service charge, for securing a tenancy of three years or less;
  - (ii) two month's gross rent, inclusive of service charge, for securing a tenancy of more than three years;
  - (iii) half month's gross rent, inclusive of service charge, for securing a renewal of tenancy of three years or less; and
  - (iv) one month's gross rent, inclusive of service charge, for securing a renewal of tenancy of more than three years.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 1. GENERAL (CONT'D)

#### (D) Property manager's fees (cont'd)

- (d) A project management fee in relation to development or redevelopment (if not prohibited by the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS Code") or if otherwise permitted by the MAS), the refurbishment, retrofitting and renovation works on a property, as follows:
- (i) where the construction costs are \$2.0 million or less, a fee of 3.0% of the construction costs;
  - (ii) where the construction costs exceed \$2.0 million but do not exceed \$20.0 million, a fee of 2.0% of the construction costs;
  - (iii) where the construction costs exceed \$20.0 million but do not exceed \$50.0 million, a fee of 1.5% of the construction costs; and
  - (iv) where the construction costs exceed \$50.0 million, a fee to be mutually agreed by the Manager, the Property Manager and the Trustee.
- (e) A property tax services fee in respect of property tax objections submitted to the tax authority on any proposed annual value of a property if, as a result of such objections, the proposed annual value is reduced resulting in property tax savings for the relevant property:
- (i) where the proposed annual value is \$1.0 million or less, a fee of 7.5% of the property tax savings;
  - (ii) where the proposed annual value is more than \$1.0 million but does not exceed \$5.0 million, a fee of 5.5% of the property tax savings; and
  - (iii) where the proposed annual value is more than \$5.0 million, a fee of 5.0% of the property tax savings.

The above-mentioned fee is a lump sum fixed fee based on the property tax savings calculated over a 12-month period.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements are prepared in accordance with the *recommendations of 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 that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards ("FRS").

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment properties, which are stated at fair value as described in Note 25.

As at 31 December 2017, the current liabilities of the Group and the Trust exceed their current assets by \$200.5 million and \$138.1 million respectively. This is primarily due to the medium term notes of \$155.0 million which will be due for repayment within the next 12 months. Notwithstanding the net current liabilities position, based on the Group's and the Trust's existing financial resources and the proceeds from the equity fund raising announced in 1Q2018 that will raise \$141.9 million, the Manager believes the Group and the Trust will be able to repay its medium term notes and meet their current obligations as and when they fall due.

#### 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 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

#### 2.5 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but are not yet effective.

<b>Description</b>	<b>Effective for annual periods beginning on or</b>
Amendments to FRS 40 <i>Transfers of Investment Property</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

The nature of the impending changes in accounting policy on adoption of FRS115, FRS109 and FRS116 are described below.

#### **New standards**

##### **Summary of the requirements**

##### **Potential impact on the financial statements**

#### **FRS 115 Revenue from Contracts with Customers**

FRS 115 adopts a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard will supercede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group is in the business of holding investment properties for rental and this is not within the scope of FRS 115. In addition, the Group has other income which relates to carpark and utility income. The Group does not expect a significant change to the basis of revenue recognition.

**Transition** – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.5 Standards issued but not yet effective (cont'd)

##### New standards

##### Summary of the requirements

##### Potential impact on the financial statements

##### **FRS 109 *Financial Instruments***

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

**Impairment** – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 109. On adoption of FRS 109, the Group does not expect an increase in the impairment loss allowance.

**Transition** – The Group plans to adopt the new standard when it becomes effective in 2018 without restating comparative information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

##### **Applicable to 2019 financial statements**

##### New standards

##### Summary of the requirements

##### Potential impact on the financial statements

##### **FRS 116 *Leases***

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low values' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS116 and expects that the adoption of FRS116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.6 Basis of consolidation

##### *Subsidiaries*

The 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 the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of the subsidiaries have been aligned with the policies adopted by the Group. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

##### *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly to the Group. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

##### *Accounting for investments in subsidiaries in the Trust's financial statements*

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

#### 2.7 Investment properties

Investment properties are properties that are owned by the Group and held to earn rentals or for capital appreciation, or both but not for sale in the ordinary course of business. Investment properties comprise completed investment properties.

Investment properties are accounted for as non-current assets, except if they meet the conditions to be classified as held for divestment (see Note 2.8 below). They are initially measured at cost, including transaction costs and at valuation thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following manner:

- (i) in such manner and frequency required under the CIS code issued by MAS; and
- (ii) at least once in each period of 12 months following the acquisition of each investment property

Any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

Subsequent expenditure relating to investment properties is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.7 Investment properties (cont'd)

When an investment property is disposed of, the resulting gain or loss recognised in the Statement of Total Return is the difference between net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly valued on the basis set out above.

#### 2.8 Investment properties held for divestment

Investment properties that are expected to be recovered primarily through divestment rather than through continuing use, are classified as held for divestment and accounted for as current assets. These investment properties are measured at fair value and any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

Upon disposal, the resulting gain or loss recognised in the Statement of Total Return is the difference between net disposal proceeds and the carrying amount of the property.

#### 2.9 Leases

##### *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.16. Contingent rents are recognised as revenue in the period in which they are earned.

##### *As lessee*

Payments made under operating leases are recognised as an expense in the Statements of Total Return on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### 2.10 Financial instruments

##### (a) Financial assets

###### *Initial recognition and measurement*

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial assets at initial recognition.

When the financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.10 Financial instruments (cont'd)

##### (a) Financial assets (cont'd)

###### ***Subsequent measurement***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the Statement of Total Return when the loans and receivables are de-recognised or impaired, and through the amortisation process.

###### ***De-recognition***

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the Statement of Total Return.

##### (b) Financial liabilities

###### ***Initial recognition and measurement***

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

###### ***Subsequent measurement***

After initial recognition, financial liabilities that are not carried at fair value through Statement of Total Return are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Total Return when the liabilities are de-recognised and through the amortisation process.

###### ***De-recognition***

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Total Return.

###### ***Netting of financial assets and liabilities***

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.



## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.11 Impairments

##### (a) Financial assets carried at amortised cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) 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, or indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

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 original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Total Return and reflected in an allowance account against loan and receivables.

Impairment losses in respect of financial assets measured at amortised cost are reversed to the Statement of Total Return, if the subsequent increase in the carrying amount can be related objectively to an event occurring after the impairment loss was recognised.

The previously recognised impairment loss is reversed to the extent that the carrying amount of the asset do not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the Statement of Total Return.

##### (b) 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, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs of disposal. 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.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.11 Impairments (cont'd)

##### (b) Non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Total Return.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. 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. Such reversal is recognised in the Statement of Total Return.

#### 2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

#### 2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

#### 2.14 Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental costs, directly attributable to the issuance, offering and placement of Units or issuance of perpetual securities in the Trust are deducted directly against Unitholders' funds.

#### 2.15 Perpetual securities

The perpetual securities confer a right to receive distributions at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter. Distributions are payable semi-annually in arrears on a discretionary basis and will be non-cumulative.

The perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

Accordingly, the perpetual securities are classified as equity and the expenses relating to their issue are deducted directly against Unitholders' funds.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.16 Revenue recognition

(a) ***Rental income from operating leases***

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregated costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(b) ***Interest income***

Interest income is accrued using the effective interest method.

#### 2.17 Expenses

(a) ***Property expenses***

Property expenses are recognised on an accrual basis. Included in property expenses are the Property Manager's fee which is based on the applicable rate stipulated in Note 1D.

(b) ***Management fees***

Management fees are recognised on an accrual basis based on the applicable rates stipulated in Note 1B.

(c) ***Trust expenses***

Trust expenses are recognised on an accrual basis. Included in trust expenses are the trustee's fees which are based on the applicable rate stipulated in Note 1A.

(d) ***Borrowing costs***

Borrowing costs comprise interest expense on borrowings, amortisation of related transaction costs which are recognised in the Statement of Total Return using the effective interest method over the period of borrowings.

#### 2.18 Taxation

(a) ***Current tax and deferred tax***

Tax expense comprises current and deferred tax. Current tax and deferred tax are 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.

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 taxation purposes.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.18 Taxation (cont'd)

##### (a) *Current tax and deferred tax (cont'd)*

Deferred tax is not recognised for:

- temporary differences on the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investment in subsidiaries and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

The measurement of deferred tax 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 the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at 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 on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. 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 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 laws 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 ESR-REIT and its Unitholders. Subject to meeting the terms and conditions of the tax ruling issued by IRAS, the Trustee will not be assessed to tax on the taxable income of ESR-REIT on certain types of income. Instead, the Trustee and the Manager will deduct income tax (if required) at the prevailing corporate tax rate (currently 17.0%) from the distributions made to Unitholders that are made out of the taxable income of ESR-REIT in that financial year, except:

- (i) where the beneficial owners are individuals or Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax; or
- (ii) where the beneficial owners are foreign non-individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced tax rate of 10.0% for distributions made on or before 31 March 2020.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.18 Taxation (cont'd)

##### (a) *Current tax and deferred tax (cont'd)*

A "Qualifying Unitholder" is a Unitholder who is:

- a company which is incorporated and tax resident in Singapore;
- a Singapore branch of companies incorporated outside Singapore;
- a non-corporate Singapore constituted or registered entity (eg town councils, statutory boards, charitable organisations, registered under the Charities Act (Cap. 37) or established by any written law, co-operative societies registered under the Co-operative Societies Act (Cap. 62) or trade unions registered under the Trade Unions Act (Cap. 333));
- a Central Provident Fund ("CPF") member who uses his CPF funds under the CPF Investment Scheme and where the distributions received are returned to the CPF accounts;
- an individual who uses his Supplementary Retirement Scheme ("SRS") funds and where the distributions received are returned to the SRS accounts; and
- 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).

A "foreign non-individual Unitholder" is one, not being an individual, which is not a resident of Singapore for income tax purposes and;

- who does not have a permanent establishment in Singapore; or
- who carries on any operation in Singapore through a permanent establishment in Singapore, where the funds used to acquire the Units are not obtained from that operation in Singapore.

The above tax transparency ruling does not apply to gains from sale of real estate properties, if considered to be trading gains derived from a trade or business carried on by ESR-REIT. Tax on such gains or profits will be assessed, in accordance to section 10(1)(a) of the Income Tax Act, Chapter 134 and collected from the Trustee. Where the gains are capital gains, they will not be assessed to tax and the Trustee and the Manager may distribute the capital gains without having to deduct tax at source.

