

SABANA

SHARI'AH COMPLIANT REIT



READY FOR
OPPORTUNITIES



EXPLORING
NEW HORIZONS



A N N U A L R E P O R T 2 0 1 5



CONTENTS

02	Letter to Unitholders	22	Unit Performance
05	Corporate Profile	26	Independent Market Study
06	Core Values	44	Our Property Portfolio
07	Vision and Mission	57	Operations Review
09	Our Strategy	64	Board of Directors
10	2015 Significant Events	68	Management Team
12	Commonly Asked Questions on Shari'ah Compliance	70	Corporate Social Responsibility
15	Trust Structure	72	Corporate Governance
16	Financial Highlights	89	Financial Contents
18	Financial Review	151	Additional Information
20	Investor Relations	152	Statistics of Unitholdings
		155	Notice of Annual General Meeting Proxy Form



World's **LARGEST** Listed Shari'ah Compliant
Industrial REIT By Total Assets

As at 31 December 2015

LETTER TO UNITHOLDERS

Dear Unitholders:

We are pleased to report that Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT" or the "Trust") delivered a set of satisfactory results for the financial year ended 31 December 2015 ("FY 2015"), in spite of the challenging market conditions.

STAYING FOCUSED AMIDST ADVERSITIES

During the year under review, Sabana REIT registered a gross revenue of S\$100.8 million. However, net property income ("NPI") declined by 1.8%, partly attributed to negative rental reversions for certain master lease renewals, higher vacancies and increased property expenses incurred due to the conversion of three master leases into multi-tenanted leases. In addition, property taxes and land rent expenses increased due to the conversion of certain master leases from triple-net into non-triple-net tenancies.

Distributable income dipped 2.9% in FY 2015 in line with the decrease in NPI. However, our distribution yield still remains at a competitive 9.6%. Total distribution per unit ("DPU") for the financial year was 6.85 cents on the basis of approximately 734.0 million units as at 31 December 2015. It was 6.5% lower than 7.33 cents in FY 2014. Outstanding borrowings for Sabana REIT stood at S\$485.8 million as at 31 December 2015.

JTC REVISED POLICIES

JTC's revised subletting policies came into effect on 1 October 2015, reflecting a more relaxed stance on the industrial sector. The changes include reduced Gross Floor Area ("GFA") requirement by anchor sub-tenants to 1,000 square metres ("sq m") (previously at 1,500 sq m); anchor sub-tenants without GFA/usage change at renewal need not be

reassessed and there will be no minimum occupation period for sub-tenants' subsequent leases. We believe that these changes were positive and would benefit Sabana REIT's leasing efforts.

MAJOR MILESTONE ACHIEVED

Despite the difficult market conditions in FY 2015, the Manager has successfully handled the expiry of 11 master leases, the largest number of expired leases in a year since the listing of Sabana REIT. They accounted for 41.5% of net lettable area in our portfolio.

While stepping up our efforts to intensify marketing and leasing activities, we have also engaged our master tenants and sub-tenants to better manage occupancies.

Of the 11 expired master leases, six master leases have been signed, three were converted into multi-tenanted buildings, one (3 Kallang Way 2A) was pending divestment, and the remaining (218 Pandan Loop) was temporarily vacant, in which the Manager is currently evaluating various options.

As at 31 December 2015, Sabana REIT has a diversified portfolio of 23 properties. This portfolio comprises 12 master-tenanted properties, 10 multi-tenanted properties and one property which is temporarily vacant. The Group's overall portfolio occupancy was 87.7%, compared to island-wide occupancy of 90.6% as per JTC 4Q 2015 statistics¹.

DIVESTING NON-CORE ASSETS

In addition to the proposed divestment of 3 Kallang Way 2A for S\$16.6 million on 18 November 2015, the Manager also announced another proposed divestment of 200 Pandan Loop on 21 December 2015 for S\$38.0 million.

¹ "JTC Quarterly Market Report, Industrial Properties, Fourth Quarter 2015", <http://www.jtc.gov.sg/>, Jurong Town Corporation. 28 January 2016.



**Mr Kevin
Xayaraj**
Co-founder, CEO
and Executive
Director

**Mr Steven Lim
Kok Hoong**
Chairman and
Independent
Non-executive
Director

“The Manager will remain focused and continue to proactively manage the Sabana REIT portfolio to enhance occupancy and value.”

LETTER TO UNITHOLDERS

Assuming successful legal completion of the divestment of the two properties, the proceeds from the sale of these non-core and underperforming assets will be used to pare down debts, lowering the overall gearing from 41.7% as at 31 December 2015 to approximately 39.0%.

DIVERSIFYING OUR FUNDING SOURCES

On 4 September 2015, the Manager successfully secured a new S\$50.0 million Revolving Commodity Murabahah Facility which will be due in 2018, further diversifying Sabana REIT's borrowings maturity profile and funding sources. A portion of this new loan facility was used to partially fund the redemption of approximately S\$29.7 million of Convertible Sukuk due 24 September 2017 by Sukukholders who have exercised their put options.

MARKET OUTLOOK REMAINS CHALLENGING

The economic slowdown in China and the uncertain impact of the interest rate hike by the U.S. Federal Reserve are expected to dampen overall business sentiment in the foreseeable future.

Several risks continue to weigh on the global economy. These include currency volatility, continued low oil and commodity prices, geopolitical tensions especially in the Middle East and possible further hikes in US interest rates.

According to the latest SBF-DP SME Index², sentiments among Singapore SMEs continued to fall with most companies showing low optimism about their prospects for 2016.

Meanwhile, the Singapore government has reduced the supply of industrial land for the first half of 2016, amid a glut of industrial space³. Furthermore, initial estimates by industry analysts indicate that rentals for 4Q 2015 are expected to slide below those in the preceding quarter, showing signs of an over-supply and less-than-positive outlook for industrial property sector⁴.

The overall economic outlook for Singapore remains subdued. According to a survey by the Monetary Authority of Singapore, private sector economists expect the Singapore economy to grow by 2.2% in 2016⁵.

STAY FOCUSED, EXPLORE NEW HORIZONS AND READY FOR OPPORTUNITIES

The Manager will remain focused and continue to proactively manage the Sabana REIT portfolio to enhance its occupancy and value.

On the capital management front, we will continue to explore diversification of our funding sources to improve borrowings maturity profile, and to further strengthen the Trust's capital structure.

Simultaneously, the Manager will evaluate potentially DPU-accretive acquisition opportunities both locally and abroad as well as explore development projects and asset enhancement initiatives to grow the portfolio size and value of Sabana REIT.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, we would like to thank our Unitholders for their continued support and patience.

We are also grateful to our Trustee, as well as our strategic partners, lenders and tenants for their cooperation and assistance throughout the year.

Finally, we would like to thank the Board of Directors, the Management and staff for their hard work and professionalism.

Mr Steven Lim Kok Hoong

Chairman and Independent Non-executive Director

Mr Kevin Xayaraj

Co-founder, CEO and Executive Director

Sabana Real Estate Investment Management Pte. Ltd.
(as Manager of Sabana REIT)

² SMEs' business outlook falls to four-year low". TODAY Online. 30 December 2015. Web. 30 December 2015.

³ "Govt cuts industrial land supply for 2016". The Straits Times. 29 December 2015. Web. 29 December 2015.

⁴ "Oversupply of industrial space looms". The Straits Times. 13 January 2016. Web. 13 January 2016.

⁵ "Analysts expect Singapore's economy to grow 2.2% in 2016: MAS survey". Channel NewsAsia. 9 December 2015. Web. 9 December 2015.

CORPORATE PROFILE



Sabana REIT is the first and only Shari'ah compliant REIT listed on Singapore Exchange Securities Trading Limited ("SGX-ST").

Sabana REIT's property portfolio, valued at approximately S\$1.1 billion as at 31 December 2015, comprises 23 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 2015, Sabana REIT continued to be the largest listed Shari'ah compliant industrial REIT in the world in terms of both total asset size, as well as market capitalisation of approximately S\$523.7 million.

Sabana REIT is assigned a BBB- 'long-term corporate credit rating' by Standard & Poor's Ratings Services ("S&P").

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").

WE WORK FOR UNITHOLDERS - Our objective is to provide Unitholders with regular, 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.



CORE VALUES

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



vision

To be a prominent Shari'ah compliant industrial real estate investment trust ("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.

READY FOR OPPORTUNITIES



OUR STRATEGY



GROWTH THROUGH ACQUISITIONS

We aim to expand Sabana REIT's portfolio by acquiring quality properties across the High-tech Industrial, Chemical Warehouse and Logistics, Warehouse and Logistics and General Industrial property segments, both in Singapore and overseas. Our goal is to achieve greater diversity in terms of portfolio allocation across property segments, as well as in geographical locations. The availability of amenities and major transport routes, as well as the quality of building specifications remain key considerations in our acquisition process.



PROACTIVE ASSET MANAGEMENT

We proactively source for new tenants while managing lease renewals to minimise downtime and maximise rental yields. We strive to maintain a balanced mix of tenant trade sectors and well-distributed lease expiry profile to achieve greater portfolio resilience and stability.



OPPORTUNISTIC DEVELOPMENT

Within the limits of Appendix 6 of the Code on Collective Investment Schemes ("Property Funds Appendix") issued by the Monetary Authority of Singapore ("MAS"), we will prudently undertake development activities when appropriate opportunities arise, while mitigating construction and leasing risks and any short-term yield dilution resulting from additional capital raised for the purpose of the development activities.



CAPITAL AND RISK MANAGEMENT

We employ an appropriate mix of debt and equity in financing acquisitions. We will also continue to be proactive in expanding our base of relationship banks, in order to access a greater pool of financing options to optimise risk-adjusted returns to Unitholders.

2015

SIGNIFICANT EVENTS



APRIL

- Held fourth Annual General Meeting ("AGM") on 14 April 2015.



JUNE

- On 4 June, S&P reaffirmed Sabana REIT's investment grade rating ('BBB-' long term corporate credit rating).

AUGUST

- On 31 August, achieved 97.9% occupancy for 2 Toh Tuck Link, up from 48.3% at transition (22 November 2014).

SEPTEMBER

- On 4 September, secured a new S\$50.0 million Revolving Commodity Murabahah Facility due in 2018, further diversifying both borrowings maturity profile and funding sources.
- On 30 September, expiry of one master lease which was converted into multi-tenanted building (23 Serangoon North Ave 5).

NOVEMBER

- On 18 November, announced proposed divestment of 3 Kallang Way 2A for a sale price of S\$16.6 million.
- On 26 November, updated the status on the expiry of 10 master leases. Six were signed¹, two were converted into multi-tenanted buildings², one to be divested³ and another temporarily vacant⁴ (the Manager is evaluating a few attractive options including asset enhancement initiatives ("AEI") such as Build-to-Suit-and-Lease, and divestment).

DECEMBER

- On 21 December, announced proposed divestment of 200 Pandan Loop, for a sale price of S\$38.0 million.



¹ Four renewals (51 Penjuru Road, 33 & 35 Penjuru Lane, 18 Gul Drive and 21 Joo Koon Crescent) and two new leases signed (30 & 32 Tuas Avenue 8 and 26 Loyang Drive)
² 15 Jalan Kilang Barat and 34 Penjuru Lane
³ 3 Kallang Way 2A
⁴ 218 Pandan Loop

SHARI'AH COMPLIANCE COMMONLY ASKED QUESTIONS



Certificate of Shari'ah Compliance

COMMONLY ASKED QUESTIONS ON SHARI'AH COMPLIANCE

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. (“Five Pillars”) 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 states¹, 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 2015, Sabana REIT’s non-Shari’ah income represents only 0.06% or less than 0.1% 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?

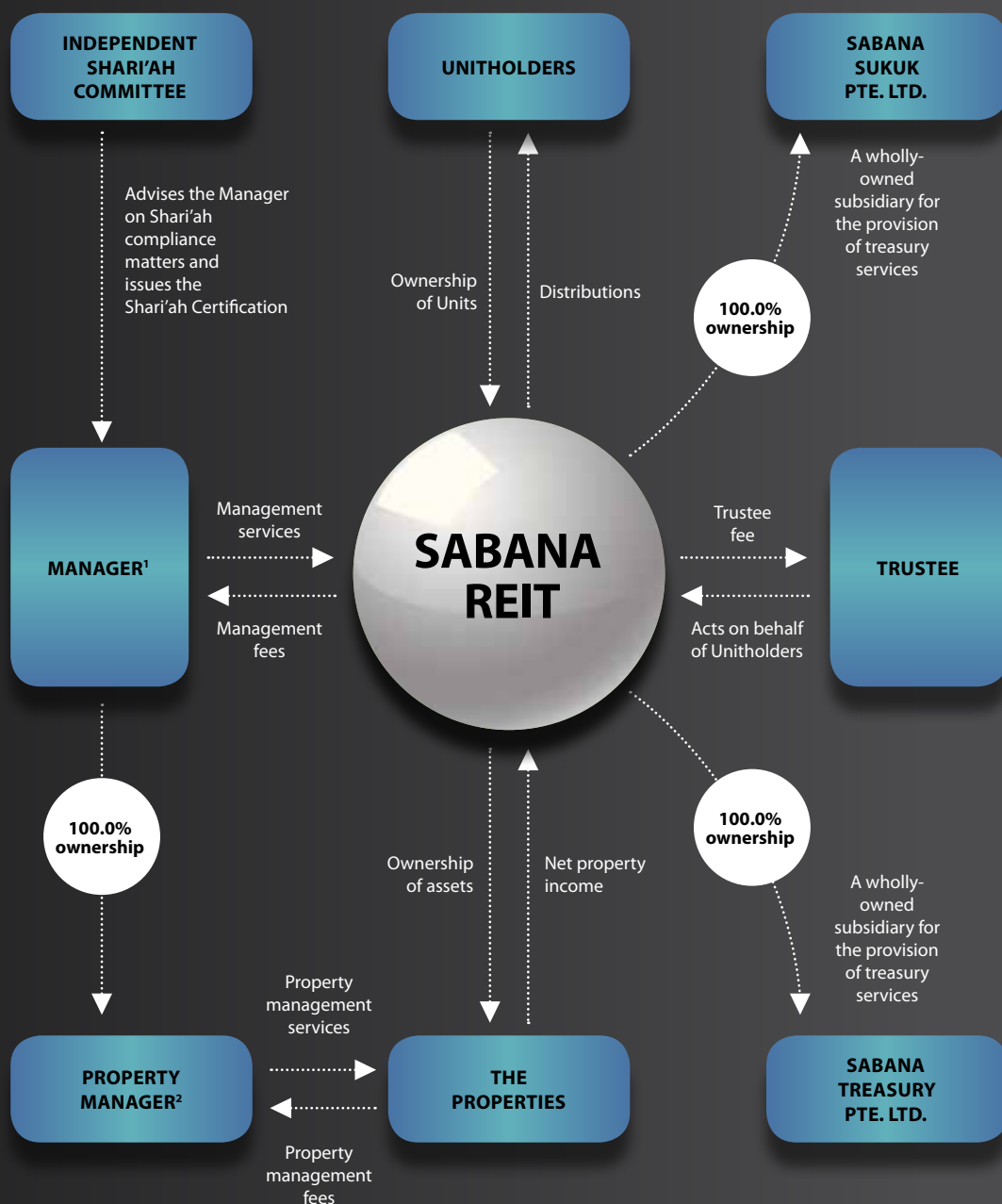
A: Sabana REIT has to and will comply with prevailing legislation, regulation, accounting standards, guidelines and directives affecting REITs in Singapore. Sabana REIT’s adherence to Shari’ah investment principles and procedures are in addition to the laws, rules and regulations of any other relevant 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.

EXPLORING NEW HORIZONS



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 2015.

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

FINANCIAL HIGHLIGHTS



KEY FINANCIAL FIGURES

S\$'000	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011 ¹
Gross revenue	100,824	100,342	89,485	81,768	76,945
NPI	71,605	72,946	80,360	76,937	73,074
Distributable income	50,135	51,624	61,755	59,395	60,603
Annualised DPU (cents)	6.85	7.33	9.38	9.28	8.67
Annualised distribution yield (%)	9.58	10.25	13.12	12.98	12.13
- Closing price of S\$0.715 on 31 December 2015					

SELECTED BALANCE SHEET DATA

S\$'000	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
Total assets	1,165,399	1,281,660	1,236,753	1,156,538	1,082,316
Borrowings, at amortised cost	481,084	478,848	447,392	420,800	359,865
Net assets attributable to Unitholders	653,741	772,585	756,504	702,857	681,782
Units in issue and to be issued entitled to distribution ('000)	734,027	725,983	691,959	641,523	637,295
NAV per Unit (S\$)	0.89	1.06	1.09	1.10	1.07
Adjusted NAV per Unit (S\$)	0.88	1.04	1.07	1.07	1.05
Market capitalisation	523,652	681,147	746,037	730,159	556,627

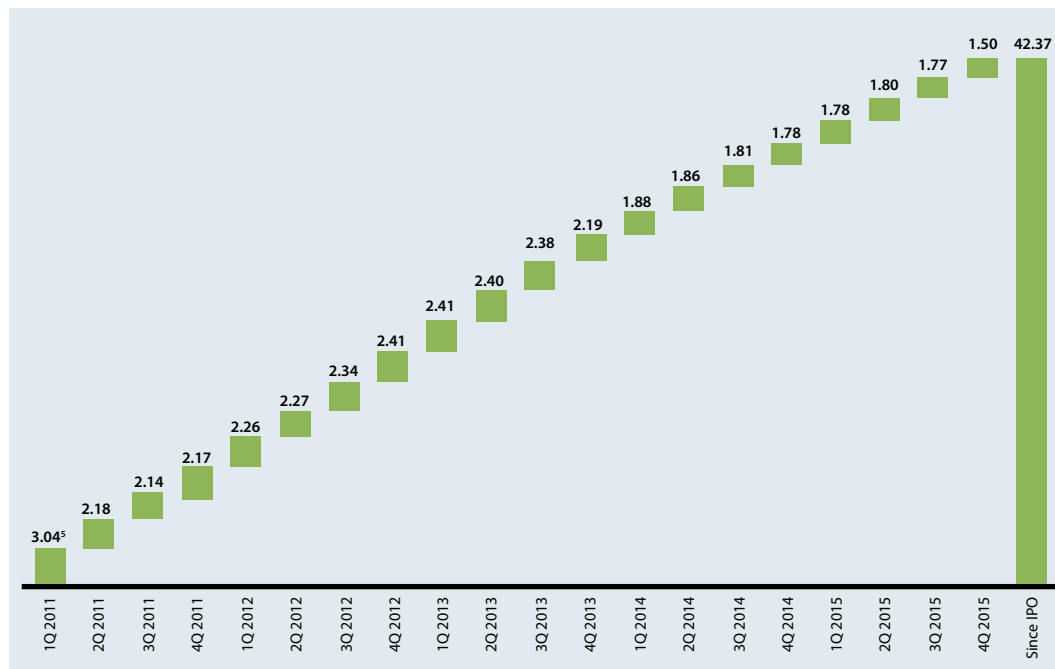
¹ For the period from 26 November 2010 to 31 December 2011.

FINANCIAL HIGHLIGHTS

BORROWINGS PROFILE

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
Aggregate leverage ²	41.7%	38.0%	36.9%	37.6%	34.1%
Total borrowings (\$ million)	485.8	486.0	455.8	432.8	364.8
Fixed as % of total borrowings	81.9%	88.0%	93.3%	100.0%	96.7%
Weighted average all-in financing cost ³	4.2%	4.1%	4.1%	4.3%	4.4%
Weighted average maturity of borrowings	2.1 years	3.0 years	2.3 years	3.2 years	2.2 years
Profit coverage ratio ⁴	3.8	4.3	5.0	5.4	7.4
Unencumbered investment properties (\$ million)	375.8	328.9	177.7	108.8	46.8

ACTUAL DPU (CENTS) FROM 26 NOVEMBER 2010 TO 31 DECEMBER 2015



² Ratio of total borrowings and deferred payments over deposited property as defined in the Property Funds Appendix.

³ Inclusive of amortisation of transaction costs.

⁴ Ratio of net property income over profit expense (excluding amortisation and other fees).

⁵ For the period from 26 November 2010 to 31 March 2011.

FINANCIAL REVIEW

REVIEW OF RESULTS

FY 2015 was a challenging year. The slowdown in the Singapore economy, in particular the manufacturing sector, affected demand and supply for industrial space. It was also a year in which 11 master leases in our property portfolio expired.

Despite these challenges, Sabana REIT was able to record a total gross revenue of S\$100.8 million, a modest 0.5% year-on-year growth. Contribution from 10 Changi South Street 2, acquired in December 2014, was partially offset by the negative rental reversions for certain master leases renewals. In line with the conversion of three master-tenanted properties into multi-tenanted buildings as well as the conversion of certain master leases from triple-net to non-triple-net tenancies, the Trust's property expenses, including property tax, land rent and property maintenance expenses, increased by 6.7% year-on-year. Consequently, NPI and distributable income fell by 1.8% and 2.9% to S\$71.6 million and S\$50.1 million respectively in FY 2015.

The Group's total assets decreased by 9.1% to approximately S\$1.2 billion as at 31 December 2015 from S\$1.3 billion as at 1 January 2015, mainly due to the revaluation loss of S\$116.7 million on its property portfolio. Correspondingly, NAV per Unit also declined to S\$0.89 at the end of the financial year, as compared to S\$1.06 at the beginning of the financial year.

CAPITAL MANAGEMENT

We continued to focus on adopting a prudent strategy and an effective risk management framework to proactively manage Sabana REIT's financial resources and risks. We strived to maintain a balanced and stable capital structure that can enhance the Trust's ability to pursue yield-accretive opportunities.

During the financial year, the Trust was able to secure a new financing arrangement for a three-year Revolving Commodity Murabahah Facility of up to S\$50.0 million ("RCMF") to further strengthen and diversify its funding sources and improve borrowing maturity profile. The funds from this facility were partially utilised to enable the Group, on 24 September 2015, to successfully redeem S\$29.7 million from Sukukholders who had

exercised their put option. Following the redemption, the outstanding principal amount of the Convertible Sukuk was S\$42.8 million, and the final maturity date of the Convertible Sukuk is 24 September 2017. The resultant all-in-cost of borrowings remained at a manageable 4.2% per annum throughout the year, compared to 4.1% per annum in FY 2014 despite the general rising profit rate environment.

As a result of the revaluation loss on investment properties, the Trust's gearing ratio increased from 38.0% as at 31 December 2014 to 41.7% as at 31 December 2015. Recognising the need to be prudent in maintaining a manageable gearing level, the Group will be using the net proceeds from the divestments of 200 Pandan Loop and 3 Kallang Way 2A, expected to be completed in the first quarter of 2016 for a total consideration of S\$54.6 million, to partially pare down the term and revolving Commodity Murabahah Facilities ("CMF") amounting to S\$138.0 million due to mature in November 2016. With this anticipated repayment, the Group's gearing ratio is expected to decrease to below 40.0%.

