



FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE QUARTER ENDED 30 JUNE 2017

The Directors of ESR Funds Management (S) Limited (“ESR-FM”) (formerly known as Cambridge Industrial Trust Management Limited), as manager (“Manager”) of ESR-REIT (formerly known as Cambridge Industrial Trust) are pleased to announce the unaudited results of ESR-REIT and its subsidiaries (the “Group”) for the second quarter ended 30 June 2017.

ESR-REIT is a Singapore-based real estate investment trust constituted by the Trust Deed entered into on 31 March 2006 between ESR-FM as the Manager of ESR-REIT and RBC Investor Services Singapore Limited as the Trustee of ESR-REIT, as amended and restated. ESR-REIT was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 25 July 2006.

Following the change in the controlling shareholders of the manager of Cambridge Industrial Trust, Cambridge Industrial Trust Management Limited, to e-Shang Infinity Cayman Limited, a subsidiary of e-Shang Redwood Limited, in January 2017, the names of Cambridge Industrial Trust and its manager were renamed as ESR-REIT and ESR-FM respectively on 23 June 2017.

ESR-REIT’s distribution policy is to distribute at least 90% of its annual distributable income, comprising income from letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager’s discretion.

As at 30 June 2017, the Group has a diversified portfolio of 49 properties located across Singapore with a diversified tenant base of over 200 tenants across the following sectors: logistics/warehouse, hi-specs industrial, light industrial, general industrial and business park. The portfolio has a carrying value of approximately S\$1.36 billion and a total gross floor area of approximately 8.4 million square feet.

The Group’s results include the consolidation of its wholly-owned subsidiaries, ESR-MTN Pte. Ltd. (“ESR-MTN”), Cambridge SPV1 LLP (“Cambridge LLP”) and Cambridge SPV2 Pte. Ltd. (“Cambridge SPV2”). The commentaries below are based on Group results unless otherwise stated.

Summary of Group's Results

	2Q2017 S\$'000	2Q2016 S\$'000	Inc/ (Dec) %	1H2017 S\$'000	1H2016 S\$'000	Inc/ (Dec) %
Gross revenue	27,675	28,295	(2.2)	55,412	56,660	(2.2)
Net property income	19,220	21,165	(9.2)	38,912	42,658	(8.8)
Amount available for distribution	12,466	14,074	(11.4)	25,572	28,586	(10.5)
Distribution per unit ("DPU") (cents)	0.956	1.078	(11.3)	1.960	2.190	(10.5)

Distribution and Book Closure Date Details

Distribution period	1 April 2017 to 30 June 2017
Distribution rate	0.956 cents per unit
Books closure date	21 July 2017
Payment date	29 August 2017

The Manager has determined that the distribution reinvestment plan ("DRP") **will apply** to the distribution for the period from 1 April 2017 to 30 June 2017. The pricing of the DRP units issued will be based on the market price less a discount of 2%, to be announced by the Manager on 24 July 2017.

1(a) Statement of Total Return together with comparative statements for the corresponding period of the immediate preceding financial year

Statements of Total Return

Note	Group			Trust		
	2Q2017 S\$'000	2Q2016 S\$'000	Inc/ (Dec) %	2Q2017 S\$'000	2Q2016 S\$'000	Inc/ (Dec) %
Gross revenue	27,675	28,295	(2.2)	27,010	27,630	(2.2)
Property manager's fees	(1,597)	(1,297)	23.1	(1,578)	(1,279)	23.4
Property tax	(1,457)	(1,663)	(12.4)	(1,457)	(1,663)	(12.4)
Land rental	(2,174)	(2,093)	3.9	(2,174)	(2,093)	3.9
Other property expenses	(3,227)	(2,077)	55.4	(3,226)	(2,074)	55.5
Property expenses	(8,455)	(7,130)	18.6	(8,435)	(7,109)	18.7
Net property income	19,220	21,165	(9.2)	18,575	20,521	(9.5)
Management fees	(1,691)	(1,769)	(4.4)	(1,691)	(1,769)	(4.4)
Trust expenses	(435)	(477)	(8.8)	(428)	(468)	(8.5)
Interest income	12	14	(14.3)	12	14	(14.3)
Borrowing costs	(5,068)	(5,488)	(7.7)	(5,068)	(5,488)	(7.7)
Non-property expenses	(7,182)	(7,720)	(7.0)	(7,175)	(7,711)	(7.0)
Net income before distributable income from subsidiary	12,038	13,445	(10.5)	11,400	12,810	(11.0)
Distribution income from subsidiary	-	-	-	483	434	11.3
Net income after distributable income from subsidiary	12,038	13,445	(10.5)	11,883	13,244	(10.3)
Change in fair value of financial derivatives	(e) -	(64)	(100.0)	-	(64)	(100.0)
Change in fair value of investment properties	(f) (386)	(838)	(53.9)	(40)	(442)	(91.0)
Total return for the period before income tax and distribution	11,652	12,543	(7.1)	11,843	12,738	(7.0)
Less: Income tax expense*	-	-	-	-	-	-
Total return for the period after income tax before distribution	11,652	12,543	(7.1)	11,843	12,738	(7.0)

