CapitaLand
Commercial Trust

CAPITALAND COMMERCIAL TRUST
Annual Report 2018

WE ARE SHAPING OUR FUTURE

WE ARE
SHAPING OUR FUTURE

Grounded with the right values and learning experiences, children have the potential to develop into pillars of strength and models of success.

Similarly, grounded on firm values, responsibility, foresight and agility, CapitaLand Commercial Trust continues to succeed from strength to strength through professional excellence and value creation. It is about the way we nurture our people, build communities, curate our environment, grow our portfolio and shape our future.

OUR VISION

To be a leading commercial REIT backed by a portfolio of quality income-producing commercial buildings, and led by a dedicated and experienced management team.

OUR MISSION

To deliver long-term sustainable distribution and total returns to Unitholders.

CORPORATE PROFILE

CapitaLand Commercial Trust (CCT or the Trust) was the first and is the largest commercial (office) REIT listed on Singapore Exchange Securities Trading Limited (SGX-ST) with a market capitalisation of S$6.6 billion as at 31 December 2018. CCT aims to own and invest in commercial real estate and real estate-related assets which are largely income producing, in Singapore and key gateway cities in developed markets. CCT will remain predominantly focused in Singapore with an overseas exposure of up to 20% of its portfolio property value over time. The total deposited properties of CCT was S$11.2 billion as at 31 December 2018, comprising a portfolio of 10 prime commercial properties in Singapore and Germany, including joint ventures. CCT's overseas exposure is currently in Germany and accounts for 5% of its portfolio property value.

Listed on SGX-ST since 11 May 2004, CCT was created through a distribution in specie by CapitaLand Limited (CapitaLand) to its shareholders.

The Trust is managed by an external manager, CapitaLand Commercial Trust Management Limited (CCTML, or the Manager), which is an indirect wholly owned subsidiary of CapitaLand, one of Asia's largest real estate companies headquartered and listed in Singapore.

Any discrepancies in the tables and charts between the listed figures and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

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SHAPING OUR FUTURE WITH RESPONSIBILITY

SHAPING OUR FUTURE WITH FORESIGHT AND AGILITY

SHAPING OUR FUTURE ON **FIRM VALUES**

We shape our future on firm values of respect, integrity, creativity and excellence. We also shape our future on principles of consistent and disciplined portfolio investment and capital management to generate sustainable income and distribution growth.

This is evident through our vibrant workplace communities, our resilient asset performance, our timely investments, divestments and capital recycling, our robust balance sheet as well as our efficient property operating platform.

2018 HIGHLIGHTS

Distributable Income

S$321.7
million

S$288.9 million
FY 2017

Distribution Per Unit (DPU)

8.70
cents

8.66 cents
FY 2017

Total Deposited Properties

S$11.2
billion

S$10.8 billion as at
31 December 2017

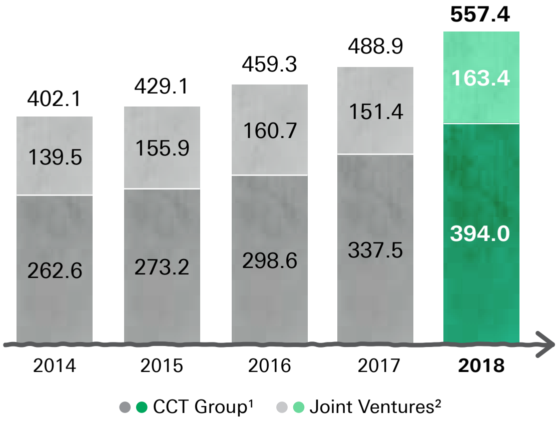
Portfolio Committed Occupancy Rate

99.4%

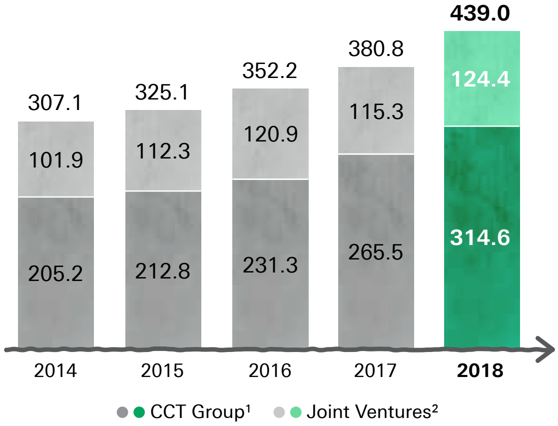
97.3% as at
31 December 2017

FINANCIAL HIGHLIGHTS

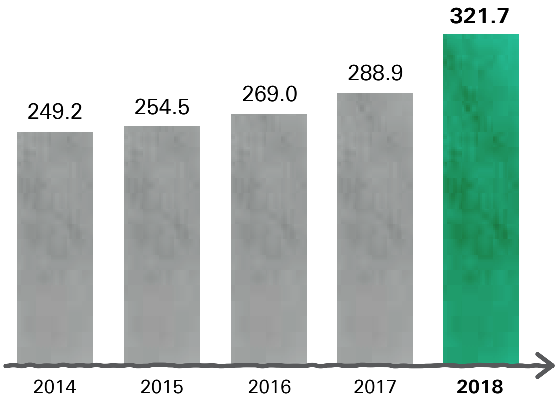
GROSS REVENUE
(S$ million)



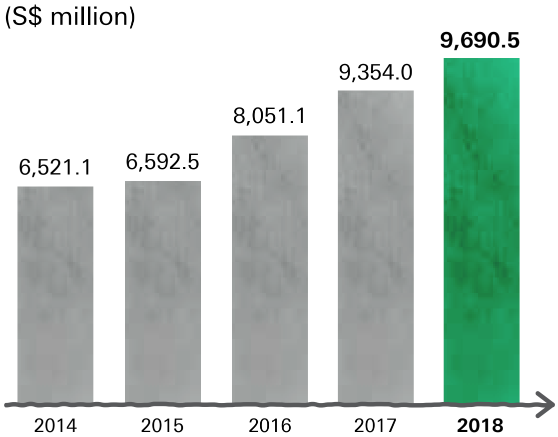
NET PROPERTY INCOME
(S$ million)



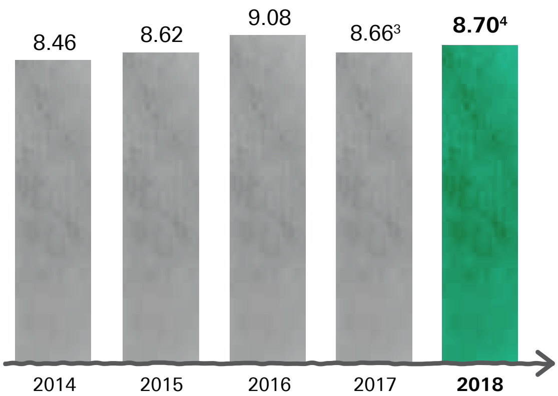
DISTRIBUTABLE INCOME
(S$ million)



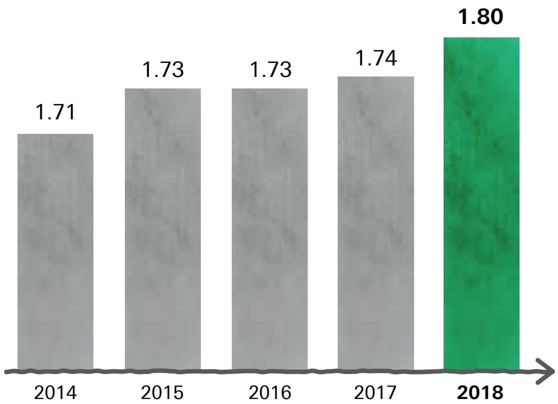
TOTAL ASSETS
(S$ million)



DISTRIBUTION PER UNIT
(cents)



ADJUSTED NET ASSET VALUE PER UNIT
(S$)



1 "CCT Group" is defined in the Glossary on pg 125.
2 Joint ventures refer to CCT's 60.0% interest in RCS Trust, 50.0% interest in OGS LLP (with effect from 20 June 2017) and 40.0% interest in MSO Trust (up to 31 August 2016).
3 FY 2017 DPU of 8.66 cents was an aggregate of 1H 2017 DPU of 4.56 cents and 2H 2017 DPU of 4.10 cents. 2H 2017 DPU of 4.10 cents was computed based on 3,608.1 million Units in issue as at 31 December 2017 which included 513.5 million rights Units issued on 26 October 2017.
4 FY 2018 DPU of 8.70 cents was an aggregate of 1H 2018 DPU of 4.28 cents and 2H 2018 DPU of 4.42 cents. 2H 2018 DPU was computed based on 3,744.4 million Units in issue as at 31 December 2018 which included 130.0 million new Units issued on 28 May 2018.

SELECTED BALANCE SHEET DATA
(S$ million)

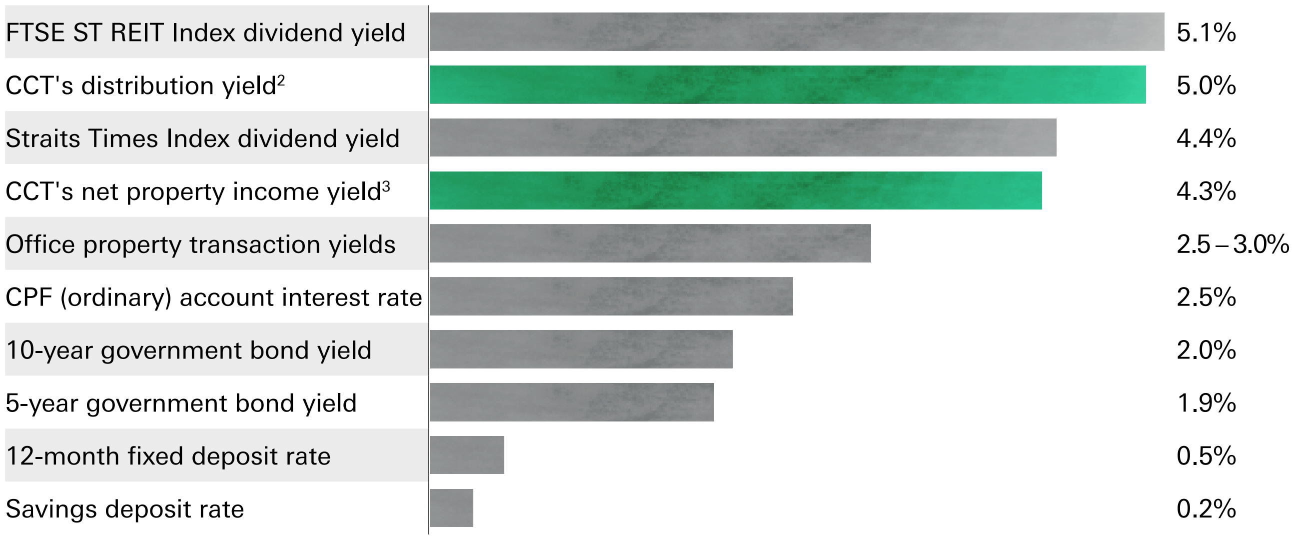
As at 31 December	2014	2015	2016	2017	2018
Portfolio Property Value[1]	7,358.5	7,478.1	8,491.9	10,394.6	**10,620.1**
Unitholders' Funds	5,153.5	5,234.1	5,278.5	6,416.9	**6,892.0**
Total Borrowings (including joint ventures)	2,182.7	2,234.8	3,289.1	3,976.6	**3,881.9**
Market Capitalisation	5,168.2	3,986.5	4,386.0	6,963.7	**6,552.8**

KEY FINANCIAL INDICATORS

As at 31 December	2014	2015	2016	2017	2018
Distribution Per Unit (cents)	8.46	8.62	9.08	8.66	**8.70**
Earnings Per Unit (cents)	15.41	10.42	8.81	18.53	**14.15**
Aggregate Leverage (%)	29.3	29.5	37.8	37.3	**34.9**
Average Term to Maturity (years)	3.9	4.2	3.2	2.4	**3.9**
Average Cost of Debt (%)	2.3	2.5	2.6	2.6	**2.6**
Interest Cover (times)	7.2	7.4	5.8	4.9	**5.4**
Management Expense Ratio (%)	0.33	0.34	0.34	0.33	**0.37**

For more details, please refer to CCT's Financial Statements and Financial Review in this report.

THE TRUST OFFERS AN ATTRACTIVE YIELD COMPARED TO OTHER INVESTMENTS
As at 31 December 2018



1 Includes CCT's proportionate interest in joint venture properties and Gallileo.
2 CCT's distribution yield was based on FY 2018 DPU of 8.70 cents over the closing price of S$1.75 on 31 December 2018.
3 CCT's net property income yield was based on FY 2018 net property income (NPI) of CCT's properties, including proportionate share of joint ventures' NPI, over the portfolio property value as at 31 December 2018. Gallileo's NPI was annualised while Twenty Anson was excluded as it was divested. CapitaSpring was not factored as it is under development.

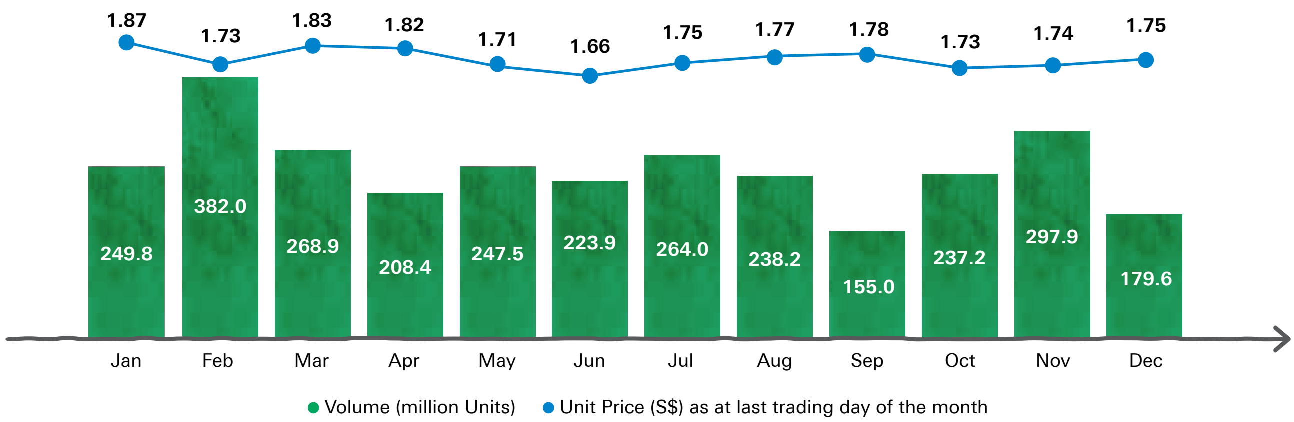
Source: Bloomberg, websites of The Central Provident Fund and Monetary Authority of Singapore and property consultants' reports

TRADING PERFORMANCE

In 2018, CCT units traded in the price range of S$1.63 to S$2.03, higher than the trading price range of S$1.49 to S$1.96 in 2017. Total trading volume for the year reached approximately 3.0 billion Units, representing an average daily trading volume of approximately 11.8 million Units. CCT's trading volume is one of the highest of all Singapore REITs and its market capitalisation was approximately S$6.6 billion as at 31 December 2018.

From the start to the end of 2018, CCT's trading performance was -9.3%, while the Straits Times Index (STI), FTSE ST Real Estate Investment Trusts (REIT) Index and FTSE ST Real Estate Index were -9.8%, -9.2% and -12.5% respectively. During the year, the market was impacted by concerns of rising interest rates and global trade, amongst others.

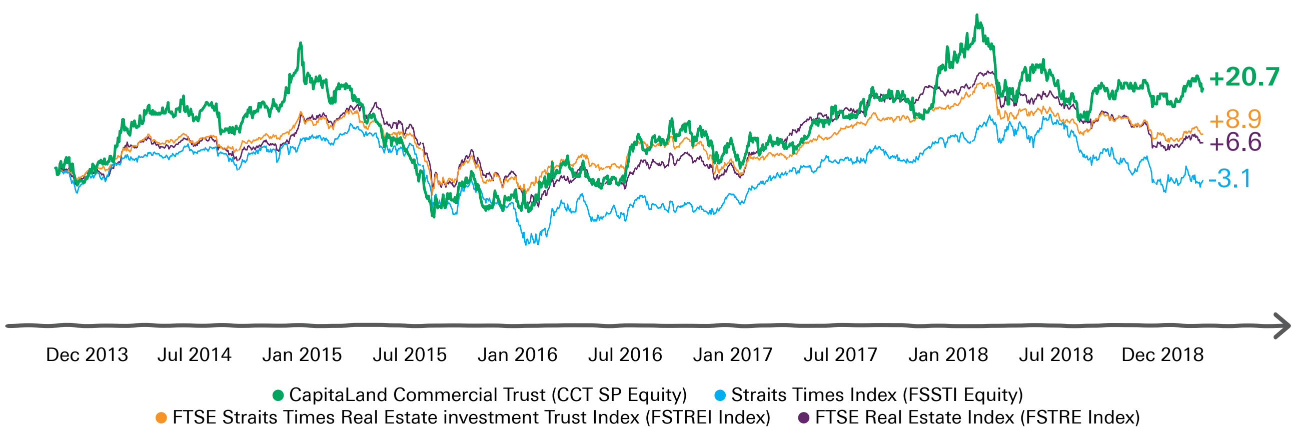
TRADING PERFORMANCE FOR 2018



CCT UNIT PRICE PERFORMANCE

	2014	2015	2016	2017	2018
Opening price on first trading day of the year (S$)	1.45	1.75	1.36	1.49	**1.94**
Closing price on last trading day of the year (S$)	1.76	1.35	1.48	1.93	**1.75**
Highest closing price (S$)	1.76	1.93	1.64	1.96	**2.03**
Lowest closing price (S$)	1.39	1.27	1.29	1.49	**1.63**
Trading Volume (million units)	1,868.3	2,306.3	2,116.1	2,406.8	**2,952.5**

FIVE-YEAR COMPARATIVE TRADING PERFORMANCE FROM 2014 – 2018



All trading information based on Bloomberg data.

YEAR IN BRIEF 2018

JANUARY

- 22 Jan - Obtained S$600.0 million bank loan facilities in aggregate to refinance existing CCT borrowings.
- 25 Jan - Reported FY 2017 distributable income of S$288.9 million and DPU of 8.66 cents.

FEBRUARY

- 9 Feb - Broke ground for CapitaSpring, a new 51-storey integrated development at Market Street (former site of Golden Shoe Car Park).

MARCH

- 5 & 21 Mar - CCT MTN Pte. Ltd. issued S$300.0 million 3.17% p.a. notes due March 2024 and S$200.0 million 3.327% notes due March 2025 under its S$2.0 billion Medium Term Note Programme.
- 14 Mar - RCS Trust issued S$275.0 million 3.20% p.a. notes due March 2025 under its US$2.0 billion Euro Medium Term Notes Programme (RCS EMTN Programme).

APRIL

- 19 Apr - CCT AGM held at The Star Gallery.
- 24 Apr - Reported 1Q 2018 distributable income of S$76.6 million.

MAY

- 17 May - Announced acquisition of 94.9% interest in Gallileo Property S.a.r.l. that holds Gallileo, a freehold Grade A office building in the Banking District of Frankfurt, Germany.
- 17 & 18 May - Raised gross proceeds of S$217.9 million through a private placement of 130.0 million new CCT units at an issue price of S$1.676 per new Unit. Private placement was 3.1 times covered.
- 17 May - Announced estimated advanced distribution of 3.49 cents for the period from 1 January 2018 to 27 May 2018.
- 28 May - Issue and listing of 130.0 million new CCT units on SGX-ST.

JUNE

- 18 Jun - Completed acquisition of 94.9% interest in Gallileo Property S.a.r.l..
- 20 Jun - Announced actual advanced distribution per Unit of 3.49 cents for the period from 1 January 2018 to 27 May 2018.
- 29 Jun - Announced divestment of Twenty Anson for S$516.0 million or S$2,503 psf.
- 29 Jun - Announced retirement of Mr Lim Ming Yan as Deputy Chairman and Non-Executive Non-Independent Director, Chairman of the Executive Committee (EC) and Member of the Corporate Disclosure Committee (CDC). Appointment of Mr Lee Chee Koon as Chairman of the EC and Mr Kevin Chee as a member of the CDC.

JULY

- 18 Jul - Received Gold award for Best Annual Report under the REITs and Business Trust category at the Singapore Corporate Awards 2018.
- 19 Jul - Reported 1H 2018 distributable income of S$156.0 million and DPU of 4.28 cents (including advanced distribution of 3.49 cents).
- 30 Jul – 3 Aug - Launched CCT's inaugural Wellness Week 2018, a workplace community initiative - attracted over 400 tenant participants.

AUGUST

- 1 Aug - CCT ranked first under the Governance Index for Trusts (GIFT) 2018.
- 6 Aug - CCT ranked second under the REIT and Business Trust category for the annual Singapore Governance and Transparency Index 2018.
- 29 Aug - Completed divestment of Twenty Anson.

SEPTEMBER

- 4 Sep - RCS Trust issued S$150.0 million 3.05% p.a. notes due September 2024 under the RCS EMTN Programme.
- 25 Sep - CCT won Runner-up for Shareholder Communications Excellence Award under REITs and Business Trust by Securities Investors Association of Singapore (SIAS).
- 28 Sep - Refinanced RCS Trust bank loan due 2019 with a S$100.0 million bank loan due 2024.