SOURCES OF FUNDING AND PROFIT RATE MANAGEMENT

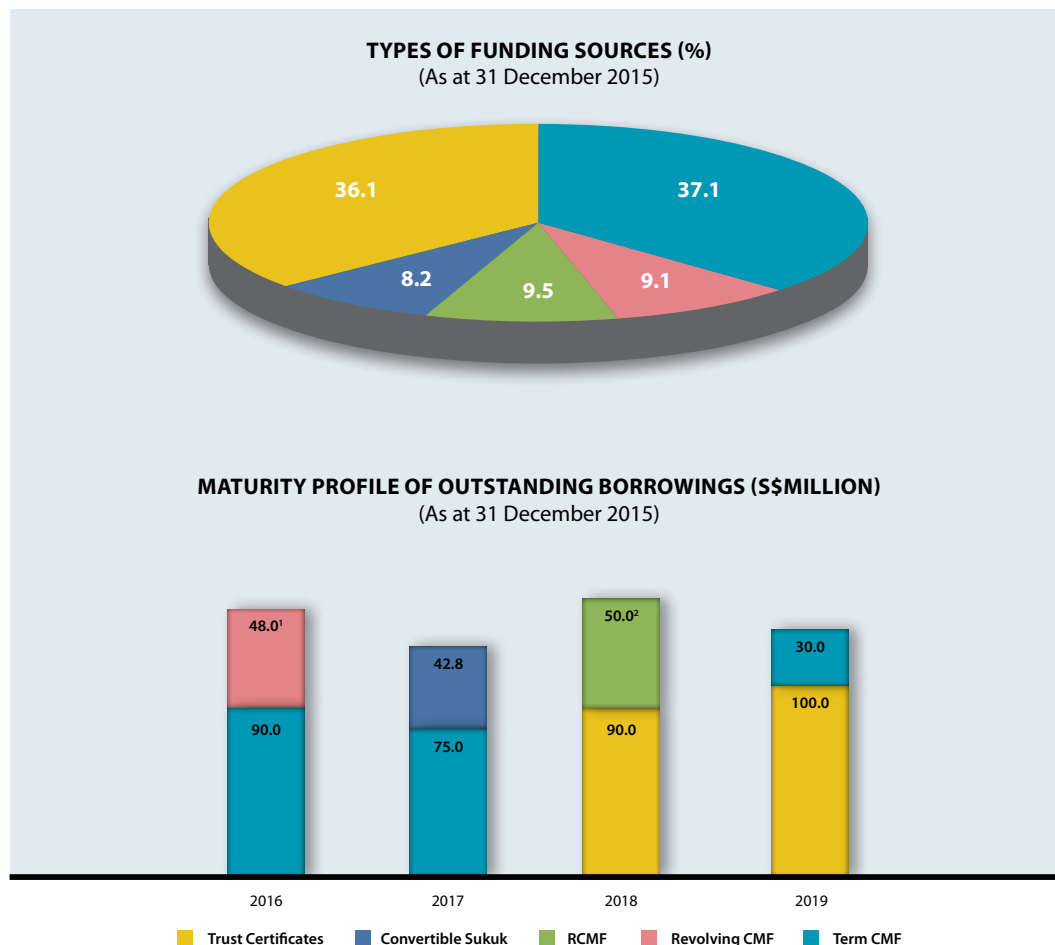
Following the partial redemption of the Convertible Sukuk and the establishment of the RCMF, Sabana REIT's sources of funding as at 31 December 2015 had become more diversified, comprising:

- 37.1% secured S\$195.0 million term CMF;
- 9.1% secured S\$48.0 million revolving CMF;
- 9.5% secured S\$50.0 million RCMF;
- 8.2% unsecured S\$42.8 million Convertible Sukuk; and
- 36.1% unsecured S\$190.0 million Trust Certificates.

During the year, we continued to maintain appropriate hedging of market based risks such as profit rate risks, via a combination of fixed rate funding and individual profit rate swaps for the term CMF. As at 31 December 2015, close to 82.0% of the Trust's outstanding borrowings were on fixed profit rates, thus optimising risk adjusted returns by minimizing the impact of profit rate volatility.

FINANCIAL REVIEW

As at 31 December 2015, the Trust had an untapped balance of S\$310.0 million from its S\$500.0 million Multicurrency Islamic Trust Issuance Programme, an undrawn revolving CMF of S\$18.0 million, an undrawn RCMF of S\$22.0 million, and 11 unencumbered assets valued at S\$375.8 million, providing it with future financial flexibility.



¹ Comprises S\$30.0 million and S\$18.0 million of drawn and undrawn credit facilities respectively.

² Comprises S\$28.0 million and S\$22.0 million of drawn and undrawn credit facilities respectively.

DISTRIBUTION REINVESTMENT PLAN

The Group had, with effect from the second quarter of FY 2015, temporarily suspended the Distribution Reinvestment Plan ("DRP"), which was implemented on 1 April 2014 to provide the Trust with a low cost access to capital, due to non-favourable market conditions. We will re-introduce the DRP which was designed to provide Unitholders the option to receive their distribution in Units, cash or a combination of both, when market conditions improve.



INVESTOR RELATIONS

“The Manager believes that by providing timely, clear, and consistent information, key stakeholders can more accurately assess and make informed investment decisions.”

COMMITTED TO PROMOTING TRANSPARENCY

We are committed to publishing quarterly financial results within one month from the end of each quarter. Market sensitive news are also broadcasted via the SGX-ST website and posted on www.sabana-reit.com on the same day of release.

To foster solid, lasting and trusted relationships, we are constantly and proactively engaging with our key stakeholders. We actively keep communication channels open and regularly hold constructive dialogues with key stakeholders, including Unitholders, buy and sell-side analysts, fund managers, potential investors, the media, and the public. In doing so, key stakeholders can more accurately assess and make informed investment decisions.

INVESTOR RELATIONS

PROACTIVE ENGAGEMENT

Our investor relations ("IR") team is easily contactable via phone and emails. Our stakeholders' queries and concerns are tended to promptly. To encourage participation by our Unitholders, we have continued to hold AGMs at locations which are easily accessible by public transportation. In 2015, Sabana REIT held its AGM in April at Suntec Singapore International Convention & Exhibition Centre. The event was well-received and we were pleased with the turnout of approximately 250 Unitholders, who have provided us with many positive suggestions and affirmations of our performance.

EFFECTIVE COMMUNICATIONS

Our IR team regularly communicates with analysts and the media via phone calls, emails or face-to-face meetings. We believe that reaching out to them will give the investment community a greater understanding of our strategies as well as financial and operational performances. In addition, we hold quarterly briefings for sell-side analysts the day after the release of Sabana REIT's quarterly or annual results to answer any queries they may have. We also proactively interact with the investment community through meetings, teleconferences as well as investor conferences and roadshows. These engagements have provided us with opportunities for analysts' and investors' feedback on our performance and also allow us to respond to any possible concerns.

Investor & Media Relations Activities in FY 2015

1 ST QUARTER	2 ND QUARTER	3 RD QUARTER	4 TH QUARTER
Analysts' Results for 4Q 2014 Financial Results	- Sabana REIT's 4th Annual General Meeting - Analysts' Results Briefing for 1Q 2015 Financial Results 6th Annual World Islamic Banking Conference 2015	- Analysts' Results Briefing for 2Q 2015 Financial Results - RHB Asian Sharia Investment Conference (Hilton Hotel, Kuala Lumpur)	Analysts' Results Briefing for 3Q 2015 Financial Results

UNITHOLDERS' ENQUIRIES

If you would like to find out more about Sabana REIT, please contact:
Sabana Real Estate Investment Management Pte. Ltd.

151 Lorong Chuan
 #02-03 New Tech Park
 Singapore 556741

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

UNIT PERFORMANCE

In 2015, Sabana REIT continued to generate one of the top indicative dividend yields in the Singapore REIT space¹. Total return in FY 2015 decreased by 17.3%² and the total return between the date of listing and 31 December 2015 was at 2.4%³. Sabana REIT closed at S\$0.715 on 31 December 2015, 23.9% lower than the opening Unit price of the year, translating to a market capitalization of approximately S\$523.7 million⁴.

TRADING DATA BY YEAR

Unit Price (S\$)	2015	2014	2013	2012
Opening	0.940	1.080	1.145	0.875
Last done at year-end	0.715	0.940	1.080	1.140
Highest	0.940	1.085	1.380	1.150
Lowest	0.705	0.905	1.035	0.875
Unit price performance (%) ⁵	(23.9)	(13.0)	(5.7)	30.3
Trading volume (million units)	199.8	282.4	411.7	298.9

RETURN ON INVESTMENT

(From 1 January 2015 to 31 December 2015)

	%
Total Return ²	(17.3)
Capital Appreciation ⁶	(23.9)
Distribution Yield ⁷	9.6

RETURN ON INVESTMENT

(Since listing on 26 November 2010 to 31 December 2015)

	%
Total Return ³	2.4
Capital Appreciation ⁸	(31.9)
Distribution Yield ⁹	11.6

¹ "REITs outperform equity benchmarks in 2015, but enjoy mixed fortunes". FTSE Global Markets. 5 January 2016.

² Source: Bloomberg.

³ Source: Bloomberg.

⁴ Based on 732,381,036 units issued as at 31 December 2015.

⁵ 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.

⁶ Difference between the closing unit price on 31 December 2015 and the opening unit price on 2 January 2015.

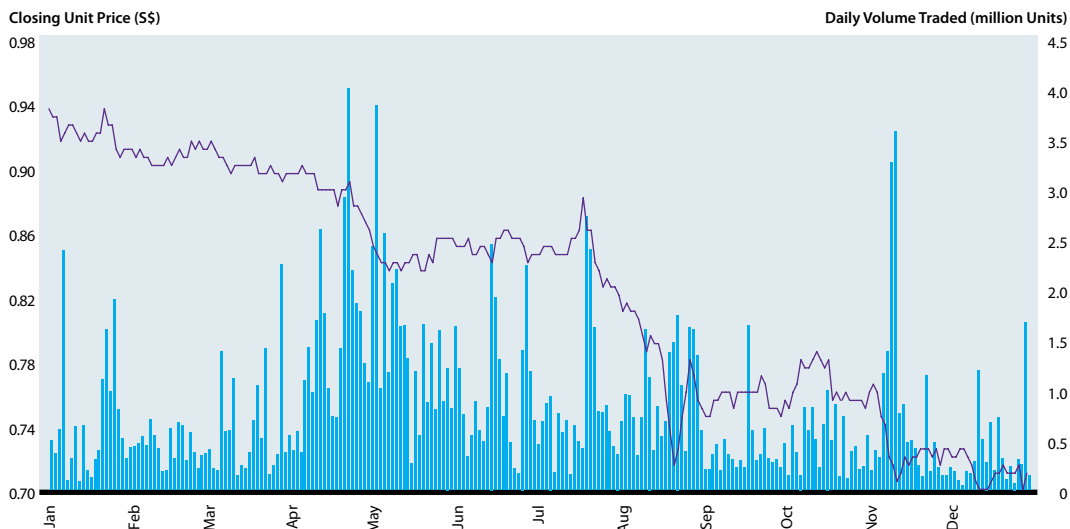
⁷ Based on total DPU declared for FY 2015 and the unit price of S\$0.715 as at 31 December 2015.

⁸ Difference between the closing unit price on 31 December 2015 and the IPO issue price of S\$1.05.

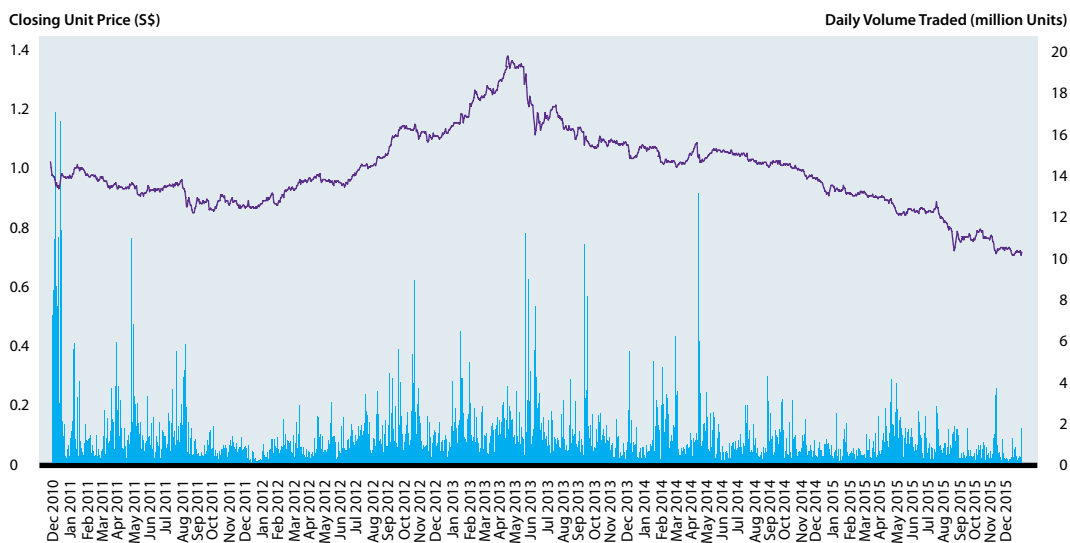
⁹ Based on annualised DPU declared since IPO (total DPU divided by five years, one month); Unit price of S\$0.715 as at 31 December 2015.

UNIT PERFORMANCE

TRADING PERFORMANCE IN FY 2015



TRADING PERFORMANCE SINCE IPO¹⁰



— Closing Unit Price

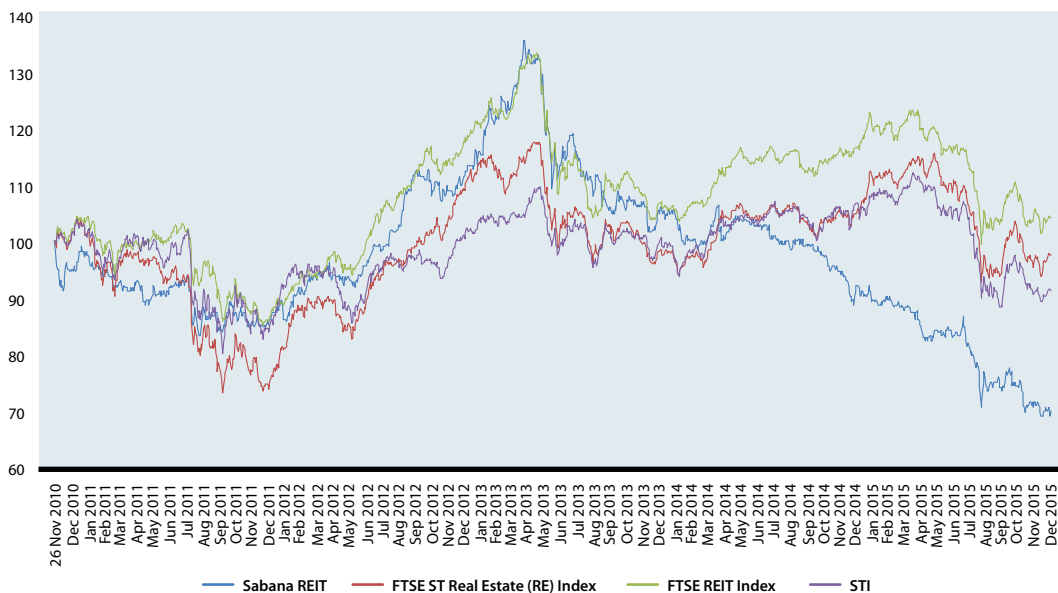
■ Daily Volume Traded

¹⁰ Excludes first three days of trading to remove IPO effect.

UNIT PERFORMANCE

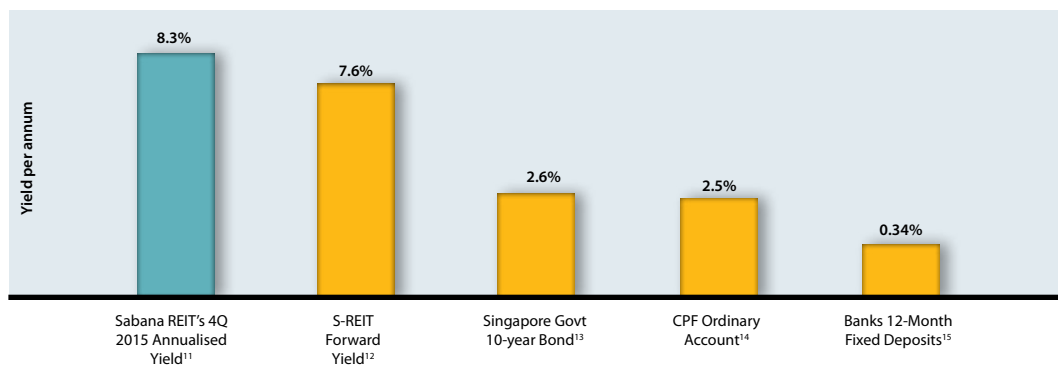
COMPARATIVE TRADING PERFORMANCE SINCE IPO

Rebased (%)



Source: ShareInvestor

COMPARATIVE YIELDS



¹¹ Based on Sabana REIT's closing unit price of S\$0.715 as at 31 December 2015 and annualized DPU for the period from 1 October 2015 to 31 December 2015.

¹² Source: "Weekly S-REITS Tracker". OCBC Investment Research. 5 January 2016.

¹³ Monetary Authority of Singapore data as at 31 December 2015. Source: <https://secure.sgs.gov.sg/fdanet/BenchmarkPricesAndYields.aspx>. Monetary Authority of Singapore. Web. 7 January 2016.

¹⁴ Prevailing CPF Ordinary Account interest rate for the period from 1 October 2015 to 31 December 2015. Source: <https://www.cpf.gov.sg/members/News/news-categories-info/news-releases/2300>. Central Provident Fund Board. Web. 7 January 2016.

¹⁵ Average rates compiled from that quoted by 10 leading banks and finance companies. Source: <https://secure.mas.gov.sg/msb/InterestRatesOfBanksAndFinanceCompanies.aspx>. Monetary Authority of Singapore. Web. 7 January 2016.

STAYING FOCUSED



INDEPENDENT MARKET STUDY

By Knight Frank

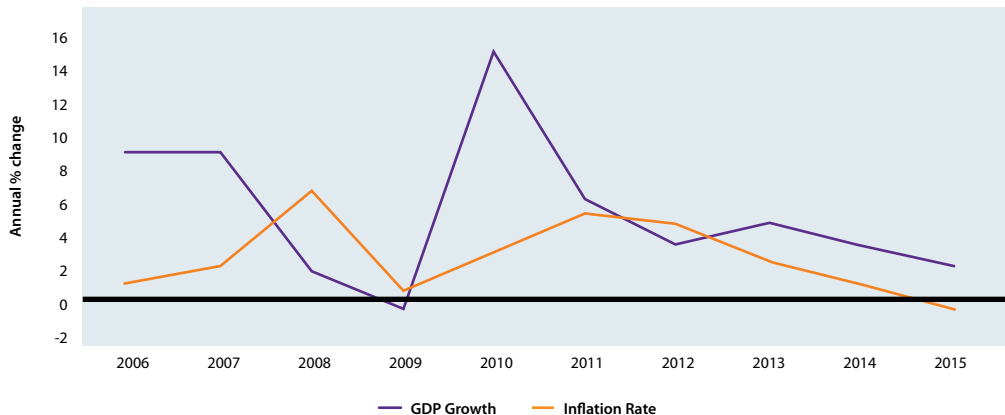
1 OVERVIEW OF SINGAPORE ECONOMY

1.1 Singapore economic performance

Singapore's Gross Domestic Product ("GDP") expanded by 2.0 per cent annually for the whole of 2015, lower compared to the 3.3 per cent annual growth in 2014 (Exhibit 1-1). This is due in part to the challenging business climate resulting from the softened demand in manufacturing, China's economic slowdown as well as the low oil price environment that mainly impacted oil and gas industries.

On the back of lower housing, car and oil prices, Singapore saw its first deflation since 2002, with the inflation rate declining from 1.0 per cent annually in 2014 to a negative 0.5 per cent in 2015.

Exhibit 1-1: Singapore GDP growth and Inflation rate, 2006 to 2015



Source: MTI, Singstat, Knight Frank Research

1.2 Manufacturing output and investment commitments

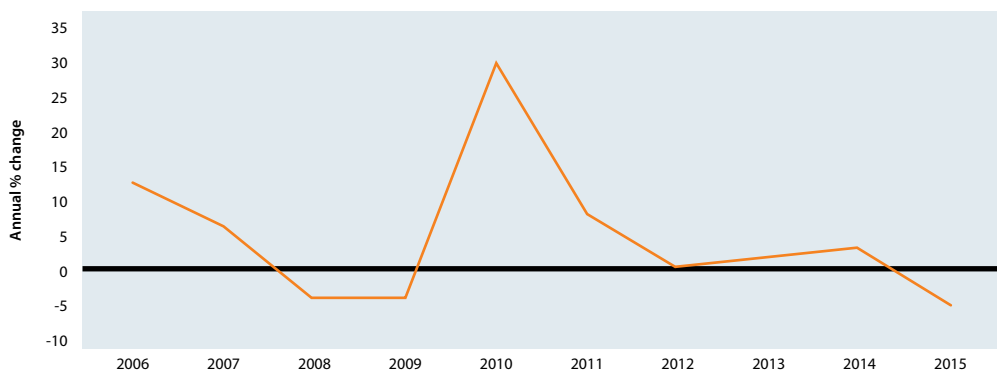
Based on Singapore's Index of Industrial Production, the manufacturing sector saw an annual decline in output by 5.2 per cent in 2015, after an annual increase of 2.7 per cent in 2014. This was attributed to annual contractions in outputs for precision engineering, electronics, and transport engineering clusters by 4.1 per cent, 6.8 per cent and 13.5 per cent respectively.

The chemicals cluster was the only cluster to experience annual output growth of 3.9 per cent in 2015. Within the chemicals cluster, petroleum segment expanded by 8.5 per cent, an improvement from an annual decline of 8.5 per cent in 2014. The medical technology segment within the biomedical manufacturing cluster continued to be the main driver for the manufacturing sector with a 23.6 per cent annual growth during the same period.

INDEPENDENT MARKET STUDY

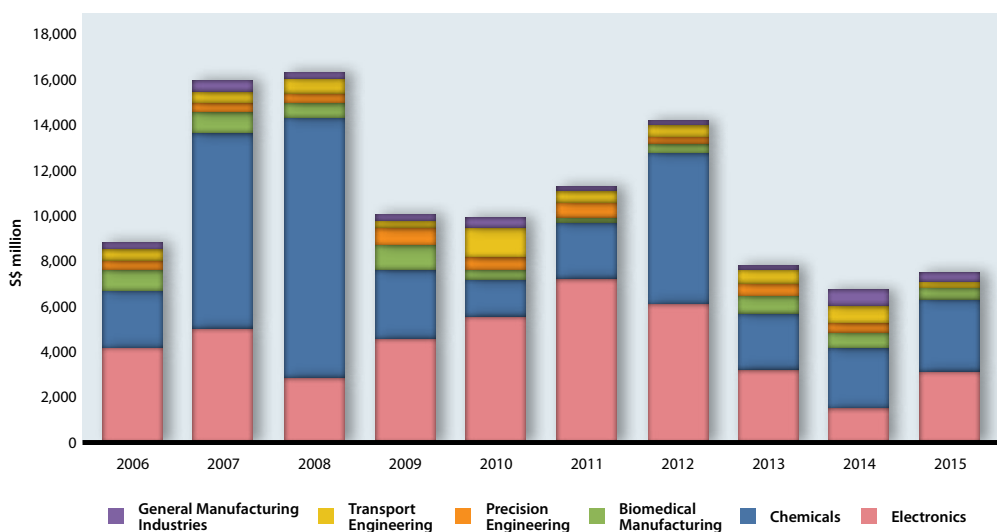
Singapore received close to S\$8.30 billion in total manufacturing fixed asset investment ("FAI") in 2015, 22.7 per cent higher than S\$6.76 billion in 2014. Notwithstanding the subdued manufacturing outlook, the expansion was attributed to the annual increase of investment commitments in the electronics (97.6 per cent) and chemicals (37.4 per cent) clusters, which accounted for 39.3 per cent and 43.6 per cent of the total manufacturing FAI in 2015, respectively.

Exhibit 1-2: Singapore Index of Industrial Production, 2006 to 2015



Source: Singstat, Knight Frank Research

Exhibit 1-3: Total Manufacturing Fixed Asset Investments (FAI), 2006 to 2015



Source: Singstat, Knight Frank Research

INDEPENDENT MARKET STUDY

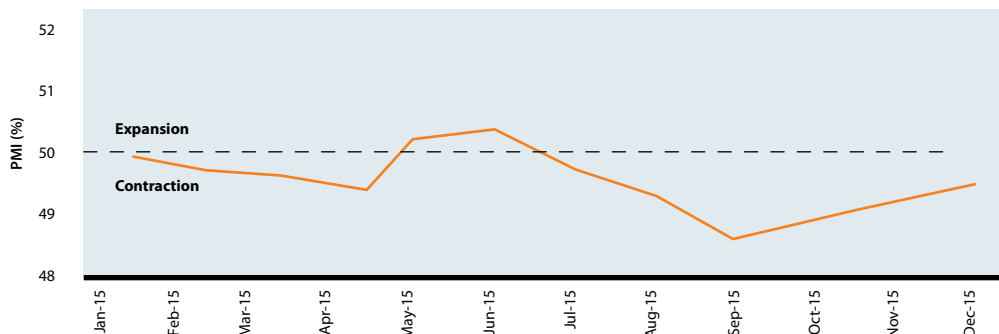
1.3 Manufacturing sector

Based on the Economic Development Board (“EDB”)’s monthly manufacturing performance for December 2015, Singapore’s manufacturing output posted a y-o-y fall by 7.9 per cent, a steeper decline compared to 5.5 per cent y-o-y fall in November 2015.