*Amounts less than S\$1,000

Distribution Statements

Note	Group			Trust		
	2Q2017 S\$'000	2Q2016 S\$'000	Inc/ (Dec) %	2Q2017 S\$'000	2Q2016 S\$'000	Inc/ (Dec) %
Total return for the period after income tax before distribution	11,652	12,543	(7.1)	11,843	12,738	(7.0)
Net effect of non-tax deductible items	(g) 814	1,531	(46.8)	623	1,336	(53.4)
Net income available for distribution for the period	12,466	14,074	(11.4)	12,466	14,074	(11.4)
Distribution per unit (cents):						
For the period	(h) 0.956	1.078	(11.3)	0.956	1.078	(11.3)
Annualised	3.824	4.312	(11.3)	3.824	4.312	(11.3)

Notes:

- (a) ESR-REIT registered gross revenue of S\$27.7 million and net property income of S\$19.2 million for 2Q2017, representing respective 2.2% and 9.2% decrease on the corresponding quarter last year.

The lower net property income in 2Q2017 was mainly driven by the following:

- loss of revenue during the transition phase of the properties moving from single-tenanted to multi-tenanted;
- increase in property operating expenses (property tax, land rental, maintenance costs and other property expenses) as a result of the above conversions;
- higher maintenance costs;
- property divestments in FY2016; and
- one-off accrual of costs related to the fire at 30 Toh Guan Road.

- (b) The Manager has elected to receive its management fee wholly in cash for 2Q2017. Management fee decreased in 2Q2017 due to lower assets under management.
- (c) Trust expenses comprised statutory expenses, professional fees, compliance costs, listing fees and other non-property related expenses. Trust expenses for 2Q2017 were lower mainly due to lower statutory and consultancy fees than 2Q2016.

- (d) Borrowing costs, which comprised loan interest expense and amortised loan transaction costs of establishing debt facilities, were lower in 2Q2017 due to lower borrowings and lower transaction costs.

Please refer to 1(b)(ii) for more details on borrowings.

- (e) Relates to the change in fair value of interest rate swaps which were unwound in 2Q2016.
- (f) Relates to the adjustment of straight line rent. It is non-tax deductible and has no impact on the net income available for distribution.
- (g) Non-tax deductible items (distribution adjustments)

	Group		Trust	
	2Q2017 S\$'000	2Q2016 S\$'000	2Q2017 S\$'000	2Q2016 S\$'000
<u>Non-tax deductible items and other adjustments:</u>				
Trustee's fees	93	96	93	96
Transaction costs relating to debt facilities	387	747	387	747
Change in fair value of investment properties	386	838	40	442
Change in fair value of financial derivatives	-	64	-	64
Professional fees	7	34	7	34
Straight line rent and lease incentives	(227)	(380)	(71)	(176)
Miscellaneous expenses	168	132	167	129
Net effect of non-tax deductible items	814	1,531	623	1,336

- (h) The total distributable amount of S\$12.5 million, based on 1,304.4 million units which were entitled to the distribution for the quarter, translates to a DPU of 0.956 cents for 2Q2017 which is 11.3% below 2Q2016 DPU.