OCTOBER

- 16 Oct - Refinanced CCT EUR bank loan due 2019, with a 7-year secured fixed rate bank loan for Gallileo due 2025.
- 26 Oct - Reported 3Q 2018 distributable income of S$82.7 million.

NOVEMBER

- 8 – 13 Nov - CCT Gifts of Joy 2018 partnered Rainbow Centre Special Education schools and fulfilled the wishes of 779 students. About 300 volunteers (tenants and staff) wrapped, distributed gifts and guided students in art jamming sessions at the centres. The group also raised S$16,550 for Rainbow Centre with CapitaLand Hope Foundation donating S$10 for every fulfilled wish or every volunteer hour or completed art canvas.

MESSAGE TO UNITHOLDERS

We are pleased to report higher distributable income of S$321.7 million for FY 2018, a 11.4% increase year-on-year. Distribution per unit was 8.70 cents, 0.5% higher than 8.66 cents a year ago.

Soo Kok Leng
Chairman

Kevin Chee Tien Jin
Chief Executive Officer

Summary of Message
› FY 2018 distributable income rose 11.4% YoY to S$321.7 million
› Portfolio reconstitution with acquisition of Gallileo* and divestment of Twenty Anson
› Capturing growth opportunities in gateway cities of developed markets while remaining predominantly Singapore-focused
› Proactive and prudent capital management to optimise tenure and manage funding costs
› Continue to focus on value creation for long-term sustainable returns

* CCT acquired 94.9% interest in Gallileo.

Dear Unitholders,

We are pleased to report another positive year for CCT, achieved through our unwavering focus on value creation. Taking strides to shape our future, we improved our portfolio's committed occupancy rate, broke ground for the redevelopment of Golden Shoe Car Park – now known as CapitaSpring and acquired Gallileo, a freehold Grade A office property in Frankfurt, Germany. The latter two actions will provide the Trust with new engines of growth. We also sold Twenty Anson at a premium over its book value and utilised the divestment proceeds to pare down borrowings and lower CCT's aggregate leverage. With the Trust's enhanced financial flexibility, we will be able to better optimise and grow our portfolio.

ROBUST FINANCIAL RESULTS

We are pleased to report higher distributable income of S$321.7 million for FY 2018, a 11.4% increase year-on-year (YoY). Distribution per Unit was 8.70 cents, 0.5% higher than 8.66 cents a year ago. Gross revenue and net property income for the year rose by 16.7% and 18.5% YoY respectively. The strong performance was mainly due to the strategic acquisitions and divestments completed over the last two years.

As at 31 December 2018, CCT's total deposited property value was S$11.2 billion, 4.0% above the deposited property value of S$10.8 billion as at 31 December 2017. Its adjusted net asset value per Unit (excluding distributable income payable to Unitholders) was 3.4% higher at S$1.80 from S$1.74 a year ago.

We attribute these positive results and virtuous cycles achieved over the years to the strong support of Unitholders for CCT's vision and effective strategies executed by our dedicated teams. These are strategies that involve a disciplined approach to managing CCT's portfolio of quality assets, timely decisions to acquire, divest and develop properties to maximise the Trust's income, and underpinned by prudent and proactive capital management. These are sound business fundamentals that have carried us through since our listing in 2004.

NEW GROWTH HORIZON AND UNLOCKING VALUE

The acquisition of a 94.9% interest in Gallileo in Frankfurt, Germany for an agreed property value of EUR337.8 million (approximately S$531.3 million[1]) and at a net property income yield of 4.0% was a strategic move by CCT to deliver on its promise to create sustainable, long-term value for its Unitholders. Having grown over the years to become the largest office landlord in Singapore's Central Business District (CBD) by net lettable area (NLA), CCT looked for new growth horizons and invested in Germany, one of the world's largest economies, leveraging our sponsor, CapitaLand Group's expertise and network.

Gallileo offers a good strategic fit as a stable asset with an established anchor tenant on a long-term lease. Foreign exchange risk was mitigated as the investment was funded primarily through borrowings in Euros, while its property income continues to be hedged on a rolling four quarters basis.

With the inclusion of Gallileo, CCT's portfolio property value has increased to S$10.6 billion as at 31 December 2018 from S$9.9 billion[2] a year ago, with a 5% exposure to Germany. CCT looks to allocate up to 20% of our portfolio property value overseas while remaining predominantly focused in Singapore.

In Singapore, our integrated development on Market Street broke ground in February 2018 and is on track to be completed in 1H 2021. We chose the name "CapitaSpring" to capture its vantage as the epicentre where ideas spring forth and to emote the lushness of the building's iconic green oasis. To provide a longer term growth pipeline, CCT has a call option to acquire the commercial component of CapitaSpring from our joint venture partners within five years of receipt of Temporary Occupation Permit.

The divestment of Twenty Anson is another clear example of our strategy to unlock value from properties that have reached an optimal stage of their life cycle. The sale consideration of S$516.0 million was 19.2% above the property's 31 December 2017 valuation of S$433.0 million, and 20.0% higher than CCT's property price of S$430.0 million in 2012.

PROACTIVE AND PRUDENT CAPITAL MANAGEMENT

The success of our portfolio management and reconstitution strategy is underpinned by proactive and prudent capital management. In 2018, in view of the expected uptrend in interest rates, the Trust concluded total debt financing of S$2.2 billion. This included the refinancing of S$1.1 billion of bank facilities due in 2019 with longer-tenure borrowings maturing from 2022 to 2025.

1 Singapore dollar amount for reference only, based on an exchange rate of EUR1 to S$1.5728 as at 19 June 2018.
2 Excluding Twenty Anson, which was divested on 29 August 2018, and Bugis Village, which is reclassified under "Asset Held for Sale".

MESSAGE TO UNITHOLDERS

CCTML's Board and team, the Trustee as well as advisers at CCT's Annual General Meeting 2018

For the acquisition of the Trust's 94.9% interest in Gallileo Property S.a.r.l. which holds Gallileo, the Trust raised gross equity proceeds of S$217.9 million through a private placement and obtained an aggregate of EUR341.6 million of fixed rate bank loans with tenures of five and seven years. The total funds raised were used to acquire Gallileo and refinance existing Singapore dollar bank borrowings. In addition, following the divestment of Twenty Anson, S$500.0 million was used to pre-pay existing higher interest rate Singapore dollar borrowings.

These activities strengthened the financial position of the Trust - CCT's aggregate leverage was lowered to 34.9% as at 31 December 2018 (37.3% as at 31 December 2017), comfortably below the regulatory limit of 45.0%; weighted average term to maturity was extended to 3.9 years, an improvement from 2.4 years at the end of FY 2017; and the weighted average cost of debt remained at 2.6%, notwithstanding higher market interest rates.

RESILIENT PORTFOLIO PERFORMANCE

The Trust manages its leasing risks through forward lease renewals and proactive tenant retention. In FY 2018, approximately one million square feet (sq ft) of new and renewal leases were signed, of which 22% were new. Significantly, we retained our long standing tenant, J.P. Morgan within our portfolio, signing them on as our first tenant at CapitaSpring for 24.0% of the office NLA. Over at 21 Collyer Quay (HSBC Building), HSBC extended its lease to April 2020, at a total annual rent of S$27.7 million representing a 35.0% increase in rent for the property.

Since acquiring Asia Square Tower 2 in November 2017, we have ramped up its committed occupancy to 98.1% as at end 2018, compared to 90.5% a year ago. Office space at both Asia Square Tower 2 and Capital Tower were leased at market rents to a joint venture between CapitaLand and The Work Project, to offer flexible space solutions. The initiative is part of CapitaLand's 'office of the future' ecosystem aimed at meeting evolving workspace needs through an integrated offering of conventional office (core) and flexible workspace (flex) that are tech-enabled and community driven.

As at end 2018, the Trust's committed occupancy for the Singapore portfolio was 99.3%, well above the market occupancy level of 94.8%. The committed portfolio occupancy for Singapore and Germany was 99.4%.

Other operational highlights include the completion of a S$54.0 million refurbishment programme at Raffles City Singapore in March 2018 that has rejuvenated and enhanced the shopping experience at the mall.

OPPORTUNITIES AND CHALLENGES

Singapore's average monthly Grade A office rent has risen by 14.9% from S$9.40 per sq ft as at end 2017 to S$10.80 per sq ft as at end 2018 according to CBRE. Property consultants expect Grade A office rentals to grow by 8% to 10% in 2019 given the limited supply pipeline in Singapore's CBD. This will close the gap between expiring and new and renewal rents to be committed for leases expiring in 2019 and drive more positive rental reversions for CCT in the year ahead.

Bugis Village will be returned to the State on 1 April 2019 and CCT will receive a compensation sum of S$40.7 million. Subsequent to that, CCT signed a one-year lease with the State to manage the property from April 2019 to March 2020 with a projected net income of S$1.0 million.

On the investment front, we will continue to explore opportunities in Singapore and Germany, capturing growth opportunities in gateway cities of developed markets while remaining predominantly Singapore focused.

We are closely monitoring the global political and macroeconomic environment and are cognisant of potential risks that may stem from ongoing trade disputes and the knock-on dampening effect on the global economy. In line with our Enterprise Risk Management Framework, we will proactively assess and mitigate these risks accordingly.

BUILDING VIBRANT COMMUNITIES

We continue to engage our stakeholders actively with signature events organised throughout the year to foster closer relationships with our tenants and create vibrant communities. The inaugural Wellness Week 2018 was an initiative to encourage fitness and personal well-being in the workplace. Over 400 tenant participants joined the community activities held in the last week of July 2018.

In partnership with Rainbow Centre Singapore, the wishes of 779 students from two schools were fulfilled through CCT Gifts of Joy 2018. Close to 300 CapitaLand employees and CCT tenants volunteered time to wrap and distribute gifts and enjoyed art jamming sessions with the students. S$16,550 was raised for Rainbow Centre through the event, with CapitaLand Hope Foundation donating S$10 for every fulfilled wish or volunteer hour or completed art canvas.

Catering to a younger and increasingly tech-savvy tenant base, the pilot CapitaStar@Work mobile application was introduced. This application enables CCT's Singapore office community to register for events, connect with each other and access building amenities in the future.

AWARDS AND RECOGNITION

Key accolades garnered by CCT in FY 2018 included the following:

- Singapore Corporate Awards – Best Annual Report (Gold) under the REITS and Business Trusts category;
- Securities Investors Association (Singapore) 19th Investors' Choice Awards – Shareholder Communication Excellence Award (Runner-up) under the REITs and Business Trust category;
- Governance Index for Trusts (GIFT) – ranked joint first place under the REIT and Business Trust category, with a total score of 79.0;
- Singapore Governance and Transparency Index by the Centre for Governance, Institutions and Organisations, NUS Business School – ranked second place under the REIT and Business Trust category, with a total score of 95.7.

ACKNOWLEDGEMENTS

We take this opportunity to thank our fellow Directors, and in particular, our Deputy Chairman and Non-Executive Non-Independent Director, Mr Lim Ming Yan, who retired on 1 July 2018 after having served on the CCT Board since January 2013. We are indeed grateful to Ming Yan for his invaluable contributions and guidance in our endeavours to grow CCT to its fullest potential.

We would also like to thank the CCT team for their hard work and dedication as well as our tenants and partners for their continuous support. Last but not least, we are especially grateful to our Unitholders for their trust in our stewardship of CCT.

Soo Kok Leng
Chairman

Kevin Chee Tien Jin
Chief Executive Officer

15 February 2019

致信托单位持有人之信函

摘要

- 2018年可分配收入比去年同期增长11.4%至3.217亿新元
- 通过收购Gallileo* 和出售安顺二十来进行资产重组合
- 在专注新加坡的同时，把握在发达国家门户城市的增长商机
- 积极、谨慎的资本管理，优化贷款期限和管理融资成本
- 继续专注于价值创造以实现长期可持续回报

*凯德信托收购Gallileo 94.9%的权益

尊敬的信托单位持有人，

我们很高兴汇报凯德商务产业信托（简称凯德信托）通过专注价值创造又取得一年的佳绩。在塑造凯德信托未来的同时，我们提高了资产组合的出租率，为金鞋停车场（现称CapitaSpring，凯源中心）举行了奠基仪式，以及收购了位于德国法兰克福的永久地契甲级办公楼Gallileo。后两项资产将为凯德信托提供新的增长动力。我们还以高于账面价值的价格出售安顺二十，并利用出售的收益削减银行贷款和降低资产负债比率。随着财务灵活性的增强，我们能够更好地优化和发展资产组合。

稳健的财务业绩

我们很高兴报告2018年可分配收入的3.217亿新元，同比年增长了11.4%。每单位派息为8.70新分，比去年的8.66新分高出0.5%。本年度的总收入和房地产净收入分别同比增长16.7%和18.5%。强劲的表现主要是由于过去两年完成的战略性产业收购和及时的 产业出售。

截至2018年12月31日，凯德信托的投资组合价值为112亿新元，比去年的108亿新元高出4.0%。调整后的每单位资产净值（不包括可派发收入）为1.80新元，比2017年的1.74新元高出3.4%。

这些优异成绩和良性循环都归功于信托单位持有人对凯德信托愿景的强力支持，以及团队们所专注执行的有效战略。我们的策略是以谨慎、积极的资本管理为本，有纪律地经营优质资产组合与及时收购，出售和开发产业来大幅度地提高收入。这些都是凯德信托自2004年上市以来扎实的业务根基。

新的增长领域与释放价值

为了履行创造可持续的长期价值的承诺，凯德信托的一项战略举措是以3.378亿欧元（约合5.313亿新元[1]）的资产价值和4.0%的净资产收益率收购位于德国法兰克福的 Gallileo 94.9%的权益。业务在历年逐渐取得增长进而成为新加坡中央商务区拥有最大的可租用净面积办公室业主之后，我们利用凯德集团的专业知识和国际网络寻找新的增长视野，并对全球最大经济体之一的德国进行投资。

Gallileo产业长期租赁给一家有悠久商业运营的主要租户。此资产稳定，与我们的资产组合有良好的战略契合。由于投资此项目的资金主要来自欧元贷款，而资产收入持续以四季度滚动方式进行套期保值，因此降低了外汇风险。

随着Gallileo的加入，凯德信托的资产组合价值从一年前的99亿新元[2]增加至2018年12月31日的106亿新元，而德国投资资产比例则占了5%。在以新加坡为主打市场的同时，我们希望海外的业务能够逐渐达到资产组合价值的20%。

1 以2018年6月19日1.00欧元 对1.5728新元的汇率
2 不包括在2018年8月29日出售的安顺二十以及被重新归类为“出售资产”的武吉士村

> 我们很高兴报告2018年可分配收入的3.217亿新元，同比年增长了11.4%。每单位派息为8.70新分，比去年的8.66新分高出0.5%。

在新加坡，马吉街的综合发展项目于2018年2月破土动工，有望在2021年上半年竣工。我们选择了“凯源中心 - CapitaSpring”这个名称来显示此建筑将以创意为中心而泉涌而至的点子，以及标志性的青葱绿洲。为了提供长期增长渠道，凯德信托拥有认购期权，可在取得临时入伙准证后的五年内从合资伙伴处收购凯源中心其余不属于凯德信托的商业成分。

另一个释放价值战略的例子是出售已至产业生命周期最佳阶段的安顺二十。我们以5.16亿新元出售物业，比2017年12月31日4.33亿新元的估值高出了19.2%，也比2012年凯德信托4.3亿新元的产业购买价高出20%。

积极谨慎的资本管理

我们通过积极、谨慎的资本管理巩固了资产组合管理和重组战略的成功。在2018年，鉴于预期的利率上升趋势，凯德信托完成了22亿新元的债务融资。其中包括了以更长期，2022年到2025年到期的贷款为2019年到期的11亿新元银行贷款进行再融资。

为收购持有Gallileo 的 Gallileo Property S.a.r.l. 的94.9%权益，我们通过私募方式筹集了2.179亿新元的总股本，并获得总额为3.416亿欧元期限为5年和7年的固定利率银行贷款。所得的款项用于收购Gallileo和对现有的新加坡元银行贷款进行再融资。出售安顺二十所得的5亿新元则用在预付现有的较高利率新加坡元贷款。

这些融资活动增强了凯德信托的财务状况。2018年12月31日的资产负债比率被减至34.9%（2017年同期为37.3%），低于法定限额的45.0%。加权平均到期期限被延长至3.9年，比2017年底的2.4年更好。尽管市场利率走高，凯德信托加权平均债务成本仍维持在2.6%。

坚韧的资产组合业绩

我们通过提前续租和主动保留租户来降低租赁风险。在2018年，我们签署了大约100万平方英尺的租约，其中22%是新租约。值得一提的是我们保留了长期租户摩根大通，与其签署了租约，成为凯源中心的首位租户。该租约占凯源中心24.0%的办公楼面积。在哥烈码头二十一号（即汇丰大厦），汇丰银行延长租约至2020年4月，年租金总额为2770万新元，相等于35.0%的租金增幅。

自2017年11月收购亚洲广场第二大厦以来，我们已把其出租率从一年前的90.5%提升到2018年底的98.1。亚洲广场第二大厦和资金大厦的办公空间以市场租金率租赁给凯德集团和The Work Project之间的合资企业，以便提供灵活的办公空间解决方案。这计划是凯德集团“未来办公”生态系统的一部分。目的在于综合提供典型和灵活的办公空间，还有运用科技及推广社群活动的方案，以应对正在不断改变的办公场所的需求。

凯德信托新加坡资产组合2018年底的出租率为99.3，远高于市场的94.8%。新加坡和德国的总资产组合的出租率则为99.4%。

其他业务重点包括在2018年3月竣工，耗资5400万新元的莱佛士城购物中心翻新计划。该计划重新振兴莱佛士城并提升商场的购物体验。

商机与风险

根据世邦魏理仕的数据，新加坡甲级办公楼的平均每个月租金从2017年底的每平方英尺9.4新元上涨了14.9%达至2018年底的每平方英尺10.8新元。鉴于新加坡中央商务区的有限的新办公楼供应，物业专家预计在2019年，甲级办公楼的租金将会增长8%至10%。这将缩小凯德信托即将签署的新约和续约租金与2019年到期的租约租金之间的差距，并为未来一年带来更多的租金回升。

致信托单位持有人之信函

新加坡土地管理局将于2019年4月1日收回武吉士村。为此，凯德信托将获得一笔4070万新元的补偿金。土地管理局也与凯德信托签订了为期一年的租约，凯德信托将从2019年4月至2020年3月管理这项资产，净收入预计为100万新元。

在投资方面，我们将继续探索新加坡和德国的商机，在专注新加坡业务发展的同时，把握在发达国家门户城市的增长商机。

我们密切地关注全球政治和宏观经济环境的趋势，也意识到可能由持续的贸易争端所引起的潜在风险以及对全球经济的严重影响。我们会依据企业风险管理框架，主动评估和降低风险。

建立活跃的社区

我们继续以在全年举办的标志性活动积极的联系利益相关者，与租户们促进更紧密的关系和创建充满活力的社区。首届的2018健康周提倡工作场所健身和个人健康。超过四百名租户参加了2018年7月下旬所举办的社区活动。

我们与彩虹中心合作，通过凯德信托 Gifts of Joy 2018，实现了来自中心的两所学校779名学生的愿望。接近三百名凯德员工和凯德信托的租户自愿参与活动，分别包装和分发礼物，以及和学生们一起享受即兴艺术的乐趣。通过这项活动，凯德希望基金为每个完成的愿望或每个志愿小时或每幅完成的艺术作品所作出10新元捐款，总共为彩虹中心筹集了16,550新元。

自愿者与彩虹中心学生共创的即兴艺术

为了迎合年轻且科技精熟的租户群，CapitaStar@Work试点移动应用程序应运而生。凯德信托的新加坡的租户可以通过程序更方便地报名参加社区活动，联系其他租户以及在未来租赁办公楼共享设施。

表彰

凯德信托在2018年获得的主要荣誉包括：

- 新加坡企业奖-房地产投资信托和商业信托组别的最佳年度报告金奖；
- 新加坡证券投资者协会第十九届投资者的选择-房地产投资信托和商业信托组别的股东传播卓越奖亚军；
- 信托监管指数（GIFT）-房地产投资信托和商业信托组别联名第一，总分79.0；
- 新加坡国立大学商学院管理、机构和组织中心的新加坡治理与透明度指数-房地产和商业信托组别排名第二，总分95.7。

致谢

我们借此机会感谢我们的董事，尤其是副董事长兼非执行、非独立董事林明彦先生。林先生自2013年1月起在凯德信托董事会任职，于2018年7月1日退休。我们非常感谢林先生的宝贵贡献，领导我们充分实现凯德信托的价值。

我们也要感谢全体员工的辛勤努力和奉献，以及租户和合作伙伴们一如既往的支持。最后，我们要特别感谢单位持有人对我们管理凯德信托的信任。

司徒国玲
主席

徐添锦
首席执行官

2019年2月15日

PROPERTY PORTFOLIO


1


2


3


4


5


6

1 Capital Tower
2 Asia Square Tower 2
3 CapitaGreen
4 Six Battery Road
5 One George Street
6 Raffles City Singapore
7 21 Collyer Quay (HSBC Building)
8 Bugis Village
9 CapitaSpring *(artist's impression)*
10 Gallileo

7

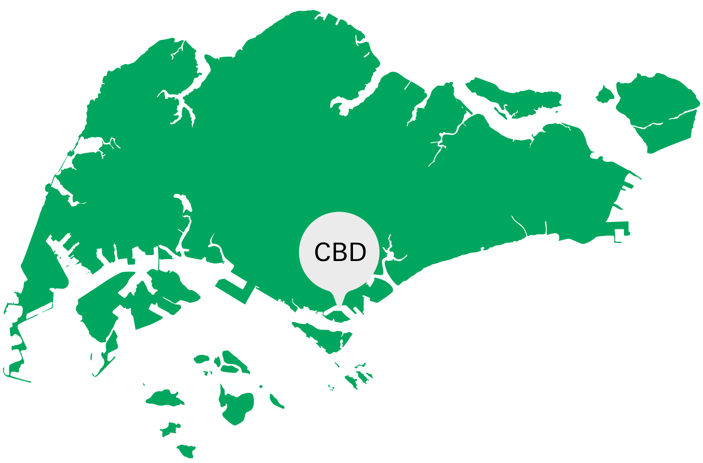

8


9


10

PROPERTY PORTFOLIO

SINGAPORE



1. Capital Tower
2. Asia Square Tower 2
3. CapitaGreen
4. Six Battery Road
5. One George Street (50.0% interest)
6. Raffles City Singapore (60.0% interest)
7. 21 Collyer Quay (HSBC building)
8. Bugis Village
9. CapitaSpring (45.0% interest)
   under development completing in 1H 2021

FRANKFURT, GERMANY

BY FOOT *3-10mins*
- Willy-Brandt-Platz
- Main Railway Station
- Taunsanlage suburban railway stop

BY CAR *3-20mins*
- Willy-Brandt-Platz
- Airport

PORTFOLIO STATISTICS[1]
As at 31 December 2018

	2017	2018
Number of properties[2]	10	**10**
Total net lettable area[3] (sq m) / (sq ft)	417,245 / 4,491,221	**438,776 / 4,772,984**
Total attributable net lettable area[3] (sq m) / (sq ft)	336,441 / 3,944,366	**385,950 / 4,154,372**
Portfolio property value[2] based on proportionate interests (S$ million)	10,394.6	**10,620.1**[4]
Number of tenants[5]	657	**622**
Portfolio committed occupancy (%)	97.3	**99.4**

1 Numbers exclude CapitaSpring unless otherwise stated.
2 Includes CapitaSpring.
3 Net lettable area (NLA) quoted was based on valuation reports as at respective dates. NLA for the respective properties is disclosed in the Property Details section.
4 The portfolio property value excludes Bugis Village. The change in portfolio property value was mainly due to the increase in valuation of Singapore properties, acquisition of Galliileo and divestment of Twenty Anson.
5 Number of tenants are accounted for on a 100.0% interest basis. Number of retail tenants for Raffles City Singapore for 2017 was based on number of leases.