##### (b) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.19 Distribution policy

The Group's distribution policy is to distribute at least 90% of its annual distributable income to Unitholders, comprising income from letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion. Distributions are made on a quarterly basis at the discretion of the Manager.

#### 2.20 Earnings per unit

The Group presents basic and diluted earnings per unit ("EPU") data for its units. Basic EPU is calculated by dividing the total return for the period after tax by the weighted average number of units outstanding during the year. Diluted EPU is determined by adjusting the total return for the period after tax and the weighted average number of units outstanding and for the effects of all dilutive potential units.

#### 2.21 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 ESR-REIT's Chief Operating Decision Makers ("CODM"s) which comprise mainly the Chief Executive Officer, and Chief Operating Officer and Chief Financial Officer of the Manager, to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available.

#### 2.22 Contingencies

A contingent liability is:

- (a) A possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) A present obligation that arises from past events but is not recognised because:
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### 3.1 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, revenue, expenses and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

#### 3.1 Use of estimates and judgements (cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected.

In particular, information about critical judgements, assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 4 – Acquisition of investment properties through subsidiary
- Note 20 – Assessment of income tax provision
- Note 25 – Valuation of investment properties

### 4. INVESTMENT PROPERTIES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 January	1,354,000	1,418,000	1,314,000	1,379,700
Acquisition of investment properties	106,094	–	106,094	–
Additions through acquisition of a subsidiary	300,000	–	–	–
Transfer from subsidiary	–	–	40,000	–
Acquisition related costs	8,368	–	4,564	–
Capital expenditure incurred	5,833	5,799	5,833	5,799
Disposal of investment properties	(56,641)	(25,600)	(56,641)	(25,600)
	1,717,654	1,398,199	1,413,850	1,359,899
Change in fair value during the year*	(41,854)	(44,199)	(41,050)	(45,899)
At 31 December	1,675,800	1,354,000	1,372,800	1,314,000
Investment properties (non-current)	1,652,200	1,332,000	1,349,200	1,292,000
Investment properties held for divestment (current)	23,600	22,000	23,600	22,000
	1,675,800	1,354,000	1,372,800	1,314,000

\* The fair value loss of \$41.8 million (2016: \$44.2 million) together with an adjustment for the effect of lease incentives and marketing fee amortisation of \$5.9 million (2016: \$1.7 million), aggregate to \$47.7 million (2016: \$45.9 million) as disclosed in the Statement of Total Return.

Details of the investment properties are shown in the Investment Properties Portfolio Statement. Investment properties are leased to non-related parties under operating lease.

Transfer from subsidiary relates to the transfer of property at 3 Tuas South Avenue to the Trust from one of its subsidiaries during the year.

Investment properties are stated at fair value based on valuations performed by independent professional valuers as at 31 December 2017 and 31 December 2016. Information on the fair value assessment of investment properties is disclosed in Note 25.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 4. INVESTMENT PROPERTIES (CONT'D)

#### *Investment Properties held for Divestment*

The Group is in advance stage of negotiation with the purchaser on the divestment of an investment property. The divestment is considered highly probable and is expected to be completed within the next 12 months from the reporting date. Accordingly, the investment property at a carrying value of \$23.6 million (2016: \$22.0 million) as at 31 December 2017, has been reclassified as an investment property held for divestment.

Subsequent to year end, the Group has completed the divestment of the investment property (see Note 31).

#### *Security*

All the investment properties are fully unencumbered as at 31 December 2017 and 2016.

#### *Critical judgements made in accounting for acquisitions*

In 4Q 2017, the Group acquired a subsidiary that owns a real estate. At the time of acquisition, the Group considered whether the acquisition represented the acquisition of business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the Group considers whether significant processes such as strategic management and operational processes are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of a business. Where the acquisition of the subsidiary or real estate does not represent a business, it is accounted for as an acquisition of group of assets and liabilities.

The Group assessed and presented the acquisition of the subsidiary for the financial year as an acquisition of assets as no strategic management function and operational processes were acquired along with an investment property.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 5. INVESTMENTS IN SUBSIDIARIES

	Trust	
	2017	2016
	\$'000	\$'000
Unquoted equity investment, at cost	215,463	25,206

#### **Composition of the Group**

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2017 %	2016 %
ESR-MTN Pte. Ltd.^ (formerly known as Cambridge-MTN Pte. Ltd.)	Provision of financial and treasury services	Singapore	100	100
Cambridge SPV1 LLP^	Investment, management, leasing and redevelopment of properties	Singapore	100	100
ESR-SPV2 Pte. Ltd.^ (formerly known as Cambridge SPV2 Pte. Ltd.)	Investment holding	Singapore	100	100
7000 AMK Pte. Ltd.†	Property investment and other related businesses	Singapore	80	–

^ Audited by Ernst & Young LLP in Singapore for the financial year ended 31 December 2017 (2016: KPMG LLP Singapore).

† Audited by Nexia TS Public Accounting Corporation for the financial year ended 31 December 2017.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

#### Acquisition of a subsidiary

On 14 December 2017, ESR-REIT together with its wholly-owned subsidiary, ESR-SPV2 Pte. Ltd., acquired an 80% interest in a special purpose vehicle, 7000 AMK Pte. Ltd. which holds the industrial property at 7000 Ang Mo Kio Avenue 5. Upon the acquisition, 7000 AMK Pte. Ltd. became a subsidiary of the Group.

As part of the acquisition, ESR-REIT has granted a put option to the previous owner of the subsidiary that provides the latter the right to require ESR-REIT to purchase the remaining 20% non-controlling interest in the subsidiary. The put option contains an obligation for the Group to purchase its own equity instruments and is accounted for by the Group as a financial liability (Note 10) based on the present value of the redemption amount.

As at 31 December 2017, the put option remains unexercised and the profits of the subsidiary is allocated to the non-controlling interest. Upon the exercise of the put option, the amount recognised as the financial liability at that date will be extinguished by the payment made.

The fair value of the identifiable assets and liabilities of 7000 AMK Pte. Ltd. as at the acquisition date were:

	<b>Fair value recognised on acquisition \$'000</b>
Investment property	300,000
Trade and other receivables	5,093
Cash and cash equivalents	2,860
	<u>307,953</u>
Trade and other payables	(7,953)
Total identifiable net assets at fair value	300,000
Non-controlling interest	(60,000)
	<u>240,000</u>
Cash consideration for the acquisition	<u>240,000</u>
Effect of the acquisition of 7000 AMK Pte. Ltd. on cash flows:	
Cash consideration	240,000
Less: Cash and cash equivalents of subsidiary acquired	(2,288)
	<u>237,712</u>

### 6. LOAN TO A SUBSIDIARY (TRUST)

The loan to a subsidiary is unsecured and interest bearing at a rate of ESR-REIT's all-in cost per annum for borrowing. Interest is payable in arrears in cash on a quarterly basis within 45 days from each quarter end.

The loan tenure is for an initial term of 12 months commencing on 15 December 2017 which can be further extended at the agreement of the parties.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 7. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables (gross)				
- Subsidiaries	2,461	2,595	2,787	2,595
- Non related parties	2,787	-	-	-
	5,248	2,595	2,787	2,595
Impairment losses	(1,163)	(1,163)	(1,163)	(1,163)
Trade receivables (net)	4,085	1,432	1,624	1,432
Deposits	1,870	1,415	1,324	1,415
Other receivables				
- Subsidiaries	-	-	3,818	-
- Non related parties	2,333	1,351	153	2,266
<b>Loans and receivables</b>	8,288	4,198	6,919	5,113
Prepayments	86	5,080	80	4,754
<b>Total trade and other receivables</b>	<b>8,374</b>	<b>9,278</b>	<b>6,999</b>	<b>9,867</b>

Trade receivables are non-interest bearing and are generally on 14 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables due from subsidiaries are non-trade related, non-interest bearing and repayable on demand.

The Group's primary exposure to credit risk arises from its trade and other receivables. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Concentration of credit risk relating to trade receivables is limited due to the Group's large number and diverse range of tenants. The maximum exposure to credit risk for trade and other receivables is represented by the carrying amount at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 7. TRADE AND OTHER RECEIVABLES (CONT'D)

#### *Impairment losses*

The ageing of trade receivables at the reporting date is as follows:

	Gross receivables 2017 \$'000	Impairment losses 2017 \$'000	Gross receivables 2016 \$'000	Impairment losses 2016 \$'000
<b>Group</b>				
Past due 0 – 30 days	3,096	–	715	–
Past due 31 – 120 days	786	–	705	–
More than 120 days past due	1,366	1,163	1,175	1,163
	<u>5,248</u>	<u>1,163</u>	<u>2,595</u>	<u>1,163</u>
<b>Trust</b>				
Past due 0 – 30 days	861	–	715	–
Past due 31 – 120 days	555	–	705	–
More than 120 days past due	1,371	1,163	1,175	1,163
	<u>2,787</u>	<u>1,163</u>	<u>2,595</u>	<u>1,163</u>

The movements in impairment loss in respect of trade receivables are as follows:

	Group and Trust 2017 \$'000	2016 \$'000
At 1 January	1,163	1,372
Impairment loss utilised	–	(209)
At 31 December	<u>1,163</u>	<u>1,163</u>

Trade receivables are individually assessed for impairment on an ongoing basis. The impairment loss to date relates to a debtor that had defaulted on payment.

The Manager believes that no additional allowance is necessary in respect of the remaining trade receivables as these receivables are mainly due from tenants that have good payment records and sufficient securities in the form of bankers' guarantees, insurance bonds or cash security deposits as collaterals.