Statements of Total Return (1H2017 vs 1H2016)

Note	Group			Trust			
	1H2017 S\$'000	1H2016 S\$'000	Inc/ (Dec) %	1H2017 S\$'000	1H2016 S\$'000	Inc/ (Dec) %	
Gross revenue	55,412	56,660	(2.2)	54,090	55,343	(2.3)	
Property manager's fees	(3,028)	(2,592)	16.8	(2,991)	(2,557)	17.0	
Property tax	(3,317)	(3,305)	0.4	(3,317)	(3,305)	0.4	
Land rental	(4,400)	(4,139)	6.3	(4,400)	(4,139)	6.3	
Other property expenses	(5,755)	(3,966)	45.1	(5,752)	(3,957)	45.4	
Property expenses	(16,500)	(14,002)	17.8	(16,460)	(13,958)	17.9	
Net property income	38,912	42,658	(8.8)	37,630	41,385	(9.1)	
Management fees	(3,360)	(3,535)	(5.0)	(3,360)	(3,535)	(5.0)	
Trust expenses	(817)	(942)	(13.3)	(803)	(920)	(12.7)	
Interest income	23	19	21.1	23	19	21.1	
Borrowing costs	(10,078)	(10,540)	(4.4)	(10,078)	(10,539)	(4.4)	
Non-property expenses	(14,232)	(14,998)	(5.1)	(14,218)	(14,975)	(5.1)	
Net income before distributable income from subsidiary	24,680	27,660	(10.8)	23,412	26,410	(11.4)	
Distribution income from subsidiary	-	-	-	923	863	7.0	
Net income after distributable income from subsidiary	24,680	27,660	(10.8)	24,335	27,273	(10.8)	
Change in fair value of financial derivatives	(e)	-	(493)	(100.0)	-	(493)	(100.0)
Change in fair value of investment properties	(f)	(386)	(838)	(53.9)	(40)	(442)	(91.0)
Total return for the period before income tax and distribution	24,294	26,329	(7.7)	24,295	26,338	(7.8)	
Less: Income tax expense*	-	-	-	-	-	-	
Total return for the period after income tax before distribution	24,294	26,329	(7.7)	24,295	26,338	(7.8)	

*Amounts less than S\$1,000

Distribution Statements

Note	Group			Trust		
	1H2017 S\$'000	1H2016 S\$'000	(Dec) %	1H2017 S\$'000	1H2016 S\$'000	(Dec) %
Total return for the period after income tax before distribution	24,294	26,329	(7.7)	24,295	26,338	(7.8)
Net effect of non-tax deductible items	(g) 1,278	2,257	(43.4)	1,277	2,248	(43.2)
Net income available for distribution for the period	25,572	28,586	(10.5)	25,572	28,586	(10.5)
Distribution per unit (cents):						
For the period	(h) 1.960	2.190	(10.5)	1.960	2.190	(10.5)
Annualised	3.920	4.380	(10.5)	3.920	4.380	(10.5)

Notes:

- (a) ESR-REIT registered gross revenue of S\$55.4 million and net property income of S\$38.9 million for 1H2017, representing respective 2.2% and 8.8% decrease on the corresponding 1H2016.

The lower net property income in 1H2017 was mainly driven by the following:

- loss of revenue during the transition phase of the properties moving from single-tenanted to multi-tenanted;
- increase in property operating expenses (property tax, land rental, maintenance costs and other property expenses) as a result of the above conversions;
- higher maintenance costs;
- property divestments in FY2016; and
- one-off accrual of costs related to the fire at 30 Toh Guan Road.

- (b) The Manager has elected to receive its management fee wholly in cash for 1H2017. Management fee decreased due to lower assets under management.

- (c) Trust expenses comprised statutory expenses, professional fees, compliance costs, listing fees and other non-property related expenses. Trust expenses for 1H2017 were lower mainly due to lower statutory and consultancy fees than 1H2016.

- (d) Borrowing costs, which comprised loan interest expense and amortised loan transaction costs of establishing debt facilities, were lower in 1H2017 due to lower borrowings and lower transaction costs.

Please refer to 1(b)(ii) for more details on borrowings.