VALUE CREATION

CCT drives portfolio growth and consistent value creation via an active portfolio reconstitution strategy. In line with this, we continually engage in proactive portfolio management with the aim of growing, developing, enhancing and unlocking value from our properties, underpinned by proactive capital management. We strive to grow our portfolio and secure sustainable returns for Unitholders in the long run.

PORTFOLIO RECONSTITUTION STRATEGY MODEL

GENERATE ORGANIC GROWTH
via increasing occupancy, rent and managing operating expenses

- **Optimise financial performance, asset value and ensure the long term stability of the portfolio**

Proactive Portfolio Management
- Adopt proactive marketing and leasing strategies to increase occupancies and drive rental growth
- Provide differentiated service quality and convenience to tenants
- Ensure operational efficiency to manage costs

ENHANCE/REFURBISH ASSET

- **Add value and enhance positioning of an asset to remain relevant and competitive**

Asset Enhancements
- Regularly evaluate each asset plan and execute asset enhancement initiatives (AEIs) to improve asset relevance and create value
- Achieve good returns on investment from AEIs

GROW PORTFOLIO

- **Identify quality assets with growth potential**
- **Seize growth opportunities in identified markets**

Acquisitions / Development
- Acquire assets that are DPU-accretive and strengthen portfolio's performance
- Transform value through development

UNLOCK VALUE
at optimal stage of property's life cycle

- **Maximise the value of an asset at optimal stage of its life cycle and recycle proceeds into other growth opportunities**

Divestments
- Evaluate performance of assets and divest where appropriate, to yield higher returns
- Recycle sale proceeds to grow portfolio through acquisitions, developments or AEIs

MANAGE CAPITAL

- **Manage debt maturity profile to enhance financial flexibility**

Proactive capital management
- Diversify funding sources
- Optimise tenure and manage funding cost

OBJECTIVES FOR CONTINUED SUCCESS

The Trust maintains differentiated investment objectives for each property type within its portfolio to ensure the competitiveness and optimum value of its portfolio.

With its Grade A office buildings, the Trust aims to drive financial performance and consolidate the standing of these properties as the preferred Grade A locations in the CBD. This is achieved by focusing on customer experience and managing our properties in an efficient and environmentally sustainable manner.

For its prime office properties, the Trust aims to optimise financial performance and asset value, and capitalise on their strategic locations to ensure the long-term income stability of the portfolio.

Likewise, the Trust aims to enhance the financial returns from its integrated developments while enhancing their positioning as unique offices and shopping destinations.

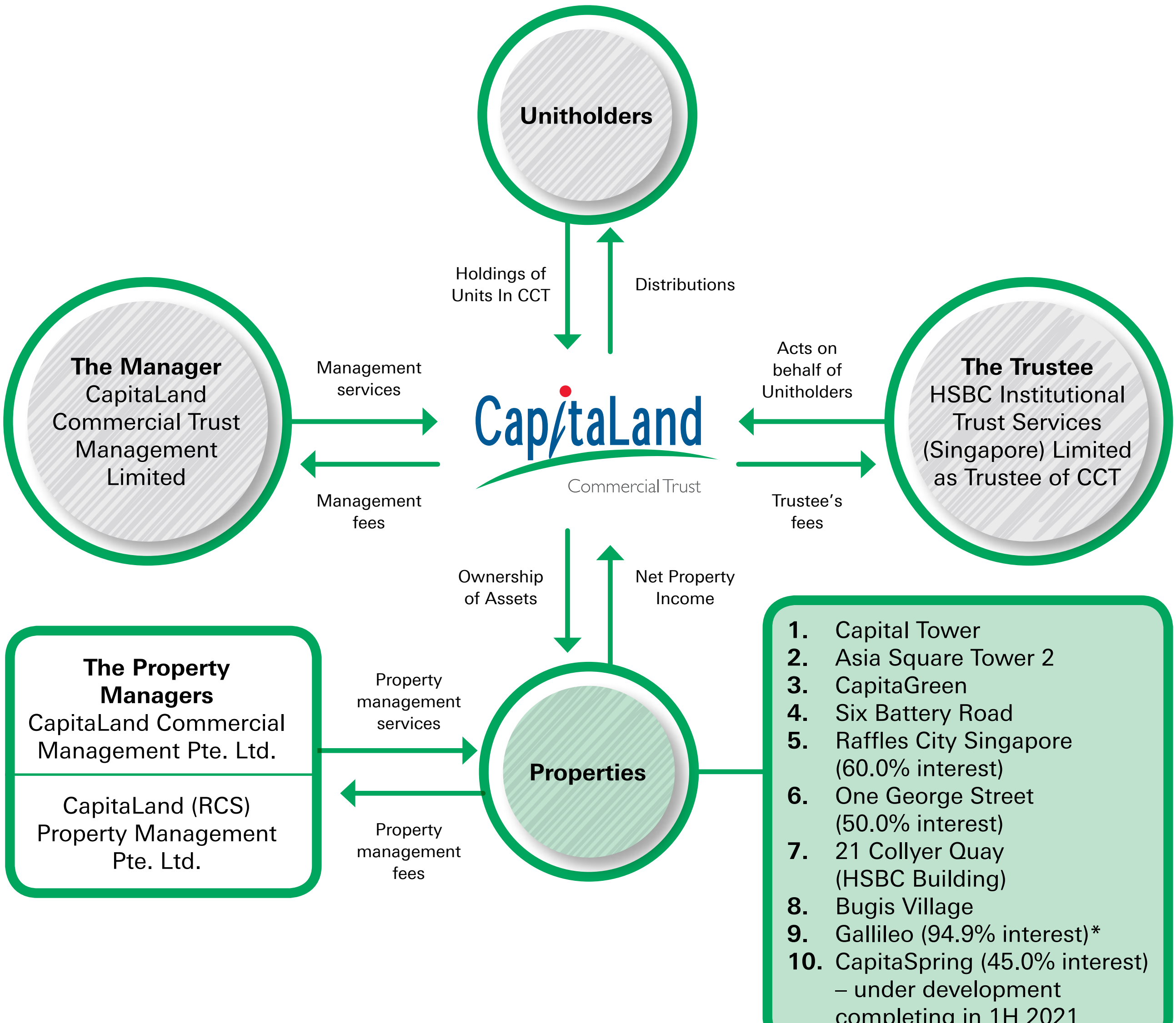
SHAPING OUR FUTURE **WITH RESPONSIBILITY**

We shape our future by upholding the highest standards of governance and accountability.

We believe having robust Environmental, Social and Governance principles provide us with a clear framework that guides the way we conduct our business. We believe in regular and consistent stakeholder engagement about our journey to chart a sustainable future together.

Reduction in carbon emission intensity compared to base year 2008	Unique participants for Wellness Week
46.0%	**402**

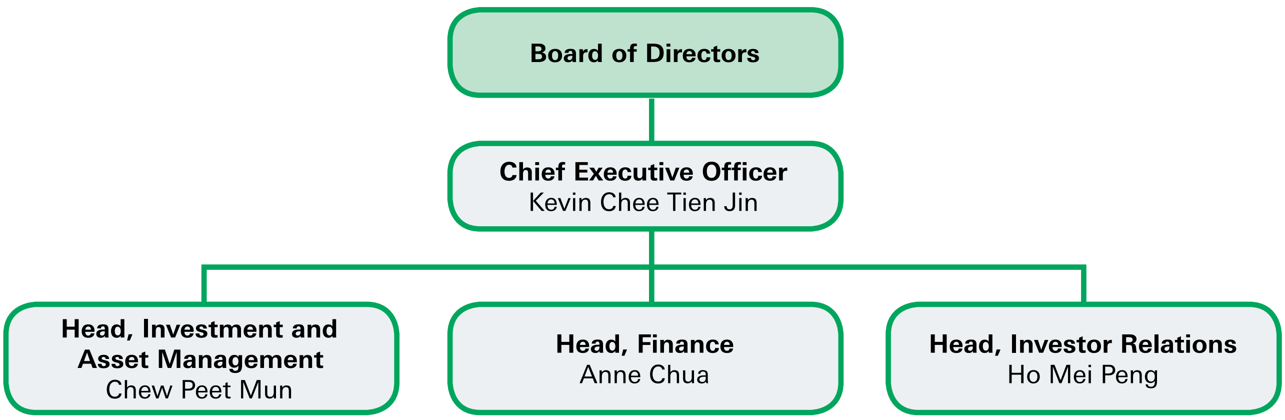
TRUST STRUCTURE



* Managed by third party service provider in Germany

ORGANISATION STRUCTURE

THE MANAGER
CAPITALAND COMMERCIAL TRUST MANAGEMENT LIMITED



BOARD OF DIRECTORS

MR SOO KOK LENG
Chairman
Non-Executive Independent Director

LIM MING YAN
Deputy Chairman, Non-Executive
Non-Independent Director
(Retired from 1 July 2018)

MR KEVIN CHEE TIEN JIN
Chief Executive Officer
Executive Non-Independent Director

MR LAM YI YOUNG
Non-Executive Independent Director

MS TAN SOON NEO JESSICA
Non-Executive Independent Director

MRS QUEK BIN HWEE
Non-Executive Independent Director

MR NG WAI KING
Non-Executive Independent Director

MR LEE CHEE KOON
Non-Executive Non-Independent Director

MR LIM CHO PIN ANDREW GEOFFREY
Non-Executive Non-Independent Director

BOARD OF DIRECTORS

SOO KOK LENG, 67

Chairman
Non-Executive Independent Director
Bachelor of Electrical Engineering (Honours), University of Singapore
Master of Business Administration, University of Strathclyde, Scotland

Date of first appointment as a director:
1 January 2013
Date of appointment as chairman:
22 September 2014
Length of service as a director (as at 31 December 2018): 6 years

Board committee served on

- Corporate Disclosure Committee (Chairman)

Present principal commitments

- Freelance management consulting
- Singapore Storage & Warehouse Pte Ltd (Chairman)
- Temasek Management Services Pte Ltd (Chairman)

Background and working experience

- Corporate Advisor of Temasek International Advisors Pte. Ltd. (Since 2012)
- Freelance management consultancy (Since 2002)
- Adjunct Professor of National University of Singapore, Engineering School (From 2007 to 2018)
- Non-Resident Ambassador to Austria, Ministry of Foreign Affairs (From 2006 to April 2017)
- Corporate Advisor of Singapore Technologies Engineering Ltd (From 2002 to 2015)
- Corporate Advisor of Temasek Holdings (Private) Limited (From 2003 to 2012)
- CEO (Acting) of Singapore Cable Car Pte Ltd (From 2003 to 2004)
- Vice President/General Manager of 3Com Technologies (From 1997 to 2002)
- Group General Manager/Executive Director of Falmac Ltd (From 1996 to 1997)
- Engineer to Management of Hewlett Packard Pte Ltd (From 1977 to 1996)

Awards

- *Grosses Goldenes Ehrenzeichen mit Stern* (Grand Decoration of Honour in Gold with Star) by the Republic of Austria in 2017
- The Public Service Star (BBM, Bintang Bakti Masyarakat) in 2017
- The Public Service Medal (PBM, Pingat Bakti Masyarakat) in 2006

KEVIN CHEE TIEN JIN, 50

Chief Executive Officer
Executive Non-Independent Director
Bachelor of Business (Honours), Nanyang Technological University, Singapore

Date of first appointment as a director:
1 November 2017
Length of service as a director (as at 31 December 2018): 1 year 2 months

Board committees served on

- Corporate Disclosure Committee (Member)
- Executive Committee (Member)

Background and working experience

- Deputy Chief Executive Officer of CapitaLand Commercial Trust Management Limited (From March 2017 to October 2017)
- Head, Asset Management of CapitaLand Commercial Trust Management Limited (From February 2015 to February 2017)
- Senior Vice President, Retail Management of CapitaMalls Asia Limited (From October 2013 to January 2015)
- Country Head, India of CapitaMalls Asia Limited (From November 2009 to September 2013)
- Senior Vice President, Asset Management of YTL Starhill Global REIT Management Limited (From January 2007 to November 2009)

LAM YI YOUNG, 46

Non-Executive Independent Director
Master of Arts in Engineering,
University of Cambridge, UK
Master in Public Administration,
Harvard University, USA

Date of first appointment as a director:
15 June 2012
Length of service as a director
(as at 31 December 2018): 6 years 6 months

Board committee served on
- Audit Committee (Member)

Present principal commitments
- EDB Investments Pte Ltd (Director)
- JTC Corporation (Board Member)
- Mandai Park Holdings Pte. Ltd. (Director)
- Ministry of Trade and Industry (Deputy Secretary (Industry))
- Sentosa Development Corporation (Board Member)
- Singapore GP Pte. Ltd. (Director)

Background and working experience
- Deputy Secretary (Policy), Ministry of Education (From January 2014 to December 2016)
- Chief Executive, Maritime and Port Authority of Singapore (From May 2009 to December 2013)
- Director of Manpower, Ministry of Defence (From June 2005 to April 2009)
- Deputy Director of Personnel, Ministry of Education (From September 2001 to July 2004)

Award
- The Public Administration Medal (Silver) (PPA(P), Pingat Pentadbiran Awam (Perak))

TAN SOON NEO JESSICA, 52

Non-Executive Independent Director
Bachelor of Social Sciences (Honours),
National University of Singapore
Bachelor of Arts,
National University of Singapore

Date of first appointment as a director:
25 May 2017
Length of service as a director
(as at 31 December 2018): 1 year 7 months

Board committee served on
- Audit Committee (Member)

Present directorship in other listed company
- SATS Ltd.

Present principal commitments (other than directorship in other listed company)
- Changi Health Fund (Ltd.) (Director)
- East Coast and Fengshan Town Council (Chairman)
- Home Affairs, Law and Manpower Parliamentary Committees (Member)
- Member of Parliament (East Coast GRC, Singapore)
- Nanyang Polytechnic (Vice Chairman, Board of Governors)
- Nanyang Polytechnic Information Technology, Advisory Committee (Chairman)
- Netball Singapore (Board Member and President)
- Public Accounts Committee, Parliament (Chairman)
- Raffles Medical Group Ltd (Director, Group Commercial)
- RM Network Pte. Ltd. (Director)
- Singapore Management University, The School of Information Systems (Member, Board of Advisors)

Background and working experience
- With Microsoft from 2003 to 2016, holding various senior positions in Singapore and Asia Pacific region. Last position held was Managing Director, Microsoft Operations, Singapore.
- With IBM from 1989 to 2003, holding several senior positions in Singapore and Asia Pacific region. Last position held was Director, Networking Services, IBM Global Services, Asia Pacific.

Award
- Singapore Computer Society IT Leader Award 2015

BOARD OF DIRECTORS

QUEK BIN HWEE (MRS), 61

Non-Executive Independent Director
Bachelor of Accountancy (Honours), University of Singapore
Chartered Accountant of Singapore

Date of first appointment as a director:
1 January 2018
Length of service as a director (as at 31 December 2018): 1 year

Board committee served on
- Audit Committee (Chairman)

Present principal commitments
- Duke-NUS Graduate Medical School (Director, Chairman of Audit Committee and Member of Executive Committee)
- Health Promotion Board (Director and Chairman of Audit & Risk Management Committee)
- Mapletree Oakwood Holdings Pte. Ltd. (Director)
- Maritime and Port Authority of Singapore (Director, Member of Audit Review Committee, Member of Senior Personnel Board and Member of Investment Committee)
- National Heritage Board (Director and Chairman of Audit & Risk Committee)
- Singapore Anti-Narcotics Association (President)
- Singapore Mediation Centre (Principal Mediator)
- The Hongkong and Shanghai Banking Corporation Limited (Director and Member of Remuneration Committee)

Background and working experience
- Vice Chairman, Market and Industries, PricewaterhouseCoopers LLP Singapore (From 2013 to 2017)
- Deputy Markets Leader of PricewaterhouseCoopers ("PwC") Asia Pacific and Americas (From 2016 to 2017)
- Client & Markets Leader of PwC Asia Pacific (From 2012 to 2016)
- PwC Asia Leadership Team (From 2012 to 2016)
- PwC Singapore Leadership Team (From 2010 to 2016)
- Various leadership roles including asset management leader, government leader, real estate leader, head of human capital in the audit practice, PwC Singapore (From 1991 to 2010)
- Audit Partner, PwC Singapore (From 2009 to 2017)
- Audit Partner, Price Waterhouse Singapore (From 1991 to 2009)

Awards
- The Public Service Star (BBM, Bintang Bakti Masyarakat) in 2017
- The Public Service Medal (PBM, Pingat Bakti Masyarakat) in 2012

NG WAI KING, 52

Non-Executive Independent Director
Bachelor of Laws, National University of Singapore
Master of Laws, Columbia University, USA
Advocate & Solicitor

Date of first appointment as a director:
1 January 2018
Length of service as a director (as at 31 December 2018): 1 year

Present directorship in other listed company
- Singapore Exchange Limited

Present principal commitments (other than directorship in other listed company)
- Companies Act Working Group (appointed by ACRA) (Member)
- Monetary Authority of Singapore Financial Centre Advisory Panel (Member)
- National University of Singapore (Member of Board of Trustees)
- Singapore Institute of Directors (Director)
- Wah Hin and Company Private Limited (Director)
- WongPartnership LLP (Managing Partner)

Background and working experience
- Wai King has been in private practice for more than 25 years, with a focus on M&A and private equity transactions. He also serves on the board of a voluntary welfare organisation – Lakeside Family Centre.