All clusters, except biomedical manufacturing, saw y-o-y falls in December 2015. Due to the decrease in output from the marine and offshore engineering cluster (40.3 per cent y-o-y) amid the sustained low oil prices situation, the transport engineering cluster experienced the largest y-o-y decline by 26.4 per cent. Output from the electronics cluster fell by 12.4 per cent for the same period despite an expansion in the electronic module and components production. While the chemicals cluster saw positive growth for ten consecutive months in 2015, it posted a marginal y-o-y fall by 0.3 per cent in December 2015, resulting from contraction in petrochemical segment on the back of plant maintenance shutdown. The biomedical manufacturing cluster was an outperformer with a growth of 16.2 per cent y-o-y in December 2015 due to higher export demand for medical technology segment (36.1 per cent y-o-y) and an expansion in the pharmaceutical segment (10.4 per cent y-o-y).

The Singapore Purchasing Managers’ Index (“PMI”) saw a slight improvement from 49.2 in November 2015 to 49.5 in December 2015. However, this reflects the sixth consecutive month of contraction. The overall contraction in PMI was largely due to lower demand in new orders, new export orders and the production output. Input prices and employment continued to contract while stockholdings of finished goods and imports expanded.

Exhibit 1-4: Singapore Purchasing Managers’ Index (“PMI”) from January to December 2015



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

1.4 Singapore economic outlook for 2016

Moving forward, the global outlook remains volatile with potentially uneven growth trajectories across different economies. While China is expected to see a slowdown in growth as it continues to rebalance its economy towards services and consumption-driven model, the levelling of its GDP growth rate could provide longer-term sustainability and predictability. Overall activities in the United States (“US”) is likely to see continuing momentum in view of healthy domestic demand backed by the stronger greenback and low oil prices that could potentially benefit some segments of manufacturing and investment activities. With the potential easing of monetary policy in the Eurozone, private consumption is likely to improve and growth is projected to grow steadily, albeit at a modest pace in 2016 due to weakening global demand.

INDEPENDENT MARKET STUDY

On the back of global market volatility, Singapore's economic outlook is envisaged to soften this year and the MTI expects Singapore's GDP to expand modestly by one to three per cent in 2016, barring unforeseen macroeconomic and geopolitical circumstances.

As one of the most globally-connected economies, Singapore's economic performance will continue to be impacted by various macroeconomic changes, with the exported-oriented industries such as manufacturing and wholesale trade sectors being most susceptible to external events. While there remains some upside potential for the biomedical cluster particularly in the pharmaceutical and medical technology segments, the general manufacturing, precision engineering and electronic clusters could expect less favourable business conditions ahead. At the domestic front, labour-intensive industries such as retail and food services will continue to face sustained high operating costs and further business consolidation due to the prevailing labour crunch situation, while the low oil prices place pressure on rig building activities in the marine and offshore segment, albeit less intensive than in 2015. Meanwhile, service-oriented industries such as insurance, financial and business service sectors are expected to be resilient and continued to stay firm as the main driver of Singapore economy.

2 SINGAPORE GOVERNMENT POLICIES ON INDUSTRIAL PROPERTY MARKET

2.1 Revised Third Party Facilities Providers ("3PPFs") Policy for JTC

JTC has revised their policies for Third Party Facilities Providers ("3PPFs"), where land has been leased through Third-Party Build & Lease ("B&L") or Sale & Lease-Back ("S&LB") schemes. The respective changes took effect on 1 October 2015.

Reduced gross floor area ("GFA") requirement by anchor subtenants

JTC has reduced the required minimum GFA to 1,000 sq m from the initial 1,500 sq m, in recognition that many quality subtenants require smaller spaces than the initial minimum space quantum specified in the policy. This will allow more quality industrialists to qualify as anchor subtenants and thus, improving the chance of master tenants securing healthy occupancy rates.

Anchor Subtenants which remain status quo at renewal need not be reassessed

Upon revision, existing anchor subtenants at renewal will now be required only when there is a change (i.e. an increase or decrease) in their occupied GFA and/or usage. This will help to improve administrative efficiency and convenience for all parties involved. However, applications will still have to be submitted for extensions of subletting period.

Minimum occupation period of anchor subtenant upon renewal

Through revision, JTC has introduced greater flexibility for both original and subsequent anchor subtenants (i.e. replacement of the original anchor subtenants). Subject to JTC approval, these anchor subtenants will be allowed to renew for any duration (depending on their business needs) after they have fulfilled their initial Minimum Occupation Period ("MOP"). With this revision, it reduces the rigidity of the regulation bind on these anchor subtenants and allows them to have greater flexibility in accordance with their business needs.

INDEPENDENT MARKET STUDY

3 REVIEW OF PRIVATE FACTORY MARKET SEGMENT

3.1 Supply, Demand and Occupancy

As at Q4 2015, the existing stock of private factory space totalled 326.8 million sq ft NLA, a 3.8 per cent annual increase from the previous year. Of which, 65.6 per cent (214.4 million sq ft) were single-user factory while multiple-user factory and business park space accounted for the remaining 29.2 per cent (95.4 million sq ft) and 5.2 per cent (17.0 million sq ft) respectively. Net new supply stood at 11.8 million sq ft in 2015, posting a 6.7 per cent annual decline from 2014, and is 12.2 per cent higher than the ten-year average annual net new supply of 10.5 million sq ft from 2006 to 2015 period.

Exhibit 3-1: Selected Major Private Factory Completions in 2015

Development	Location	Region	Developer	Approximated Gross Floor Area ("GFA") sq ft
Q1 2015				
Galaxis	1, 3 Fusionopolis Place	Central Region	Ascendas Fusion 5 Pte Ltd	741,000
North View Biz Hub	6 Yishun Industrial Street 1	North Region	SB (Northview) Investment Pte Ltd	315,000
Mead Johnson (Singapore) Supply Center	20 Tuas South Avenue 6	West Region	Mead Johnson Nutrition (Asia Pacific) Pte Ltd	436,000
Jurong Aromatics Complex	23 Tembusu Road	West Region	Jurong Aromatics Corporation Pte Ltd	330,000
Q2 2015				
CT Hub 2	114 Lavender Street	Central Region	Chiu Teng @ Kallang Pte Ltd	384,000
Mandai Connection	7 Mandai Link	North Region	SB (Mandai) Investment Pte Ltd	602,000
Single-user factory	8 Tuas Bay lane	West Region	Novartis Singapore Pharmaceutical Manufacturing Pte Ltd	368,000
Q3 2015				
Eco-Tech@Sunview	1 Sunview Road	West Region	Action Property Pte Ltd	758,000
Q4 2015				
Mediacorp Campus	1 Stars Avenue	Central Region	MediaCorp Pte Ltd	858,000
Win 5	Yishun Industrial Street 1	North Region	Soon Hock Tuas Development Pte Ltd	540,000

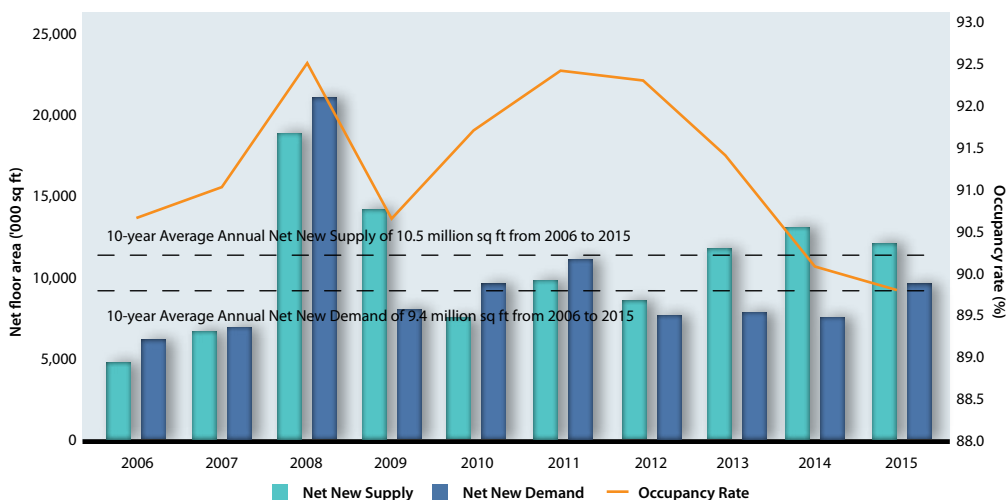
Source: JTC, Knight Frank Research

INDEPENDENT MARKET STUDY

Notwithstanding the muted manufacturing performance, net new demand for private factory space saw a notable 30.5 per cent annual increase, approximating to 9.8 million sq ft in 2015. This is about 3.8 per cent more than the ten-year average annual net new demand of 9.4 million sq ft from 2006 to 2015 period.

However, despite the improvement in demand, occupancy of private factory space slipped to 89.8 per cent in 2015. This was largely attributed to the increase in vacant private single-user factory space where its occupancy declined from 92.5 per cent in 2014 to 91.9 per cent in 2015 by 0.6 percentage point ("ppt"). On the back of the challenging business environment and the tight labour supply situation, industrialists were looking to consolidate their business operations or shifted to smaller factory space to save on high operating costs.

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



Source: JTC, Knight Frank Research

3.2 Potential Supply

As at Q4 2015, an estimated 35.4 million sq ft GFA of new private factory space is set for completion between 2016 and 2020. Of which, single-user factory space accounted for 60.4 per cent (21.4 million sq ft), while multiple-user factory and business parks constitute the remaining 33.9 per cent (12.0 million sq ft) and 5.7 per cent (2.0 million sq ft) respectively. The bulk of upcoming private factory space (60.9 per cent or 21.6 million sq ft) is expected to be ready by the end of 2016, and this is more than triple the five-year average annual potential supply of 7.1 million sq ft from 2016 to 2020.

INDEPENDENT MARKET STUDY

In view of the softened demand and existing ample supply of industrial space to serve current industrialists' needs, the Singapore government has curtailed the release of industrial sites for H1 2016. A total of 10 industrial sites (with a combined site area of 12.2 ha) are listed in H1 2016 under the Industrial Government Land Sales ("IGLS") Programme. Six sites are placed under the Confirmed List while the remaining four sites on the Reserve List, totalling about 677,480 sq ft and 1.7 million sq ft of future potential industrial space, respectively. As the Singapore government aims to keep business costs affordable for genuine industrialists, smaller sites with shorter lease tenures of between 20 to 30 years are introduced.

Notwithstanding the moderated manufacturing outlook, interests were expressed by market players through IGLS. An industrial site at Tuas South Link 2 (plot 5), closed on 24 November 2015, received three bids and was awarded to the highest tenderer at a tendered price of S\$3.0 million (S\$39 per sq ft on GFA).

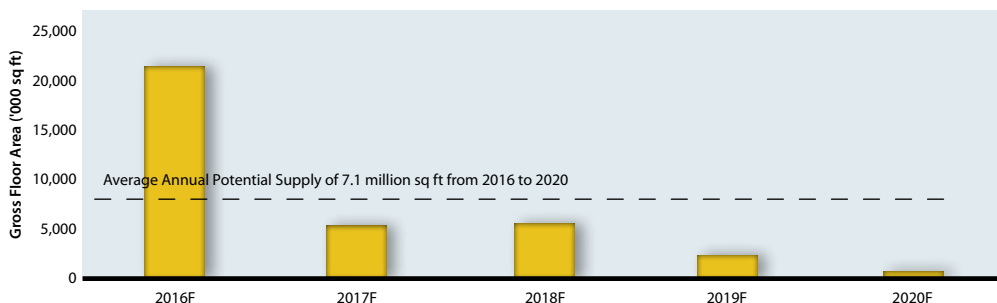
Exhibit 3-3: Selected Upcoming Major Factory Developments in 2016

Development	Location	Region	Developer	Estimated GFA (sq ft)
Single-user factory	Depot Road	Central Region	Mapletree Industrial Trust Management Ltd	825,000
Ascent	Science Park Drive	Central Region	Ascendas Land (S) Pte Ltd	509,000
E9 Premium	Woodlands Industrial Park E9	North Region	Incorporated Woodlands Pte Ltd	451,000
West Connect Building	Buroh Street	West Region	Publique Realty (Jurong) Pte Ltd	737,000
T99	Tuas South Avenue 10	West Region	Soon Hock Group Pte Ltd	597,000
The Index	Tuas South Avenue 3	West Region	Grow-Tech Properties Pte Ltd	596,000
Single-user factory	Yung Ho Road	West Region	Singapore Telecommunications Ltd	568,000
ACE @ Buroh	Buroh Crescent	West Region	OKH Buroh Pte Ltd	476,000
Single-user factory	Penjuru Road	West Region	Mencast Marine Pte Ltd	392,000
Single-user factory	Tuas South Avenue 5	West Region	Shell Eastern Petroleum Pte Ltd	384,000

Source: JTC, Knight Frank Research

INDEPENDENT MARKET STUDY

Exhibit 3-4: Potential Supply of Private Factory Space

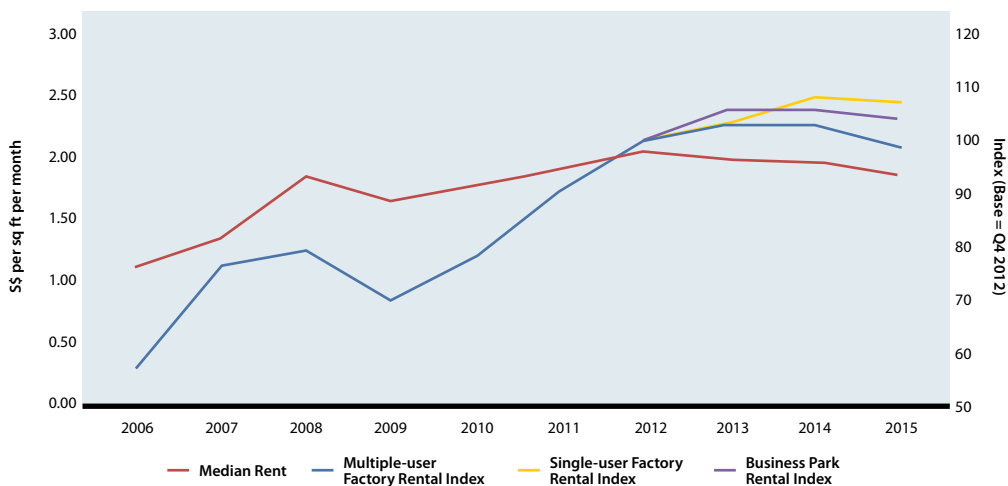


Source: JTC, Knight Frank Research

3.3 Rents

As at Q4 2015, island-wide median rent of overall factory space is estimated at \$1.90 per sq ft per month, posting an annual fall of 4.0 per cent. JTC rental indices of business park, multiple-user and single-user factory space experienced annual declines by 1.2 per cent, 3.3 per cent and 0.8 per cent respectively. With industrialists being cautious and holding back on their business expansion plans, the surplus supply in the market exerted pressure on rents.

Exhibit 3-5: JTC Median Rents and Rental Indices of Private Factory Space by Types, as at Q4 2015



* 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.

Source: JTC, Knight Frank Research

INDEPENDENT MARKET STUDY

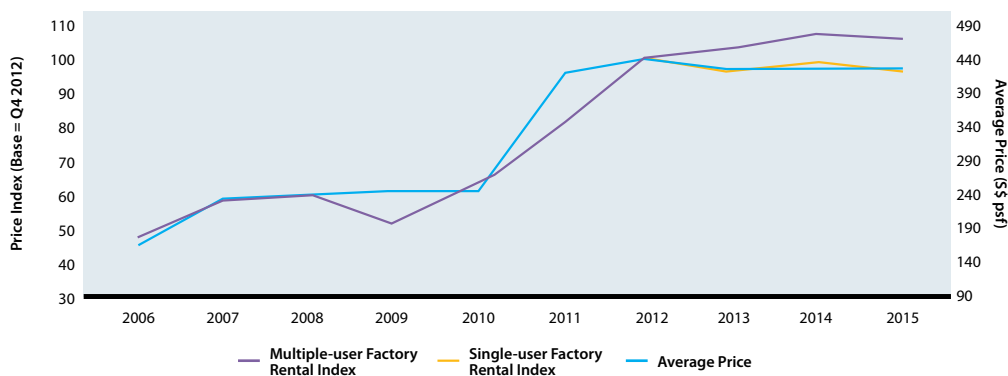
3.4 Prices

A total of 687 caveats¹ were lodged in 2015 for upper-floor strata-titled factory units, a 32.8 per cent fall from the previous year and registering the lowest transaction volume since the implementation of Seller's Stamp Duty (SSD) in 2013. Amid the low transaction volume, the island-wide average price of upper-floor strata-titled factory units increased by 0.8 per cent y-o-y to S\$429 per sq ft in Q4 2015. This is mainly attributed to the high-priced transaction of freehold Primax industrial development (269 sq ft) with circa S\$604 per sq ft, as well as a larger proportion of 60-year leasehold and freehold resale transactions during the period.

As at Q4 2015, JTC price indices of multiple-user and single-user factory have slipped marginally by 1.7 per cent y-o-y and 1.8 per cent y-o-y respectively from the previous year.

On the back of ample existing factory space and mortgage limits amid the Total Debt Servicing Ratio ("TDSR") framework, building owners experienced stiff competition to secure and retain tenants. Nonetheless, despite the challenging business climate for the manufacturing sector, opportunistic purchases still existed for deep-pocketed industrialists and investors in the market.

Exhibit 3-6: JTC Price Indices and Average Price of Factory Space, as at Q4 2015



* Average prices are based on caveats lodged in REALIS and accounted for only upper floor strata-titled factory units (as at 19 January 2016)

Source: JTC, REALIS, Knight Frank Research

3.5 Investment Sales

For the first half of 2015, investment sales volume of private factories (including business parks) was relatively healthy with a total investment value of S\$629.0 million. Investment sales value saw a surge to a total investment quantum of S\$1.07 billion for the second half of 2015. Total investment sales of private factories (including business parks) totalled S\$1.7 billion² for the whole of 2015.

¹ Based on caveats lodged from REALIS as at 19 January 2016

² Information accurate as at 10 February 2016

INDEPENDENT MARKET STUDY

Exhibit 3-7: Top 10 Major Private Factory Investment Sales in 2015

Property	Location	Tenure	Purchaser	GFA (sq ft)	Price (S\$)	Price (S\$ per sq ft)
Q1 2015						
The Kendall	50 Science Park Road	LH-64 yrs expiring on Mar 2079	A-REIT	217,323 181,092*	112,000,000	515 618*
72 Loyang Way	72 Loyang Way	Multiple JTC leases collectively expiring on 20 Mar 2038	Soilbuild Business Space REIT	203,468	97,000,000	477
Q2 2015						
Forte	29 New Industrial Road	Freehold	Laura Ashley (Asia) Pte Ltd	98,254*	66,000,000	672*
23 Loyang Way	23 Loyang Way	LH-30 yrs wef 16 Feb 2010	Not available	251,326	66,000,000	263
3 Loyang Way	3 Loyang Way	Not available	Digital Realty Trust	177,000	60,620,000	342
Q3 2015						
Starhub Green	67 Ubi Avenue 1	LH-60 yrs	AEP Investment Management	405,386*	260,000,000	641*
11 Ubi Road 1	11 Ubi Road 1	LH-30 yrs wef 1 Sept 1995	Viva Industrial REIT	253,058	80,700,000	319
19 Tai Seng Avenue	19 Tai Seng Avenue	LH-30 + 30 yrs wef 11 Sept 2007	Viva Industrial REIT	120,556	42,000,000	348
Q4 2015						
One @ Changi City	1 Changi Business Park Central 1	LH-60 yrs wef 30 Apr 2009	A-REIT	765,938 679,267*	420,000,000	548 618*
Harper Kitchen	25 Harper Road	Freehold	Consortium led by Nanshan Group	54,250	51,100,000	942

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 based on Net Lettable Areas

Source: JTC, REALIS, Knight Frank Research

INDEPENDENT MARKET STUDY

3.6 Outlook

Where Singapore's manufacturing sector continues to be impacted by the softened global demand, slowdown in China's economy and low oil price environment, the private factory sector is likely to remain subdued in 2016.

On the back of large upcoming new private factory supply by 2016, rental and price performance of private factory spaces are likely to face downside risks should demand for private factory space stay flat or decline. Building owners will be proactive in attracting and retaining tenants in light of the competitive leasing market as new supply sets in. Asking rents will be more realistic as business cost-savings is likely to remain as tenants' top consideration in their selection process.

Moving forward, more factory space is likely to undergo redevelopment to remain competitively relevant. Amid restructuring efforts to establish new niches in the quest for higher-value added and knowledge-based manufacturing activities, there will be rising importance for building owners to improve on their building quality and design specifications to meet the changing spatial needs of key growing industries such as the chemicals, pharmaceuticals, 3D printing, and biomedical manufacturing segments. Furthermore, the government is also expected to set aside more industrial space to nurture and encourage entrepreneurial innovations for the future of Singapore's manufacturing industry. On the back of strong regional and global competition, such forward-looking initiatives will present future windows of opportunity to attract both emerging and established industries into Singapore.

4 REVIEW OF WAREHOUSE MARKET SEGMENT

4.1 Supply, Demand and Occupancy

As at Q4 2015, the existing stock of private warehouse space totalled 94.6 million sq ft NLA, or a 5.7 per cent annual increase from the previous year. Net new supply saw 30.0 per cent annual decline in 2015 from 2014 to register at 5.1 million sq ft. This is 52.4 per cent higher than the ten-year average annual net new supply of 3.3 million sq ft during the 2006 to 2015 period.

INDEPENDENT MARKET STUDY

Exhibit 4-1: Selected Major Private Warehouse Completions in 2015

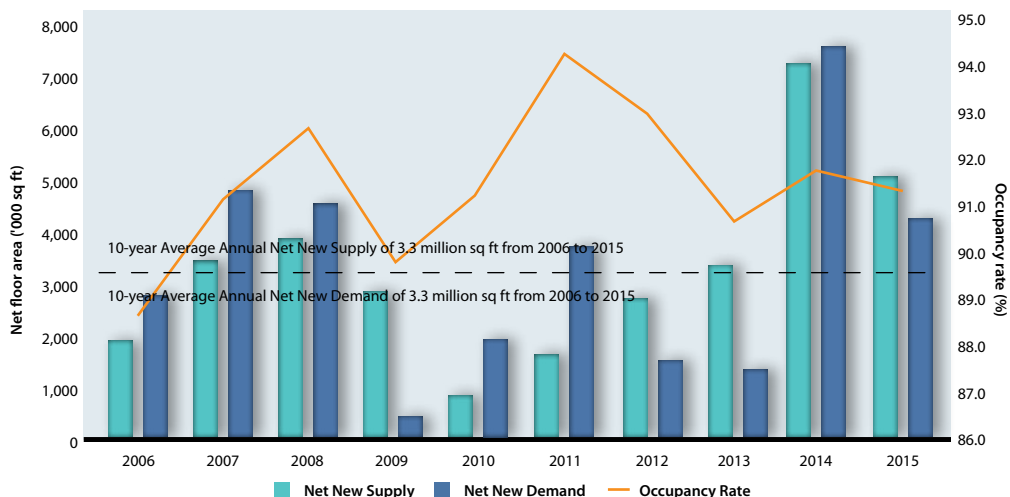
Development	Location	Region	Developer	Estimated GFA (sq ft)
Q1 2015				
CWT Pandan Logistics Centre	4 Pandan Avenue	West Region	CWT Project Logistics Pte Ltd	638,000
Warehouse development	7 Pioneer Sector Lane	West Region	Nam Leong Co Pte Ltd	228,000
Q2 2015				
Space@Tampines	18 Tampines Industrial Crescent	East Region	Oxley Bliss Pte Ltd	709,000
Warehouse/ Commercial development	71 Sungei Kadut Drive	North Region	Gain City Best-Electric Pte Ltd	215,000
Warehouse development	15 Serangoon North Avenue 5	North-East Region	Popular Warehouse and Distribution Pte Ltd	202,000
Q3 2015				
DHL Supply Chain Advanced Regional Centre	1 Greenwich Drive	East Region	HSBC Institutional Trust Services (S) Ltd	989,000
Warehouse development	1 Buroh Lane	West Region	Warehouse Logistics Net Asia Pte Ltd	126,000
Q4 2015				
Warehouse development	2 Seraya Place	Central Region	Bertschi Singapore Pte Ltd	85,000
Warehouse development	Pioneer Crescent	West Region	Kuehne + Nagel Real Estate Pte Ltd	538,000

Source: JTC, Knight Frank Research

Net new demand for private warehouse space saw 43.0 per cent annual decline to 4.3 million sq ft in 2015 from the previous year. However, this is about 29.3 per cent higher than the ten-year average annual net new demand of 3.3 million sq ft from 2006 to 2015 period, indicating a relatively healthy demand for private warehouse space. Where new supply of warehouse space exceeded demand, occupancy dipped marginally by 0.4 ppt from 91.8 per cent in 2014 to 91.4 per cent in 2015.