- (e) Relates to the change in fair value of interest rate swaps which were unwound in 2Q2016.
- (f) Relates to the adjustment for straight line rent. It is non-tax deductible and has no impact on the net income available for distribution.
- (g) Non-tax deductible items (distribution adjustments)

	Group		Trust	
	1H2017 S\$'000	1H2016 S\$'000	1H2017 S\$'000	1H2016 S\$'000
<u>Non-tax deductible items and other adjustments:</u>				
Trustee's fees	184	191	184	191
Transaction costs relating to debt facilities	785	1,152	785	1,152
Change in fair value of investment properties	386	838	40	442
Change in fair value of financial derivatives	-	493	-	493
Professional fees	43	68	43	68
Straight line rent and lease incentives	(433)	(838)	(86)	(442)
Miscellaneous expenses	313	353	311	344
Net effect of non-tax deductible items	1,278	2,257	1,277	2,248

- (h) The total distributable amount of S\$25.6 million, based on 1,304.4 million units which were entitled to the distribution for 1H2017, translates to a DPU of 1.960 cents for 1H2017 which is 10.5% below the DPU in 1H2016.

1(b)(i) Statements of Financial Position, together with comparatives as at the end of the immediately preceding financial year

Note	Group		Trust		
	30-06-17 S\$'000	31-12-16 S\$'000	30-06-17 S\$'000	31-12-16 S\$'000	
Assets					
Non-current assets					
	(a)	1,301,856	1,332,000	1,261,856	1,292,000
	(b)	-	-	25,206	25,206
		1,301,856	1,332,000	1,287,062	1,317,206
Current assets					
	(a)	56,626	22,000	56,626	22,000
	(c)	7,616	9,278	7,823	9,867
		3,702	3,699	2,915	2,517
		67,944	34,977	67,364	34,384
		1,369,800	1,366,977	1,354,426	1,351,590
Liabilities					
Current liabilities					
	(d)	18,334	21,464	18,266	21,384
		18,334	21,464	18,266	21,384
Non-current liabilities					
	(d)	9,165	8,894	8,935	8,664
	(e)	517,067	509,590	517,067	509,590
		526,232	518,484	526,002	518,254
		544,566	539,948	544,268	539,638
		825,234	827,029	810,158	811,952
Represented by:					
		825,234	827,029	810,158	811,952

Notes:

- (a) The total carrying values of investment properties and investment properties held for divestment were S\$1,358.5 million as at 30 June 2017. The net increase was mainly attributable to capital expenditure (“capex”) and asset enhancement initiatives of S\$4.5 million during 1H2017.

As at 30 June 2016, three investment properties were classified as investment properties held for divestment. This classification is required by *FRS 105 – Non-current Assets held for Sale and Discontinued Operations* as the divestments are planned within the next 12 months from the reporting date.

- (b) At the Trust level, the cost of investment in wholly-owned subsidiaries comprises Cambridge LLP, ESR-MTN and Cambridge SPV2, which are eliminated at the consolidated level.
- (c) Trade and other receivables decreased by S\$1.7 million mainly due to lower rent receivables and amortisation of deferred marketing service fees.
- (d) Trade and other payables decreased by S\$2.9 million mainly due to the payment of fees and capex.
- (e) Borrowings are stated net of unamortised transaction costs. The increase in the interest-bearing borrowings as at 30 June 2017 resulted from net drawdown of S\$7.0 million from the revolving credit facility to fund capex payments in 1H2017.

1(b)(ii) Aggregate amount of borrowings

Note	Group and Trust	
	30-06-17 S\$'000	31-12-16 S\$'000
Unsecured borrowings		
Amount payable after one year	519,500	512,500
Less: Unamortised loan transaction costs	(2,433)	(2,910)
Total unsecured borrowings	517,067	509,590
Total borrowings	517,067	509,590

Details of borrowings and collateral:

(a) Unsecured borrowings

The unsecured borrowings of the Group comprise:

- (i) the following notes issued under its S\$750 million Multicurrency Debt Issuance Programme:
- S\$30 million six-year Singapore Dollar MTN in series 002 (the "Series 002 Notes") issued in April 2014 and maturing in April 2020. The Series 002 Notes have a fixed interest rate of 4.10% per annum payable semi-annually in arrears;
 - S\$155 million four-year Singapore Dollar MTN in series 003 comprising Tranche 1 S\$100 million Notes issued in November 2014 and Tranche 2 S\$55 million Notes issued in January 2015 respectively. These notes tranches, which were issued and consolidated to form a single series (the "Series 003 Notes"), have a fixed interest rate of 3.50% per annum payable semi-annually in arrears and mature in November 2018;
 - S\$130 million five-year Singapore Dollar MTN in series 004 (the "Series 004 Notes") issued in May 2015 and maturing in May 2020. The Series 004 Notes have a fixed interest rate of 3.95% per annum payable semi-annually in arrears; and
 - S\$50 million seven-year Singapore Dollar MTN in series 005 (the "Series 005 Notes") issued in May 2016 and maturing in May 2023. The Series 005 Notes have a fixed interest rate of 3.95% per annum payable semi-annually in arrears.