Awards
- Financial Times: Asia-Pacific Innovative Lawyers Outstanding Individuals Awards 2016
- International Law Office Client Choice Awards 2015

LEE CHEE KOON, 44

Non-Executive Non-Independent Director
Bachelor of Science in Mechanical Engineering (First Class Honours), National University of Singapore
Master of Science in Advanced Mechanical Engineering (Distinction), Imperial College London, UK

Date of first appointment as a director:
1 January 2018
Length of service as a director (as at 31 December 2018): 1 year

Board committees served on

- Corporate Disclosure Committee (Member)
- Executive Committee (Chairman)

Present directorships in other listed companies

- Ascott Residence Trust Management Limited (manager of Ascott Residence Trust)
- CapitaLand Limited
- CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust)

Present principal commitments (other than directorships in other listed companies)

- CapitaLand Limited (President & Group CEO)
- EDBI Pte Ltd (Director)
- Lifelong Learning Endowment Fund Advisory Council (Member)
- National University of Singapore - Institute of Real Estate Studies (Member of the Management Board)
- St. Joseph's Institution International Ltd (Member of the Development Committee and Fund Raising Committee)
- St. Joseph's Institution International Elementary School Ltd (Member of the Development Committee and Fund Raising Committee)
- SkillsFuture Singapore Agency (Director)
- Temasek Foundation Nurtures CLG Limited (Director)

Background and working experience

- Group Chief Investment Officer (From 1 January 2018 to 14 September 2018)
- CEO, The Ascott Limited (From June 2013 to December 2017)
- Deputy CEO, The Ascott Limited (From February 2012 to May 2013)
- Managing Director, North Asia, The Ascott Limited (From July 2009 to May 2013)
- Vice President, Office of the President, CapitaLand Limited (From February 2007 to June 2009)
- Head, International Relations & Economic Strategy, Ministry of Finance (From November 2003 to January 2007)
- Assistant Director, Trade Directorate, Ministry of Trade and Industry (From November 2001 to November 2003)

Awards

- Business China Young Achiever Award in 2017
- National Order of Merit *(Chevalier de l'Ordre National du Mérite)* in 2016

LIM CHO PIN ANDREW GEOFFREY, 49

Non-Executive Non-Independent Director
Bachelor of Commerce (Economics), University of Toronto, Canada
Master in Business Administration, Rotman School of Business, University of Toronto, Canada
Chartered Financial Analyst, Association for Investment Management and Research

Date of first appointment as a director:
1 May 2017
Length of service as a director (as at 31 December 2018): 1 year 8 months

Board committees served on

- Audit Committee (Member)
- Executive Committee (Member)

Present directorships in other listed companies

- Ascott Residence Trust Management Limited (manager of Ascott Residence Trust)
- CapitaLand Malaysia REIT Management Sdn. Bhd. (manager of CapitaLand Malaysia Mall Trust)
- CapitaLand Mall Trust Management Limited (manager of CapitaLand Mall Trust)
- CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust)

Present principal commitments (other than directorships in other listed companies)

- Accounting for Sustainability Circle of Practice (Member)
- Accounting Standards Council (Member)
- CapitaLand Limited (Group Chief Financial Officer)
- Institute of Singapore Chartered Accountants' CFO Committee (Member)
- Real Estate Investment Trust Association of Singapore (REITAS) (President)

Background and working experience

- Group Chief Financial Officer (Designate) of CapitaLand Limited (From 25 November 2016 to 31 December 2016)
- Managing Director and Head of SEA Coverage Advisory of HSBC Global Banking (From January 2016 to December 2016)
- Managing Director and Head of SEA Real Estate of HSBC Global Banking (From January 2015 to December 2015)
- Managing Director, SEA Investment Banking of HSBC Global Banking (From April 2013 to December 2014)
- Director, SEA Investment Banking of HSBC Global Banking (From April 2010 to March 2013)
- Associate Director, Investment Banking of HSBC Global Banking (From April 2007 to March 2010)
- Associate, Investment Banking of HSBC Global Banking (From July 2004 to March 2007)

THE MANAGER

KEVIN CHEE TIEN JIN

Chief Executive Officer and Executive Director

Kevin is responsible for the strategic management and growth of CCT. Reporting to the Manager's Board of Directors, he is committed to delivering sustainable investment returns to Unitholders. Together with the Board, he charts the directions of CCT, and works closely with his management team to ensure that the Trust's day-to-day finance, investment and asset management strategies are executed according to its vision, mission and environmental, social and governance (ESG) objectives. His experience is detailed in the Board of Directors' section. Kevin has been with CCTML since February 2015 and took over as CEO from 1 November 2017.

FINANCE

The Finance team supports CCT's investment and asset management strategies through quarterly financial reporting, budgeting, implementation of treasury and taxation policies, as well as sourcing and management of funds for the Trust's ongoing operations and acquisitions.

MS ANNE CHUA

Head, Finance

Anne is responsible for CCT's financial management functions. She oversees all business matters involving treasury, accounting and capital management, ensuring full alignment with CCT's investment strategy. Anne draws on her extensive regional experience in finance and treasury with banks, locally listed and multinational companies. She holds a Bachelor of Business Administration from the National University of Singapore, a Master of Applied Finance from Macquarie University of Australia and a Master of Professional Accounting from the Singapore Management University. Anne has been with CCTML since January 2009.

INVESTMENT AND ASSET MANAGEMENT

The Investment and Asset Management team expands and optimises CCT's property portfolio mix through strategic acquisitions and undertakes asset enhancement and environmentally sustainable initiatives to realise CCT's portfolio value potential. It identifies and analyses potential investment targets, and evaluates alternative investment and asset holding structures to enhance the Trust's total investment returns. It also identifies potential divestment targets to enhance the value of the Trust and directs asset enhancement exercises to maximise rental income, and fosters close ties with tenants to understand and meet their needs. The team also works with the Property Managers to execute asset strategies, boost rental and non-rental incomes and manage operating expenses.

MR CHEW PEET MUN

Head, Investment and Asset Management

Peet Mun leads the Investment and Asset Management team at CCTML and is concurrently Head of Investment and Portfolio Management (Commercial) for CapitaLand Singapore, Malaysia and Indonesia. Peet Mun has been with CCTML since March 2008. Peet Mun's experience in finance and real estate spans over 15 years. Prior to CCTML, Peet Mun was Vice President of CapitaLand Financial Services Limited where he helped establish and manage various CapitaLand-sponsored private funds and real estate investment trusts in Singapore and Malaysia. He holds a Bachelor of Business Administration (First Class Honours) from the National University of Singapore and was a recipient of the Lee Kuan Yew Gold Medal and MAS Book Prize.

INVESTOR RELATIONS

The Investor Relations team ensures clear and timely communications with Unitholders and stakeholders through various communication channels. The team engages investors, media and analysts through regular meetings, conferences and events, and produces communication collaterals such as results news releases, annual reports and presentations. It is also responsible for CCT's website and the "live" webcast of briefing sessions.

MS HO MEI PENG

Head, Investor Relations

Mei Peng brings more than 15 years of experience in managing investor relations, communications and community management. She has been instrumental to the Trust's communication and liaison activities, and is responsible for the delivery of timely and up-to-date information to the investing community. Mei Peng graduated with an Honours degree in Japanese Studies from the National University of Singapore. Mei Peng has been with CCTML since March 2006.

CORPORATE GOVERNANCE

OUR ROLE

We, as the manager of CCT (Manager), set the strategic direction of CCT and its subsidiaries (CCT Group) and make recommendations to HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of CCT (Trustee), on any investment or divestment opportunities for CCT and the enhancement of the assets of CCT in accordance with the stated investment strategy for CCT. The research, evaluation and analysis required for this purpose are coordinated and carried out by us as the Manager.

As the Manager, we have general powers of management over the assets of CCT. Our primary responsibility is to manage the assets and liabilities of CCT for the benefit of the unitholders of CCT (Unitholders). We do this with a focus on generating rental income and enhancing asset value over time so as to maximise returns from the investments, and ultimately the distributions and total returns, to Unitholders.

Our other functions and responsibilities as the Manager include:

(a) using our best endeavours to conduct CCT's business in a proper and efficient manner;
(b) preparing annual business plans for review by the directors of the Manager (Directors), including forecasts on revenue, net income, operating expenses and capital expenditure, explanations on major variances to previous years' financial results, written commentaries on key issues and underlying assumptions on rental rates, operating expenses and any other relevant assumptions;
(c) ensuring compliance with relevant laws and regulations, including the Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST) (Listing Manual), the Code on Collective Investment Schemes (CIS Code) issued by the Monetary Authority of Singapore (MAS) (including Appendix 6 of CIS Code (Property Funds Appendix)), the Securities and Futures Act (Chapter 289 of Singapore)(SFA), written directions, notices, codes and other guidelines that MAS may issue from time to time, the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of CCT and Unitholders and the Alternative Investment Fund Managers Directive (AIFMD);
(d) attending to all regular communications with Unitholders; and
(e) supervising CapitaLand Commercial Management Pte. Ltd. (Property Manager), the property manager which performs the day-to-day property management functions (including leasing, marketing, promotion, operations coordination and other property management activities) for CCT's properties; with regard to Raffles City Singapore (RCS), which is held by CCT and CapitaLand Mall Trust (CMT) in the proportions of 60.00% and 40.00% respectively, the Property Manager holds 60.00% interest in CapitaLand (RCS) Property Management Pte. Ltd. which provides property management services to RCS with CapitaLand Retail Management Pte Ltd, the property manager of the malls owned by CMT, holding the other 40.00%. As a result of its interest in CapitaLand (RCS) Property Management Pte. Ltd., the Property Manager is able to play a key role in directing the property management function for RCS.

The Manager also considers sustainability issues (including environmental and social factors) as part of its responsibilities. CCT's environmental sustainability and community outreach programmes are set out on pages 61 to 89 of this Annual Report.

CCT, constituted as a trust, is externally managed by the Manager. The Manager appoints experienced and well qualified personnel to run its day-to-day operations.

The Manager was appointed in accordance with the terms of the trust deed constituting CCT dated 6 February 2004 (as amended, varied or supplemented from time to time) (Trust Deed). The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed 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.

CORPORATE GOVERNANCE

The Manager is a wholly owned subsidiary of CapitaLand Limited (CL) which holds a significant unitholding interest in CCT. CL is a long-term real estate developer and investor, with a vested interest in the long-term performance of CCT. CL's significant unitholding in CCT demonstrates its commitment to CCT and as a result, CL's interest is aligned with that of other Unitholders. The Manager's association with CL provides the following benefits, among other things, to CCT:

(a) a stable pipeline of property assets through CL's development activities;
(b) wider and better access to banking and capital markets on favourable terms;
(c) fund raising and treasury support; and
(d) access to a bench of experienced management talent.

OUR CORPORATE GOVERNANCE CULTURE

The Manager embraces the tenets of good corporate governance, including accountability, transparency and sustainability. It is committed to enhancing long-term unitholder value and has appropriate people, processes and structure to direct and manage the business and affairs of the Manager. The policies and practices it has developed to meet the specific business needs of CCT provide a firm foundation for a trusted and respected business enterprise. The Manager remains focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2012 (Code) while achieving operational excellence and delivering CCT's long-term strategic objectives. The Board of Directors (Board) is responsible for the Manager's corporate governance standards and policies, underscoring their importance to the Manager.

The Manager has received accolades from the investment community for excellence in corporate governance. More details can be found in the Investor Relations and Communications section on pages 59 to 60 of this Annual Report.

This corporate governance report (Report) sets out the corporate governance practices for financial year (FY) 2018 with reference to the principles of the Code. For FY 2018, save as stated in this Report, CCT has complied in all material aspects with the principles, guidelines and recommendations in the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this Report. This Report also sets out additional policies and practices adopted by the Manager which are not provided in the Code.

(A) BOARD MATTERS

The Board's Conduct of Affairs
Principle 1:

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

The Manager is led by the Board with non-executive independent directors (IDs) constituting more than half of the Board.

Board's Duties and Responsibilities

The Board oversees the strategic direction, performance and affairs of the Manager, in furtherance of the Manager's primary responsibility to manage the assets and liabilities of CCT for the benefit of Unitholders. The Board provides leadership to the Chief Executive Officer (CEO) and the management team (Management). The CEO, assisted by Management, is responsible for the execution of the strategy for CCT and the day-to-day operations of CCT's business.

The Board establishes goals for Management and monitors the achievement of these goals. It ensures that proper and effective controls are in place to assess and manage business risks and compliance with requirements under the Listing Manual, the Property Funds Appendix, as well as any other applicable guidelines prescribed by the SGX-ST, MAS or other relevant authorities, and applicable laws. It also sets the disclosure and transparency standards for CCT and ensures that obligations to Unitholders and other stakeholders are understood and met.

The Board has reserved authority to approve certain matters and these include:

(a) material acquisitions, investments and divestments;
(b) issue of new units in CCT (Units);
(c) income distributions and other returns to Unitholders; and
(d) matters which involve a conflict of interest for a controlling Unitholder or a Director.

Board Committees

The Board has established various Board Committees to assist it in the discharge of its functions. These Board Committees are the Audit Committee (AC), the Corporate Disclosure Committee (CDC) and the Executive Committee (EC). Each of these Board Committees operates under the authority delegated from the Board, with the Board retaining overall oversight, and has its own terms of reference. The composition of the various Board Committees is set out on page 54 of this Annual Report.

The Board may form other Board Committees from time to time. The composition of the Board Committees is also reviewed as and when there are changes to Board membership. The composition of the Board Committees is such that there is appropriate diversity of skills and experience. It fosters active participation and contributions from Board members and there is an equitable distribution of responsibilities among Board members.

Delegation of Authority

The Board has adopted a set of internal controls which establishes approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to Board Committees and Management.

Meetings of Board and Board Committees

The Board meets at least once every quarter, and as required by business imperatives. Board and Board Committee meetings are scheduled prior to the start of each financial year. The Constitution of the Manager also permits the Directors to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval.

In line with the Manager's ongoing commitment to limit paper waste and reduce its carbon footprint, the Manager does not provide printed copies of Board papers. Instead, Directors are provided with tablet devices to enable them to access and read Board and Board Committee papers prior to and during meetings. This initiative also enhances information security as the papers are downloaded to the tablet devices through an encrypted channel. Directors are also able to sign Board papers through the tablet devices.

At Board and Board Committee meetings, non-executive Directors review the performance of the business, the progress made by Management in achieving agreed goals and objectives and monitor the reporting of such performance. During the Board meeting to discuss strategies, non-executive Directors constructively challenge and help develop proposals on strategy. Directors attend and actively participate in Board and Board Committee meetings.

The Manager adopts and practises the principle of collective decisions. This ensures that no individual influences or dominates the decision making process.

A total of five Board meetings were held in FY 2018. A record of the Directors' attendance at Board and Board Committees meetings in FY 2018 is set out on page 54 of this Annual Report. The CEO who is also a Director attends all Board and Board Committee meetings. Other senior executives attend Board and Board Committee meetings as required to brief the Board on specific business matters.

CORPORATE GOVERNANCE

Directors' Development

In view of the increasingly demanding, complex and multi-dimensional role of a director, the Board recognises the importance of continual training and development for its Directors so as to equip them to discharge the responsibilities of their office as Directors to the best of their abilities. The Manager has in place a training framework to guide and support the Manager towards meeting the objective of having a Board which comprises individuals who are competent and possess up-to-date knowledge and skills necessary to discharge their responsibilities. The Manager also maintains a training record to track the Directors' attendance at training and professional development courses. The costs of training are borne by the Manager. Upon appointment, each Director is provided with a formal letter of appointment and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director). All Directors, upon appointment, undergo an induction programme which focuses on orientating the Director to CCT's business, operations, strategies, organisation structure, responsibilities of key management personnel, and financial and governance practices. Directors who have no prior experience as a director of an issuer listed on the SGX-ST will be provided with training on the roles and responsibilities of a director of a listed issuer in accordance with the listing rules of the SGX-ST.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as director's duties and responsibilities, changes to regulations and accounting standards, and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors or Board Committee members. Directors may also propose training and development in relevant areas of interest to the Board. Directors also receive on-the-job training through being engaged in actual Board work. In FY 2018, the training and professional development programmes for Directors included forums and dialogues with experts and senior business leaders on issues facing boards and board practices. They also received on a regular basis reading materials on topical matters or subjects and regulatory updates and implications.

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

The Board reviews from time to time the size and composition of the Board, with a view to ensuring that the size of the Board is appropriate in facilitating effective decision making and that the Board has a strong independent element and diversity of thought and background in its composition. The review takes into account the scope and nature of the operations of CCT Group.

The Board has a strong independent element: it presently comprises eight directors, five of whom (including the Chairman) are IDs. The recommendation in the Code for a lead independent director is therefore not applicable. Non-executive Directors also make up a majority of the Board. Profiles of the Directors are provided on pages 24 to 27 of this Annual Report.

The Board assesses the independence of each Director in accordance with the guidance in the Code, the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR) and the Listing Manual.

An ID is one who is independent in conduct, character and judgement and:
(a) has no relationship with the Manager, its related corporations and its shareholders who hold 10% or more of the voting shares of the Manager, or Unitholders who hold 10% or more of the Units in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement, in the best interests of Unitholders;
(b) is independent from the management of the Manager and CCT, from any business relationship with the Manager and CCT, and from every substantial shareholder of the Manager and every substantial unitholder of CCT;
(c) is not a substantial shareholder of the Manager or a substantial unitholder of CCT;
(d) has not served on the Board for a continuous period of nine years or longer; and
(e) is not employed by the Manager or CCT or their related corporations in the current or any of the past three financial years and does not have an immediate family member who is employed or has been employed by the Manager or CCT or their related corporations for the past three financial years and whose remuneration is determined by the Board.

The Board has established a process for assessing the independence of its Directors. As part of the process:

(a) each relevant non-executive Director provides information on his or her business interests and confirms, upon appointment, as well as on an annual basis, that there are no relationships which interfere with the exercise of his or her independent business judgement in the best interests of the Unitholders; such information is then reviewed by the Board; and
(b) the Board also reflects on the respective Directors' conduct and contributions at Board and Board Committee meetings, specifically, if they have exercised independent judgement in discharging their responsibilities.

The Board has carried out the assessment of each of its Directors for FY 2018 and the paragraphs below set out the outcome of the assessment.

Mr Soo Kok Leng is a corporate advisor of Temasek International Advisors Pte Ltd and a non-executive director of some related corporations of Temasek Holdings (Private) Limited (Temasek). Temasek is deemed to be a substantial unitholder through its direct and indirect interest in CL, which is a substantial unitholder of CCT. Mr Soo's role in these corporations is non-executive in nature and he is not involved in the day-to-day conduct of the business of these corporations.

Mr Lam Yi Young is a Board member of JTC Corporation (JTC), a statutory board under the Ministry of Trade and Industry. CL Group made payments to JTC for JTC leases and subletting thereof. The lease arrangements were in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mr Lam is not involved in the day-to-day conduct of the business of JTC.

Ms Tan Soon Neo Jessica is currently employed as Director, Group Commercial of Raffles Medical Group Ltd. (RMGL). RMGL and its related corporations provide healthcare insurance and medical services as part of the welfare and benefits scheme for employees of CL and its subsidiaries (CL Group). These services were provided in the ordinary course of business, on arm's length basis and based on normal commercial terms. Ms Tan also serves as a non-executive director of SATS Ltd. (SATS), an associated company of Temasek. Ms Tan's role in SATS is non-executive in nature and she is not involved in the day-to-day conduct of the business of SATS.

Mrs Quek Bin Hwee was Vice-Chairman (Market and Industries), PricewaterhouseCoopers LLP (PwC) Singapore until June 2017. PwC is one of the auditing, tax and consulting firms which CCT Group and CL Group engage to provide tax and consulting services. These services were provided in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mrs Quek also serves as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited (HSBC) which provides banking services to CCT Group and CL Group; HSBC's wholly owned subsidiary, the Trustee, provides trustee services to CCT Group. HSBC is also the sole tenant of 21 Collyer Quay (HSBC Building), which is a property in CCT's portfolio. The transactions with HSBC and Trustee, were carried out in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mrs Quek is also a non-executive director of Mapletree Oakwood Holdings Pte Ltd (MOH), a subsidiary of Temasek. Mrs Quek's role in MOH is non-executive in nature and she is not involved in the day-to-day conduct of the business of MOH. MOH invests in a different asset class from CCT and so this role does not pose any conflict of interest issues for Mrs Quek.

Mr Ng Wai King is currently the managing partner of WongPartnership LLP which is one of the law firms that CCT Group and CL Group engage to provide legal services. These services were provided in the ordinary course of business, on arm's length basis and based on normal commercial terms.

CORPORATE GOVERNANCE

The Board also considered the conduct of Mr Soo Kok Leng, Mr Lam Yi Young, Ms Tan Soon Neo Jessica, Mrs Quek Bin Hwee and Mr Ng Wai King in the discharge of their responsibilities as directors, and is of the view that the relationships set out above did not impair their ability to act with independent judgement in the discharge of their responsibilities as directors and that as at the last day of FY 2018, Mr Soo, Mr Lam, Ms Tan, Mrs Quek and Mr Ng were able to act in the best interests of all the Unitholders in respect of FY 2018. Save for the relationships stated above, Mr Soo, Mr Lam, Ms Tan, Mrs Quek and Mr Ng do not have any other relationships and are not faced with any of the circumstances identified in the Code, SFR and Listing Manual, or any other relationships which may affect their independent judgement. Mr Soo, Mr Lam, Ms Tan, Mrs Quek and Mr Ng will recuse themselves from participating in any Board deliberation on any transactions that could potentially give rise to a conflict of interest.

It is noted that all of the Directors have served on the Board for fewer than nine years.

On the bases of the declarations of independence provided by the relevant non-executive Directors and the guidance in the Code, the SFR and the Listing Manual, the Board arrived at the determination that each of Mr Soo Kok Leng, Mr Lam Yi Young, Ms Tan Soon Neo Jessica, Mrs Quek Bin Hwee and Mr Ng Wai King is an independent director.

Each of the above Directors had recused himself or herself from the Board's deliberations on his or her independence.

At all times, the Directors as fiduciaries are collectively and individually obliged to act honestly and with diligence, and in the best interests of CCT. The Manager has established a policy that its Directors disclose their interests in transactions, and recuse themselves from the deliberations on any matter in which they may have a conflict of interest. Every Director has complied with this policy. Compliance by the relevant Director is duly minuted in the proceedings of the relevant meeting.

Chairman and Chief Executive Officer
Principle 3:

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

The roles and responsibilities of the Chairman and the CEO are held by separate individuals, in keeping with the principles that there be a clear division of responsibilities between the leadership of the Board and Management and that no one individual has unfettered powers of decision making.

