SABANA
SHARI'AH COMPLIANT REIT

Annual Report 2017

CONTENTS

Core Values

We are guided by our core values. They define our culture and shape our personality and decision-making process.

UNITHOLDERS' INTERESTS FIRST
We strive to build a portfolio of quality assets for our Unitholders.

FOCUS ON VALUE CREATION
We promise to create value for Unitholders by creating success factors and direction for the future.

INTEGRITY
We are committed to the values of responsibility, transparency and professionalism.

FAIRNESS AND EQUALITY
We ensure that our business activities are consistent with the principles of fairness, partnerships and equality.

PEOPLE
We recognise that our people are our greatest assets. By creating and maintaining a conducive working environment, our people will grow professionally and make a positive impact to both the organisation and society.

VISION

To be a prominent Shari'ah compliant industrial REIT with an outstanding portfolio of assets in Singapore and beyond.

MISSION

To seek yield-accretive initiatives to strengthen and grow Sabana REIT's portfolio and to satisfy our Unitholders by delivering attractive DPU.

We work for Unitholders

Our objective is to provide Unitholders with regular and stable distributions. We also aim to achieve long-term growth in DPU and net asset value ("NAV") per unit in Sabana REIT ("Unit"), while maintaining an appropriate capital structure.

ABOUT SABANA REIT

Listed on Singapore Exchange Securities Trading Limited since 26 November 2010, Sabana REIT has a diversified property portfolio valued at S$1.0 billion as at 31 December 2017, comprising 20 properties strategically located across Singapore. Sabana REIT has four main industrial property segments: High-tech Industrial, Chemical Warehouse and Logistics, Warehouse and Logistics and General Industrial. As at 31 December 2017, Sabana REIT continued to be one of the largest listed Shari'ah compliant industrial real estate investment trusts ("REIT") in the world in terms of total asset size.

The Trust is managed by an external manager, Sabana Real Estate Investment Management Pte. Ltd. (the "Manager").

THE MANAGER

The Manager was incorporated in Singapore on 15 March 2010 and is wholly-owned by Sabana Investment Partners Pte. Ltd. ("SIP"), of which the shareholders are Vibrant Group Limited (the "Sponsor"), Blackwood Investment Pte. Ltd. ("Blackwood") and Atrium Asia Capital Partners Pte. Ltd. ("AACP").

LETTER TO UNITHOLDERS

Dear Unitholders,

As you receive this Annual Report, the Sabana REIT that you know has recalibrated itself and is already hard at work to improve performance for you.

We had a uniquely challenging FY 2017 which saw us take some tough but necessary decisions. The Sabana REIT that has emerged is a stronger one that is more attuned to our stakeholders' interests. We have every confidence moving forward that our refreshed leadership, recalibrated portfolio strategy and strong core of dedicated employees will take us firmly on a path to delivering sustainable value to you, our Unitholders.

Recalibrated to create long-term value

After listening to your views, we undertook a Strategic Review to relook Sabana's entire operations and strategy. Having committed to this, we left no stone unturned, speaking to many and various parties, assessing a number of proposals and undertaking in depth discussions with potential partners, all with the view of improving returns for you, our Unitholders.

We worked to balance the rigours of the Strategic Review with maintaining core operational performance in a difficult market, but the nature of the process and commercial discussions also meant we had to pause in some big operational decisions and changes. This likely had some impact on performance and returns. Still, it was an important exercise which allowed us to go back to the fundamentals, and has enabled us to say with certainty that the recalibrated strategy is the best way forward for us.

LETTER TO UNITHOLDERS

"In FY 2017, we secured 55 lease renewals and new leases across our portfolio, including renewing all four master-tenanted properties that were due to expire in the year."

After this thorough and considered Strategic Review process, we determined the best way to serve your interests is by re-focusing on driving growth organically; including refreshing the Board of Directors and senior leadership at the Manager, enhancing the portfolio and improving cost controls.

We have since moved forward on the three key pathways we committed to in the recalibrated strategy. Together, your new Chairman and new CEO, who bring to bear 30 years experience in the real estate industry, will take Sabana REIT on the next leg of its journey. In addition to existing Directors, we welcomed Mr Kelvin Tan Wee Peng and Mr Tan Cheong Hin as two new Independent Directors with deep industry experience and track records, including key leadership roles at IREIT Global and Mapletree, to provide further confidence and will have a significant positive impact to the stewardship of the company and the execution of our business strategy.

As part of that strategy, your refreshed leadership will focus on further refining the Manager's business plans and drive changes at Sabana REIT to improve distribution per unit ("DPU"). This will include:

- Driving revenue and occupancy by ramping up marketing efforts, and focusing on retaining particularly key tenants;
- Enhancing the portfolio to focus on high specification assets and business parks, including through selective divestments of underperforming assets as appropriate;
- Further cost rationalisation by re-examining the entire business to identify additional operational efficiencies; and
- Remaining open to exploring opportunities with any potential strategic partner, if they benefit Sabana REIT

By diligently executing on these areas of focus, it is our sincere intent that the refreshed leadership will regain and retain your confidence as Unitholders.

Sabana REIT Performance

A confluence of factors contributed to our lower year-on-year DPU of 3.31 Singapore cents for FY 2017, from 4.64 Singapore cents the year before.

LETTER TO UNITHOLDERS

Following a rights issue intended to support the purchase of three properties, our unit base widened and consequently DPU levels were reduced. While the proposed acquisitions were terminated after listening to stakeholders' feedback, the proceeds from the issuance were put to good use as we optimised our long-term capital structure by paying down our loan obligations.

With the Manager unable to receive its management fees in units for FY 2017, DPU was further impacted. Had we continued to receive 80% of our base fees in units under the general mandate for the year - if the corresponding resolution had passed at the last Annual General Meeting - DPU would have been 3.56 cents.

The industrial property market also remained challenging. Data from JTC Corporation showed a 2.8% decline in industrial property rents overall, as at end of December 2017, albeit narrowing from a 6.8% decline for FY 2016. Nonetheless, the core of our operations stayed resilient. In FY 2017, we secured 55 lease renewals and new leases across our portfolio, including renewing all four master-tenanted properties that were due to expire in the year. We also began the supplementary lease for 10 Changi South Street 2, which will generate an additional S$1.0 million in rental per annum. While coming off FY 2016 levels, our overall portfolio occupancy was a fairly resilient 85.4% as at the end of FY 2017.

We also moved decisively to improve our capital structure and lower the costs of our borrowings and gearing over the year, shoring up solid foundations from which to deliver on our growth strategy over the coming years.

Looking Ahead

Restoring Sabana REIT's performance will be a process requiring time, diligence and focus – we will not turn it around overnight. However, we see encouraging signs at both the macro level for our industry and in our own strategic approach.

Market watchers continue to predict a muted industrial real estate market for the year ahead, with JTC estimating 1.6 million square metres ("sq m") of industrial space to come on stream in 2018, representing a 20% decline from the previous year. But as new supply (estimated at an average of 800,000 sq m per year for 2019 and 2020) starts to taper in the coming years, prices and rentals may stabilise in tandem with improving occupancy rates. Another development we are tracking closely is Singapore's natural evolution up the manufacturing value chain and as it drives its suite of transformative Smart Nation initiatives nationwide. This we believe will fundamentally reshape the tenant base for industrial landlords such as ourselves in the longer term.

Our refreshed strategy is to make strategic divestments and recycle the capital proceeds to enhance our portfolio and enlarge our footprint for high-spec assets and, potentially, business parks, which are vital pockets of growth amid Singapore's continued transformation towards a higher tech and skills economy. Further, business parks and high-spec assets – straddling a unique space between a traditional office and industrial space – serve as a good proxy for the already recovering office sector.

We are positioning carefully and deliberately to capture these opportunities at a portfolio level. Firstly, we will divest properties that no longer meet the objectives of the REIT such as the recently announced sale of 6 Woodlands Loop. Secondly, we will embark on asset

LETTER TO UNITHOLDERS

enhancement initiatives ("AEI") for properties primed to capitalise on this transition and rejuvenate those at risk of becoming uncompetitive. Proceeds from divestments will be redeployed to fund the AEI and/or explore acquisitions that are yield-accretive.

Even if, in some cases, we must look to the long-term to realise AEI returns, we see this as representing the best interests of our Unitholders and will phase in necessary capital expenditures to balance costs and returns over the short run. Reinvesting capital from selective divestments also means we do not need to tap the markets to raise funds – safeguarding Unitholders from dilution of DPU.

With regard to driving occupancy and revenue, we must cast our net wider to reach out to our real estate agency partners, keep our rents competitive and be flexible with our leasing terms to meet the varied needs of our tenants. As a start, we held a "Meet the CEO" event on 1 March 2018 to engage and familiarise top industrial property agents to Sabana's portfolio of properties. More effort will also be spent on tenant engagement and retention in order to deliver a healthy occupancy level.

Acknowledgements

On behalf of the Board and the Manager, we want to extend our gratitude to both the former Chairman and Independent Non-Executive Director, Mr Steven Lim Kok Hoong, and former CEO and Executive Director, Mr Kevin Xayaraj, who stepped down in July and December 2017 respectively. We wish them the very best in their future undertakings.

Thank you to all staff at the Manager. Their tireless dedication and commitment throughout the transition period was fundamental to securing our performance in FY 2017 and will underpin our future growth.

We also appreciate the continued support from our Trustee, partners, lenders and tenants over what was a challenging year.

Last but certainly not least, we would like to thank all of you, our Unitholders, for your continued patience and feedback on how we can improve. Please be assured that you will be regularly updated and engaged as we take the organisation forward. We also wish to take this opportunity to call for your continued confidence and mandate in delivering on our strategy. We are confident that as we continue on our current path, we will be able to generate sustainable, long-term value for you while mitigating near-term volatility.

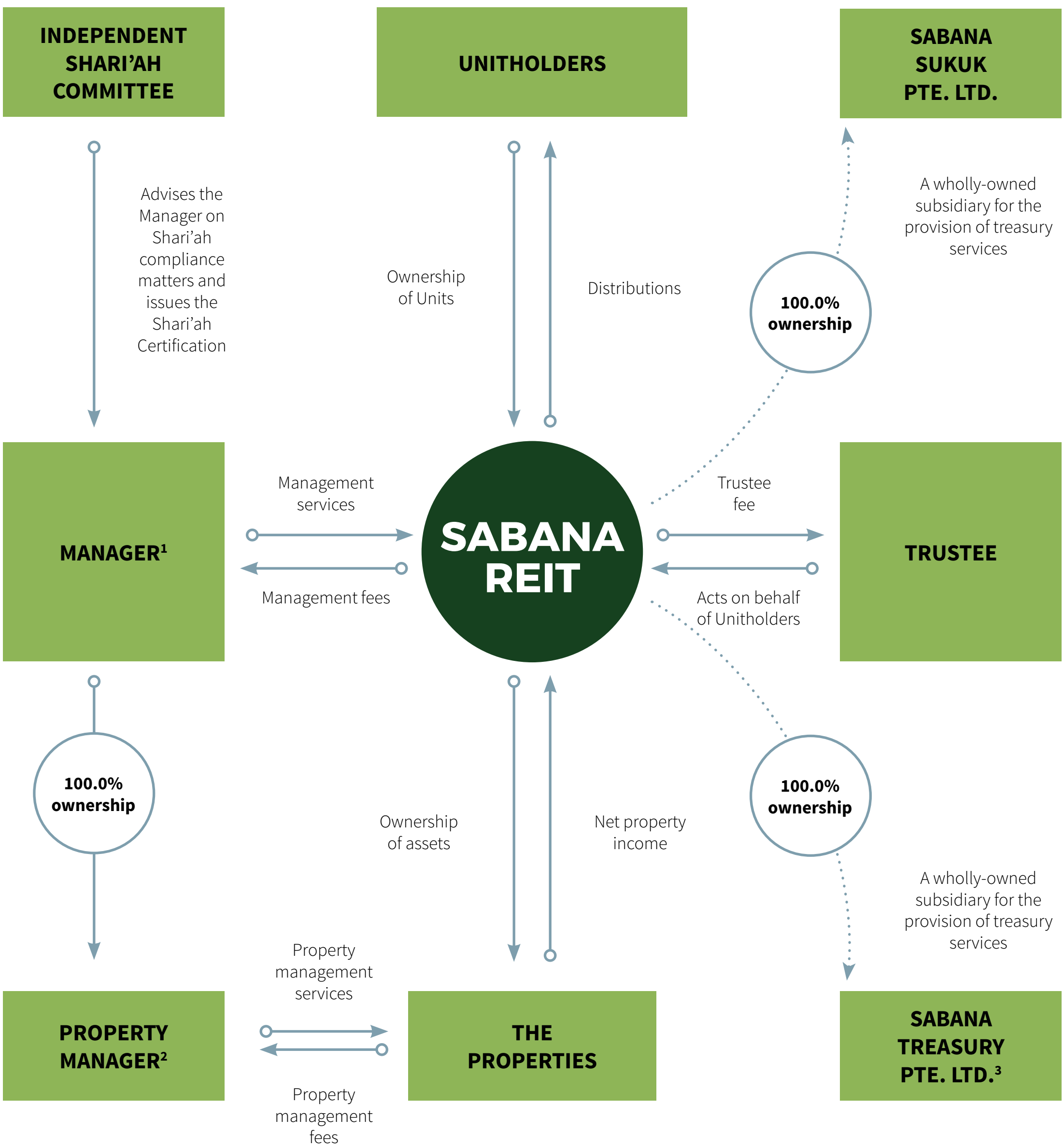
Mr Yong Kok Hoon
Chairman and Independent Non-Executive Director

Mr Donald Han
Chief Executive Officer

OUR RECALIBRATED STRATEGY

Divestment of Non-Core/ Non-Performing Assets	We will continuously review Sabana REIT's portfolio and identify non-core / non-performing assets for divestment. Sales proceeds will be recycled and redeployed to pare down bank loans, to fund asset enhancement initiatives ("AEI") and/or fund yield accretive new acquisitions particularly in the high specification industrial assets and business parks.
Asset Enhancement Initiatives	As we identify core investment properties that can provide good rental growth opportunity, we will allocate funds for AEI with the aim to improve circulation, efficiency and rentable areas so as to enlarge the revenue base. This is expected to have a positive impact on valuations and an accretive outcome towards growing Sabana REIT's DPU.
Potential Acquisitions with Overseas Focus	While Singapore remains as an important investment base, we want to expand our investment footprint outside Singapore eventually to diversify earnings and bring portfolio stability. We want to capitalise on longer WALE tenancies, longer land tenures and opportunity to participate in key growth markets internationally. Key sectors of interest include logistics, high-tech assets and business parks. All potential acquisitions (locally or regionally) will be thoroughly reviewed with the necessary due diligence and relevant risk profiles taken into consideration.
Prudent Capital and Risk Management	We will employ an approximate mix of debt and equity in financing acquisitions and AEI, and utilise profit rate and currency hedging strategies where appropriate. We will continue to be proactive in expanding our base or relationships with banks in order to access greater pool of financing options to optimise risk-adjusted returns for Unitholders. We will also review our risk management policies and systems regularly, to reflect changes in market conditions and Sabana REIT's strategic direction.

OUR TRUST STRUCTURE



[1] The Manager is 100.0% owned by SIP. SIP is 51.0% owned by the Sponsor, 45.0% owned by Blackwood and 4.0% owned by AACP as at 31 December 2017.

[2] The Property Manager, Sabana Property Management Pte. Ltd. ("SPM") is 100.0% owned by SIP, indirectly through the Manager.

[3] Sabana Treasury Pte Ltd is in the process of being struck off following the full redemption of all outstanding Convertible Sukuk on 25 September 2017.

SHARI'AH COMPLIANCE COMMONLY ASKED QUESTIONS

INDEPENDENT SHARI'AH COMMITTEE

Dr. Mohamed Ali Elgari

Professor Dr. Obiyathulla Ismath Bacha

Dr. Ashraf bin Mohammed Hashim

Q: WHAT DOES BEING "SHARI'AH COMPLIANT" MEAN?

A: Being Shari'ah compliant means complying with Shari'ah investment principles and procedures which are consistent with principles of Islamic law. It also requires general considerations of ethical investing in terms of social responsibility in asset selection and structuring.

Q: WHAT ARE THE DIFFERENCES IN THE DAY-TO-DAY OPERATIONS OF SABANA REIT COMPARED TO CONVENTIONAL REITS?

A: We have to ensure that the total rental income from lessees, tenants and/or sub-tenants engaging in activities prohibited under the Shari'ah guidelines should not exceed 5.0% per annum of the Trust's gross revenue. On an annual basis, our Shari'ah Advisor, Five Pillars Pte. Ltd. (the "Shari'ah Advisor") conducts audit checks to ensure that the business activities conducted by the tenants are permissible by Shari'ah guidelines. Business activities relating to conventional financial and insurance services, gaming, non-halal production, tobacco-related products, non-permitted entertainment activities and stock-broking in non-compliant securities are considered to be non-permissible. The assessments by the Shari'ah Advisor would then be reported to the Independent Shari'ah Committee which will decide if Sabana REIT is eligible for re-certification as being Shari'ah compliant.

In terms of financing, investment and deposit facilities and insurance and risk management solutions, we will also seek Shari'ah compliant options where commercially available.

Q: DOES BEING SHARI'AH COMPLIANT LIMIT GROWTH OPPORTUNITIES FOR SABANA REIT?

A: The majority of the properties within the industrial property sector are Shari'ah compliant by nature i.e. they do not house business activities which are non-permissible and thus being Shari'ah compliant does not limit Sabana REIT's growth prospects. In addition, being Shari'ah compliant allows Sabana REIT to access the Islamic equity markets which has enabled Sabana REIT to access more diverse sources of equity funding and a larger investor base.

Q: HOW IS SABANA REIT DIFFERENT FROM OTHER LISTED SHARI'AH COMPLIANT REITS?

A: Sabana REIT is the only Singapore listed REIT which has obtained a certification issued by an Independent Shari'ah Committee consisting of respected Islamic scholars from Malaysia and Saudi Arabia. The certificate represents an endorsement of Sabana REIT's compliance with Shari'ah guidelines according to standards generally accepted in GCC[1] region, such that the total income should not exceed 5.0% of the Trust's gross revenue. The standards used in the GCC states are typically stricter compared to the other parts of the world, thus making it accessible to even more Shari'ah investors. Any non-Shari'ah income generated by Sabana REIT is given away to charitable causes on a quarterly basis. For FY 2017, Sabana REIT's non-Shari'ah income that was donated represents only approximately 0.02% of Sabana REIT's gross revenue.

Q: DOES SABANA REIT HAVE TO COMPLY WITH PREVAILING LEGISLATION, REGULATIONS, ACCOUNTING STANDARDS, GUIDELINES AND DIRECTIVES AFFECTING REITS IN SINGAPORE OR IS IT ONLY SUBJECT TO SHARI'AH GUIDELINES?

A: Sabana REIT has to and will comply with prevailing legislation, regulation, accounting standards, guidelines and directives affecting REITs in Singapore. Sabana REIT's adherence to Shari'ah investment principles and procedures are in addition to the laws, rules and regulations of any other relevant regulatory or supervisory body or agency applicable to Sabana REIT. Where Shari'ah principles conflict with the laws, rules and regulations applicable to Sabana REIT, such laws, rules and regulations shall prevail.

[1] Refers to Cooperation Council for the Arab States of the Gulf.

2017 SIGNIFICANT EVENTS

JANUARY

- On 4 January, commenced of trading of Rights Entitlements on the SGX-ST.
- On 26 January, commenced of trading of 310,712,244 Rights Units on the SGX-ST.

FEBRUARY

- On 2 February, announced a Strategic Review on the current shareholding structure and management of the Manager, as well as Sabana REIT's strategic direction and business.
- On 6 February, received requisition for an Extraordinary General Meeting from a group of Unitholders.

MARCH

- On 23 March, Non-Independent and Non-Executive Director Ms Ng Shin Ein resigned.

APRIL

- On 21 April, held dialogue session with Securities Investors Association (Singapore).
- On 28 April, held its 2017 Annual General Meeting and Extraordinary General Meeting.

MAY

- On 9 May, terminated the proposed acquisition of 47 Changi South Avenue 2.

JULY

- On 6 July, terminated the proposed acquisition of 107 Eunos Avenue 3.
- On 21 July, terminated the proposed acquisition of 72 Eunos Avenue 7.
- On 28 July, Board Chairman and Independent Non-Executive Director Mr Steven Lim Kok Hoong resigned due to health reasons. Mr Yong Kok Hoon was appointed as the new Board Chairman and Independent Non-Executive Director.

AUGUST

- On 11 August, completed the divestment of 218 Pandan Loop for a sale price of S$14.8 million.

SEPTEMBER

- On 25 September, fully redeemed S$42.75 million outstanding Convertible Sukuk.

NOVEMBER

- On 6 November, Mr Kelvin Tan Wee Peng was appointed as Independent Non-Executive Director and Chairman of the Audit Committee.
- On 28 November, established a new S$30.0 million Term Loan Facility to repay existing borrowings and for working capital.

DECEMBER

- On 28 December, established new Commodity Murabahah Facilities of up to S$100.0 million to refinance 2018 maturing facilities.
- On 31 December, Chief Executive Officer and Executive Director Mr Kevin Xayaraj resigned.

INVESTOR RELATIONS

OUR GUIDING PRINCIPLE

The Manager believes in providing timely, clear, and consistent information to enable stakeholders to assess and make informed investment decisions.

CLEAR AND TIMELY DISCLOSURE

Quarterly financial results are typically released within one month after the end of each quarter through SGX-ST via the SGXNet and our corporate website. Pertinent information including annual reports, financial ratios, distribution history, portfolio details, announcements and press releases relating to Sabana REIT's corporate development are also updated regularly on our website.

OPEN COMMUNICATIONS

Our investor relations (IR) team is easily contactable via phone and email. Sell-side analysts have access to the management through quarterly briefings after the release of Sabana REIT's quarterly or annual results. Throughout the year, the senior management and IR team also continued to communicate with analysts and the media via conference calls, emails and face-to-face meetings.

The Annual General Meeting serves as an important communication channel between the board, management and Unitholders. On 28 April 2017, Sabana REIT held its 2017 Annual General Meeting and Extraordinary General Meeting at Suntec Singapore International Convention & Exhibition Centre with a turnout of more than 450 Unitholders for both general meetings. Prior to this, we also organised a Securities Investors Association (Singapore) ("SIAS") dialogue session to understand and address Unitholders' concerns.

Through various channels of engagement, we received analysts' and investors' feedback on our performance and responded in a timely manner to any possible concerns.

INVESTOR & MEDIA RELATIONS ACTIVITIES IN FY 2017

1ST QUARTER

- Analysts' Results Briefing for 4Q 2016 Financial Results

2ND QUARTER

- Dialogue Session with Securities Investors Association (Singapore)
- Sabana REIT's 6th Annual General Meeting
- Extraordinary General Meeting
- Analysts' Results Briefing for 1Q 2017 Financial Results

3RD QUARTER

- Analysts' Results Briefing for 2Q 2017 Financial Results

4TH QUARTER

- Analysts' Results Briefing for 3Q 2017 Financial Results

UNITHOLDERS' ENQUIRIES

If you would like to find out more about Sabana REIT, please contact:

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151 Lorong Chuan
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Singapore 556741

Phone: (65) 6580 7750
Fax: (65) 6280 4700
Email: enquiry@sabana.com.sg
Website: www.sabana-reit.com

FINANCIAL HIGHLIGHTS

KEY FINANCIAL FIGURES

S$'000	FY 2017	FY 2016	FY 2015
Gross revenue	85,196	91,807	100,824
Net property income	53,379	56,942	71,605
Distributable income	35,005	36,949	50,135
DPU (cents)	3.31	4.64	6.85

SELECTED BALANCE SHEET DATA

S$'000	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Total assets	966,109	1,022,889	1,165,399
Borrowings, at amortised costs	365,806	437,924	481,084
Net assets attributable to Unitholders	571,545	556,795	653,741
Units in issue and to be issued entitled to distribution ('000)	1,053,084	1,053,084	734,027
NAV per Unit (S$)	0.54	0.75	0.89
Adjusted NAV per Unit (S$)	0.53	0.74	0.88
Market capitalisation	415,968	399,191	523,652

FINANCIAL HIGHLIGHTS

BORROWINGS PROFILE

	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Aggregate leverage[1]	38.2%	43.2%	41.7%
Total borrowings (S$ million)	367.5	441.1	485.8
Fixed as % of total borrowings	76.2%	90.2%	81.9%
Weighted average all-in financing cost	3.9%	4.2%	4.2%
Weighted average tenor of borrowings	1.8 years	1.9 years	2.1 years
Profit coverage ratio[2]	3.7x	3.1x	3.8x
Unencumbered investment properties (S$ million)	268.7	331.5	375.8

1 Ratio of total borrowings and deferred payments over deposited property as defined in the Property Funds Appendix.
2 Ratio of net property income over profit expense (excluding amortisation and other fees).

BOARD OF DIRECTORS

MR YONG KOK HOON
Chairman and Independent Non-Executive Director

Mr Yong was appointed as an Independent Non-Executive Director of the Manager on 1 November 2010 and Chairman of the Board of Directors on 28 July 2017. He is also the Chairman of the Nominating and Remuneration Committee and a member of the Audit Committee.

Mr Yong was the Managing Director of InnoTek Limited, a technology focused group of companies listed on the main board of the SGX-ST. He was also the Chairman and CEO of Mansfield Manufacturing Co, Limited, a Hong Kong-incorporated precision engineering group with manufacturing facilities in Donguan, Suzhou, Dalian and Wuhan, in the People's Republic of China and operations in Netherlands and Czech Republic in Europe. He retired from his active roles in May 2014.

Mr Yong is a Chartered Accountant (Singapore) and a Fellow of the Association of Chartered Certified Accountants (UK). He started his accounting and auditing career with KPMG LLP and subsequently spent more than 10 years in Ernst & Young until 1994; and thereafter, as Partner in Moore Stephens, an international accounting firm. In his foray into the corporate world, Mr Yong took on the position of Group Financial Controller at QAF Ltd, a SGX-ST main board listed FMCG group between 1996 and 1999. Since 1999, Mr Yong had been with InnoTek Limited, and held key leadership roles which span over 15 years, serving initially as Chief Financial Officer ("CFO"), Executive Director and subsequently as Managing Director.

With a robust background in accounting, auditing, finance and, advisory services, Mr Yong played pivotal roles in M&A transactions, strategic investments and corporate functions in InnoTek Limited to unlock shareholder value. He was also the key driver for its strategic direction, operational excellence, corporate governance compliance and risk management. Under his leadership, InnoTek Limited won the investor choice, "Best Corporate Governance award (small cap, <S$300 million)" for two consecutive years in 2012 and 2013.

Mr Yong also served as a member of the financial statements review committee and was a member of the China Committee of the Institute of Singapore Chartered Accountants. He holds a Master of Business Administration from the International Management Centre, Europe.

Present Directorships

- Sabana Real Estate Investment Management Pte. Ltd.
- Recolte Holdings Limited
- China Jishan Holdings Limited

BOARD OF DIRECTORS

MR KELVIN TAN WEE PENG
Independent Non-Executive Director

Mr Tan was appointed as the Independent Non-Executive Director on 6 November 2017. He is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committee.

Mr Tan has more than 25 years of management and operational experience in the private and public sectors. With extensive directorship experience on public-listed companies, he currently sits on the boards of Viking Offshore and Marine Ltd, IREIT Global Group Pte. Ltd., Transcorp Holdings Ltd and Unusual Ltd. He also holds directorship and advisory positions with several other companies and investment funds such as Golden Equator Capital and Makara Capital Partners.

Mr Tan has held senior management positions, serving as President of AETOS Security Management Pte. Ltd from 2004 to 2008 and as Global Head of Business Development at PSA International from 2003 to 2004. From 1996 to 2003, he was with Temasek Holdings Pte. Ltd, where his last held position was as Managing Director of its Private Equity Funds Investment Unit.

A Local Merit Scholar (Police Service), Mr Tan holds a Bachelor in Accountancy (First Class Honours) and a Master in Business Administration from the National University of Singapore. He is a Council Member and Fellow of the Institute of Singapore Chartered Accountants, member of the Singapore Institute of Directors and the Institute of Management Consultants (Singapore), and an Adjunct Associate Professor with the NUS Business School.

Present Directorships

- Sabana Real Estate Investment Management Pte. Ltd.
- Makara Capital Partners Pte. Ltd.
- GBE Investments Pte. Ltd.
- DBE Consulting Pte. Ltd.
- Viking Offshore And Marine Ltd
- GBE Holdings Pte. Ltd.
- YK Management Pte. Ltd.
- NL Consulting Pte. Ltd.
- IREIT Global Group Pte. Ltd.
- Golden Equator Capital Pte. Ltd.
- Aperio Technology Pte. Ltd.
- Transcorp Holdings Ltd
- Oriental Straits Fund II-D Cayman Islands
- Unusual Ltd

BOARD OF DIRECTORS

MR TAN CHEONG HIN
Independent Non-Executive Director

Mr Tan Cheong Hin was appointed as the Independent Non-Executive Director on 25 January 2018. He is a member of the Audit Committee. Mr Tan has more than 30 years experience in various roles across the finance, asset management and property sectors. His past positions include Director (Europe) of Mapletree Investments, where he set up and headed its London office, and Chief Investment Officer of Cityspring Infrastructure Trust.

He has also held various senior investment and business development roles across industries, including at Temasek Holdings, The Islamic Bank of Asia and Raffles Medical Group.

Mr Tan is a qualified Chartered Financial Analyst and holds a Bachelor in Business Administration (1st Class Honours) and a Master of Science (Management) from the National University of Singapore. He also attended INSEAD's Advanced Management Program.

Present Directorship
- Sabana Real Estate Investment Management Pte. Ltd.

BOARD OF DIRECTORS

MR HENRY CHUA TIONG HOCK
Non-Executive Director

Mr Chua was appointed as Non-Executive Director of the Manager on 1 November 2010 and was last re-elected on 18 July 2014. He is a member of the Nominating and Remuneration Committee.

For more than 20 years, Mr Chua has worked at Vibrant Group Limited, the Sponsor of Sabana REIT. Vibrant Group Limited is a leading logistics, real estate and financial services group. He has served in numerous roles in management and operations at Vibrant Group over the years. Mr Chua is currently Executive Director and Chief Corporate Development Officer of Vibrant Group Limited and is responsible for corporate development, investment and properties within the Group. He is concurrently a non-executive director of Freight Management Holdings Berhad, an associate company of Vibrant Group Limited, which is listed on Bursa Malaysia. Mr Chua also holds the position of Executive Director in a number of other subsidiaries in Vibrant Group located in Singapore and overseas.

Mr Chua holds a Bachelor of Arts from the University of Singapore, a Diploma in Personnel Management from the Singapore Institute of Management and Singapore Institute of Personnel Management and a Diploma in Business Administration from the National University of Singapore.

Present Directorships
- Sabana Investment Partners Pte. Ltd.
- Sabana Real Estate Investment Management Pte. Ltd.
- Sabana Property Management Pte. Ltd.
- Vibrant Group Limited
- Freight Management Holdings Berhad

MANAGEMENT TEAM

MR DONALD HAN
Chief Executive Officer

Mr Donald Han was appointed as the Chief Executive Officer on 25 January 2018. Mr Han is a real estate veteran, an accomplished and respected consultant across most sectors in the property market, including industrial, having spent close to 30 years in various senior management and advisory positions. His experience ranges from residential agency to collective en bloc, office investment sales to retail leasing, regional hospitality and hotel disposition to international project marketing.

Mr Han started his career at Richard Ellis Pte Ltd, where he built experience in industrial property and investment sales. He set up Cushman & Wakefield Singapore Pte Ltd ("C&W") and was appointed Managing Director of the Singapore office in 1997. He was subsequently promoted to C&W's Asia Pacific Capital Markets Managing Director in 2008.

He left C&W whilst at the helm as Vice Chairman of C&W Singapore and an advisory Asia Pacific Board member with a team of over 100 personnel under him. He eventually acquired a stake in UK-owned Chesterton's Singapore operations in 2013, leading a team of over 100 personnel.

Mr Han holds a Bachelor of Science in Estate Management from the National University of Singapore and is a member of the Singapore Institute of Surveyors and Valuers.

MR BOBBY TAY CHIEW SHENG
Co-founder, Chief Strategy Officer and Head of Investor Relations

Mr Tay has been serving as the Chief Strategy Officer and Head of Investor Relations of the Manager since the listing of Sabana REIT in November 2010.

Prior to joining the Manager, Mr Tay was Director, Business Development at AACP. He worked with Cambridge Industrial Trust Management Limited as the manager of the investor relations department from August 2007 to September 2009. Mr Tay was Manager of Investor Relations at Aztech Group Ltd from April 2007 to August 2007 and Manager of Magnecomp International Limited from April 2004 to April 2007, where he handled media, investor and analyst relations for the company. In all, Mr Tay has more than a decade of experience in the field of investor relations. Before his foray into the investor relations field, Mr Tay worked as an operations executive for the People's Action Party at its headquarters from January 2000 to April 2004.