INDEPENDENT MARKET STUDY

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

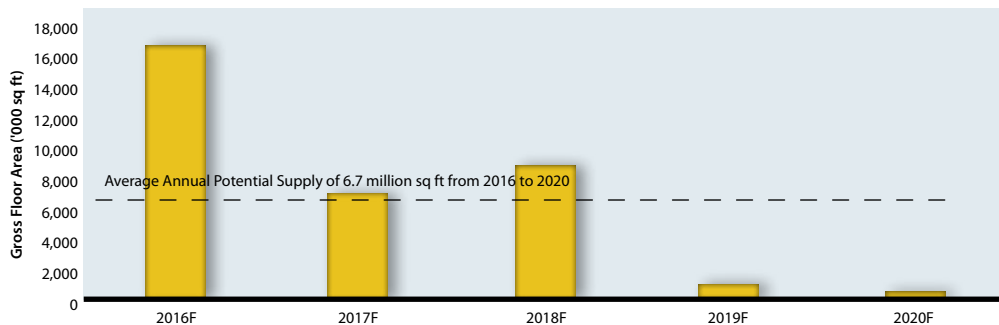


Source: JTC, Knight Frank Research

4.2 Potential Supply

As at Q4 2015, about 33.6 million sq ft GFA new private warehouse space is set for completion between 2016 and 2020. The bulk of new supply (50.0 per cent or 16.8 million sq ft) is expected to be ready by the end of 2016, and this is more than double the five-year average annual potential supply of 6.7 million sq ft from 2016 to 2020 period.

Exhibit 4-3: Potential Supply of Private Warehouse Space



Source: JTC, Knight Frank Research

INDEPENDENT MARKET STUDY

Exhibit 4-4: Selected Upcoming Major Warehouse Completions in 2016

Development	Location	Region	Developer	Estimated GFA (sq ft)
Warehouse development	Sungei Kadut Street 2	North Region	World Furnishing Hub Pte Ltd	274,000
Warehouse development	Tagore Lane	North-East Region	M-7 Corporation Holding Pte. Ltd.	115,000
Warehouse development	Jurong West Street 23	West Region	Supply Chain City Pte Ltd	1,406,000
Warehouse development	Toh Guan Road East	West Region	Mapletree Logistics Trust Management Ltd	683,000
Warehouse development	Penjuru Lane	West Region	Lee Huat Yap Kee Pte Ltd	305,000
Warehouse development	Penjuru Lane	West Region	Asia Enterprises (Private) Limited	234,000
Warehouse development	Jalan Ahmad Ibrahim	West Region	Pepperl + Fuchs (Mfg) Pte Ltd	191,000
Warehouse development	Tuas South Street 11	West Region	Ho Lee Construction Pte Ltd	158,000
Warehouse development	Penjuru Road	West Region	Kim Heng Marine & Oilfield Pte Ltd	147,000
Warehouse development	Tuas South Street 11	West Region	Tiong Aik Construction Pte Ltd	108,000

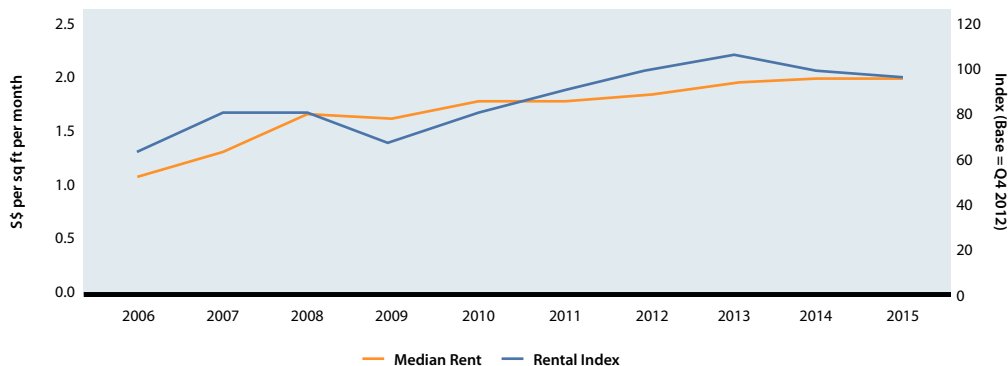
Source: JTC, Knight Frank Research

4.3 Rents

As at Q4 2015, island-wide median rent of warehouse space is about \$2.00 per sq ft per month, unchanged from the previous year. JTC rental index of warehouse space saw an annual decline by 1.6 per cent, albeit at a slower rate than the 6.3 per cent annual drop in 2014. This was attributed to the surplus supply of warehousing space, and a tighter restriction over industrial space usage through the JTC subletting rule where anchor tenants have to occupy at least 70 per cent of the building GFA. Amid the moderated manufacturing performance, building owners face challenges in maintaining high occupancy as these tenants seek to relocate to occupy smaller industrial spaces.

INDEPENDENT MARKET STUDY

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



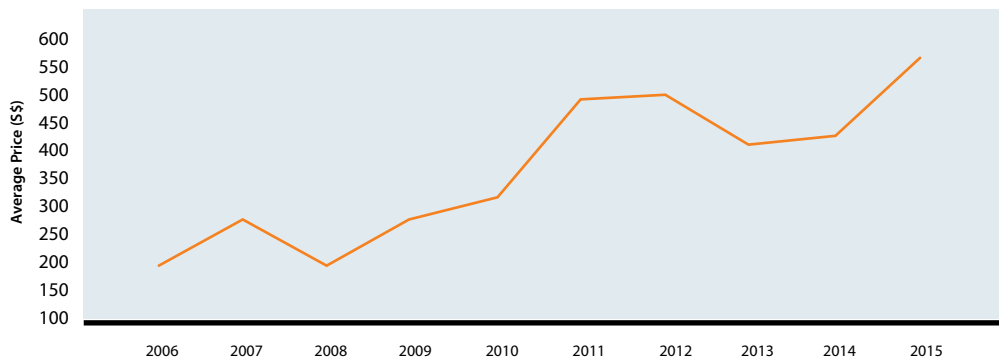
- * Median rents based on island-wide actual rental transaction and as at fourth quarter of each corresponding year
- * JTC rental index is based on private warehouse rental transactions

Source: JTC, Knight Frank Research

4.4 Prices

As at Q4 2015, there were 43 caveats³ lodged for upper-floor strata-titled warehouse units, 30.6 per cent lower than the 62 caveats lodged in 2014. Average prices of upper-floor strata-titled warehouse units saw improvement and grew by 32 per cent y-o-y in the same period to register at S\$561 per sq ft, attributed mainly to the price recovery of warehouse units with 60-year leasehold and freehold tenures.

Exhibit 4-6: Average Price of Warehouse Space, as at Q4 2015



- * 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
- * Average prices are based on caveats lodged in REALIS and accounted for only upper floor strata-titled warehouse units (as at 19 January 2016)

Source: JTC, REALIS, Knight Frank Research

³ Based on caveats lodged from REALIS and accurate as at 19 January 2016

INDEPENDENT MARKET STUDY

4.5 Investment Sales

The private warehouse investment activities tapered off in the second half of 2015 with a total investment quantum of S\$84.8 million. Total private investment sales for warehouses totalled S\$236.9 million. Amid challenging business environment for industrialists, REITs are actively seeking for potential acquisitions of yield accretive industrial properties.

Exhibit 4-7: Selected Major Private Warehouse Investment Sales in 2015

Property	Location	Tenure	Purchaser	GFA (or NLA) sq ft	Price (S\$)	Price (S\$ per sq ft)
Q1 2015						
Cyberhub Holdings Building	20 Bendemeer Road	LH-99 yrs wef 1 Mar 1966	Entities linked to Raymond Ng and Enviro-Hub Holdings	175,000*	88,000,000	503
Nobel Design House	134 Joo Seng Road	LH-30 yrs wef 1 May 1992	NAT Aire Builder & Distribution Pte Ltd	76,000	13,500,000	178
215 Pandan Loop	215 Pandan Loop	Not available	JTC	90,762	12,779,000	141
Q2 2015						
100 Eunos	100 Eunos Avenue 7	Not available	LHN Group	Not available	12,850,000	Not available
11 Gul Crescent	11 Gul Crescent	LH-30 yrs wef 1 Jan 2011	Mini Environment Service Pte Ltd	136,000	25,000,000	184

INDEPENDENT MARKET STUDY

Property	Location	Tenure	Purchaser	GFA (or NLA) sq ft	Price (S\$)	Price (S\$ per sq ft)
Q3 2015						
30 Pioneer Road	30 Pioneer Road	LH-30 yrs wef 16 Feb 2007	Viva Industrial REIT	281,090	45,000,000	160
37 Tuas West Avenue	37 Tuas West Avenue	LH-99 yrs wef 18 Jun 1986	Kim Soon Lee (transportation and logistics company)	286,000	30,000,000	105
55A Yishun Industrial Park A	55A Yishun Industrial Park A	LH-30 yrs wef 1 Jan 1992	NK Ceramic Pte Ltd	69,000	9,827,917	142

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 Research

4.6 Outlook

To cater to the dynamic and changing needs of industrialists, building owners are expected to carry out redevelopments or extensive additions and/or alterations to their properties. Despite an anticipated large volume of warehousing space slated for completion in 2016, occupancy is likely to remain flat as most of the new warehouse space is expected to cater mainly to the single-users. In view of ample supply in the market, rental movement of warehouse space is projected to remain flat or grow modestly by around up to 1.5 per cent in 2016 should demand for warehouse space grows at a healthy level.

Going forward, the warehousing and logistic sector is likely to be one of the industrial property market's key engines of growth. To build on Singapore's strategic location in Southeast Asia and to enhance its importance as a logistic conduit for world trade, the government works towards setting up world-class logistic and warehousing facilities with seamless transportation systems and network. The rapidly expanding e-commerce retailing industry which requires efficient logistics and warehousing support to carry out its business operations, potentially contributes to future demand for warehousing and logistic space in Singapore. As such, it is of utmost importance to enhance and to improve building specifications of older and existing warehouse developments to keep pace with future demands from rising industries.

INDEPENDENT MARKET STUDY

5 LIMITING CONDITIONS OF THIS REPORT

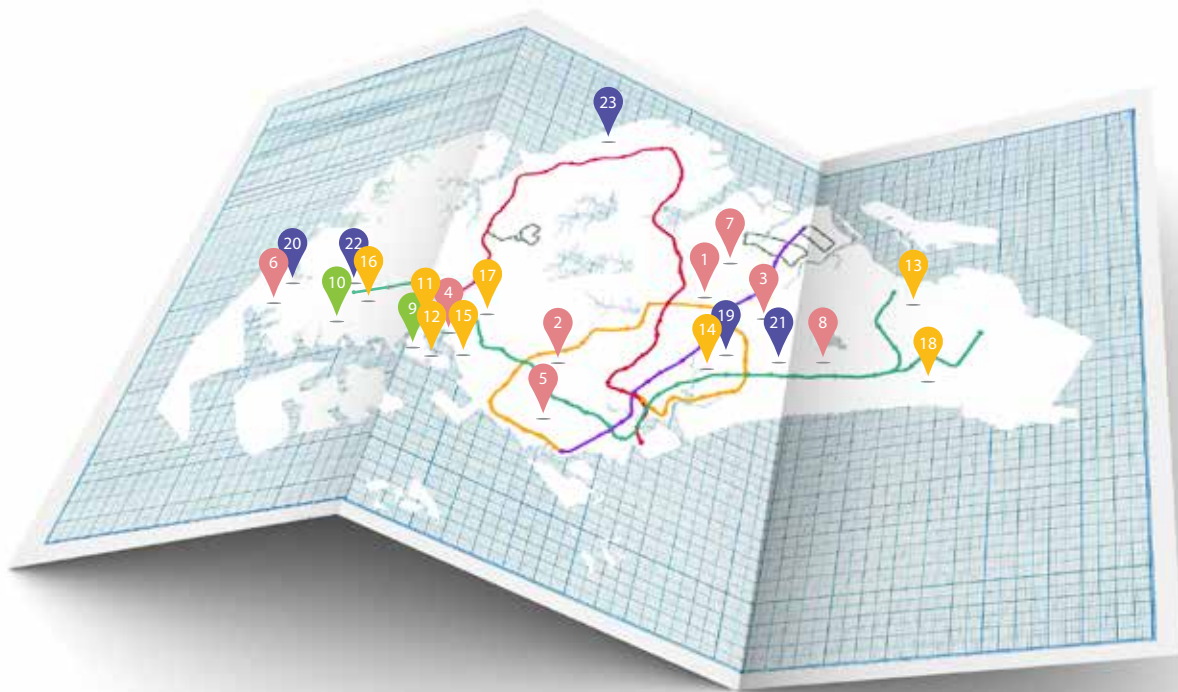
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OUR PROPERTY PORTFOLIO

As at 31 December 2015

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** 200 Pandan Loop¹
- 05** 15 Jalan Kilang Barat
- 06** 1 Tuas Avenue 4
- 07** 23 Serangoon North Avenue 5
- 08** 508 Chai Chee Lane

CHEMICAL WAREHOUSE & LOGISTICS

- 09** 33 & 35 Penjuru Lane
- 10** 18 Gul Drive

WAREHOUSE & LOGISTICS

- 11** 34 Penjuru Lane
- 12** 51 Penjuru Road
- 13** 26 Loyang Drive
- 14** 3 Kallang Way 2A²
- 15** 218 Pandan Loop
- 16** 3A Joo Koon Circle
- 17** 2 Toh Tuck Link
- 18** 10 Changi South Street 2

GENERAL INDUSTRIAL

- 19** 123 Genting Lane
- 20** 30 & 32 Tuas Avenue 8
- 21** 39 Ubi Road 1
- 22** 21 Joo Koon Crescent
- 23** 6 Woodlands Loop

¹ SGX announcement on proposed divestment was made on 21 December 2015.

² SGX announcement on proposed divestment was made on 18 November 2015.

OUR 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 2015)
(S\$ million)

339.5

**Gross Rental Income
for FY 2015**
(S\$ million)

23.0

Occupancy Rate¹
(%)

87.4

Land Lease Expiry
2055
45 yrs with effect from
("wef") 26 Nov 2010

GFA
(sq ft)

810,710

¹ Occupancy rates stated from pages 45 to 56 are as at 31 December 2015.

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 2015)
(S\$ million)

67.5

**Gross Rental Income
for FY 2015**
(S\$ million)

4.2

Occupancy Rate
(%)

75.5

Land Lease Expiry
2059
30 + 23 yrs wef 1 Feb
2006

GFA
(sq ft)

161,815

OUR 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 2015)
(S\$ million)

45.3

**Gross Rental Income
for FY 2015**
(S\$ million)

4.8

Occupancy Rate
(%)

100.0

Land Lease Expiry

2055

30 + 30 yrs wef 1 Jun 1995

GFA
(sq ft)

218,905

200 PANDAN LOOP PANTECH 21 SINGAPORE 128388

An eight-storey industrial building
with a basement carpark



Purchase Consideration
(S\$ million)

41.5

Latest Valuation
(As at 23 November 2015)
(S\$ million)

36.8

**Gross Rental Income
for FY 2015**
(S\$ million)

2.3

Occupancy Rate
(%)

52.6

Land Lease Expiry

2083

99 yrs wef 27 Jan 1984

GFA
(sq ft)

180,186

OUR PROPERTY PORTFOLIO

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 2015)
(S\$ million)

24.0

**Gross Rental Income
for FY 2015**
(S\$ million)

2.5

Occupancy Rate
(%)

77.8

Land Lease Expiry
2060
99 yrs wef 1 Jan 1962

GFA
(sq ft)

73,928

1 TUAS AVENUE 4 SINGAPORE 639382

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



Artist's Impression

Purchase Consideration
(S\$ million)

28.0

Latest Valuation
(As at 31 December 2015)
(S\$ million)

32.2

**Gross Rental Income
for FY 2015**
(S\$ million)

2.7

Occupancy Rate
(%)

100.0

Land Lease Expiry
2047
30 + 21 yrs 4 mths wef
1 Jan 1996

GFA
(sq ft)

160,361

OUR PROPERTY PORTFOLIO

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 2015)
(S\$ million)

48.1

**Gross Rental Income
for FY 2015**
(S\$ million)

4.0

Occupancy Rate
(%)

55.0

Land Lease Expiry

2056

30 + 20 yrs 15 days wef
16 Sep 2006

GFA
(sq ft)

159,384

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 2015)
(S\$ million)

60.9

**Gross Rental Income
for FY 2015**
(S\$ million)

4.8

Occupancy Rate
(%)

56.4

Land Lease Expiry

2060

30 + 29 yrs wef 16 Apr 2001

GFA
(sq ft)

327,575

OUR PROPERTY PORTFOLIO

33 & 35 PENJURU LANE FREIGHT LINKS EXPRESS LOGISTIC PARK 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 2015)
(S\$ million)

66.4

**Gross Rental Income
for FY 2015**
(S\$ million)

6.2

Occupancy Rate
(%)

100.0

Land Lease Expiry

2049

30 + 31 yrs wef 16 Feb 1988

GFA
(sq ft)

286,192

18 GUL DRIVE SINGAPORE 629468

A part two-/part four-storey warehouse



Purchase Consideration
(S\$ million)

34.1

Latest Valuation
(As at 31 December 2015)
(S\$ million)

27.3

**Gross Rental Income
for FY 2015**
(S\$ million)

2.7

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

OUR PROPERTY PORTFOLIO

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 2015)
(S\$ million)

46.4

**Gross Rental Income
for FY 2015**
(S\$ million)

5.2

Occupancy Rate
(%)

90.9

Land Lease Expiry

2032

30 yrs wef 16 Aug 2002

GFA
(sq ft)

414,270

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 2015)
(S\$ million)

47.8

**Gross Rental Income
for FY 2015**
(S\$ million)

3.4

Occupancy Rate
(%)

100.0

Land Lease Expiry

2054

30 + 30 yrs wef 1 Jan 1995

GFA
(sq ft)

246,376

OUR PROPERTY PORTFOLIO

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 2015)
(S\$ million)

28.1

**Gross Rental Income
for FY 2015**
(S\$ million)

2.5

Occupancy Rate
(%)

100.0

Land Lease Expiry

2053
30 + 18 yrs wef 1 Jan 2006

GFA
(sq ft)

149,166

3 KALLANG WAY 2A FONG TAT BUILDING SINGAPORE 347493

A seven-storey building with basement carpark and ancillary offices



Purchase Consideration
(S\$ million)

15.0

Latest Valuation
(As at 31 December 2015)
(S\$ million)

16.2

**Gross Rental Income
for FY 2015**
(S\$ million)

1.2

Occupancy Rate
(%)

100.0

Land Lease Expiry

2055
30 + 30 yrs wef 1 May 1995

GFA
(sq ft)

83,646

OUR PROPERTY PORTFOLIO

218 PANDAN LOOP SINGAPORE 128408

A single-storey cold room warehouse with mezzanine floor and a two-storey office building



Purchase Consideration
(S\$ million)

13.5

Latest Valuation
(As at 31 December 2015)
(S\$ million)

13.6

**Gross Rental Income
for FY 2015**
(S\$ million)

1.0

Occupancy Rate
(%)

0¹

Land Lease Expiry

2049

**30 + 30 yrs wef 16 Sept
1989**

GFA
(sq ft)

50,374

¹ Since 26 November 2015, The Manager is currently evaluating various options including AEI such as Build-to-Suit-and-Lease, and divestment.

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 2015)
(S\$ million)

41.0

**Gross Rental Income
for FY 2015**
(S\$ million)

3.0

Occupancy Rate
(%)

100.0

Land Lease Expiry

2047

30 + 30 yrs wef 1 Aug 1987

GFA
(sq ft)

217,899

OUR PROPERTY PORTFOLIO

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 2015)
(S\$ million)

35.1

**Gross Rental Income
for FY 2015**
(S\$ million)

2.2

Occupancy Rate
(%)

97.9

Land Lease Expiry

2056

30 + 30 yrs wef 16 Dec 1996

GFA
(sq ft)

181,705

10 CHANGI SOUTH STREET 2 SINGAPORE 486596

A part single/part six-storey warehouse building with ancillary offices



Purchase Consideration
(S\$ million)

54.2

Latest Valuation
(As at 31 December 2015)
(S\$ million)

52.8

**Gross Rental Income
for FY 2015**
(S\$ million)

4.1

Occupancy Rate
(%)

100.0

Land Lease Expiry

2051

30 + 27 yrs wef 1 Oct 1994

GFA
(sq ft)

189,609

OUR PROPERTY PORTFOLIO

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 2015)
(S\$ million)

18.7

**Gross Rental Income
for FY 2015**
(S\$ million)

2.0

Occupancy Rate
(%)

84.4

Land Lease Expiry

2041
60 yrs wef 1 Sept 1981

GFA
(sq ft)

158,907

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 2015)
(S\$ million)

29.3

**Gross Rental Income
for FY 2015**
(S\$ million)

2.0

Occupancy Rate
(%)

100.0

Land Lease Expiry

2056
30 + 30 yrs wef 1 Sept 1996

GFA
(sq ft)

158,846

OUR PROPERTY PORTFOLIO

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 2015)
(S\$ million)

33.2

**Gross Rental Income
for FY 2015**
(S\$ million)

2.4

Occupancy Rate
(%)

100.0

Land Lease Expiry

2051

30 + 30 yrs wef 1 Jan 1992

GFA
(sq ft)

135,513

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 2015)
(S\$ million)

18.7

**Gross Rental Income
for FY 2015**
(S\$ million)

1.5

Occupancy Rate
(%)

100.0

Land Lease Expiry

2054

30 + 30 yrs wef 16 Feb 1994

GFA
(sq ft)

99,575

OUR PROPERTY PORTFOLIO

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 2015)
(S\$ million)

14.3

**Gross Rental Income
for FY 2015**
(S\$ million)

1.3

Occupancy Rate
(%)

100.0

Land Lease Expiry

2054

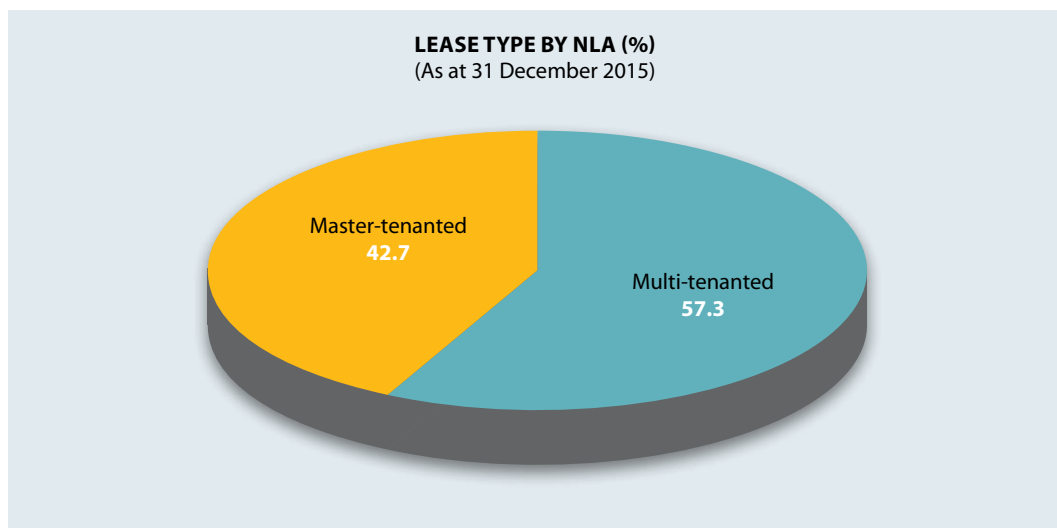
**30 + 30 yrs wef 16 Sept
1994**

GFA
(sq ft)

77,544

OPERATIONS REVIEW

As at 31 December 2015, Sabana REIT held and managed a portfolio of 23 industrial properties in Singapore with a total net lettable area ("NLA") of 3,754,744 sq ft. The master-tenanted properties and multi-tenanted properties accounted for 42.7% and 57.3% of portfolio NLA respectively.