The non-executive independent Chairman is Mr Soo Kok Leng, whereas the CEO is Mr Kevin Chee Tien Jin. They do not share any family ties.

The Chairman provides leadership to the Board and facilitates the conditions for the overall effectiveness of the Board, Board Committees and individual Directors. This includes setting the agenda of the Board in consultation with the CEO and ensuring that there is sufficient information and time to address all agenda items, and promoting open and constructive engagement among the Directors as well as between the Board and the CEO on strategic issues. The Chairman plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO and Management on strategies. He also maintains open lines of communication, engages with other members of Management regularly and acts as a sounding board on strategic and operational matters.

Mr Kevin Chee Tien Jin has full executive responsibilities to manage CCT's business and to develop and implement Board approved policies. The separation of the roles of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, facilitate robust deliberations on the business activities of CCT and the exchange of ideas and views to help shape CCT's strategic process and ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. As the roles of the Chairman and CEO are held by separate individuals who are not related to each other, and the Chairman is an ID, no Lead ID is required to be appointed.

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

The Board undertakes the functions of a nominating committee and therefore, the Manager does not have a nominating committee. The Board performs the functions that such a committee would otherwise perform, namely, it administers nominations to the Board, reviews the structure, size and composition of the Board and reviews the performance and independence of Board members. The Board seeks to ensure that the Board is comprised of talented and dedicated directors with a diverse mix of expertise, experience, perspectives, skills and backgrounds. Due consideration is also given to other diversity factors including but not limited to tenure, age and gender.

The current Board comprises individuals who are business leaders and professionals with financial, banking, funds management, real estate, legal, investment and accounting backgrounds. The Board believes in diversity and values the benefits diversity can bring to the Board. Diversity enhances decision making capability and ensures that the Manager has the opportunity to benefit from all available talent and perspectives. The Board is committed to diversity and will continue to consider the differences in skillsets and educational, business and professional backgrounds in determining the optimal composition of the Board in its Board renewal process.

In the year under review, no alternate directors were appointed. In keeping with the principle that a Director must be able to commit time to the affairs of the Manager, the Board has adopted the principle that it will, generally, not approve the appointment of alternate directors.

The Board is able to undertake the functions of a nominating committee because:

(a) the Manager does not manage any other REITs and in general, REITs (including CCT) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched if the responsibilities of a nominating committee were also undertaken by the Board as the Board would be able to give adequate attention to such issues;
(b) the focused scope of the business of CCT also means a manageable competency requirement for the Board such that the Board is able to manage the duties of a nominating committee; and
(c) IDs form at least half of the Board and the Chairman is an ID, which demonstrate that the IDs play a substantive role, and assure the objectivity and independence of the decision making process concerning nomination. This also mitigates any concerns of conflict which can be managed by having the conflicted Directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of nomination.

The SGX-ST has also issued a Practice Note which provides that the requirement for the establishment of nominating and remuneration committee under the Listing Manual does not apply to REITs if the REIT complies with regulations made under the SFA relating to board composition of a REIT manager. As the Manager complies with Regulation 13D of the SFR relating to the composition of the Board of the Manager, the Manager is of the opinion that the corporate governance requirements relating to the nominating and remuneration committee have been substantively addressed.

The Board has adopted the following criteria and process for selecting, appointing and reappointing Directors and for reviewing the performance of Directors:

(a) The Board carries out a proactive review of the Board composition on an annual basis as well as on each occasion that an existing ID gives notice of his or her intention to retire or resign. The review includes assessing the collective skills, knowledge and experience of Directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager's objectives for CCT. In carrying out this review, the Board considers the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity).

CORPORATE GOVERNANCE

(b) The Board reviews the suitability of any candidates put forward by any director for appointment, having regard to the skills required and the skills represented on the Board and whether a candidate's skills, knowledge and experience will complement the existing Board and whether he or she has sufficient time available to commit to his or her responsibilities as a director, and whether he or she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by MAS (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound).
(c) External consultants may be engaged from time to time to access a wide base of potential directors.
(d) No member of the Board is involved in any decision of the Board relating to his or her own appointment, re-appointment or assessment of independence.
(e) A newly appointed Director receives a formal appointment letter and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director).
(f) All Directors undergo an induction programme on appointment to help familiarise them with matters relating to CCT's business and the Manager's strategy for CCT.
(g) The performance of the Board, Board Committees and directors is reviewed annually.
(h) The Board proactively addresses any issues identified in the board performance evaluation.

The adopted process takes into account the requirements in the Code that the composition of the Board, including the selection of candidates for new appointments to the Board as part of the Board's renewal process, be determined using the following principles:

(a) the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management, the property industry, banking, finance and legal fields; and
(b) at least one-third of the Board should comprise IDs. Where, among other things, the Chairman of the Board is not an ID, at least half of the Board should comprise IDs.

As more than half of the Board comprises IDs, the Manager will not be voluntarily subjecting any appointment or re-appointment of directors to voting by Unitholders. The Chairman of the Board is presently also an ID.

The Board seeks to refresh its Board membership progressively and in an orderly manner. In this regard, Board succession planning is carried out through the annual review of Board composition as well as when a Director gives notice of his or her intention to retire or resign. On the issue of Board renewal, the Manager supports the principle that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of CCT's business.

The Board also conducts a review of the commitments of each Director on an annual basis and as and when there is a change of circumstances involving a Director. Guideline 4.4 of the Code recommends that the Board determines the maximum number of listed company board appointments which any director may hold, and discloses this in the annual report. In view of the responsibilities of a director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles and diligently discharge their duties. However, the Board has not imposed any limit as it has taken 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, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. A director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of CCT for the benefit of Unitholders.

All Directors are required to confirm on an annual basis, and for FY 2018, had confirmed that they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of CCT. The Board assessed each Director's ability to commit time to the affairs of CCT, taking into consideration their confirmation, their commitments, their attendance record at meetings of the Board and Board Committees, as well as their conduct and contributions (including preparedness, participation and candour) at Board and Board Committee meetings. The Directors' listed company directorships and principal commitments are disclosed on pages 24 to 27 of this Annual Report and their attendance record for FY 2018 is set out on page 54 of this Annual Report. For FY 2018, the Directors achieved high attendance record and they have contributed positively to Board discussions at Board and Board Committee meetings, based on which the Board has determined that each Director has been adequately carrying out his or her duties as a director of the Manager.

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

The Manager believes that oversight from a strong and effective Board goes a long way towards guiding a business enterprise to achieving success.

The Board strives to ensure that there is an optimal blend in the Board of backgrounds, experience and knowledge in business and general management, expertise relevant to CCT's business and track record, and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of CCT.

Whilst board performance is ultimately reflected in the long-term performance of CCT, the Board believes that engaging in a regular process of self-assessment and evaluation of board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for CCT.

As part of the Manager's commitment towards improving corporate governance, the Board has approved and implemented a process to evaluate the effectiveness of the Board as a whole and the Board Committees annually. As part of the process, questionnaires were sent to the Directors, and the results were aggregated and reported to the Chairman of the Board. The evaluation categories covered in the questionnaire include Board composition, Board processes, strategy, performance and governance, access to information and Board Committee effectiveness. As part of the questionnaire, the Board also considers whether the creation of value for Unitholders has been taken into account in the decision-making process. The results of the survey were considered by the Board and follow up action is taken where necessary with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities. The outcome of the evaluation was satisfactory with positive ratings received for all the attributes in the evaluation categories.

The Board was also able to assess the Board Committees through their regular reports to the Board on their activities. In respect of individual Directors, their contributions can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and/or Board Committee meetings.

The Manager further believes that the collective Board performance and the contributions of individual Board members are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering CCT in the appropriate direction, as well as the long-term performance of CCT whether under favourable or challenging market conditions.

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

The Manager recognises the importance of providing the Board with relevant information on a timely basis prior to Board and Board Committee meetings and on an ongoing basis to enable the Directors to make informed decisions to discharge their duties and responsibilities. Reports on CCT's performance are also provided to the Board on a regular basis.

The Board meets regularly and Board meetings, in general last up to half a day. At each Board meeting, the CEO provides updates on CCT's business and operations, as well as financial performance. Presentations in relation to specific business areas are also made by key executives, external consultants or experts. This allows the Board to develop a good understanding of the progress of CCT's business as well as the issues and challenges facing CCT, and promotes active engagement with the key executives of the Manager.

CORPORATE GOVERNANCE

As a general rule, Board papers are sent to Board members at least five working days prior to each meeting, to allow the Board members to prepare for the meetings and to enable discussions to focus on any questions that they may have.

In addition to providing complete, adequate and timely information to the Board on Board affairs and issues requiring the Board's decision, Management also provides ongoing reports relating to the operational and financial performance of CCT, such as monthly management reports.

Where appropriate, informal meetings are also held for Management to brief Directors on prospective transactions and potential developments in the early stages before formal Board approval is sought.

The Board has unfettered access to any Management staff for any information that it may require at all times. It also has separate and independent access to the company secretary of the Manager (Company Secretary) at all times. The Company Secretary attends to corporate secretarial administration matters and is the corporate governance advisor on corporate matters to the Board and Management. The Company Secretary attends all Board meetings and assists the Chairman in ensuring that Board procedures are followed. The appointment and the removal of the Company Secretary is subject to the Board's approval. The Board, whether as individual Directors or as a group, is also entitled to have access to independent professional advice where required, with expenses borne by the Manager.

There were no separate meetings of the IDs without the presence of other Directors in FY 2018 because no Lead ID is required to be appointed.

The AC meets the internal and external auditors separately at least once a year, without the presence of the CEO and Management.

(B) REMUNERATION MATTERS

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

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

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 Board is able to undertake the functions of a remuneration committee because:

(a) the Manager does not manage any other REITs and in general, REITs (including CCT) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched by reason of it undertaking the responsibilities of a remuneration committee and the Board would be able to give adequate attention to such issues relating to remuneration matters; and

(b) the IDs form at least half of the Board and the Chairman is an ID, which demonstrate that the IDs play a substantive role and assure the objectivity and independence of the decision making process concerning remuneration. This also mitigates any concerns of conflict which can be managed by having the conflicted Directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of remuneration.

In undertaking this function, the Board oversees the design and implementation of the remuneration policy and the specific remuneration packages for each Director and senior executives including the CEO. No member of the Board, however, will be involved in any decision of the Board relating to his or her own remuneration.

The Board sets the remuneration policies in line with CCT Group's business strategy and approves the executive compensation framework based on the key principle of linking pay to performance. The Board has access to independent remuneration consultants for advice if required.

In terms of the process adopted by the Manager for developing and reviewing policies on remuneration and determining the remuneration packages for Directors and executive officers, the Manager, through an independent remuneration consultant, takes into account compensation benchmarks within the industry, as appropriate, so as to ensure that the remuneration packages payable to Directors and executive officers are in line with the objectives of the remuneration policies. It also considers the compensation framework of CL as a point of reference. The Manager is a subsidiary of CL which also holds a significant stake in CCT. The association with the CL Group puts the Manager in a better position to attract and retain better qualified management talent; it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities. In FY 2018, an independent remuneration consultant, Willis Towers Watson, was appointed to provide professional advice on Board and executive remuneration. Willis Towers Watson is a leading global advisory, broking and solutions company with over 40,000 employees serving more than 140 countries. The consultant is not related to the Manager, its controlling shareholder, its related corporations or any of its Directors.

The principles governing the Manager's key management personnel remuneration policy are as follows:

Business Alignment
- Focus on generating rental income and enhancing asset value over time so as to maximise returns from investments and ultimately the distributions and total returns to Unitholders
- Provide sound and structured funding to ensure affordability and cost-effectiveness in line with performance goals
- Enhance retention of key talents to build strong organisational capabilities

Motivate Right Behaviour
- Pay for performance – align, differentiate and balance rewards according to multiple dimensions of performance
- Strengthen line-of-sight linking rewards and performance

Fair & Appropriate
- Ensure competitive remuneration relative to the appropriate external talent markets
- Manage internal equity such that remuneration systems are viewed as fair across CCT Group
- Significant and appropriate portion of pay-at-risk, taking into account risk policies of CCT Group, symmetrical with risk outcomes and sensitive to the risk time horizon

Effective Implementation
- Maintain rigorous corporate governance standards
- Exercise appropriate flexibility to meet strategic business needs and practical implementation considerations
- Facilitate employee understanding to maximise the value of the remuneration programmes

CORPORATE GOVERNANCE

Remuneration for Key Management Personnel

Remuneration for key management personnel comprises fixed components, variable cash components, unit-based components and employee benefits:

A. Fixed Components

The fixed components comprise the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund.

B. Variable Cash Components

The variable cash components comprise the Balanced Scorecard Bonus Plan that is linked to the achievement of annual performance targets for each key management personnel as agreed at the beginning of the financial year with the Board.

Under the Balanced Scorecard framework, CCT Group's strategy and goals are translated to performance outcomes comprising both quantitative and qualitative targets in the dimensions of:

- Financial : This includes targets relating to profitability, distributions and capital management;
- Execution : This includes targets relating to tenants and occupancy, operational efficiency and stakeholder engagement;
- Future Growth : This includes targets relating to portfolio management and investor engagement; and
- Organisation : This includes targets relating to talent management, competency development and sustainability.

These are cascaded down throughout the organisation, thereby creating alignment across the CCT Group.

After the close of each year, the Board reviews CCT Group's achievements against the targets set in the Balanced Scorecard and determines the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends.

In determining the payout quantum for each key management personnel under the plan, the Board considers the overall business performance and individual performance as well as the affordability of the payout of the Manager.

C. Unit-based Components

Unit awards were granted in FY 2018 pursuant to the CapitaLand Commercial Trust Management Limited Performance Unit Plan (PUP) and CapitaLand Commercial Trust Management Limited Restricted Unit Plan (RUP) (together, the Unit Plans), approved by the Board. The Manager believes that the Unit-based component of the remuneration for key management personnel serves to align the interests of such key management personnel with that of Unitholders and CCT's long-term growth and value.

The obligation to deliver the Units is expected to be satisfied out of the Units held by the Manager.

CapitaLand Commercial Trust Management Limited Performance Unit Plan

In FY 2018, the Board granted awards which are conditional on targets set for a three-year performance period. A specified number of Units will only be released to the recipient at the end of the qualifying performance period, provided that minimally the threshold target is achieved. An initial number of Units (baseline award) is contingently allocated conditional on the achievement of a pre-determined target in respect of the Relative Total Unitholder Return (TUR) of CCT Group measured by the percentile ranking of CCT Group's TUR against the REITs in the FTSE ST REIT Index.

The above performance measure has been selected as a key measure of wealth creation for Unitholders. The final number of Units to be released will depend on CCT's performance against the pre-determined target which is measured over the three-year qualifying performance period. This serves to align Management's interests with that of Unitholders in the longer term and to deter short-term risk taking. No Units will be released if the threshold target is not met at the end of the qualifying performance period. On the other hand, if superior target is met, more Units than the baseline award can be delivered, up to a maximum of 200.0% of the baseline award. Recipients will receive fully paid Units at no cost.

For the year under review, the relevant award for assessment of the performance achieved by CCT is the award granted in FY 2016 in respect of which the qualifying performance period was FY 2016 to FY 2018. Based on the Board's assessment that the performance achieved by CCT Group has met the pre-determined performance target for the three-year qualifying performance period of FY 2016 to FY 2018, the resulting number of Units released has been adjusted accordingly to reflect the performance level.

In respect of the Unit awards granted under the PUP in FY 2017 and FY 2018, the respective qualifying performance periods have not ended as at the date of this Report.

CapitaLand Commercial Trust Management Limited Restricted Unit Plan
In FY 2018, the Board granted awards which are conditional on targets set for a one-year performance period. A specified number of Units will only be released to recipients at the end of the qualifying performance period, provided that minimally the threshold targets are achieved. Under the RUP, an initial number of Units (baseline award) is contingently allocated conditional on the achievement of pre-determined targets in respect of the following performance conditions:

› Net property income of CCT Group
› Distribution per Unit of CCT Group

The above performance measures have been selected as they are the key drivers of business performance and are aligned to unitholder value. The final number of Units to be released will depend on CCT's performance against the pre-determined targets at the end of the one-year qualifying performance period. The Units will be released progressively over a vesting period of three years, which serves to align Management's interests with that of Unitholders in the longer term, deter short-term risk taking, as well as to facilitate talent retention. No Units will be released if the threshold targets are not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more Units than the baseline award can be delivered, up to a maximum of 150% of the baseline award. Recipients will receive fully paid Units at no cost. This ensures alignment between remuneration and sustaining business performance in the longer term.

In respect of the Unit awards granted under the RUP in FY 2018, based on the Board's assessment that the performance achieved by the CCT Group has met the pre-determined performance targets for the qualifying performance period of FY 2018, the resulting number of Units released has been adjusted accordingly to reflect the performance level.

To further promote alignment of Management's interests with that of Unitholders in the longer term, the Board has approved unit ownership guidelines for senior management to instill stronger identification by senior executives with the longer-term performance and growth of CCT Group. Under these guidelines, senior management participants are required to retain a prescribed proportion of CCT's Units received under the Unit Plans.

D. Employee Benefits

The benefits provided are comparable with local market practices.

The remuneration for the CEO in bands of S$250,000 and a breakdown of the remuneration of the CEO and other key management personnel of the Manager in percentage terms are provided in the Key Management Personnel's Remuneration Table on page 54 of this Annual Report.

At present, there are three key management personnel of the Manager (including the CEO). The Manager outsources various other services to a wholly owned subsidiary of CL (CL Subsidiary). The CL Subsidiary provides the services through its employees (Outsourced Personnel). This arrangement is put in place so as to provide flexibility and maximise efficiency in resource management to match the needs of CCT from time to time, as well as to leverage on economies of scale and tap on the management talent of an established corporate group which can offer enhanced depth and breadth of experience. However, notwithstanding the outsourcing arrangement, the responsibility for due diligence, oversight and accountability continues to reside with the Board and Management. In this regard, the remuneration of such Outsourced Personnel, being employees of the CL Subsidiary, is not included as part of the disclosure of remuneration of key management personnel of the Manager in this Report.

CORPORATE GOVERNANCE

The Manager has decided (a) to disclose the CEO's remuneration in bands of S$250,000 (instead of on a quantum basis), and (b) not to disclose the remuneration of the other key management personnel of the Manager (whether in bands of S$250,000 or otherwise). In arriving at its decision, it took into account the commercial sensitivity and confidential nature of remuneration matters. The Manager is of the view that disclosure in such manner is not prejudicial to the interests of Unitholders as the indicative range for the CEO's remuneration, as well as the total remuneration for the CEO and other key management personnel of the Manager, is made known to Unitholders, and sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between CCT's performance and the remuneration of the CEO and other key management personnel. In addition, the remuneration of the CEO and other key management personnel of the Manager is paid out of the fees that the Manager receives (of which the quantum and basis have been disclosed), rather than borne by CCT.

The Board seeks to ensure that the remuneration paid to the CEO and other key management personnel of the Manager are strongly linked to the achievement of business and individual performance targets. The performance targets approved by the Board are set at realistic yet stretched levels each year to motivate a high level of business performance with emphasis on both short and long term quantifiable objectives.

In FY 2018, there were no termination, retirement or post-employment benefits granted to Directors, the CEO and other key management personnel of the Manager. There was also no special retirement plan, 'golden parachute' or special severance package for any of the key management personnel of the Manager.

There were no employees of the Manager who were substantial shareholders of the Manager, substantial unitholders of CCT or immediate family members of a Director, the CEO or a shareholder of the Manager or substantial unitholder of CCT in FY 2018. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

Quantitative Remuneration Disclosure under AIFMD

The Manager is also required under the AIFMD to make quantitative disclosures of remuneration. Disclosures are provided in relation to (a) the staff of the Manager; (b) staff who are senior management; and (c) staff who have the ability to materially affect the risk profile of CCT.

All individuals included in the aggregated figures disclosed are rewarded in line with the Manager's remuneration policies described in this Report.

The aggregate amount of remuneration awarded by the Manager to its staff (including CEO and non-executive Directors) in respect of FY 2018 was approximately S$3.03 million. This figure comprised of fixed pay of S$1.57 million, variable pay of S$1.27 million (including Units issued under the Unit Plans, where applicable) and allowances and benefits-in-kind of S$0.19 million. There was a total of 11 beneficiaries of the remuneration described above. In respect of FY 2018, the aggregate amount of remuneration awarded by the Manager to its senior management (which are also members of staff whose actions have a material impact on the risk profile of CCT) was approximately S$2.10 million, comprising three individuals identified having considered, among others, their roles and decision making powers.

Non-executive Director Remuneration

The Directors' fees for FY 2018 are shown on page 43 of this Annual Report. The CEO who is also a Director is remunerated as part of the key management personnel of the Manager and therefore does not receive any Director's fees. The compensation policy for Directors is based on a scale of fees divided into basic retainer fees for serving as Director and additional fees for attendance and serving on Board Committees. The framework for the Directors' fees remains unchanged from that for the previous financial year.

The compensation package is market benchmarked, taking into account the demanding responsibilities on the part of the Directors in light of the scope and nature of CCT Group's business.