Mr Tay also serves as President of Gulf Asia Shari'ah Compliant Investment Association, a non-profit organisation he founded with a group of Islamic Finance professionals. This organisation seeks to promote awareness and understanding of Islamic Finance and to forge stronger synergies between the Gulf and Asia on Islamic Finance.

Mr Tay holds a Bachelor of Commerce in Management from the University of Western Sydney and a Master of Business Systems degree from Monash University.

MANAGEMENT TEAM

MR AW WEI BEEN
Chief Operating Officer and Head of Asset Management

Mr Aw was appointed as the Chief Operating Officer and Head of Asset Management of the Manager since the listing of Sabana REIT in November 2010. He has worked in the real estate industry for approximately 22 years.

Prior to joining the Manager in 2010, Mr Aw was Head of Asset Management at AACP. This was preceded by his role at the Agency for Science, Technology and Research ("A*STAR"), where he served as Head, Infrastructure Planning and Facilities Management. At A*STAR, Mr Aw was responsible for the development planning of a business park cum high-specification scientific facility.

From 2007 to 2009, Mr Aw served as a Senior Manager for Investment at Cambridge Industrial Trust Management Limited. From 2005 to 2007, Mr Aw was with Jurong Consultants Pte Ltd, a wholly-owned subsidiary of JTC Corporation, where he was the principal planner in the planning department. The role saw him leading and co-leading consultancy projects out of Singapore, in master planning of industrial parks and related areas.

Mr Aw began his career in 1995 with JTC, a statutory board that controls the development and marketing of major industrial estates in Singapore. There, he built up his experience in lease management, land and building development and the marketing of industrial facilities. Mr Aw was at JTC from May 1995 until February 2005 and held the position of Manager before he left the company.

Mr Aw graduated with a Bachelor of Science (Honours) in Estate Management from the National University of Singapore and holds a Master of Science in Real Estate from the National University of Singapore.

MS TAN CHIEW KIAN
Chief Financial Officer

Ms Tan joined the Manager as CFO in April 2011. She works closely with the CEO and the management team to formulate strategic plans for Sabana REIT. Prior to joining the Manager, Ms Tan held key accounting and finance positions in a number of listed companies.

From February 2008 to March 2011, Ms Tan was the Chief Financial Officer of Singapore Medical Group Limited, where she was responsible for the Group's finance, tax, treasury, audit, investments and other matters that relate to the Group's listing on SGX-ST. From 2006 to 2008, she was Chief Financial Officer of Toll Logistics (Asia) Ltd (formerly known as Sembawang Kimtrans Ltd), Southeast Asia's leading integrated logistics service provider, where she held a similar portfolio. Ms Tan started her accounting career at JTC as Accountant and took on the role as Finance Manager for CapitaLand Commercial Limited from 2001 to 2005.

Ms Tan holds a Master of Business Administration (Accountancy) from Nanyang Technological University and a CIMA Diploma in Islamic Finance. She is a Chartered Accountant and Accredited Tax Practitioner (Income Tax) of Singapore, and member of the Institute of Singapore Chartered Accountants and Singapore Institute of Accredited Tax Professionals Limited.

CORPORATE SOCIAL RESPONSIBILITY

DOING WELL, BY DOING GOOD

DOING WELL BY DOING GOOD

Corporate social responsibility is not another slogan. Our commitment to contributing to the community is rooted in our core strategy of creating long-term value for stakeholders as well as social value for the community. Since our inception, we have incorporated CSR in our business strategy because we believe that improving lives and enhancing the well being of the community is also good for our business.

PARTNERSHIP APPROACH TO CSR

Our community engagement efforts involve voluntary contribution of our resources as well as supporting the efforts of like-minded charities in improving the lives of the less fortunate.

During the year under review, Sabana REIT contributed S$21,250 from its non-Shari'ah income to Smile Asia. Smile Asia is a global alliance of independent charities working together to treat facial deformities like cleft lip and cleft palate. The alliance aims to raise standards of medical care by creating opportunities for collaborative learning and exchange of best practices. The donation was used to partially cover the cost of organising a medical mission in Paro, Bhutan held from 12 to 20 November 2017. During this mission, comprehensive medical evaluations were provided to 39 patients of which 22 received life-changing surgeries.

Eight-month-old Tandin Tshomo who received an unilateral cleft lip surgery during the medical mission in Paro, Bhutan organised by Smile Asia.

MANAGER'S REVIEW: FY 2017

Key Highlights For FY 2017

DPU
3.31
Singapore cents

Net Asset Value Per Unit
S$0.54

Distributable Income
S$35.0 million

Net Property Income
S$53.4 million

Gross Revenue
S$85.2 million

Strategic Review of Operations

- Executed on recalibrated strategy after talks with ESR-REIT ended
- Appointed Mr Kelvin Tan as Chairman of Audit Committee
- Departure of Mr Kevin Xayaraj as CEO and appointment of Mr Aw Wei Been as Acting CEO for seamless transition to new leadership
- Manager forgone 75% and 25% of fees in 1Q and 2Q respectively to mitigate DPU impact on Unitholders

Active Portfolio Management

- Secured 55 lease transactions (renewals and new leases); overall occupancy level stood at 85.4%
- Renewed all four master leases expiring in the year, securing steady recurring income
- Commenced supplementary lease for 10 Changi South Street 2, generating S$1.0 million in additional rental per annum
- Strategic divestment of 218 Pandan Loop to streamline portfolio; announced plans for 6 Woodlands Loop divestment.

Prudent Financial Management

Continued to optimise capital structure:
- Lower aggregate leverage at 38.2% (FY 2016: 43.2%)
- Weighted all-in cost of borrowing at 3.9% (FY 2016: 4.2%)

Ensure the Trust is well capitalised to service outstanding loans:
- Secured S$130.0 million in credit facilities to refinance 2018 commitments
- Improved profit coverage ratio to 3.7 times (FY 2016: 3.1 times)

Significantly reduced net finance costs:
- Net proceeds from Rights Issue and divestment of 218 Pandan Loop used to pay down borrowings
- Redeemed higher cost convertible sukuk with lower cost facilities

MANAGER'S REVIEW: FY 2017

STRATEGIC REVIEW

In February 2017, in response to feedback from Unitholders, the Sponsor and Manager of Sabana REIT carried out a Strategic Review, considering all options to further the sustainable growth of Sabana REIT and the interest of Unitholders. An independent Strategic Review Committee ("SRC") formed by the Manager held discussions with various parties locally and from abroad, including asset managers, REITs, developers and private equity funds. Based on the review of the indicative and non-binding proposals received, the Manager entered into exclusive discussions with ESR- REIT.

After talks with ESR-REIT ended in November 2017, Sabana REIT recalibrated its strategy along three key pillars:

1. Rejuvenate portfolio through selective divestments and active asset management
2. Renewal of senior leadership
3. Enhancing the Board of Directors

The Manager delivered on the recalibrated strategy promptly, appointing Mr Donald Han as new CEO in January 2018, refreshing the Board with the addition of Mr Tan Cheong Hin and Mr Kelvin Tan in January 2018 and November 2017 respectively, and advancing talks for the strategic divestment of 6 Woodlands Loop while exploring other options to improve occupancy and revenue. The key appointments in January 2018 marked the end of the Strategic Review.

The refreshed leadership is now focusing on delivering improved performance for Unitholders by:

1. Driving revenue and occupancy by ramping up marketing efforts, and focusing on retaining particularly key tenants
2. Enhancing the portfolio to focus on high specification assets and business parks, including through selective divestments of underperforming assets
3. Further cost rationalisation by re-examining the entire business to identify additional operational efficiencies

At the same time, the Manager remains open to considering proposals from prospective strategic partners that will further strengthen Sabana REIT.

MANAGER'S REVIEW: FY 2017

FINANCIAL PERFORMANCE REVIEW

S$'000	FY 2017	FY 2016
Gross revenue	85,196	91,807
Net property income	53,379	56,942
Distributable income	35,005	36,949
DPU (cents)	3.31	4.64

Sabana REIT reported a DPU of 3.31 cents for FY 2017, 28.7% lower than the 4.64 cents declared for FY 2016. This was based on a distributable income of S$35.0 million, which was 5.3% lower year-on-year ("YoY"). DPU would have been 3.56 cents had the Manager continued to receive 80% of its base fees in units under its general mandate for FY 2017[1].

Gross revenue for FY 2017 was S$85.2 million, 7.2% lower YoY, partly due to non-contribution from 1 Tuas Avenue 4 and 6 Woodlands Loop with effect from third quarter of FY 2017 as collections were no longer probable. The divestment of 200 Pandan Loop and 3 Kallang Way 2A in the first quarter of FY 2016, the lease conversion of 39 Ubi Road 1 in the fourth quarter of FY 2016, as well as lower contributions from certain multi-tenanted properties also adversely affected revenue.

Net property income decreased 6.3% to $53.4 million for FY 2017. Higher trust expenses were incurred in the year due to the Extraordinary General Meeting and Strategic Review but these were partially offset by the voluntary fee waivers taken by the Manager to support performance as well as lower net finance costs.

As at 31 December 2017, total assets stood at S$966.1 million, approximately 5.6% lower than the preceding year, following the annual asset revaluation. However, net asset value increased by 2.6% to S$571.5 million. Net asset value per unit decreased to S$0.54, mainly due to a rights issue and fair value adjustments of the investment properties during the year.

PROACTIVE CAPITAL MANAGEMENT

The Manager continued to optimise its capital structure in FY 2017, reducing borrowing costs and ensuring it is well capitalised to service outstanding loans. As at 31 December 2017, Sabana REIT's aggregate leverage and weighted average all-in cost of borrowings improved to 38.2% and 3.9% respectively, from the 43.2% and 4.2% in the preceding year. Total undrawn facilities stood at approximately S$139.4 million. Profit coverage ratio for FY 2017 improved to 3.7 times, from 3.1 times in FY 2016.

In January 2017, Sabana REIT raised gross proceeds of approximately S$80.2 million from the issuance of 310,712,244 new units to partially finance the proposed acquisition of three properties: 72 Eunos Avenue 7, 107 Eunos Avenue 3 and 47 Changi South Avenue 2. The proposed acquisitions were subsequently terminated and hence the gross proceeds from the rights issue were redeployed. Approximately S$76.7 million of the proceeds were used to partially prepay short-term borrowings, including a Term Commodity Murabaha Facility ("CMF") of S$75.0 million and a Revolving CMF of S$13.3 million, and the balance of approximately S$3.5 million were utilised for costs and expenses, including the applicable GST thereon, relating to the rights issue[2].

In September 2017, the Manager fully redeemed the then outstanding Convertible Sukuk of approximately S$42.8 million using lower cost revolving credit facilities, further reducing borrowing costs.

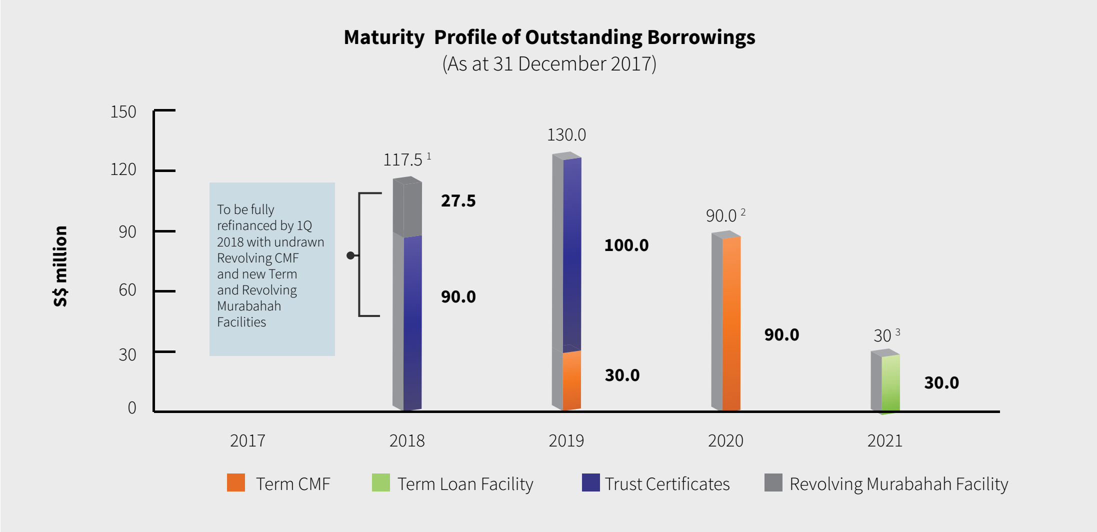
[1] For FY 2017, the Manager's fees had to be fully paid in cash as the ordinary resolution to authorise the Manager to issue units and to make or grant convertible instruments was not passed at the Annual General Meeting held on 28 April 2017.

[2] This was in accordance with the stated uses as outlined in the Offer Information Statement dated 30 December 2016.

MANAGER'S REVIEW: FY 2017

In November and December 2017, new bilateral term and revolving credit facilities totalling S$130.0 million were secured, mainly to redeem the S$90.0 million Trust Certificates due March 2018, as well as to refinance early the Revolving Murabahah Facility due September 2018. With these new facilities secured, there will be no further refinancing requirements for the Trust until the second quarter of FY 2019.

The weighted average tenor of all available facilities for Sabana REIT - amounting to S$506.9 million as at 31 December 2017 - was approximately 1.8 years, staggered over the next four years. Approximately 76.2% of all outstanding borrowings were on fixed borrowing rates, while over S$268.7 million of Sabana REIT's investment properties remained unencumbered.



1 Excludes S$21.4 million undrawn Revolving Murabahah Facility
2 Excludes S$18.0 million undrawn Revolving CMF
3 Excludes S$100.0 million undrawn Term and Revolving Murabahah Facilities secured in December 2017, mainly to repay outstanding borrowings due in 2018.

MANAGER'S REVIEW: FY 2017

PORTFOLIO MANAGEMENT REVIEW

KEY HIGHLIGHTS FOR FY 2017

Sabana REIT continued to maintain a well-diversified portfolio in 2017.

As at the end of the financial year ended 31 December 2017, Sabana REIT has a portfolio comprising 20 industrial properties in Singapore with a total net lettable area ("NLA") of 3,606,304 sq ft. The properties are spread across four asset types: (1) High-tech Industrial, (2) Chemical Warehouse and Logistics, (3) Warehouse and Logistics and (4) General Industrial. They are conveniently situated near major transport routes and are easily accessible by public transport (see pages 33–42 for property locations). They sit on long underlying land leases, with an average lease period of 33.6 years by gross floor area ("GFA").

On 11 August 2017, the Manager completed the divestment of 218 Pandan Loop to X Properties Inc Pte. Ltd. for a sale consideration of S$14.8 million. The sale consideration was approximately 9.6% higher than the purchase consideration of S$13.5 million and approximately 15.6% above the property's book value of S$12.8 million as at 30 June 2017.

As at 31 December 2017, the value of the Trust's portfolio was S$1.0 billion.

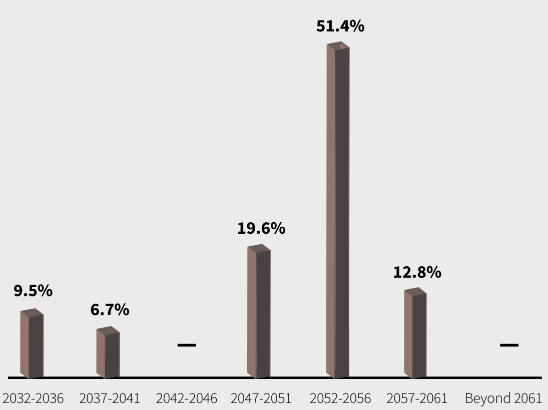
ACTIVE LEASE MANAGEMENT

For the financial year under review, Sabana REIT secured a total of 55 lease transactions (renewals and new leases) across its portfolio. This included the renewal of all four master-tenanted properties expiring in 2017. The three Sponsor-related properties (33 & 35 Penjuru Lane, 18 Gul Drive and 51 Penjuru Road) were renewed on a one-year term each, while the remaining property (21 Joo Koon Crescent) was renewed for another 7 months.

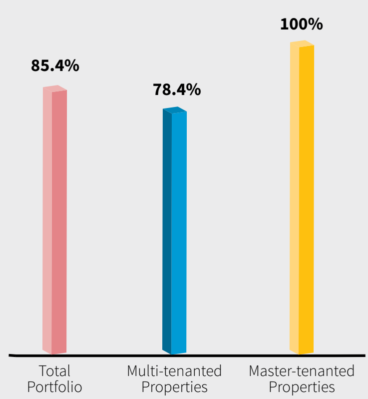
In November 2017, the Manager commenced the supplementary lease for 10 Changi South Street 2, which will generate an additional S$1.0 million in additional rental per annum for the property, not including an annual step up in rent as part of the lease.

As at 31 December 2017, the Trust's portfolio occupancy was 85.4%, with all 9 master-tenanted properties fully occupied and its 10 multi-tenanted properties having an occupancy of 78.4%. The weighted average lease term to expiry ("WALE") for the new leases (including renewals), by gross revenue, was 22.2 months. These new leases contributed to 7.4% of the year's gross rental income. The WALE for the sub-tenancies and master tenancies by gross revenue as at 31 December 2017 were 28.7 months and 2.6 years respectively.

Unexpired Land Lease Term as % of GFA
(As at 31 December 2017)[1]



Occupancy Levels by Tenancy Types (%)
(As at 31 December 2017)



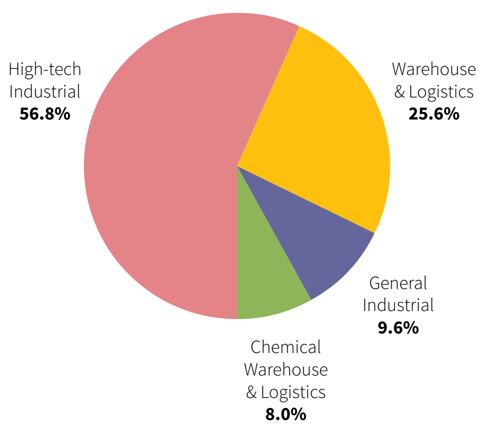
[1] Weighted by GFA.

MANAGER'S REVIEW: FY 2017

WELL-DIVERSIFIED PORTFOLIO OF ASSETS AND TENANTS

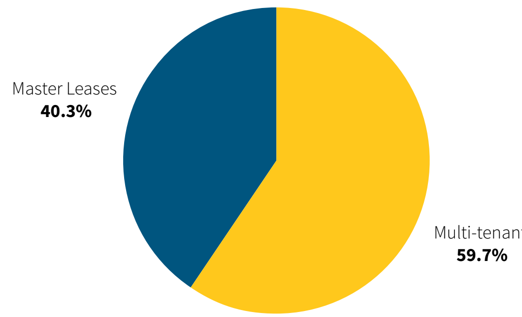
The High-tech Industrial segment remained the largest component in the Trust's portfolio, accounting for 40.9% of total NLA and generating 56.8% of Sabana REIT's gross revenue as at 31 December 2017. The next biggest segment was Warehouse and Logistics, followed by General Industrial and finally, Chemical Warehouse and Logistics.

Portfolio Breakdown by Gross Revenue (%)
(As at 31 December 2017)

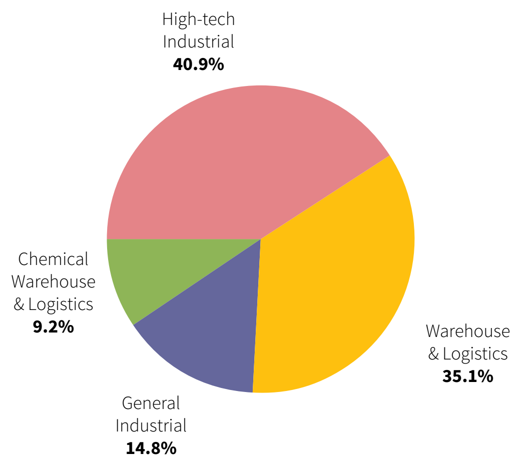


Master-tenanted and multi-tenanted properties accounted for 40.3% and 59.7% of the portfolio's NLA respectively.

Lease Type by NLA (%) [1]
(As at 31 December 2017)



Portfolio Breakdown by Asset Type (% of NLA)
(As at 31 December 2017)



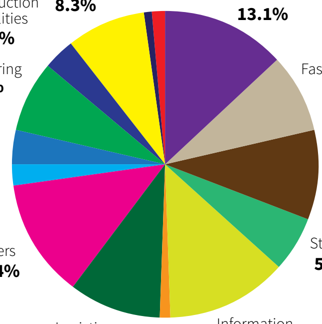
[1] Excludes 6 Woodlands Loop, which is currently vacant, pending completion of divestment in 1H 2018.

MANAGER'S REVIEW: FY 2017

The tenant mix of Sabana REIT's portfolio continues to be diversified. Vibrant Group Limited, Sabana REIT's sponsor, remains our largest tenant, contributing 13.5% of our total gross rental income for FY 2017. In total, the top 10 tenants accounted for approximately 48.8% of Sabana REIT's total gross rental income during the financial year under review. Tenant concentration risk is low as the Manager's 117 tenants, spanning small and medium enterprises to multi-national companies, are spread across different trades and industries. As at 31 December 2017, the largest single sector was the Electronics segment at 13.1%, followed by Information Technology at 12.8%.

Sub-Tenants' Industry Diversification By NLA (%)

(As at 31 December 2017)[1]



TOP 10 TENANTS BY GROSS RENTAL INCOME FOR FY 2017

No.	Tenant	Property	Percentage of Gross Rental Income (%)
1	Subsidiaries of Vibrant Group Limited	33 & 35 Penjuru Lane, Freight Links Express Logisticpark, Singapore 609200/609202 18 Gul Drive, Singapore 629468 51 Penjuru Road, Freight Links Express Logisticentre, Singapore 609143	13.5
2	Advanced Micro Devices (Singapore) Pte Ltd	508 Chai Chee Lane, Singapore 469032	6.0
3	Adviva Distribution Pte. Ltd.	10 Changi South Street 2, Singapore 486596	5.7
4	Diebold Nixdorf Singapore Pte. Ltd.	151 Lorong Chuan, New Tech Park, Singapore 556741	5.1
5	Avnet Asia Pte Ltd	26 Loyang Drive, Singapore 508970 151 Lorong Chuan, New Tech Park, Singapore 556741	4.6
6	ST Synthesis Pte Ltd	3A Joo Koon Circle, Singapore 629033	4.0
7	ASM Advanced Packaging Materials Pte. Ltd.	30 & 32 Tuas Avenue 8, Singapore 639246/639247	3.3
8	Cotton On Singapore Pte. Ltd.	34 Penjuru Lane, Penjuru Logistics Hub, Singapore 609201	2.6
9	Epsilon Telecommunications (SP) Pte. Ltd.	151 Lorong Chuan, New Tech Park, Singapore 556741	2.1
10	Home Box Office (Singapore) Pte Ltd	151 Lorong Chuan, New Tech Park, Singapore 556741	1.9

[1] Refers to sub-tenants and direct tenants.

MANAGER'S REVIEW: FY 2017

INDEPENDENT ASSET VALUATION COMPARISONS

	Valuation as at 31 December 2017 (S$'000)	Valuation as at 31 December 2016 (S$'000)
HIGH-TECH INDUSTRIAL		
151 Lorong Chuan	304,000	316,000
8 Commonwealth Lane	55,000	57,000
9 Tai Seng Drive	40,500	41,000
15 Jalan Kilang Barat	23,000	23,000
1 Tuas Avenue 4[1]	24,800	32,400
23 Serangoon North Avenue 5	37,000	41,000
508 Chai Chee Lane	56,200	56,800
CHEMICAL WAREHOUSE & LOGISTICS		
33 & 35 Penjuru Lane	52,000	60,000
18 Gul Drive	21,000	24,500
WAREHOUSE & LOGISTICS		
34 Penjuru Lane	39,000	40,700
51 Penjuru Road	45,000	46,800
26 Loyang Drive	24,700	24,700
3A Joo Koon Circle	39,000	39,000
2 Toh Tuck Link	31,000	32,300
10 Changi South Street 2	62,200 [3]	52,100
GENERAL INDUSTRIAL		
123 Genting Lane	17,800	18,200
30 & 32 Tuas Avenue 8	29,000	29,000
39 Ubi Road 1	22,700	23,000
21 Joo Koon Crescent	18,500	19,000
6 Woodlands Loop[2]	12,900	14,100
TOTAL	955,300	990,600

1 The property has been revalued assuming immediate termination of existing master lease as at 31 December 2017.
2 The property has been reclassified to investment property held for divestment, following the proposed divestment to third parties.
3 Includes additional GFA of 49,415 sq ft from additions & alterations work which obtained Certificate of Statutory Completion on 28 November 2017 and was announced on 21 December 2017.

MANAGER'S REVIEW: FY 2017

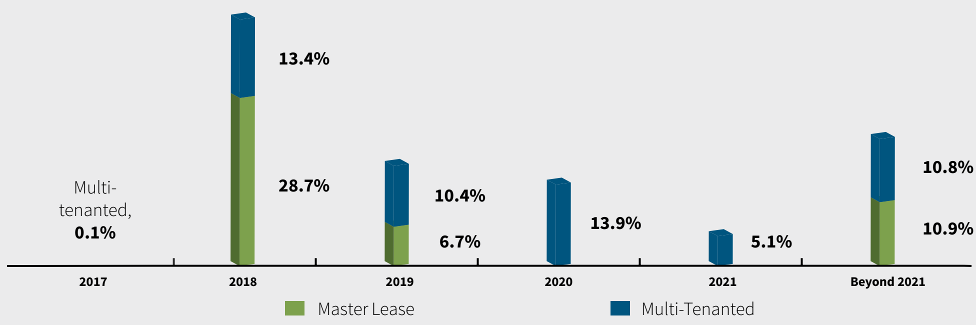
RECALIBRATED FOR THE YEAR AHEAD

Against a subdued outlook for the global economy and the Singapore industrial property market, the Manager will focus on rejuvenating its portfolio through active asset management, selective divestments and driving operational efficiencies.

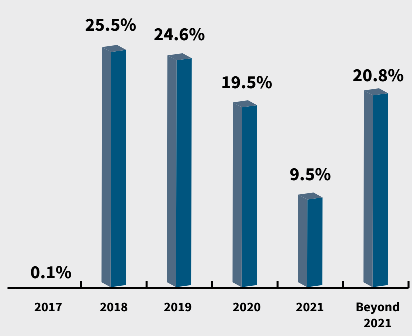
It will prioritise ramping up its marketing efforts, including actively reaching out to real estate agencies, partners and tenants to help improve occupancy levels.

In February 2018, the Manager also announced the divestment of its non-core asset 6 Woodlands Loop, which it targets to complete by 1H 2018. It will continue to selectively divest assets that no longer meet the objectives of the REIT, and will explore embarking on asset enhancement initiatives for properties primed to capitalise on Singapore's ongoing transition up the manufacturing value chain.

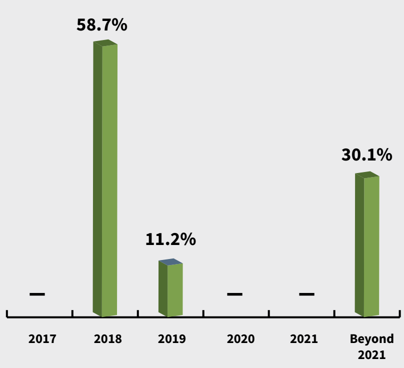
Lease Expiry By NLA (%)
(As at 31 December 2017)



Multi-Tenanted Lease Expiry by Gross Rental Income (%)
(As at 31 December 2017)



Master Lease Expiry by Gross Rental Income (%)
(As at 31 December 2017)



UNIT PERFORMANCE

UNIT PERFORMANCE

In FY 2017, the total return increased by 12.8%[1]. Sabana REIT's unit price closed at S$0.395 on 29 December 2017, 3.9[2]% higher than the opening unit price on 3 January 2017, translating to a market capitalisation of approximately S$416.0 million[3].

TRADING DATA BY YEAR

Unit Price (S$)	2017	2016	2015
Opening	0.380	0.625	0.940
Closing	0.395	0.380	0.715
Highest	0.515	0.625	0.940
Lowest	0.340	0.380	0.705
Unit price performance (%)[4]	3.9	(39.2)	(23.9)
Trading volume (million units)	572.1	192.6	199.8

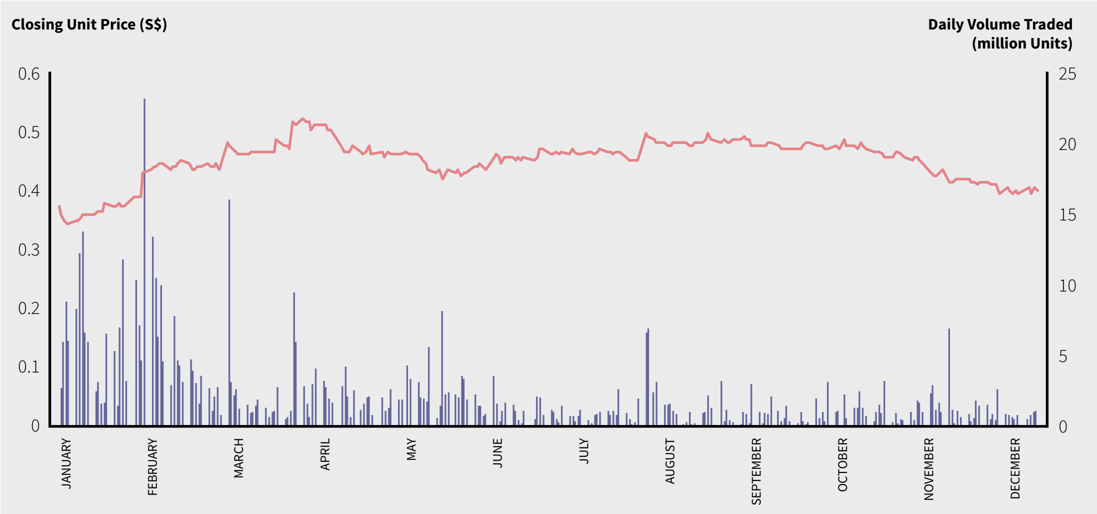
RETURN ON INVESTMENT (FROM 1 JANUARY 2017 TO 31 DECEMBER 2017)

	%
Total Return[1]	12.8
Capital Appreciation[2]	3.9
Distribution Yield[5]	8.4

1 Source: Bloomberg.
2 Difference between the closing unit price on 29 December 2017 and the opening unit price on 3 January 2017.
3 Computed based on closing price and units in issue at the end of the financial year.
4 Difference between the closing unit price on the last trading day of the year and the opening unit price on the first trading day of the year.
5 Based on total DPU declared for FY 2017 and closing unit price of S$0.395 on 29 December 2017.

UNIT PERFORMANCE

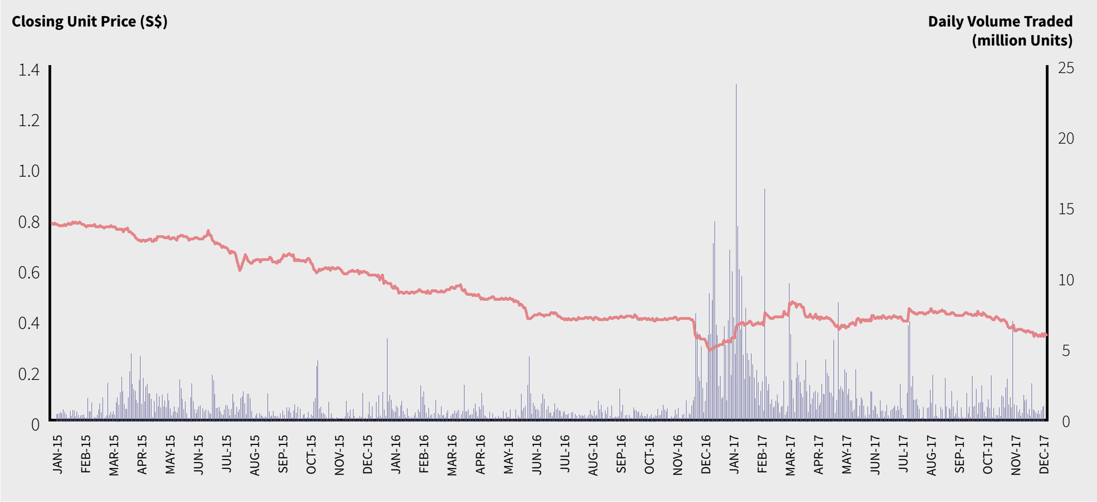
Trading Performance in FY 2017



Source: ShareInvestor

Daily Volume Traded (million Units) Closing Unit Price (S$)

Trading Performance between 2015-2017



Source: ShareInvestor

Daily Volume Traded (million Units) Closing Unit Price (S$)

PROPERTY PORTFOLIO

As at 31 December 2017

Our properties are diversified into four industrial segments across Singapore, close to expressways and public transportation.