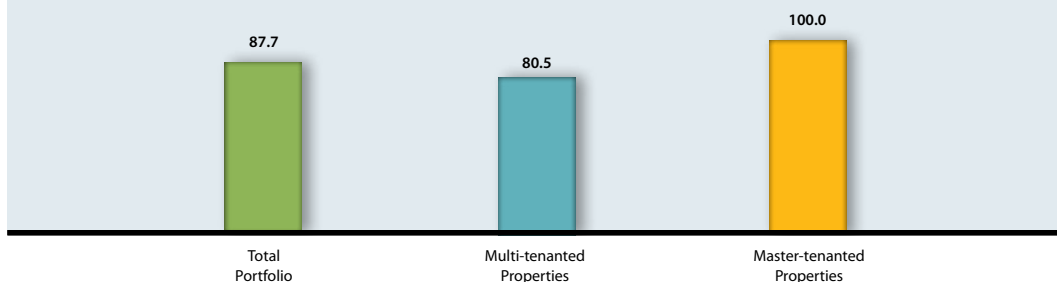


During the financial year under review, Sabana REIT saw the expiry of 11 master-tenanted properties. Out of these expired master leases, we successfully renewed four master leases (33 & 35 Penjuru Lane, 18 Gul Drive, 51 Penjuru Road and 21 Joo Koon Crescent), signed two new master leases (26 Loyang Drive and 30 & 32 Tuas Avenue 8), one master lease (3 Kallang Way 2A) was renewed on a short-term basis pending divestment, three properties were converted into multi-tenanted buildings (15 Jalan Kilang Barat, 23 Serangoon North Avenue 5 and 34 Penjuru Lane) and we are still considering various options for the remaining property (218 Pandan Loop). In entering into the master leases, the Manager has negotiated with the master tenants on arm's length basis and ensured that the rental rates are comparable to and in line with the then prevailing market.

In FY 2015, we had directly or in collaboration with our master tenants, achieved a total of 82 lease transactions (renewals and new leases) across Sabana REIT's portfolio. As at 31 December 2015, the occupancy at the portfolio level was 87.7%, with 12 of Sabana REIT's master-tenanted properties being fully occupied and 10 of its multi-tenanted properties with occupancy rate of 80.5%. The weighted average lease term to expiry ("WALE") for new leases (including renewals) by gross revenue entered into during the year was 22.0 months. These new leases contributed to 6.8% of the year's gross revenue. The WALE for the portfolio's sub-tenancies and master tenancies by gross revenue as at 31 December 2015 were 31.1 months and 3.2 years respectively. With the increase in multi-tenancies in FY 2015, it will provide greater diversification and resilience to the Trust's portfolio.

OPERATIONS REVIEW

OCCUPANCY LEVELS BY TENANCY TYPE (%)
(As at 31 December 2015)

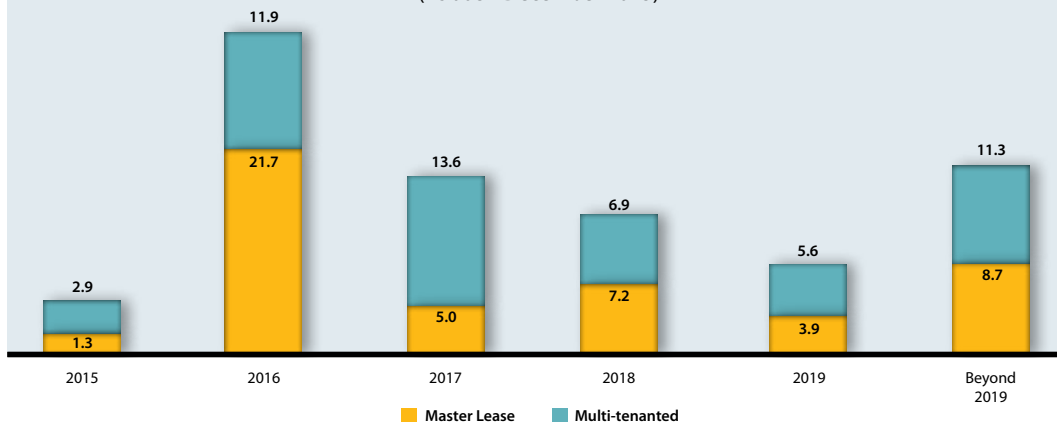


LEASE MANAGEMENT FOR FY 2016

With four master leases² expected to expire in 2016, we are working hard to negotiate with the master tenants and sub-tenants to renew the leases. Barring any unforeseen circumstances, we are working towards renewing three out of four master leases. As for the remaining property, it will be converted into a multi-tenanted building. Marketing and leasing activities to secure leases for these buildings are already underway.

Beyond FY 2016, the lease expiry profile for Sabana REIT will be more evenly spread out with 18.6% of leases by NLA due for renewal in FY 2017.

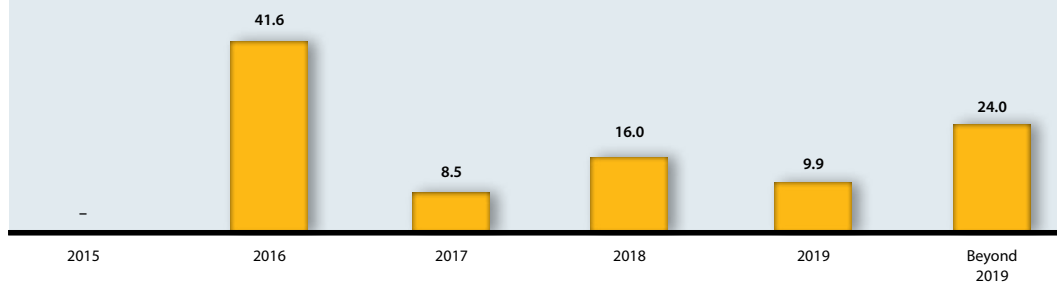
LEASE EXPIRY BY NLA (%)
(As at 31 December 2015)



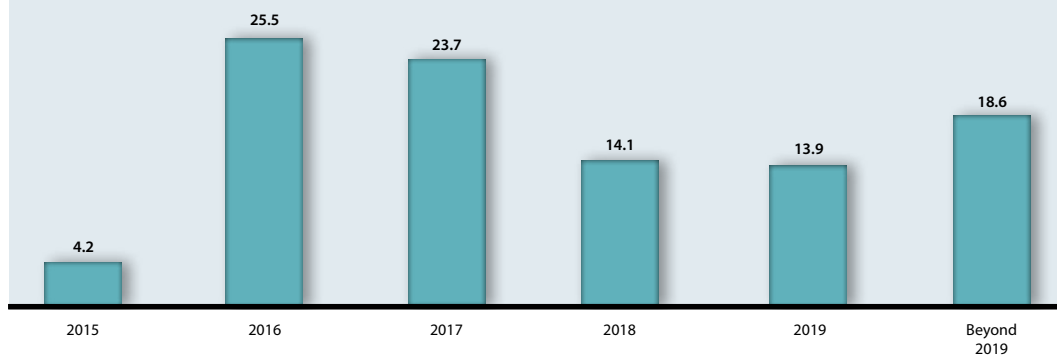
² 33 & 35 Penjurong Lane, 18 Gul Drive, 51 Penjurong Road and 39 Ubi Road 1.

OPERATIONS REVIEW

MASTER LEASE EXPIRY BY GROSS REVENUE (%)
(As at 31 December 2015)



MULTI-TENANTED LEASE EXPIRY BY GROSS REVENUE (%)
(As at 31 December 2015)



OPERATIONS REVIEW

INDEPENDENT ASSET VALUATION COMPARISONS

	VALUATION AS AT 31 DECEMBER 2015 (S\$'000)	VALUATION AS AT 31 DECEMBER 2014 (S\$'000)
HIGH-TECH INDUSTRIAL		
151 Lorong Chuan	339,500	352,600
8 Commonwealth Lane	67,500	66,000
9 Tai Seng Drive	45,300	49,400
200 Pandan Loop	36,800	44,900
15 Jalan Kilang Barat	24,000	38,800
1 Tuas Avenue 4	32,200	34,200
23 Serangoon North Avenue 5	48,100	64,500
508 Chai Chee Lane	60,900	67,800
CHEMICAL WAREHOUSE & LOGISTICS		
33 & 35 Penjuru Lane	66,400	83,600
18 Gul Drive	27,300	33,600
WAREHOUSE & LOGISTICS		
34 Penjuru Lane	46,400	60,100
51 Penjuru Road	47,800	49,000
26 Loyang Drive	28,100	36,800
3 Kallang Way 2A	16,200	16,800
218 Pandan Loop	13,600	14,800
3A Joo Koon Circle	41,000	39,800
2 Toh Tuck Link	35,100	34,600
10 Changi South Street 2	52,800	54,300
GENERAL INDUSTRIAL		
123 Genting Lane	18,700	22,800
30 & 32 Tuas Avenue 8	29,300	28,200
39 Ubi Road 1	33,200	33,200
21 Joo Koon Crescent	18,700	20,800
6 Woodlands Loop	14,300	13,900
TOTAL	1,143,200	1,260,500

OPERATIONS REVIEW

TOP TEN TENANTS

The tenant mix of Sabana REIT's portfolio continues to be diversified. Vibrant Group Limited, Sabana REIT's sponsor, remained our largest tenant, contributing 15.3% of our total gross revenue for FY 2015. In total, the top 10 tenants accounted for approximately 46% of Sabana REIT's total gross revenue during the financial year under review. Tenant concentration risk is low as the 137 tenants, comprising of small and medium-sized enterprises and multi-national companies, hail from different trades and industries.

TOP TEN TENANTS BY GROSS REVENUE FOR FY 2015

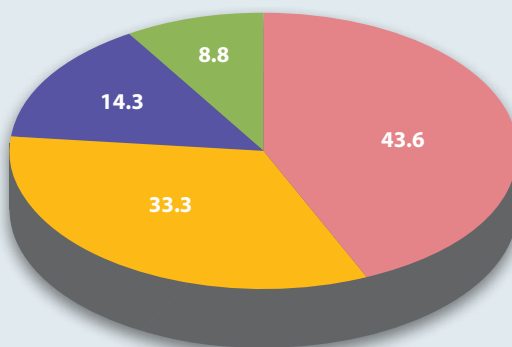
NO.	TENANT	PROPERTY	PERCENTAGE OF GROSS REVENUE (%)
1	Subsidiaries of Vibrant Group Limited	33 & 35 Penjuru Lane, Freight Links Express Logisticpark, Singapore 609200/609202	15.3
		18 Gul Drive, Singapore 629468	
		51 Penjuru Road, Freight Links Express Logisticcentre, Singapore 609143	
		218 Pandan Loop, Singapore 128408	
		30 & 32 Tuas Avenue 8, Singapore 639246/639247	
2	SB (Lakeside) Investment Pte. Ltd.	34 Penjuru Lane, Penjuru Logistics Hub, Singapore 609201	4.8
3	Advanced Micro Devices (Singapore) Pte Ltd	508 Chai Chee Lane, Singapore 469032	4.3
4	Adviva Distribution Pte. Ltd.	10 Changi South Street 2, Singapore 486596	4.0
5	Wincor Nixdorf Pte Ltd	151 Lorong Chuan, New Tech Park, Singapore 556741	3.6
6	Ban Teck Han Enterprise Co Pte Ltd	23 Serangoon North Avenue 5, BTH Centre, Singapore 554530	3.5
7	ST Synthesis Pte Ltd	3A Joo Koon Circle, Singapore 629033	3.0
8	Ascend Group Pte. Ltd.	39 Ubi Road 1, Singapore 408695	2.4
9	Ho Bee Developments Pte Ltd	15 Jalan Kilang Barat, Frontech Centre, Singapore 159357	2.4
10	Oxley & Hume Builders Pte. Ltd.	26 Loyang Drive, Singapore 508970	2.3

OPERATIONS REVIEW

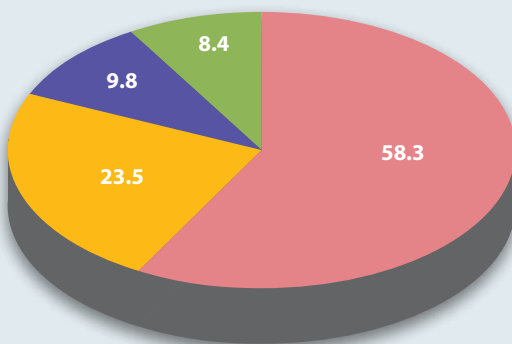
DIVERSITY IN PROPERTY SEGMENTS, TRADE SECTORS AND LOCATIONS

Sabana REIT's well-diversified portfolio is spread across four asset types: High-tech Industrial, Chemical Warehouse and Logistics, Warehouse and Logistics and General Industrial. The High-tech Industrial segment remains the largest segment in the Trust's portfolio, occupying 43.6% of total NLA and generated 58.3% of Sabana REIT's gross revenue. The next largest segment is Warehouse and Logistics, followed by General Industrial and lastly, Chemical Warehouse and Logistics.

ASSET BREAKDOWN BY NLA (%)
(As at 31 December 2015)



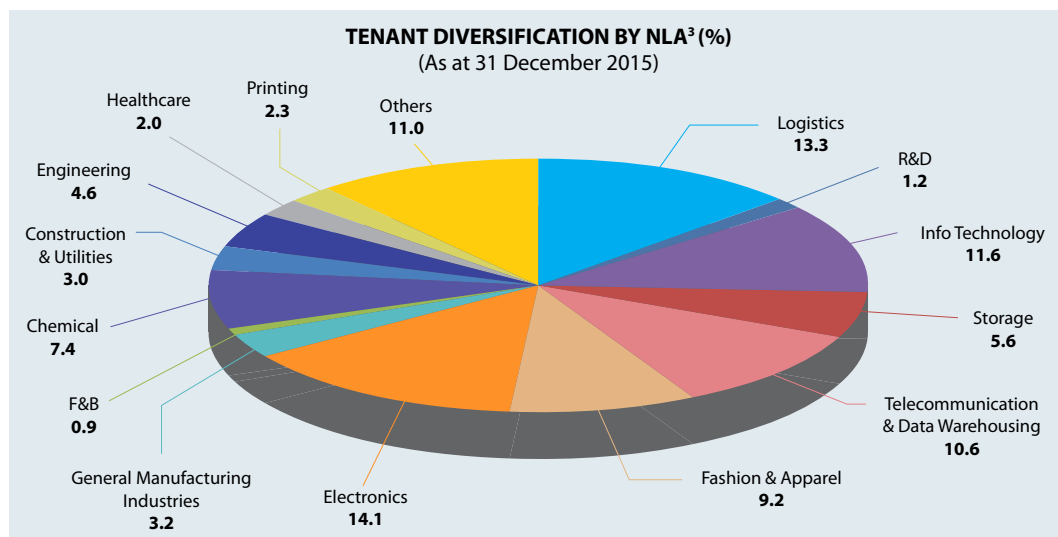
GROSS REVENUE BY ASSET TYPE (%)
(As at 31 December 2015)



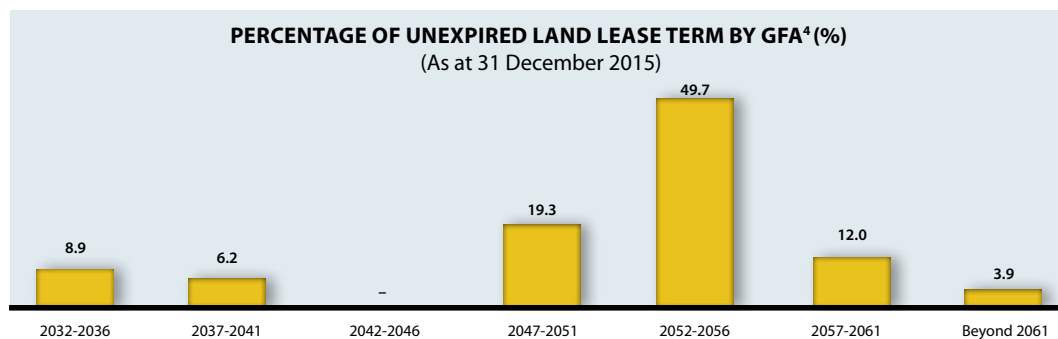
■ High-tech Industrial ■ Chemical Warehouse & Logistics ■ Warehouse & Logistics ■ General Industrial

OPERATIONS REVIEW

The tenant mix in Sabana REIT's portfolio is spread across many trade sectors and industries. As at 31 December 2015, the largest sector was the Electronics segment at 14.1%, followed by Logistics at 13.3%.



Sabana REIT's properties are conveniently situated near major transport routes and are easily accessible by public transport (see page 44 for property locations). They sit on well-distributed long underlying land leases, with an average of 36.9 years weighted by GFA.



LOOKING AHEAD

In FY 2016, we remain committed to assiduously manage Sabana REIT's lease expiry profile and will continue our rigorous marketing and leasing efforts to increase the Trust's portfolio occupancy.

We will continue to evaluate potential yield-accretive acquisition opportunities both locally and abroad, as well as development projects and AEI, to grow the Trust's portfolio. However, we will adopt a prudent approach in the evaluation of potential acquisition opportunities, holding the Unitholders' interests as our top priority.

Overall, despite the challenging market conditions, we have delivered a fair performance for FY 2015 and will continue to proactively manage Sabana REIT's portfolio to maximise value and generate sustainable income for our Unitholders.

³ Refers to sub-tenants and direct tenants.

⁴ Weighted by GFA.

BOARD OF DIRECTORS



Left to right: Mr Steven Lim Kok Hoong, Mr Kevin Xayaraj, Mr Yong Kok Hoon,
Mr Henry Chua Tiong Hock, Ms Ng Shin Ein



MR STEVEN LIM KOK HOONG

Chairman and Independent Non-executive Director

Mr Lim was appointed as the Chairman and Independent 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 Audit Committee and the Nominating and Remuneration Committee.

In addition to his appointment at the Manager, Mr Lim sits as an independent director on the boards of several publicly listed companies in Singapore.

For over 30 years in his public accountancy career, Mr Lim held top positions in a number of well-known accounting firms. For example, at Ernst & Young in Singapore, he served as Audit Partner for various clients and assisted in managing the firm. He also worked for 12 years as the Managing Partner at Arthur Andersen.

Mr Lim holds a Bachelor of Commerce degree from the University of Western Australia. He is a member of the Institute of Chartered Accountants in Australia and the Institute of Singapore Chartered Accountants.

Directorships

- B2C Network Pte Ltd
- Genting Singapore PLC
- Global Logistic Properties Limited
- Grande Rue Investment Pte Ltd
- Parkway Trust Management Limited (Chairman)
- Marchwood Laboratory Services Pte Ltd
- Sabana Real Estate Investment Management Pte. Ltd. (Chairman)
- Visionary Investment Holdings Pte Ltd
- YSL Starville Investment Holdings Pte Ltd

MR YONG KOK HOON

Independent Non-executive Director

Mr Yong was appointed as an Independent Non-executive Director of the Manager on 1 November 2010 and was last re-elected on 2 August 2013. He is also the Chairman of the Audit Committee and the Nominating and Remuneration 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

BOARD OF DIRECTORS

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.

Directorship

- Sabana Real Estate Investment Management Pte. Ltd.

MR KEVIN XAYARAJ

Co-founder, CEO and Executive Director

Mr Xayaraj is the Co-founder, CEO and Executive Director of the Manager since 15 March 2010 and was last re-elected on 31 August 2015. He has more than 24 years of experience in real estate investment, development and asset management in many property markets.

Before joining the Manager, Mr Xayaraj was the Director, Real Estate Investments of AACP from October 2009 to August 2010. From January 2009 to August 2009, Mr Xayaraj worked as Senior Manager, Marketing at Cambridge Industrial Property Management Pte. Ltd..

Mr Xayaraj was with Cambridge Industrial Trust Management Limited from December 2005 to December 2008 as Assistant Vice President (Investment). From January 2004 to December 2005, he was involved in the business development and asset management at Ascendas Land (Singapore) Pte Ltd.

Mr Xayaraj was Vice President, Research and Finance at Pacific Star Asset Management Pte. Ltd. from January 2003 to December 2003 and was Assistant Manager, Project & Financial Analysis at Pacific Star Property Management Pte Ltd from July 2002 to December 2002. Mr Xayaraj also held other positions such as Senior Manager (Research) with Jones Lang LaSalle Property Consultants Pte Ltd from January 2002 to April 2002, Equities Research Analyst with OUB Securities Pte Ltd from July 1999 to March 2001, UOB Investment Research Pte Ltd from December 1997 to July 1999 and Tsang & Ong Research (Pte) Ltd from January 1997 to December 1997, and Property Analyst/Valuer at Stewart, Young, Hillesheim & Atlin Ltd in Toronto (Canada) from February 1988 to December 1994.

Mr Xayaraj is a recipient of Asia Pacific Entrepreneurship Award 2015 Singapore under "Most Promising" category, presented by Enterprise Asia.

Mr Xayaraj holds a Bachelor of Applied Science (Honours) degree from the University of Windsor and a Master of Business Administration from the Imperial College, University of London.

Directorships

- Blackwood Investment Pte. Ltd.
- Sabana Investment Partners Pte. Ltd.
- Sabana Property Management Pte. Ltd.
- Sabana Real Estate Investment Management Pte. Ltd.

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 vocations 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.

BOARD OF DIRECTORS

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.

Directorships

- Busan Cross Dock Co., Ltd
- Chemode Global Pte Ltd
- CNS Land Sdn. Bhd
- Crystal Freight Services Distripark Pte Ltd
- Crystal Freight Services Pte Ltd
- Crystal Shipping Line (H.K) Limited
- Far East Continental Shipping Line Limited
- FLE Shipping Line Pte Ltd
- Flex Integrated Marketing Pte Ltd
- Freight Link M & S (H.K) Limited
- Freight Links Express (M) Sdn Bhd
- Freight Links Express (Penang) Sdn Bhd
- Freight Links Express (Thailand) Co., Ltd
- Freight Links Express Air Systems Pte Ltd
- Freight Links Express Airfreight Pte Ltd
- Freight Links Express Archivers Pte Ltd
- Freight Links Express Districentre Pte Ltd
- Freight Links Express Distrihub Pte Ltd
- Freight Links Express Distripark Pte Ltd
- Freight Links E-Logistics Technopark Pte Ltd
- Freight Links Express International Ltd
- Freight Links Express Logisticcentre Pte Ltd
- Freight Links Express Logisticpark Pte Ltd
- Freight Links Express Pte Ltd
- Freight Links Fabpark Pte. Ltd.
- Freight Links Logistics Pte. Ltd.
- Freight Links Properties Pte. Ltd.
- Freight Management Holdings Berhad
- Fudao Petrochemicals Group Pte. Ltd.
- Harbour Investors, Inc
- Lee Thong Hung Trading & Transport Sdn Bhd
- LTH Distripark Pte Ltd
- LTH Logistics (Malaysia) Sdn Bhd
- LTH Logistics (Singapore) Pte Ltd
- Piow Hong Pte Ltd
- Sabana Real Estate Investment Management Pte. Ltd.
- Sabana Property Management Pte. Ltd.
- Sabana Investment Partners Pte. Ltd.
- Singapore Enterprises Private Limited
- Sinmachem Sdn Bhd
- Vibrant Group Limited

MS NG SHIN EIN

Non-executive Director

Ms Ng Shin Ein was appointed as Non-executive Director of the Manager on 1 November 2010 and was re-elected on 31 August 2015. She is a member of the Audit Committee.

Ms Ng is a private equity entrepreneur. She is the Managing Partner of Gryphus Capital, an investment partnership with RHB Bank. Ms Ng leads a network of global family offices in Asian private equity investments. She is actively engaged in strategic and business development of portfolio companies which span both the old and new economies, with a focus on how innovation adds value to businesses.

Prior to this, Ms Ng spent a number of years at the Singapore Exchange, where she was responsible for developing Singapore's capital market and attracting foreign companies to list in Singapore. Additionally, she was part of the Singapore Exchange's IPO Approval Committee where she contributed industry perspectives and also acted as a conduit between the marketplace and regulators.

Ms Ng sits on the Board of NTUC Fairprice and is its youngest ever director. This year she received the Friend of Labour Award. Additionally, she serves on the boards of Yanlord Land Ltd, Sabana REIT and First Resources Ltd, companies listed on the Singapore Exchange.

Ms Ng is interested in philanthropy and social enterprises. She was an adjunct fellow at the National University of Singapore where she focused on corporate philanthropy and social enterprises, bringing together diverse interests and perspectives in this area. She also dedicated time to the National Council of Social Services in 2014, taking on the role of Project Director for Care and Share@SG50, a nationwide initiative.

Admitted as an advocate and solicitor of the Singapore Supreme Court, Ms Ng started her career as a corporate lawyer in Lee & Lee, advising clients on joint ventures, mergers & acquisitions and fund raising exercises.