The Group and the Trust's exposure to credit risk related to trade and other receivables are disclosed in Note 26.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 8. TRADE AND OTHER PAYABLES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current liabilities</b>				
Trade payables and accrued operating expenses	15,781	9,959	10,210	9,880
Amounts due to related parties (trade):				
– the Manager	702	1,865	702	1,865
– the Property Manager	60	432	60	431
– the Trustee	101	95	101	95
Amount due to a subsidiary (non-trade)	–	–	1,640	1,640
Interest and loan commitment fee payable	2,548	2,251	909	611
Security deposits	5,936	3,765	5,928	3,765
Rent received in advance	1,862	615	1,833	615
Retention sums	454	2,200	454	2,200
Other payables	1,203	282	150	282
	<u>28,647</u>	<u>21,464</u>	<u>21,987</u>	<u>21,384</u>
<b>Non-current liabilities</b>				
Security deposits	6,783	8,894	5,715	8,664
<b>Total trade and other payables</b>	<u>35,430</u>	<u>30,358</u>	<u>27,702</u>	<u>30,048</u>

The amounts due to related parties and the amount due to a subsidiary are unsecured, non-interest bearing and repayable on demand. Transactions with related parties are priced on terms agreed between the parties.

Retention sums relate to certain investment properties acquired in prior years.

The Group and the Trust's exposure to liquidity risk related to trade and other payables are disclosed in Note 26.

### 9. INTEREST-BEARING BORROWINGS

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current liabilities</b>				
Fixed rate notes (unsecured)	155,000	–	–	–
Loan from a subsidiary (unsecured)	–	–	155,000	–
Unamortised loan transaction costs	(105)	–	(105)	–
	<u>154,895</u>	<u>–</u>	<u>154,895</u>	<u>–</u>
<b>Non-current liabilities</b>				
Unsecured loans	307,000	147,500	307,000	147,500
Fixed rate notes (unsecured)	210,000	365,000	50,000	50,000
Loan from a subsidiary (unsecured)	–	–	160,000	315,000
Unamortised loan transaction costs	(2,104)	(2,910)	(2,104)	(2,910)
	<u>514,896</u>	<u>509,590</u>	<u>514,896</u>	<u>509,590</u>
<b>Total interest-bearing borrowings</b>	<u>669,791</u>	<u>509,590</u>	<u>669,791</u>	<u>509,590</u>

The weighted average all in cost of debt as at 31 December 2017 was 3.6% per annum (2016: 3.7% per annum).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9. INTEREST-BEARING BORROWINGS (CONT'D)

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	<----- 2017 ----->		<----- 2016 ----->	
			Face value \$'000	Gross carrying amount \$'000	Face value \$'000	Gross carrying amount \$'000
<b>Group</b>						
<b>Unsecured</b>						
Term loan facilities	3.60%/ SOR* + margin	2019 to 2021	125,000	123,838	125,000	123,330
Revolving credit facilities	SOR* + margin	2019 to 2021	182,000	181,752	22,500	22,500
Medium Term Notes	3.50% to 4.10%	2018 to 2023	365,000	364,201	365,000	363,760
			<u>672,000</u>	<u>669,791</u>	<u>512,500</u>	<u>509,590</u>
<b>Trust</b>						
<b>Unsecured</b>						
Term loan facilities	3.60%/ SOR* + margin	2019 to 2021	125,000	123,838	125,000	123,330
Revolving credit facilities	SOR* + margin	2019 to 2021	182,000	181,752	22,500	22,500
Medium Term Note	3.95%	2023	50,000	49,775	50,000	49,733
Loans from a subsidiary	3.50% to 4.10%	2018 to 2020	315,000	314,426	315,000	314,027
			<u>672,000</u>	<u>669,791</u>	<u>512,500</u>	<u>509,590</u>

\* Swap Offer Rate.

The nominal interest rate for the S\$ floating rate loans is determined by a margin plus SOR per annum.

As at the reporting date, the Group has in place unsecured borrowings comprising:

#### (a) Term loans and revolving credit facilities

- (i) 4-year loan facility from CIMB maturing in June 2019 ("TLF1") consisting of:
  - Facility A: \$100 million term loan facility at a fixed rate of 3.6% per annum for 3.5 years from the date of loan drawn down; and
  - Facility B: \$50 million revolving credit facility at an interest rate of margin plus swap offer rate.
- (ii) 4.75-year loan facility from HSBC maturing in June 2021 ("TLF2") consisting of:
  - Facility A: \$25 million term loan facility at an interest rate of margin plus swap offer rate for 4.75 years from the date of loan drawn down; and
  - Facility B: \$175 million revolving credit facility at an interest rate of margin plus swap offer rate. Facility B was increased from \$75 million to \$175 million in December 2017.

As at 31 December 2017, the total amount outstanding under the term loan and revolving credit facilities were \$125.0 million and \$182.0 million respectively.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 9. INTEREST-BEARING BORROWINGS (CONT'D)

#### (b) Unsecured Medium Term Notes

On 2 February 2012, ESR-REIT, through its wholly owned subsidiary, ESR-MTN Pte. Ltd. (formerly known as Cambridge-MTN Pte. Ltd. or the "Issuer"), established a \$500 million multi-currency medium term note programme (the "MTN Programme"). The MTN Programme was modified and renamed as \$750 million multi-currency debt issuance programme (the "Debt Issuance Programme") in March 2016 to allow the issue of medium term notes (the "Notes") and/or perpetual securities (the "Perps") by either the Trust and/or the Issuer.

Under the Debt Issuance Programme, the Trust and/or the Issuer may, subject to compliance with all relevant laws, regulations, and directives, from time to time issue the Notes/Perps denominated in Singapore dollars and/or any other currencies.

The payment of all amounts payable in respect of the Notes/Perps are unconditionally and irrevocably guaranteed by RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the "Guarantor").

The Notes/Perps may be issued in series having one or more issue dates and the same maturity date, and on identical terms.

The Group has issued the following Notes under its Debt Issuance Programme:

- \$30 million 6-year Fixed Rate Notes issued in April 2014, bearing a fixed interest rate of 4.10% per annum payable semi-annually in arrears which will mature in April 2020.
- \$155 million 4-year Fixed Rate Notes comprising Tranche 1 \$100 million issued in November 2014 and Tranche 2 \$55 million issued in January 2015, bearing a fixed interest rate of 3.50% per annum payable semi-annually in arrears which will mature in November 2018.
- \$130 million 5-year Fixed Rate Notes issued in May 2015, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2020.
- \$50 million 7-year Fixed Rate Notes issued in May 2016, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2023.

The Issuer has on-lent the net proceeds from the issuance of the Notes to the Trust, which in turn, had used such proceeds to finance property acquisitions and/or repayment of existing loans.

### 10. AMOUNT DUE TO NON-CONTROLLING INTEREST

The amount due to non-controlling interest relates to the put option that has been irrevocably granted to the previous owner of 7000 AMK Pte. Ltd. in connection with the remaining 20% interest in 7000 AMK Pte. Ltd. that is not owned by ESR-REIT (see Note 5).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 11. AMOUNT DUE TO A SUBSIDIARY (TRUST)

The amount due to a subsidiary relates to the transfer of property at 3 Tuas South Avenue to ESR-REIT from one of its subsidiaries during the financial year.

### 12. PERPETUAL SECURITIES

In November 2017, ESR-REIT issued \$150.0 million perpetual securities. The key terms and conditions are as follows:

- the perpetual securities confer a right to receive distribution at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter;
- distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative;
- the perpetual securities constitute direct, unsecured and subordinated obligations of ESR-REIT and rank pari passu and without any preference among themselves and with any Party Obligations (as defined in the conditions of the issuance) of the issuer; and
- the perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

The perpetual securities are classified as equity instruments and recorded in equity in the Statement of Financial Position. The \$151.1 million (2016: Nil) presented in the Statement of Financial Position represents the carrying value of the \$150.0 million perpetual securities issued and the total return attributable to the perpetual securities holders. The issue costs were deducted from the Unitholders' funds.

### 13. UNITS IN ISSUE

	Trust	
	2017	2016
	Number	Number
	of units	of units
	'000	'000
Units in issue:		
At 1 January	1,304,434	1,297,775
Units created:		
- Distribution Reinvestment Plan	9,189	6,659
Total issued and issuable units at 31 December	1,313,623	1,304,434



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 13. UNITS IN ISSUE (CONT'D)

#### *Distribution Reinvestment Plan*

During the financial year, the Trust issued a total of 9.2 million Units (2016: 6.7 million Units) in lieu of distribution payments pursuant to a Distribution Reinvestment Plan ("DRP"), whereby the Unitholders have the option to receive their distribution payment in units instead of cash or a combination of Units and cash as follows:

<u>Date of Issue</u>	<u>Number of Units issued</u>	<u>Issue price per Unit (\$)</u>	<u>Period relating to</u>
<b>2017</b>			
31 August 2017	3,873,670	0.5713	1 April 2017 to 30 June 2017
24 November 2017	5,315,228	0.5568	1 July 2017 to 30 September 2017
<b>2016</b>			
29 February 2016	6,659,229	0.4937	1 October 2015 to 31 December 2015

Units issued in lieu of distribution payment pursuant to DRP rank pari passu in all respects with the Units in issue which include the entitlement to all future distributions.

#### *Unitholders' rights*

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 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 any estate or interest in any asset (or part thereof) of the Trust;
- 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 Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and
- one vote per unit.

The limitations on a Unitholder's rights include the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to redeem his units while the units are listed on the SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any unit in the Trust. 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 the liabilities of the Trust exceed its assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 14. GROSS REVENUE

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Property rental income	109,358	111,839	106,274	109,179
Other income	342	248	341	248
	109,700	112,087	106,615	109,427

### 15. PROPERTY EXPENSES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Land rental	8,756	8,618	8,756	8,618
Property tax	6,944	6,984	6,859	6,984
Repair and maintenance expenses	8,373	7,228	8,272	7,227
Property and lease management fees	5,433	5,163	5,379	5,093
Other property operating expenses	1,749	1,821	1,786	1,794
	31,255	29,814	31,052	29,716

### 16. MANAGEMENT FEES

The Manager has elected to receive its management fees in cash for FY2017 and FY2016.

There is no performance fee payable for the financial year as the Trust has not outperformed the initial Highest DPU Threshold of 6.000 cents for the financial year ended 31 December 2017. Please see Note 1B(b) for more details on the performance fee structure.