HIGH-TECH INDUSTRIAL

01 151 Lorong Chuan
02 8 Commonwealth Lane
03 9 Tai Seng Drive
04 15 Jalan Kilang Barat
05 1 Tuas Avenue 4
06 23 Serangoon North Avenue 5
07 508 Chai Chee Lane

CHEMICAL WAREHOUSE & LOGISTICS

08 33 & 35 Penjuru Lane
09 18 Gul Drive

WAREHOUSE & LOGISTICS

10 34 Penjuru Lane
11 51 Penjuru Road
12 26 Loyang Drive
13 3A Joo Koon Circle
14 2 Toh Tuck Link
15 10 Changi South Street 2

GENERAL INDUSTRIAL

16 123 Genting Lane
17 30 & 32 Tuas Avenue 8
18 39 Ubi Road 1
19 21 Joo Koon Crescent
20 6 Woodlands Loop

PROPERTY PORTFOLIO

151 Lorong Chuan

New Tech Park, Singapore 556741

A six-storey industrial building with a ground level carpark

Purchase Consideration (S$ million)	**305.9**
Latest Valuation (As at 31 December 2017)(S$ million)	**304.0**
Gross Rental Income for FY 2017 (S$ million)	**22.2**
Occupancy Rate[1] (%)	**83.2**
Land Lease Expiry	**2055 45 yrs with effect from ("wef") 26 Nov 2010**
GFA (sq ft)	**810,710**

8 Commonwealth Lane

Singapore 149555

A four-storey industrial building with a six-storey annex

Purchase Consideration (S$ million)	**70.3**
Latest Valuation (As at 31 December 2017)(S$ million)	**55.0**
Gross Rental Income for FY 2017 (S$ million)	**3.6**
Occupancy Rate (%)	**75.8**
Land Lease Expiry	**2059 30 + 23 yrs wef 1 Feb 2006**
GFA (sq ft)	**161,815**

[1] Occupancy rates stated from pages 33 to 42 are as at 31 December 2017.

PROPERTY PORTFOLIO

9 Tai Seng Drive

Geo-Tele Centre, Singapore 535227

A six-storey industrial building with a basement carpark

Purchase Consideration (S$ million)	**46.3**
Latest Valuation (As at 31 December 2017)(S$ million)	**40.5**
Gross Rental Income for FY 2017 (S$ million)	**3.5**
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2055** **30 + 30 yrs** **wef 1 Jun 1995**
GFA (sq ft)	**218,905**

15 Jalan Kilang Barat

Frontech Centre, Singapore 159357

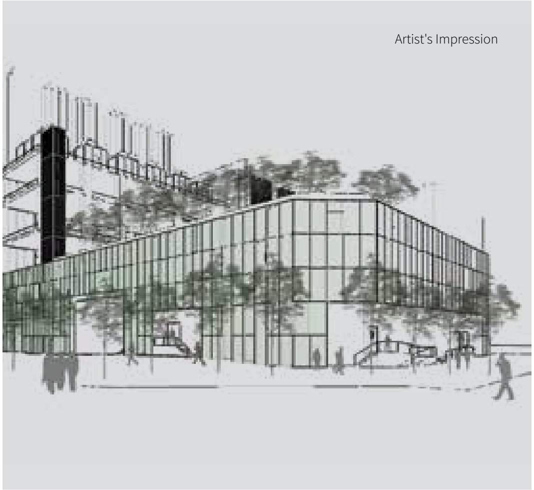
An eight-storey industrial building with a multi-storey carpark at Levels Two & Three

Purchase Consideration (S$ million)	**34.5**
Latest Valuation (As at 31 December 2017)(S$ million)	**23.0**
Gross Rental Income for FY 2017 (S$ million)	**1.9**
Occupancy Rate (%)	**91.5**
Land Lease Expiry	**2060** **99 yrs** **wef 1 Jan 1962**
GFA (sq ft)	**73,928**

PROPERTY PORTFOLIO

1 Tuas Avenue 4

Singapore 639382



Proposed part three-/part six-storey industrial building currently under additions & alterations works

Purchase Consideration (S$ million)	**28.0**
Latest Valuation (As at 31 December 2017)(S$ million)	**24.8**
Gross Rental Income for FY 2017 (S$ million)	**1.4**[1]
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2047 30 + 21 yrs 4 mths wef 1 Jan 1996**
GFA (sq ft)	**160,361**

[1] Non-recognition of revenue with effect from 1 July 2017 as collection from the master tenant was no longer probable. The Manager is working on surrender of the lease.

23 Serangoon North Avenue 5

BTH Centre, Singapore 554530

A five-storey industrial building with a mezzanine level

Purchase Consideration (S$ million)	**61.0**
Latest Valuation (As at 31 December 2017)(S$ million)	**37.0**
Gross Rental Income for FY 2017 (S$ million)	**1.4**
Occupancy Rate (%)	**22.7**
Land Lease Expiry	**2056 30 + 20 yrs 15 days wef 16 Sep 2006**
GFA (sq ft)	**159,384**

PROPERTY PORTFOLIO

508 Chai Chee Lane

Singapore 469032

A seven-storey industrial building with two basements

Purchase Consideration (S$ million)	**67.2**
Latest Valuation (As at 31 December 2017)(S$ million)	**56.2**
Gross Rental Income for FY 2017 (S$ million)	**5.6**
Occupancy Rate (%)	**71.8**
Land Lease Expiry	**2060** **30 + 29 yrs** **wef 16 Apr 2001**
GFA (sq ft)	**319,718**

33 & 35 Penjuru Lane

Freight Links Express Logisticpark,
Singapore 609200/609202

Comprising three buildings, including a single storey warehouse with mezzanine floor, a four-storey warehouse and a part single-storey/part three-storey warehouse with a basement

Purchase Consideration (S$ million)	**78.9**
Latest Valuation (As at 31 December 2017)(S$ million)	**52.0**
Gross Rental Income for FY 2017 (S$ million)	**4.6**
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2049** **30 + 31 yrs** **wef 16 Feb 1988**
GFA (sq ft)	**286,192**

PROPERTY PORTFOLIO

18 Gul Drive

Singapore 629468

A part two-/part four-storey warehouse

Purchase Consideration (S$ million)	**34.1**
Latest Valuation (As at 31 December 2017)(S$ million)	**21.0**
Gross Rental Income for FY 2017 (S$ million)	**2.2**
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2038 13 yrs 10 mths 12 days + 20 yrs wef 1 Nov 2004**
GFA (sq ft)	**132,878**

34 Penjuru Lane

Penjuru Logistics Hub, Singapore 609201

A five-storey warehouse with ancillary offices

Purchase Consideration (S$ million)	**60.0**
Latest Valuation (As at 31 December 2017)(S$ million)	**39.0**
Gross Rental Income for FY 2017 (S$ million)	**4.6**
Occupancy Rate (%)	**79.2**
Land Lease Expiry	**2032 30 yrs wef 16 Aug 2002**
GFA (sq ft)	**414,270**

PROPERTY PORTFOLIO

51 Penjuru Road

Freight Links Express Logisticentre, Singapore 609143

A part single/part three-/part four-storey warehouse building with mezzanine floor

Purchase Consideration (S$ million)	**42.5**
Latest Valuation (As at 31 December 2017)(S$ million)	**45.0**
Gross Rental Income for FY 2017 (S$ million)	**3.2**
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2054** **30 + 30 yrs** **wef 1 Jan 1995**
GFA (sq ft)	**246,376**

26 Loyang Drive

Singapore 508970

A single-storey warehouse building with mezzanine floors

Purchase Consideration (S$ million)	**32.0**
Latest Valuation (As at 31 December 2017)(S$ million)	**24.7**
Gross Rental Income for FY 2017 (S$ million)	**2.3**
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2053** **30 + 18 yrs** **wef 1 Jan 2006**
GFA (sq ft)	**149,166**

PROPERTY PORTFOLIO

3A Joo Koon Circle

Singapore 629033

A two-storey warehouse building with mezzanine floor and a part three-/part four-storey factory building

Purchase Consideration (S$ million)	**40.3**
Latest Valuation (As at 31 December 2017)(S$ million)	**39.0**
Gross Rental Income for FY 2017 (S$ million)	**3.0**
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2047** **30 + 30 yrs** **wef 1 Aug 1987**
GFA (sq ft)	**217,899**

2 Toh Tuck Link

Singapore 596225

A part four-/part six-storey warehouse building with a basement carpark

Purchase Consideration (S$ million)	**40.1**
Latest Valuation (As at 31 December 2017)(S$ million)	**31.0**
Gross Rental Income for FY 2017 (S$ million)	**2.3**
Occupancy Rate (%)	**83.0**
Land Lease Expiry	**2056** **30 + 30 yrs** **wef 16 Dec 1996**
GFA (sq ft)	**181,705**

PROPERTY PORTFOLIO

10 Changi South Street 2

Singapore 486596

A part single/part six-storey warehouse building with ancillary offices and a five-storey annex

Purchase Consideration (S$ million)	**54.2**
Latest Valuation (As at 31 December 2017)(S$ million)	**62.2**[1]
Gross Rental Income for FY 2017 (S$ million)	**4.2**
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2051** **30 + 27 yrs** **wef 1 Oct 1994**
GFA (sq ft)	**238,862**

123 Genting Lane

Yenom Industrial Building, Singapore 349574

An eight-storey industrial building with ancillary offices

Purchase Consideration (S$ million)	**24.5**
Latest Valuation (As at 31 December 2017)(S$ million)	**17.8**
Gross Rental Income for FY 2017 (S$ million)	**2.0**
Occupancy Rate (%)	**79.6**
Land Lease Expiry	**2041** **60 yrs** **wef 1 Sept 1981**
GFA (sq ft)	**158,907**

[1] Includes additional GFA of 49,415 sq ft from additions & alterations work which obtained Certificate of Statutory Completion on 28 November 2017 and was announced on 21 December 2017.

PROPERTY PORTFOLIO

30 & 32 Tuas Avenue 8

Singapore 639246/639247

Comprising two original "E8" JTC standard factories with an adjoining four-storey factory with ancillary offices

Purchase Consideration (S$ million)	**24.0**
Latest Valuation (As at 31 December 2017)(S$ million)	**29.0**
Gross Rental Income for FY 2017 (S$ million)	**2.5**
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2056 30 + 30 yrs wef 1 Sept 1996**
GFA (sq ft)	**158,846**

39 Ubi Road 1

Singapore 408695

An eight-storey industrial building with ancillary offices

Purchase Consideration (S$ million)	**32.0**
Latest Valuation (As at 31 December 2017)(S$ million)	**22.7**
Gross Rental Income for FY 2017 (S$ million)	**1.5**
Occupancy Rate (%)	**87.6**
Land Lease Expiry	**2051 30 + 30 yrs wef 1 Jan 1992**
GFA (sq ft)	**135,513**

PROPERTY PORTFOLIO

21 Joo Koon Crescent

Singapore 629026

A three-storey industrial building with ancillary offices

Purchase Consideration (S$ million)	**20.3**
Latest Valuation (As at 31 December 2017)(S$ million)	**18.5**
Gross Rental Income for FY 2017 (S$ million)	**1.4**
Occupancy Rate (%)	**100.0**
Land Lease Expiry	**2054** **30 + 30 yrs** **wef 16 Feb 1994**
GFA (sq ft)	**99,575**

6 Woodlands Loop

Singapore 738346

A three-storey industrial building with ancillary office and mezzanine extension

Purchase Consideration (S$ million)	**14.8**
Latest Valuation (As at 31 December 2017)(S$ million)	**12.9**
Gross Rental Income for FY 2017 (S$ million)	**0.6**
Occupancy Rate (%)	**0.0**[1]
Land Lease Expiry	**2054** **30 + 30 yrs** **wef 16 Sept 1994**
GFA (sq ft)	**77,544**

[1] Vacant with effect from 26 October 2017. Announced for divestment on 28 February 2018.

INDEPENDENT MARKET STUDY
By Knight Frank

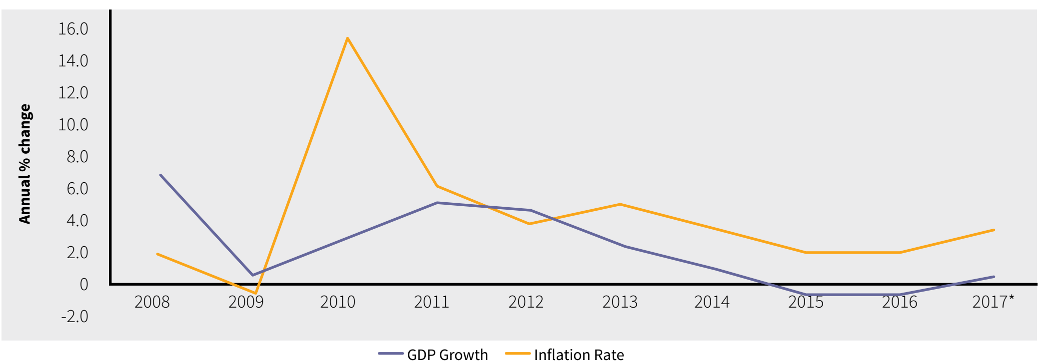
1 OVERVIEW OF SINGAPORE ECONOMY

1.1 Singapore economic performance

Based on statistics from the Ministry of Trade and Industry ("MTI"), Singapore's Gross Domestic Product ("GDP") grew by 3.6 per cent annually for the whole of 2017, higher than the 2.4 per cent recorded in 2016 (Exhibit 1-1). All major sectors experienced growth, with the exception of the construction sector which saw a decline of 8.4 per cent. The main contributors were manufacturing, finance & insurance, as well as wholesale & retail trade. This performance was supported by an overall upswing in global economic growth, in particular surging demand for electronic gadgets.

After two years of negative inflation, Singapore finally saw an inflation of 0.6 per cent in 2017. This was largely attributed to the relatively high inflation seen in the transport industry (+2.6 per cent year-on-year (y-o-y)).

Exhibit 1-1: Singapore GDP growth and Inflation rate, 2008 to 2017



Source: MTI (as at 2 January 2018), Singstat, Knight Frank Consultancy & Research

1.2 Manufacturing output and investment commitments

Based on Singapore's Index of Industrial Production, the manufacturing sector saw an expansion in output by 10.1 per cent annually in 2017, continuing from its climb of 3.7 per cent in 2016. For the whole of 2017, output for electronics, precision engineering and chemicals clusters increased by 33.5 per cent, 17.8 per cent and 6.2 per cent respectively compared to 2016.

Conversely, output for general manufacturing, transport engineering and biomedical manufacturing clusters fell by 1.6 per cent, 6.9 per cent and 9.3 per cent respectively in 2017 compared to 2016.

For the whole of 2017, Singapore achieved close to S$6.2 billion in total manufacturing fixed asset investment ("FAI"), and this is 5.5 per cent higher than the S$5.9 billion registered in 2016 (Exhibit 1-3). The increase in investment was mainly attributed to the general manufacturing industries and precision engineering clusters, which witnessed 387.9 per cent and 49.9 per cent of growth to reach S$1.1 billion and S$0.6 billion of FAI. The biomedical manufacturing and chemicals clusters also picked up by 9.1 per cent and 4.6 per cent to register S$0.6 billion and S$1.3 billion of FAI respectively. On the other hand, the transport engineering and electronics clusters experienced a decline of 65.4 per cent and 5.2 per cent over the same period. Nonetheless, at S$2.1 billion, the electronics cluster still made up 34.1 per cent of total FAI.

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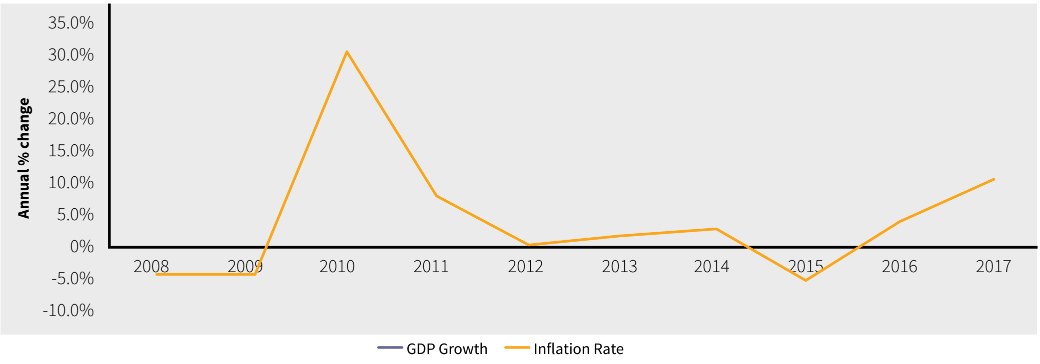
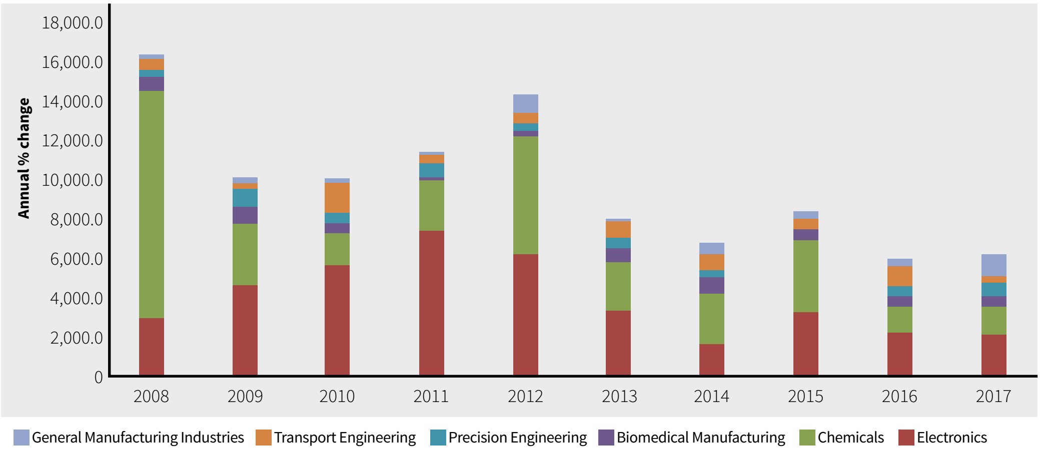
Exhibit 1-2: Change in Singapore Index of Industrial Production, 2008 to 2017



Source: Singstat, Knight Frank Consultancy & Research

Exhibit 1-3: Total Manufacturing Fixed Asset Investments (FAI), 2008 to 2017



Source: EDB, Knight Frank Consultancy & Research

1.3 Manufacturing sector

According to the Economic Development Board ("EDB")'s monthly manufacturing performance for December 2017, Singapore's manufacturing output decreased 3.9 per cent on a year-on-year ("y-o-y") basis, a notable change from the 5.3 per cent y-o-y growth seen in November 2017.

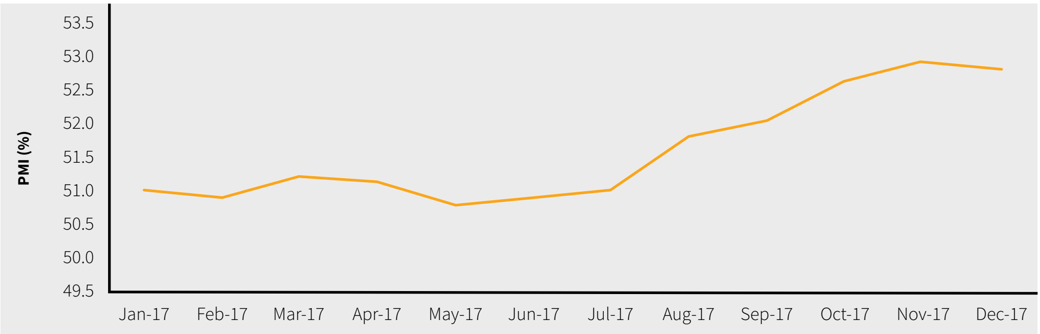
Nonetheless, all clusters expanded in December 2017 with the exception of the transport engineering and biomedical manufacturing clusters. Growth in the precision engineering cluster (18.2 per cent) was largely supported by growth in the precision modules & components segment (39.0 per cent) due to higher production in optical products and metal precision components. The chemicals cluster also saw an expansion of 14.4 per cent y-o-y; while all segments recorded output, growth led by the chemicals (31.0 per cent) and petrochemicals (19.1 per cent) segments respectively. Smaller increases were witnessed in the electronics and general manufacturing industries clusters, being 4.2 per cent and 2.9 per cent respectively.

INDEPENDENT MARKET STUDY

In contrast, the transport engineering cluster's output decreased 11.7 per cent y-o-y; this can be attributed to the marine and offshore engineering segment which contracted 18.2 per cent on the back of weak demand for oil rigs and oilfield & gasfield equipment amidst the low oil price environment. The biomedical manufacturing cluster also saw a decline of 34.7 per cent; the lower production of active pharmaceutical ingredients and biological products led to a fall of 43.6 per cent in the pharmaceuticals segment.

The Singapore Purchasing Managers' Index ("PMI") improved from 51.0 in January 2017 to 52.8 in December 2017. By the end of 2017, the PMI has recorded its 16th month of consecutive expansion; the marginal lower reading in December 2017 was attributed to a slower rate of expansion in factory output and inventory, but supported by a slightly faster rate of expansion in new orders, new exports and employment.

Exhibit 1-4: Singapore Purchasing Managers' Index ("PMI") from January to December 2017



Source: Singapore Institute of Purchasing & Materials Management (SIPMM), Knight Frank Consultancy & Research

1.4 Singapore economic outlook for 2018

The moderate GDP performance of 3.6 per cent annual growth for 2017 was fuelled by expansion of the manufacturing sector, which is expected to continue, albeit at a slower pace. While the growth of services sector lagged that of manufacturing sector, its contribution to the overall growth is likely to be more balanced this year.

Global growth is envisaged to increase marginally in 2018; robust economic prospects in the US and certain emerging markets are expected to meet with slowdown in China, ASEAN-5 and the Eurozone, which make up some of Singapore's key external demand markets. It should also be noted that the potential steadfast recovery of the US's economy brings with it the possibility of a faster-than-expected normalization of monetary policy, and this tightening on liquidity could hurt business and consumer confidence on a global level. In addition, political uncertainty, such as the US's trade protectionist stance as well as geopolitical tensions in North Korea, are expected to weigh on economic and global trade sentiments. External headwinds remain a significant factor when it comes to the sustainability of Singapore's economic growth.

INDEPENDENT MARKET STUDY

The potential sustained growth in the global economy in 2018 will benefit Singapore's export-oriented services such as transportation and storage as well as finance and insurance. On the domestic front, with government policies such as Smart Nation initiatives and expansion in healthcare facilities, sectors such as information & communications, education, health & social services should remain resilient. However, the growth of the construction sector is likely to remain slow (at least for the first half of 2018) due to weak construction demand (in particular from the private sector). Another risk that should be highlighted is the likelihood of the Central Bank embarking on monetary policy normalization this year, after being in the easing mode since 2015.

In light of these factors, Singapore's economic expansion is projected to moderate this year and growth is expected to be between 1.5 to 3.5 per cent. The manufacturing surge witnessed in 2017, propelled mainly by trade-related industries as a result of resurgent global demand is likely to taper off. Nonetheless, the sector will continue to be supported by emerging technology trends such as the advancement of 'Internet of Things' this year. Construction, which has underperformed last year, should get a boost from the $1.4 billion worth of public sector contracts brought forward as well as a stream of progress payments from earlier rail-related contracts awarded in 2016. With services stepping up and construction decline bottoming out amidst growth moderation in manufacturing, the engines of economic growth should be well balanced this year.

2 SINGAPORE GOVERNMENT POLICIES ON INDUSTRIAL PROPERTY MARKET

2.1 Consolidation of Housing Development Board ("HDB") industrial land and properties under JTC Corporation ("JTC") with effect from 1 January 2018

With effect from 1 January 2018, JTC officially assumed full ownership over all public sector's industrial land and properties in Singapore, and this includes about 10,700 industrial units and 540 industrial leases that were previously under the Housing and Development Board ("HDB")'s ownership. The consolidation of all public sector industrial land and properties under a single government agency will enable the Government to better support industrialists, in particular the small and medium enterprises ("SMEs"), in their business growth. According to JTC, the contracted terms and conditions of all HDB tenancies and leases with HDB will remain unchanged for the duration of the tenancy or lease contracts.

Industrialists will have one-stop access to the full range of public sector industrial facilities available. They will receive better support for their land and space needs across the different stages of their growth, as JTC will be able to better match their needs with a larger supply of industrial land and space.

The move also enables the Government to undertake more comprehensive master-planning of industrial estates across Singapore, as well as to facilitate more efficient clustering of complementary activities and integration of activities along the value chain. With the consolidation, some 16,300 industrial units and 3,640 land leases with total land area of 8,100 hectares will be under JTC's purview[1].

1 Source : The Business Times : 'All HDB Industrial Space to be under JTC by Q1 2018', 20 October 2016.

INDEPENDENT MARKET STUDY

2.2 Waiver of minimum building specification requirements for small IGLS plots

With effect from 1 July 2017, minimum building specification requirements such as the provision of a minimum number of goods lifts and loading bays, are waived for smaller IGLS plots (i.e. plots with less than 1 ha land size). Where such plots are typically meant for end-users' own operations, such waiver will allow for higher operational flexibility. Furthermore, to ensure that smaller IGLS plots are to be used primarily for end-users' own operations, successful tenderers (or subsequent owners) will also not be allowed to strata subdivide developments for sale throughout the full tenure period. These rules are seen as part of the government strategies to cater more for the business needs of real occupiers and end-users while clamping down on speculative and investment purchase of industrial land to regulate and stabilise the market.

Notwithstanding the waiver for minimum building specification requirements and the restriction imposed on strata sub-division for smaller IGLS plots, these regulations will continue to be applied for larger IGLS plots.

2.3 Industry Transformation Map

As part of the government's strategic move to propel and transform Singapore over the next few years, the S$4.5 billion Industry Transformation Map ("ITM") was introduced at Budget 2016. It encompasses an integrated, targeted and industry-focused approach to develop the respective sectors by capitalising on their existing strengths, addressing the underlying issues, identifying challenges, threats and opportunities, as well as deepening partnerships between the various industry stakeholders in the likes of government, firms, industries, trade associations and chambers.

Under the ITM, there is a total of 23 selected industries. Among them, precision engineering, energy & chemicals, marine & offshore, aerospace, electronics, construction, logistics, wholesale trade and food manufacturing sectors are some of the key strategic industries that are of direct and close relevance to the industrial market. Going forward, the development and implementation of these ITMs would set the stage to boost the growth and transform the overall industrial landscape of Singapore through the reinforcement of key niches, capital value-adds and new jobs creation.

3 REVIEW OF PRIVATE FACTORY MARKET SEGMENT

3.1 Supply, Demand and Occupancy

As at Q4 2017, the existing stock of private factory space totalled 348.3 million sq ft NLA, an annual increase of 2.3 per cent from 2016. Of which, 65.7 per cent (229.0 million sq ft) were single-user factory while multiple-user factory and business space accounted for the remaining 28.7 per cent (99.8 million sq ft) and 5.6 per cent (19.5 million sq ft) respectively.

Circa 7.8 million sq ft of net new supply was recorded as at the last quarter of 2017, a notable 43.1% y-o-y decline from the same period in 2016 and 32.5 per cent lower than the ten-year average annual net new supply of 11.6 million sq ft between 2008 and 2017.

INDEPENDENT MARKET STUDY

Exhibit 3-1: Selected Major Private Factory Completions in 2017

Development	Location	Region	Developer	Approximate Gross Floor Area ("GFA") sq ft
Q1 2017				
Ace @ Buroh	2 Buroh Crescent	West	OKH Buroh Pte Ltd	476,000
West Star	11 Tuas Bay Close	West	BH-ZACD (Tuas Bay) Pte Ltd	456,000
Single-user factory	1 Tuas South Way	West	Shell Eastern Petroleum Pte Ltd	384,000
Nordcom One	3, 3A to 3G, 5, 5A to 5G Gambas Crescent	North	Grow-Tech Properties Pte Ltd	325,000
Single-user factory	12 Woodlands Link	North	Sing Long Foodstuff Trading Co Pte Ltd	198,000
Single-user factory	22 Gul Avenue	West	Multi Ways Equipment Pte Ltd	114,000
Q2 2017				
Carros Centre	60 Jalan Lam Huat	North	Kranji Development Pte Ltd	1,167,000
Multiple-user factory	1, 1A Depot Close	Central	Mapletree Industrial Trust Management Ltd	825,000
Wave 9	71 Woodlands Industrial Park E9	North	Vantage Properties Pte Ltd	495,000
Single-user factory	33 Kaki Bukit Road 6	East	SEF Group	351,000
Single-user factory	3 Ang Mo Kio Electronics Park Road	North-East	Singapore Technologies Ltd	323,000
Single-user factory	15 Pandan Road	West	CrestSA Marine & Offshore Pte Ltd	311,000
Mandai FoodLink	5 Mandai Link	North	Wealth Property Pte Ltd	184,000
Single-user factory	20 Tampines Street 92	East	Keppel DC Singapore 4 Pte Ltd	182,000
Single-user factory	7 Chin Bee Drive	West	Silesia Flavours South East Asia Pte Ltd	174,000
Single-user factory	3 Pioneer Sector Lane	West	Hua Siah Construction Pte Ltd	173,000

INDEPENDENT MARKET STUDY

Development	Location	Region	Developer	Approximate Gross Floor Area ("GFA") sq ft
Q3 2017				
I-Hardware Centre	2 Soon Lee Road	West	Lian Hock Hardware Industries Pte Ltd	194,000
Single-user industrial development	24 Leng Kee Road	Central	Wealth Assets Pte Ltd	177,000
Single-user industrial development	8 Tuas Avenue 20	West	HSBC Institutional Trust Services (Singapore) Limited	159,000
Novelty Techpoint	27 New Industrial Road	North-East	Novelty Dept Store Pte Ltd	118,000
Q4 2017				
Single-user factory	27A Tanjong Penjuru	West	Trans Eurokars Pte Ltd	429,000
Proxima @ Gambas	50 Gambas Crescent	North	NSS Realty Pte Ltd	422,000
Single-user factory	51 Marsiling Road	North	HSBC Institutional Trust Services (Singapore) Limited)	231,000
Tai Seng Centre	3 Irving Road	Central	NS Property Development Ptd Ltd	228,000
Single-user factory	56 Pandan Road	West	Newspaper Seng Pte Ltd	165,000
Tiong Seng Building	21 Fan Yoong Road	West	Tiong Seng Contractors Pte Ltd	155,000
Single-user factory	153A Gul Circle	West	Federal Packaging Industries Pte Ltd	133,000
Multiple-user factory	1 Kallang Junction	Central	Vanguard Properties Pte Ltd	122,000
Single-user factory	41 Benoi Road	West	Makino Asia Pte Ltd	111,000

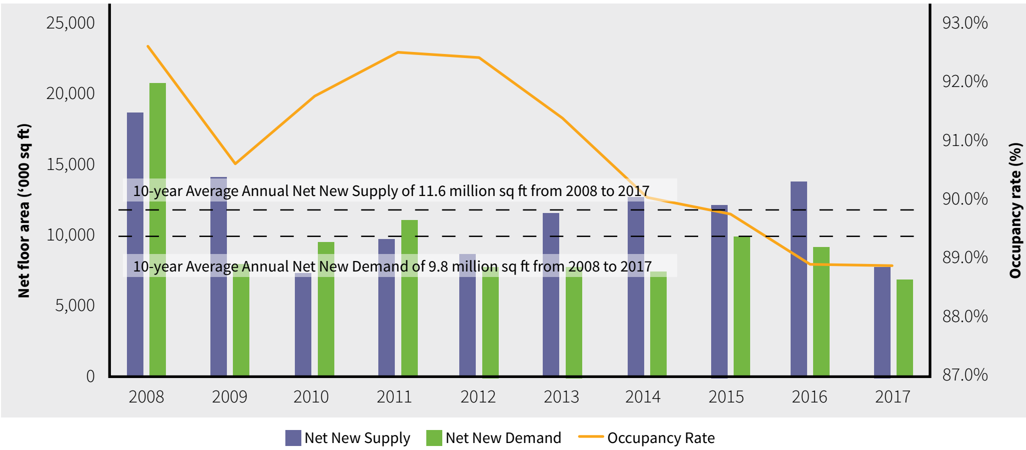
Source: JTC, Knight Frank Consultancy & Research

Overall net new demand for private factory space declined by 23.6 per cent y-o-y as at the last quarter of 2017 to 7.0 million sq ft. This is about 28.8 per cent lower than the ten-year annual average net new demand of 9.8 million sq ft between 2008 and 2017.

Whilst the supply of private factory space stayed low amidst muted market demand, occupancy of private factory space remained stable at 88.9 per cent as at Q4 2017. Across the sub-segments, private business park space saw a marginal 4.4 percentage point ("pt") improvement in the occupancy rate (81.3 per cent in Q4 2016 to 85.7 per cent in Q4 2017), while that of multiple-user factory experienced 0.8 pt increase (86.9 per cent in Q4 2016 to 87.7 per cent in Q4 2017). The occupancy of private single-user factory posted a slight decline by 0.8 pt (90.4 per cent in Q4 2016 to 89.6 per cent in Q4 2017).