Directors' fees of non-executive Directors (including the Chairman) will be paid in cash (about 80.0%) and in the form of Units (about 20.0%), save for fees to be paid to (i) a non-executive director (not being an employee of CL) who steps down from the Board, which are paid entirely in cash; and (ii) a Director whose Director's fees are paid entirely in cash to a government agency, The Directorship & Consultancy Appointments Council. The Manager believes that the payment of a portion of the Directors' fees in Units will serve to align the interests of such Directors with that of Unitholders and CCT's long-term growth and value. In order to encourage the alignment of the interests of the non-executive Directors with the interests of Unitholders, a non-executive Director is required to hold Units worth at least one year of his or her basic retainer fee or the total number of Units awarded under the above policy, whichever is lower, at all times during his or her Board tenure.

DIRECTORS' FEES[1]

Board Members	FY 2018	FY 2017
Soo Kok Leng	S$128,000[2]	S$111,000[2]
Lim Ming Yan	N.A.[3,4]	N.A.[4]
Kevin Chee Tien Jin	N.A.[3]	N.A.[5]
Lam Yi Young	S$80,000[6]	S$80,000[6]
Tan Soon Neo Jessica	S$80,000[2]	S$48,329[2,7]
Quek Bin Hwee (Mrs)	S$95,000[2,8]	N.A.
Ng Wai King	S$55,000[2,8]	N.A.
Lee Chee Koon	N.A.[3,4,9]	N.A.
Lim Cho Pin Andrew Geoffrey	N.A.[4]	N.A.[4,10]

N.A. : Not Applicable

1 Inclusive of attendance fees of (a) S$2,000 (local meeting) and S$5,000 (overseas meeting) per meeting attendance in person (b) S$1,700 per meeting attendance via audio or video conference (c) S$1,000 per meeting attendance in person at project and verification meetings and (d) S$500 per meeting attendance via audio or video conference at project and verification meetings. Attendance fees at project and verification meetings are subject to a maximum of S$10,000 per Director per annum.

2 Each non-executive Director shall receive up to 20.0% of his or her Director's fees in the form of Units (subject to truncation adjustments). The remainder of the Director's fees shall be paid in cash. No new Units will be issued for this purpose as these Units will be paid by the Manager from the Units it holds.

3 Mr Lim Ming Yan retired as Non-Executive Non-Independent Director and Deputy Chairman with effect from 1 July 2018. On the same day, Mr Lee Chee Koon was appointed as Chairman of the EC, and Mr Kevin Chee Tien Jin was appointed as a member of the CDC, in place of Mr Lim.

4 Non-executive Directors who are employees of CL do not receive Directors' fees.

5 Mr Kevin Chee Tien Jin was appointed as the Chief Executive Officer, an Executive Non-Independent Director and a member of the EC with effect from 1 November 2017.

6 All Director's fees payable to Mr Lam Yi Young, a public officer, will be paid in cash to a government agency, The Directorship & Consultancy Appointments Council.

7 Ms Tan Soon Neo Jessica was appointed as a Non-Executive Independent Director with effect from 25 May 2017. On the same day, Ms Tan was appointed as a member of AC.

8 Mrs Quek Bin Hwee and Mr Ng Wai King were appointed as Non-Executive Independent Directors with effect from 1 January 2018. On the same day, Mrs Quek was appointed as Chairman of the AC.

9 Mr Lee Chee Koon was appointed as Non-Executive Non-Independent Director with effect from 1 January 2018. On the same day, Mr Lee was appointed as a member of the CDC and EC respectively.

10 Mr Lim Cho Pin Andrew Geoffrey was appointed as Non-Executive Non-Independent Director with effect from 1 May 2017. On the same day, Mr Lim was appointed as a member of the AC and EC respectively.

CORPORATE GOVERNANCE

(C) ACCOUNTABILITY AND AUDIT

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

The Manager provides Unitholders with quarterly and annual financial statements within the relevant periods prescribed by the Listing Manual. These quarterly and annual financial statements are reviewed and approved by the Board prior to release to Unitholders by announcement on the SGXNet. These releases of quarterly and annual financial statements are accompanied by news releases issued to the media and which are also posted on the SGXNet. In presenting the quarterly and annual financial statements to Unitholders, the Board aims to provide Unitholders with a balanced, clear and understandable assessment of CCT's performance, position and prospects. In order to achieve this, Management provides the Board with management accounts on a monthly basis and such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment, of CCT's financial performance, position and prospects.

In addition to quarterly and annual financial statements, the Manager also keeps Unitholders, stakeholders and analysts informed of the performance and changes in CCT or its business which would likely materially affect the price or value of the Units on a timely and consistent basis, so as to assist Unitholders and investors in their investment decisions.

The Manager believes in conducting itself in ways that seek to deliver maximum sustainable value to Unitholders. Best practices are promoted as a means to build an excellent business for Unitholders and the Manager is accountable to Unitholders for CCT's performance. Prompt fulfilment of statutory reporting requirements is but one way to maintain Unitholders' confidence and trust in the capability and integrity of the Manager.

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.

The Manager maintains an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard Unitholders' interests and CCT's assets.

The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls systems. The AC assists the Board in carrying out the Board's responsibility of overseeing the risk management framework and policies for CCT Group.

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

(a) makes recommendations to the Board on the Risk Appetite Statement (RAS) for CCT Group;
(b) assesses the adequacy and effectiveness of the risk management and internal controls systems established by the Manager to manage risks;
(c) oversees the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that are consistent with CCT Group's risk appetite and reports to the Board on its decisions on any material matters concerning the aforementioned;
(d) makes the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal controls systems can be made by the Board in the annual report of CCT in accordance with the Listing Manual and the Code; and
(e) considers and advises on risk matters referred to it by Management or the Board including reviewing and reporting to the Board on any material breaches of the RAS, any material non-compliance with the approved framework and policies and the adequacy of any proposed action.

The Manager adopts an Enterprise Risk Management (ERM) Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually.

As part of the ERM Framework, the Manager, among other things, undertakes and performs a Risk and Control Self-Assessment (RCSA) annually in respect of CCT Group to identify material risks along with their mitigating measures. The systems of risk management and internal controls are reviewed regularly by the Manager, the AC and the Board, taking into account best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council and the Listing Manual.

CCT Group's RAS, incorporating the risk limits, addresses the management of material risks faced by CCT Group. Alignment of CCT Group's risk profile to the RAS is achieved through various communication and monitoring mechanisms put in place across the various functions within the Manager.

More information on the Manager's ERM Framework can be found in the Enterprise Risk Management section on pages 55 to 58 of this Annual Report.

The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls (including financial, operational, compliance and IT controls) and risk management systems. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The AC also reviews the adequacy and effectiveness of the measures taken by the Manager on the recommendations made by the internal and external auditors in this respect.

The Board has received assurance from the CEO and the Head, Finance of the Manager that:

(a) the financial records of CCT Group have been properly maintained and the financial statements for FY 2018 give a true and fair view of CCT Group's operations and finances; and
(b) the systems of risk management and internal controls in place for CCT Group are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the Manager considers relevant and material to the current business environment.

The CEO and the Head, Finance of the Manager have obtained similar assurances from the respective risk and control owners.

In addition, in FY 2018, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to Unitholders as required by the Listing Manual.

Based on the ERM Framework established and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and the Head, Finance of the Manager, the Board is of the opinion that the systems of risk management and internal controls are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the Manager considers relevant and material to the current business environment as at 31 December 2018. The AC concurs with the Board in its opinion. No material weaknesses in the systems of risk management and internal controls were identified by the Board or the AC in the review for FY 2018.

The Board notes that the systems of risk management and internal controls established by the Manager provide reasonable assurance that CCT Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no systems of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE

Audit Committee

Principle 12:

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

At present, the AC comprises four non-executive Directors, the majority of whom (including the Chairman of the AC) are IDs. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains; in particular the Chairman of the AC is a member of the Institute of Singapore Chartered Accountants among other professional affiliations. The AC does not comprise members who were previously partners of the incumbent external auditors, KPMG LLP (KPMG), within the period of two years commencing on the date of their ceasing to be a partner of KPMG. The AC also does not comprise any member who has any financial interest in KPMG.

The AC has explicit authority to investigate any matter within its terms of reference. Management provides the fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors have unrestricted access to the AC.

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

(a) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of CCT Group and any announcements relating to CCT Group's financial performance;
(b) reviews and reports to the Board at least annually the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and IT controls, and risk management systems;
(c) reviews the adequacy and effectiveness of the Manager's internal audit and compliance functions;
(d) reviews the scope and results of the external audit, and independence and objectivity of the external auditors;
(e) makes recommendations to the Board on the proposals to Unitholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration of the external auditors;
(f) reviews and approves processes to regulate transactions involving an Interested Person (as defined in Chapter 9 of the Listing Manual) and/or Interested Party (as defined in the Property Funds Appendix) (each, an Interested Person) and CCT and/or its subsidiaries (Interested Person Transactions), to ensure compliance with the applicable regulations. The regulations include the requirement that Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of CCT and its minority Unitholders. In respect of any property management agreement which is an Interested Person Transaction, the AC also carries out reviews at appropriate intervals to satisfy itself that the Manager has reviewed the Property Manager's compliance with the terms of the property management agreement and has taken remedial actions, where necessary; and
(g) reviews the whistle-blowing policy and arrangements by which employees of the Manager and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules, or raise concerns about possible improprieties in matters of financial reporting or other matters with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken.

The AC undertook a review of the independence of the external auditors, taking into consideration, among others, CCT's relationships with the external auditors in FY 2018, as well as the processes and safeguards adopted by the Manager and KPMG relating to audit independence. Based on the review, the AC is satisfied that the external auditors are independent. The external auditors have also provided confirmation of their independence to the AC. The amount of audit fees paid/payable to the external auditors for FY 2018 was S$377,600. There was no non-audit service in FY 2018.

In FY 2018, the AC also met with the internal and external auditors, separately and without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the AC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

In its review of the financial statements of CCT Group for FY 2018, the AC had discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed, among other matters, the valuation of investment properties, being the key audit matter identified by external auditors for FY 2018.

The AC reviewed the outputs from the valuation process of the investment properties and held discussions with Management and the external auditors to review the valuation methodologies, focusing on significant changes in fair value measurement and key drivers of the changes. The AC considered the findings of the external auditors, including their assessment of the appropriateness of valuation, methodologies and the underlying key assumptions applied in the valuation of investment properties.

The AC was satisfied with the valuation process, methodologies used and valuation for investment properties as adopted and disclosed in the financial statements.

Changes to the accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the AC at its meetings.

The Manager confirms, on behalf of CCT, that CCT complies with Rule 712 and Rule 715 of the Listing Manual.

Internal Audit
Principle 13:

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

The Manager has in place an internal audit function supported by CL's Internal Audit Department (CL IA). The primary reporting line of CL IA is to the AC. The AC has carried out a review and is of the view that the internal audit function performed by CL IA is adequate, effective and independent. CL IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the beginning of each year. The AC also meets with CL IA at least once a year without the presence of Management. CL IA has unfettered access to the Manager's documents, records, properties and employees, including access to the AC and has appropriate standing within CCT Group.

CL IA is adequately resourced and staffed with persons with the relevant qualifications and experience. CL IA is a corporate member of the Singapore branch of the Institute of Internal Auditors Inc. (IIA), which has its headquarters in the United States of America (USA). CL IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA, and has incorporated these Standards into its audit practices. With respect to FY 2018, the AC has reviewed and is satisfied as to the adequacy and effectiveness of the IA function.

To ensure that internal audits are performed by competent professionals, CL IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience. For instance, CL IA staff who are involved in IT audits are Certified Information System Auditors and members of the Information System Audit and Control Association (ISACA) in the USA. The ISACA Information System Auditing Standards provide guidance on the standards and procedures to be applied in IT audits.

CL IA identifies and provides training and development opportunities for its staff to ensure that their technical knowledge and skill sets remain current and relevant.

CORPORATE GOVERNANCE

(D) 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.

The Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through the appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate unitholder, through its appointed representative). Unitholders such as nominee companies which provide custodial services for securities are not constrained by the two proxy limitation, and are able to appoint more than two proxies to attend, speak and vote at general meetings of CCT.

More information on unitholder participation in general meetings can be found in the section on Principle 16: Conduct of Shareholder Meetings of this Report.

Communication with Shareholders
Principle 15:

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

The Manager is committed to keeping all Unitholders, other stakeholders, analysts and the media informed of the performance and changes in CCT or its business which would likely materially affect the price or value of the Units. This is performed on a timely and consistent basis to assist Unitholders and investors in their investment decisions.

The Manager has in place an Investor Relations team and a Group Communications team, both of which facilitate effective communication with Unitholders, analysts, fund managers and the media.

The Manager actively engages with Unitholders and has put in place an Investor Relations Policy (Policy) to promote regular, effective and fair communications with Unitholders. The Policy is available on CCT's website at www.cct.com.sg, and contains the mechanism through which Unitholders may contact CCT with questions and through which CCT may respond.

The Board has established the CDC which assists the Board in the discharge of its function to meet the obligations arising under the laws and regulations of Singapore relating to and to conform to best practices in the corporate disclosure and compliance process. The views and approval of the CDC were sought throughout the year through emails on various announcements and news releases.

More information on the Manager's investor relations efforts can be found in the Investor Relations and Communications section on pages 59 to 60 of this Annual Report and the Policy which is available on CCT's website.

CCT is included in the Straits Times Index (STI), the primary Singapore equity market barometer. It is also included in other key indices which are widely tracked and referred to by international fund managers as performance benchmarks in the selection and monitoring of investments.

CCT's distribution policy is to distribute at least 90.0% of its taxable income (other than gains from the sale of real estate properties by CCT which are determined to be trading gains), with the actual level of distribution to be determined at the Manager's discretion. Distributions are generally paid within 35 market days after the relevant books closure date.

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 supports the principle of encouraging Unitholders' participation and voting at general meetings. Unitholders will receive a copy of the notice of the general meeting and may download the Annual Report (printed copies of the Annual Report are available upon request) from CCT's website at www.cct.com.sg. Notices of the general meetings are also advertised in the press and issued on SGXNet. More than the requisite notice period for general meetings is generally provided. All Unitholders are given the opportunity to participate effectively in and vote at general meetings.

At general meetings, Management makes a presentation to Unitholders to update them on CCT's performance, position and prospects. The presentation materials are made available to Unitholders on CCT's website and SGXNet. Unitholders are given the opportunity to communicate their views and discuss with the Board and Management matters affecting CCT. Unitholders are informed of the rules governing general meetings. Representatives of the Trustee, Directors (including the chairpersons of the respective Board Committees), the Manager's senior management and the external auditors of CCT, are present for the entire duration of general meetings to address any queries that Unitholders may have. Directors and Management also interact with Unitholders after the general meetings. All the Directors attended the general meeting held during their tenure in FY 2018. A record of the Directors' attendance at the general meeting can be found in the records of their attendance of meetings set out at page 54 of this Annual Report.

To safeguard Unitholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. To ensure transparency in the voting process and better reflect Unitholders' interests, the Manager conducts electronic poll voting for all the resolutions proposed at the general meetings. One Unit is entitled to one vote. Voting procedures are explained and vote tabulations are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. Votes cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to Unitholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings. Voting in absentia and by email, which are currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Unitholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

Minutes of the general meetings, recording the substantial and relevant comments made and questions raised, are prepared and are available to Unitholders for their inspection upon request. Minutes of the annual general meetings are also uploaded to CCT's website at www.cct.com.sg.

(E) ADDITIONAL INFORMATION

Executive Committee

In addition to the AC and CDC, the Board has also established an EC.

The EC oversees the day-to-day activities of the Manager and that of CCT, on behalf of the Board. The EC is guided by its terms of reference, in particular, the EC:

(a) approves specific budgets for capital expenditure on development projects, acquisitions and enhancements/upgrading of properties within its approved financial limits;
(b) reviews management reports and operating budgets; and
(c) awards contracts for development projects.

The members of the EC also meet informally during the course of the year.

CORPORATE GOVERNANCE

Dealings with Interested Persons

Review Procedures for Interested Person Transactions

The Manager has established internal control procedures to ensure that all Interested Person Transactions are 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, and are not prejudicial to the interests of CCT and Unitholders. In respect of such transactions, the Manager would have to demonstrate to the AC that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of CCT and Unitholders which may include obtaining (where practicable) third party quotations or obtaining valuations from independent valuers (in accordance with applicable provisions of the Listing Manual and the Property Funds Appendix). The internal control procedures also ensure compliance with Chapter 9 of the Listing Manual and the Property Funds Appendix.

In particular, the procedures in place include the following:

Interested Person Transactions[1]	Approving Authority, Procedures and Disclosure
Below S$100,000 per transaction	› Trustee
S$100,000 and above per transaction (which singly, or when aggregated with other transactions[2] with the same Interested Person in the same financial year is less than 3.0% of CCT's latest audited net tangible assets/net asset value)	› Trustee › Audit Committee
Transaction[2] which: (a) is equal to or exceeds 3.0% of CCT's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions[2] with the same Interested Person in the same financial year is equal to or exceeds 3.0% of CCT's latest audited net tangible assets/net asset value	 › Trustee › Audit Committee › Immediate announcement
Transaction[2] which: (a) is equal to or exceeds 5.0% of CCT's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions[2,3] with the same Interested Person in the same financial year is equal to or exceeds 5.0% of CCT's latest audited net tangible assets/net asset value	 › Trustee › Audit Committee › Immediate announcement › Unitholders[3]

1 This table does not include the procedures applicable to Interested Person Transactions falling under the exceptions set out in Rule 915 and Rule 916 of the Listing Manual.
2 Any transaction of less than S$100,000 in value is disregarded.
3 In relation to approval by Unitholders for transactions that are equal to or exceed 5.0% of CCT's latest audited net tangible assets/net asset value (whether singly or aggregated), any transaction which has been approved by Unitholders, or is the subject of aggregation with another transaction that has been approved by Unitholders, need not be included in any subsequent aggregation.

Role of the Audit Committee for Interested Person Transactions

The Manager's internal control procedures are intended to ensure that Interested Person Transactions are conducted at arm's length, on normal commercial terms and are not prejudicial to CCT and Unitholders' interests.

The Manager maintains a register to record all Interested Person Transactions which are entered into by CCT (and the basis on which they are entered into, including the quotations obtained to support such basis). All Interested Person Transactions are subject to regular periodic reviews by the AC, which in turn obtains advice from CL IA, to ascertain that the guidelines and procedures established to monitor Interested Person Transactions, including the relevant provisions of the Listing Manual and the Property Funds Appendix, as well as any other guidelines which may from time to time be prescribed by the SGX-ST, MAS or other relevant authorities, have been complied with. The review includes an examination of the nature of the transaction and its supporting documents or such other information deemed necessary by the AC. If a member of the AC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction. In addition, the Trustee also reviews such audit reports to ascertain that the Listing Manual and the Property Funds Appendix have been complied with.

Details of all Interested Person Transactions (equal to or exceeding S$100,000 each in value) entered into by CCT in FY 2018 are disclosed on page 222 of this Annual Report.

Dealing with Conflicts of Interest

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including its Directors, executive officers and employees) may encounter in managing CCT:

(a) the Manager will not manage any other REIT or be involved in any other real property business;
(b) all resolutions at meetings of the Board in relation to matters concerning CCT must be decided by a majority vote of the Directors, including at least one ID;
(c) in respect of matters in which CL and/or its subsidiaries have an interest, whether direct or indirect, any nominees appointed by CL and/or its subsidiaries to the Board will abstain from voting. In such matters, the quorum must comprise a majority of IDs and shall exclude such nominee Directors of CL and/or its subsidiaries;
(d) in respect of matters in which a Director or his associates have an interest, whether direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and shall exclude such interested Director(s);
(e) 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 CCT with an affiliate of the Manager, the Manager is obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of CCT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager is obliged to pursue the appropriate remedies under such agreement; and
(f) at least one-third of the Board shall comprise IDs.

In respect of voting rights where the Manager would face a conflict between its own interests and that of Unitholders, the Manager shall cause such voting rights to be exercised according to the discretion of the Trustee.

CORPORATE GOVERNANCE

Dealings in Securities

The Manager has devised and adopted a securities dealing policy for the Manager's officers and employees which applies the best practice recommendations in the Listing Manual. To this end, the Manager has issued guidelines to its Directors and employees as well as certain relevant executives of the CL Group, which set out prohibitions against dealings in CCT Group's securities (i) while in possession of material unpublished price sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of, CCT's financial statements for each of the first three quarters of CCT's financial year, and (iii) during the one month immediately preceding, and up to the time of the announcement of, CCT's financial statements for the full financial year. Prior to the commencement of each relevant period, an email would be sent out to all Directors and employees of the Manager as well as certain relevant executives of the CL Group to inform them of the duration of the period. The Manager will also not deal in CCT Group's securities during the same period. In addition, employees and Capital Markets Services Licence Appointed Representatives of the Manager are required to give pre-trading notification to the CEO and the Compliance department before any dealing in CCT Group's securities.

Directors and employees of the Manager as well as certain relevant executives of the CL Group are also prohibited from dealing in securities of CCT Group if they are in possession of unpublished price sensitive information of CCT Group. As and when appropriate, they would be issued an advisory to refrain from dealing in CCT Group's securities.

Under the policy, Directors and employees of the Manager as well as certain relevant executives of the CL Group are also discouraged from trading on short-term or speculative considerations. They are also prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities.

Dealings by the Directors are disclosed in accordance with the requirements in the SFA and the Listing Manual.

(F) CODE OF BUSINESS CONDUCT

The Manager adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place.

The policies and guidelines are published on CL's intranet, which is accessible by all employees of the Manager.

The policies that the Manager has implemented aim to help to detect and prevent occupational fraud in mainly three ways.