Directorships

- Blue Ocean Associates Pte. Ltd.
- Eu Yan Sang International Ltd
- First Resources Limited
- NTUC Fairprice Co-operative Ltd.
- Sabana Real Estate Investment Management Pte. Ltd.
- UPP Holdings Ltd
- Working Capital Partners, Ltd
- Yanlord Land Group Limited

MANAGEMENT TEAM



Mr Kevin Xayaraj



Mr Bobby Tay Chiew Sheng



Mr Aw Wei Been



Ms Tan Chiew Kian

MR KEVIN XAYARAJ

Co-founder, CEO and Executive Director

Please refer to the description under the section on "Board of Directors", page 66)

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

MANAGEMENT TEAM

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 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 degree in Management from the University of Western Sydney and a Master of Business Systems degree from Monash University.

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 20 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, where he sourced and negotiated industrial real estate sale and leaseback deals. 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) degree 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

CFO

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 institutions.

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

MAKING A DIFFERENCE BY CREATING SOCIAL VALUE

Meaningful contribution to society is one of Sabana REIT's core values. We remain committed to engaging the community through various corporate social responsibility activities. Our community efforts involve the voluntary contribution of time and resources by our staff, and these align with our value system which encompasses reaching out to the less fortunate in our society.



During the year under review, Sabana REIT helped numerous charitable organisations and causes with its non-Shari'ah income. In FY 2015, Sabana REIT allocated a total of S\$62,570 to the following beneficiaries:

SABANA REIT'S NON-SHARI'AH INCOME BENEFICIARIES

1Q 2015

Organisation:

Singapore Red Cross ("Cyclone Pam 2015")

In 1Q 2015, Sabana REIT's non-Shari'ah income amounting to S\$11,050 was directed to "Cyclone Pam 2015", a humanitarian aid fundraising campaign organised by the Singapore Red Cross Society, for the victims of the cyclone in Vanuatu, an island located in the South Pacific Ocean. Cyclone Pam severely damaged the island's food crops and livestock, resulting in severe food shortages for more than half of its population.

2Q 2015

Organisation:

Mendaki SENSE

Mendaki SENSE is the training arm of Yayasan MENDAKI, set up to help individuals who are affected by structural changes in the economy. The organisation actively promotes education and skills upgrading, caring and giving back to the community at large.

The Trust's non-Shari'ah income of S\$13,150 in this quarter was used as a "one-for-one" match for every S\$50 voucher that Mendaki SENSE disbursed to beneficiaries to subsidise course/programme fees. The amount is expected to have benefitted approximately 260 people across various communities.

CORPORATE SOCIAL RESPONSIBILITY

3Q 2015

Organisation:

Majlis Ugama Islam Singapura or Islamic Religious Council of Singapore ("MUIS")

Sabana REIT contributed its non-Shari'ah income amounting to S\$14,835 in 3Q 2015 to MUIS. The amount was utilised as relief aid and was disbursed through partners of MUIS to victims of the severe floods in Myanmar that took place in July 2015.

4Q 2015

Organisation:

Singapore Red Cross

The Trust's non-Shari'ah income amounting to S\$23,535 in this quarter was allocated to the Singapore Red Cross. The amount was utilised as relief aid for victims of the severe floods in South India which occurred in November 2015.

COMMUNITY SERVICE

During the financial year, the Manager's management team and staff participated in various community projects that made a difference to people from all walks of life in the community.



Give Blood, Save Lives

Following up on the positive response to our blood donation drive in 2014, we decided to continue the project in November 2015. Close to 100 people signed up to participate in the blood donation drive and almost 70 successful blood donations were received. Our employees contributed significant efforts in providing the administrative and logistics support for the event. It was another opportunity where everyone gathered to dedicate their efforts to contributing to a good cause.



Boy's Brigade's Share-A-Gift 2015

In collaboration with Lions Befrienders Bukit Merah and Home Nursing Foundation, we donated gifts consisting of pillows, blankets and chicken essence boxes with a total value amounting to approximately S\$6,000 to 199 beneficiaries across Singapore in December 2015. A number of our employees took time off to personally deliver the items to some of the beneficiaries.

These encounters provided them with an invaluable opportunity to interact with the less fortunate and contributing to making a positive impact in the community.

CORPORATE GOVERNANCE

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 by the First Supplemental Deed dated 2 December 2010 and the First Amending and Restating Deed dated 24 February 2016), (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.

As at 31 December 2015, the Board members are:

Independent Directors

Mr Steven Lim Kok Hoong (Chairman)

Mr Yong Kok Hoon

Non-executive Directors

Mr Henry Chua Tiong Hock

Ms Ng Shin Ein

Executive Director

Mr Kevin Xayaraj (CEO)

CORPORATE GOVERNANCE

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 64 to 67 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.

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.

CORPORATE GOVERNANCE

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.

The Board currently consists of five Directors, two 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 judgment on corporate affairs independently from the Management and its 10% shareholders. As Non-executive Directors and 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 gender, skills, experience and core competencies of the members in areas such as accounting, finance, legal, property, and business development enables balanced and well-considered decisions to be made. Each Director has been appointed based on his or her 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.

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 Steven Lim Kok Hoong, and the CEO, Mr Kevin Xayaraj, 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.

CORPORATE GOVERNANCE

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 Steven Lim Kok Hoong	(Independent Director)
Mr Henry Chua Tiong Hock	(Non-executive Director)

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. Although no new Directors were appointed in FY 2015, 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/senior 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 his or her 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 period under review, the Independent Directors are independent.

CORPORATE GOVERNANCE

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.

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 2015 to 31 December 2015 and Directors' attendances are as follows:

Attendance of the Directors for FY 2015

Directors	Board Meetings		AC Meetings		NRC Meetings	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Mr Steven Lim Kok Hoong	5	5	5	5	1	1
Mr Yong Kok Hoon	5	5	5	5	1	1
Mr Kevin Xayaraj (CEO)	5	5	N.A.	N.A.	N.A.	N.A.
Mr Henry Chua Tiong Hock	5	5	N.A.	N.A.	1	1
Ms Ng Shin Ein	5	4	5	3	N.A.	N.A.

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 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.

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.

CORPORATE GOVERNANCE

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 is commensurate 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.

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.

CORPORATE GOVERNANCE

Although 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, the Manager's report on each individual Director's and the key management personnel's remuneration paid and payable from 1 January 2015 to 31 December 2015 is disclosed as follows:

Remuneration	Salary S\$'000	Bonus S\$'000	Director's fee S\$'000	Other Benefits S\$'000	Total S\$'000
Directors					
Mr Kevin Xayaraj (CEO)	424.0	104.0	–	12.0	540.0
Mr Steven Lim Kok Hoong	–	–	90.0	–	90.0
Mr Yong Kok Hoon	–	–	90.0	–	90.0
Mr Henry Chua Tiong Hock	–	–	55.0	–	55.0
Ms Ng Shin Ein	–	–	55.0	–	55.0

Remuneration Bands	Salary %	Bonus %	Other Benefits %	Total %
Key management personnel S\$250,000 – S\$500,000				
Mr Bobby Tay Chiew Sheng	82.7	13.7	3.6	100.0
Mr Aw Wei Been	75.4	21.5	3.1	100.0
Ms Tan Chiew Kian	77.2	22.0	0.8	100.0

Note:

Remuneration is based on amount paid and payable, based on the Trust's financial year from 1 January 2015 to 31 December 2015. Bonus consists of annual wage supplement and performance bonus. Mobile and transport allowances are classified under Other Benefits. There were no other key management personnel.

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.

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.

CORPORATE GOVERNANCE

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 imposed by MAS in the Property Funds Appendix. 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. Please refer to pages 131 to 137 for more details.

On 4 June 2015, credit rating agency S&P affirmed the Trust's 'BBB-' long-term corporate credit rating.

Prior to 1 January 2016, under the Property Funds Appendix, a credit rating allowed the Trust to have an aggregate leverage of up to 60% of its deposited property. With effect from 1 January 2016, the Trust is allowed to have an aggregate leverage of up to 45% of its deposited property regardless of having a credit rating. The Trust has complied with the aggregate leverage limit throughout the year.

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 (comprising key members of the management, the investment officer and the compliance officer) was set up to ensure comprehensive due diligence is carried out in relation to each proposed investment. All property purchases require the prior approval of the Board.

CORPORATE GOVERNANCE

Control self-assessments in key areas of operations are conducted by the Management on a periodic basis. Internal auditors, PricewaterhouseCoopers LLP ("PWC") have also been engaged to perform independent reviews of the adequacy and effectiveness of the risk management processes and internal controls (see Principle 13). 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 hold representatives' licences issued 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 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 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 2015.

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

Currently, the AC members are:

Mr Yong Kok Hoon (Chairman)	(Independent Director)
Mr Steven Lim Kok Hoong	(Independent Director)
Ms Ng Shin Ein	(Non-executive Director)

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.

The Board is of the view that all the members of the AC are suitably qualified with finance and legal 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\$189,000 and S\$53,000 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 12 April 2016.

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.

CORPORATE GOVERNANCE

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.

There were no reports of whistle-blowing received for the year.

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 PWC. 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.

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 IR 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 20 and 21 of this Annual Report.

CORPORATE GOVERNANCE

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 AGM. It believes that AGMs serve as an opportune forum for Unitholders to meet the Board and senior management and to communicate their views.

The Manager has implemented the system of voting by poll at its AGMs. Results of each resolution put to vote at the AGM 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 and after the AGM's conclusion, the minutes of the AGM will be released over SGX.

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

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 via SGXNET will be made.

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;
- At least a third of Directors must be independent. All resolutions in writing of the Directors in relation to matters concerning the Trust must be approved by a majority of the Directors who are not interested, including at least two Independent Directors;

CORPORATE GOVERNANCE

- 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.

There are 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 SGXNET. 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 151 for the disclosure.

CORPORATE GOVERNANCE

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.

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 2015, the non-compliant income came to approximately 0.06% of gross revenue.

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)

CORPORATE GOVERNANCE

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 2015, 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 2015, 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 2016. 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 2015 is approximately S\$102,000.

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 NPI 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 may elect to receive the Base Fee and Performance Fee in cash or Units or a combination of cash and Units (as it may in its sole discretion determine). The Manager has elected to receive 80.0% of the Base Fee in the form of Units for FY 2015.

CORPORATE GOVERNANCE

	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 payments² 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 payments⁴ 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.

Notes

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

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 Manager will be accepting the majority of its Base Fees in Units and this will serve to align the interests of the Manager with that of Unitholders as the Manager will assume a vested interest in the performance of the Trust. 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 2015. The Board would like to share with Unitholders that Performance Fees are only payable when the Manager has achieved a certain level of growth in DPU over the previous financial year. 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. 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. 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 as these fees are pegged to the gross revenue of the properties.

FINANCIAL CONTENTS

Report of the Trustee	90
Statement by the Manager	91
Independent Auditors' Report	92
Statements of Financial Position	93
Statements of Total Return	94
Distribution Statements	95
Statements of Movements in Unitholders' Funds	97
Portfolio Statement	98
Consolidated Statement of Cash Flows	103
Notes to the Financial Statements	105



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 and the First Amending and Restating Deed dated 24 February 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 93 to 150 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**

Esther Fong

Senior Vice President, Trustee Services

Singapore

29 February 2016

STATEMENT BY THE MANAGER

In the opinion of the directors of Sabana Real Estate Investment Management Pte. Ltd. (the “Manager”), the accompanying financial statements set out on pages 93 to 150 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 as at 31 December 2015, 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.**

Kevin Xayaraj
Executive Director and Chief Executive Officer

Singapore
29 February 2016

INDEPENDENT AUDITORS' REPORT

Unitholders of 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 and the First Amending and Restating Deed dated 24 February 2016))

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Trust and portfolio statement of the Group as at 31 December 2015, the statement of total return, distribution statement, statement of movements in Unitholders' funds and statement of cashflows of the Group and the statement of total return, distribution statement and statement of movements in Unitholders' funds of the Trust for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 93 to 150.

Manager's responsibility for the financial statements

Sabana Real Estate Investment Management Pte. Ltd., the Manager of the Trust (the "Manager"), is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statement and statement of movements in Unitholders' funds of the Trust present fairly, in all material respects, the financial position of the Group and the Trust as at 31 December 2015 and the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the total return, distributable income and movements in Unitholders' funds of the Trust for the 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.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

29 February 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

		Group		Trust	
	Note	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current assets					
Investment properties	4	1,090,200	1,260,053	1,090,200	1,260,053
Intangible assets	5	–	447	–	447
Subsidiaries	6	–	–	*	*
Derivative assets	12	–	154	–	154
		<u>1,090,200</u>	<u>1,260,654</u>	<u>1,090,200</u>	<u>1,260,654</u>
Current assets					
Investment properties held for divestment	4	54,600	–	54,600	–
Derivative assets	12	403	–	403	–
Trade and other receivables	7	9,758	8,719	9,750	8,712
Cash and cash equivalents	8	10,438	12,287	10,432	12,282
		<u>75,199</u>	<u>21,006</u>	<u>75,185</u>	<u>20,994</u>
Total assets		<u>1,165,399</u>	<u>1,281,660</u>	<u>1,165,385</u>	<u>1,281,648</u>
Current liabilities					
Trade and other payables	9	14,438	14,803	14,431	14,796
Borrowings	10	147,288	98,875	147,288	100,256
Derivative liabilities	12	2	601	–	–
		<u>161,728</u>	<u>114,279</u>	<u>161,719</u>	<u>115,052</u>
Non-current liabilities					
Trade and other payables	9	15,928	13,206	15,928	13,206
Borrowings	10	333,796	379,973	334,329	379,973
Derivative liabilities	12	206	1,617	206	1,617
		<u>349,930</u>	<u>394,796</u>	<u>350,463</u>	<u>394,796</u>
Total liabilities		<u>511,658</u>	<u>509,075</u>	<u>512,182</u>	<u>509,848</u>
Net assets		<u>653,741</u>	<u>772,585</u>	<u>653,203</u>	<u>771,800</u>
Represented by:					
Unitholders' funds		<u>653,741</u>	<u>772,585</u>	<u>653,203</u>	<u>771,800</u>
Units issued and to be issued ('000)	13	<u>734,027</u>	<u>725,983</u>	<u>734,027</u>	<u>725,983</u>

* Less than \$1,000

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

STATEMENTS OF TOTAL RETURN

For the year ended 31 December 2015

	Note	Group		Trust	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Gross revenue	16	100,824	100,342	100,824	100,342
Property expenses	17	(29,219)	(27,396)	(29,219)	(27,396)
Net property income		71,605	72,946	71,605	72,946
Finance income		130	82	130	82
Finance costs		(21,548)	(24,565)	(21,106)	(24,102)
Net finance costs	18	(21,418)	(24,483)	(20,976)	(24,020)
Amortisation of intangible assets		(447)	(1,383)	(447)	(1,383)
Manager's fees	19	(6,263)	(6,173)	(6,263)	(6,173)
Trustee's fees		(544)	(520)	(544)	(520)
Donation of non-Shari'ah compliant income	20	(63)	(54)	(63)	(54)
Other trust expenses	21	(1,209)	(1,225)	(1,226)	(1,239)
Loss on exercise of put option on Convertible Sukuk by Sukukholders		(648)	–	(227)	–
		(8,727)	(7,972)	(8,323)	(7,986)
Net income		41,013	39,108	41,859	39,557
Net change in fair value of financial derivatives		2,259	5,298	1,660	3,137
Net change in fair value of investment properties		(116,708)	(7,501)	(116,708)	(7,501)
Total return for the year before taxation and distribution		(73,436)	36,905	(73,189)	35,193
Tax expense	22	*	*	–	–
Total return for the year after taxation and before distribution		(73,436)	36,905	(73,189)	35,193
Earnings per Unit (cents)					
Basic	23	(10.07)	5.30	(10.04)	5.05
Diluted	23	(10.07)	5.08	(10.04)	5.05

* Less than \$1,000

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

DISTRIBUTION STATEMENTS

For the year ended 31 December 2015

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Income available for distribution to Unitholders at beginning of the year	12,992	15,182	12,992	15,182
Total return for the year				
after taxation and before distribution	(73,436)	36,905	(73,189)	35,193
Non-tax deductible/(chargeable) items:				
Manager's fees paid/payable in Units	5,011	4,938	5,011	4,938
Amortisation of intangible assets	447	1,383	447	1,383
Amortisation of transaction costs	2,284	3,086	1,857	2,635
Transaction costs written off	–	1,585	–	1,585
Break costs on prepayment of borrowings	–	909	–	909
Break costs on termination of profit rate swaps	–	1,617	–	1,617
Trustee's fees	544	520	544	520
Donation of non-Shari'ah compliant income	63	54	63	54
Net change in fair value of financial derivatives	(2,259)	(5,298)	(1,660)	(3,137)
Net change in fair value of investment properties	116,708	7,501	116,708	7,501
Loss on exercise of put option on				
Convertible Sukuk by Sukukholders	648	–	227	–
Effects of recognising rental income on				
a straight line basis over the lease term	(369)	(2,044)	(369)	(2,044)
Other items	494	468	496	470
Net effect of non-tax deductible items	123,571	14,719	123,324	16,431
Income available for distribution to Unitholders	63,127	66,806	63,127	66,806

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

DISTRIBUTION STATEMENTS (CONTINUED)

For the year ended 31 December 2015

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Distribution of 1.77 cents per Unit for the period 1 July 2015 to 30 September 2015	(12,963)	–	(12,963)	–
Distribution of 1.80 cents per Unit for the period 1 April 2015 to 30 June 2015	(13,151)	–	(13,151)	–
Distribution of 1.78 cents per Unit for the period 1 January 2015 to 31 March 2015	(12,971)	–	(12,971)	–
Distribution of 1.78 cents per Unit for the period 1 October 2014 to 31 December 2014	(12,922)	–	(12,922)	–
Distribution of 1.81 cents per Unit for the period 1 July 2014 to 30 September 2014	–	(12,664)	–	(12,664)
Distribution of 1.86 cents per Unit for the period 1 April 2014 to 30 June 2014	–	(12,965)	–	(12,965)
Distribution of 1.88 cents per Unit for the period 1 January 2014 to 31 March 2014	–	(13,031)	–	(13,031)
Distribution of 2.19 cents per Unit for the period 1 October 2013 to 31 December 2013	–	(15,154)	–	(15,154)
	(52,007)	(53,814)	(52,007)	(53,814)
Income available for distribution to Unitholders at end of the year	11,120	12,992	11,120	12,992
Number of Units entitled to distributions ('000) (Note 13)	734,027	725,983	734,027	725,983
Distribution per Unit (cents)	6.85	7.33	6.85	7.33

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the year ended 31 December 2015

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Unitholders' funds at beginning of the year	772,585	756,504	771,800	757,431
Operations				
Total return after taxation and before distribution	(73,436)	36,905	(73,189)	35,193
	699,149	793,409	698,611	792,624
Unitholders' transactions				
Issue of new Units:				
- Purchase consideration for an investment property paid in Units	–	22,455	–	22,455
- Manager's fees paid in Units	3,836	3,690	3,836	3,690
- Manager's fees payable in Units	1,175	1,248	1,175	1,248
- Distribution Reinvestment Plan ("DRP")	1,628	5,671	1,628	5,671
Issue expenses	(40)	(74)	(40)	(74)
Distributions to Unitholders	(52,007)	(53,814)	(52,007)	(53,814)
Net decrease in net assets resulting from Unitholders' transactions	(45,408)	(20,824)	(45,408)	(20,824)
Unitholders' funds at end of the year	653,741	772,585	653,203	771,800

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

PORTFOLIO STATEMENT

As at 31 December 2015

Group

Description of property	Type	Leasehold term
New Tech Park	High-tech industrial	45 years 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⁾
Pantech 21*	High-tech industrial	99 years wef 27 January 1984
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 Logisticcentre	Warehouse & logistics	30 years wef 1 January 1995 ⁽²⁾
26 Loyang Drive	Warehouse & logistics	30 years wef 1 January 2006 ⁽⁸⁾
<i>Balance carried forward</i>		

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

Location	Committed occupancy rate as at		Carrying values as at		% of total net assets as at	
	31	31	31	31	31	31
	December 2015 %	December 2014 %	December 2015 \$'000	December 2014 \$'000	December 2015 %	December 2014 %
151 Lorong Chuan	87	92	339,500	352,600	51.8	45.6
8 Commonwealth Lane	76	79	67,500	66,000	10.3	8.5
9 Tai Seng Drive	100	99	45,300	48,953 ⁽¹⁰⁾	6.9	6.3
200 Pandan Loop	53	56	38,000 ⁽¹¹⁾	44,900	5.8	5.8
15 Jalan Kilang Barat	78	100	24,000	38,800	3.7	5.0
1 Tuas Avenue 4	100	100	32,200	34,200	4.9	4.4
23 Serangoon North Avenue 5	55	100	48,100	64,500	7.4	8.3
508 Chai Chee Lane	56	56	60,900	67,800	9.3	8.8
33 & 35 Penjuru Lane	100	100	66,400	83,600	10.2	10.8
18 Gul Drive	100	100	27,300	33,600	4.2	4.3
34 Penjuru Lane	91	100	46,400	60,100	7.1	7.8
51 Penjuru Road	100	100	47,800	49,000	7.3	6.3
26 Loyang Drive	100	100	28,100	36,800	4.3	4.8
			871,500	980,853	133.2	126.7

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

PORTFOLIO STATEMENT (CONTINUED)

As at 31 December 2015

Group (continued)

Description of property	Type	Leasehold term
<i>Balance brought forward</i>		
Fong Tat Building*	Warehouse & logistics	30 years wef 1 May 1995 ⁽²⁾
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

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

Location	Committed occupancy rate as at		Carrying values as at		% of total net assets as at	
	31	31	31	31	31	31
	December 2015	December 2014	December 2015	December 2014	December 2015	December 2014
	%	%	\$'000	\$'000	%	%
			871,500	980,853	133.2	126.7
3 Kallang Way 2A	100	100	16,600 ⁽¹¹⁾	16,800	2.5	2.2
218 Pandan Loop	–	100	13,600	14,800	2.1	1.9
3A Joo Koon Circle	100	100	41,000	39,800	6.3	5.2
2 Toh Tuck Link	98	48	35,100	34,600	5.4	4.5
10 Changi South Street 2	100	100	52,800	54,300	8.0	7.0
123 Genting Lane	84	80	18,700	22,800	2.9	3.0
30 & 32 Tuas Avenue 8	100	100	29,300	28,200	4.5	3.7
39 Ubi Road 1	100	100	33,200	33,200	5.1	4.3
21 Joo Koon Crescent	100	100	18,700	20,800	2.9	2.7
6 Woodlands Loop	100	100	14,300	13,900	2.2	1.8
			1,144,800	1,260,053	175.1	163.0
			(491,059)	(487,468)	(75.1)	(63.0)
			653,741	772,585	100.0	100.0

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

PORTFOLIO STATEMENT (CONTINUED)

As at 31 December 2015

Group (continued)

	Carrying values as at	
	31 December 2015 \$'000	31 December 2014 \$'000
As disclosed in the Statement of Financial Position:		
Investment properties - non current	1,090,200	1,260,053
Investment properties held for the divestment - current (denoted as * in the Portfolio Statement)	54,600	–
	<u>1,144,800</u>	<u>1,260,533</u>

⁽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⁾ The valuation of Geo-Tele Centre excludes the present value of income support component of \$0.4 million as at 31 December 2014.

⁽¹¹⁾ 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 2015 were based on independent valuations undertaken by Knight Frank Pte Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd (2014: DTZ Debenham Tie Leung (SEA) Pte Ltd and Cushman & Wakefield VHS 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 2015 were based on their respective sale consideration to be received upon divestment.