INDEPENDENT MARKET STUDY

Exhibit 3-2: Net New Supply, Net New Demand and Occupancy of Private Factory Space



Source: JTC, Knight Frank Consultancy & Research

3.2 Potential Supply

As at Q4 2017, an estimated 33.0 million sq ft GFA of new private factory space is slated for completion between 2018 and 2021. Of which, private single-user factory space will account for 49.6 per cent (16.4 million sq ft), while private multiple-user factory and business parks constitute the remaining 43.5 per cent (14.4 million sq ft) and 6.9 per cent (2.3 million sq ft) respectively. About 41.5 per cent or 13.7 million sq ft GFA of the upcoming private factory space is expected to be ready by the end of 2018.

The Industrial Government Land sales (IGLS) programme listed a total of 13 industrial sites in H1 2018 with a combined site area of 12.6 ha, which is relatively lower than the total 13.9 ha of industrial site area listed for H2 2017. Of the listed sites under IGLS H1 2018, six sites are placed under the Confirmed List while the remaining seven sites on the Reserve List, totaling about 0.8 million sq ft and 1.5 million sq ft of future potential industrial space respectively. All of the sites on the Confirmed List are zoned 'Business 2' for heavier industrial use, with half of them (totaling 1.68 ha site area) located in Tuas South. As the Singapore government strives to keep up with the constantly evolving industrial sector, and to keep business cost competitive and affordable for genuine industrialists, sites with shorter lease tenures of between 20 to 30 years are launched in recent years.

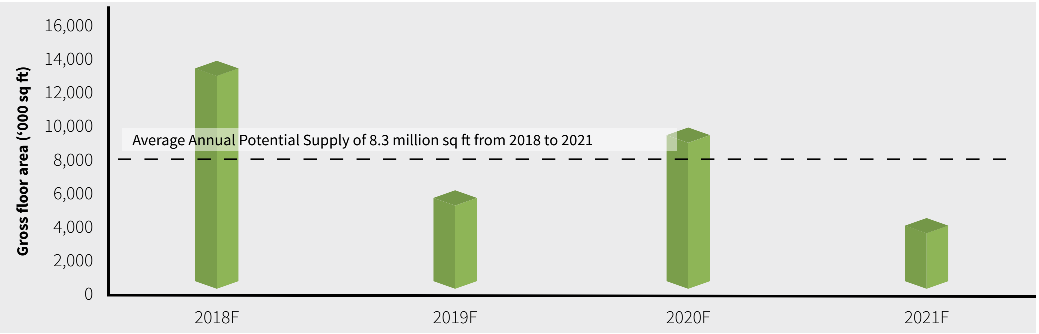
INDEPENDENT MARKET STUDY

Exhibit 3-3: Upcoming Major Factory Developments in 2018

Development	Location	Region	Developer	Approximate Gross Floor Area ("GFA") sq ft
Mega @ Woodlands	Woodlands Close	North	Wee Hur Development Pte Ltd	1,053,355
Business Park Development	Media Circle	Central	BP-DoJo LLP	378,997
Single-user factory	Tuas Avenue 4	West	AWAN Data Centre Pte Ltd	351,011
Single-user factory	Airport Road	North-East	Soilbuild Pte Ltd	350,580
Single-user factory	Woodlands Height	North	Global Switch Property (s) Pte Ltd	267,483
Single-user factory	Sunview Drive	West	DBS Trustee Limited as Trustee of Mapletree Industrial Trust	241,757
Single-user factory	Tuas Bay Drive	West	AEL Enviro (Asia) Pte Ltd	155,861
Single-user factory	Tuas Drive 2	West	AVA Global Pte Ltd	153,386
Woodlands Connection	Woodlands Sector 2	North	Yee Lee Development Ptd Ltd	143,052
Single-user factory	Pioneer Sector Lane	West	OKH Holdings Pte Ltd	137,563
Single-user factory	Eunos Avenue 2	Central	Index-Cool Furniture Design & Construction Pte Ltd	134,011
Single-user factory	Senoko Way	North	D.A. Foods Industries Pte Ltd	129,167
Business Park Development	Pasir Panjang Road	Central	Singapore Science Park Ltd	124,969
Single-user industrial development	Tuas West Drive	West	Peck Tiong Choon (Private) Limited	110,222

INDEPENDENT MARKET STUDY

Exhibit 3-4: Potential Supply of Private Factory Space

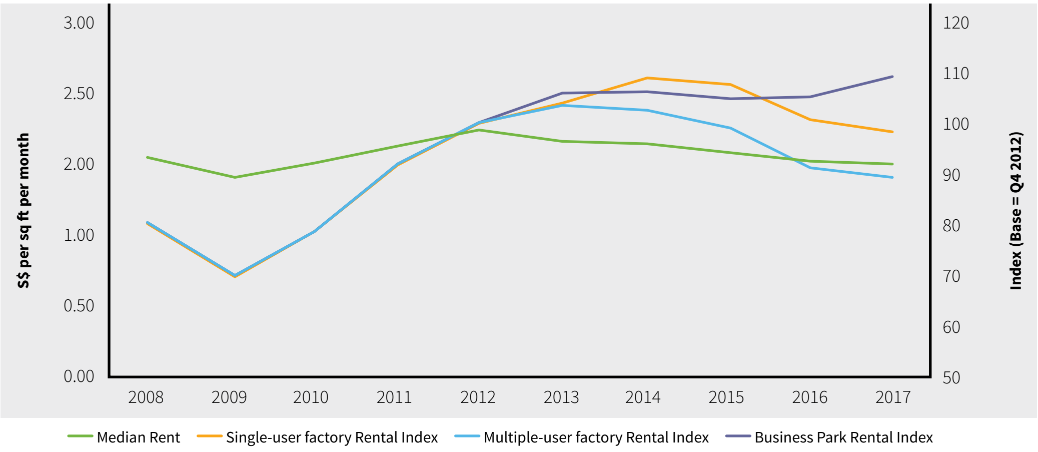


Source: JTC, Knight Frank Consultancy & Research

3.3 Rents

Island-wide median rent of the overall factory space is about S$1.80 per sq ft per month as at Q4 2017, posting a 1.1 per cent y-o-y decline compared to the preceding year (i.e. Q4 2016). Based on JTC rental index for factory space, while business park saw an improvement of 3.3 per cent y-o-y, that of multiple-user and single-user factory fell by 2.8 per cent y-o-y and 2.6 per cent y-o-y respectively in the same period. Notwithstanding the tapering net new supply of private factory space in 2017 compared to 2016, market demand remained lukewarm and dampened both the single-user and multiple-user factory rents.

Exhibit 3-5: JTC Median Rents and Rental Indices of Private Factory Space by Types, (2008 – 2017)



* Median rents based on island-wide actual rental transaction and as at fourth quarter of each corresponding year

* JTC rental indices include private factory transactions only. The rental indices for single-user factory and business park space are available from 2012 onwards

* The JTC Rental indices are based on the last quarter of each respective year (e.g. Q4 2017)

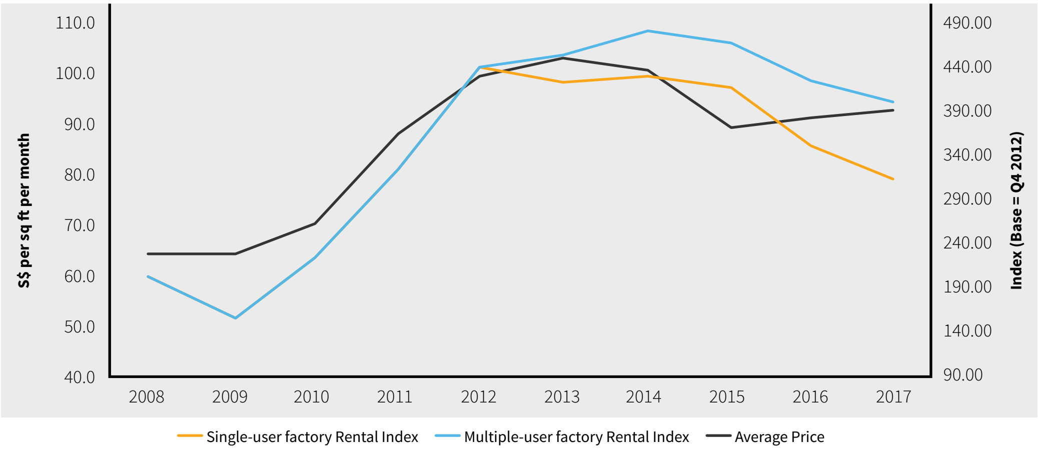
Source: JTC, Knight Frank Consultancy & Research

INDEPENDENT MARKET STUDY

3.4 Prices

A total of 724 caveats[2] were lodged in 2017 for upper-floor strata-titled factory units. This is 9.2 per cent lower than the 797 caveats lodged in 2016, and noted to be the lowest transaction volume since the implementation of Seller's Stamp Duty (SSD) in 2013. Overall island-wide average price of upper-floor strata-titled factory units increased by 1.9 per cent to S$391 per sq ft in 2017 compared to the previous year. Based on JTC price indices as at Q4 2017, both single-user factory and multiple-user factory experienced y-o-y declines by 7.1 per cent and 4.8 per cent respectively.

Exhibit 3-6: JTC Price Indices and Average Price of Factory Space, (2008 – 2017)



* Average prices are based on caveats lodged in REALIS and accounted for only upper floor strata-titled factory units (as at 18 January 2018)

* The JTC Price indices are based on the last quarter of each respective year (e.g. Q4 2017)

Source: JTC, REALIS, Knight Frank Consultancy & Research

3.5 Investment Sales

For the first half of 2017, investment sales volume of private factories registered at a total investment sales value of S$320.8 million. Investment sales value surged to a total of S$1.3 billion for the second half of 2017. This excludes the transaction for Jurong Aromatics Complex[3] of total investment value of S$1.97 billion in Q4 2017. Total investment sales of private factories totalled 1.6 billion[4] for the whole of 2017.

[2] Based on caveats lodged from REALIS as at 18 January 2018.
[3] The nature of the Jurong Aromatics Complex transaction is more asset-based than property-based investment sales.
[4] Information accurate as at 5 February 2018.

INDEPENDENT MARKET STUDY

Exhibit 3-7: Selected Major Private Factory Investment Sales in 2017

Key Private Factory Investment Sales in 2017						
Quarter	**Property**	**Location**	**Tenure**	**Purchaser**	**GFA (sq ft)**	**Price (S$)**
Q1 2017	1 Buroh Lane	1 Buroh Lane	N.A.	PGIM Real Estate	N.A.	193,800,000
Q3 2017	Citimac Industrial Complex	605 Macpherson Rd	N.A.	Zhao Family	N.A.	430,100,000
Q3 2017	Datapulse Industrial Building	15A Tai Seng Drive	LH 30+30 years wef 16 August 1993	N.A.	N.A.	53,500,000
Q3 2017	Micron NOR Facility	8 Ang Mo Kio Avenue 12	LH 60 years wef 1 January August 1980	STMicroelectronics	N.A.	40,902,000
Q4 2017	Seagate Technology International	7000 Ang Mo Kio Ave 5	N.A.	ESR-REIT	1,073,233	250,000,000
Q4 2017	8 Tuas South Lane	8 Tuas South Lane	N.A.	ESR-REIT	N.A.	95,000,000
Q4 2017	1 Serangoon North Avenue 6	1 Serangoon North Avenue 6	LH 30+30 years wef 23 June 2007	N.A.	N.A.	80,500,000
Q4 2017	61/71 Tuas Bay Drive	61/71 Tuas Bay Drive	LH 60 years wef 19 July 2006	N.A.	N.A.	55,000,000
Q4 2017	239 Pandan Loop	239 Pandan Loop	Freehold	N.A.	N.A.	38,000,000
Q4 2017	Nucleus Connect Building	13 Tai Seng Drive	LH 30+30 years wef 16 April 1994	StarHub	N.A.	30,865,000

Notes:
To be considered as private investment sales under Knight Frank Consultancy & Research definition, it must fulfil either one of the following pre-requisite:-
- Investment transactions should comprise an entire building or property with a total worth of S$10 million and above; OR
- Any bulk sales within a development which amounts to S$10 million or more

* Figures stated are based on Net Lettable Areas

Source: JTC, REALIS, Knight Frank Consultancy & Research

3.6 Outlook

Manufacturing sector likely to remain as a key pillar to Singapore's economy in 2018

Riding on the strong positive growth of the local manufacturing sector in 2017, manufacturing is likely to remain as a key pillar to Singapore's economy this year. Considering the high-base effect achieved in the previous year, the annual growth of the manufacturing sector is likely to hold firm and backed by the overall optimistic global and local economy prospects in 2018.

INDEPENDENT MARKET STUDY

On the domestic front, the demand for manufacturing output is expected to be supported by a broad-base recovery of various industrial clusters in 2018. In particular, the electronics and precision engineering clusters are likely to expand and experience sustained growth in 2018 on the back of robust global demand for semiconductor and its related equipment. This would potentially encourage industrial players to acquire or expand their existing factory space in a bid to match up with the market demand. While the construction sector underperformed in 2017 due to the weak private and public construction activities, it is likely to see a boost in demand in 2018, buoyed by the public sector which accounts for S$16 billion to S$19 billion of construction contract. Notwithstanding the private collective sales fever since mid-last year, the positive spill-over benefit on the construction sector may only be actualised from the end of 2018. The performance of the marine and offshore sector may also see tentative improvement in 2018 compared to the past two years as oil prices saw gradual recovery, backed by the combined effort by OPEC and non-OPEC producers to cut production, as well as the increased US oil and shale gas production.

According to Singapore's series of industry transformation maps that were launched in late 2016, precision engineering, electronics, marine & offshore, aerospace, and energy & chemicals industries were identified as key manufacturing engines to be developed to spur Singapore's economy. Moving forward in 2018, with signs of broad-based improvements in global consumption particularly stemming from the US economy, these niche industries are likely to establish a strong and sustainable market base in Singapore, and contribute to an overall healthy demand for factory spaces, albeit at a modest pace as economic restructuring unfolds progressively.

Mixed-bag of rental performance likely in 2018 for private factory space

Notwithstanding a large 13.7 million GFA of upcoming private factory space slated for completion in 2018, the majority of space (65.0 per cent or 8.9 million sq ft GFA) are single-user developments, and are likely to have pre-committed occupiers. In the context of a potentially improving demand for private factory space, the occupancy of private single-user factory space is likely to remain stable in 2018.

Rental performance outlook is projected to be a mixed-bag where newer developments equipped with good specifications are likely to receive higher rentals. In a bid to retain and attract tenants, landlords of older and basic factory properties may have to offer competitive rental rates or undergo asset enhancements to upgrade their buildings in order to keep up with changing market needs.

The push towards higher-value added manufacturing is likely to increase the price and rents of single-user developments

As Singapore advances towards higher-value added manufacturing, the demand for higher specification and build-to-suit factory space is expected to grow in 2018. This rising trend could lead to greater flexibility for single-user factory developments over multiple-user factory spaces. However, considering the land constraint situation of Singapore that limits the expansion of such land-based developments, the rents and prices for single-user factory space is projected to improve over the next two to three years. In particular, developments with longer lease tenures (i.e. 40 – 60 years), which are limited in supply, may be more highly sought-after as opposed to those with shorter lease terms (i.e. 20 – 30 years). Overall, the rent of single-user factory may vary between - 3.0 per cent and 2.0 per cent y-o-y in Q4 2018, barring any unforeseen macroeconomic circumstances and policy change.

INDEPENDENT MARKET STUDY

Notwithstanding positive demand prospects, private multiple-user factory space may face moderation in rent in 2018

The broad-base recovery and prospect of positive growth in the manufacturing sector in 2018 could support the demand for multiple-user factory space especially from related Small and Medium Enterprises (SMEs) in Singapore. With the government's continual efforts to set up high quality specialised industrial hubs such as JTC Chemicals Hub @ Tuas South, JTC Food Hub @ Senoko, Seletar Aerospace Park, JTC MedTech Hub and JTC nanoSpace @ Tampines, it will further enhance the overall operational synergy, efficiency and standard of Singapore industrial properties towards higher productivity and competitiveness.

Notwithstanding the over-arching benefits, the landlords of private multiple-user factory space may face competition from the public multiple-user factory sector in attracting and retaining tenants, particularly for the medical, marine & offshore, aerospace, chemical and biomedical manufacturing clusters. Furthermore, taking into consideration the business cost sensitiveness among the SMEs, an upcoming injection of 3.9 million sq ft GFA of new multiple-user factory space in 2018 is expected to moderate average rental movement by between -3.0 per cent and 1.0 per cent y-o-y in Q4 2018, barring unforeseen macroeconomic circumstances and policy changes.

4 REVIEW OF WAREHOUSE MARKET SEGMENT

4.1 Supply, Demand and Occupancy

As at Q4 2017, the existing stock of private warehouse space totalled 111.7 million sq ft NLA, an annual increase by 10.2 per cent from 2016. Net new supply of private warehouse space increased by 53.5 per cent from 6.8 million sq ft in 2016 to 10.4 million sq ft in 2017. This is more than two times higher than the ten-year annual average net new supply of 4.5 million sq ft between 2008 and 2017.

Exhibit 4-1: Selected Major Private Warehouse Completions in 2017

Development	Location	Region	Developer	Approximate Gross Floor Area ("GFA") sq ft
Q1 2017				
Warehouse development	36 Penjuru Lane	West	Asia Enterprises (Private) Limited	234,000
Single-user development	12 Woodlands Link	North	Sing Long Foodstuff Trading Co Pte Ltd	198,000
Q1 2017				
Carros Centre	60 Jalan Lam Huat	North	Kranji Development Pte Ltd	1,167,000
Warehouse development	60 Pioneer Road	West	Toll Logistics (Asia) Ltd	1,087,000
Hankyu Hanshin Logistics Centre	38 Jalan Buroh	West	Hankyu Hanshin Express (Singapore) Pte Ltd	516,000

INDEPENDENT MARKET STUDY

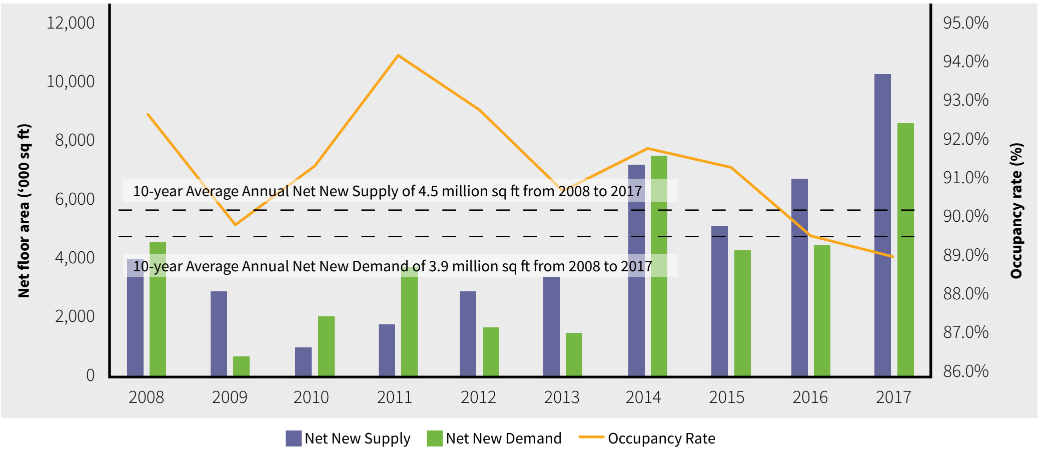
Development	Location	Region	Developer	Approximate Gross Floor Area ("GFA") sq ft
Q3 2017				
I-Hardware Centre	2 Soon Lee Road	West	Lian Hock Hardware Industries Pte Ltd	194,000
Single-user industrial development	24 Leng Kee Road	Central	Wealth Assets Pte Ltd	177,000
Single-user industrial development	8 Tuas Avenue 20	West	HSBC Institutional Trust Services (Singapore) Limited	159,000
Warehouse development	30 Pandan Road	West	Francois Marine Services	127,000
Q4 2017				
CWT Distripark	47 Jalan Buroh	West	CWT Limited	2,390,000
Warehouse development	20 Penjuru Lane	West	Euro-Asia Investment Pte Ltd	863,000
Mapletree Pioneer Logistic Hub	76 Pioneer Road	West	HSBC Institutional Trust Services (Singapore) Limited	770,000
Single-user industrial development	27A Tanjong Penjuru	West	Trans Eurokars Pte Ltd	429,000
Warehouse development	39 Benoi Road	West	GKE Warehousing & Logistics Pte Ltd	428,000
TAC Warehouse	4 Tuas South Street 11	West	Tiong Aik Construction Pte Ltd	108,000

Source: JTC, Knight Frank Consultancy & Research

Net new demand for private warehouse space almost doubled from 4.4 million sq ft in 2016 to 8.6 million sq ft in 2017. This is more than two times higher than the ten-year annual average net new demand of 3.9 million sq ft between 2008 and 2017, and reflects a robust market demand for private warehouse space. The low disparity between net new supply and net new demand resulted in a relatively stable occupancy of private warehouse space, albeit a marginal moderation by 0.6 percentage point (pt) from 89.7 per cent in 2016 to 89.1 per cent in 2017.

INDEPENDENT MARKET STUDY

Exhibit 4-2: Net New Supply, Net New Demand and Occupancy of Private Warehouse Space

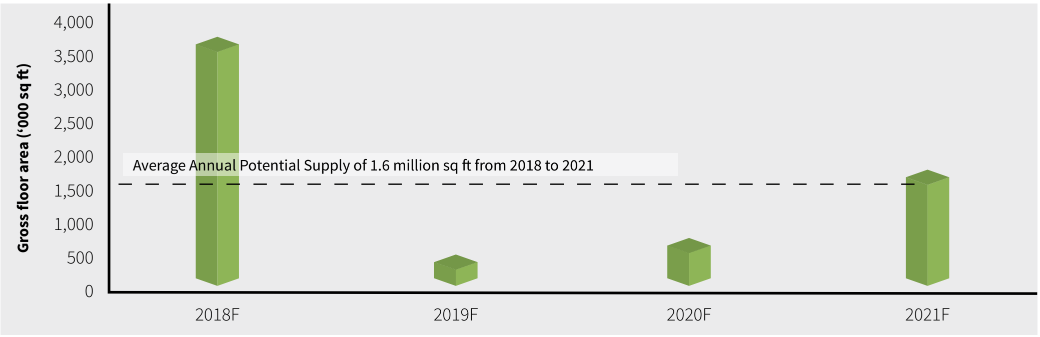


Source: JTC, Knight Frank Consultancy & Research

4.2 Potential Supply

As at Q4 2017, an estimated 6.5 million sq ft GFA of new private warehouse space is slated for completion between 2018 and 2021. Of which, about 56.2 per cent (3.7 million sq ft) is expected to be ready by the end of 2018.

Exhibit 4-3: Potential Supply of Private Warehouse Space



Source: JTC, Knight Frank Consultancy & Research

INDEPENDENT MARKET STUDY

Exhibit 4-4: Selected Upcoming Major Warehouse Completions in 2018

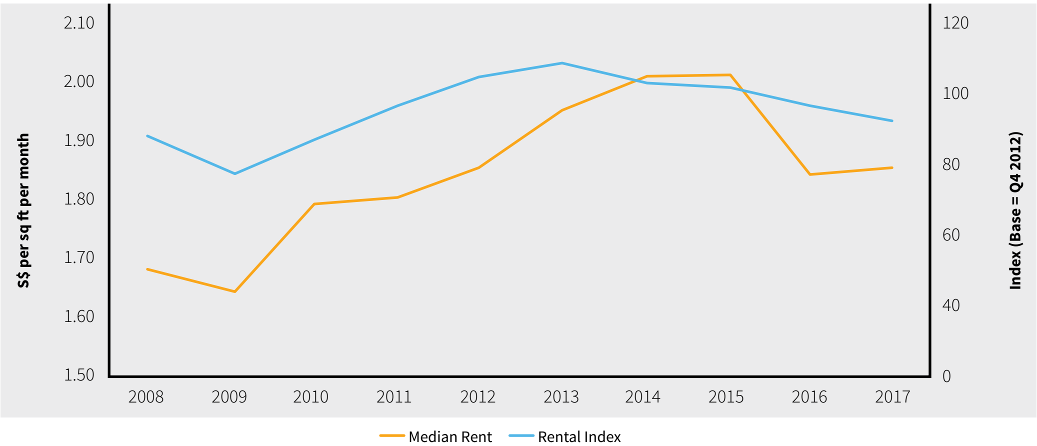
Development	Location	Region	Developer	Approximate Gross Floor Area ("GFA") sq ft
Single-user industrial development	Tuas West Drive	West	Peck Tiong Choon (Private) Limited	205,000
Warehouse development	Tuas Avenue 1	West	HSBC Institutional Trust Services (Singapore) Limited	479,000
Warehouse development	Tuas South Avenue 14	West	Diamond Land Pte Ltd	703,000
Poh Tiong Choon Logistics Hub	Pandan Road	West	Poh Tiong Choon Logistics Limited	548,000

Source: JTC, Knight Frank Consultancy & Research

4.3 Rents

As at Q4 2017, the island-wide median rent of warehouse space posted a marginal 0.5 per cent increase to S$1.85 per sq ft per month compared to the same period last year. JTC rental index of warehouse space experienced a 5.7 per cent decline over the same period. Despite signs of gradual recovery in the demand for warehouse space, the surplus supply of warehouse accumulated over the past few years may still take some time to be absorbed. Furthermore, on the back of the evolving requirements on space specification as technology, productivity and operational efficiency took precedence, the older warehouse space has to contend with rising competition from new warehouse spaces and this weakened the rents for these spaces as opposed to the newer developments.

Exhibit 4-5: JTC Median Rents and Rental Index of Warehouse Space



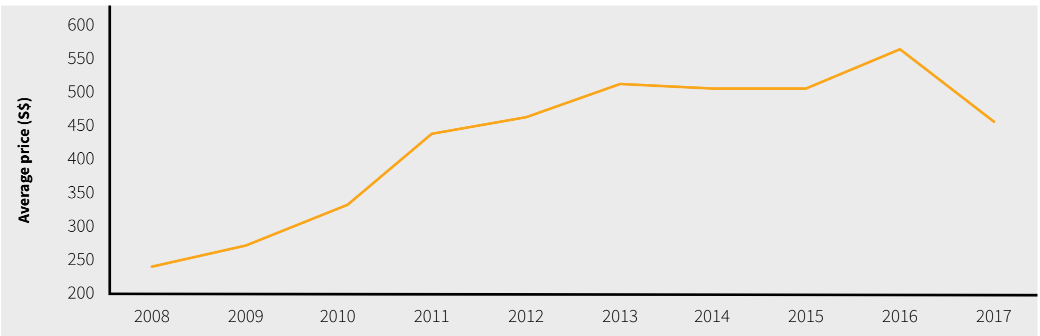
* Median rents based on island-wide actual rental transaction and as at fourth quarter of each corresponding year
* JTC rental index is based on private warehouse rental transactions
Source: JTC, Knight Frank Consultancy & Research

INDEPENDENT MARKET STUDY

4.4 Prices

There were 47 caveats[5] lodged for upper-floor strata-titled warehouse units in 2017, 16.1 per cent lower than the 56 caveats lodged in the previous year. Average prices of upper-floor strata-titled warehouse units fell by 19.1 per cent to S$455 per sq ft in 2017.

Exhibit 4-6: Average Price of Warehouse Space, 2008 - 2017



* There is no available JTC price index since Q4 2014 due to insufficient transactions to compile an index that is reflective of the warehouse market

* The JTC Price index is based on the last quarter of each respective year (e.g. Q4 2017)

* Average prices are based on caveats lodged in REALIS and accounted for only upper floor strata-titled warehouse units (as at 18 January 2018)

Source: JTC, REALIS, Knight Frank Consultancy & Research

4.5 Investment Sales

For the first half of 2017, the investment sales for private warehouse totalled S$122 million, and this surged to about S$1.2 billion worth of investment sales value in second half of the year. Total investment sales of private warehouse amounted to approximately S$1.3 billion[6] for the whole of 2017. Amid the uncertain global economic situation, REITs are observed to be relatively active in acquiring yield accretive industrial properties, particularly towards the second half of 2017.

5 Based on caveats lodged from REALIS and accurate as at 18 January 2018.

6 Information accurate as at 5 February 2018.

INDEPENDENT MARKET STUDY

Exhibit 4-7: Selected Major Private Warehouse Investment Sales in 2017

Key Private Factory Investment Sales in 2017						
Quarter	Property	Location	Tenure	Purchaser	GFA (sq ft)	Price (S$)
Q1 2017	6 Chin Bee Avenue	6 Chin Bee Avenue	N.A.	Viva Industrial Trust	324,166	96,800,000
Q1 2017	20 Old Toh Tuck Road	20 Old Toh Tuck Road	N.A.	MSS Toh Tuck Pte Ltd	N.A.	14,250,000
Q1 2017	21 Senoko South Road	21 Senoko South Road	N.A.	Jia Yi Construction Pte Ltd	N.A.	10,500,000
Q3 2017	Fabristeel Factory	9 Tuas Ave 10	N.A.	N.A.	N.A.	86,000,000
Q3 2017	7 Playfair Road	7 Playfair Road	Freehold	N.A.	N.A.	17,250,000
Q4 2017	10A Jalan Ampas	10A Jalan Ampas	Freehold	N.A.	N.A.	16,000,000

Notes:
To be considered as private investment sales under Knight Frank Research definition, it must fulfil either one of the following pre-requisite:-
- Investment transactions should comprise an entire building or property with a total worth of S$10 million and above; OR
- Any bulk sales within a development which amounts to S$10 million or more

* Figures stated are Net Lettable Areas

Source: JTC, Knight Frank Consultancy & Research

4.6 Outlook

The warehousing sector is likely to experience positive growth in 2018.

On the back of improving global trade which augers well for the logistics industry, coupled with the burgeoning e-commerce market which mandates for efficient logistics and supply chain operations on an island-wide scale, demand for warehousing space in Singapore is expected to pick up in 2018. As Singapore continues to strive towards being a ‘Smart Nation’ and build on its competitive advantage in digital and smart technology, the growth story of warehouse and logistics sector is likely to strengthen over the next two to three years. Under the industry transformation map, the logistics sector was one of the key industries shortlisted. Government agencies in the likes of Economic Development Board, Spring Singapore, SkillsFuture SG and Workforce Singapore will collaborate to achieve about 2,000 PMET (professional, managers, executives and technicians) jobs creation by 2020 with a value-add of S$8.3 billion in the logistics market. Furthermore, with Singapore’s strategic location and strong connectivity to key gateway cities in South-East Asia, it will further appeal to both local and international logistics players who are keen to establish their presence or expand their businesses in the region.

INDEPENDENT MARKET STUDY

While it may still take time for the existing vacant and upcoming 3.7 million sq ft GFA of warehouse space (slated for completion by 2018) to be absorbed by the market, the emergent signs of global economic expansion and growth in demand for logistics operations would provide support for industrial space take-up over the next two to three years. However, with the evolving requirements on space specifications as productivity and efficiency took precedence, new warehouse buildings with well-equipped facilities, technologies and configuration which allows for flexibility in spatial needs will be more sought-after as opposed to the conventional and older warehouse spaces. New generation warehouse space that may be well received in the market in the near future include Supply Chain City, the flagship headquarters and warehouse facility of Singapore logistic firm YCH Group. Such a new age warehouse integrated development encompass lifestyle and recreation amenities for its employees and customers, and also well equipped with up-to-date technologies such as radio-frequency identification and automated storage retrieval system to enhance operation efficiency.

Going forward, the rental movement of warehouse space is projected to remain stable or moderate by -3.0 to -1.0 per cent y-o-y in Q4 2018, or register marginal increase of up to 1.0 per cent y-o-y.

LIMITING CONDITIONS OF THIS REPORT

This Report is subject to the following limiting conditions:

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b) It disclaims all responsibility and will accept no liability to any other party.

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f) Projections or forecasts in the course of the study are made to the best of the Knight Frank's judgment. However, Knight Frank's disclaims any liability for these projections or forecasts as they pertain to future market conditions, which may change due to unforeseen circumstances.

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CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Manager's main responsibility is to manage the assets and liabilities of the Trust for the benefit of its Unitholders. The Manager sets the strategic direction of the Trust and gives recommendations to HSBC Institutional Trust Services (Singapore) Limited, as trustee of the Trust (the "Trustee"), on the acquisition, divestment and enhancement of the assets of the Trust in accordance with its stated investment strategy. The Manager is also responsible for the risk management of the Trust.

The Manager was appointed in accordance with the terms of the trust deed entered into between the Manager and the Trustee constituting Sabana REIT dated 29 October 2010 (as amended, varied or supplemented from time to time), (collectively the "Trust Deed"). The Trust Deed also outlines certain circumstances under which the Manager can be removed, including by notice given in writing by the Trustee upon the occurrence of certain events, or by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The Manager and its officers are licensed under the Securities and Futures Act, Chapter 289 ("SFA") to carry out REIT management activities with effect from 2 November 2010. It holds a Capital Markets Services ("CMS") Licence issued by the Monetary Authority of Singapore ("MAS").