### 17. TRUST EXPENSES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Auditor's remuneration				
- audit fees	151	179	135	159
- non-audit fees	79	78	57	45
Trustee's fees	379	384	379	384
Valuation fees	110	125	108	123
Professional fees	803	376	772	363
Other expenses	654	728	689	759
	2,176	1,870	2,140	1,833

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 18. BORROWING COSTS

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Borrowing costs paid and payable:				
- bank loans	5,695	6,329	5,695	6,329
- financial derivatives	-	(173)	-	(173)
- fixed rate notes	13,765	13,105	1,975	1,282
- loan from a subsidiary	-	-	11,790	11,823
Amortisation of transaction costs relating to debt facilities	979	1,886	979	1,881
	<u>20,439</u>	<u>21,147</u>	<u>20,439</u>	<u>21,142</u>

### 19. GAIN ON DISPOSAL OF INVESTMENT PROPERTIES

The gain on disposal of investment properties represents the excess of net proceeds from disposal over the carrying value of properties disposed of during the financial year.

### 20. INCOME TAX EXPENSE

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 December 2017 and 2016 is as follows:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Reconciliation of effective tax rate</b>				
Total return for the year before income tax	1,396	7,087	1,865	5,418
Income tax using Singapore tax rate of 17% (2016: 17%)	237	1,205	317	921
Income not subject to tax	(38)	(209)	(38)	(209)
Non-tax deductible items	8,689	8,265	8,476	8,549
Tax transparency	(8,888)	(9,261)	(8,755)	(9,261)
Income tax expense	<u>-*</u>	<u>-*</u>	<u>-</u>	<u>-</u>

In a previous financial year, the Group recorded a gain from the disposal of the Trust's interest in the 63 Hillview property. The gain measured against the initial acquisition cost of the property was \$66.8 million. The Manager is of the view that the gain is capital in nature and should not be subject to income tax. No provision has been made for the contingent tax. If the gain is taxable, income tax payable on the gain, based on management's estimate, would be approximately \$11.4 million.

During the current financial year, the Trust disposed three investment properties and the gains measured against the initial acquisition cost was \$3.7 million. Similarly, the Manager of the Trust has assessed this gain to be capital in nature.

\* Less than \$1,000

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 21. EARNINGS AND DISTRIBUTION PER UNIT

#### (a) Basic earnings per unit

The calculation of basic earnings per unit is based on the total return after tax and the weighted average number of units in issue for the financial year.

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Total return after income tax	614	7,087	1,865	5,418
Less:				
Income tax expense	–*	–*	–	–
Amount reserved for distribution to perpetual securities holders	(1,115)	–	(1,115)	–
Total (loss)/return attributable to Unitholders	(501)	7,087	750	5,418

\* Less than \$1,000

	Group and Trust Number of units	
	2017 '000	2016 '000
Weighted average number of Units:		
– Units issued at beginning of year	1,304,434	1,297,775
Effect of issue of new Units:		
– Distribution Reinvestment Plan	1,859	5,586
	1,306,293	1,303,361

	Group		Trust	
	2017	2016	2017	2016
Basic earnings per unit (cents)	(0.038)	0.544	0.057	0.416

#### (b) Diluted earnings per unit

Diluted earnings per unit is equivalent to the basic earnings per unit as there were no dilutive instruments in issue during the current and previous financial year.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 21. EARNINGS AND DISTRIBUTION PER UNIT (CONT'D)

#### (c) *Distribution per unit*

The calculation of distribution per unit is based on the total amount available for distribution for the financial year and the applicable number of units in issue during the financial year.

	<b>Group and Trust</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Total amount available for distribution	51,505	54,476
Less: Amount reserved to perpetual securities holders	(1,115)	-
Amount available for distributions to Unitholders	50,390	54,476
	<b>Number of units</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>'000</b>
Applicable number of units for the calculation of DPU	1,313,623	1,304,434
Distribution per unit (cents)	3.853	4.173

### 22. EQUITY ISSUE COSTS

	<b>Group and Trust</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Equity issue cost:		
- Distribution Reinvestment Plan	143	33
- Perpetual securities	1,498	-
	1,641	33

The equity issue costs are deducted directly against Unitholders' funds.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 23. COMMITMENTS

#### (a) *Operating lease commitments (as lessor)*

ESR-REIT's investment properties are leased under the operating lease agreements. Non-cancellable operating lease rentals are receivable as follows:

	Group		Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Receivable:				
- Within 1 year	102,818	103,844	84,367	101,854
- After 1 year but within 5 years	215,360	186,784	147,250	176,749
- After 5 years	159,091	165,879	140,250	120,627
	<u>477,269</u>	<u>456,507</u>	<u>371,867</u>	<u>399,230</u>

#### (b) *Operating lease commitments (as lessee)*

ESR-REIT is required to pay annual land rent to Jurong Town Corporation ("JTC"), Housing & Development Board ("HDB") and Ascendas Land (Singapore) Pte Ltd ("Ascendas") for 33 properties (2016: 33 properties).

The annual land rent payable is based on market land rent for the relevant year and any increase in annual land rent from year to year shall not exceed 5.5% of the annual land rent for the respective properties for the immediate preceding year. The land rent paid/payable to JTC, HDB and Ascendas based on prevailing rental rates was \$8.8 million (2016: \$8.6 million for 33 properties).

#### (c) *Capital commitments*

As at the reporting date, the Group had \$1.3 million (2016: \$5.6 million) of capital expenditure commitments relating to asset enhancement initiatives and capital expenditure for investment properties that had been authorised and contracted for but not provided for in the consolidated financial statements. These capital projects are targeted to be completed in 2018.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 24. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Manager or the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Manager and the party are subject to common significant influence. Related parties may be individuals or other entities. The Manager and the Property Manager are indirect subsidiaries of a significant unitholder of the Trust.

Other than as disclosed elsewhere in the financial statements, there were the following significant related party transactions carried out in the normal course of business on terms agreed between the parties:

	Group	
	2017	2016
	\$'000	\$'000
<b>ESR Funds Management (S) Limited (the Manager)</b>		
Management fees paid and payable	6,989	7,060
Acquisition fees paid	3,461	-
Disposal fees paid	287	135
<b>ESR Property Management Pte. Ltd. (Subsidiary of immediate holding company of the Manager)</b>		
Property manager's fees paid and payable	3,220	3,294
Lease marketing services commission paid and payable	1,137	1,708
Project management fees paid and payable	93	84
<b>RBC Investor Services Trust Singapore Limited (the Trustee)</b>		
Trustee fees paid and payable	379	384

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 25. FAIR VALUE MEASUREMENT

#### *Valuation processes applied by the Group*

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

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, then the valuation 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.

Significant valuation issues are reported to the Manager's Board.

#### **(a) Fair value hierarchy**

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability are 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 entire measurement (with Level 3 being the lowest).

The Group recognises any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no such transfers during the current and previous financial year.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 25. FAIR VALUE MEASUREMENT (CONT'D)

#### (b) *Assets measured at fair value*

The table below analyses non-financial assets carried at fair value.

	<b>Level 3 \$'000</b>
<b>Group</b>	
<b>31 December 2017</b>	
Investment properties (including investment properties held for divestment)	<u>1,675,800</u>
<b>31 December 2016</b>	
Investment properties (including investment properties held for divestment)	<u>1,354,000</u>
<b>Trust</b>	
<b>31 December 2017</b>	
Investment properties (including investment properties held for divestment)	<u>1,372,800</u>
<b>31 December 2016</b>	
Investment properties (including investment properties held for divestment)	<u>1,314,000</u>

#### (c) *Level 3 fair value measurements*

##### *Information about significant unobservable inputs used in Level 3 fair value measurement*

###### *Investment properties and investment properties held for divestment*

Investment properties are stated at fair value based on valuations as at 31 December 2017 performed by independent professional valuers, having appropriate recognised professional qualifications and experience in the location and category of property being valued. Independent valuations are obtained annually for all investment properties. Any change in the fair value is recorded in the Statement of Total Return.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date between a willing seller in an arm's length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

In determining the fair values, the valuers have used valuation methods including direct comparison method, capitalisation approach and discounted cash flows in arriving at the open market value as at the reporting date. These valuation methods involve certain estimates. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The capitalisation approach capitalise an income stream into a present value using a market-corroborated capitalisation rate. The discounted cash flows method involves the estimation of an income stream over a period and discounting the income stream with an expected internal rate of return and terminal yield.

The fair value of investment properties of the Group and the Trust was \$1.68 billion (2016: \$1.35 billion) and \$1.37 billion (2016: \$1.31 billion) as at 31 December 2017 respectively.

The above fair value has been classified as a Level 3 fair value based on the inputs to the valuation techniques used.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 25. FAIR VALUE MEASUREMENT (CONT'D)

#### (c) Level 3 fair value measurements (cont'd)

The following table shows the key unobservable inputs used in the valuation model:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Investment properties and investment properties held for divestment</i>		
Discounted cash flow approach and capitalisation approach	<ul style="list-style-type: none"> <li>• Market rental growth of 3.0% to 3.5% (2016: 3:0%) per annum</li> <li>• Risk-adjusted discount rates of 8% (2016: 8:0%)</li> <li>• Capitalisation rates from 5.75% to 7.0% (2016: 5.75% to 7.0%)</li> <li>• Terminal yield rates from 6.0% to 7.5% (2016: 6.0% to 7.5%)</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• expected market rental growth were higher/(lower);</li> <li>• the risk-adjusted discount rates were lower/(higher);</li> <li>• the capitalisation rates were lower/(higher); or</li> <li>• the terminal yield rates were lower/(higher).</li> </ul>

Key unobservable inputs correspond to:

- Market rental growth, capitalisation and terminal yield rates derived from specialised publications from the industrial market and recent sales in the industrial sector.
- Discount rates, based on the risk-free rate for 10-year bonds issued by the Singapore government, adjusted for a risk premium to reflect the increased risk of investing in the asset class.

The reconciliation of investment properties for the financial year for Level 3 fair value measurements is shown in Note 4.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 25. FAIR VALUE MEASUREMENT (CONT'D)

**(d) Assets and liabilities not measured at fair value, for which fair value is disclosed**

The following table shows an analysis of the Group and the Trust's other non-current assets and liabilities not measured at fair value, for which fair value is disclosed:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>				
<b>31 December 2017</b>				
Fixed rate loan	-	-	100,047	100,047
Fixed rate notes	-	-	365,285	365,285
	-	-	465,332	465,332
<b>31 December 2016</b>				
Fixed rate loan	-	-	100,000	100,000
Fixed rate notes	-	-	364,991	364,991
	-	-	464,991	464,991
<b>Trust</b>				
<b>31 December 2017</b>				
Fixed rate loan	-	-	100,047	100,047
Fixed rate notes	-	-	50,094	50,094
Loans from a subsidiary	-	-	315,191	315,191
	-	-	465,332	465,332
<b>31 December 2016</b>				
Fixed rate loan	-	-	100,000	100,000
Fixed rate notes	-	-	49,998	49,998
Loans from a subsidiary	-	-	314,993	314,993
	-	-	464,991	464,991

**Fixed rate loan and notes**

The fair value of the fixed rate loan and notes are calculated based on the present value of future principal and interest cash flows, discounted at market interest rate at the reporting period.