First, the Manager offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit to its employees. The Manager also provides various healthcare subsidies and financial assistance schemes to alleviate the common financial pressures its employees face.

Second, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Manager seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

Bribery and Corruption Prevention Policy

The Manager adopts a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Manager are required to make a declaration on an annual basis where they pledge to uphold the Manager's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings.

The Manager's zero tolerance policy on bribery and corruption extends to its business dealings with third parties. Pursuant to this policy, the Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions.

Whistle-Blowing Policy

A whistle-blowing policy and other procedures are put in place to provide employees of the Manager and parties who have dealings with the Manager with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action. The objective of the whistle-blowing policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the fullest extent possible, be protected from reprisal. The policy is published on CL's intranet, which is accessible by all employees of the Manager.

Anti-Money Laundering and Countering the Financing of Terrorism Measures

As a holder of a Capital Markets Services Licence issued by MAS, the Manager abides by the MAS' guidelines on the prevention of money laundering and countering the financing of terrorism. Under these guidelines, the main obligations of the Manager are:

(a) evaluation of risk;
(b) customer due diligence;
(c) suspicious transaction reporting;
(d) record keeping;
(e) employee screening and representative screening; and
(f) training.

The Manager has developed and implemented a policy on the prevention of money laundering and terrorist financing and is alert at all times to suspicious transactions. Where there is a suspicion of money laundering or terrorist financing, the Manager performs due diligence checks on its counterparties in order to ensure that it does not enter into business transactions with terrorist suspects or other high risk persons or entities. Suspicious transactions are also reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

Under this policy, the Manager must retain all relevant records or documents relating to business relations with its customers or transactions entered into for a period of at least five years following the termination of such business relations or the completion of such transactions.

All prospective employees, officers and representatives of the Manager are also screened against various lists of terrorist suspects issued by MAS. Periodic training is provided by the Manager to its Directors, employees and representatives to ensure that they are updated and aware of applicable anti-money laundering and terrorist financing regulations, the prevailing techniques and trends in money laundering and terrorist financing and the measures adopted by the Manager to combat money laundering and terrorist financing.

CORPORATE GOVERNANCE

Composition and Attendance Record of Meetings

Board Members	Composition			Attendance Record of Meetings in FY 2018		
	Audit Committee	Corporate Disclosure Committee#	Executive Committee#	Board	Audit Committee	General Meeting
				Number of Meetings Held:5	Number of Meetings Held:5	Number of Meetings Held:1
Soo Kok Leng, Chairman	–	Chairman	–	5 out of 5	N.A.	1 out of 1
Lim Ming Yan, Deputy Chairman[1]	–	Member	Chairman	3 out of 3	N.A.	1 out of 1
Kevin Chee Tien Jin, CEO	–	Member[2]	Member	5 out of 5	N.A.	1 out of 1
Lam Yi Young	Member	–	–	5 out of 5	5 out of 5	1 out of 1
Tan Soon Neo Jessica	Member	–	–	5 out of 5	5 out of 5	1 out of 1
Quek Bin Hwee (Mrs)	Chairman	–	–	5 out of 5	5 out of 5	1 out of 1
Ng Wai King	–	–	–	5 out of 5	N.A.	1 out of 1
Lee Chee Koon	–	Member	Chairman[3]	5 out of 5	N.A.	1 out of 1
Lim Cho Pin Andrew Geoffrey	Member	–	Member	5 out of 5	3 out of 5	1 out of 1

N.A. : Not Applicable

Given the nature and scope of the work of CDC & EC, their business was discussed/transacted primarily through conference calls, correspondence and informal meetings.

1 Mr Lim Ming Yan retired as Non-Executive Non-Independent Director and Deputy Chairman with effect from 1 July 2018. He relinquished his role as Chairman of the EC and member of the CDC on the same day.

2 Mr Kevin Chee Tien Jin was appointed as a member of the CDC with effect from 1 July 2018.

3 Mr Lee Chee Koon was appointed as Chairman of the EC with effect from 1 July 2018.

Key Management Personnel's Remuneration Table for the Financial Year Ended 31 December 2018

Total Remuneration Bands	Salary inclusive of AWS and employer's CPF	Bonus and Other Benefits inclusive of employer's CPF[1]	Award of Units[2]	Total
Above S$750,000 to S$1,000,000				
Kevin Chee Tien Jin	42%	41%	17%	100%
Key Officers[3]				
Anne Chua Tai Hua Ho Mei Peng	46%	35%	19%	100%
Total for CEO and Key Officers	**Total S$2,095,215**			

1 The amounts disclosed include bonuses earned and the other incentive plans which have been accrued in FY 2018.

2 The proportion of value of the Unit awards are based on the fair value of the units comprised in the contingent awards under the CapitaLand Commercial Trust Management Limited Restricted Unit Plan (RUP) and the CapitaLand Commercial Trust Management Limited Performance Unit Plan (PUP) at the time of grant in FY 2018. The final number of units released under the contingent awards of units for RUP and PUP will depend on the achievement of pre-determined targets and subject to the respective vesting period under RUP and PUP.

3 The remuneration of Mr Chew Peet Mun, the Head of Investment and Asset Management, was borne by CL and/or its subsidiaries (other than the Manager), to which the Manager outsources the Investment and Asset Management functions, among others.

ENTERPRISE RISK MANAGEMENT

CapitaLand Commercial Trust and its subsidiaries (CCT Group) takes a proactive approach to risk management, making it an integral part of the business, both strategically and operationally. The Manager will be disciplined and measured in the pursuit of opportunities. Risk management is about optimising the risk-reward relationship within known and agreed risk appetite levels set by our Board of Directors. In short, we take measured risks in a prudent manner for justifiable business reasons.

GOVERNANCE

The Board of Directors of the Manager (Board) is responsible for the governance of risk across CCT Group. It falls to them to determine CCT Group's risk appetite; oversee CCT Group's Enterprise Risk Management (ERM) Framework; regularly review CCT Group's risk profile, material risks and mitigation strategies; and to ensure the adequacy and effectiveness of the risk management framework and policies. For these purposes, the Board is assisted by the Audit Committee (AC), which provides dedicated oversight over risk management at the Board level.

The AC, made up of four Board members, meets quarterly. The meetings are attended by the Chief Executive Officer (CEO) as well as other key management staff of the Manager.

The Board approves CCT Group's risk appetite, which determines the nature and extent of material risks that the Manager is willing to take to achieve its strategic and business objectives. CCT Group's Risk Appetite Statement (RAS) is expressed via formal, high-level and overarching statements and accompanying risk limits which determine specific risk boundaries established at an operational level. Taking the interests of key stakeholders into consideration, the RAS sets out explicit and forward-looking views of CCT Group's desired risk profile and ensures it is aligned with CCT Group's strategy and business plans.

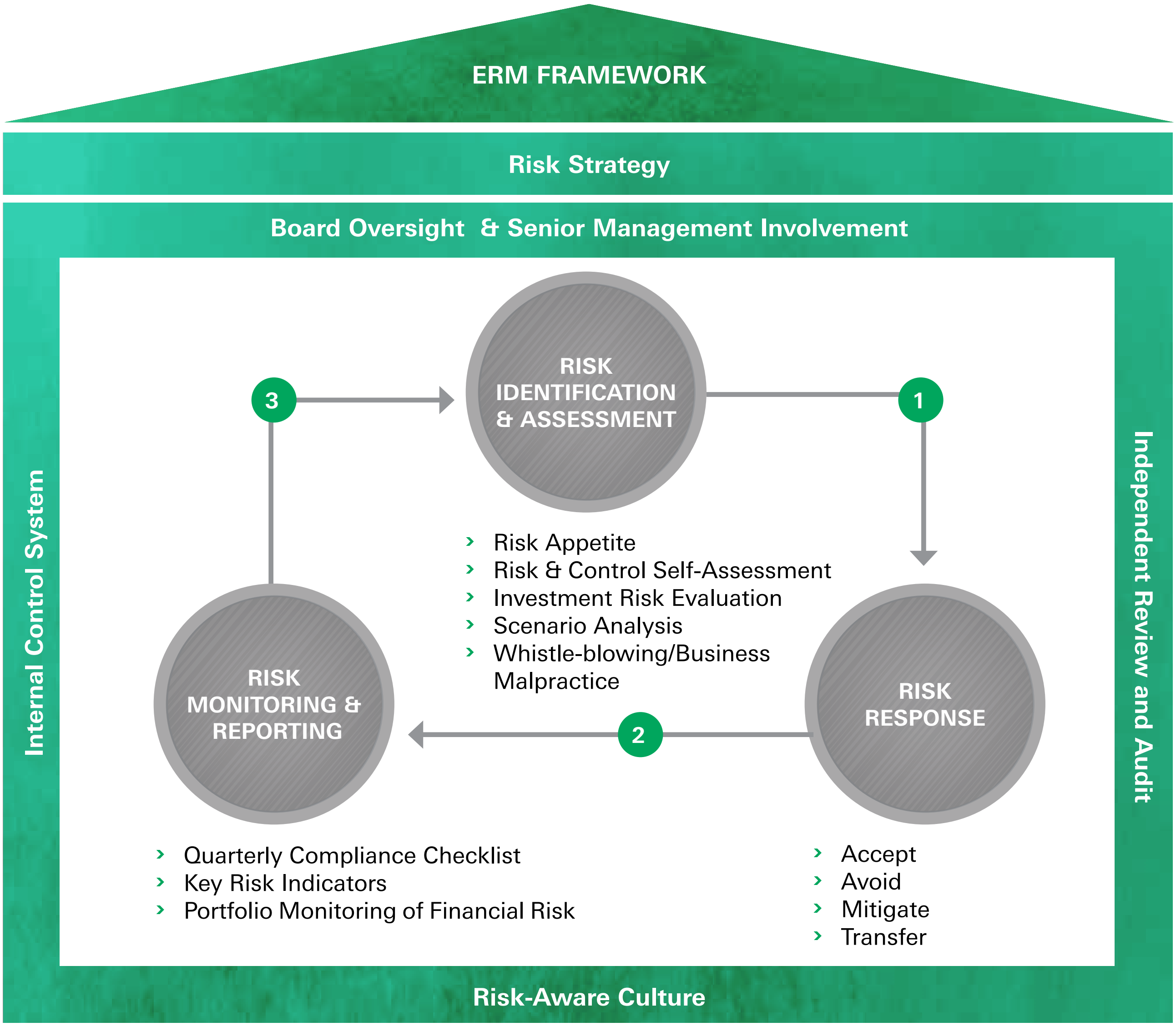
The ERM Framework is adapted from the International Organization for Standardization (ISO) 31000 International Risk Management Standards. It is also guided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control-Integrated Framework and other relevant best practices and guidelines. It specifies the required environmental and organisational components needed to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually.

A robust internal control system and an effective, independent review and audit process underpin CCT Group's ERM Framework. While the line management is responsible for the design and implementation of effective internal controls using a risk-based approach, the Internal Audit function from CapitaLand reviews such design and implementation to provide reasonable assurance to the AC on the adequacy and effectiveness of the risk management and internal control systems.

CCT Group's successful ERM program is based on fostering the right risk culture. The Manager works closely with CapitaLand Risk Assessment Group (RAG) to conduct regular workshops to enhance risk management knowledge and promote a culture of risk awareness. Risk management principles are embedded in all our decision-making and business processes.

Once a year, the Manager facilitates and coordinates CCT Group's Risk and Control Self-Assessment (RCSA) exercise that requires respective risk and control owners to identify, assess and document material risks along with their key controls and mitigating measures. Material risks and their associated controls are consolidated and reviewed by the Manager before they are presented to the AC and the Board.

ENTERPRISE RISK MANAGEMENT



MANAGING MATERIAL RISKS

The Manager takes a comprehensive, iterative approach to identifying, managing, monitoring and reporting material risks across CCT Group. These material risks include:

Business Interruption Risks

CCT Group is exposed to business interruption risk arising from sudden and major disaster event such as fire, prolonged power outages or other major infrastructure or equipment failures which may significantly disrupt operations of our tenants or our data centers. The Manager manages such risks through proactive facilities management (for example, routine inspection and scheduled maintenance) and having crisis management procedures for each property.

Competition Risk

Facing keen industry competition from established players and new market entrants, CCT Group strengthens its competitive position by delivering exceptional products and services. As such, CCT Group regularly reviews its asset and portfolio plan and in some instances, work with like-minded partners, including its sponsor, CapitaLand, to leverage the group's whole suite of real estate platform and resources, embark on joint developments and explore innovative flexible workplace solutions to enhance its competitive edge. We differentiate our products and services with ongoing brand building in the marketplace together with the right pricing, effective cost management and proactive asset enhancement. Tenant retention is achieved through tenant-centric management and engagements. We also actively monitor relevant leasing transactions in the market to ensure the rental competitiveness of CCT Group's properties.

Economic Risk
CCT Group is exposed to event risks in Singapore and Germany's economic, financial and property markets as well as volatility in the global economy. These event risks may reduce revenue, increase costs and result in downward revaluation of our assets. Market illiquidity during a financial crisis makes asset divestment challenging and can affect CCT Group's investment and strategic objectives. The Manager takes a disciplined approach to financial and operation management and closely monitors macroeconomic trends and their impact on the Singapore and Germany's commercial property market.

Political & Policy Risk
CCT is exposed to various levels of political and policy risks, such as political leadership uncertainty, inconsistent public policies, social unrest, change in property-related regulations and other events. Such risks may threaten the economic and sociopolitical environment which may in turn affect the financial viability of CCT Group's investments. To mitigate these risks, the Manager focuses its investments in developed markets such as Singapore and other key gateway cities, with the latter comprising up to 20% of its portfolio property value. Operations are managed by experienced managers and teams familiar with local conditions and cultures.

Climate Change Risks
Managing risk associated with climate change is critical to our development projects and operations. Such risks include physical risks, such as rising sea levels, flash floods, fresh water depletion, violent storms, long intense heat waves, as well as changes in government regulations and other climate-related developments. The recent 5th Intergovernmental Panel on Climate Change (IPCC) report highlighted climate change impacts which could be avoided by limiting global warming to 1.5°C. Coupled with the Paris Climate Change Agreement, more stringent global regulations are expected. CCT Group is positioned to face such challenges and is regularly reviewing its mitigation and adaption efforts which include a target to achieve green certification of its existing properties in Singapore by FY 2030. CapitaLand is also ISO 14001 certified for its environmental management system in 15 countries and sets energy, water and carbon emission intensity targets for its operational properties.

Safety, Health & Well-being Risks
Managing and mitigating risks to safety, health and well-being in our operations and development project is a key priority for CCT Group. CCT Group believes safe and healthy buildings and workplaces can have a positive impact on tenants, the public and employees. CCT Group has adopted CapitaLand's EHS Management System which has achieved the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification.

Financial Risk
CCT Group is exposed to financial risks relating to liquidity, foreign currency and interest rates. The Manager measures and evaluates these financial risks, and continues to focus on instilling financial discipline, deploying capital to earn optimal risk-adjusted returns and maintaining a strong balance sheet to invest in suitable opportunities. Please refer to the Financial Statements section on pages 191 to 213 of this Annual Report for more information.

Fraud & Corruption Risk
CCT Group has adopted a zero tolerance stance against any fraud, bribery and corruption in the conduct of its business activities. Consistent with this commitment, the Manager has adopted policies and guidelines established by the CapitaLand Group, which include a series of Ethics and Code of Business Conduct Policies, Fraud, Bribery & Corruption (FBC) Risk Management Policy, and a Whistle-blowing Policy. The FBC Risk Management Policy echoes the tone at the top and sets appropriate standards in managing risks arising from fraud, bribery and corruption. The Manager also has a whistle-blowing policy to encourage the reporting of suspected misconduct which involves a clearly defined process through which reports can be made in confidence and in good faith, without fear of reprisal. Annually, all employees sign the CapitaLand Pledge to renew their commitment to uphold the Group's core values.

Information Technology Risk
With increased reliance on Information Technology (IT) as a business enabler, CCT Group has adopted CapitaLand's group-wide policies and procedures which set out the governance and controls of IT risks, including cyber-risks. Appropriate measures are in place to ensure the confidentiality, integrity, and availability of CapitaLand Group's information assets. This includes implementing access controls, enhancing data security and raising employees' IT security awareness through phishing campaigns and other activities. In addition, CapitaLand Group conducts an IT disaster recovery exercise annually to ensure business recovery objectives are met.

ENTERPRISE RISK MANAGEMENT

Investment & Divestment Risk

To achieve the growth objectives of CCT Group, the Manager acquires properties, undertakes asset enhancement initiatives (AEIs) and invests in greenfield developments. The risks involved in such investment activities are managed through a rigorous set of investment criteria which includes rental sustainability, potential for value creation, and DPU accretion. All major investment and divestment decisions are reviewed and approved by the Board. Each major investment or divestment proposal must also include a risk assessment, sensitivity analysis and mitigation measures or control strategies, where appropriate. The Manager conducts due diligence reviews in relation to any investment or divestment proposal. Where necessary, it enlists the Property Manager and third-party consultants with the requisite expertise to assist in the due diligence review.

Leasing Risk

Strong competition, poor economic and market conditions are some of the key factors that could result in key tenants not renewing their leases, adversely affecting the performance of CCT Group's properties. To deal with such challenges, the Manager establishes a diversified tenant base and sustainable trade mix and has in place proactive tenant management strategies to mitigate leasing risk. It is also the Manager's priority to actively engage tenants to understand and address their changing workspace and employee needs, explore operational synergies, and work on collaborative opportunities. AEIs are also planned and executed to maintain the relevance and appeal of CCT Group's assets.

Regulatory & Compliance Risk

CCT Group's operations are subject to applicable and relevant legislation and regulations in the market we operate, such as SGX-ST Listing Rules, the Securities and Futures Act (Chapter 289 of Singapore), the Alternate Investment Fund Managers Directive, the Code of Corporate Governance, the Code on Collective Investment Schemes issued by MAS and tax rulings issued by the Inland Revenue Authority of Singapore. The Manager has in place a framework that proactively identifies applicable laws and regulatory obligations, and embeds compliance into its day-to-day operations.

Physical Security Risk

To manage physical security risk of CCT Group, the Manager ensures that there are standard operating procedures in place for each of our properties. In the event of terrorist attacks and sabotage, our Property Managers are prepared to manage the situations before the arrival of the police and civil defence force. Twice yearly evacuation drills are conducted at each property to familiarise the tenants and staff with the emergency response plan. Together with security agencies, CCT Group's properties took part in the anti-terror exercise led by the Singapore Police Force. Our properties are equipped with automated external defibrillators (AED) and our Property Managers undergo mandatory accredited trainings in the use of the AED, cardiopulmonary resuscitation and first aid every two years. In addition, our Emergency Response Teams undergo certified refresher trainings to prepare themselves adequately in times of emergency.

Project Management Risk

The outsourced Project Management team from CapitaLand which comprises of experienced technical staff with various expertise in architectural design, mechanical and electrical engineering detailing and safety, adopts a rigorous project management process to ensure that the project cost, quality and time objectives are met. There are stringent pre-qualification procedures to appoint well-qualified vendors. Key criteria such as vendors' track records and financial performances are assessed. The outsourced Project Management team also conducts regular site visits to closely monitor the progress of projects and manage potential risks of delays, poor workmanship and cost overruns.

Risk management supports the achievement of CCT Group's business objectives and corporate strategy, hence creating and preserving value.

INVESTOR RELATIONS AND COMMUNICATIONS

CCT is committed to timely, unbiased and transparent communications with our stakeholders. By communicating material information concerning our strategies, business developments and market environment, we aim to enable informed investment decisions by our stakeholder groups that include Unitholders, potential retail and institutional investors, analysts and the media.

All of CCT's financial results, presentations for conferences and non-deal roadshows, annual reports, minutes of annual general meetings (AGMs) as well as historical financial information are published at www.cct.com.sg. In addition, stakeholders have access to our senior management and investor relations team at various opportunities throughout the year. These include regular business update meetings and the biannual financial results briefings for the media and analysts hosted by the CEO in January and July. The briefings as well as the question-and-answer sessions are broadcasted "live" via www.cct.com.sg, and may be viewed on demand for up to a year.

The Board and senior management are present at the AGM to report on the Trust's performance for the year and address questions and comments from the Unitholders. All AGM resolutions are polled electronically and the results are published on SGXNet.

An analyst and media briefing was held on 17 May 2018 when we announced CCT's first foray into Frankfurt, Germany with the acquisition of a 94.9% interest in Gallileo, a Grade A office property.

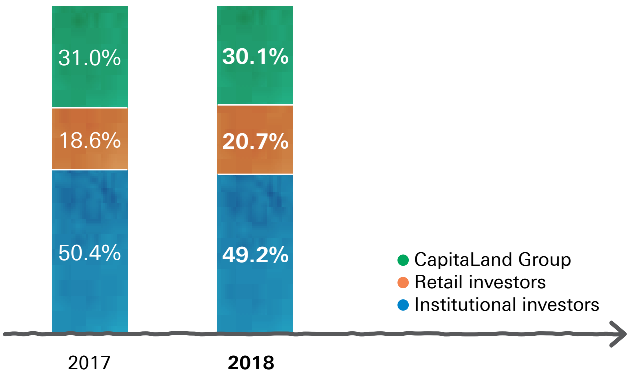
Throughout 2018, CCT successfully reached out to over 300 private and institutional investors from about 200 companies in Singapore and globally through post-results meetings, conference calls, local conferences, non-deal roadshows and property visits. CCT also held investor meetings in Singapore, Thailand, Hong Kong, Japan, UK, Europe and the USA.