The Manager is committed to upholding high standards of corporate governance, which are essential to sustaining the Trust's business and performance. This report describes the Manager's corporate governance framework and practices in compliance with the principles and guidelines of the Code of Corporate Governance 2012 (the "2012 Code"). The Manager confirms that it has adhered to the principles and guidelines as set out in the 2012 Code where applicable. Any deviations from the 2012 Code are explained.

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 provides entrepreneurial leadership, sets the strategic direction and ensures that the necessary resources are in place for the Manager to meet its objectives. It also sets the values and standards for the Manager and the Trust, to ensure that obligations to its stakeholders are understood and met, with the ultimate aim of safeguarding and enhancing Unitholder's value.

CORPORATE GOVERNANCE REPORT

As at 31 December 2017, the Board members are:

Independent Directors#
Mr Yong Kok Hoon (Chairman)
Mr Kelvin Tan Wee Peng

Non-executive Directors
Mr Henry Chua Tiong Hock

Executive Director
Mr Kevin Xayaraj (CEO)*

Mr Tan Cheong Hin was appointed as an Independent Non-Executive Director on 25 January 2018.
* Mr Kevin Xayaraj resigned as Chief Executive Officer and Executive Director on 31 December 2017.

The profiles of the Directors (which contain key information of the Directors that the Manager considers to be relevant to Unitholders for the purposes of Guideline 4.7 of the 2012 Code) are set out on pages 14-17 of this Annual Report.

The Board provides oversight and assumes overall responsibility for the corporate governance of the Manager, including establishing goals for management and monitoring the achievement of these goals. The Board has established an oversight framework for the Manager and the Trust, including a system of internal controls which enables risks to be assessed and managed.

In order for the Board to efficiently provide oversight, it delegates specific areas of responsibilities to its Board Committees; namely, the Nominating and Remuneration Committee ("NRC") and Audit Committee ("AC"). Each Board Committee is governed by its respective terms of reference which have been carefully considered and approved by the Board.

The Manager has adopted a framework of delegated authorisations in its Delegation of Authority ("DOA") approved by the Board. The DOA sets out the level of authorisation and the respective approval limits for a range of transactions, including but not limited to acquisitions, divestments, operating and capital expenditures. Transactions and matters which require the Board's approval, such as annual budgets, financial statements, funding and investment proposals, opening and closing of bank accounts, are clearly set out in the DOA.

The Board meets at least once every quarter to discuss and review the financial performance of the Trust, including any significant acquisitions and disposals, funding strategy and hedging activities, and to approve the release of the quarterly, half-yearly and full year financial results. Additional meetings are convened as and when warranted by particular circumstances requiring the Board's attention. The Constitution of the Manager provide for Directors' participation in meeting by way of telephone or video conferencing or other methods of simultaneous communication by electronic or telegraphic means.

The Manager issues formal letters upon appointment of new Directors, setting out their relevant duties and obligations, to acquaint them with their responsibilities as Directors of the Manager.

Newly appointed Directors are provided with information relating to the Trust's business, strategic directions, corporate governance policies and procedures. Training may be provided for first-time Directors in areas such as accounting, legal and industry-specific knowledge where appropriate. The costs of arranging and funding the training of the Directors will be borne by the Manager.

CORPORATE GOVERNANCE REPORT

The Directors (including newly appointed Directors) are also regularly updated on new developments in laws and regulations or changes in regulatory requirements and financial reporting standards which are relevant to or may affect the Manager or the Trust. The Manager encourages and sponsors its Directors to attend training courses, so as to stay abreast of changes to the financial, legal and regulatory requirements and the business environment. The Directors may also, at any time, request for further explanations, briefings, or informal discussions on new developments in laws and regulations or changes in regulatory requirements and financial reporting standards, as well as any aspect of the Trust's or the Manager's operations or business issues.

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. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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

1. Chairman should be a Non-executive Director;
2. At least one-third of the Board should comprise Independent Directors; and
3. The Board should be of appropriate size and mix of experience in business, finance, law and management skills critical to the Trust's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

To comply with MAS requirements, at least half of the Board currently comprises independent directors.

The Board currently consists of four Directors, three of whom are non-executive and independent, that is, they have no relationship with the Manager, its related companies, its 10% shareholders or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Trust, and they are able to exercise objective judgement on corporate affairs independently from the management and its 10% shareholders. Furthermore, the Independent Directors are considered to be independent because they are not substantial Unitholders of the REIT, they do not have management or business relationships with the Manager and its related companies as well as the Trust and its subsidiaries and they are independent from the substantial shareholder of the Manager and substantial Unitholders of the Trust. As Independent Directors make up more than half of the Board, no individual or group is able to dominate the Board's decision making process.

The NRC reviews the size and composition of the Board on an annual basis, and considers the present Board size and composition as appropriate for the current scope and nature of the Trust's operations. The diversity of skills, experience and core competencies of the members in areas such as accounting, finance, property, and business development enables balanced and well-considered decisions to be made. Each Director has been appointed based on his experience and capability in relevant core competencies and ability to contribute to the Board. The NRC also regularly reviews its composition to ensure that the Board has the appropriate balance and diversity to maximise its effectiveness.

Based on the NRC's recommendations, the Board is satisfied that there is a strong and independent element on the Board and that the present size of the Board is appropriate to facilitate effective decision making.

As part of the regulatory requirements for CMS licence holders, MAS must provide prior approval for any change of the CEO or of any Board member.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CEO

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 division of responsibilities and functions between the Chairman and the CEO has been demarcated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman, Mr Yong Kok Hoon, and the CEO, Mr Donald Han, are not related to each other, nor is there any business relationship between them.

The Chairman leads the Board to ensure its effectiveness by promoting a culture of openness and debate at the Board meetings on key issues pertinent to the business and operations of the Trust and the Manager. He encourages effective contribution from all Directors and facilitates constructive relations with the Board and between the Board and Management. He ensures the Directors receive complete, adequate and timely information and promotes effective communication with Unitholders on the performance of the Trust. He also spearheads the Manager's drive to achieve and maintain high standards of corporate governance.

The CEO has full executive responsibilities over the business direction and operational decisions in managing the Trust. He is responsible for the day-to-day management of the Manager and the Trust and is accountable to the Board for the execution of the Board's adopted strategies and policies.

BOARD MEMBERSHIP AND PERFORMANCE

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

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 NRC comprises the following Directors:

Mr Yong Kok Hoon (Chairman)	(Independent Director)
Mr Kelvin Tan Wee Peng#	(Independent Director)
Mr Henry Chua Tiong Hock	(Non-executive Director)

Mr Kelvin Tan was appointed as an Independent Non-Executive Director on 6 November 2017.

CORPORATE GOVERNANCE REPORT

The NRC is guided by written Terms of Reference which sets out the authorities and duties of this Committee.

The NRC reviews and makes recommendations to the Board on all nominations for appointments and re-appointments to the Board and the Board Committees. It also leads the process for the search, identification, evaluation and selection of suitable candidates for new directorships. In doing so, where necessary or appropriate, the NRC may tap on its networking contacts and/or engage professional headhunters to assist with identifying and shortlisting candidates. Furthermore, the NRC also reviews and makes recommendation to the Board on matters relating to the professional development and succession plans for senior management and members of the Board. As part of the NRC's nomination process, the NRC will also take into account, among other things, the competing time commitments faced by Directors with multiple board memberships.

The Board has implemented an annual process which is carried out by the NRC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board, based on performance criteria as approved by the Board. All Directors are required to assess the performance of the Board and its Committees using evaluation forms covering Board composition, Board information, Board process, internal control and risk management, Board accountability, CEO/top management and standards of conduct. The NRC also determines, among other things, the independence of Directors, whether Directors who hold multiple board representations or have other competing principal commitments are able to and have been adequately carrying out their duties, considering, inter alia, the Directors' attendance, contribution and participation at Board meetings, Directors' individual evaluations and the overall effectiveness of the Board. Feedback and comments received from the Directors are collated, analysed and reviewed by the NRC.

The Board ensures that the Directors give sufficient time and attention to the affairs of the Manager and the Trust. The Board is of the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, but as a general rule, each Director should hold no more than seven listed company board appointments. Based on the reviews by the NRC, the Board is of the view that the Board and its Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. In accordance with Guideline 4.5 of the 2012 Code, no alternate directors were appointed.

The Board reviews annually whether a Director is considered an independent director based on the 2012 Code. The Board has ascertained that for the financial year under review, the Independent Directors are independent.

ACCESS TO INFORMATION

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

Management endeavours to provide the Board with complete, adequate and timely information prior to board meetings and on an on-going basis to enable the Board to make informed decisions to discharge its duties and responsibilities. Directors are entitled to request for information from Management and Management seeks to provide the same in a timely manner.

CORPORATE GOVERNANCE REPORT

Board meetings for each year are scheduled in advance to facilitate Directors' individual arrangements in respect of on-going commitments. Prior to each meeting, Board papers on matters to be discussed with detailed explanatory information and other relevant materials are circulated in advance so that such matters may be considered thoroughly and fully, prior to the making of any decision. Explanatory information may also be in the form of briefings to the Directors or formal presentations by staff in attendance at Board meetings or by external professionals.

The number of Board meetings and Board committees meetings held during the year from 1 January 2017 to 31 December 2017 and Directors' attendances are as follows:

Attendance of the Directors for FY 2017

Name of Directors	Board Meetings		AC Meetings		NRC Meetings	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Mr Yong Kok Hoon	6	6	5	5	3	3
Mr Kelvin Tan Wee Peng[#]	6	N.A	5	1[#]	N.A	N.A
Mr Henry Chua Tiong Hock	6	6	N.A	N.A	3	3
Mr Kevin Xayaraj[1]	6	6	N.A	N.A	N.A	N.A
Mr Steven Lim Kok Hoong[2]	6	5	5	3	3	2
Ms Ng Shin Ein[3]	6	0	5	0	N.A	N.A

[#] Mr Kelvin Tan Wee Peng was appointed as an Independent Non-Executive Director on 6 November 2017.
[1] Mr Kevin Xayaraj resigned as an Executive Director on 31 December 2017.
[2] Mr Steven Lim Kok Hoong resigned as an Independent Non-Executive Director on 28 July 2017.
[3] Ms Ng Shin Ein resigned as a Non-Independent Non-Executive Director on 23 March 2017.

The Board has access to management and the Company Secretary at all times. The Company Secretary (or representative) attends all Board meetings and ensures that all Board procedures and the requirements of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") are followed. The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.

As a general rule, board papers, including the quarterly financial statements, are sent to directors in advance of each meeting for directors to be adequately prepared for each meeting. The Board papers are deliberated over and approved by the Board at the meetings, with the Company Secretary recording the minutes of proceedings.

Directors may seek and obtain independent professional advice in the furtherance of their duties, if necessary. Any expenses and costs associated thereto will be borne by the Manager.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

LEVEL AND MIX OF REMUNERATION

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

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 key management personnel, and performance.

The NRC, which has an independent majority, serves the crucial role of ensuring that a formal and transparent procedure is established for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration policy comprises the following distinct objectives:

(a) to ensure that the procedure for determining remuneration for Directors and executive officers is formal and transparent;
(b) to ensure that the level of remuneration is sufficient to attract and retain Directors and that the remuneration packages are competitive in attracting and retaining employees;
(c) to ensure that no Director is involved in deciding on his own remuneration;
(d) to ensure that remuneration commensurates with employees' duties, responsibilities and length of service;
(e) to build sustainable value-creation to align with long term Unitholder interest;
(f) to reward employees for achieving performance targets; and
(g) to enhance retention of key talents to build strong organisational capabilities.

The NRC determines remuneration packages and service terms of individual Directors and the CEO in accordance with the aforementioned policies. Directors' fees also take into account the Directors' level of participation and contribution and their respective responsibilities. The NRC also regularly reviews and recommends to the Board, the framework for salary reviews, performance bonus and incentives for the other key management personnel, taking into consideration the performance of the Trust and that of the individual employee. There are currently no option schemes or other long-term incentive schemes for Directors and employees and all remuneration is paid in cash only. All non-executive directors are paid a fixed salary and the CEO's remuneration is not linked to the gross revenue of the Trust. There are no employees who are immediate family members of any Director or the CEO. In addition, no director or executive officers are paid in the form of shares or interests in the Manager's controlling shareholder or its related entities and their remuneration is also not linked (directly or indirectly) to the performance of any entity other than the REIT.

CORPORATE GOVERNANCE REPORT

Accordingly, the NRC takes a holistic approach to the development of remuneration policies for the Trust, and the framework of remuneration for the Board, key management personnel and individual employees is not considered in isolation. The NRC also considers how to build up depth in management strength and development of key management personnel to ensure sustainability, continual development of talent and renewal of strong and competent leadership in the interests of the Trust.

The remuneration of the Directors and employees of the Manager are not paid out of the deposited property of the Trust (which is the listed entity), but remunerated directly by the Manager from the fees it receives.

In this regard, the Manager's report on each individual Director's and the key management personnel's remuneration paid and payable entirely in cash from 1 January 2017 to 31 December 2017 is disclosed as follows:

Remuneration	**Salary**	**Bonus**	**Director's fee**	**Other Benefits**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Directors					
Mr Kevin Xayaraj[1] (CEO)	424.0	–	–	46.0	470.0
Mr Steven Lim Kok Hoong[2]	–	–	51.5	–	51.5
Mr Yong Kok Hoon	–	–	85.7	–	85.7
Mr Henry Chua Tiong Hock	–	–	47.6	–	47.6
Ms Ng Shin Ein[3]	–	–	12.2	–	12.2
Mr Kelvin Tan Wee Peng[#]	–	–	9.8	–	9.8

1 Mr Kevin Xayaraj resigned as Chief Executive Officer and Executive Director on 31 December 2017.
2 Mr Steven Lim Kok Hoong resigned as an Independent Non-Executive Director on 28 July 2017.
3 Ms Ng Shin Ein resigned as a Non-Independent Non-Executive Director on 23 March 2017.
Mr Kelvin Tan Wee Peng was appointed as an Independent Non-Executive Director on 6 November 2017.

Remuneration Bands	**Salary**	**Bonus**	**Other Benefits**	**Total**
	%	**%**	**%**	**%**
Key management personnel				
S$250,000 – S$500,000				
Mr Aw Wei Been	89.0	7.4	3.6	100.0%
Mr Bobby Tay Chiew Sheng	88.7	7.4	3.9	100.0%
Ms Tan Chiew Kian	83.8	15.3	0.9	100.0%

Note: Remuneration was based on amount paid and payable, based on the Trust's financial year from 1 January 2017 to 31 December 2017. Bonus consists of annual wage supplement and performance bonus. Leave encashment, mobile and transport allowances are classified under Other Benefits. There were no other key management personnel.

CORPORATE GOVERNANCE REPORT

The key management team is small and to provide further disclosure on a sensitive matter such as remuneration may subject the Manager to risk of staff turnover, which is not in the best interests of Unitholders. Therefore, the Board believes the Unitholders and the Trust will not be prejudiced as a result of such non-disclosure.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

The Manager prepares the financial statements in accordance with the Singapore Financial Reporting Standards prescribed by the Accounting Standards Council and Sabana REIT complies with Rule 705 of the Listing Manual of the SGX-ST (where applicable), which prescribes, among others, that quarterly results are to be announced no later than 45 days of the reporting period while full year results are to be announced no later than 60 days of the financial year end. In presenting the financial reports, the Board aims to provide a balanced and understandable assessment of the Trust's performance, position and prospects.

The Strategic Review Committee ("SRC") was convened on 2 February 2017 to undertake a Strategic Review of Sabana REIT to enhance unitholder value. The terms of reference of the SRC included the following:

(a) reviewing various options to improve the performance of Sabana REIT; and
(b) sourcing and considering the proposals from potential strategic partners, and
(c) shortlisting partners who can enhance Sabana REIT's performance in terms of:
  (i) ability to contribute pipeline of quality assets to Sabana REIT to improve current property portfolio mix;
  (ii) improving the borrowing ability of Sabana REIT; and
  (iii) ability to enhance the capability of the management team.

The members of the SRC comprised:

- Mr Yong Kok Hoon (Independent Non-Executive Director, Chairman of the SRC)
- Mr Steven Lim Kok Hoong (Independent Non-Executive Director)[1]
- Mr Kelvin Tan Wee Peng (Independent Non-Executive Director)[2]
- Mr Henry Chua (Non-Executive Director)

Morgan Stanley Asia (Singapore) Pte. ("Morgan Stanley") was appointed the financial adviser by the SRC to assist in the Strategic Review. The SRC held regular discussions and meetings throughout the Strategic Review process and was dissolved on 25 January 2018 with the conclusion of the Strategic Review.

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 shareholders' 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.

[1] Mr Steven Lim Kok Hoong resigned on 28 July 2017 due to health reasons.
[2] Mr Kelvin Tan Wee Peng was appointed a member of the SRC on 6 November 2017.

CORPORATE GOVERNANCE REPORT

The Board, through the AC, reviews the adequacy of the Manager's risk management framework and ensures that a robust system of risk management and internal controls are in place to safeguard the interests of the Unitholders. The Manager benchmarks its risk management practices against the Risk Governance Guidance For Listed Boards for best standards.

The AC, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy and effectiveness of the Manager's system of controls, including financial, operational, compliance and information technology controls put in place by the management as part of the framework.

The Manager has adopted an enterprise-wide risk management ("ERM") framework to enhance its risk management capabilities. Through a structured risk identification process and the use of a risk register, the key financial, operational and compliance risks identified by the Management are documented and presented against the response strategies and control measures put in place to mitigate those risks. To enhance risk mitigation, the ERM framework is integrated with the internal auditor's annual work plan.

The following section presents a brief summary of the Trust's exposure to financial, operational, and compliance risks and the key measures in addressing these risks.

Financial Risk

In managing the Trust, the Manager adheres to all applicable financial covenants set by lenders as well as the aggregate leverage limit of 45% imposed by MAS in the Property Funds Appendix. The Trust has complied with the aggregate leverage limit throughout the year. To minimise financial risks, the Manager reviews the capital management policy of the Trust regularly and provides periodic updates to the Directors. All major capital market initiatives require the prior approval of the Board.

By employing an appropriate mix of debt and equity to finance property acquisitions, maintaining a certain level of cash for working capital and employing available Shari'ah-compliant derivatives to hedge risk exposure, the Manager strikes a strategic balance between safeguarding the going concern ability and optimal capital structure of the Trust with maximising Unitholders' value.

Operational Risk

The Manager has put in place a manual of standard operating procedures designed to identify, monitor, report and manage the operational risks associated with the day-to-day management of the Trust. The manual of standard operating procedures covers key risk areas such as investments and acquisitions, property and lease management, interested party transactions, finance and accounting, compliance, and information technology controls, and is periodically reviewed to stay relevant and effective.

The Manager recognises that there is a significant amount of risk inherent in making property investment decisions. Accordingly, the Manager sets out clear procedures when making such decisions. For instance, an investment and risk management committee was set up to ensure comprehensive due diligence is carried out in relation to each proposed investment. All property purchases and divestments require the prior approval of the Board.

Control self-assessments in key areas of operations are conducted by the Management on a periodic basis. Internal auditors, Ernst and Young Advisory Pte Ltd ("EY") had also been engaged to perform independent reviews of the adequacy and effectiveness of the risk management processes and internal controls (see Principle 13).

CORPORATE GOVERNANCE REPORT

The Manager also has a Business Continuity Plan and a comprehensive insurance coverage in accordance with industry standards.

Compliance Risk

The Trust is subject to various rules and regulations stipulated by SGX-ST and other regulatory bodies. Any changes to the rules and regulations may affect the Trust's business.

The Manager holds a CMS licence for real estate investment trust management and its key officers are appointed as representatives by MAS under the SFA. Failure to comply with the regulations imposed by MAS may result in the licences being revoked or not renewed, adversely affecting the Trust's operations.

The Manager has policies and procedures for ensuring compliance with the applicable provisions of the SFA and all other relevant legislations, rules, notices and guidelines, including the Listing Manual of the SGX-ST, the Code on Collective Investment Schemes issued by the MAS including Property Funds Appendix, the Manager's obligations under the Trust Deed, Singapore Financial Reporting Standards, any tax ruling and the relevant contracts.

To mitigate non-compliance, the compliance officer regularly consults the regulatory bodies and works closely with the auditors, legal counsels, Company Secretary, senior management and AC to ensure adherence to all stipulated rules and regulations.

Board's Opinion on Internal Controls

Based on the internal controls and risk management framework established and maintained by the Management, work performed by the internal and external auditors, the assurance from the former CEO and CFO that the financial records have been properly maintained, that the financial statements give a true and fair view of the Trust's operations and finances, and the assurance from the former CEO and CFO regarding the effectiveness of the Manager's risk management and internal control systems, the Board, with the concurrence of the AC, is of the view that taking into account the nature, scale and complexity of the Manager's operations, the Trust's financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2017.

In this regard, the Board notes that the system of internal controls and risk management provide a reasonable but not absolute assurance that the Trust will not be severely affected by any event that could be reasonably foreseen. Neither can any system of internal controls and risk management provide absolute assurance against the occurrence of material errors, poor judgment, human error, losses, fraud or other irregularities.

AUDIT COMMITTEE

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

The AC assists the Board in fulfilling responsibilities relating to corporate governance and interested party transactions.

The AC is governed by written terms of reference defining its authority and duties, with explicit authority to investigate any matter within its term of reference. The AC has full access to and co-operation by Management and full discretion to invite any Director or employee of the Manager to attend its meetings.

CORPORATE GOVERNANCE REPORT

Currently, the AC members are:

Mr Kelvin Tan Wee Peng# (Chairman)	(Independent Director)
Mr Yong Kok Hoon	(Independent Director)
Mr Tan Cheong Hin#	(Independent Director)

Mr Kevin Tan Wee Peng was appointed as an Independent Non-Executive Director and Chairman of the Audit Committee on 6 November 2017. Mr Tan Cheong Hin was appointed an Independent Non-Executive Director and member of the Audit Committee on 25 January 2018.

None of the members of the AC is a former partner of Sabana REIT's external auditors KPMG LLP or has any financial interest in the audit firm.

The main duties of the AC includes reviewing and monitoring the effectiveness of the Manager's internal controls relating to financial, operational, compliance and risk management processes. The AC receives regular updates by external auditors to keep abreast of changes to accounting standards and issues which may have a direct impact on financial statements. The AC meets with internal and external auditors without the presence of management at least once a year.

The AC meets at least once every quarter and the key activities include:

- Reviewing and recommending to the Board for approval, the quarterly and full year financial results and related SGX announcements;
- Reviewing Related Party Transactions and any donations of income derived from non-Shari'ah compliant sources or non-core activities to charities;
- Reviewing and approving the internal and external audit plans to ensure adequacy of the audit scope;
- Reviewing the adequacy and effectiveness of the internal audit function;
- Reviewing and evaluating with internal and external auditors, the adequacy and effectiveness of internal control systems, including financial, operational and compliance controls, and risk management policies and framework;
- Reviewing the internal and external audit reports and monitoring the timely and proper implementation of any corrective or improvement measures;
- Reviewing the nature and extent of non-audit services performed by the external auditors.
- Reviewing the independence and objectivity of the external auditors, and recommending to the Board on their re-appointment; and
- Reviewing whistle-blowing arrangements put in place by Management.

For FY 2017, the External Auditor KPMG LLP ("KPMG") has identified the valuation of investment properties as a key audit matter and in its report, KPMG has communicated their findings that the valuation methodologies adopted and key assumptions applied in the valuation are consistent with market practices and data. The AC has also reviewed the valuation reports and discussed the contents thereof with Management, KPMG, and the independent valuers and is satisfied with the assumptions and methodologies used. However, given that the assumptions are subjective and are highly susceptible to changes in the business environment, the AC cautions Unitholders against relying solely on the investment property valuations in assessing the financial performance of Sabana REIT. This is particularly so as such valuations do not give any assurance that the investment properties will be sold at such prices even if such sales are contemplated for some of the properties as part of Sabana REIT's business strategy. Instead, the AC advises Unitholders to focus on fundamental factors such as the net property income, tenant profile, tenancy duration, and their changes over the years to assess how well Sabana REIT's portfolio has performed, especially during the tough times the economy and industrial sector in Singapore underwent in recent years.

CORPORATE GOVERNANCE REPORT

The Board is of the view that all the members of the AC are suitably qualified with finance and accounting backgrounds to assist the Board in the areas of internal controls, financial and accounting matters, compliance and risk management, including oversight over Management in the design, implementation and monitoring of risk management and internal control systems.

External Auditors

The AC makes recommendation to the Board on the appointment/re-appointment of the external auditors, taking into consideration the scope, results of the audit, as well as the cost effectiveness, independence and objectivity of the external auditors.

During the year, the AC has conducted a review of all non-audit services provided by the external auditors to Sabana REIT and its subsidiaries and is satisfied that the extent of such services will not prejudice the independence and objectivity of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were approximately S$229,000 and S$59,000 respectively, for the financial year under review.

The AC, with the concurrence of the Board, has recommended the re-appointment of KPMG LLP as the external auditors. The re-appointment of the external auditors will be subject to approval by way of an ordinary resolution of Unitholders at the AGM to be held on 25 April 2018.

In appointing the audit firms for the Trust and its subsidiaries, the Board is satisfied that the Trust has complied with the requirements of Rules 712 and 715 of the Listing Manual of the SGX-ST.

Whistle-blowing Policy

The AC has established procedures to provide employees of the Manager and the tenants and vendors of the Trust with well-defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to the Trust or the Manager, and for the independent investigation of any reports and appropriate follow-up action.

The aim of the whistle-blowing policy is to encourage the reporting of such matters in good faith, with the confidence that those making such reports will be treated fairly, and to the extent possible, be protected from reprisal. Where appropriate, an independent third party may be appointed to assist in the investigation.

INTERNAL AUDIT

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

The internal audit function of the Manager is outsourced to EY. The internal auditors are guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, and report directly to the AC on audit matters.

The internal auditors conduct audit reviews based on the internal audit plan approved by the AC, and report their findings and recommendations to management who would respond on the actions to be taken. The internal auditors submit internal audit reports at least twice yearly to the AC. The AC is of the view that the internal auditors have adequate resources to perform its functions.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

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

COMMUNICATION WITH UNITHOLDERS

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

The Manager is committed to regular, effective and fair communication with Unitholders. It has a dedicated IR team which regularly communicates with the Unitholders and attends to their queries and concerns.

The Manager's disclosure policy requires the timely and full disclosure of all material information relating to the Trust by way of public releases or announcement through the SGX-ST via SGXNET at first instance and subsequently, by way of release on the website at http://www.sabana-reit.com. The Manager clearly communicates its current policy of distributing 100% of its distributable income to Unitholders.

The Manager conducts regular briefings for analysts which will generally coincide with the release of the Trust's quarterly results. The IR team utilises its website as a means of providing information to the Unitholders and the broader investment community. News releases, investor presentations and quarterly and full year financial results are available on the website immediately after they have been released to the market.

More details on IR activities and efforts are found on pages 11 of this Annual Report.

CONDUCT OF SHAREHOLDER MEETINGS

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

The Manager welcomes active Unitholder participation at the general meetings. It believes that general meetings serve as an opportune forum for Unitholders to meet the Board and senior management and to communicate their views.

For greater transparency and fairness in the voting process, the Manager has implemented the system of voting by poll at its general meetings. Unitholders and proxies are briefed by the appointed polling agent on the voting procedure at general meetings. The appointed scrutineer will ensure that the poll process is properly carried out and the counting of votes is verified by the scrutineer. Results of each resolution put to vote at the general meetings are processed by independent scrutineers and the results will be announced with details of percentages in favour and against. Separate resolutions are proposed for substantially separate issues at the meetings. The minutes of the general meeting will be made available to Unitholders upon request.

The Chairman of the Board, the respective Chairman of each of the Board Committees, the Management and the external auditors are present to address Unitholders' queries at the AGMs.

CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES

The Manager's Code of Best Practices on Securities Transactions encourages Directors and employees to hold Units but forbids them to:

- Trade during the blackout period, which commences one month before the announcement of property valuations, quarterly or annual results to the public and ending on the day of announcement or other specified date.
- Trade at any time in possession of price sensitive information.
- Communicate price sensitive information to any person as imposed by insider trading laws.
- Trade in Units on short-term considerations.

Directors are also required to disclose their dealings in Units to the Manager within two business days after such acquisition or occurrence. Announcements of such interest notifications will be made via SGXNet.

In addition, the Manager will comply with any relevant disclosure requirements under the SFA. The Manager has also undertaken that it will not deal in the Units during the period commencing one month before the public announcement of the Trust's annual results, quarterly results and (where applicable) property valuations, and ending on the date of announcement of the relevant results, or the case may be, property valuations.

DEALING WITH CONFLICTS OF INTEREST

The following procedures are established by the Manager to deal with potential conflicts of interest issues:

- The Manager is dedicated to Sabana REIT and will not manage other REITs which invest in similar properties as Sabana REIT.

- All executive officers will be working exclusively for the Manager and will not hold executive positions in other firms;

- All resolutions in writing of the Directors in relation to matters concerning the Trust must be approved by a majority of the Directors who do not hold an interest, including at least two Independent Directors;

- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude the nominee Directors of the Sponsor and/ or its subsidiaries.

- It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of the Trust with a related party of the Manager, the Manager shall be obliged to consult a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors shall have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of the Trust with a related party of the Manager and the Trustee may take any action it deems necessary to protect the rights of Unitholders and/or which is in the interest of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

CORPORATE GOVERNANCE REPORT

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

DEALING WITH RELATED PARTIES

The Manager has established procedures to ensure that all Related Party Transactions will be undertaken on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties. Thus, the interests of the Trust and the Unitholders will not be prejudiced. All Related Party Transactions will be subjected to regular periodic reviews by the AC:

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S$100,000.00 in value but below 3% of the value of Sabana REIT's net tangible assets will be subject to review by the AC at regular intervals;

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3% but below 5% of the value of Sabana REIT's net tangible assets will be subject to review and prior approval of the AC and immediately announced on SGX-ST. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager;

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 5% of the value of Sabana REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the AC which may, as it deems fit, request advice on the transactions from independent advisers, including the obtaining of valuations from independent professional valuers. Furthermore, under the Listing Manual of the SGX-ST and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed; and

- Aggregate value of Related Party Transactions entered into during the financial year under review will be disclosed in the Annual Report. See page 156 for the disclosure.

As a general rule, the Manager must demonstrate to its AC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager; or obtaining two or more valuations from independent professional valuers (in accordance with the Property Funds Appendix).

For Related Party Transactions entered into or to be entered into by the Trustee, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on an arm's length basis and on normal commercial terms, are not prejudicial to the interests of the Trust and the Unitholders, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual of the SGX-ST relating to the transaction in question.

Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a Related Party Transaction. If the Trustee is to sign any Related Party Transaction contract, the Trustee will review the contract to ensure that it complies with the requirements relating to Related Party Transactions as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to real estate investment trusts.

CORPORATE GOVERNANCE REPORT

The Manager will maintain a register to record and will incorporate into its internal audit plan a review, of all Related Party Transactions which are entered into by the Trust. The AC shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix have been complied with. The AC will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Appendix and/or the Listing Manual of the SGX-ST. The review will include the examination of the nature of the transactions and the supporting documents or such other data deemed necessary by the AC.

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

DEALING WITH SHARI'AH COMPLIANCE

Shari'ah compliance means adherence to the tenets of Islamic law, which places due consideration upon ethics and social responsibility. The Manager ensures total non-Shari'ah compliant rental income does not exceed 5% per annum of the gross revenue of the Trust's portfolio of properties. As part of the due cleansing procedure, donation of non-compliant income is made to charitable causes (without tax benefits) on a quarterly basis. For FY 2017, the non-compliant income came to approximately 0.31% of gross revenue.

Five Pillars Pte. Ltd. ("Five Pillars"), based in Singapore, was appointed by the Manager to act as the Shari'ah Adviser. Five Pillars serves as a conduit between the Independent Shari'ah Committee ("ISC") and the compliance officer of the Manager, liaising frequently on Shari'ah matters throughout the year.

The ISC comprises eminent scholars and experts. They are:

- Dr. Mohamed Ali Elgari (Professor at King Abdulaziz University in Saudi Arabia);
- Professor Dr. Obiyathulla Ismath Bacha (Professor at the International Centre for Education in Islamic Finance in Malaysia); and
- Dr. Ashraf bin Mohammed Hashim (Associate Professor at International Islamic University Malaysia)

The Trust follows the standards promulgated by the Auditing and Accounting Organisation of the Islamic Financial Institutions and/or the Islamic Financial Services Board. To assess on-going compliance of the Trust, the Shari'ah Adviser, on behalf of and working closely with the ISC:

- Prior to the issuance of the Shari'ah certificate for annual status, an inspection and verification will be conducted on the properties and activities of the Trust. A representative of Five Pillars will visit the individual properties in the portfolio to ensure that businesses on the premises are compliant and agree with the leasing contracts signed. For FY 2017, the Trust successfully passed the inspection.

- For new funding, consent will be obtained on inception. Shari'ah certification and other supporting documents from the issuing or arranger bank will be vetted and approved by the ISC. For FY 2017, the Trust has not utilised interest-based borrowing or other non-Shari'ah compliant financing.