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 lessee. 9 Tai Seng Drive, 151 Lorong Chuan, 8 Commonwealth Lane, 200 Pandan Loop, 123 Genting Lane, 508 Chai Chee Lane, 2 Toh Tuck Link, 23 Serangoon North Avenue 5, 34 Penjuru Lane and 15 Jalan Kilang Barat are leased on individual lease agreements, 218 Pandan Loop is currently vacant, pending further evaluations, and the other investment properties are leased on master lease agreements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	Group 2015 \$'000	2014 \$'000
Cash flows from operating activities			
Total return for the year after taxation and before distribution		(73,436)	36,905
Adjustments for:			
Amortisation of intangible assets		447	1,383
Manager's fees paid/payable in Units	A(i)	5,011	4,938
Net change in fair value of financial derivatives		(2,259)	(5,298)
Net change in fair value of investment properties		116,708	7,501
Loss on exercise of put option on Convertible Sukuk by Sukukholders		648	–
Net finance costs		21,418	24,483
		68,537	69,912
Change in trade and other receivables		(1,039)	(2,310)
Change in trade and other payables		2,438	728
Cash generated from operations		69,936	68,330
Ta'widh (compensation on late payment of rent) received		65	41
Net cash from operating activities		70,001	68,371
Cash flows from investing activities			
Capital expenditure on investment properties		(1,455)	(1,216)
Purchase of an investment property	A(ii)	–	(32,453)
Profit income received from Islamic financial institutions		65	41
Net cash used in investing activities		(1,390)	(33,628)
Cash flows from financing activities			
Break costs on prepayment of borrowings		–	(909)
Break costs on termination of profit rate swaps		–	(1,617)
Proceeds from borrowings		29,500	310,000
Repayment of borrowings		(29,750)	(279,837)
Issue expenses paid		(40)	(74)
Transaction costs paid		(446)	(3,378)
Finance costs paid		(19,345)	(15,582)
Distributions paid	A(iii)	(50,379)	(48,143)
Net cash used in financing activities		(70,460)	(39,540)
Net decrease in cash and cash equivalents		(1,849)	(4,797)
Cash and cash equivalents at beginning of the year		12,287	17,084
Cash and cash equivalents at end of the year		10,438	12,287

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015

(A) *Significant Non-Cash Transactions*

There were the following significant non-cash transactions:

- (i) 6,232,961 (2014: 4,949,383) Units, of which 4,587,334 (2014: 3,590,528) Units were issued and another 1,645,627 (2014: 1,358,855) Units will be issued to the Manager by the Trust, amounting to approximately \$5,011,000 (2014: \$4,938,000) at various Unit prices in satisfaction of Manager's fee payable in respect of the year ended 31 December 2015.
- (ii) 23,464,386 Units amounting to approximately \$22,455,000 were issued by the Trust as part satisfaction of the purchase consideration of 10 Changi South Street 2 in respect of the year ended 31 December 2014.
- (iii) 1,811,131 (2014: 5,609,340) Units amounting to approximately \$1,628,000 (2014: 5,671,000) (net of withholding tax) were issued by the Trust as part payment of distributions in respect of the period from 1 October 2014 to 31 March 2015 (2014: 1 January 2014 to 30 September 2014), pursuant to the DRP.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 29 February 2016.

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 and the First Amending and Restating Deed dated 24 February 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 2015 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 6 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

Year ended 31 December 2015

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).

The Manager may, at its sole discretion, elect to receive the base fee and performance fee in cash or Units or a combination of cash and 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.

The Manager may, at its sole discretion, elect to receive the acquisition fee in cash or Units or a combination of cash and Units. 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 at prevailing market price(s). Such Units should not be sold within one year from the date of their issuance.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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.

The Manager may, at its sole discretion, elect to receive the divestment fee in cash or Units or a combination of cash and Units. 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 at prevailing market price(s). 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 ("RAP") 7 "Reporting Framework for Unit Trusts"* 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

Year ended 31 December 2015

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 significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4 – valuation of investment properties
- Note 24 – valuation of financial instruments

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(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 Statement of Total Return. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(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's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period 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 Statement of Total Return, except for differences arising on the translation of monetary items that in a substance form part of the Group's net investment in a foreign operation.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Investment properties (continued)

Investment properties are accounted for as non-current assets and are stated at initial cost on acquisition which includes expenditure that is directly attributable to the acquisition of the investment properties, and at fair value thereafter. 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 Statement of Total Return. When an investment property is disposed of, the resulting gain or loss is recognised in the Statement 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 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 Statement 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.

3.5 Intangible assets

Intangible assets represent the unamortised income support receivable by the Group in accordance with the purchase agreements entered into with the vendors of 9 Tai Seng Drive and 6 Woodlands Loop.

These intangible assets have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets (continued)

These intangible assets are amortised in the Statement of Total Return on a systematic basis over their estimated useful lives of 3 years to 5 years. Intangible assets are tested for impairment as described in Note 3.7.

3.6 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 Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Loans and receivables

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

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(ii) *Non-derivative financial liabilities (continued)*

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective 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 Statement of Total Return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives

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

Other non-trading derivatives

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment

(i) *Non-derivative financial assets*

A financial asset not carried at fair value through Statement 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. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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 Statement of Total Return and reflected in an allowance account against loans and receivables. Profit income on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Total Return.

(ii) *Non-financial assets*

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

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (continued)

(ii) *Non-financial assets (continued)*

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

Impairment losses recognised in prior periods 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.

3.8 Issue expenses

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

3.9 Revenue recognition

Rental income from operating leases

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

3.10 Expenses

(i) *Property expenses*

Property expenses consist of 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Finance income and finance costs

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

3.12 Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in the Statement 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Tax (continued)

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); and
- A Singapore branch of a foreign company which has presented a letter of approval from the IRAS granting a waiver from tax deduction at source in respect of distributions from the Trust.

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

- who does not have a permanent establishment in Singapore; or
- who carries on any operation in Singapore through a permanent establishment in Singapore where the funds used to acquire the Units are not obtained from that operation in Singapore.

The above tax transparency ruling does not apply to gains 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 or profits 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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.

3.14 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.

3.15 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations on the financial statements of the Group and the Trust.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on 1 January 2017 and 1 January 2018 respectively.

- FRS 115 *Revenue from Contracts and Customers* 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. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreement for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.
- FRS 109 *Financial Instruments* replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments*, when effective, will change the existing accounting standards and guidance applied by the Group and the Trust in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group and the Trust. The Group does not plan to adopt these standards early.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4 INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR DIVESTMENT

Investment properties

	Group and Trust	
	2015	2014
	\$'000	\$'000
At 1 January	1,260,053	1,211,430
Purchase of an investment property	–	54,908
Transfer to investment properties held for divestment	(54,600)	–
Capital expenditure on investment properties	1,455	1,216
Net change in fair value of investment properties	(116,708)	(7,501)
At 31 December	1,090,200	1,260,053

Investment properties held for divestment

Two investment properties with a carrying value of \$54,600,000 as at 31 December 2015 were transferred to investment properties held for divestment, following the proposed divestment of these two investment properties to third parties.

Security

As at 31 December 2015, investment properties of the Group and the Trust with an aggregate carrying amount of \$767,400,000 (2014: \$931,153,000) have been pledged as security to secure certain borrowing facilities (see Note 10).

Measurement of fair value

Investment properties

Investment properties 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 and/or discounted cash flow 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4 INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR DIVESTMENT (CONTINUED)

Measurement of fair value (continued)

Investment properties held for divestment

Investment properties held for divestment are stated at fair value based on sale consideration agreed with third parties.

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.

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group and Trust				
2015				
Investment properties		–	1,090,200	1,090,200
Investment properties held for divestment	(a)	54,600	–	54,600
2014				
Investment properties		–	1,260,053	1,260,053

(a) – Transfers out of Level 3

Following the proposed divestment of 200 Pandan Loop and 3 Kallang Way 2A, the carrying amounts of these investment properties held for divestment were based on their respective sale consideration to be received upon divestment. The fair value of the investment properties held for divestment was therefore reclassified to Level 2.

During the year ended 31 December 2014, there were no transfers from Level 1, Level 2 or Level 3, or vice versa.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Industrial properties for leasing where prices for comparable buildings are not available	- Discount Rates (from 7.50% to 8.25% (2014: 6.75% to 8.25%)) - Capitalisation rates (from 6.25% to 7.00% (2014: 5.50% to 7.00%))	The estimated fair value of investment properties would increase if the Discount Rates and capitalisation rates were lower.

5 INTANGIBLE ASSETS

	Total \$'000
Group and Trust	
Cost	
At 1 January 2014, 31 December 2014 and 1 January 2015	6,057
Written off	(6,057)
At 31 December 2015	–
Accumulated amortisation	
At 1 January 2014	4,227
Amortisation for the year	1,383
At 31 December 2014	5,610
Amortisation for the year	447
Written off	(6,057)
At 31 December 2015	–
Carrying amounts	
At 1 January 2014	1,830
At 31 December 2014	447
At 31 December 2015	–

Intangible assets represent the unamortised income support receivable by the Group and the Trust in accordance with the purchase agreements entered into with the vendors of 9 Tai Seng Drive and 6 Woodlands Loop. As at 31 December 2015, the income support receivable under these agreements have been fully drawn down.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

6 SUBSIDIARIES

	Trust	
	2015 \$'000	2014 \$'000
Equity investments at cost	*	*

* Less than \$1,000

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	
			2015	2014
Sabana Treasury Pte. Ltd. ⁽¹⁾	Provision of treasury services	Singapore	100%	100%
Sabana Sukuk Pte. Ltd. ⁽¹⁾	Provision of treasury services	Singapore	100%	100%

⁽¹⁾ Audited by KPMG LLP Singapore

7 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade receivables, gross	1,527	522	1,527	522
Impairment losses on trade receivables	(20)	–	(20)	–
Trade receivables, net	1,507	522	1,507	522
Other receivables, gross	7,006	6,713	7,006	6,713
Impairment losses on other receivables	(63)	–	(63)	–
Other receivables, net	6,943	6,713	6,943	6,713
Deposits	1,098	993	1,098	993
Loans and receivables	9,548	8,228	9,548	8,228
Prepayments	210	491	202	484
	9,758	8,719	9,750	8,712

The Group's and the Trust's exposure to credit risk related to trade and other receivables, excluding prepayments, are disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

8 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Bank balances	2,768	2,507	2,762	2,502
Fixed deposits	7,670	9,780	7,670	9,780
	10,438	12,287	10,432	12,282

The weighted average effective profit rate relating to cash and cash equivalents at the reporting date for the Group and the Trust is 0.95% (2014: 1.01%) per annum.

9 TRADE AND OTHER PAYABLES

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Amount due to related parties, trade	634	684	645	694
Trade payables	1,452	1,774	1,452	1,774
Security deposits	19,084	15,095	19,084	15,095
Rental received in advance	657	1,406	657	1,406
Retention sums	769	893	769	893
Finance costs payable to:				
- non-related parties	3,449	3,710	880	793
- subsidiaries	-	-	2,568	2,917
Accrued operating expenses	2,432	2,464	2,432	2,463
Others	1,889	1,983	1,872	1,967
	30,366	28,009	30,359	28,002
Current	14,438	14,803	14,431	14,796
Non-current	15,928	13,206	15,928	13,206
	30,366	28,009	30,359	28,002

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 15.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

10 BORROWINGS

	Note	Group		Trust	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Secured borrowings					
Commodity Murabaha Facilities					
- Term	10(a)	195,000	195,000	195,000	195,000
- Revolving	10(a)	30,000	28,500	30,000	28,500
Revolving Murabahah Facility	10(b)	28,000	–	28,000	–
Less: Unamortised capitalised transaction costs		(2,612)	(3,383)	(2,612)	(3,383)
		250,388	220,117	250,388	220,117
Unsecured borrowings					
Convertible Sukuk – debt component	11	41,933	70,375	–	–
Trust Certificates	10(c)	190,000	190,000	–	–
Loans from subsidiaries	10(d)	–	–	232,750	262,500
Less: Unamortised capitalised transaction costs		(1,237)	(1,644)	(1,521)	(2,388)
		188,763	188,356	231,229	260,112
		481,084	478,848	481,617	480,229
Current		147,288	98,875	147,288	100,256
Non-current		333,796	379,973	334,329	379,973
		481,084	478,848	481,617	480,229

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

10 BORROWINGS (CONTINUED)

Terms and borrowings repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency %	Nominal profit rate	Year of maturity \$'000	Face value \$'000	Carrying amount
Group					
2015					
Term Commodity					
Murabaha Facility B	SGD	*SOR+Margin	2016	90,000	89,688
Revolving Commodity					
Murabaha Facility D	SGD	*SOR+Margin	2016	30,000	30,000
Term Commodity					
Murabaha Facility F	SGD	*SOR+Margin	2017	75,000	73,787
Term Commodity					
Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,313
Revolving Murabahah Facility	SGD	*SOR+Margin	2018	28,000	27,600
Convertible Sukuk – Debt					
Component	SGD	4.50%	2017	42,750	41,933
Trust Certificate Series 1	SGD	4.00%	2018	90,000	89,558
Trust Certificate Series 2	SGD	4.25%	2019	100,000	99,205
2014					
Term Commodity					
Murabaha Facility B	SGD	*SOR+Margin	2016	90,000	89,355
Revolving Commodity					
Murabaha Facility D	SGD	*SOR+Margin	2016	28,500	28,500
Term Commodity					
Murabaha Facility F	SGD	*SOR+Margin	2017	75,000	73,111
Term Commodity					
Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,151
Convertible Sukuk – Debt					
Component	SGD	4.50%	2017	72,500	70,375
Trust Certificate Series 1	SGD	4.00%	2018	90,000	89,371
Trust Certificate Series 2	SGD	4.25%	2019	100,000	98,985

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

10 BORROWINGS (CONTINUED)

Terms and borrowings repayment schedule (continued)

	Currency	Nominal profit rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
Trust					
2015					
Term Commodity					
Murabaha Facility B	SGD	*SOR+Margin	2016	90,000	89,688
Revolving Commodity					
Murabaha Facility D	SGD	*SOR+Margin	2016	30,000	30,000
Term Commodity					
Murabaha Facility F	SGD	*SOR+Margin	2017	75,000	73,787
Term Commodity					
Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,313
Revolving Murabahah Facility	SGD	*SOR+Margin	2018	28,000	27,600
Loan from a subsidiary	SGD	4.50%	2017	42,750	42,466
Loan from a subsidiary	SGD	4.00%	2018	90,000	89,558
Loan from a subsidiary	SGD	4.25%	2019	100,000	99,205
2014					
Term Commodity					
Murabaha Facility B	SGD	*SOR+Margin	2016	90,000	89,355
Revolving Commodity					
Murabaha Facility D	SGD	*SOR+Margin	2016	28,500	28,500
Term Commodity					
Murabaha Facility F	SGD	*SOR+Margin	2017	75,000	73,111
Term Commodity					
Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,151
Loan from a subsidiary	SGD	4.50%	2017	72,500	71,756
Loan from a subsidiary	SGD	4.00%	2018	90,000	89,371
Loan from a subsidiary	SGD	4.25%	2019	100,000	98,985

* Swap Offer Rate

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

10 BORROWINGS (CONTINUED)

(a) *Commodity Murabaha Facilities*

The outstanding \$225.0 million (2014: \$223.5 million) Commodity Murabaha Facilities from various institutional banks are secured by, inter alia:

- A first ranking legal mortgage over all the investment properties with a combined carrying value of \$653,500,000 (collectively, the "Securitised Properties") (or, where title to or lease relating 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);
- 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 2015, the Revolving Commodity Murabaha Facility D has an undrawn amount of \$18.0 million (2014: \$19.5 million).

(b) *Revolving Murabahah Facility*

The outstanding \$28.0 million (2014: Nil) Revolving Murabaha Facility from an institutional bank is secured by, inter-alia:

- A first ranking legal mortgage over 8 Commonwealth Lane and 34 Penjuru Lane with a combined carrying value of \$113,900,000 ("Dual Secured Properties");
- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Dual Secured Properties; and
- A fixed and floating charge over the other assets of the Trust relating to the Dual Secured Properties.

As at 31 December 2015, the Revolving Murabahah Facility has an undrawn amount of \$22.0 million (2014: \$Nil).

(c) *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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

10 BORROWINGS (CONTINUED)

(c) *Unsecured Multicurrency Trust Certificates ("Trust Certificates") (continued)*

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.

(d) *Loans from subsidiaries*

The loans from subsidiaries are unsecured and profit bearing.

11 CONVERTIBLE SUKUK – DEBT COMPONENT

	Group	
	2015 \$'000	2014 \$'000
Carrying amount of debt component at beginning of the year	70,375	69,678
Profit accretion, including amortisation of transaction costs	660	697
Extinguishment of debt component arising from the redemption of Convertible Sukuk pursuant to the put option exercised by Sukukholders	(29,102)	–
Carrying amount of debt component at end of the year	41,933	70,375

On 24 September 2012, a wholly-owned subsidiary of the Trust, Sabana Treasury Pte. Ltd. (the "Issuer"), issued a \$80.0 million in aggregate principal amount of unsecured Convertible Sukuk due on 24 September 2017 of 4.50% per annum. The Convertible Sukuk are convertible by Sukukholders into Units of the Trust at any time on or after 9 November 2012 up to the close of business on the seventh day prior to 24 September 2017. As at 31 December 2015, the conversion price per Unit ("Conversion Price") is \$1.0680 (2014: \$1.1199). The Trust has the option to pay cash in lieu of issuing new Units on conversion of any Convertible Sukuk.

Since the date of their issue, an aggregate principal amount of \$7.5 million (2014: \$7.5 million) of Convertible Sukuk has been converted into 6,285,090 (2014: 6,285,090) Units by converting Sukukholders.

The Convertible Sukuk may be redeemed, after 24 September 2015, at the option of the Issuer, in whole but not in part, at 100% of the principal amount of the Convertible Sukuk outstanding, plus any accrued but unpaid profit, if the closing price of the Units for any 20 consecutive trading days is at least 130% of the Conversion Price in effect on such trading day.

The Convertible Sukuk may also be redeemed at any time prior to 24 September 2017, at the option of the Issuer, in whole but not in part, at 100% of the principal amount of the Convertible Sukuk outstanding, plus any accrued but unpaid profit, if at any time at least 90% of the principal amount of the Convertible Sukuk originally issued have already been converted, redeemed or purchased and cancelled.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

11 CONVERTIBLE SUKUK – DEBT COMPONENT (CONTINUED)

On 24 September 2015, an aggregate principal amount of \$29.7 million of Convertible Sukuk was redeemed and cancelled pursuant to the put option exercised by Sukukholders.

Unless previously redeemed pursuant to the put option exercised by Sukukholders on 24 September 2015 or by the Issuer at any time on or after 24 September 2015, the final maturity date is 24 September 2017.

As at 31 December 2015, the effective profit rate for the Convertible Sukuk – debt component is approximately 5.65% (2014: 5.65%) per annum.

12 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current assets				
Profit rate swaps at fair value through Statement of Total Return	403	–	403	–
Non-current assets				
Profit rate swaps at fair value through Statement of Total Return	–	154	–	154
Current liabilities				
Embedded derivatives relating to Convertible Sukuk at fair value through Statement of Total Return	(2)	(601)	–	–
Non-current liabilities				
Profit rate swaps at fair value through Statement of Total Return	(206)	(1,617)	(206)	(1,617)
Total derivative financial instruments	195	(2,064)	197	(1,463)
Derivative financial instruments as a percentage of net assets	0.03%	0.27%	0.03%	0.19%

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 \$165.0 million (2014: \$165.0 million) had been entered into at the reporting date to provide fixed rate funding for terms of 1.5 to 5 years (2014: 1.5 to 5 years) at a weighted average profit rate of 3.57% (2014: 3.57%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

12 DERIVATIVES FINANCIAL INSTRUMENTS (CONTINUED)

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 Statement 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 2015 and 31 December 2014, the Group's derivative assets and liabilities do not have any balances that are eligible for offsetting under the enforceable master netting arrangement.

13 UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust	
	2015	2014
	'000	'000
Units in issue:		
At beginning of the year	724,624	690,775
Units issued:		
- Purchase consideration of an investment property paid in Units	–	23,464
- Manager's fees paid in Units	5,946	4,776
- DRP	1,811	5,609
	<u>732,381</u>	<u>724,624</u>
Units to be issued:		
- Manager's fees payable in Units	1,646	1,359
Total Units issued and to be issued at end of the year	<u>734,027</u>	<u>725,983</u>

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

Year ended 31 December 2015

13 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 and implemented the 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 2015, 1,811,131 (2014: 5,609,340) new Units at the issue price range of \$0.8713 to \$0.9086 (2014: \$0.9808 to \$1.0220) per Unit were issued pursuant to the DRP.

14 NET ASSET VALUE PER UNIT

	Group		Trust	
	2015	2014	2015	2014
Net asset value per Unit (\$)	0.89	1.06	0.89	1.06
Net asset value per Unit is based on:	\$'000	\$'000	\$'000	\$'000
Net assets	653,741	772,585	653,203	771,800
	'000	'000	'000	'000
Total Units issued and to be issued at end of the year (Note 13)	734,027	725,983	734,027	725,983

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

15 FINANCIAL RISK MANAGEMENT

15.1 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 assets 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 35.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 35.0% of its Deposited Property (up to a maximum of 60.0%) if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public.

The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of its Deposited Property. For this financial year, Standard and Poor's has maintained a long term corporate credit rating of "BBB-" for the Group. 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. With effect from 1 January 2016, the Aggregate Leverage of a property fund shall not exceed 45.0%.

As at the reporting date, the gross amounts of borrowings and retention sums as a percentage of the Group's Deposited Property is 41.7% (2014: 38.0%).

15.2 Risk management framework

The Group's activities expose it 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, and the Group's management of capital.

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

Year ended 31 December 2015

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 Credit risk

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

The carrying amount of financial assets in the Statement of Financial Position represents the Group's and the Trust's maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Loans and receivables	9,548	8,228	9,548	8,228
Cash and cash equivalents	10,438	12,287	10,432	12,282
	19,986	20,515	19,980	20,510

The Manager has an established process to evaluate the creditworthiness of its tenants and prospective tenants to minimise potential credit risk. Credit evaluations are performed by the Property Manager and the Manager before lease agreements are entered into with prospective 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.

The ageing of trade receivables at the reporting date was:

	Group and Trust	
	2015 \$'000	2014 \$'000
Not past due	49	61
Past due 0 - 30 days	532	448
Past due 31 - 60 days	467	5
More than 60 days past due	479	8
	1,527	522

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 Credit risk (continued)

Impairment losses

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

	Group and Trust	
	2015	2014
	\$'000	\$'000
At 1 January	–	–
Impairment losses recognised during the year	20	–
At 31 December	20	–

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

	Group and Trust	
	2015	2014
	\$'000	\$'000
At 1 January	–	–
Impairment losses recognised during the year	63	–
At 31 December	63	–

The Manager believes that no additional impairment loss is necessary in respect of the remaining trade 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, management does not expect any counterparty to fail to meet its obligations.

15.4 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 Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

15.4 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:

	Carrying amount \$'000	Contractual cash flows \$'000	<----- Cash flows ----->		
			Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000
Group					
2015					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	222,788	(238,244)	(127,990)	(110,254)	–
Revolving Murabahah Facility	27,600	(30,624)	(980)	(29,644)	–
Convertible Sukuk – debt component	41,933	(46,087)	(1,924)	(44,163)	–
Trust Certificates	188,763	(211,824)	(7,850)	(203,974)	–
Trade and other payables*	29,709	(29,709)	(13,781)	(13,149)	(2,779)
	<u>510,793</u>	<u>(556,488)</u>	<u>(152,525)</u>	<u>(401,184)</u>	<u>(2,779)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	206	(763)	(462)	(301)	–
2014					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	220,117	(239,013)	(5,986)	(233,027)	–
Convertible Sukuk – debt component	70,375	(81,420)	(3,263)	(78,157)	–
Trust Certificates	188,356	(219,674)	(7,850)	(211,824)	–
Trade and other payables*	26,603	(26,603)	(13,397)	(7,185)	(6,021)
	<u>505,451</u>	<u>(566,710)</u>	<u>(30,496)</u>	<u>(530,193)</u>	<u>(6,021)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	1,617	(3,318)	(1,251)	(2,067)	–

* Trade and other payables exclude rental received in advance.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

15.4 Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows \$'000	<----- Cash flows ----->		
			Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000
Trust					
2015					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	222,788	(238,244)	(127,990)	(110,254)	–
Revolving Murabahah Facility	27,600	(30,624)	(980)	(29,644)	–
Loans from subsidiaries	231,229	(257,911)	(9,774)	(248,137)	–
Trade and other payables*	29,702	(29,702)	(13,774)	(13,149)	(2,779)
	511,319	(556,481)	(152,518)	(401,184)	(2,779)
Derivative financial liabilities					
Profit rate swaps (net-settled)	206	(763)	(462)	(301)	–
2014					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	220,117	(239,013)	(5,986)	(233,027)	–
Loans from subsidiaries	260,112	(301,094)	(11,113)	(289,981)	–
Trade and other payables*	26,596	(26,596)	(13,390)	(7,185)	(6,021)
	506,825	(566,703)	(30,489)	(530,193)	(6,021)
Derivative financial liabilities					
Profit rate swaps (net-settled)	1,617	(3,318)	(1,251)	(2,067)	–

* Trade and other payables exclude rental received in advance.

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.

15.5 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 prices risks.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

15.6 Profit rate risk

The Group's exposure to fluctuations in profit rates relates primarily to borrowings. 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 \$165.0 million (2014: \$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.