(ii) 4-year unsecured loan facility maturing in June 2019 (“TLF1”) consisting of:

- Facility A: S\$100 million term loan facility at a fixed interest rate of 3.60% per annum for 3.5 years from the date of loan drawn down; and
- Facility B: S\$50 million revolving credit facility at an interest rate of margin plus swap offer rate.

A total of S\$117.0 million was drawn down on the TLF1 as at 30 June 2017.

(iii) 4.75-year unsecured loan facility maturing in June 2021 (“TLF2”) consisting of:

- Facility A: S\$25 million term loan facility at an interest rate of margin plus swap offer rate, for 4.75 years from the date of loan drawn down; and
- Facility B: S\$75 million revolving credit facility at an interest rate of margin plus swap offer rate.

A total of S\$37.5 million was drawn down on the TLF2 as at 30 June 2017.

(c) Unencumbered investment properties

As at 30 June 2017, the Group has 49 unencumbered investment properties with a combined carrying value of approximately S\$1.36 billion, representing 100% of the investment properties by value.

1 (c) Statements of Cash Flows

Note	Group			
	2Q2017 S\$'000	2Q2016 S\$'000	1H2017 S\$'000	1H2016 S\$'000
Cash flows from operating activities				
Total return for the period before income tax and distribution	11,652	12,543	24,294	26,329
Adjustments for:				
Interest income	(12)	(14)	(23)	(19)
Borrowing costs	5,068	5,488	10,078	10,540
Change in fair value of investment properties	386	838	386	838
Change in fair value of financial derivatives	-	64	-	493
Operating income before working capital changes	17,094	18,919	34,735	38,181
Changes in working capital				
Trade and other receivables	1,333	(1,086)	1,281	(1,816)
Trade and other payables	1,825	2,020	(688)	(2,820)
Net cash generated from operating activities	20,252	19,853	35,328	33,545
Cash flows from investing activities				
Capital expenditure on investment properties	(1,705)	(1,167)	(6,671)	(3,465)
Interest received	12	14	23	19
Net cash used in investing activities	(1,693)	(1,153)	(6,648)	(3,446)
Cash flows from financing activities				
Equity issue costs paid	-	-	-	(145)
Proceeds from borrowings	(a) 8,000	50,000	17,000	60,000
Borrowing costs paid	(8,250)	(8,319)	(9,588)	(10,105)
Repayment of borrowings	(a) (6,000)	(45,500)	(10,000)	(51,500)
Distributions paid to Unitholders	(13,096)	(14,505)	(26,089)	(25,999)
Net cash used in financing activities	(19,346)	(18,324)	(28,677)	(27,749)
Net (decrease)/increase in cash and cash equivalents	(787)	376	3	2,350
Cash and cash equivalents at beginning of the period	4,489	4,630	3,699	2,656
Cash and cash equivalents at end of the period	3,702	5,006	3,702	5,006

Note:

(a) Proceeds from borrowings

Net amount of S\$2.0 million was drawn down from the revolving credit facility for 2Q2017 to fund capex payments.

1(d)(i) Statements of Movements in Unitholders' funds (2Q2017 vs 2Q2016)

	Group		Trust	
	2Q2017 S\$'000	2Q2016 S\$'000	2Q2017 S\$'000	2Q2016 S\$'000
Balance at beginning of period	826,678	875,170	811,411	861,576
Operations				
Total return for the period after income tax before distribution	11,652	12,543	11,843	12,738
Net increase in net assets resulting from operations	11,652	12,543	11,843	12,738
Unitholders' transactions				
Distributions to Unitholders	(13,096)	(14,505)	(13,096)	(14,505)
Net decrease in net assets resulting from Unitholders' transactions	(13,096)	(14,505)	(13,096)	(14,505)
Balance at end of period	825,234	873,208	810,158	859,809