On completion of the annual audit, the ISC will sign off and issue the certificate which will be delivered by the Shari'ah Adviser to the Manager. The Trust has successfully renewed its annual Shari'ah certificate, valid till 31 December 2017. The certificate is displayed on the Trust's website www.sabana-reit.com. The total amount of fees incurred for Shari'ah advisory services for the financial year ended 31 December 2017 is approximately S$100,000.

CORPORATE GOVERNANCE REPORT

Under Shari'ah principles, provisions are made for remedial actions. In the event of a breach or deviation, the Manager must disclose as soon as practicable to the Shari'ah Adviser and the ISC the necessary details and supporting documents. Rectification as advised is applied to the particular activity within an agreed time frame before any distributions are made to Unitholders.

FEES PAYABLE TO THE MANAGER

The Manager is entitled under Clauses 15.1 and 15.2 of the Trust Deed to the following fees:

	Fees payable by the Trust	Amount payable
1	Management fee (payable to the Manager or its nominee)	**Base Fee** A fee not exceeding the rate of 0.5% per annum of the value of the Deposited Property. **Performance Fee** 0.5% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the Net Property Income of Sabana REIT or its relevant Special Purpose Vehicles ("SPVs") in each financial year, payable on a yearly basis, provided Sabana REIT achieves at least 10% annual growth in DPU over the previous financial year (calculated after accounting for the performance fee (if any) for that financial year and after adjusting, at the discretion of the Manager, for any new Units arising from the conversion or exercise of any instruments convertible into Units which are outstanding at the time of calculation, and any rights or bonus issue, consolidation, subdivision or buy-back of Units). The Manager received 100.0% of the Base Fee in cash for FY 2017.

CORPORATE GOVERNANCE REPORT

	Fees payable by the Trust	Amount payable
2	Fee for acquisition of properties (payable to the Manager or its nominee)[1]	**Acquisition Fee** 1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the acquisition price of real estate of real estate-related assets acquired: • in relation to an acquisition (whether directly or indirectly through one or more SPVs of any real estate, the acquisition price of any real estate purchased by the Trust, plus any other payments[2] in addition to the acquisition price made by the Trust or its SPVs to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of the Trust's interest); • in relation to an acquisition (whether directly or indirectly through one or more SPVs of the Trust) of any SPVs or holding entities which holds real estate, the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the equity interests of any vehicle holding directly or indirectly the real estate purchased by the Trust, plus any additional payments made by the Trust or its SPVs to the vendor in connection with the purchase of such equity interests) (pro-rated if applicable to the proportion of the Trust's interest); or • the acquisition price of any investment by the Trust, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate.
3	Fee for divestment of properties (payable to the Manager or its nominee)[3]	**Divestment Fee** 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of each of the following as is applicable (subject to there being no double-counting): • the sale price of any real estate sold or divested, whether directly or indirectly through one or more SPVs, by the Trust (plus any other payments[4] in addition to the sale price received by the Trust or its SPVs from the purchaser in connection with the sale or divestment of the real estate) (pro rated if applicable to the proportion of the Trust's interest); • the underlying value of any real estate related assets which is taken into account when computing the sale price for such real estate-related assets, sold or divested, whether directly or indirectly through one or more SPVs, by the Trust (pro rated if applicable to the proportion of the Trust's interest); or • the sale price of any investment by the Trust, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPVs owning or acquiring real estate.

1 Acquisition fees are paid in cash. Whereby properties are acquired from interested parties, acquisition fees will be paid in units issued by Sabana REIT at the prevailing market price and will be held for one year from the date of issuance.

2 "Other payments" refers to additional payments to the vendor of the asset, for example, where the vendor has already made certain payments for enhancements to the asset, and the value of the asset enhancements is not reflected in the acquisition price as the asset enhancements are not completed, but "other payments" do not include stamp duty or other payments to third party agents and brokers.

3 Divestment fees are paid in cash. Whereby properties are sold to interested parties, divestment fees will be paid in units issued by Sabana REIT at the prevailing market price and will be held for one year from the date of issuance.

4 "Other payments" refers to additional payments to the Trust or its SPVs for the sale of the asset, for example, where the Trust or its SPVs have already made certain payments for enhancements to the asset, and the value of the asset enhancements is not reflected in the sale price as the asset enhancements are not completed, but do not include stamp duty or other payments to third party agents and brokers.

CORPORATE GOVERNANCE REPORT

The Manager is responsible for managing the assets and liabilities of the Trust for the benefit of its Unitholders. Accordingly, the Manager should be compensated fairly for its efforts in the overall management of the Trust's various affairs. The Base Fee payable to the Manager has been assessed by the Board and the Board believes that the Base Fee is reasonable and in line with market rates.

No Performance Fees were payable for FY 2017. The Board would like to inform Unitholders that Performance Fees are only payable when the Manager has achieved a certain level of growth in DPU over the previous financial year. An increase of the DPU by 10% year-on-year is challenging and the Performance Fee will incentivise the Manager to take a holistic and balanced approach towards assuming sensible risks to grow the Trust over the long-term. Accordingly, the Board is of the view that the Performance Fee will incentivise the Manager to seek growth opportunities and encourage the Manager to act in the interests of Unitholders to enhance the DPU. In addition, the Performance Fee payable to the Manager has been assessed by the Board and the Board believes that the Trust's Performance Fee is reasonable and in line with market practices.

The Acquisition Fee and Divestment Fee are necessary to incentivise the Manager to source for inorganic growth and to realise mature assets that no longer suit the portfolio. The Manager has to undertake additional scope of work over and above the overall management of the Trust when undertaking acquisition or divestment opportunities and should be compensated fairly to reflect the effort expended and the costs incurred in such transactions. Accordingly, the Board has considered and is of the view that the Acquisition Fee and Divestment Fee are reasonable and in line with market rates to ensure that the Manager acts in the interests of the Trust and Unitholders.

The Property Manager, as a wholly-owned subsidiary of the Manager, is entitled under the Master Property Management Agreement to the following fees:

	Fees payable by the Trust	**Amount payable**
1	Property management fee (payable to the Property Manager)	**Property Management Fee** 2.0% per annum of gross revenue of each property under the management of the Property Manager.
2	Lease management fee (payable to the Property Manager)	**Lease Management Fee** 1.0% per annum of gross revenue of each property under the management of the Property Manager.

The Property Manager provides property management services to the Trust. In return for its services, the Property Manager should be compensated fairly for its efforts. The fees payable to the Property Manager has been assessed by the Board. The Board believes that the fees payable to the Property Manager are reasonable and in line with market rates. In addition, the Property Management Fee and Lease Management Fee have been structured so that the Property Manager is incentivised to improve the performance of the properties.

CORPORATE INFORMATION

SABANA REIT

REGISTERED ADDRESS
HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
#13-02 HSBC Building
Singapore 049320

TRUSTEE
HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
#03-01 HSBC Building
Singapore 049320
Phone: (65) 6658 6667

EXTERNAL AUDITORS
KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Phone: (65) 6213 3388
Fax: (65) 6225 4142

Partner-in-charge: Karen Lee
Appointed since financial year ended 31 December 2016

INTERNAL AUDITORS
Ernst & Young Advisory Pte. Ltd.
One Raffles Quay
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Singapore 048583
Phone: (65) 6535 7777
Fax: (65) 6532 7662

LEGAL ADVISER
Allen & Gledhill LLP
One Marina Boulevard
#28-00 Singapore 018989
Phone: (65) 6890 7188
Fax: (65) 6327 3800

UNIT REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Phone: (65) 6536 5355
Fax: (65) 6536 1360

BANKERS
CIMB Bank Berhad
(Singapore Branch)

United Overseas Bank Limited

Malayan Banking Berhad
(Singapore Branch)

HSBC Amanah Malaysia Berhad

The Hongkong and Shanghai Banking Corporation Limited

STOCK QUOTES
STI – M1GU
Bloomberg – SSREIT SP
Reuters – SABA.SI
POEMS – SBNR.SG

WEBSITE
www.sabana-reit.com

THE MANAGER

REGISTERED ADDRESS
Sabana Real Estate Investment Management Pte. Ltd.

Company registration number:
201005493K
151 Lorong Chuan
#02-03 New Tech Park
Singapore 556741
Phone: (65) 6580 7750
Fax: (65) 6280 4700

BOARD OF DIRECTORS
Mr Yong Kok Hoon
Chairman and Independent Non-Executive Director

Mr Kelvin Tan Wee Peng
Independent Non-Executive Director

Mr Tan Cheong Hin
Independent Non-Executive Director

Mr Henry Chua Tiong Hock
Non-Executive Non-Independent Director

AUDIT COMMITTEE
Mr Kelvin Tan Wee Peng (Chairman)
Mr Yong Kok Hoon
Mr Tan Cheong Hin

NOMINATING AND REMUNERATION COMMITTEE
Mr Yong Kok Hoon (Chairman)
Mr Henry Chua Tiong Hock
Mr Kelvin Tan Wee Peng

COMPANY SECRETARY OF THE MANAGER
Mr Cho Form Po

FINANCIAL CONTENTS

REPORT OF THE TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Futures Act, Chapter 289, of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Sabana Real Estate Investment Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 29 October 2010 (as amended by the first supplemental deed dated 2 December 2010, the first amending and restating deed dated 24 February 2016 and the second amending and restating deed dated 24 March 2016) (collectively, the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the period covered by these financial statements, set out on pages 91 to 155 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Authorised signatory

Singapore
13 March 2018

STATEMENT BY THE MANAGER

In the opinion of the directors of Sabana Real Estate Investment Management Pte. Ltd. (the "Manager"), the accompanying financial statements of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 91 to 155 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements and Statements of Movements in Unitholders' funds of the Group and the Trust, Portfolio Statement and Statement of Cash Flows of the Group and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Group and the Trust and the portfolio holdings of the Group as at 31 December 2017, the total return, distributable income and movements in Unitholders' funds of the Group and 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,
Sabana Real Estate Investment Management Pte. Ltd.

Yong Kok Hoon
Chairman

Singapore
13 March 2018

INDEPENDENT AUDITORS' REPORT

Unitholders
Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

(Constituted in the Republic of Singapore pursuant to a trust deed dated 29 October 2010 (as amended by the first supplemental deed dated 2 December 2010, the first amending and restating deed dated 24 February 2016 and the second amending and restating deed dated 24 March 2016))

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group and the statement of financial position of the Trust as at 31 December 2017, the consolidated statements of total return, consolidated distribution statement, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statements of total return, distribution statement and statement 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 91 to 155.

In our opinion, the accompanying consolidated financial statements and consolidated portfolio statement of the Group and the statement of financial position, the statements of total return, distribution statement and statement of movements in unitholders' funds of the Trust present fairly, in all material respects, the consolidated financial position and the portfolio holdings of the Group and the financial position of the Trust as at 31 December 2017 and the consolidated total return, consolidated distributable income, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and movements in unitholders' funds of the Trust for the year ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditors' 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Valuation of investment properties (Refer to Note 4 to the financial statements)

Risk

The Group's property portfolio, valued at approximately $955.3 million as at 31 December 2017, comprises 20 properties strategically located across Singapore. The Group has four main industrial property segments: High-tech Industrial, Chemical Warehouse and Logistics, Warehouse and Logistics and General Industrial.

The investment properties are stated at fair value based on independent external valuations. The key assumptions used and estimates to be applied in determining the valuation of investment properties involve significant judgement, and as a result, the valuation process is considered as a key audit matter.

Our response

We assessed the competence, capability and objectivity of the external valuers engaged by the Group and held discussions with the valuers to understand the valuation methods and key assumptions used, where appropriate.

We considered the valuation methodologies adopted against those applied by other valuers for similar property types. We evaluated the appropriateness of the capitalisation, discount and terminal yield rates to available industry data, taking into consideration comparability and market forces.

Our findings

The external valuers are members of recognised professional bodies for valuers.

The valuation methodologies adopted and key assumptions applied in the valuation are consistent with market practices and data.

Other information

Sabana Real Estate Investment Management Pte. Ltd., 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.

We have obtained all other information prior to the date of the auditors' report.

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

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

INDEPENDENT AUDITORS' REPORT (Continued)

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 RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Karen Lee Shu Pei.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Trust	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Non-current assets					
Investment properties	4	942,400	990,600	942,400	990,600
Subsidiaries	5	–	–	*	*
Derivative assets	11	–	522	–	522
		942,400	991,122	942,400	991,122
Current assets					
Investment properties held for divestment	4	12,900	13,000	12,900	13,000
Trade and other receivables	6	3,128	9,561	3,125	9,553
Cash and cash equivalents	7	7,681	9,206	7,681	9,201
		23,709	31,767	23,706	31,754
Total assets		966,109	1,022,889	966,106	1,022,876
Current liabilities					
Trade and other payables	8	18,105	14,097	18,115	14,095
Borrowings	9	117,456	130,209	117,456	130,440
Derivative liabilities	11	–	562	–	562
		135,561	144,868	135,571	145,097
Non-current liabilities					
Trade and other payables	8	10,388	13,511	10,388	13,511
Borrowings	9	248,350	307,715	248,350	307,715
Derivative liabilities	11	265	–	265	–
		259,003	321,226	259,003	321,226
Total liabilities		394,564	466,094	394,574	466,323
Net assets		571,545	556,795	571,532	556,553
Represented by:					
Unitholders' funds		571,545	556,795	571,532	556,553
Units issued and to be issued ('000)	12	1,053,084	742,371	1,053,084	742,371

* Less than $1,000

The accompanying notes form an integral part of these financial statements

STATEMENTS OF TOTAL RETURN

For the year ended at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Trust 2017 $'000	Trust 2016 $'000
Gross revenue	15	85,196	91,807	85,196	91,807
Property expenses	16	(31,817)	(34,865)	(31,817)	(34,865)
Net property income		53,379	56,942	53,379	56,942
Finance income		308	293	308	293
Finance costs		(17,193)	(21,089)	(16,948)	(20,773)
Net finance costs	17	(16,885)	(20,796)	(16,640)	(20,480)
Manager's fees	18	(3,700)	(5,333)	(3,700)	(5,333)
Trustee's fees		(423)	(454)	(423)	(454)
Donation of non-Shari'ah compliant income	19	(21)	(113)	(21)	(113)
Other trust expenses	20	(3,546)	(1,055)	(3,562)	(1,073)
		(7,690)	(6,955)	(7,706)	(6,973)
Net income		28,804	29,191	29,033	29,489
Net change in fair value of financial derivatives		(225)	(235)	(225)	(237)
Net change in fair value of investment properties		(57,205)	(90,862)	(57,205)	(90,862)
Gain/(Loss) on divestment of investment properties		1,816	(558)	1,816	(558)
Total return for the year before taxation and distribution		(26,810)	(62,464)	(26,581)	(62,168)
Tax expense	21	*	*	–	–
Total return for the year after taxation and before distribution		(26,810)	(62,464)	(26,581)	(62,168)
Earnings per Unit (cents)					
Basic	22	(2.60)	(8.48)	(2.57)	(8.44)
Diluted	22	(2.60)	(8.48)	(2.57)	(8.44)

* Less than $1,000

DISTRIBUTION STATEMENTS

For the year ended 31 December 2017

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Income available for distribution to Unitholders at beginning of the year	9,321	11,120	9,321	11,120
Total return for the year after taxation and before distribution	(26,810)	(62,464)	(26,581)	(62,168)
Non-tax deductible/(chargeable) items:				
Manager's fees paid/payable in Units	–	4,266	–	4,266
Amortisation of transaction costs	1,757	2,784	1,526	2,482
Break fees on termination of profit rate swaps	656	–	656	–
Trustee's fees	423	454	423	454
Donation of non-Shari'ah compliant income	21	113	21	113
Net change in fair value of financial derivatives	225	235	225	237
Net change in fair value of investment properties	57,205	90,862	57,205	90,862
(Gain)/Loss on divestment of investment properties	(1,816)	558	(1,816)	558
Effects of recognising rental income on a straight line basis over the lease term	578	(362)	578	(362)
Other items	2,766	503	2,768	507
Net effect of non-tax deductible items	61,815	99,413	61,586	99,117
Income available for distribution to Unitholders	44,326	48,069	44,326	48,069

DISTRIBUTION STATEMENTS (Continued)

For the year ended 31 December 2017

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Distribution of 0.79 cents per Unit for the period 1 July 2017 to 30 September 2017	(8,320)	–	(8,320)	–
Distribution of 0.81 cents per Unit for the period 1 April 2017 to 30 June 2017	(8,529)	–	(8,529)	–
Distribution of 0.88 cents per Unit for the period 1 January 2017 to 31 March 2017	(9,267)	–	(9,267)	–
Distribution of 0.88 cents per Unit for the period 1 October 2016 to 31 December 2016	(9,267)	–	(9,267)	–
Distribution of 1.20 cents per Unit for the period 1 July 2016 to 30 September 2016	–	(8,877)	–	(8,877)
Distribution of 1.23 cents per Unit for the period 1 April 2016 to 30 June 2016	–	(9,074)	–	(9,074)
Distribution of 1.33 cents per Unit for the period 1 January 2016 to 31 March 2016	–	(9,786)	–	(9,786)
Distribution of 1.50 cents per Unit for the period 1 October 2015 to 31 December 2015	–	(11,011)	–	(11,011)
	(35,383)	(38,748)	(35,383)	(38,748)
Income available for distribution to Unitholders at end of the year	8,943	9,321	8,943	9,321
Number of Units entitled to distributions ('000) (Note 12)	1,053,084	1,053,084	1,053,084	1,053,084
Distribution per Unit (cents)	3.31	4.17*	3.31	4.17*

* Incorporated the effects of the Rights Issue (including the effects of bonus element) undertaken by the Trust in December 2016 and completed in January 2017.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
For the year ended 31 December 2017

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Unitholders' funds at beginning of the year	556,795	653,741	556,553	653,203
Operations				
Total return after taxation and before distribution	(26,810)	(62,464)	(26,581)	(62,168)
	529,985	591,277	529,972	591,035
Unitholders' transactions				
Issue of new Units:				
- Manager's fees paid in Units	–	3,238	–	3,238
- Manager's fees payable in Units	–	1,028	–	1,028
Proceeds from Rights Issue	80,164	–	80,164	–
Issue expenses	(3,221)	–	(3,221)	–
Distributions to Unitholders	(35,383)	(38,748)	(35,383)	(38,748)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	41,560	(34,482)	41,560	(34,482)
Unitholders' funds at end of the year	571,545	556,795	571,532	556,553

The accompanying notes form an integral part of these financial statements

CONSOLIDATED PORTFOLIO STATEMENT
As at 31 December 2017

Group

Description of property	**Type**	**Leasehold term**
New Tech Park	High-tech industrial	45 years with effect from ("wef") 26 November 2010
8 Commonwealth Lane	High-tech industrial	30 years wef 1 February 2006[1]
Geo-Tele Centre	High-tech industrial	30 years wef 1 June 1995[2]
Frontech Centre	High-tech industrial	99 years wef 1 January 1962
1 Tuas Avenue 4	High-tech industrial	30 years wef 1 January 1996[3]
BTH Centre	High-tech industrial	30 years wef 16 September 2006[4]
508 Chai Chee Lane	High-tech industrial	30 years wef 16 April 2001[5]
Freight Links Express Logisticpark	Chemical warehouse & logistics	30 years wef 16 February 1988[6]
18 Gul Drive	Chemical warehouse & logistics	13 years 10 months 12 days wef 1 November 2004[7]
Penjuru Logistics Hub	Warehouse & logistics	30 years wef 16 August 2002
Freight Links Express Logisticentre	Warehouse & logistics	30 years wef 1 January 1995[2]
26 Loyang Drive	Warehouse & logistics	30 years wef 1 January 2006[8]
Balance carried forward		

Location	Committed occupancy rate as at		Carrying values as at		% of total net assets as at	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	%	%	$'000	$'000	%	%
151 Lorong Chuan	83	88	304,000	316,000	53.2	56.8
8 Commonwealth Lane	76	81	55,000	57,000	9.6	10.2
9 Tai Seng Drive	100	100	40,500	41,000	7.1	7.4
15 Jalan Kilang Barat	92	92	23,000	23,000	4.0	4.1
1 Tuas Avenue 4	100	100	24,800	32,400	4.3	5.8
23 Serangoon North Avenue 5	23	31	37,000	41,000	6.5	7.4
508 Chai Chee Lane	72	72	56,200	56,800	9.8	10.2
33 & 35 Penjuru Lane	100	100	52,000	60,000	9.1	10.8
18 Gul Drive	100	100	21,000	24,500	3.7	4.4
34 Penjuru Lane	79	84	39,000	40,700	6.8	7.3
51 Penjuru Road	100	100	45,000	46,800	7.9	8.4
26 Loyang Drive	100	100	24,700	24,700	4.3	4.4
			722,200	763,900	126.3	137.2

CONSOLIDATED PORTFOLIO STATEMENT (Continued)

As at 31 December 2017

Group (Continued)

Description of property	Type	Leasehold term
Balance brought forward		
218 Pandan Loop*	Warehouse & logistics	30 years wef 16 September 1989(2)
3A Joo Koon Circle	Warehouse & logistics	30 years wef 1 August 1987(2)
2 Toh Tuck Link	Warehouse & logistics	30 years wef 16 December 1996(2)
10 Changi South Street 2	Warehouse & logistics	30 years wef 1 October 1994(9)
Yenom Industrial Building	General industrial	60 years wef 1 September 1981
30 & 32 Tuas Avenue 8	General industrial	30 years wef 1 September 1996(2)
39 Ubi Road 1	General industrial	30 years wef 1 January 1992(2)
21 Joo Koon Crescent	General industrial	30 years wef 16 February 1994(2)
6 Woodlands Loop*	General industrial	30 years wef 16 September 1994(2)
Investment properties and investment properties held for divestment		
Other assets and liabilities (net)		
Net assets		

Location	Committed occupancy rate as at		Carrying values as at		% of total net assets as at	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	%	%	$'000	$'000	%	%
			722,200	763,900	126.3	137.2
218 Pandan Loop	–	–	–	13,000[10]	–	2.3
3A Joo Koon Circle	100	100	39,000	39,000	6.8	7.0
2 Toh Tuck Link	83	87	31,000	32,300	5.4	5.8
10 Changi South Street 2	100	100	62,200	52,100	10.9	9.4
123 Genting Lane	80	79	17,800	18,200	3.1	3.3
30 & 32 Tuas Avenue 8	100	100	29,000	29,000	5.1	5.2
39 Ubi Road 1	88	63	22,700	23,000	4.0	4.1
21 Joo Koon Crescent	100	100	18,500	19,000	3.2	3.4
6 Woodlands Loop	–	100	12,900[10]	14,100	2.3	2.5
			955,300	1,003,600	167.1	180.2
			(383,755)	(446,805)	(67.1)	(80.2)
			571,545	556,795	100.0	100.0

CONSOLIDATED PORTFOLIO STATEMENT (Continued)
As at 31 December 2017

Group (Continued)

As disclosed in the Statements of Financial Position:

	Carrying values as at	
	31 December 2017 $'000	**31 December 2016 $'000**
Investment properties – non-current	942,400	990,600
Investment properties held for divestment – current (denoted as * in the Consolidated Portfolio Statement)	12,900	13,000
	955,300	1,003,600

(1) The Trust has an option to renew the land lease term for a further term of 23 years upon expiry.
(2) The Trust has an option to renew the land lease term for a further term of 30 years upon expiry.
(3) The Trust has an option to renew the land lease term for a further term of 21 years and 4 months upon expiry.
(4) The Trust has an option to renew the land lease term for a further term of 20 years and 15 days upon expiry.
(5) The Trust has an option to renew the land lease term for a further term of 29 years upon expiry.
(6) The Trust has an option to renew the land lease term for a further term of 31 years upon expiry.
(7) The Trust has an option to renew the land lease term for a further term of 20 years upon expiry.
(8) The Trust has an option to renew the land lease term for a further term of 18 years upon expiry.
(9) The Trust has an option to renew the land lease term for a further term of 27 years upon expiry.
(10) These properties were transferred to investment properties held for divestment, following the proposed divestment of the properties.

The carrying amounts of the investment properties as at 31 December 2017 and 31 December 2016 were based on independent valuations undertaken by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, Savills Valuation and Professional Services (S) Pte Ltd and Suntec Real Estate Consultants Pte Ltd. Valuations are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

The carrying amount of the investment properties held for divestment as at 31 December 2017 and 31 December 2016 were based on the independent valuation undertaken by Suntec Real Estate Consultants Pte Ltd.

Investment properties comprise properties used for the purpose of high-tech industrial, chemical warehouse and logistics, warehouse and logistics and general industrial use. Generally, the leases contain an initial non-cancellable period of three to ten years. Subsequent renewals are negotiated with the lessees. 9 Tai Seng Drive, 151 Lorong Chuan, 8 Commonwealth Lane, 123 Genting Lane, 508 Chai Chee Lane, 2 Toh Tuck Link, 23 Serangoon North Avenue 5, 34 Penjuru Lane, 15 Jalan Kilang Barat and 39 Ubi Road 1 are leased on individual lease agreements, 6 Woodlands Loop (2016: 218 Pandan Loop) is currently pending divestment, and the other investment properties are leased on master lease agreements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Cash flows from operating activities			
Total return for the year after taxation and before distribution		(26,810)	(62,464)
Adjustments for:			
Manager's fees paid/payable in Units	(A)	–	4,266
Net change in fair value of financial derivatives		225	235
Net change in fair value of investment properties		57,205	90,862
(Gain)/Loss on divestment of investment properties		(1,816)	558
Net finance costs		16,885	20,796
		45,689	54,253
Change in trade and other receivables		3,283	(2,235)
Change in trade and other payables		1,499	(3,604)
Cash generated from operations		50,471	48,414
Ta'widh (compensation on late payment of rent) received		264	263
Net cash from operating activities		50,735	48,677
Cash flows from investing activities			
Capital expenditure on investment properties	(B)	(18,555)	(1,830)
Divestment of investment properties		14,800	54,600
Profit income received from Islamic financial institutions		44	30
Net cash (used in)/from investing activities		(3,711)	52,800
Cash flows from financing activities			
Proceeds from Rights Issue		80,164	–
Issue costs paid in relation to Rights Issue		(3,221)	–
Break fees on termination of profit rate swaps		(656)	–
Proceeds from borrowings		73,000	115,200
Repayment of borrowings		(146,550)	(159,900)
Transaction costs paid		(325)	(1,244)
Finance costs paid		(15,578)	(18,017)
Distributions paid		(35,383)	(38,748)
Net cash used in financing activities		(48,549)	(102,709)
Net decrease in cash and cash equivalents		(1,525)	(1,232)
Cash and cash equivalents at beginning of the year		9,206	10,438
Cash and cash equivalents at end of the year	7	7,681	9,206

(A) 8,344,623 Units, of which 5,764,396 Units were issued and another 2,580,227 Units to be issued to the Manager by the Trust, amounting to approximately $4,266,000 at various Unit prices in satisfaction of Manager's fee payable in respect of the year ended 31 December 2016.

(B) This includes an expenditure on the additions and alterations of approximately $12,531,000 (2016:Nil) to the property at 10 Changi South Street 2 for an additional gross floor area of 49,415 square feet.

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 13 March 2018.

1 General

Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 29 October 2010 (as amended by the first supplemental deed dated 2 December 2010, the first amending and restating deed dated 24 February 2016 and the second amending and restating deed dated 24 March 2016) (collectively, the "Trust Deed") between Sabana Real Estate Investment Management Pte. Ltd. (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust held by it or through its subsidiaries (collectively, the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

The Trust was a dormant private trust from the date of constitution until its acquisition of properties on 26 November 2010. It was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 26 November 2010 and was included in the Central Provident Fund ("CPF") Investment Scheme on 26 November 2010.

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" and individually as "Group entities").

The principal activity of the Trust is to invest in income producing real estate used for industrial purposes in Asia, as well as real estate-related outlets, in line with Shari'ah investment principles. The principal activities of the subsidiaries are set out on Note 5 of the financial statements.

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

1.1 Property Manager's fees

The Property Manager is entitled under the Property Management Agreement to the following management fees on each property of the Group located in Singapore under its management:

- a property management fee of 2.0% per annum of gross revenue of each property; and
- a lease management fee of 1.0% per annum of gross revenue of each property.

The property management fee and the lease management fee are payable to the Property Manager in the form of cash.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1 General (Continued)

1.2 Manager's fees

Pursuant to the Trust Deed, the Manager is entitled to the following manager's fees:

- a base fee not exceeding the rate of 0.5% per annum of the value of the gross assets of the Group ("Deposited Property"); and

- a performance fee equal to 0.5% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the Group's Net Property Income in the relevant financial year, provided that the Group achieves an annual growth in distribution per Unit ("DPU") of at least 10.0% over the previous financial year (calculated after accounting for the performance fee (if any) for that financial year and after adjusting, at the discretion of the Manager, for any new Units arising from the conversion or exercise of any instruments convertible into Units which are outstanding at the time of calculation, and any rights or bonus issue, consolidation, subdivision or buy-back of Units).

1.3 Trustee's fees

Pursuant to the Trust Deed, the Trustee's fee shall not exceed 0.25% per annum of the value of the Deposited Property (subject to a minimum of $25,000 per month), excluding out-of-pocket expenses and goods and services tax ("GST").

The actual fee payable will be determined between the Manager and the Trustee from time to time.

1.4 Acquisition fees

Pursuant to the Trust Deed, the Manager is entitled to acquisition fees of 1.0% (or such lower percentage as may be determined by the Manager), of each of the following:

- the acquisition price of any real estate purchased, whether directly or indirectly through one or more Special Purpose Vehicles ("SPVs") by the Trust;

- the underlying value of any real estate which is taken into account when computing the acquisition price payable for the equity interests of any holding directly or indirectly the real estate, purchased whether directly or indirectly through one or more SPVs, by the Trust; and

- the acquisition price of any investment purchased by the Trust, whether directly or indirectly through one or more SPVs, in any debt securities in any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured directly or indirectly by the rental income from real estate.

In respect of any acquisition of real estate assets from interested parties, such a fee should be in the form of Units issued by the Trust. Such Units should not be sold within one year from the date of their issuance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 General (Continued)

1.5 Divestment fees

Pursuant to the Trust Deed, the Manager is entitled to divestment fees of 0.5% (or such lower percentage as may be determined by the Manager) of each of the following:

- the sale price of real estate sold or divested, whether directly or indirectly through one or more SPVs by the Trust;
- the underlying value of any real estate which is taken into account when computing the sale price for the equity interests of any holding directly or indirectly the real estate, divested whether directly or indirectly through one or more SPVs, by the Trust; and
- the sale price of any investment sold by the Trust, whether directly or indirectly through one or more SPVs, in any debt securities in any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured directly or indirectly by the rental income from real estate.

In respect of any divestment of real estate assets to interested parties, such a fee should be in the form of Units issued by the Trust. Such Units should not be sold within one year from the date of their issuance.

2 Basis of Preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for the investment properties and financial derivatives which are stated at fair value as set out in the accounting policies described below.

2.3 Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements

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

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

In particular, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – valuation of investment properties and investment properties held for divestment
- Note 23 – valuation of financial instruments

2.5 Changes in accounting policies

Disclosure Initiative (Amendments to FRS 7 Statement of Cash Flows)

From 1 January 2017, as a result of the amendments to FRS 7 *Statement of Cash Flows*, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see Note 9).

3 Significant accounting policies

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

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the Statements of Total Return.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

(ii) Subsidiaries

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

(iii) Loss of control

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

(iv) 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.

(v) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Trust's Statement of Financial Position at cost less accumulated impairment losses.

3.2 Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the Statements of Total Return, except for differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.3 Investment properties

Investment properties are properties held either to earn rental income or capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost at initial recognition and subsequently at fair value with any changes therein recognised in the Statements of Total Return.

Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in such manner and frequency required under Appendix 6 of the CIS Code issued by the MAS ("Property Funds Appendix").

Fair value changes are recognised in the Statements of Total Return. When an investment property is disposed of, the resulting gain or loss is recognised in the Statements of Total Return as the difference between net disposal proceeds and the carrying amount of the property.

Subsequent expenditure relating to investment properties that have already been recognised is added to the carrying amount of the assets 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.

Investment properties are not depreciated. The properties are subject to continuing maintenance and are regularly revalued on the basis described above. For taxation purpose, the Group may claim capital allowances on assets that qualify as plant and machinery under the Singapore Income Tax Act.

3.4 Non-current assets held for sale

Non-current assets comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets and liabilities are measured in accordance with applicable FRSs. Thereafter, the assets or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell except for non-current assets that are accounted for in accordance with the fair value model in FRS 40 *Investment Property.*

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the Statements of Total Return. Gains are not recognised in excess of any cumulative impairment loss.

Non-current assets held for sale comprise investment properties held for divestment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.5 Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

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

Cash and cash equivalents comprise cash at bank and short-term deposits with financial institutions that are subject to an insignificant risk of changes in their fair value.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are initially recognised on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.5 Financial instruments (Continued)

(ii) Non-derivative financial liabilities (Continued)

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

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

Other financial liabilities comprise borrowings and trade and other payables.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to economically hedge its profit rate risk exposure.