**(e) Fair value of financial instruments by classes that are not carried at fair value and whose amounts are reasonable approximation of fair value.**

The carrying amount of the Group and the Trust's current financial assets and liabilities approximated their fair value due to their short-term nature. The fair value of the Group and the Trust's non-current borrowings with floating interest rate approximate their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 25. FAIR VALUE MEASUREMENT (CONT'D)

#### (f) Classification of financial instruments

The classification of financial assets and liabilities, shown in the Statement of Financial Position, are as follows:

	Note	Loans and receivables \$'000	Fair value through profit or loss \$'000	Financial liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$'000
<b>Group</b>						
<b>31 December 2017</b>						
Trade and other receivables*	7	8,288	-	-	8,288	8,288
Cash and cash equivalents		11,651	-	-	11,651	11,651
Loans and borrowings	9	-	-	(669,791)	(669,791)	(664,304)
Trade and other payables^	8	-	-	(30,660)	(30,660)	(30,660)
		19,939	-	(700,451)	(680,512)	(675,025)
<b>31 December 2016</b>						
Trade and other receivables*	7	4,198	-	-	4,198	4,198
Cash and cash equivalents		3,699	-	-	3,699	3,699
Loans and borrowings	9	-	-	(509,590)	(509,590)	(511,545)
Trade and other payables^	8	-	-	(29,743)	(29,743)	(29,743)
		7,897	-	(539,333)	(531,436)	(533,391)
<b>Trust</b>						
<b>31 December 2017</b>						
Trade and other receivables*	7	6,919	-	-	6,919	6,919
Cash and cash equivalents		8,156	-	-	8,156	8,156
Loans and borrowings	9	-	-	(669,791)	(669,791)	(664,304)
Trade and other payables^	8	-	-	(23,155)	(23,155)	(23,155)
		15,075	-	(692,946)	(677,871)	(672,384)
<b>31 December 2016</b>						
Trade and other receivables*	7	5,113	-	-	5,113	5,113
Cash and cash equivalents		2,517	-	-	2,517	2,517
Loans and borrowings	9	-	-	(509,590)	(509,590)	(511,545)
Trade and other payables^	8	-	-	(29,434)	(29,434)	(29,434)
		7,630	-	(539,024)	(531,394)	(533,349)

\* Excludes prepayments.

^ Excludes rent received in advance and GST payables.

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to credit risk, liquidity risk and interest rate risk.

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 risks. The Manager continually monitors the Group's risk management process to ensure 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.

## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The Audit, Risk Management and Compliance Committee ("ARCC") oversees how management monitors compliance with the Trust's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Trust. The ARCC is assisted in its oversight role by Internal Audit. Internal Audit, which is outsourced to a public accounting firm, undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARCC.

The following sections provide details regarding the Group's and Trust's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

#### (a) **Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group and the Trust, as and when they fall due.

The Manager has established credit limits for tenants and monitors amounts receivable on an on-going basis. Credit evaluations are performed by the Manager before lease agreements are entered into with the lessees. In addition, the Group and the Trust require the lessees to provide tenancy security deposits or corporate guarantees, or to assign rental proceeds from sub-lessees to the Group and the Trust. For cash and cash equivalents, the Group and the Trust minimise credit risk by dealing exclusively with high credit rating counterparties.

The Manager establishes an allowance for impairment that represents its estimate of losses in respect of trade and other receivables. The main component of this allowance is estimated losses that relate to specific tenants or counterparties.

#### **Credit risk concentration profile**

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the Statement of Financial Position.

- (i) *Financial assets that are neither past due nor impaired*  
Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions.
- (ii) *Financial assets that are either past due or impaired*  
Information regarding financial assets that are either past due or impaired is disclosed in Note 7 (Trade and other receivables). As at 31 December 2017 and 31 December 2016, the Group and the Trust had no other financial assets which it had determined to be impaired and there are no allowances for impairment provided for.

#### (b) **Liquidity risk**

Liquidity risk is the risk that the Group or the Trust will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Trust's exposure to liquidity risk arises primarily from mismatches of the maturity of financial assets and liabilities.

The Manager monitors the liquidity risk of the Group and the Trust and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Trust's operations. Typically, the Group and the Trust ensures that it has sufficient cash on demand and committed revolving credit facilities to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### *Analysis of financial instruments by remaining contracted maturities.*

The table below summarises the maturity profile of the Group's and the Trust's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Within 1 year \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Group</b>				
<b>2017</b>				
<b>Non-derivative financial liabilities</b>				
Term loan facilities	(4,070)	(128,207)	-	(132,277)
Revolving credit facilities	(4,967)	(194,846)	-	(199,813)
Medium Term Notes	(166,838)	(177,447)	(50,980)	(395,265)
Trade and other payables*	(23,877)	(6,783)	-	(30,660)
Amount due to non-controlling interest	(60,600)	-	-	(60,600)
	<u>(260,352)</u>	<u>(507,283)</u>	<u>(50,980)</u>	<u>(818,615)</u>
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Term loan facilities	(4,056)	(132,159)	-	(136,215)
Revolving credit facility	(606)	(24,699)	-	(25,305)
Medium Term Notes	(11,838)	(344,237)	(52,955)	(409,030)
Trade and other payables*	(20,849)	(8,894)	-	(29,743)
Amount due to non-controlling interest	-	-	-	-
	<u>(37,349)</u>	<u>(509,989)</u>	<u>(52,955)</u>	<u>(600,293)</u>
<b>Trust</b>				
<b>2017</b>				
<b>Non-derivative financial liabilities</b>				
Term loan facilities	(4,070)	(128,207)	-	(132,277)
Revolving credit facilities	(4,967)	(194,846)	-	(199,813)
Medium Term Notes	(1,688)	(7,905)	(50,980)	(60,573)
Loans from a subsidiary	(165,150)	(169,542)	-	(334,692)
Trade and other payables*	(21,824)	(5,715)	-	(27,539)
	<u>(197,699)</u>	<u>(506,215)</u>	<u>(50,980)</u>	<u>(754,894)</u>
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Term loan facilities	(4,056)	(132,159)	-	(136,215)
Revolving credit facility	(606)	(24,699)	-	(25,305)
Medium Term Notes	(1,688)	(7,905)	(52,955)	(62,548)
Loans from a subsidiary	(10,150)	(336,332)	-	(346,482)
Trade and other payables*	(20,770)	(8,664)	-	(29,434)
	<u>(37,270)</u>	<u>(509,759)</u>	<u>(52,955)</u>	<u>(599,984)</u>

\* Trade and other payables exclude rent received in advance and GST payables.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (c) *Interest rate risk*

Interest rate risk that the fair value or future cash flows of the Group's and the Trust's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to changes in interest rates relate primarily to its interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. The Group adopts a policy of ensuring that the majority of its exposures to changes in interest rates on borrowings is on a fixed-rate basis. This is achieved by entering into interest rate swaps and fixed rate borrowings.

#### *Sensitivity analysis for variable rate instruments*

As at 31 December 2017 and 2016, a change of 100 basis points in interest rates would have increased/ (decreased) Unitholders' funds and total return by the amounts shown below:

	Total Return		Unitholders' Funds	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
<b>Group</b>				
<b>31 December 2017</b>				
Variable rate instruments				
- Interest expense	(1,821)	1,840	(1,821)	1,840
<b>31 December 2016</b>				
Variable rate instruments				
- Interest expense	(475)	481	(475)	481

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 27. CAPITAL MANAGEMENT

The Group's objective when managing capital is to optimise Unitholders' value through the mix of available capital sources which include debt, equity and other financial instruments, whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest service coverage and other ratios within approved limits.

The Group is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the CIS code. The CIS code 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. As at the reporting date, the Aggregate Leverage of the Group is 39.6%. (2016: 37.5%) which is in compliance with the Aggregate Leverage limit of 45.0%.

The Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As part of its finance policy, the Board of the Manager (the "Board") proactively reviews the Trust's capital and debt management regularly so as to optimise the Trust's funding structure to meet its investment opportunities. The Board also monitors the Group's exposure to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures.

### 28. SEGMENT REPORTING

Segment information is presented based on the information reviewed by ESR-REIT's Chief Operating Decision Makers ("CODMs") for performance assessment and resource allocation.

As each investment property is mainly used for industrial (including warehousing) purposes, these investment properties are similar in terms of economic characteristics, nature of services and type of customers. The CODMs are of the view that the Group has only one reportable segment – Leasing of investment properties. This forms the basis of identifying the operating segments of ESR-REIT under FRS 108 *Operating Segments*. No geographical segment information has been prepared as all of the Group's investment properties are located in Singapore.

### 29. FINANCIAL RATIOS

	2017	2016
	%	%
Expenses to weighted average net assets <sup>(1)</sup>	1.11	1.03
Portfolio turnover rate <sup>(2)</sup>	6.97	3.10

(1) The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of ESR-REIT, excluding property related expenses, borrowing costs and income tax expense.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of ESR-REIT expressed as a percentage of daily average net asset value.



## NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2017

### 30. COMPARATIVE FIGURES

Prior year's comparative figures were audited by a firm of Certified Public Accountants other than Ernst & Young LLP.

### 31. SUBSEQUENT EVENTS

#### (a) *Equity Fund raising*

In 1Q2018, ESR-REIT is undertaking an equity fund raising to rebalance its capital structure. It is proposed to issue up to 262.8 million new units to raise gross proceeds of up to approximately \$141.9 million via non-renounceable preferential offering to existing unitholders on a pro-rata basis.

The Trust's sponsor, ESR Cayman Limited will undertake to subscribe for its full entitlement and any unsubscribed units under the preferential offering up to a total amount not exceeding \$125.0 million.