Statements of Movements in Unitholders' funds (1H2017 vs 1H2016)

	Group		Trust	
	1H2017 S\$'000	1H2016 S\$'000	1H2017 S\$'000	1H2016 S\$'000
Balance at beginning of period	827,029	872,911	811,952	859,503
Operations				
Total return for the period after income tax before distribution	24,294	26,329	24,295	26,338
Net increase in net assets resulting from operations	24,294	26,329	24,295	26,338
Unitholders' transactions				
Issuance of units pursuant to:				
- Distribution Reinvestment Plan	-	3,288	-	3,288
Equity costs pursuant to:				
- Distribution Reinvestment Plan	-	(33)	-	(33)
Distributions to Unitholders	(26,089)	(29,287)	(26,089)	(29,287)
Net decrease in net assets resulting from Unitholders' transactions	(26,089)	(26,032)	(26,089)	(26,032)
Balance at end of the period	825,234	873,208	810,158	859,809

1(d)(ii) Details of any changes in the units

	Trust			
	2Q2017 Units	2Q2016 Units	1H2017 Units	1H2016 Units
Issued units at the beginning of period	1,304,434,416	1,304,434,416	1,304,434,416	1,297,775,187
Issue of new units pursuant to:				
- Distribution Reinvestment Plan	-	-	-	6,659,229
Total issued units at the end of the period	1,304,434,416	1,304,434,416	1,304,434,416	1,304,434,416

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period, and as at the end of the immediately preceding year.

The total number of issued units, excluding treasury units, as at the end of the current and the preceding financial periods are disclosed in 1(d)(ii). There were no treasury units acquired since the date of listing of ESR-REIT on 25 July 2006.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period, which are consistent with those described in the audited financial statements for the financial year ended 31 December 2016.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to item 4 above.

6 Earnings per unit (“EPU”) and distribution per unit (“DPU”) for the period

	Note	Group			
		2Q2017	2Q2016	1H2017	1H2016
EPU					
Total return after income tax before distribution for the period (S\$'000)		11,652	12,543	24,294	26,329
Weighted average number of units ('000)		1,304,434	1,304,434	1,304,434	1,302,276
Basic and diluted EPU (cents)	(a)	0.893	0.962	1.862	2.022
DPU					
Total amount available for distribution for the period (S\$'000)		12,466	14,074	25,572	28,586
Applicable number of units for calculation of DPU ('000)		1,304,434	1,304,434	1,304,434	1,304,434
DPU (cents)	(b)	0.956	1.078	1.960	2.190

Note:

- (a) The basic EPU was calculated using total return after income tax before distribution for the period and the weighted average number of units in issue during the period.

The basic and diluted EPU were the same as there were no dilutive instruments in issue during the period.

- (b) DPU was calculated using the total amount available for distribution and the number of units entitled to distribution during the period.

7 Net asset value (“NAV”) per unit based on units issued at the end of the period

	Group		Trust		
	Note	30-06-17	31-12-16	30-06-17	31-12-16
NAV (cents)	(a)	63.3	63.4	62.1	62.2

Note:

(a) NAV per unit was calculated based on the number of units issued and issuable as at the end of the respective periods.

8 Review of the performance

The review of the performance is found in Section 1(a) – Statement of Total Return and Distribution Statement and Section 1(b)(i) – Statement of Financial Position.

9 Review of the performance against Forecast/Prospect Statement

The Group has not disclosed any forecast to the market.

10. Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

(a) Significant trends and competitive conditions

Based on Press Release on 25 May 2017 by the Ministry of Trade and Industry (“MTI”), it has maintained the GDP growth forecast at “1.0 to 3.0 per cent”, with a likely growth of 2.0 per cent except for the materialisation of downside risks.

Singapore’s Purchasing Managers’ Index (“PMI”) for May 2017 posted a reading of 50.8, a dip from the 51.1 reading from the preceding month. This was attributed to contraction in employment, slower growth in factory output, new orders, new exports and inventory levels. Despite the lower readings, the manufacturing sector has recorded its 9th month of consecutive expansion. The above readings indicated that the local manufacturing sector was bolstered by strong growth in the electronics sector in spite of the continuing uncertainties in the global economy.