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

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in the Statements of Total Return.

Other non-trading derivatives

Changes in the fair value of the derivative hedging instruments that do not qualify for hedge accounting are recognised immediately in the Statements of Total Return.

(iv) Convertible Sukuk

The Convertible Sukuk comprises a liability for the profit expense and principal amount and an embedded derivative liability. The embedded derivative liability is recognised at fair value at inception. The carrying amount of the Convertible Sukuk at initial recognition is the difference between the gross proceeds from the Convertible Sukuk and the fair value of the embedded derivative liability. Any directly attributable transaction costs are allocated to the debt component of the Convertible Sukuk and embedded derivative liability in proportion to their initial carrying amounts.

Subsequent to initial recognition, the debt component of the Convertible Sukuk is measured at amortised cost using the effective profit rate method. The embedded derivative liability is measured at fair value through the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.6 Impairment

(i) Non-derivative financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment.

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

(ii) Non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.6 Impairment (Continued)

(ii) Non-financial assets (Continued)

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

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

3.7 Issue expenses

Issue expenses relate to expenses incurred in connection with the issue of Units. Such expenses are deducted directly against Unitholders' funds.

3.8 Revenue recognition

Rental income from operating leases

Rental income receivable under operating leases from investment properties is recognised in the Statements of Total Return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of total rental to be received. Contingent rentals are recognised as income in the accounting period on a receipt basis.

3.9 Expenses

(i) Property expenses

Included in property expenses are property management fee and lease management fee under the Property Management Agreement, which are based on the applicable formula stipulated in Note 1.1, reimbursable expenses payable to the Property Manager and other property expenses in relation to the investment properties.

Property expenses are recognised as and when incurred and recorded on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.9 Expenses (Continued)

(ii) Manager's fees

Manager's fees are recognised as and when services are rendered and recorded on an accrual basis using the applicable formula stipulated in Note 1.2.

(iii) Trustee's fees

Trustee's fees are recognised as and when services are rendered and recorded on an accrual basis using the applicable formula stipulated in Note 1.3.

3.10 Finance income and finance costs

Finance income comprises mainly profit income. Profit income is recognised as it accrues in the Statements of Total Return using the effective profit rate method.

Finance costs comprise profit expense on borrowings and profit rate swaps, amortisation of transaction costs incurred on borrowings and brokerage and agent fees. All borrowing costs are recognised in the Statements of Total Return using the effective profit rate method.

3.11 Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in the Statements of Total Return except to the extent that it relates to a business combination, or items directly related to Unitholders' funds, in which case it is recognised in Unitholders' funds.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and

- temporary differences related to investments in subsidiaries 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.11 Tax (Continued)

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 their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

The Inland Revenue Authority of Singapore ("IRAS") had issued a tax ruling on the taxation of the Trust for income earned and expenditure incurred after its listing on the SGX-ST. Subject to meeting the terms and conditions of the tax ruling issued by IRAS, the Trustee is not subject to tax on the taxable income of the Trust, which includes profit distributions from liquid Islamic debt securities such as Sukuk that the Trust may invest in, provided that at least 90% of the taxable income of the Trust is distributed within the year in which the income is derived (the "tax transparency treatment"). Instead, the Trustee and the Manager will deduct income tax at the prevailing corporate tax rate (currently 17%) from the distributions made to Unitholders that are made out of the taxable income of the Trust, except:

(i) where the beneficial owners are individuals (whether resident or non-resident) who receive such distributions as investment income (excluding income received through a partnership) 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 Qualifying Foreign Non-Individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made up to 31 March 2020, unless concession is extended.

A Qualifying Unitholder is a Unitholder who is:

- A Singapore-incorporated company which is a tax resident in Singapore;
- A body of persons, other than a company or a partnership, registered or constituted in Singapore (for example, a town council, a statutory board, a registered charity, a registered co-operative society, a registered trade union, a management corporation, a club and a trade and industry association);
- A Singapore branch of a foreign company; or
- An international organisation that is exempt from tax.

A Qualifying Foreign Non-Individual Unitholder is one which is not a resident of Singapore for income tax purposes and:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.11 Tax (Continued)

- 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 or profits from sale of real estate properties, if considered to be trading gains derived from a trade or business carried on by the Trust. Tax on such gains or profits will be assessed, in accordance with section 10(1)(a) of the Income Tax Act, Chapter 134 of Singapore and collected from the Trustee. Where the gains are capital gains, they are not subject to tax and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

3.12 Earnings per Unit

The Group presents basic and diluted earnings per Unit ("EPU") data for its Units. Basic EPU is calculated by dividing the total return attributable to Unitholders of the Group by the weighted average number of ordinary Units outstanding during the year. Diluted EPU is determined by adjusting the total return attributable to Unitholders and the weighted average number of Units outstanding for the effects of all dilutive potential Units.

3.13 Segment reporting

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

Segment results that are reported to the Manager's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.14 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements. These new standards include, among others, FRS 115 *Revenue from Contracts* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.14 New standards and interpretations not adopted (Continued)

Applicable to financial statements for the year ending 31 December 2018

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* ("FR 115") establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group does not expect the impact on the financial statements to be significant. Certain additional disclosures would be required by FRS 115.

FRS 109 *Financial Instruments*

FRS 109 *Financial Instruments* ("FRS 109") contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

The expected impact on adoption of FRS 109 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment.

FRS 109 replaces the current 'incurred loss' model with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost or fair value, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under FRS 109, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or

- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.14 New standards and interpretations not adopted (Continued)

Applicable to financial statements for the year ending 31 December 2018 (Continued)

FRS 109 *Financial Instruments* (Continued)

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables. On adoption of FRS 109, the Group does not expect a significant increase in the impairment loss allowance as the trade receivables not impaired mainly relate to tenants who have good payment records and the retention of sufficient security in the form of bankers' guarantees or cash security deposits.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

Applicable to financial statements for the year ending 31 December 2019

FRS 116 *Leases*

FRS 116 *Leases* ("FRS 116") eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases* ("FRS 17"). Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

The Group plans to adopt the standard when it becomes effective for the year ending 31 December 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under FRS 116. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group expects these operating

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

3.14 New standards and interpretations not adopted (Continued)

Applicable to financial statements for the year ending 31 December 2019 (Continued)

FRS 116 *Leases* (Continued)

leases to be recognized as ROU assets with corresponding lease liabilities under FRS 116. The operating lease commitments on an undiscounted basis amount to approximately 17.8% of the consolidated total assets and 43.6% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as FRS 116 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

4 Investment properties and investment properties held for divestment

Investment properties

	Group and Trust	
	2017	**2016**
	$'000	**$'000**
At 1 January	990,600	1,090,200
Transfer to investment properties held for divestment	(12,900)	(13,000)
Capital expenditure on investment properties	18,555	1,830
Net change in fair value of investment properties*	(53,855)	(88,430)
At 31 December	942,400	990,600

Investment properties held for divestment

	Group and Trust	
	2017	**2016**
	$'000	**$'000**
At 1 January	13,000	54,600
Net change in fair value of investment properties*	(200)	–
Divestment	(12,800)	(54,600)
Transfer from investment properties	12,900	13,000
At 31 December	12,900	13,000

* The fair value loss of $54.1 million (2016: $88.4 million) on investment properties and investment properties held for divestment, together with an adjustment of $3.1 million (2016: $2.5 million) to recognise rental income on a straight line basis in accordance with FRS 17, aggregated to $57.2 million (2016: $90.9 million) as disclosed in the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 Investment properties and investment properties held for divestment (Continued)

An investment property with a carrying value of $12,900,000 (2016: $13,000,000) as at 31 December 2017 was transferred to investment properties held for divestment, following the proposed divestment to third parties.

Security

As at 31 December 2017, investment properties of the Group and the Trust with carrying values of $686,600,000 (2016: $672,100,000) have been pledged as security to secure certain borrowing facilities (see Note 9).

Measurement of fair value

Investment properties and investment properties held for divestment

Investment properties and investment properties held for divestment are stated at fair value based on valuations performed by independent professional valuers having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and willing seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion.

In determining the fair value, the valuers have used valuation techniques which involve certain estimates. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The valuation reports are prepared in accordance with recognised appraisal and valuation standards. The estimates underlying the valuation techniques in the next financial year may differ from current estimates, which may result in valuations that may be materially different from the valuations as at the reporting date.

The valuers have considered the capitalisation approach, discounted cash flow method and/or direct comparison method in arriving at the open market value as at the reporting date. The capitalisation approach capitalises an income stream into a present value using single-year capitalisation rates. The income stream used is adjusted to market rentals currently being achieved within comparable investment properties and recent leasing transactions achieved within the investment properties. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return ("Discount Rate") to arrive at the market value. The discounted cash flow method requires the valuer to assume a rental growth rate indicative of market and the selection of a Discount Rate consistent with current market requirements. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sales prices for differences in size, location, amenities and other relevant factors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 Investment properties and investment properties held for divestment (Continued)

Fair value hierarchy

The table below analyses investment properties and investment properties held for divestment carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical investment properties 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 investment properties, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: unobservable inputs for the investment properties.

	Level 3 $'000	Total $'000
Group and Trust		
2017		
Investment properties	942,400	942,400
Investment properties held for divestment	12,900	12,900
2016		
Investment properties	990,660	990,660
Investment properties held for divestment	13,000	13,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 Investment properties and investment properties held for divestment (Continued)

Fair value hierarchy (Continued)

The following table shows the key unobservable inputs used in the valuation models for investment properties and investment properties held for divestment:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties and investment properties held for divestment	• Capitalisation rates from 5.50% to 7.00% (2016: 5.50% to 7.00%) • Discount rates from 7.00% to 8.00% (2016: 7.00% to 8.00%) • Terminal yield rates from 6.00% to 7.50% (2016: 6.00% to 7.50%)	The estimated fair value of investment properties would increase/(decrease) if: • the capitalisation rates were lower/(higher); • the discount rates were lower/(higher); or • the terminal yield rates were lower/(higher).

5 Subsidiaries

	Trust 2017 $'000	Trust 2016 $'000
Equity investments at cost	*	*

* Less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

5 Subsidiaries (Continued)

Details of the subsidiaries of the Group are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2017	2016
Sabana Sukuk Pte. Ltd.[1]	Provision of treasury services	Singapore	100%	100%
Sabana Treasury Pte. Ltd.[2]	Provision of treasury services	Singapore	100%	100%

(1) Audited by KPMG LLP Singapore

(2) Subsidiary is dormant and in the process of being struck off. It was last audited by KPMG LLP Singapore for the financial year ended 31 December 2016.

6 Trade and other receivables

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables, gross	1,654	5,337	1,654	5,337
Impairment losses on trade receivables	(795)	(2,373)	(795)	(2,373)
Trade receivables, net	859	2,964	859	2,964
Other receivables, gross	944	4,739	944	4,739
Impairment losses on other receivables	–	(63)	–	(63)
Other receivables, net	944	4,676	944	4,676
Deposits	1,205	1,782	1,205	1,782
	3,008	9,422	3,008	9,422
Prepayments	120	139	117	131
	3,128	9,561	3,125	9,553

The Group's and the Trust's exposure to credit risk and impairment losses related to trade and other receivables, excluding prepayments, are disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

7 Cash and cash equivalents

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Bank balances	2,681	2,726	2,681	2,721
Fixed deposits	5,000	6,480	5,000	6,480
	7,681	9,206	7,681	9,201

The weighted average effective profit rate relating to cash and cash equivalents at the reporting date for the Group and the Trust is 0.58% (2016: 0.45%) per annum.

8 Trade and other payables

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Amount due to related parties, trade	1,544	565	1,563	581
Trade payables	2,562	1,277	2,562	1,277
Security deposits	14,463	16,779	14,463	16,779
Rental received in advance	443	215	443	215
Retention sums	1,826	754	1,826	754
Finance costs payable to:				
- non-related parties	2,591	3,560	539	986
- subsidiaries	–	–	2,052	2,574
Accrued operating expenses	2,596	2,652	2,596	2,652
Others	2,468	1,806	2,459	1,788
	28,493	27,608	28,503	27,606
Current	18,105	14,097	18,115	14,095
Non-current	10,388	13,511	10,388	13,511
	28,493	27,608	28,503	27,606

Outstanding balances with related parties are unsecured.

The Group's and the Trust's exposure to liquidity risk related to trade and other payables are disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 Borrowings

	Note	Group 2017 $'000	Group 2016 $'000	Trust 2017 $'000	Trust 2016 $'000
Secured borrowings					
Commodity Murabaha Facilities					
- Term	9(a)	120,000	195,000	120,000	195,000
- Revolving	9(a)	–	13,300	–	13,300
Revolving Murabahah Facility	9(b)	27,500	–	27,500	–
Term Loan Facility	9(c)	30,000	–	30,000	–
Less: Unamortised capitalised transaction costs		(1,330)	(1,962)	(1,330)	(1,962)
		176,170	206,338	176,170	206,338
Unsecured borrowings					
Convertible Sukuk – debt component	10	–	42,395	–	–
Trust Certificates	9(e)	190,000	190,000	–	–
Loans from subsidiaries	9(f)	–	–	190,000	232,750
Less: Unamortised capitalised transaction costs		(364)	(809)	(364)	(933)
		189,636	189,191	189,636	231,817
		365,806	437,924	365,806	438,155
Current		117,456	130,209	117,456	130,440
Non-current		248,350	307,715	248,350	307,715
		365,806	437,924	365,806	438,155

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

9 Borrowings (Continued)

Terms and borrowings repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal profit rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group					
2017					
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,654
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,335
Revolving Murabahah Facility	SGD	*SOR+Margin	2018	27,500	27,500
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,681
Trust Certificate Series 1	SGD	4.00%	2018	90,000	89,956
Trust Certificate Series 2	SGD	4.25%	2019	100,000	99,680
				367,500	365,806
2016					
Term Commodity Murabaha Facility F	SGD	*SOR+Margin	2017	75,000	74,514
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,480
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,044
Revolving Commodity Murabaha Facility D	SGD	*SOR+Margin	2020	13,300	13,300
Convertible Sukuk – Debt Component	SGD	4.50%	2017	42,750	42,395
Trust Certificate Series 1	SGD	4.00%	2018	90,000	89,753
Trust Certificate Series 2	SGD	4.25%	2019	100,000	99,438
				441,050	437,924

* Swap Offer Rate

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 Borrowings (Continued)

Terms and borrowings repayment schedule (Continued)

	Currency	Nominal profit rate %	Year of maturity	Face value $'000	Carrying amount $'000
Trust					
2017					
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,654
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,335
Revolving Murabahah Facility	SGD	*SOR+Margin	2018	27,500	27,500
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,681
Loan from a subsidiary	SGD	4.00%	2018	90,000	89,956
Loan from a subsidiary	SGD	4.25%	2019	100,000	99,680
				367,500	365,806
2016					
Term Commodity Murabaha Facility F	SGD	*SOR+Margin	2017	75,000	74,514
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,480
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,044
Revolving Commodity Murabaha Facility D	SGD	*SOR+Margin	2020	13,300	13,300
Loan from a subsidiary	SGD	4.50%	2017	42,750	42,626
Loan from a subsidiary	SGD	4.00%	2018	90,000	89,753
Loan from a subsidiary	SGD	4.25%	2019	100,000	99,438
				441,050	438,155

* Swap Offer Rate

(a) Commodity Murabaha Facilities

The outstanding $120.0 million (2016: $208.3 million) Commodity Murabahah Facilities from various institutional banks are secured by, inter alia:

- A first ranking legal mortgage over 3 (2016: 8) investment properties with a combined carrying value of $357,700,000 (2016: $574,400,000) (collectively, the "Securitised Properties") (or, where title to the Securitised Properties has not been issued, an assignment of building agreement or agreement for lease (as the case may be) coupled with a mortgage in escrow);

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 Borrowings (Continued)

(a) *Commodity Murabaha Facilities (Continued)*

- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Securitised Properties; and

- A fixed and floating charge over the other assets of the Trust relating to the Securitised Properties.

As at 31 December 2017, the Revolving Commodity Murabaha Facility D has an undrawn amount of $18.0 million (2016: $4.7 million).

(b) *Revolving Murabahah Facility*

The outstanding $27.5 million (2016: fully undrawn) Revolving Murabahah Facility, from an institutional bank is secured by, inter-alia:

- A first ranking legal mortgage over 2 investment properties with a combined carrying value of $94,000,000 (2016: $97,700,000) ("Original Murabahah Secured Properties");

- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Original Murabahah Secured Properties; and

- A fixed and floating charge over the other assets of the Trust relating to the Original Murabahah Secured Properties.

As at 31 December 2017, the Revolving Murabahah Facility has an undrawn amount of $21.4 million (2016: $50.0 million).

(c) *Term Loan Facility*

The outstanding $30.0 million (2016: nil) Term Loan Facility from an institutional bank is secured by, inter-alia:

- A first ranking legal mortgage over 2 investment properties with a combined carrying value of $85,500,000 (2016: nil) ("Term Loan Facility Secured Properties"); and

- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Term Loan Facility Secured Properties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 Borrowings (Continued)

(d) New Murabahah Facilities

The undrawn $100.0 million (2016: nil) New Murabahah Facilities comprising a $70.0 million Term Murabahah Facility and $30.0 million Revolving Murabahah Facility, from an institutional bank, had yet to be drawn down to refinance amounts owing under the Revolving Murabahah Facility or the Trust Certificates due on 19 March 2018.

The New Murabahah Facilities will, from the date of first draw down thereof, be secured by, inter alia:

- A first ranking legal mortgage over 5 (2016: Nil) investment properties with a combined carrying value of $243,400,000 (2016:Nil) (the "New Murabahah Secured Properties"), 2 of which are the Original Murabahah Secured Properties which will be discharged once the Revolving Murabahah Facility is refinanced in full;

- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the New Murabahah Secured Properties; and

- A fixed and floating charge over the other assets of the Trust relating to the New Murabahah Secured Properties.

(e) Unsecured Multicurrency Trust Certificates ("Trust Certificates")

On 16 April 2013, the Trust, through its wholly-owned subsidiary, Sabana Sukuk Pte. Ltd. (the "Programme Issuer"), established a $500.0 million Multicurrency Islamic Trust Certificates Issuance Programme (the "Trust Certificates Programme"). Under the Trust Certificates Programme, the Programme Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Trust Certificates denominated in Singapore dollars and/or any other currencies.

The payment of all amounts payable in respect of the Trust Certificates will be unconditionally and irrevocably guaranteed by HSBC Institutional Trust Services (Singapore) Limited in its capacity as Trustee of the Trust.

The Group issued the following Trust Certificates under its Trust Certificates Programme:

- $90.0 million 4.0 per cent. Trust Certificates issued on 19 March 2014 and due on 19 March 2018; and

- $100.0 million 4.25 per cent. Trust Certificates issued on 3 October 2014 and due on 3 April 2019.

(f) Loans from subsidiaries

The loans from subsidiaries are unsecured, profit bearing and repayable on 19 March 2018 and 3 April 2019, with fixed profit rates of 4.00% per annum and 4.25% per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 Borrowings (Continued)

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

	Group				
	Liabilities		Derivative financial instruments		
	Borrowings $'000	Trade and other payables $'000	Profit rate swap - assets $'000	Profit rate swap - liabilities $'000	Total $'000
Balance at 1 January 2017	437,924	27,608	(522)	562	465,572
Changes from financing cash flows					
Proceeds from borrowings	73,000	–	–	–	73,000
Repayment of borrowings	(146,550)	–	–	–	(146,550)
Transactions cost paid	(325)	–	–	–	(325)
Finance costs paid	–	(15,578)	–	–	(15,578)
Total changes from financing cash flows	(73,875)	(15,578)	–	–	(89,453)
Changes in fair value	–	–	787	(562)	225
Other changes					
Liability-related					
Amortisation of transaction costs	1,757	–	–	–	1,757
Change in trade and other payables	–	16,463	–	–	16,463
Total liability-related other changes	1,757	16,463	–	–	18,220
Balance at 31 December 2017	365,806	28,493	265	–	394,564

10 Convertible Sukuk – debt component

	Group	
	2017 $'000	2016 $'000
Carrying amount of debt component at beginning of the year	42,395	41,933
Profit accretion, including amortisation of transaction costs	355	462
Redemption of Convertible Sukuk on scheduled dissolution date	(42,750)	–
Carrying amount of debt component at end of the year	–	42,395

As at the reporting date, there was no outstanding Convertible Sukuk as they have been fully redeemed on the scheduled dissolution date of 25 September 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

11 Derivative financial instruments

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-current assets				
Profit rate swaps at fair value through Statements of Total Return	–	522	–	522
Current liabilities				
Profit rate swaps at fair value through Statements of Total Return	–	(562)	–	(562)
Embedded derivatives relating to Convertible Sukuk at fair value through Statements of Total Return	–	*	–	*
	–	(562)	–	(562)
Non-current liabilities				
Profit rate swaps at fair value through Statements of Total Return	(265)	–	(265)	–
Total derivative financial instruments	(265)	(40)	(265)	(40)
Derivative financial instruments as a percentage of net assets	0.05%	#	0.05%	#

* Less than $1,000

\# Less than 0.01%

The Group uses profit rate swaps to manage its exposure to profit rate movements on its floating rate bearing Term Commodity Murabaha Facilities by swapping the profit rates on a proportion of these term loans from floating rates to fixed rates.

Profit rate swaps with a total notional amount of $90.0 million (2016: $165.0 million) had been entered into at the reporting date to provide fixed rate funding for terms of 3.0 years (2016: 3.0 to 5.0 years) at a weighted average profit rate of 3.52% (2016: 3.98%) per annum.

Offsetting financial assets and financial liabilities

The Group's derivative transactions are entered into under International Derivatives Swaps and Dealers Association ("ISDA") Master Netting Agreements. The ISDA does not meet the criteria for offsetting in the Statements of Financial Position. This is because it creates a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

12 Units in issue and to be issued

	Group and Trust	
	2017	2016
	’000	’000
Units in issue:		
At beginning of the year	739,791	732,381
Units issued:		
- Manager’s fees paid in Units	2,580	7,410
- Rights Issue	310,713	–
	1,053,084	739,791
Units to be issued:		
- Manager’s fees payable in Units	–	2,580
Total Units issued and to be issued at end of the year (2016: issued and to be issued at the end of the year, excluding Units to be issued pursuant to the Rights Issue in January 2017)	1,053,084	742,371
- Rights Issue	–	310,713
Total Units issued and to be issued entitled to distributions at end of the year	1,053,084	1,053,084

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust and available for purposes of such distribution less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and
- attend all Unitholders’ meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is the lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

12 Units in issue and to be issued (Continued)

The Unitholders cannot give any directions to the Manager or the Trustee (whether at a meeting of Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- the Trust ceasing to comply with the Listing Manual issued by SGX-ST or the Property Funds Appendix; or
- the exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter for which the agreement of either or both the Trustee and the Manager is required under the Trust Deed.

A Unitholder's liability is limited to the amount paid or payable for any Units. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

On 1 April 2014, the Trust introduced the distribution reinvestment plan ("DRP") whereby the Unitholders have the option to receive their distribution in Units instead of cash or a combination of Units and cash.

During the year ended 31 December 2016 and 31 December 2017, the DRP was not implemented.

13 Net asset value per Unit

	Group		Trust	
	2017	**2016**	**2017**	**2016**
Net asset value per Unit ($)	0.54	0.75	0.54	0.75
Net asset value per Unit is based on:	**$'000**	**$'000**	**$'000**	**$'000**
Net assets	571,545	556,795	571,532	556,553
	'000	**'000**	**'000**	**'000**
Total Units issued and to be issued at end of the year (2016: issued and to be issued at end of the year excluding Units to be issued pursuant to the Rights Issue in January 2017) (Note 12)	1,053,084	742,371	1,053,084	742,371

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

14 Financial risk management

14.1 Capital management

The Group reviews its capital management policy regularly so as to optimise the Group's funding structure. The Group also monitors its exposures to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures. The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise Unitholder's value. In order to maintain or achieve an optimal capital structure, the Group will endeavour to employ an appropriate mix of debt and equity in financing acquisitions and asset enhancements, and utilise profit rate and currency hedging strategies where appropriate. The Manager reviews this policy on a continuous basis.

The Group is subject to the aggregate leverage limit as defined in the Property Funds Appendix. 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 its Deposited Property. The Group has complied with the Aggregate Leverage limit during the financial year. There were no changes in the Group's approach to capital management during the financial year.

As at the reporting date, the gross amounts of borrowings and retention sums as a percentage of the Group's Deposited Property is 38.2% (2016: 43.2%).

14.2 Risk management framework

The Group is exposed to market risk (including profit rate risk), credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Risk management is integral to the whole business of the Group. The Manager has implemented a system of controls in place to create an acceptable balance between the benefits derived from managing risks and the cost of managing those risks. The Manager also monitors the Group's risk management process closely to ensure an appropriate balance between control and business objectives is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's strategic direction.

The Audit Committee of the Manager assists the Board in overseeing how the Manager monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the Group's exposure to those risks. The Audit Committee is assisted in its oversight role by an internal audit function which is outsourced to an independent professional firm ("Internal Audit"). Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

14 Financial risk management (Continued)

14.3 Credit risk

Credit risk is the potential financial loss resulting from the failure of tenants or counterparties of the Group, to settle its financial and contractual obligations, as and when they fall due.

The carrying amount of financial assets in the Statements of Financial Position represents the Group and the Trust's maximum exposure to credit risk before taking into account any security deposit held. The maximum exposure to credit risk at the reporting date was:

	Group		Trust	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other receivables	3,008	9,422	3,008	9,422
Cash and cash equivalents	7,681	9,206	7,681	9,201
	10,689	18,628	10,689	18,623

The Manager has an established process to evaluate the creditworthiness of its tenants and prospective tenants and monitors amounts receivable on an on-going basis to minimise potential credit risk. Credit evaluations are performed by the Property Manager and the Manager before lease agreements are entered into with tenants. Security in the form of bankers' guarantees, insurance bonds or cash security deposits are obtained prior to the commencement of the lease.

The Manager establishes an allowance account for impairment that represents its estimate of incurred losses in respect of loans and receivables. The main component of this allowance is estimated losses that relate to specific tenants or counterparties. The allowance account is used to provide for impairment losses. Subsequently, when the Manager is satisfied that no recovery of such losses is possible, the financial asset is considered irrecoverable and the amount charged to the allowance account is then written off against the carrying amount of the impaired financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

14 Financial risk management (Continued)

14.3 Credit risk (Continued)

The ageing of gross trade receivables at the reporting date was:

	Group and Trust	
	2017	**2016**
	$'000	**$'000**
Not past due	121	48
Past due 0 - 30 days	37	1,368
Past due 31 - 60 days	21	448
More than 60 days past due	1,475	3,473
	1,654	5,337

One tenant (2016: Two tenants) accounted for approximately $1,422,000 (2016: $4,324,000) of the gross trade receivables at 31 December 2017.

Impairment losses

The movements in impairment loss in respect of trade receivables are as follows:

	Group and Trust	
	2017	**2016**
	$'000	**$'000**
At 1 January	2,373	20
Impairment losses recognised during the year	2,477	2,353
Utilised	(4,055)	–
At 31 December	795	2,373

Trade receivables are individually assessed for impairment at the end of the financial year. The impairment loss on trade receivables as at 31 December 2017 relates to two tenants (2016: one tenant) in financial difficulties and who have defaulted in payments.

Impairment losses of approximately $2,477,000 (2016: $2,353,000) were made for the outstanding trade receivables that were past due and in excess of security deposits held by the Group and the Trust.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

14 Financial risk management (Continued)

14.3 Credit risk (Continued)

Impairment losses (Continued)

The movements in impairment loss in respect of other receivables are as follows:

	Group and Trust	
	2017	**2016**
	$'000	**$'000**
At 1 January	63	63
Write-back	(63)	–
At 31 December	–	63

The Manager believes that no additional impairment loss is necessary in respect of the remaining trade receivables and other receivables as these amounts mainly arise from tenants who have good payment records and the retention of sufficient security in the form of bankers' guarantees or cash security deposits from tenants.

Cash and fixed deposits are placed with financial institutions which are regulated. The Group limits its credit risk exposure by dealing with counterparties that have sound credit ratings. Given these high credit ratings, the Manager does not expect any counterparty to fail to meet its obligations.

14.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the Group has committed and undrawn secured revolving credit facilities from various financial institutions to meet its operating expenses and its liabilities, including the servicing of financial obligations, when due. The Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

14 Financial risk management (Continued)

14.4 Liquidity risk (Continued)

The following are the contractual undiscounted cash flows of financial liabilities, including estimated profit payments and excluding the impact of netting agreements:

			←	Cash flows	→
	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 to 5 years $'000	More than 5 years $'000
Group					
2017					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	118,989	(127,752)	(3,718)	(124,034)	–
Revolving Murabahah Facility	27,500	(28,046)	(28,046)	–	–
Term Loan Facility	29,681	(33,789)	(967)	(32,822)	–
Trust Certificates	189,636	(196,102)	(95,019)	(101,083)	–
Trade and other payables*	28,050	(28,050)	(17,662)	(7,160)	(3,228)
	393,856	(413,739)	(145,412)	(265,099)	(3,228)
Derivative financial liabilities					
Profit rate swaps (net-settled)	265	(775)	(469)	(306)	–
2016					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	206,338	(222,020)	(80,544)	(141,476)	–
Convertible Sukuk – debt component	42,395	(44,157)	(44,157)	–	–
Trust Certificates	189,191	(203,952)	(7,850)	(196,102)	–
Trade and other payables*	27,393	(27,393)	(13,882)	(10,887)	(2,624)
	465,317	(497,522)	(146,433)	(348,465)	(2,624)
Derivative financial liabilities					
Profit rate swaps (net-settled)	562	(577)	(577)	–	–

* Trade and other payables exclude rental received in advance.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

14 Financial risk management (Continued)

14.4 Liquidity risk (Continued)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows: Less than 1 year $'000	Cash flows: Between 1 to 5 years $'000	Cash flows: More than 5 years $'000
Trust					
2017					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	118,989	(127,752)	(3,718)	(124,034)	–
Revolving Murabahah Facility	27,500	(28,046)	(28,046)	–	–
Term Loan Facility	29,681	(33,789)	(967)	(32,822)	–
Loans from subsidiaries	189,636	(196,102)	(95,019)	(101,083)	–
Trade and other payables*	28,060	(28,060)	(17,672)	(7,160)	(3,228)
	393,866	(413,749)	(145,422)	(265,099)	(3,228)
Derivative financial liabilities					
Profit rate swaps (net-settled)	265	(775)	(469)	(306)	–
2016					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	206,338	(222,020)	(80,544)	(141,476)	–
Loans from subsidiaries	231,817	(248,109)	(52,007)	(196,102)	–
Trade and other payables*	27,391	(27,391)	(13,880)	(10,887)	(2,624)
	465,546	(497,520)	(146,431)	(348,465)	(2,624)
Derivative financial liabilities					
Profit rate swaps (net-settled)	562	(577)	(577)	–	–

* Trade and other payables exclude rental received in advance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

14 Financial risk management (Continued)

14.4 Liquidity risk (Continued)

The maturity analyses show the contractual undiscounted cash flows of the Group and the Trust's financial liabilities on the basis of their earliest possible contractual maturity. For derivative financial instruments, the cash inflows/(outflows) represent the contractual undiscounted cash flows relating to these instruments. The amounts are compiled on a net basis for derivatives that are net-settled.

It is not expected that the cash flows included in the maturity analysis of the Group and the Trust could occur significantly earlier, or at significantly different amounts.

14.5 Market risk

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and equity prices will affect the Group's total return or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group does not have any exposure to foreign exchange rates and equity price risks.

14.6 Profit rate risk

The Group's exposure to changes in profit rates relates primarily to profit-bearing financial liabilities. Profit rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net profit expense could be affected by adverse movements in profit rates. The Group adopts a policy of ensuring that majority of its exposures to changes in profit rates on borrowings is on a fixed-rate basis. This is achieved by entering into profit rate swaps and fixed rate borrowings.

As at the reporting date, the Group had entered into profit rate swaps with total contracted notional amounts of $90.0 million (2016: $165.0 million) whereby the Group had agreed with counterparties to exchange, at specified intervals, the difference between the floating rate pegged to the Singapore dollar SOR and fixed rate profit amounts calculated by reference to the contracted notional amounts of the borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

14 Financial risk management (Continued)

14.6 Profit rate risk (Continued)

Profit rate profile

As at the reporting date, the profit rate profile of profit-bearing financial instruments was:

	Group		Trust	
	Nominal amount		Nominal amount	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Financial assets	5,000	6,480	5,000	6,480
Financial liabilities	(190,000)	(232,750)	(190,000)	(232,750)
Effects of profit rate swaps	(90,000)	(165,000)	(90,000)	(165,000)
	(275,000)	(391,270)	(275,000)	(391,270)
Variable rate instruments				
Financial liabilities	(177,500)	(208,300)	(177,500)	(208,300)
Effects of profit rate swaps	90,000	165,000	90,000	165,000
	(87,500)	(43,300)	(87,500)	(43,300)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through Statements of Total Return and the Group does not designate profit rate swaps as hedging instruments under a fair value hedge accounting model. Therefore a change in profit rates at the reporting date would not affect the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

14 Financial risk management (Continued)

14.6 Profit rate risk (Continued)

Cash flow sensitivity analysis for fixed rate instruments

A change of 50 basis points ("bp") in profit rate at the reporting date would (decrease)/increase total return after taxation by the amounts shown below. The analysis assumes that all variables remain constant. The analysis is performed on the same basis for 2016.