#### (b) *Proposed merger with Viva Industrial Trust*

The Manager of ESR-REIT has announced a proposed merger of all the issued and paid-up stapled securities of Viva Industrial Trust ("VIT") held by the stapled securityholders of VIT and the units in ESR-REIT held by the unitholders ("Proposed Merger").

The Proposal contemplates that:

- (i) The proposed merger will be effected through the acquisition by ESR-REIT of all the Stapled Securities held by the Stapled Securityholders by way of a trust scheme of arrangement (the "Scheme") in accordance with the Singapore Code on Take-overs and Mergers; and
- (ii) The consideration under the Scheme for the Stapled Securities will be satisfied by the allotment and issue by ESR-REIT of new ESR-REIT units to the Stapled Securityholders.

There is no certainty or assurance that any definitive agreements will be entered into or that any transaction will materialise from the current discussions.

#### (c) *Property divestment*

Subsequent to the financial year end, the Group entered into an Option to Purchase with a vendor for the divestment of 9 Bukit Batok Street 22 for a sale consideration of \$23.9 million. The divestment was completed on 5 March 2018.

### 32. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 14 March 2018.

## ADDITIONAL INFORMATION

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### INTERESTED PERSON TRANSACTIONS (“IPTs”)

The transactions entered into with interested persons (“IPTs”) during the financial year falling under the Listing Manual of the SGX-ST (IPTs defined as interested person transactions) and the Property Funds Appendix of the CIS Code (IPTs defined as interested party transactions) are as follows:

Name of Interested Persons	Aggregate value of all IPTs conducted during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Unitholders’ mandate pursuant to Rule 920) \$’000	Aggregate value of all IPTs conducted under Unitholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$’000
<b>ESR Funds Management (S) Limited (the Manager)</b>		
Management fees paid and payable in cash	6,989	–
Acquisition fees paid relating to the purchase of investment properties	3,461	–
Disposal fees paid relating to the disposal of investment properties	287	–
<b>ESR Property Management (S) Pte. Ltd. (Subsidiary of immediate holding company of the Manager)</b>		
Property manager’s fees paid and payable	3,220	–
Lease marketing services commission paid and payable	1,137	–
<b>RBC Investor Services Trust Singapore Limited (the Trustee)</b>		
Trustee fees paid and payable	379	–

Saved as disclosed above, there were no additional interested person transactions (excluding transactions of less than \$100,000 each) entered into up to and including 31 December 2017 nor any material contracts entered by ESR-REIT or any of its subsidiaries that involve the interests of the CEO, any Directors or any controlling Unitholder of the Trust.

Please also see Significant Related Party Transactions in Note 24 to the financial statements.

As set out in ESR-REIT’s Prospectus dated 14 July 2006, fees and charges payable by ESR-REIT to the Manager under the Trust Deed and to the Property Manager under the Property Management Agreement are not subject to Rule 905 and Rule 906 of the Listing Manual.

The Group has not obtained a general mandate from Unitholders pursuant to Rule 920 for any interested person transactions.

## ADDITIONAL INFORMATION

### ACQUISITION OF PROPERTIES IN FY2017

ESR-REIT acquired the following properties during the financial year:

	<b>Properties</b>	<b>Vendor</b>	<b>Valuation<sup>1</sup> (\$ million)</b>	<b>Purchase consideration (excluding acquisition related costs) (\$ million)</b>
1	8 Tuas South Lane	Hyflux Membrane Manufacturing (S) Pte. Ltd.	95.0	106.1 <sup>2</sup>
2	7000 AMK Ave 5	7000 AMK Pte. Ltd.	242.4	240.0 <sup>3</sup>
	<b>Total</b>			<b>346.1</b>

**Notes:**

- 1 Valuation based on income capitalisation method, discounted cash flow analysis and direct comparison method.
- 2 Inclusive of upfront land premium of \$11.1 million.
- 3 Acquisition of 80% equity interest of 7000 AMK Pte. Ltd. which holds the property 7000 AMK Ave 5.

### DISPOSAL OF PROPERTIES IN FY2017

ESR-REIT disposed of the following properties during the financial year:

	<b>Properties</b>	<b>Vendor</b>	<b>Gross sales proceeds<sup>1</sup> \$ million</b>
1	55 Ubi Ave 3	Aspial Capital (UBI) Pte. Ltd.	22.1
2	87 Defu Lane 10	NC Precision Pte. Ltd.	17.5
3	23 Woodlands Terrace	Soon Poh Telecommunications Pte Ltd	17.7
	<b>Total</b>		<b>57.3</b>

**Notes:**

- 1 The sales proceeds for the properties, which were above valuation as at the date of disposal, excluded the divestment costs.

## ADDITIONAL INFORMATION

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### (A) FEES PAYABLE TO THE MANAGER

Under the revised Code of Collective Investment Scheme ("CIS") issued by the Monetary Authority of Singapore ("MAS") on 14 July 2015, where fees are payable to the Manager out of the deposited property value of the Trust, the justifications and methodology for each type of fees payable should be disclosed. The methodology for computing the fees is disclosed in Note 1 of the audited financial statements for FY2017.

#### **Management Fees**

The Manager is entitled to receive a base fee and performance fee for the management of the Trust's portfolio. The payment for the total of base fee and performance fee is capped at 0.8% of the Trust's total deposited property value per annum under the Trust Deed Clause 15.1.3. The amount in excess of the fee cap will be carried forward for payment in future financial years.

#### **Base Fee**

The Base Fee enables the Manager to cover operational and administrative overheads incurred in the management of the portfolio. The fee is computed at 0.5% per annum of the deposited property value in accordance with Clause 15.1.1 of the Trust Deed. The fee is calculated at a percentage of asset value as the asset value provides an appropriate metric to determine the resources for managing the assets.

Based on the Manager's election, the fee is payable in cash, units or a combination of both. Under the Trust Deed, the cash component of the base fee is payable monthly in arrears within 30 days of the calendar month end while the unit component of the base fee is accrued and issued within 30 days of the financial quarter.

The issue price for the manager fees paid in units was determined based on the volume weighted average price for a Unit for all the trades done on the Singapore Exchange Securities Trading Limited ("SGX-ST") in the ordinary course of trading on the SGX-ST for the period of ten business days ("10 days VWAP") immediately preceding the date of the Trust's result announcement for the relevant quarter.

#### **Performance Fee**

The Manager's performance is measured by the growth of distribution per unit ("DPU Growth Model") of the Trust.

The performance fee under the DPU Growth Model is computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in issue for such financial year. The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by the Trust in the previous years for which a performance fee was payable ("Highest DPU Threshold"). Whenever a performance fee is earned, the Highest DPU Threshold will be adjusted to the highest DPU achieved. In order to be eligible for a performance fee in future, the Manager would have to outperform the adjusted Highest DPU Threshold.

The pegging of the Performance Fee to DPU aligns the Manager with the interests of Unitholders as the compensation commensurate with the value the Manager delivers to Unitholders as a whole in the form of distributable income.

With DPU Growth Model, the Manager will be more committed to providing the Unitholders with stable and secure distribution on a more sustainable basis. The Manager is motivated to increase DPU through the efficient portfolio management, astute cost management and effective use of debt and equity. This can be achieved by pro-active organic and external growth strategies such as asset enhancement initiatives, acquisitions, developments and divestments to continually rebalance the portfolio and sustain income accretions. Taking on short-term risks is deterred as the Manager strives to achieve sustainability.

## ADDITIONAL INFORMATION

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### (A) FEES PAYABLE TO THE MANAGER (CONT'D)

The fee is payable in cash, units or a combination of both at the option of the Manager. Under Clause 15.1.2 of the Trust Deed, the performance fee payable whether in cash or units, is payable in arrears within 30 days of the financial year end.

The issue price for the performance fees paid in units was determined based on the greater of five business day VWAP before and after the relevant financial year (ie 10 days VWAP in total) and gross asset value per unit.

#### ***Acquisition Fee***

The Acquisition Fee earned by the Manager is contingent upon the successful completion of property acquisitions. This fee entitlement is prescribed in Clause 15.2 of the Trust Deed. This fee seeks to motivate and compensate the Manager for its efforts expended to continually seek out and acquire DPU accretive assets to increase sustainable returns for Unitholders.

The Acquisition Fee also allows the Manager to recover the additional costs and resources incurred by the Manager in the course of seeking out new acquisition opportunities, including but not limited to due diligence efforts and man hours spent in evaluating the transaction.

As required by the Property Funds Appendix, where the acquisition fees are to be paid to the Manager for the acquisition of assets from an interested party, the acquisition fees are to be paid in the form of units at the prevailing market price which should not be sold for a period of one year from their date of issuance. As the Manager's interest is closely tied to the performance of DPU, this ensures that related party acquisition performs and contributes to Unitholders' returns.

Please see Note 1 of the audited financial statements for FY2017 for computation methodology.

#### ***Divestment Fee***

The Divestment Fee earned by the Manager is contingent upon the successful completion of property divestments. This fee entitlement is prescribed in Clause 15.3 of the Trust Deed. This fee seeks to motivate and compensate the Manager for its efforts expended to continually rebalance the portfolio and maximise value received by the Trust in the divestment. In addition, the Divestment Fee allows the Manager to recover the additional costs and resources incurred by the Manager for the divestment, including but not limited to due diligence efforts and man hours spent in marketing and maximising the divestment price.

As required by the Property Funds Appendix, where divestment fees are to be paid to the Manager for the divestment of assets to an interested party, the divestment fees are to be paid in the form of units at the prevailing market price which should not be sold for a period of one year from their date of issuance.

Please see Note 1 of the audited financial statements for FY2017 for computation methodology.

## ADDITIONAL INFORMATION

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### (B) RATIO OF TOTAL OPERATING EXPENSES TO NET ASSET VALUE

In addition, the revised CIS issued by MAS on 14 July 2015 requires that the total operating expenses (including all fees and charges paid to the Manager) be disclosed in both absolute terms and as a percentage of the net asset value of the Trust as at the end of the financial year.