The overall industrial property market remains soft despite improved manufacturing sector. Global trade uncertainties, rising operating costs and increased supply coming on-stream continued to weigh down on occupancy rates, rental rates and prices of industrial space. The Jurong Town Corporation (“JTC”) 1Q 2017 Industrial Property Statistics showed that occupancy rates of multiple-user factories declined 0.3%-points Q-o-Q (0.3%-points Y-o-Y) to 87%. Amid falling demand, rental rates continued to fall with the rental indices of multiple-user factory space declining 1.1% Q-o-Q (5.2% Y-o-Y). However, it is encouraging to note that new supply forecast is expected to fall off after 2017 amidst improving macroeconomic indicators.

Measured by total rental revenue, approximately 14.8% of ESR-REIT’s leases by revenue are due for renewal in second half of FY2017, of which only 1.9% of revenue (2 properties) is from single-tenanted buildings while 12.9% is from multi-tenanted buildings.

This signals a positive shift in focus for the Manager as compared to the past few years where there was a higher proportion of single-tenanted buildings expiring. Out of the two single-tenanted buildings due for expiry in the second half of FY2017, the Manager expects to renew the lease for one property and to divest the other.

The Manager expects the leasing market to remain increasingly competitive and for ESR-REIT’s portfolio performance to be impacted by the prevailing downward pressure on rents resulting in negative rental reversions and uncertain economic conditions. Nevertheless, the Manager will continue to focus on improving asset quality and increasing the occupancy rate in the current challenging leasing market.

(b) Corporate Developments

In line with the change in the controlling shareholder of the Manager to e-Shang Infinity Cayman Limited, a subsidiary of e-Shang Redwood Limited (“ESR”) in January 2017, Cambridge Industrial Trust and its Manager were renamed on 23 June 2017 as ESR-REIT and ESR-FM accordingly.

The new names were adopted to integrate ESR’s corporate identity as the sponsor of the Trust and to leverage on ESR’s network in their business activities.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: **Forty-sixth** distribution for the period from 1 April 2017 to 30 June 2017

Distribution Type: Taxable income

Distribution Rate: 0.956 cents per unit

Par value of units: Not meaningful

Tax Rate: Taxable income distribution
The distribution is made out of ESR-REIT's taxable income. Unitholders receiving distributions will be subject to Singapore income tax on the distributions received except for individuals where the distribution is exempt from tax (unless they hold their units through partnership or as trading assets).

Books closure date: 21 July 2017

Date payable: 31 August 2017

The Manager has determined that the DRP **will apply** to the distribution for the period from 1 April 2017 to 30 June 2017.

The DRP provides the unitholders with an option to receive fully paid units in ESR-REIT in lieu of the cash amount of distribution (including any final or other distribution) which is declared on the units then held by them after the deduction of any applicable income tax. The Unitholders will receive a copy of the Notice of Election for their distribution election. The pricing of the DRP units issued will be based on the market price less a discount of 2%, to be announced by the Manager on 24 July 2017.

(b) Corresponding period of the immediately preceding year

Any distributions declared for
the previous corresponding
financial period:

Yes

Name of distribution: **Forty-second** distribution for the period from 1 April 2016 to 30 June 2016

Distribution Type: Taxable income

Distribution Rate: 1.078 cents per unit

Par value of units: Not meaningful

Tax Rate: Taxable income distribution
The distribution is made out of ESR-REIT's taxable income. Unitholders receiving distributions will be subject to Singapore income tax on the distributions received except for individuals where the distribution is exempt from tax (unless they hold their units through partnership or as trading assets).

12 If no distribution has been declared/(recommended), a statement to that effect

Not applicable.

13 If the Group has obtained a general mandate from shareholders for IPTs , the aggregate value of each transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained any IPT mandate from the Unitholders.

14 CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

The Board of Directors of the Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render these interim financial results to be false or misleading in any material respect.

15 CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Manager confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

This release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future ESR-REIT business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

Any discrepancies in the tables included in this announcement between the listed amounts and total thereof are due to rounding.

By Order of the Board
ESR Funds Management (S) Limited
(as Manager of ESR-REIT)
Company Registration No. 200512804G, Capital Markets Services Licence No. 100132-5

Adrian Chui
Chief Executive Officer
13 July 2017