	Total return after taxation	
	50 bp increase	**50 bp decrease**
	$'000	**$'000**
Group and Trust		
2017		
Financial liabilities	(438)	438
2016		
Financial liabilities	(217)	217

15 Gross revenue

	Group and Trust	
	2017	**2016**
	$'000	**$'000**
Property rental income	74,035	79,686
Other operating income	11,161	12,121
	85,196	91,807

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

16 Property expenses

	Group and Trust	
	2017	2016
	$'000	$'000
Land rent	4,207	4,455
Service, repair and maintenance expenses	7,464	7,041
Property and lease management fees	2,556	2,754
Property tax	6,234	6,407
Utilities	8,293	10,829
Impairment loss on trade and other receivables (net)	2,414	2,353
Others	649	1,026
	31,817	34,865

Property expenses represent the direct operating expenses arising from rental of investment properties.

17 Finance income and costs

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Finance income:				
Profit income from fixed deposits with Islamic financial institutions	44	30	44	30
Ta'widh (compensation on late payment of rent)	264	263	264	263
	308	293	308	293
Finance costs:				
Commodity Murabaha Facilities	4,251	7,091	4,251	7,091
Revolving Murabahah Facility	526	599	526	599
Profit rate swaps*	499	637	499	637
Convertible Sukuk	1,401	1,929	–	–
Trust Certificates	7,850	7,872	–	–
Term Loan Facility	82	–	82	–
Loans from subsidiaries	–	–	9,251	9,801
Amortisation of transaction costs	1,757	2,784	1,526	2,482
Break fees on termination of profit rate swaps	656	–	656	–
Brokerage and agent fees	171	177	157	163
	17,193	21,089	16,948	20,773
Net finance costs	16,885	20,796	16,640	20,480

* Except for the finance costs arising from profit rate swaps, all other finance income and cost items represent the profit income and expenses in respect of financial assets and liabilities not carried at fair value through the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

18 Manager's fees

8,344,623 Units, of which 5,764,396 Units were issued and another 2,580,227 Units to be issued to the Manager by the Trust, amounting to approximately $4,266,000 at various Unit prices in satisfaction of Manager's fees payable in respect of the year ended 31 December 2016.

19 Donation of non-Shari'ah compliant income

During the year, donations that had been approved by the Independent Shari'ah Committee included The Smile Mission Ltd (2016: Lien Aid, The Operation Hope Foundation Ltd for their Nepal Earthquake Rebuilding Project and Bursaries Sponsorship, Mendaki Sense and Singapore Kadayanallur Muslim League).

20 Other trust expenses

	Group		Trust	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Auditors' remuneration				
- audit fees	229	189	221	181
- non-audit fees	59	90	53	84
Valuation fees	136	118	136	118
Professional fees	2,857	369	2,843	355
Service fees payable to subsidiaries	–	–	58	59
Other expenses	265	289	251	276
	3,546	1,055	3,562	1,073

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

21 Tax expense

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Tax expense				
Current year	*	*	–	–
Reconciliation of effective tax rate				
Total return for the year before taxation and distribution	(26,810)	(62,464)	(26,581)	(62,168)
Tax using Singapore tax rate of 17% (2016: 17%)	(4,558)	(10,619)	(4,519)	(10,569)
Non-tax deductible items	10,818	16,962	10,779	16,912
Tax exempt income	(309)	(62)	(309)	(62)
Tax transparency	(5,951)	(6,281)	(5,951)	(6,281)
	*	*	–	–

* Less than $1,000

22 Earnings per Unit

Basic and diluted earnings per Unit

The calculation of basic earnings per Unit is based on the total return for the year and weighted average number of Units during the year.

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Total return for the year after taxation and before distribution	(26,810)	(62,464)	(26,581)	(62,168)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

22 Earnings per Unit (Continued)

Basic and diluted earnings per Unit (Continued)

	Group		Trust	
	2017	**2016**	**2017**	**2016**
	’000	**’000**	**’000**	**’000**
Weighted average number of Units				
- Beginning of the year	739,791	732,381	739,791	732,381
- Rights Issue	290,282	–	290,282	–
- Issued as payment of Manager’s fees	2,396	3,938	2,396	3,938
- To be issued as payment of Manager’s fees	–	7	–	7
Weighted average number of Units	1,032,469	736,326	1,032,469	736,326

The diluted earnings per Unit is the same as the basic earnings per Unit for the Group and the Trust as the Convertible Sukuk was anti-dilutive at the Group and the Trust (2016: Group and the Trust) levels.

23 Fair values and accounting classifications of financial instruments

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values of non-financial assets and liabilities are disclosed in the relevant notes specific to that non-financial asset or liability.

Fair values of financial instruments are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities 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 (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: unobservable inputs for the asset or liability.

If the inputs used to measure the fair values of a financial instrument fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 Fair values and accounting classifications of financial instruments (Continued)

Accounting classifications and fair values

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

		Carrying amount				Fair value			
Group	**Note**	**Designated at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2017									
Financial assets not measured at fair value									
Trade and other receivables, excluding prepayments	6	–	3,008	–	3,008				
Cash and cash equivalents	7	–	7,681	–	7,681				
		–	10,689	–	10,689				
Financial liabilities measured at fair value									
Derivative liabilities	11	(265)	–	–	(265)	–	(265)	–	(265)
Financial liabilities not measured at fair value									
Trade and other payables, excluding security deposits and rental received in advance	8	–	–	(13,587)	(13,587)				
Security deposits	8	–	–	(14,463)	(14,463)	–	–	(13,603)	(13,603)
Borrowings	9	–	–	(365,806)	(365,806)	–	(187,493)	(176,170)	(363,663)
		–	–	(393,856)	(393,856)				

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 Fair values and accounting classifications of financial instruments (Continued)

Accounting classifications and fair values (Continued)

Group	Note	Carrying amount				Fair value			
		Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016									
Financial assets measured at fair value									
Derivative assets	11	522	–	–	522	–	522	–	522
Financial assets not measured at fair value									
Trade and other receivables, excluding prepayments	6	–	9,422	–	9,422				
Cash and cash equivalents	7	–	9,206	–	9,206				
		–	18,628	–	18,628)				
Financial liabilities measured at fair value									
Derivative liabilities	11	(562)	–	–	(562)	–	(562)	*	(562)
Financial liabilities not measured at fair value									
Trade and other payables, excluding security deposits and rental received in advance	8	–	–	(10,614)	(10,614)				
Security deposits	8	–	–	(16,779)	(16,779)	–	–	(15,660)	(15,660)
Borrowings	9	–	–	(437,924)	(437,924)	–	(224,273)	(206,338)	(430,611)
		–	–	(465,317)	(465,317)				

* Less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 Fair values and accounting classifications of financial instruments (Continued)

Accounting classifications and fair values (Continued)

Trust	Note	Carrying amount				Fair value			
		Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017									
Financial assets not measured at fair value									
Trade and other receivables, excluding prepayments	6	–	3,008	–	3,008				
Cash and cash equivalents	7	–	7,681	–	7,681				
		–	10,689	–	10,689				
Financial liabilities measured at fair value									
Derivative liabilities	11	(265)	–	–	(265)	–	(265)	–	(265)
Financial liabilities not measured at fair value									
Trade and other payables, excluding security deposits and rental received in advance	8	–	–	(13,597)	(13,597)				
Security deposits	8	–	–	(14,463)	(14,463)	–	–	(13,603)	(13,603)
Borrowings	9	–	–	(365,806)	(365,806)	–	(187,493)	(176,170)	(363,663)
		–	–	(393,866)	(393,866)				

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 Fair values and accounting classifications of financial instruments (Continued)

Accounting classifications and fair values (Continued)

Trust	Note	Carrying amount				Fair value			
		Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016									
Financial assets measured at fair value									
Derivative assets	11	522	–	–	522	–	522	–	522
Financial assets not measured at fair value									
Trade and other receivables, excluding prepayments	6	–	9,422	–	9,422				
Cash and cash equivalents	7	–	9,201	–	9,201				
		–	18,623	–	18,623				
Financial liabilities measured at fair value									
Derivative liabilities	11	(562)	–	–	(562)	–	(562)	*	(562)
Financial liabilities not measured at fair value									
Trade and other payables, excluding security deposits and rental received in advance	8	–	–	(10,612)	(10,612)				
Security deposits	8	–	–	(16,779)	(16,779)	–	–	(15,660)	(15,660)
Borrowings	9	–	–	(438,155)	(438,155)	–	(224,273)	(206,338)	(430,611)
		–	–	(465,546)	(465,546)				

* Less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 Fair values and accounting classifications of financial instruments (Continued)

Measurement of fair values

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

Financial instruments measured at fair value

Group and Trust

Valuation technique	Type	Significant unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
The fair value of the embedded derivatives relating to Convertible Sukuk is derived from an option pricing model.	Embedded derivatives related to the Convertible Sukuk	Standard deviation	The estimated fair value of the embedded derivatives relating to Convertible Sukuk would increase if the standard deviation was higher.
The fair value of profit rate swaps is based on broker quotes at the reporting date. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market profit rates for a similar instrument at the measurement date.	Profit rate swaps	Not applicable	Not applicable

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 Fair values and accounting classifications of financial instruments (Continued)

Measurement of fair values (Continued)

Financial instruments not measured at fair value

Borrowings

The carrying amounts of profit-bearing borrowings which are repriced within 3 months from the reporting date approximate their fair values.

The fair values of the Trust Certificates are based on the quoted market ask prices at the reporting date.

The fair value of the debt component of the Convertible Sukuk and the loans from subsidiaries are determined by discounting the estimated future principal and profit cash flows using market profit rates for similar borrowings at the reporting date.

Level 3 fair values

The following shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

Embedded derivatives relating to Convertible Sukuk

	Group	
	2017	**2016**
	$'000	**$'000**
As at 1 January	*	(2)
Changes in fair value recognised in Statements of Total Return	*	2
As at 31 December	–	*

* Less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

24 Operating segments

The operating segment information is based on the Group's internal reporting structure for the purpose of allocating resources and assessing performance by the Manager's CEO (the chief operating decision maker).

Segment gross revenue comprises mainly income generated from tenants. Segment net property income represents the income earned by each segment after allocating property expenses.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly cash and cash equivalents, other receivables, borrowings and other payables.

The Group has four reportable segments whose information are presented in the tables below:

	Group				
	High-tech industrial $'000	Chemical warehouse & logistics $'000	Warehouse & logistics $'000	General industrial $'000	Total $'000
2017					
Gross revenue	49,239	6,821	20,813	8,323	85,196
Property expenses	(21,639)	(254)	(5,327)	(4,597)	(31,817)
Segment net property income	27,600	6,567	15,486	3,726	53,379
Net change in fair value of investment properties	(33,370)	(11,500)	(7,964)	(4,371)	(57,205)
Gain on divestment of investment properties	–	1,816	–	–	1,816
					(2,010)
Unallocated amounts:					
- Finance income					308
- Finance costs					(17,193)
- Other expenses					(7,690)
- Net change in fair value of financial derivatives					(225)
Total return for the year before taxation					(26,810)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

24 Operating segments (Continued)

2017 (Continued)

	Group				
	High-tech industrial	Chemical warehouse & logistics	Warehouse & logistics	General industrial	Total
	$'000	$'000	$'000	$'000	$'000
Assets and liabilities					
Segments assets	542,383	73,000	241,259	101,740	958,382
Unallocated assets					7,727
Total assets					966,109
Segment liabilities	12,459	23	6,329	2,894	21,705
Unallocated liabilities:					
- borrowings					365,806
- others					7,053
Total liabilities					394,564
Other segment information					
Capital expenditure	4,288	–	12,623	1,644	18,555

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

24 Operating segments (Continued)

	Group				
	High-tech industrial $'000	Chemical warehouse & logistics $'000	Warehouse & logistics $'000	General industrial $'000	Total $'000
2016					
Gross revenue	53,598	6,919	21,553	9,737	91,807
Property expenses	(25,816)	(278)	(6,050)	(2,721)	(34,865)
Segment net property income	27,782	6,641	15,503	7,016	56,942
Net change in fair value of investment properties	(54,252)	(9,200)	(16,280)	(11,130)	(90,862)
Loss on divestment of investment properties	(432)	–	(126)	–	(558)
					(34,478)
Unallocated amounts:					
- Finance income					293
- Finance costs					(21,089)
- Other expenses					(6,955)
- Net change in fair value of financial derivatives					(235)
Total return for the year before taxation					(62,464)
Assets and liabilities					
Segment assets	572,988	85,130	249,684	104,400	1,012,202
Unallocated assets					10,687
Total assets					1,022,889
Segment liabilities	14,086	38	5,705	2,085	21,914
Unallocated liabilities:					
- borrowings					437,924
- others					6,256
Total liabilities					466,094
Other segment information					
Capital expenditure	1,520	–	80	230	1,830

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

24 Operating segments (Continued)

Geographical segments

Segment information in respect of the Group's geographical segments is not presented as the Group's activities for the year ended 31 December 2017 and 31 December 2016 relate wholly to properties located in Singapore.

Major customer

A major customer group contributed approximately $10,320,000 (2016: $10,441,000) of the Group's total revenues from the High-tech industrial, Chemical warehouse and logistics and Warehouse & logistics segments (2016: High-tech industrial, Chemical warehouse and logistics and Warehouse & logistics segments) for the year ended 31 December 2017.

25 Commitments

(a) Operating lease commitments

The Group and the Trust are required to pay JTC Corporation ("JTC") and Housing Development Board ("HDB") annual land rent in respect of certain properties. The annual land rent payable is based on the market land rent in the relevant year of the lease term. However, the lease agreements limit any increase in the annual land rent from year to year to 5.5% of the annual land rent for the immediate preceding year.

The land rent paid/payable to JTC and HDB amounted to approximately $5,778,000 in relation to 17 properties (2016: $6,426,000 in relation to 18 properties) for the year ended 31 December 2017 (including amounts which have been recharged to the master lessees).

(b) Lease commitments

The Group and the Trust lease out their investment properties under operating lease agreements. Non-cancellable operating lease rentals receivable are as follows:

	Group and Trust	
	2017	**2016**
	$'000	**$'000**
Less than one year	69,418	73,586
Between one to five years	110,619	108,723
More than five years	20,458	11,464
	200,495	193,773

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

26 Significant related party transactions

In the normal course of its business, the Group carried out transactions with related parties on terms agreed between the parties. During the financial year, in addition to those disclosed elsewhere in the financial statements, there were the following significant related party transactions:

	Group and Trust	
	2017	**2016**
	$'000	**$'000**
Rental income received/receivable from a sponsor and its related corporations	10,320	10,441
Divestment fees paid/payable to the Manager	–	83
Manager's fees and reimbursables paid/payable to the Manager	3,700	5,333
Property/lease management fees and reimbursables paid/payable to the Property Manager	2,556	2,754
Trustee fees paid/payable to the Trustee	423	454

27 Financial ratios

	Group	
	2017	**2016**
	%	**%**
Ratio of expenses to weighted average net assets[1]		
- including performance component of Manager's fees	1.25	1.13
- excluding performance component of Manager's fees	1.25	1.13
Portfolio turnover rate[2]	–	–

(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 the Group, excluding property expenses, finance costs and tax expense.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value.

ADDITIONAL INFORMATION

INTERESTED PARTY TRANSACTIONS

Interested person (as defined in the Listing Manual of the SGX-ST) and interested party (as defined in the Property Funds Appendix) transactions (collectively "Interested Party Transactions") during the financial year are as follows.

Name of Interested Party	Aggregate value of all Interested Party Transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920[1] of the Listing Manual) S$'000	Aggregate value of all Interested Party Transactions conducted under Unitholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000) S$'000
Vibrant Group Limited and its subsidiaries		
- Rental income	10,320	
- Manager's fees	3,700	–
- Property and lease management fees	2,556	
- Renewal of master leases[2]	8,836	
HSBC Institutional Trust Services (Singapore) Limited and its associates		
- Trustee's fees	423	
- Finance costs (profit payments)	1,918	–
- Finance costs (agency commodity fees)	50	
- Transaction fees	35	

TOTAL OPERATING EXPENSES[3]

Description	S$'000
Total operating expenses [4] (inclusive of interested party expenses paid to the Manager and interested parties)	39,486
Total operating expenses as a percentage of net asset value (as at 31 December 2017)	6.9%

Notes:
(1) There are no transactions conducted under Unitholders' mandate pursuant to Rule 920 during FY 2017.
(2) Refers to the total aggregate rent payable by Vibrant Group Limited and its subsidiaries for duration of the renewed master leases entered into between the Trustee and Vibrant Group Limited and its subsidiaries.
(3) For the purpose of complying with paragraph 11.1(i) of the Property Funds Appendix.
(4) Total operating expenses include property expenses and other trust expenses but do not include finance costs.

Save as disclosed above, there were no other Interested Party Transactions (excluding transactions of less than S$100,000 each) entered into during the financial year under review.

The fees, charges and rents payable by Sabana REIT under the Trust Deed, the Master Property Management Agreement, the Individual Property Management Agreements and the Master Lease Agreements entered into with the Sponsor and its subsidiaries (collectively, the "Exempted Agreements"), each of which constitutes an Interested Party Transaction, are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual for the period stated in the agreement to the extent that (in relation to the Trust Deed, the Master Property Management Agreement, the Individual Property Management Agreements and the Master Lease Agreements) there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Sabana REIT. Any renewal of the Master Property Management Agreement, the Individual Property Management Agreements and the Master Lease Agreements will be subject to Rules 905 and 906 of the Listing Manual.

STATISTICS OF UNITHOLDINGS

ISSUED AND FULLY PAID UP UNITS

(As at 12 March 2018)

There were 1,053,083,530 Units (voting rights: one vote per Unit) outstanding as at 12 March 2018. There is only one class of Units in Sabana REIT.

Market capitalization was S$442.3 million based on market closing price of S$0.42 on 12 March 2018.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	Percentage of Unitholders (%)	No. of Units	Percentage of Units in Issue (%)
1 - 99	143	1.18	6,978	0.00
100 - 1,000	1,060	8.73	949,623	0.09
1,001 - 10,000	5,113	42.09	27,918,336	2.65
10,001 - 1,000,000	5,784	47.61	317,428,337	30.14
1,000,001 and above	48	0.39	706,780,256	67.12
TOTAL	12,148	100.00	1,053,083,530	100.00

TWENTY LARGEST UNITHOLDERS

(As at 12 March 2018)

No.	Name	No. of Units	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	153,843,828	14.61
2	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	89,154,500	8.47
3	DBS NOMINEES (PRIVATE) LIMITED	83,268,263	7.91
4	HSBC (SINGAPORE) NOMINEES PTE LTD	69,904,115	6.64
5	RHB BANK NOMINEES PTE LTD	55,978,400	5.32
6	SABANA REAL ESTATE INVESTMENT MANAGEMENT PTE LTD	41,242,726	3.92
7	RAFFLES NOMINEES (PTE) LIMITED	37,070,130	3.52
8	UOB KAY HIAN PRIVATE LIMITED	15,892,035	1.51
9	RHB SECURITIES SINGAPORE PTE. LTD.	15,854,242	1.51
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	15,765,746	1.50
11	DBSN SERVICES PTE. LTD.	13,660,449	1.30
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	11,282,779	1.07
13	OCBC SECURITIES PRIVATE LIMITED	10,670,724	1.01
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	9,225,266	0.88
15	PHILLIP SECURITIES PTE LTD	9,147,950	0.87
16	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	8,675,399	0.82
17	MEREN PTE LTD	8,600,000	0.82
18	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	6,379,472	0.61
19	DB NOMINEES (SINGAPORE) PTE LTD	4,566,715	0.43
20	LEE KIM SENG	3,143,000	0.30
	TOTAL	**663,325,739**	**63.02**

STATISTICS OF UNITHOLDINGS

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 January 2018)

	Direct interest		Deemed interest	
Directors	**No. of Units**	**%[1]**	**No. of Units**	**%[1]**
Yong Kok Hoon [2]	–	–	1,491,000	0.14
Kelvin Tan Wee Peng	–	–	–	–
Henry Chua Tiong Hock	–	–	–	–
Tan Cheong Hin [3]	–	–	–	–

Notes:

(1) The percentage interest is based on total issued Units of 1,053,083,530 as at 21 January 2018.

(2) Yong Kok Hoon is deemed to have an interest in the units held by his spouse, Ong Lee Choo.

(3) Tan Cheong Hin was appointed an Independent Non-Executive Director on 25 January 2018.

SUBSTANTIAL UNITHOLDERS

(As recorded in the Register of Substantial Unitholdings as at 12 March 2018)

	Direct interest		Deemed interest	
Substantial Unitholders	**No. of Units**	**%[1]**	**No. of Units**	**%[1]**
Singapore Enterprises Private Limited	55,461,644	5.27	–	–
Vibrant Group Limited [2]	13,135,119	1.25	96,704,370	9.18
Vibrant Capital Pte Ltd [3]	–	–	109,839,489	10.43
Lian Hup Holdings Pte Ltd [4]	–	–	109,839,489	10.43
Khua Hock Su [5]	1,745,180	0.17	109,839,489	10.43
Khua Kian Keong [6]	18,442,960	1.75	109,839,489	10.43
Wealthy Fountain Holdings Inc [7]	43,943,000	4.18	–	–
Shanghai Summit Pte Ltd [7]	–	–	43,943,000	4.18
Tong Jinquan[7]	21,075,200	2.00	43,943,000	4.18
e-Shang Infinity Cayman Limited [8]	74,203,800	7.05	–	–
e-Shang Jupiter Cayman Limited [9]	–	–	74,203,800	7.05
ESR Cayman Limited[10]	–	–	74,203,800	7.05
WP OCIM One LLC[10]	–	–	74,203,800	7.05
WP X Investment VI Ltd.[11]	–	–	74,203,800	7.05
Warburg Pincus Private Equity X, L.P.[12]	–	–	74,203,800	7.05
Warburg Pincus X, L.P.[13]	–	–	74,203,800	7.05
Warburg Pincus LLC[14]	–	–	74,203,800	7.05
Warburg Pincus X GP L.P.[15]	–	–	74,203,800	7.05
WPP GP LLC[16]	–	–	74,203,800	7.05
Warburg Pincus Partners, L.P. [17]	–	–	74,203,800	7.05
Warburg Pincus Partners GP LLC.[18]	–	–	74,203,800	7.05
Warburg Pincus & Co.[19]	–	–	74,203,800	7.05
Charles R. Kaye[20]	–	–	74,203,800	7.05
Joseph P. Landy[20]	–	–	74,203,800	7.05

STATISTICS OF UNITHOLDINGS

Notes:

(1) The percentage interest is based on total issued Units of 1,053,083,530 as at 12 March 2018.

(2) Vibrant Group Limited ("Vibrant Group") is deemed to have an interest in the Units held by Singapore Enterprises Private Limited ("Singapore Enterprises") and Sabana Real Estate Investment Management Pte. Ltd. ("SREIM").

(3) Vibrant Capital Pte Ltd ("Vibrant Capital") is deemed to have an interest in the units held by Vibrant Group, Singapore Enterprises and SREIM.

(4) Lian Hup Holdings Pte Ltd ("Lian Hup") is deemed to have an interest in the units held by Vibrant Capital, Vibrant Group, Singapore Enterprises and SREIM.

(5) Khua Hock Su is deemed to have an interest in the units held by Lian Hup, Vibrant Capital, Vibrant Group, Singapore Enterprises and SREIM.

(6) Khua Kian Keong is deemed to have an interest in the units held by Lian Hup, Vibrant Capital, Vibrant Group, Singapore Enterprises and SREIM.

(7) Tong Jinquan is the sole shareholder of Shanghai Summit Pte Ltd which is the sole shareholder of Wealthy Fountain Holdings Inc and accordingly, is deemed to be interested in the units which Wealthy Fountain Holdings Inc holds.

(8) e-Shang Infinity Cayman Limited, a company established in the Cayman Islands, is a wholly-owned subsidiary of e-Shang Jupiter Cayman Limited ("ES Jupiter"), a company established in the Cayman Islands.

(9) ES Jupiter, a company established in the Cayman Islands, is a 95.2% owned subsidiary of ESR Cayman Limited ("ESR"), a company established in the Cayman Islands.

(10) WP OCIM One LLC ("WP OCIM"), a Delaware limited liability company, holds a primary stake of approximately 40.6% of the issued share capital of ESR.

(11) WP X Investment VI Ltd. ("WP X IVI"), a company established in the Cayman Islands, is the sole member of WP OCIM.

(12) Warburg Pincus Private Equity X, L.P., a Delaware limited partnership, owns approximately 96.9% of WP X IVI.

(13) Warburg Pincus X, L.P., ("WPXGP"), a Delaware limited partnership, is the general partner of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership ("WPX")

(14) Warburg Pincus LLC ("WP LLC"), a New York limited liability company, is the manager of WPX.

(15) Warburg Pincus X GP L.P. ("WP X GP LP"), a Delaware limited partnership, is the general partner of WPXGP.

(16) WPP GP LLC ("WPP GP"), a Delaware limited liability company, is the general partner of WP X GP LP.

(17) Warburg Pincus Partners, L.P. ("WP Partners"), a Delaware limited partnership, is the managing member of WPP GP.

(18) Warburg Pincus Partners GP LLC ("WP Partners GP"), a Delaware limited liability company, is the general partner of WP Partners.

(19) Warburg Pincus & Co. ("WP"), a New York general partnership, is the managing member of WP Partners GP.

(20) Charles R. Kaye and Joseph P. Landy are each Managing General Partners of WP and Managing Members and Co-Chief Executive Officers of WP LLC and deemed to control the Warburg Pincus entities. Charles R. Kaye and Joseph P. Landy disclaim beneficial ownership of all shares held by the Warburg Pincus entities.

FREE FLOAT

Under Rule 723 of the Listing Manual, a listed issuer must ensure that at least 10.00% of its listed securities are at all times held by the public.

Based on information available to the Manager as at 12 March 2018, 74.29% of the Units in Sabana REIT are held in the hands of public. Accordingly, Rule 723 of the Listing Manual has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

Managed by Sabana Real Estate Investment Management Pte. Ltd.
(Company Registration No. 201005493K)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the holders of units of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**" and the holders of units of Sabana REIT, "**Unitholders**") will be held at Raffles City Convention Centre, Collyer Room, Level 4 at 80 Bras Basah Road, Singapore 189560 on Wednesday, 25 April 2018 at 10.30 a.m., to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Trustee issued by HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana REIT (the "**Trustee**"), the Statement by the Manager issued by Sabana Real Estate Investment Management Pte. Ltd., as manager of Sabana REIT (the "**Manager**"), the Audited Financial Statements of Sabana REIT for the financial year ended 31 December 2017 and the Auditors' Report thereon.
(Ordinary Resolution 1)

2. To re-appoint KPMG LLP as Auditors of Sabana REIT and to hold office until the conclusion of the next Annual General Meeting of Sabana REIT, and to authorise the Manager to fix their remuneration.
(Ordinary Resolution 2)

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution, with or without any modifications:

3. That authority be and is hereby given to the Manager, to

(a) (i) issue units in Sabana REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) issue Units in pursuance of any Instrument 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 at the time such Units are issued),

provided that:

(1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);

(2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the total number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:

(a) any new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and

(b) any subsequent bonus issue, consolidation or subdivision of Units;

(3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting Sabana REIT dated 29 October 2010 (as amended by the First Supplemental Deed dated 2 December 2010, the First Amending and Restating Deed dated 24 February 2016 and the Second Amending and Restating Deed dated 24 March 2016) (collectively, the "**Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);

(4) 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 Annual General Meeting of Sabana REIT or (ii) the date by which the next Annual General Meeting of Sabana REIT is required by the applicable law or regulations to be held, whichever is earlier;

NOTICE OF ANNUAL GENERAL MEETING

(5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and

(6) the Manager, any director of the Manager ("**Director**") and the Trustee, be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interest of Sabana REIT to give effect to the authority conferred by this Resolution.

(Ordinary Resolution 3)

(Please see Explanatory Note)

By Order of the Board

Sabana Real Estate Investment Management Pte. Ltd.
(Company Registration No: 201005493K)
As Manager of Sabana REIT

Cho Form Po
Company Secretary

Singapore
9 April 2018

Notes:

1. A Unitholder who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting, is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.

2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A Unitholder who is a relevant intermediary entitled to attend the Annual General Meeting and vote is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

NOTICE OF ANNUAL GENERAL MEETING

"**Relevant intermediary**" means:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds Units in that capacity; or

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Cap. 36), in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The proxy form must be deposited at the office of Sabana REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 10:30 a.m. on 22 April 2018, being 72 hours before the time fixed for the Annual General Meeting.

5. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by Sabana REIT, the Trustee or the Manager (or their respective agents) for the purpose of processing and administration by Sabana REIT, the Trustee or the Manager (or their respective agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for Sabana REIT, the Trustee or the Manager (or their respective agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholders discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to Sabana REIT, the Trustee or the Manager (or their respective agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by Sabana REIT, the Trustee or the Manager (or their respective agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify Sabana REIT, the Trustee or the Manager (or their respective agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note:

Ordinary Resolution 3, if passed, will empower the Manager from the date of this Annual General Meeting until (i) the conclusion of the next Annual General Meeting of Sabana REIT, (ii) the date by which the next Annual General Meeting of Sabana 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, to issue Units, to make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding 50% of which up to 20% may be issued other than on a pro rata basis to Unitholders (in each case, excluding treasury Units, if any).

Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this Annual General Meeting until the date of the next Annual General Meeting of Sabana REIT, to issue Units as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the issued Units at the time Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund-raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

Important Notice

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Sabana REIT is not necessarily indicative of the future performance of Sabana REIT.

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SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

Managed by Sabana Real Estate Investment Management Pte. Ltd.
(Company Registration No. 201005493K)

PROXY FORM
ANNUAL GENERAL MEETING
(Before completing this form, please read the notes behind)

IMPORTANT:

1. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used, or purported to be used by them. CPF investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
2. A relevant intermediary may appoint more than one proxy to attend the Annual General Meeting and vote (please see note 3 for the definition of "relevant intermediary").
3. By submitting an instrument appointing one proxy and/or representative(s), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2018.
4. PLEASE READ THE NOTES TO THE PROXY FORM.

I/We, ____(Name)____(NRIC/Passport Number)

of____(Address)

being a Unitholder / Unitholders of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT"), hereby appoint:

Name	Address	NRIC / Passport No.	Proportion of Unitholdings	
			No. of Units	%

and / or (delete as appropriate)

Name	Address	NRIC / Passport No.	Proportion of Unitholdings	
			No. of Units	%

or failing him/her/them, the Chairman of the Annual General Meeting ("AGM"), as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the AGM of Sabana REIT to be held at Raffles City Convention Centre, Collyer Room, Level 4 at 80 Bras Basah Road, Singapore 189560 on Wednesday, 25 April 2018 at 10.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion, as his/they may on any other matter arising at the AGM.

No.	Ordinary Resolutions	No. of votes For*	No. of votes Against*
ORDINARY BUSINESS			
1	To receive and adopt the Report of the Trustee, the Statement by the Manager, the Audited Financial Statements of Sabana REIT for the financial year ended 31 December 2017 and the Auditors' Report thereon.		
2	To re-appoint KPMG LLP as Auditors of Sabana REIT and to authorise the Manager to fix their remuneration.		
SPECIAL BUSINESS			
3	To authorise the Manager to issue Units and to make or grant convertible instruments.		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick (P) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _________ day of ___________ 2018

TOTAL NUMBER OF UNITS HELD

____

Signature(s) of Unitholder(s) / Common Seal of Corporate Unitholder

IMPORTANT: PLEASE READ NOTES TO PROXY FORM ON THE REVERSE PAGE

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form

1. A unitholder of Sabana REIT ("**Unitholder**") who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting ("**AGM**"), is entitled to appoint one or two proxies to attend and vote in his/her stead.

2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A Unitholder who is a relevant intermediary entitled to attend the AGM and vote is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

   "**Relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds Units in that capacity; or
   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Cap. 36), in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. A proxy need not be a Unitholder.

5. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**") (as defined in Section 130A of the Companies Act (Cap. 50)), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of Sabana REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this Proxy Form (as defined in note 6 below) will be deemed to relate to all the Units held by the Unitholder.

6. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the office of Sabana REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 10:30 a.m. on 22 April 2018, being 72 hours before the time set for the AGM.

7. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM.

8. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

9. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

10. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Manager.

11. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.

12. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. There shall be no division of votes between a Unitholder who is present in person and voting at the AGM and his/her proxy(ies). A person entitled to more than one vote need not use all his/her votes or cast them the same way.

SABANA REAL ESTATE INVESTMENT MANAGEMENT PTE. LTD.
(As Manager of Sabana REIT)

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