Profit rate profile

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

	Group		Trust	
	Nominal amount		Nominal amount	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Financial assets	7,670	9,780	7,670	9,780
Financial liabilities	(232,750)	(262,500)	(232,750)	(262,500)
Variable rate instruments				
Financial liabilities	(253,000)	(223,500)	(253,000)	(223,500)
Profit rate swaps	165,000	165,000	165,000	165,000
	(88,000)	(58,500)	(88,000)	(58,500)

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 Statement 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 Statement of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

15.6 Profit rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in profit rate at the reporting date would (decrease)/increase total return after taxation and Unitholders' funds by the amounts shown below. The analysis assumes that all variables remain constant. The analysis is performed on the same basis for 2014.

	Total return after taxation		Unitholders' funds	
	50 bp increase \$'000	50 bp decrease \$'000	50 bp increase \$'000	50 bp decrease \$'000
Group and Trust				
2015				
Financial liabilities	(440)	440	(440)	440
2014				
Financial liabilities	(293)	293	(293)	293

16 GROSS REVENUE

	Group and Trust	
	2015 \$'000	2014 \$'000
Property rental income	88,975	88,031
Other operating income	11,849	12,311
	<u>100,824</u>	<u>100,342</u>

17 PROPERTY EXPENSES

	Group and Trust	
	2015 \$'000	2014 \$'000
Land rent	2,532	1,800
Service, repair and maintenance expenses	6,497	5,332
Property and lease management fees	3,025	3,010
Property tax	5,400	4,943
Utilities	10,880	11,655
Others	885	656
	<u>29,219</u>	<u>27,396</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

18 FINANCE INCOME AND COSTS

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Finance income:				
Profit income from fixed deposits with Islamic financial institutions	65	41	65	41
Ta'widh (compensation on late payment of rent)	65	41	65	41
	130	82	130	82
Finance costs:				
Commodity Murabaha Facilities	7,483	7,770	7,483	7,770
Revolving Murabahah Facility	324	–	324	–
Profit rate swaps*	513	2,230	513	2,230
Convertible Sukuk	2,914	3,263	–	–
Trust Certificates	7,850	3,867	–	–
Loans from subsidiaries	–	–	10,764	7,130
Amortisation of transaction costs	2,284	3,086	1,857	2,635
Transaction costs written off	–	1,585	–	1,585
Break costs on prepayment of borrowings	–	909	–	909
Break costs on termination of profit rate swaps*	–	1,617	–	1,617
Brokerage and agent fees	180	238	165	226
	21,548	24,565	21,106	24,102
Net finance costs	21,418	24,483	20,976	24,020

* Except for the finance costs arising from profit rate swaps and break costs on termination of 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 Statement of Total Return.

19 MANAGER'S FEES

Included in Manager's fees of the Group and Trust is an aggregate of 6,232,961 (2014: 4,949,383) Units, of which 4,587,334 (2014: 3,590,528) Units were issued and another 1,645,627 (2014: 1,358,855) Units will be issued to the Manager by the Trust, amounting to approximately \$5,011,000 (2014: \$4,938,000) at various Unit prices in satisfaction of Manager's fees payable in respect of the year ended 31 December 2015.

20 DONATION OF NON-SHARI'AH COMPLIANT INCOME

The total amount of net income subjected to the cleansing process for the quarter ended 31 December 2015 was approved by the Independent Shari'ah Committee to be donated to Singapore Red Cross for the South India Floods 2015 Relief Fund.

During the year, donations that had been approved by the Independent Shari'ah Committee included Singapore Red Cross for the Cyclone Pam 2015 Relief Fund, Mendaki Sense and Majlis Ugama Islam Singapura (2014: Lien Aid, Ananias Centre, Muslim Kidney Action Association, Operation Hope Foundation, Habitat for Humanity Singapore and Majlis Ugama Islam Singapura for the "Special Collection for victims of Malaysian Floods").

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

21 OTHER TRUST EXPENSES

	Group		Trust	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- audit fees	189	184	181	176
- non-audit fees	53	45	47	39
Valuation fees	116	85	116	85
Professional fees	418	335	403	312
Service fees payable to subsidiaries	–	–	59	57
Other expenses	433	576	420	570
	1,209	1,225	1,226	1,239

22 TAX EXPENSE

	Group		Trust	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Tax expense				
Current year	*	*	–	–
Reconciliation of effective tax rate				
Total return for the year before taxation and distribution	(73,436)	36,905	(73,189)	35,193
Tax using Singapore tax rate of 17% (2014: 17%)	(12,484)	6,274	(12,442)	5,983
Non-tax deductible items	21,454	3,750	21,310	3,674
Tax exempt income	(447)	(1,248)	(345)	(881)
Tax transparency	(8,523)	(8,776)	(8,523)	(8,776)
	*	*	–	–

* Less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

23 EARNINGS PER UNIT

(a) Basic earnings per Unit

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

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Total return for the year after taxation and before distribution	(73,436)	36,905	(73,189)	35,193

	Group		Trust	
	2015 '000	2014 '000	2015 '000	2014 '000
Weighted average number of Units				
- Beginning of the year	724,624	690,775	724,624	690,775
- Issued as purchase consideration for an investment property paid in Units	–	1,093	–	1,093
- Issued as payment of Manager's fees	3,178	2,662	3,178	2,662
- Issued pursuant to DRP	1,405	2,226	1,405	2,226
- To be issued as payment of Manager's fees payable in Units	5	3	5	3
Weighted average number of Units	729,212	696,759	729,212	696,759

(b) Diluted earnings per Unit

In calculating the diluted earnings per Unit, the total return for the year and the weighted average number of Units during the year are adjusted to take into account the dilutive effect arising from the dilutive Convertible Sukuk, with the potential Units weighted for the year outstanding.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

23 EARNINGS PER UNIT (CONTINUED)

(b) Diluted earnings per Unit (continued)

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Total return for the year				
after taxation and before distribution	(73,436)	36,905	(73,189)	35,193
Profit impact of conversion of Convertible Sukuk	3,622	1,799	3,375	3,511
Adjusted total return for the year				
after taxation and before distribution	(69,814)	38,704	(69,814)	38,704
	Number of Units			
	Group		Trust	
	2015 '000	2014 '000	2015 '000	2014 '000
Weighted average number of Units used in calculation of basic earnings per Unit	729,212	696,759	729,212	696,759
Weighted average number of Units to be issued assuming conversion of Convertible Sukuk	60,404	64,738	60,404	64,738
Weighted average number of Units used in calculation of diluted earnings per Unit	789,616	761,497	789,616	761,497

The diluted earnings per Unit is the same as the basic earnings per Unit for the Group and the Trust (2014: Trust) as the Convertible Sukuk was anti-dilutive at the Group and the Trust (2014: Trust) level.

24 FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS

Valuation processes applied by the Group on 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. Fair values for financial assets and liabilities have been determined for measurement and/or disclosure purposes based on the following methods. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation processes applied by the Group on financial instruments (continued)

(i) Derivative financial instruments

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.

The fair value of the embedded derivatives component of the Convertible Sukuk is based on an option pricing model. Assumptions and inputs used include risk-free profit rate, equity prices and expected price volatilities.

(ii) 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 were obtained from market's quotes.

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

(iii) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values at the reporting date.

Fair value hierarchy

The tables below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group			
2015			
Derivative assets			
- Profit rate swaps	403	–	403
Derivative liabilities			
- Profit rate swaps	(206)	–	(206)
- Embedded derivatives relating to Convertible Sukuk	–	(2)	(2)
2014			
Derivative assets			
- Profit rate swaps	154	–	154
Derivative liabilities			
- Profit rate swaps	(1,617)	–	(1,617)
- Embedded derivatives relating to Convertible Sukuk	–	(601)	(601)
Trust			
2015			
Derivative assets			
- Profit rate swaps	403	–	403
Derivative liabilities			
- Profit rate swaps	(206)	–	(206)
2014			
Derivative assets			
- Profit rate swaps	154	–	154
Derivative liabilities			
- Profit rate swaps	(1,617)	–	(1,617)

During the year ended 31 December 2015 and 31 December 2014, there were no transfers from Level 1, Level 2 or Level 3, or vice versa.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 fair values

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

Embedded derivatives relating to Convertible Sukuk

	Group	
	2015	2014
	\$'000	\$'000
As at 1 January	(601)	(2,762)
Changes in fair value recognised in Statement of Total Return	599	2,161
As at 31 December	(2)	(601)

The following table shows the valuation technique and key unobservable inputs used in the determination of fair value of the embedded derivatives relating to Convertible Sukuk.

Valuation technique	Key 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.	Standard deviation	The estimated fair value of the embedded derivatives relating to Convertible Sukuk would increase if the standard deviation was higher.

The impact of the unobservable input has been assessed to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, 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.

	Note	Designated at fair value \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
Group						
2015						
Trade and other receivables	7	–	9,548	–	9,548	
Cash and cash equivalents	8	–	10,438	–	10,438	
Derivative assets	12	403	–	–	403	403
		403	19,986	–	20,389	
Trade and other payables, excluding security deposits, retention sums and rental received in advance	9	–	–	9,856	9,856	
Security deposits ⁽¹⁾	9	–	–	19,084	19,084	17,513
Retention sums	9	–	–	769	769	
Borrowings ⁽¹⁾	10	–	–	481,084	481,084	482,384
Derivative liabilities	12	208	–	–	208	208
		208	–	510,793	511,001	
2014						
Trade and other receivables	7	–	8,228	–	8,228	
Cash and cash equivalents	8	–	12,287	–	12,287	
Derivative assets	12	154	–	–	154	154
		154	20,515	–	20,669	
Trade and other payables, excluding security deposits, retention sums and rental received in advance	9	–	–	10,615	10,615	
Security deposits ⁽¹⁾	9	–	–	15,095	15,095	13,162
Retention sums	9	–	–	893	893	
Borrowings ⁽¹⁾	10	–	–	478,848	478,848	487,277
Derivative liabilities	12	2,218	–	–	2,218	2,218
		2,218	–	505,451	507,669	

⁽¹⁾ The above financial assets and liabilities, which are not carried at fair value but for which fair values are disclosed, are recorded at Level 2 (2014: Level 2) in the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values versus carrying amounts (continued)

	Note	Designated at fair value \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
Trust						
2015						
Trade and other receivables	7	–	9,548	–	9,548	
Cash and cash equivalents	8	–	10,432	–	10,432	
Derivative assets	12	403	–	–	403	403
		<u>403</u>	<u>19,980</u>	<u>–</u>	<u>20,383</u>	
Trade and other payables, excluding security deposits, retention sums and rental received in advance	9	–	–	9,849	9,849	
Security deposits ⁽¹⁾	9	–	–	19,084	19,084	17,513
Retention sums	9	–	–	769	769	
Borrowings ⁽¹⁾	10	–	–	481,617	481,617	482,382
Derivative liabilities	12	206	–	–	206	206
		<u>206</u>	<u>–</u>	<u>511,319</u>	<u>511,525</u>	
2014						
Trade and other receivables	7	–	8,228	–	8,228	
Cash and cash equivalents	8	–	12,282	–	12,282	
Derivative assets	12	154	–	–	154	154
		<u>154</u>	<u>20,510</u>	<u>–</u>	<u>20,664</u>	
Trade and other payables, excluding security deposits, retention sums and rental received in advance	9	–	–	10,608	10,608	
Security deposits ⁽¹⁾	9	–	–	15,095	15,095	13,612
Retention sums	9	–	–	893	893	
Borrowings ⁽¹⁾	10	–	–	480,229	480,229	487,878
Derivative liabilities	12	1,617	–	–	1,617	1,617
		<u>1,617</u>	<u>–</u>	<u>506,825</u>	<u>508,442</u>	

⁽¹⁾ The above financial assets and liabilities, which are not carried at fair value but for which fair values are disclosed, are recorded at Level 2 (2014: Level 2) in the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

25 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 of 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
2015					
Gross revenue	59,083	8,924	23,323	9,494	100,824
Property expenses	(24,004)	(324)	(2,947)	(1,944)	(29,219)
Segment net property income	35,079	8,600	20,376	7,550	71,605
Net change in fair value of investment properties	(62,792)	(23,500)	(25,576)	(4,840)	(116,708)
					(45,103)
Unallocated amounts:					
- Finance income					130
- Finance costs					(21,548)
- Other expenses					(8,526)
- Loss on exercise of put option on Convertible Sukuk by Sukukholders					(648)
- Net change in fair value of financial derivatives					2,259
Total return for the year before taxation					(73,436)
Assets and liabilities					
Segment assets	663,402	93,706	282,460	114,778	1,154,346
Unallocated assets					11,053
Total assets					1,165,399
Segment liabilities	14,708	41	6,254	3,646	24,649
Unallocated liabilities:					
- borrowings					481,084
- others					5,925
Total liabilities					511,658
Other segment information					
Capital expenditure	538	–	777	140	1,455

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

25 OPERATING SEGMENTS (CONTINUED)

	← Group →				
	High-tech industrial \$'000	Chemical warehouse & logistics \$'000	Warehouse & logistics \$'000	General industrial \$'000	Total \$'000
2014					
Gross revenue	62,872	9,140	19,498	8,832	100,342
Property expenses	(24,324)	(304)	(850)	(1,918)	(27,396)
Segment net property income	38,548	8,836	18,648	6,914	72,946
Net change in fair value of investment properties	9,037	(2,600)	(11,408)	(2,530)	(7,501)
					65,445
Unallocated amounts:					
- Finance income					82
- Finance costs					(24,565)
- Other expenses					(9,355)
- Net change in fair value of financial derivatives					5,298
Total return for the year before taxation					36,905
Assets and liabilities					
Segment assets	725,100	117,482	306,983	119,386	1,268,951
Unallocated assets					12,709
Total assets					1,281,660
Segment liabilities	14,166	28	6,007	1,834	22,035
Unallocated liabilities:					
- borrowings					478,848
- others					8,192
Total liabilities					509,075
Other segment information					
Capital expenditure	1,182	-	-	34	1,216

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 2015 and 31 December 2014 related wholly to properties located in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

26 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 \$6,750,000 in relation to 18 properties (2014: \$6,435,000 in relation to 18 properties) for the year ended 31 December 2015 (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	
	2015	2014
	\$'000	\$'000
Less than one year	74,638	79,958
Between one to five years	124,832	112,196
More than five years	40,323	53,685
	<u>239,793</u>	<u>245,839</u>

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Manager has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Manager and the party are subject to common significant influence. Related parties may be individuals or other entities. The Manager and Property Manager are subsidiaries of a significant Unitholder of the Trust.

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:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group and Trust	
	2015	2014
	\$'000	\$'000
Rental income received/receivable from a sponsor and its related companies	15,802	16,134
Acquisition fees paid/payable to the Manager	–	500
Manager's fees and reimbursables paid/payable to the Manager	6,263	6,173
Property/lease management fees and reimbursables paid/payable to the Property Manager	3,025	3,010
Trustee fees paid/payable to the Trustee	544	520

28 FINANCIAL RATIOS

	Group and Trust	
	2015	2014
	%	%
Ratio of expenses to weighted average net assets ⁽¹⁾		
- including performance component of Manager's fees	1.12	1.24
- excluding performance component of Manager's fees	1.12	1.24
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.

29 SUBSEQUENT EVENTS

Subsequent to 31 December 2015, the Manager declared a distribution of 1.50 cents per Unit in respect of the period from 1 October 2015 to 31 December 2015.

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 - Manager's fees - Property and lease management fees - Renewal of master leases⁽²⁾ - Renewal of master property management agreement⁽³⁾	15,802 6,263 3,025 10,100 15,000	—
HSBC Institutional Trust Services (Singapore) Limited and its associates - Trustee's fees - Finance costs (profit payments) - Finance costs (agency commodity fees)	544 1,261 53	—

TOTAL OPERATING EXPENSES⁽⁴⁾

Description	S\$'000
Total operating expenses ⁽⁵⁾ (inclusive of interested party expenses paid to the Manager and interested parties)	37,235
Total operating expenses as a percentage of net asset value (as at 31 December 2015)	5.7 %

Notes:

- ⁽¹⁾ There are no transactions conducted under Unitholders' mandate pursuant to Rule 920 during FY 2015.
- ⁽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⁾ Refers to the estimated total aggregate property management fees payable to Vibrant Group Limited and its subsidiaries for duration of the renewed property management agreements entered into between the Trustee and Vibrant Group Limited and its subsidiaries.
- ⁽⁴⁾ For the purpose of complying with Property Funds Appendix 11.1 (i).
- ⁽⁵⁾ Total operating expenses include property expenses and other trust expenses but do not include finance costs.

STATISTICS OF UNITHOLDINGS

ISSUED AND FULLY PAID UP UNITS

(As at 25 February 2016)

Date	Event	Number of Units	Amount (\$'000)	Price (\$\$)
29 January 2015	Quarterly management fee	1,358,855	1,248	0.9181
27 February 2015	DRP	1,318,239	1,198	0.9086
28 April 2015	Quarterly management fee	1,401,544	1,264	0.9021
29 May 2015	DRP	492,892	429	0.8713
27 July 2015	Quarterly management fee	1,493,583	1,280	0.8567
23 October 2015	Quarterly management fee	1,692,207	1,292	0.7633
29 January 2016	Quarterly management fee	1,645,627	1,175	0.7140

There were 734,026,663 Units (voting rights: one vote per Unit) outstanding as at 25 February 2016. There is only one class of Units in Sabana REIT.

Market capitalisation S\$462.4 million (based on market closing price of S\$0.630 on 25 February 2016).

DISTRIBUTION OF UNITHOLDINGS

(As at 25 February 2016)

Size of Unitholdings	No. of Unitholders	Percentage of Unitholders (%)	No. of Units	Percentage of Units in Issue (%)
1 - 99	66	0.52	3,461	0.00
100 - 1,000	1,593	12.61	1,526,968	0.21
1,001 - 10,000	6,509	51.51	36,628,570	4.99
10,001 - 1,000,000	4,432	35.07	221,232,983	30.14
1,000,001 and above	36	0.29	474,634,681	64.66
Total	12,636	100.00	734,026,663	100.00

STATISTICS OF UNITHOLDINGS

TWENTY LARGEST UNITHOLDERS

(As at 25 February 2016)

No.	Name	No. of Units	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	93,831,055	12.78
2	HSBC (SINGAPORE) NOMINEES PTE LTD	73,510,098	10.01
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	64,817,140	8.83
4	DBS NOMINEES (PRIVATE) LIMITED	64,593,449	8.80
5	RAFFLES NOMINEES (PTE) LIMITED	34,739,044	4.73
6	SABANA REAL ESTATE INVESTMENT MANAGEMENT PTE LTD	21,462,716	2.92
7	HONG LEONG FINANCE NOMINEES PTE LTD	11,608,386	1.58
8	ABN AMRO NOMINEES SINGAPORE PTE LTD	11,130,375	1.52
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	10,171,915	1.39
10	DBSN SERVICES PTE. LTD.	9,071,254	1.24
11	UOB KAY HIAN PRIVATE LIMITED	8,997,287	1.23
12	MEREN PTE LTD	8,600,000	1.17
13	BANK OF SINGAPORE NOMINEES PTE. LTD.	7,074,881	0.96
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	6,414,351	0.87
15	OCBC SECURITIES PRIVATE LIMITED	5,485,568	0.75
16	PHILLIP SECURITIES PTE LTD	3,758,226	0.51
17	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,587,164	0.49
18	CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,228,591	0.44
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,077,720	0.42
20	YAP CHONG HIN GABRIEL	3,010,000	0.41
TOTAL		448,169,220	61.05

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 January 2016)

Directors	Direct interest		Deemed interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Steven Lim Kok Hoong	—	—	—	—
Yong Kok Hoon ⁽²⁾	—	—	1,050,000	0.14
Kevin Xayaraj ⁽³⁾	—	—	19,817,089	2.71
Henry Chua Tiong Hock	—	—	—	—
Ng Shin Ein	—	—	—	—

Notes:

⁽¹⁾ The percentage interest is based on total issued Units of 732,381,036 as at 21 January 2016.

⁽²⁾ Yong Kok Hoon is deemed to have an interest in the Units held by his spouse, Ong Lee Choo.

⁽³⁾ Kevin Xayaraj is deemed to have an interest in the Units held by Sabana Real Estate Investment Management Pte. Ltd. by virtue of Section 7 of Companies Act.

STATISTICS OF UNITHOLDINGS

SUBSTANTIAL UNITHOLDERS

(As recorded in the Register of Substantial Unitholdings as at 25 February 2016)

Directors	Direct interest		Deemed interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Singapore Enterprises Private Limited	39,057,496	5.32	–	–
Vibrant Group Limited ⁽²⁾	9,250,084	1.26	60,520,212	8.24
Vibrant Capital Pte Ltd ⁽³⁾	–	–	69,770,296	9.51
Lian Hup Holdings Pte Ltd ⁽⁴⁾	–	–	69,770,296	9.51
Khua Hock Su ⁽⁵⁾	1,229,000	0.17	69,770,296	9.51
Khua Kian Keong ⁽⁶⁾	12,988,000	1.77	69,770,296	9.51
Wealthy Fountain Holdings Inc ⁽⁷⁾	43,774,000	5.96	–	–
Starray Global Limited ⁽⁷⁾	2,178,000	0.30	–	–
Shanghai Summit Pte Ltd ⁽⁷⁾	–	–	45,952,000	6.26
Tong Jinquan ⁽⁷⁾	15,815,000	2.15	45,952,000	6.26

Notes:

⁽¹⁾ The percentage interest is based on total issued Units of 734,026,663 as at 25 February 2016.

⁽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 Vibrant Group, Singapore Enterprises, Vibrant Capital and SREIM.

⁽⁶⁾ Khua Kian Keong is deemed to have an interest in the Units held by Lian Hup, Vibrant Group, Singapore Enterprises, Vibrant Capital 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 Starray Global Limited and accordingly, is deemed to be interested in the Units which Wealthy Fountain Holdings Inc and Starray Global Limited holds.

FREE FLOAT

Under Rule 723 of the Listing Manual, a listed issuer must ensure that at least 10.0% of its listed securities are at all times held by the public.

Based on information available to the Manager as at 25 February 2016, 80.0% 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 Rooms 324-325, Suntec Singapore International Convention & Exhibition Centre at 1 Raffles Boulevard Suntec City, Singapore 039593 on Tuesday, 12 April 2016 at 2.00 p.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 2015 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
- (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),

NOTICE OF ANNUAL GENERAL MEETING

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 and the First Amending and Restating Deed dated 24 February 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;
- (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

NOTICE OF ANNUAL GENERAL MEETING

- (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

Kevin Xayaraj

Chief Executive Officer and Executive Director

Singapore

22 March 2016

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.

"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 Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

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 2.00 p.m. on 9 April 2016, 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.

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.

**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.
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 22 March 2016.
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/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 Rooms 324-325, Suntec Singapore International Convention & Exhibition Centre at 1 Raffles Boulevard Suntec City, Singapore 039593 on Tuesday, 12 April 2016 at 2.00 p.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/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 2015 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 (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016

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.

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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 2.00 p.m. on 9 April 2016, 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 notorially certified copy of such power or authority must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
10. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at 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.

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Postage
Stamp

BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.

(as Unit Registrar of Sabana Shari'ah Compliant Industrial
Real Estate Investment Trust)

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

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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

AUDITOR OF THE TRUST

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: Jek Lim
Appointed since financial year
ended 31 December 2011

INTERNAL AUDITOR

PricewaterhouseCoopers LLP
8 Cross Street
#17-00 PWC Building
Singapore 048424
Phone: (65) 6236 3388
Fax: (65) 6236 3300

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

The Hongkong and Shanghai
Banking Corporation Limited

HSBC Amanah Malaysia Berhad

Malayan Banking Berhad
(Singapore Branch)

United Overseas Bank Limited

CIMB Bank Berhad
(Singapore Branch)

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 Steven Lim Kok Hoong
Chairman and
Independent Director

Mr Yong Kok Hoon
Independent Director

Ms Ng Shin Ein
Non-Executive Director

Mr Henry Chua Tiong Hock
Non-Executive Director

Mr Kevin Xayaraj
CEO and Executive Director

AUDIT COMMITTEE

Mr Yong Kok Hoon (Chairman)
Mr Steven Lim Kok Hoong
Ms Ng Shin Ein

NOMINATING AND REMUNERATION COMMITTEE

Mr Yong Kok Hoon (Chairman)
Mr Steven Lim Kok Hoong
Mr Henry Chua Tiong Hock

COMPANY SECRETARY OF THE MANAGER

Mr Cho Form Po



SABANA REAL ESTATE INVESTMENT MANAGEMENT PTE. LTD.
(As Manager of Sabana REIT)

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