The total operating expenses of the Trust, including all fees, charges paid to the Manager and interested parties to net asset value as at 31 December 2017 is as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Property expenses	31,255	29,814
Management fees	6,989	7,060
Trust expenses	2,176	1,870
Borrowing costs	20,439	21,147
Total operating expenses	60,859	59,891
Less: Income tax	-	-
	<u>60,859</u>	<u>59,891</u>
Net assets value	778,889	827,029
Ratio of total operating expenses to net asset value (%)	7.8	7.2

## STATISTICS OF UNITHOLDERS

as at 7 March 2018

### ISSUED AND FULLY PAID-UP UNITS

1,320,852,333 Ordinary Units (voting rights: one vote per Unit)

Market Capitalisation S\$766,094,353 (based on closing price of S\$0.58 as at 7 March 2018)

Size of Unitholdings	No. of Units	% of Units in Issue	No. of Unitholders	% of Unitholders
1 - 99	10,059	0.00	236	2.27
100 - 1,000	461,000	0.03	694	6.69
1,001 - 10,000	20,988,461	1.59	3,739	36.03
10,001 - 1,000,000	296,244,234	22.43	5,664	54.57
1,000,001 and above	1,003,148,579	75.95	46	0.44
<b>Total</b>	<b>1,320,852,333</b>	<b>100.00</b>	<b>10,379</b>	<b>100.00</b>

### TWENTY LARGEST UNITHOLDERS

As shown in the Register of Unitholders

No.	Name	No. of Units	% of Units in Issue
1	CITIBANK NOMINEES SINGAPORE PTE LTD	333,331,866	25.24
2	DBS NOMINEES PTE LTD	163,421,824	12.37
3	RHB SECURITIES SINGAPORE PTE LTD	159,453,025	12.07
4	RAFFLES NOMINEES (PTE) LTD	58,647,312	4.44
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	45,578,101	3.45
6	HSBC (SINGAPORE) NOMINEES PTE LTD	30,988,592	2.35
7	DBSN SERVICES PTE LTD	26,456,416	2.00
8	RHB BANK NOMINEES PTE LTD	24,664,727	1.87
9	MITSUI AND CO LTD	21,018,412	1.59
10	COSMIC INSURANCE CORPORATION LIMITED - SIF	15,829,889	1.20
11	BNP PARIBAS NOMINEES S'PORE PTE LTD	11,705,900	0.89
12	S C WONG HOLDINGS PTE. LTD.	8,885,295	0.67
13	MORGAN STANLEY ASIA (S) SECURITIES PTE LTD	8,545,828	0.65
14	OCBC NOMINEES SINGAPORE PTE LTD	8,408,093	0.64
15	OCBC SECURITIES PRIVATE LTD	8,045,445	0.61
16	DBS VICKERS SECURITIES (S) PTE LTD	6,926,712	0.52
17	PHILLIP SECURITIES PTE LTD	6,378,896	0.48
18	BPSS NOMINEES SINGAPORE (PTE.) LTD.	5,269,153	0.40
19	ESR FUNDS MANAGEMENT (S) LIMITED	5,134,604	0.39
20	TEO TING KOK	5,017,133	0.38
		<b>953,707,223</b>	<b>72.21</b>

### INTERESTS OF SUBSTANTIAL UNITHOLDERS

The interests of the substantial Unitholders in Units as recorded in the Register of Substantial Unitholders as at the Latest Practicable Date are set out below.

Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	%**	No. of Units	%**	No. of Units	%**
Tong Jinquan	71,068,000	5.38	170,222,119 <sup>(1)</sup>	12.89	241,290,119	18.27
Shanghai Summit Pte Ltd	-	-	170,222,119 <sup>(2)</sup>	12.89	170,222,119	12.89
Wealthy Fountain Holdings Inc	159,236,219	12.06	- <sup>(3)</sup>	-	159,236,219	12.06
e-Shang Infinity Cayman Limited	123,226,584	9.33	39,264,988 <sup>(4)</sup>	2.97	162,491,572	12.30
e-Shang Jupiter Cayman Limited	-	-	162,491,572 <sup>(5)</sup>	12.30	162,491,572	12.30
ESR Cayman Limited	-	-	162,491,572 <sup>(6)</sup>	12.30	162,491,572	12.30
WP OCIM One LLC	-	-	162,491,572 <sup>(7)</sup>	12.30	162,491,572	12.30
WP X Investment VI Ltd.	-	-	162,491,572 <sup>(8)</sup>	12.30	162,491,572	12.30
Warburg Pincus Private Equity X, L.P.	-	-	162,491,572 <sup>(9)</sup>	12.30	162,491,572	12.30
Warburg Pincus X, L.P.	-	-	162,491,572 <sup>(10)</sup>	12.30	162,491,572	12.30
Warburg Pincus LLC	-	-	162,491,572 <sup>(11)</sup>	12.30	162,491,572	12.30
Warburg Pincus X GP L.P.	-	-	162,491,572 <sup>(12)</sup>	12.30	162,491,572	12.30
WPP GP LLC	-	-	162,491,572 <sup>(13)</sup>	12.30	162,491,572	12.30
Warburg Pincus Partners, L.P.	-	-	162,491,572 <sup>(14)</sup>	12.30	162,491,572	12.30
Warburg Pincus Partners GP LLC	-	-	162,491,572 <sup>(15)</sup>	12.30	162,491,572	12.30
Warburg Pincus & Co.	-	-	162,491,572 <sup>(16)</sup>	12.30	162,491,572	12.30

## STATISTICS OF UNITHOLDERS

as at 7 March 2018

### INTERESTS OF SUBSTANTIAL UNITHOLDERS (CONT'D)

Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	%*†	No. of Units	%*†	No. of Units	%*†
Charles R. Kaye	-	-	162,491,572 <sup>(17)</sup>	12.30	162,491,572	12.30
Joseph P. Landy	-	-	162,491,572 <sup>(18)</sup>	12.30	162,491,572	12.30

\* Based on substantial Unitholders' disclosures in respect of interests in securities.

† The percentage interest is based on Units in issue as at the Latest Practicable Date, being 1,320,852,333 Units.

- (1) Mr Tong Jinqun is the sole shareholder of Shanghai Summit Pte Ltd which is the sole shareholder of Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd and accordingly, is deemed to be interested in the 170,222,119 Units which Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd hold. Skyline Horizon Consortium Ltd holds 10,985,900 Units directly.
- (2) Shanghai Summit Pte Ltd is the sole shareholder of Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd and accordingly, is deemed to be interested in the 170,222,119 Units which Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd hold. Skyline Horizon Consortium Ltd holds 10,985,900 Units directly.
- (3) Wealthy Fountain Holdings Inc is wholly-owned by Tong Jinqun through Shanghai Summit Pte Ltd.
- (4) 34,130,384 Units are held by Sunrise (BVI) Limited, a wholly-owned subsidiary of e-Shang Infinity Cayman Limited.
- (5) e-Shang Jupiter Cayman Limited owns the entire issued share capital of e-Shang Infinity Cayman Limited. As e-Shang Jupiter Cayman Limited has control of e-Shang Infinity Cayman Limited, it is deemed to have interests in the 162,491,572 Units which e-Shang Infinity Cayman Limited has interests in (the "Infinity Units").
- (6) ESR Cayman Limited owns 95.2% of the issued share capital of e-Shang Jupiter Cayman Limited, which in turn owns the entire issued share capital of e-Shang Infinity Cayman Limited. As ESR Cayman Limited has control of e-Shang Infinity Cayman Limited, it is deemed to have interests in the 162,491,572 Infinity Units.
- (7) ESR Cayman Limited has control of e-Shang Infinity Cayman Limited and is deemed to have interests in the 162,491,572 Infinity Units. As WP OCIM One LLC has interest in more than 20% of the issued share capital of ESR Cayman Limited, it is also deemed to have interests in the 162,491,572 Infinity Units.
- (8) WP OCIM One LLC has interest in more than 20% of the issued share capital of ESR Cayman Limited and is deemed to have interests in the 162,491,572 Infinity Units. As WP X Investment VI Ltd. has a controlling interest in WP OCIM One LLC, it is also deemed to have interests in the 162,491,572 Infinity Units.
- (9) WP X Investment VI Ltd. has a controlling interest in WP OCIM One LLC and is deemed to have interests in the 162,491,572 Infinity Units. As Warburg Pincus Private Equity X, L.P. has a controlling interest in WP X Investment VI Ltd., it is also deemed to have interests in the 162,491,572 Infinity Units.
- (10) Warburg Pincus Private Equity X, L.P. has a controlling interest in WP X Investment VI Ltd. and is deemed to have interests in the 162,491,572 Infinity Units. As Warburg Pincus X, L.P. ("WPXGP") is the general partner having control of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership, it is also deemed to have interests in the 162,491,572 Infinity Units.
- (11) WPXGP is the general partner having control of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership ("WPX") and is deemed to have interests in the 162,491,572 Infinity Units. As Warburg Pincus LLC ("WP LLC") is the manager having control of WPX, it is also deemed to have interests in the 162,491,572 Infinity Units.
- (12) WPXGP is the general partner having control of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership, and is deemed to have interests in the 162,491,572 Infinity Units. As Warburg Pincus X GP L.P. ("WP X GP LP") is the general partner having control of WPXGP, it is also deemed to have interests in the 162,491,572 Infinity Units.
- (13) WP X GP LP is the general partner having control of WPXGP, and is deemed to have interests in the 162,491,572 Infinity Units. As WPP GP LLC ("WPP GP") is the general partner having control of WP X GP LP, it is also deemed to have interests in the 162,491,572 Infinity Units.
- (14) WPP GP is the general partner having control of WP X GP LP, and is deemed to have interests in the 162,491,572 Infinity Units. As Warburg Pincus Partners, L.P. ("WP Partners") is the managing member having control of WPP GP, it is also deemed to have interests in the 162,491,572 Infinity Units.
- (15) WP Partners is the managing member having control of WPP GP, and is deemed to have interests in the 162,491,572 Infinity Units. As Warburg Pincus Partners GP LLC ("WP Partners GP") is the general partner having control of WP Partners, it is also deemed to have interests in the 162,491,572 Infinity Units.
- (16) WP Partners GP is the general partner having control of WP Partners, and is deemed to have interests in the 162,491,572 Infinity Units. As Warburg Pincus & Co. ("WP") is the managing member having control of WP Partners GP, it is also deemed to have interests in the 162,491,572 Infinity Units.
- (17) WP is the managing member having control of WP Partners GP, and is deemed to have interests in the 162,491,572 Infinity Units. As Charles R. Kaye is the Managing General Partner having control of WP and Managing Member and Co-Chief Executive Officer having control of WP LLC, he is also deemed to have interests in the 162,491,572 Infinity Units.
- (18) WP is the managing member having control of WP Partners GP, and is deemed to have interests in the 162,491,572 Infinity Units. As Joseph P. Landy is the Managing General Partner having control of WP and Managing Member and Co-Chief Executive Officer having control of WP LLC, he is also deemed to have interests in the 162,491,572 Infinity Units.

### DIRECTORS' INTERESTS

The interests of the Directors in Units, as recorded in the Register of Directors' Unitholdings as at the Latest Practicable Date, are set out below.

Directors	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	%*	No. of Units	%*	No. of Units	%*
Mr Ooi Eng Peng	-	-	-	-	-	-
Mr Bruce Kendle Berry	-	-	-	-	-	-
Mr Erle William Spratt	-	-	-	-	-	-
Mr Philip John Pearce	-	-	-	-	-	-
Mr Akihiro Noguchi	-	-	-	-	-	-
Mr Jeffrey David Perlman	-	-	-	-	-	-
Mr Jeffrey Shen Jinchu	-	-	-	-	-	-
Mr Adrian Chui Wai Yin	-	-	-	-	-	-

\* The percentage interest is based on Units in issue as at the Latest Practicable Date, being 1,320,852,333 Units.

### FREE FLOAT

Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10.0% of its listed securities are at all times held by the public. Based on the information made available to the Manager as at 7 March 2017, approximately 69% of ESR-REIT's Units are held by the public and therefore, Rule 723 of the listing Manual of the SGX-ST has been complied with.



## NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the 9th Annual General Meeting of the holders of units of ESR-REIT (“**Unitholders**”) will be held at Mochtar Riady Auditorium, SMU Administration Building, Level 5, Singapore Management University, 81 Victoria Street, Singapore 188065 on 20 April 2018 at 10.00 a.m. to consider and, if thought fit, to pass, with or without any modifications, the following resolutions:

### AS ORDINARY BUSINESS

#### 1. Ordinary Resolution

To receive and to adopt the report issued by RBC Investor Services Trust Singapore Limited, as trustee of ESR-REIT (the “**Trustee**”), the statement issued by ESR Funds Management (S) Limited, as manager of ESR-REIT (the “**Manager**”), and the audited financial statements of ESR-REIT for the financial year ended 31 December 2017 together with the auditors’ report thereon.

#### 2. Ordinary Resolution

To re-appoint Ernst & Young LLP as Auditor of ESR-REIT to hold office until the conclusion of the next Annual General Meeting (“**AGM**”) and to authorise the Directors of the Manager to fix their remuneration.

### AS SPECIAL BUSINESS

#### 3. Ordinary Resolution

That authority be and is hereby given to the Manager, to

- (a) (i) issue units in ESR-REIT (“**Units**”) whether by way of rights, bonus or otherwise, and including any capitalisation of any sum for the time being standing to the credit of any of ESR-REIT’s reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution; and/or
- (ii) make or grant offers, agreements or options 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, options, debentures or other instruments convertible into Units (collectively, “**Instruments**”),

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 Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of Units to be issued other than by way of a rights issue offered on a pro rata basis to all Unitholders pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed ten per cent. (10%) of the value of all the assets of ESR-REIT, including all its Authorised Investments (as defined in the trust deed constituting ESR-REIT (as amended) (the “**Trust Deed**”)) for the time being held or deemed to be held by ESR-REIT (as determined in accordance with the Trust Deed), for which the Units are to be issued for, provided that the aggregate number of Units to be issued (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instrument) shall not exceed twenty per cent. (20%) of the total number of issued Units (as calculated in accordance with sub-paragraph (3) below);

## NOTICE OF ANNUAL GENERAL MEETING

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- (2) the Units to be issued under a rights issue offered on a pro rata basis to all Unitholders pursuant to this Resolution shall not, in aggregate exceed fifty per cent. (50%) of the total number of issued Units (as calculated in accordance with sub-paragraph (3) below);
- (3) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraphs (1) and (2) above, the percentage of issued Units shall be calculated based on the total number of issued Units at the time this Resolution is passed, after adjusting for:
  - (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
  - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (4) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST (the “**Listing Manual**”) for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (5) (unless revoked or varied by the Unitholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of ESR-REIT or (ii) the date on which the next AGM of ESR-REIT is required by applicable regulations to be held, whichever is earlier;
- (6) 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 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 Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (7) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider necessary, expedient, incidental or in the interest of ESR-REIT to give effect to the authority contemplated and/or authorised by this Resolution.

(Please see Explanatory Notes)

### OTHER BUSINESS

To transact any other business which may properly be brought forward.

#### BY ORDER OF THE BOARD

##### **ESR Funds Management (S) Limited**

(Company Registration No.: 200512804G, Capital Markets Services Licence No.: CMS 100132-5)

As manager of ESR-REIT

#### **Adrian Chui Wai Yin**

Chief Executive Officer and Executive Director

Singapore

2 April 2018

## NOTICE OF ANNUAL GENERAL MEETING

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### Important Notice:

The value of units in ESR-REIT (“**Units**”) and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations of the Manager, the Trustee, or any of their respective related corporations and affiliates (individually and collectively, the “**Affiliates**”).

An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the Manager, the Trustee nor any of their Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors should note that they will have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

### Notes:

1. A Unitholder who is not a relevant intermediary (as defined below) entitled to attend and vote at the Annual General Meeting (“**AGM**”) of ESR-REIT is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her unitholding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM 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 two proxies, 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 (“**CPF**”), if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies must be lodged at the office of the Unit Registrar of ESR REIT 8 Robinson Road, #03-00 ASO Building, Singapore 048544 not less than 72 hours before the time appointed for the AGM.

## NOTICE OF ANNUAL GENERAL MEETING

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### **Explanatory Notes:**

#### *Ordinary Resolution 3*

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of ESR-REIT; (ii) the date on which the next AGM of ESR-REIT is required by the applicable regulations to be held, or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest (the “**Mandated Period**”), to issue Units whether by way of bonus or otherwise (excluding by way of a rights issue offered on a pro rata basis to all existing Unitholders) and/or to make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding 10% of the Value of the Deposited Property including any Authorised Investment acquired or to be acquired by ESR-REIT, for which the Units are to be issued for, provided that the aggregate number of Units issued does not exceed 20% of the total number of issued Units. For Units issued by way of a rights issue offered on a pro rata basis to all Unitholders, the aggregate number of Units shall be up to fifty per cent. (50%) of the total number of issued Units.

The Ordinary Resolution 3 above, if passed, will empower the Manager to issue Units, during the Mandated Period, as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

To determine the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units at the time the Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time the Ordinary Resolution 3 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 and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

### **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.

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## CORPORATE DIRECTORY

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### THE MANAGER

#### ESR Funds Management (S) Limited ("ESR-FM")

Company Registration Number:  
200512804G

Capital Markets Services Licence  
Number: 100132-5  
Registered Office:  
138 Market Street  
#26-03/04 CapitaGreen  
Singapore 048946  
T: (65) 6222 3339  
F: (65) 6827 9339  
www.esr-reit.com.sg

### BOARD OF DIRECTORS OF ESR-FM

Mr Ooi Eng Peng  
*Independent Chairman*

Mr Bruce Kendle Berry  
*Independent Director*

Mr Erle William Spratt  
*Independent Director*

Mr Philip John Pearce  
*Independent Director*

Mr Jeffrey David Perlman  
*Non-Executive Director*

Mr Jeffrey Shen Jinchu  
*Non-Executive Director*

Mr Akihiro Noguchi  
*Non-Executive Director*

Mr Adrian Chui Wai Yin  
*CEO and Executive Director*

### ARCC

Mr Bruce Kendle Berry  
*Chairman*

Mr Ooi Eng Peng  
*Member*

Mr Erle William Spratt  
*Member*

Mr Philip John Pearce  
*Member*

### NRC

Mr Erle William Spratt  
*Chairman*

Mr Ooi Eng Peng  
*Member*

Mr Jeffrey David Perlman  
*Member*

### EXCO

Mr Ooi Eng Peng  
*Chairman*

Mr Adrian Chui Wai Yin  
*Member*

Mr Jeffrey David Perlman  
*Member*

Mr Philip John Pearce  
*Member*

### UNIT REGISTRAR AND UNIT TRANSFER OFFICE

#### B.A.C.S. Private Limited

8 Robinson Road #03-00  
ASO Building  
Singapore 048544  
T: (65) 6593 4848  
F: (65) 6593 4847

### TRUSTEE

#### RBC Investor Services Trust Singapore Limited

8 Marina View  
#26-01 Asia Square Tower 1  
Singapore 018960  
T: (65) 6230 1988  
F: (65) 6532 0215  
www.rbcits.com

### THE PROPERTY MANAGER

#### ESR Property Management (S) Pte. Ltd. ("ESR-PM")

Company Registration Number:  
200515344N

Registered Office:  
138 Market Street  
#26-03/04 CapitaGreen  
Singapore 048946  
T: (65) 6222 3339  
F: (65) 6827 9339  
www.esr-reit.com.sg

### BOARD OF DIRECTORS OF ESR-PM

Mr Jeffrey David Perlman  
*Non-Executive Director*

Mr Jeffrey Shen Jinchu  
*Non-Executive Director*

Mr Cho Wee Peng  
*Non-Executive Director*

### AUDITORS

#### Ernst & Young LLP

One Raffles Quay  
North Tower, Level 18  
Singapore 048583  
T: (65) 6535 7777  
F: (65) 6532 7662  
www.ey.com

Partner-in-charge:  
Mr Nagaraj Sivaram  
(since financial year ended  
31 December 2017)

### COMPANY SECRETARIES

Mr Robin Yoo Loo Ping, ACIS  
Ms Angeline Chiang Wai Ming, ACIS

### TMF Singapore H Pte. Ltd.

38 Beach Road  
#29-11 South Beach Tower  
Singapore 189767  
T: (65) 6808 1600  
F: (65) 6808 1616  
www.tmf-group.com

### SGX CODE – ESR-REIT

### STOCK SYMBOL – J91U

### UNITHOLDERS' ENQUIRIES

Ms Cheryl Lim  
Marketing Communications Manager  
T: (65) 6827 9332  
E: ir@esr-reit.com.sg

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(Pte) Limited**  
9 North Buona Vista Drive  
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T: (65) 6535 7511  
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