To support investor education, CCT took part in the REITs Symposium for the fourth year. The team also participated in activities targeting retail investors, including pre-engagements with Unitholders before the AGM, as well as CEO presentations at the DBS-REITAS private banking event and SGX REIT event organised by Phillip Securities.

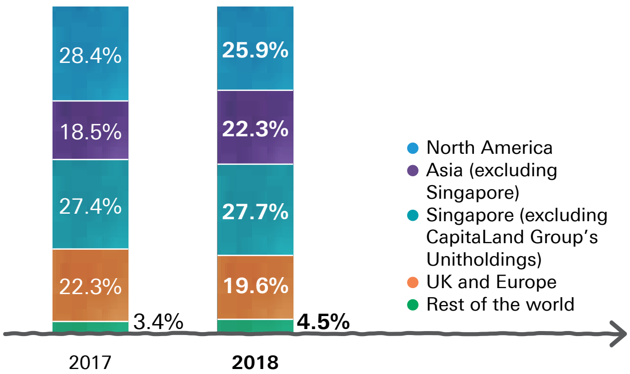
CCT continues to be recognised for good investor relations and corporate governance practices. In 2018, CCT was ranked joint first place in the Governance Index for Trusts (GIFT) and second in the Singapore Governance and Transparency Index (REIT and Business Trust category). For stakeholder engagement, CCT achieved the Gold award for Best Annual Report under the REITS and Business Trusts category at the Singapore Corporate Awards 2018. Additionally, the Trust was named runner-up for the Shareholder Communication Excellence Award under the REITs and Business Trusts category at the Securities Investors Association (Singapore) 19th Investors' Choice Awards.

CCT remains in the FTSE Straits Times Index, FTSE4Good Index Series, MSCI Global Standard Indices and other indices.

Profile of CCT Unitholdings by Unitholder Type



Profile of CCT Unitholdings by Geography



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INVESTOR RELATIONS AND COMMUNICATIONS

Calendar of Financial Events 2019/2020
Subject to changes by the Manager without prior notice

Apr 2019	› Release of First Quarter 2019 Results › Annual General Meeting
Jul 2019	› Release of Half Year 2019 Results › Books closure to determine entitlement to distribution
Aug 2019	› Payment of distribution to Unitholders (six months ending 30 June 2019)
Oct 2019	› Release of Third Quarter 2019 Results
Jan 2020	› Release of Financial Year 2019 Results › Books closure to determine entitlement to distribution
Feb 2020	› Payment of distribution to Unitholders (six months ending 31 December 2019)

Investor Relations Activities in 2018

25 Jan	FY 2017 post-results investor meeting in Singapore
1 – 2 Feb	FY 2017 post-results investor meetings in Hong Kong
4 – 6 Mar	Citi Global Property CEO Conference 2018 and investor meetings in USA
7 – 8 Mar	Investor meetings in Europe (Amsterdam, Rotterdam and London)
14 Mar	Citi Corporate Top-Picks ASEAN Conference in Singapore
27 Mar	Maybank-Kim Eng Invest ASEAN Conference in Singapore
10 Apr	Pre-AGM unitholders engagement session in Singapore
19 Apr	CCT's AGM held at The Star Gallery
24 Apr	1Q 2018 post-results investor meeting in Singapore
8 May	CEO Presentation at DBS-REITAS Private Banking Event
11 May	CEO Presentation at SGX REIT event by Phillip Securities
15 May	Deutsche Bank Access Asia Conference 2018 in Singapore
17 May	Analyst and media briefing for announcement of the acquisition of Gallileo in Frankfurt, Germany
19 May	Singapore's 4th Annual REITs Symposium by REITAS and ShareInvestor
5 Jun	Nomura Asia Equity Investment Forum
19 Jul	2Q 2018 CCT post-results investor meeting in Singapore
6 - 8 Aug	2Q 2018 CCT post-results investor meetings in Hong Kong
17 Aug	CapitaLand and REITs Day in Bangkok
23 Aug	Citi-REITAS-SGX C-Suite Singapore REITs and Sponsors Corporate Day 2018
27 Aug	Macquarie ASEAN Conference in Singapore
3 Oct	SGX-Credit Suisse Real Estate Corporate Day 2018 in Singapore
26 Oct	3Q 2018 post-results investor meeting in Singapore
14 - 16 Nov	Investor meetings in Tokyo
28 Nov	Morgan Stanley 17th Annual Asia Pacific Summit in Singapore

FY 2018 Distributions

	Distribution per Unit (cents)		
Period	Taxable[1]	Tax-exempt[2]	Payment Date
1 Jan to 27 May	3.49	-	18 July 2018
28 May to 30 Jun	0.77	0.02	29 August 2018
1 Jul to 31 Dec	4.22	0.20	28 February 2019

1 Taxable income distribution – qualifying investors and individuals (other than those who hold their Units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. All other investors will receive their distributions after deduction of tax at the rate of 17%.
2 Tax-exempt income distribution – Tax-exempt income distribution is exempted from tax in the hands of Unitholders.

SUSTAINABILITY MANAGEMENT

Dear Stakeholders,

We are driven by our mission to deliver long-term sustainable distribution and total returns to Unitholders. To achieve this desired outcome, we proactively endeavor to manage, leverage and harness capital resources available to us. These resources include:

Financial Capital – proactive management of financial capital through proactive portfolio reconstitution including asset management, investments and divestments, and capital management. In 2018, to widen sustainable avenues for future growth, CCT made its first investment outside of Asia. CCT is committed to remain predominantly in Singapore with up to 20% of our portfolio property value overseas over time. We also took decisive action to manage our average cost of debt by extending maturities and increasing the ratio of fixed to floating rate debt.

Organisational Capital – leveraging on a strong corporate governance and enterprise risk management framework, we continuously identify, review, monitor and take appropriate measures to address risks and adhere to the highest code of business conduct. As wholly owned subsidiaries of CapitaLand, the Manager and Property Managers of CCT are committed to sustainability and firmly embrace CapitaLand's core values of Respect, Integrity, Creativity and Excellence. CCT's Board oversight is affirmed in the Board Statement within this annual report.

Human, Social and Relationship Capitals - motivating our stakeholders and communities to buy into our vision and mission and give back to the larger community. Highlights of these are shared below.

Indicators of our sustainable efforts include the positive results that CCT delivered in FY 2018. Gross revenue and net property income rose by 16.7% and 18.5% respectively YoY. FY 2018 distributable income of S$321.7 million was 11.4% higher YoY, while the DPU of 8.70 cents was 0.5% above FY 2017 DPU. Portfolio committed occupancy was 99.4% and our tenant retention rate was 77% as at 31 December 2018. Other indicators to highlight are our initiatives to motivate and engage stakeholders, efforts to enhance operational efficiency, develop new products and services to meet evolving occupants' needs and our efforts to establish and track performance targets and processes to ensure focus and continuous improvement.

LEVERAGING TECHNOLOGY FOR EFFICIENCY

Through an Environmental Tracking System (ETS), energy and water consumption are recorded and actively managed across our properties. Comparing 2018 performance to base year 2008, our Singapore portfolio achieved reduction of 27.3% and 26.9% for energy intensity measured in kWh per m^2 and water intensity measured in m^3 per m^2, respectively.

In 2H 2018, CapitaLand rolled out an Intelligent Building Platform (IBP) at select properties. Utilising equipment and video analytics, the platform collects data, analyses the performance of building systems and provides automatic alerts so as to enhance security surveillance and emergency response, detect equipment faults and optimise building systems to improve electricity and air-conditioning chilled water consumption. We will closely monitor the progress of this initiative before rolling it out to our other properties in Singapore.

STAKEHOLDER ENGAGEMENT

Stakeholders were engaged through various channels throughout the year. We met with about 300 investors, both existing and potential, participated in numerous retail investment forums and conducted property familiarisation visits to provide timely updates and communicate our strategy and plans.

To connect with our tenants and their employees, health & wellness and philanthropic activities were organized throughout the year. Wellness Week was a new initiative to promote wellness in our Singapore workplace communities, with activities ranging from workshops to talks and seminars, workout sessions and F&B deals.

Gifts of Joy was the other highlight for our Singapore office tenants. Gift donations by tenants from six CCT properties were wrapped and gifted to fulfil the wishes of 779 special needs students from the Rainbow Centre. In addition, an art jamming session was organised with students of Rainbow Centre and friends from our tenant community to bring smiles and build awareness.

We have been using these engagements to conduct surveys and gather feedback from part of our continuous improvement process.

NEW FLEXIBLE SPACES

CapitaLand's 'office of the future' strategy to meet the evolving workspace needs of our occupiers/partners and developing an ecosystem of innovative workspace solutions is being piloted at Capital Tower and Asia Square Tower 2. The strategy entails the integration of conventional offices (core) and flexible space (flex) to create core-flex offerings to meet evolving business space requirements, underpinned by community-driven and tech-enabled workspace solutions.

ONGOING SUSTAINABILITY JOURNEY

We are committed to the long-term success of our sustainability journey. It is about the way we nuture our people, build communities, curate our environment, grow our portfolio and shape our future. We are grateful to all stakeholders who have taken time to support our sustainability programmes over the years. Your continued participation in these activities would be a source of motivation for us to do even more.

Kevin Chee
Chief Executive Officer

SUSTAINABILITY MANAGEMENT

INTRODUCTION

About the Report

This report adopted guidelines from the internationally recognised Global Reporting Initiative (GRI) Standards: Core option. This is CCT's sixth framework-driven sustainability report prepared annually to convey the environmental, social and governance (ESG) aspects of our performance, while the economic aspect continues to be detailed in the financial reporting sections. No external assurance has been obtained for this report.

The report forms part of CCT's Annual Report 2018 and can be viewed at or downloaded from www.cct.com.sg. With the approval obtained from Unitholders at CCT's Annual General Meeting on 19 April 2018, we are using electronic communication as the way to send out notices and documents to Unitholders. As part of our ongoing efforts to improve reporting, CCT welcomes stakeholders to send comments concerning our disclosures to ask-us@cct.com.sg.

Reporting Scope and Period

This report covers CCT's properties in Singapore for the period from 1 January to 31 December 2018. Notably, in 2018, CCT acquired a German property, Gallileo on 18 June 2018 and divested Twenty Anson on 29 August 2018. Gallileo did not report any consumption data for 2018.

Our Commitment and Approach

CCT, a CapitaLand-sponsored REIT, is managed externally by wholly owned subsidiaries of CapitaLand, which include the Manager (CCTML) and Property Managers who oversee daily property operations. The Trust does not have employees. The teams behind the Manager and Property Managers responsible for the Trust, property and portfolio operations in Singapore are identified as employees of the Trust. The Manager and the Property Managers abide by CapitaLand's sustainability framework, policies and guidelines, as well as ethics and code of business conduct.

As such, CCT's sustainability objectives and strategies are aligned with CapitaLand's credo, "Building People. Building Communities". We uphold this approach and are committed to improving the economic and social well-being of our stakeholders through management of human capital, asset, portfolio, operations and project development. In a fast-evolving business landscape, we actively embrace innovation to ensure commercial viability and leading edge without compromising the environment for future generations.

Through the efforts of the teams over the years, we continue to add value to CCT by delivering long-term sustainable distribution and total returns to Unitholders.

As a testament to our commitment, CCT has been a constituent of several sustainability indices including FTSE4Good Index Series, FTSE4Good ASEAN 5 Index, SGX Sustainability Indices and MSCI ACWI ESG Leaders Index. CCT has been participating in the Global Real Estate Sustainability Benchmark (GRESB) survey since 2013 and was awarded GRESB 4-star, with an improved scoring of 75 in 2018.

CapitaLand Core Values

RESPECT

We believe in mutual trust and respect at all levels. This is fundamental to a high-performance culture that embraces diversity and teamwork as One CapitaLand.

INTEGRITY

We embrace the highest standards of integrity. We have the courage to do what is right, and earn the trust of all our stakeholders.

CREATIVITY

We constantly innovate to enhance value and stay ahead.

EXCELLENCE

We pursue excellence and persevere in everything we do.

Guided by our core values, we are committed to our stakeholder groups and will continue to add value in each of the identified areas of focus: Financial, Organisational, Environmental, Manufactured, Social and Relationship, and Human Capitals.

Board Statement

CCT is committed to sustainability and incorporates the key principles of environment, social and governance in setting out its business strategies and operations.

The Board of the Manager of CCT sets the Trust's risk appetite, which determines the nature and extent of material risks that the Manager of CCT is willing to take to achieve its strategic and business objectives. The risk appetite incorporates ESG factors such as Fraud, Corruption and Bribery, Environment, Health and Safety.

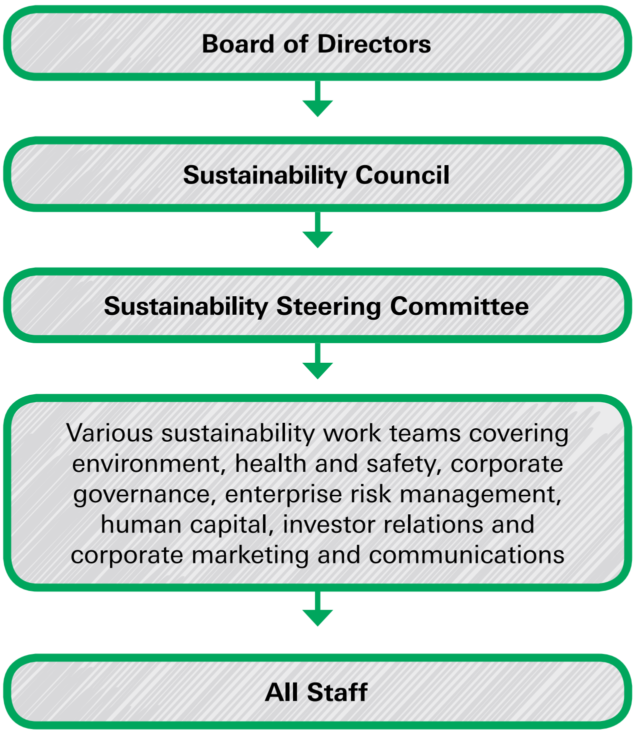
The Board also approves the executive compensation framework based on the principle of linking pay to performance. The Group's business plans are translated to both quantitative and qualitative performance targets including sustainable corporate practices and are cascaded throughout the organisation.

SUSTAINABILITY MANAGEMENT

Top Management Support and Employee Involvement

CapitaLand Group's Sustainability Council oversees the Trust's sustainability management through the Property Managers, and comprises members of CapitaLand's top management. It is supported by a Sustainability Steering Committee (SSC) which manages two work teams to advance the Group in the areas of ESG. The SSC and the work teams encompass representatives from all CapitaLand's business units (BUs). As BU environmental, health and safety (EHS) champions, the CEOs are accountable for their respective BU's performance in EHS.

Sustainability Management Structure



MATERIALITY

The Manager and Property Managers engages our stakeholders through various programmes and channels to identify and assess material issues which significantly impact business operations and stakeholders.

One key avenue is the Group-wide Risk and Control Self-Assessment exercise, through which the Manager identifies, reviews and documents material risks and the related internal controls. Regular stakeholder engagements surface issues that are considered important to the Trust.

These engagements include facilitating regular dialogue/feedback sessions with the relevant government agencies through member representations in these agencies such as the Building and Construction Authority (BCA), National Environment Agency (NEA) and Ministry of Manpower (MOM); participation in public forums and conferences; customer engagements and employee engagement surveys; CCT's support of the Corporate Governance Conference – an annual event by the Securities Investors Association (Singapore) (SIAS) and engagement where relevant, with SGX-ST. CCT also gains insights into emerging material issues as identified by best practice peers, industry associations, investment bodies as well as sustainability surveys and benchmarks.

Through these channels, CCT has identified key areas deemed material to our business and operations. These areas are prioritised based on the likelihood and potential impact of issues affecting business continuity and development. For external stakeholders, we give priority to issues important to the society and applicable to CCT. The material topics and boundaries are summarised on page 86.

Prioritisation of ESG Material Issues

Environment	Social/Labour Practices	Governance
Critical		
› Energy efficiency › Climate change and emissions › Water management	› Occupational health & safety › Employment › Stakeholder engagement › Supply chain management	› Compliance › Business ethics › Products and services*
Moderate and emerging		
› Building materials › Construction and operational waste › Biodiversity	› Diversity › Human rights	

* This includes customer health and safety.

Creating value and alignment to United Nations Sustainable Development Goals (UN SDGs)

Aligned with CapitaLand's approach, CCT referenced the Guiding Principles of the International Integrated Reporting Council (IIRC) Framework. We grouped our material ESG issues into six Capitals and mapped them against some of CCT's main efforts and programmes in relation to the key UN SDGs. The UN SDGs call on companies everywhere to advance sustainable development through the investments they make, the solutions they develop, and the business practices they adopt. In doing so, the goals encourage companies to reduce their negative impacts while enhancing their positive contribution to the sustainable development agenda.

Capitals	What We Do	2018 Value Created	UN SDGs supported
Financial › Distributable income › Equity › Investments › Assets	› Drive long term sustainable distribution growth through proactive management of portfolio and asset, as well as capital › Adopt disciplined approach to investments › Embark on portfolio reconstitution strategy to create value	› Refer to Financial Highlights, Message to Unitholder, Financial Review and Operations Review	
Organisational › Leadership & culture › Corporate governance › Risk management	CCT adopts a strong stance against bribery and corruption. › Require all employees to make an annual declaration to uphold CapitaLand's core values and to not engage in any corrupt or unethical practices. › Require certain agreements with third-party service providers and vendors to incorporate anti-bribery and anti-corruption provisions. › Require main contractor to ensure no child labour and forced labour at CapitaSpring development site. › CCT adopts the CapitaLand Supply Chain Code of Conduct to influence our supply chain to operate responsibly in the areas of anti-corruption, human rights, health and safety, as well as environmental management. › CapitaLand is a signatory to the UN Global Compact and a Gold Member of the Global Compact Network Singapore.	› Refer to Corporate Governance page 29 to 54 › No reported incident relating to discrimination, child labour or forced labour.	

SUSTAINABILITY MANAGEMENT

Capitals	What We Do	2018 Value Created	UN SDGs supported
Environmental › Carbon emissions › Energy management › Water stewardship › Waste and resource management **Manufactured** › Environmentally sustainable, healthy, safe and accessible quality buildings › Innovative and sustainable construction methods and technologies	CCT is aligned to CapitaLand's commitment to reduce: (using 2008 as the base year) › carbon emission intensity by 23% in 2020 and 30% by 2030 › energy intensity by 20% by 2020 and 25% by 2030 › water intensity by 20% by 2020 and 30% by 2030 › Achieve Green Mark certification for all CCT properties and minimum Green Mark Gold^{PLUS} for new development › CapitaLand EHS Management System is externally audited to receive the International Organization for Standardization (ISO) 14001 and Occupational Health and Safety Assessment Series (OHSAS) 18001 certification across 15 countries. › Manage biodiversity to contribute positively to the natural environment. › Actively embrace innovation to ensure commercial viability without compromising the environment for future generations. › Future proof our developments by addressing the risks of climate change at the design stage.	› Reduced carbon emission intensity by 46.0%. › Reduced energy intensity by 27.3% › Reduced water intensity by 26.9% › 100% of CCT's eligible properties in Singapore achieved Green Mark certification and 86% achieved Green Mark Gold^{PLUS} and above. › Achieved Universal Design Mark Gold^{PLUS} for CapitaSpring (highest accolade for projects under development). › All cleaning contractors at CCT's Singapore properties are OHSAS 18001-certified and ISO 14001 certified. › All main contractors appointed for CCT's Singapore properties are ISO 14001 certified. › All refuse collectors appointed are also licensed recyclable waste collectors	3 6 7 9 11 13 15
Social and relationship › Stakeholder relations › Community development	› CCT supports CapitaLand Hope Foundation (CHF), CapitaLand's philanthropic arm, and believes in investing in the fundamental needs of education, healthcare, and shelter of underprivileged children to relieve them of hardship and help them to eventually break the poverty[1] cycle. The Foundation also strives to improve the quality of life for the vulnerable elderly in Singapore through healthcare, deeper social integration and better living conditions.	› Fulfilled 779 wishes of underprivileged children through Gifts of Joy › Partnered CHF to raise donations of S$16,550 for Rainbow Centre Singapore through Gifts of Joy › Employees volunteered for about 190 hours › Purchased close to 15,000 packs of cashew nuts from impact-driven company, East Bali Cashew › Sponsored venue for CapitaLand Giving Marketplace	1 2 4
Human › Health and safety › Job creation and security › Learning and development › Benefits and remuneration	› Occupational health and safety is an important priority to CCT and our stakeholders including employees, tenants, contractors, suppliers and the communities who use our properties. › Leverages CapitaLand's integrated human capital strategy. › CCT strives to provide a work environment that is safe and contributes to the general well-being of our employees.	› Employees comprise 43% male and 57% female › 57% of employees are in the age group between 30 and 50 years old › About 65% of female employees are represented in the management level (manager & above) › Average training hours per staff is 33.4 hours	3 8 10

1 SDG1 No Poverty includes targets such as ensuring equal rights to economic resources. SDG2 Zero Hunger includes targets such as ending all forms of malnutrition. Both targets are in line with CHF's work to provide education, healthcare and shelter for underprivileged children.

FINANCIAL CAPITAL

Financial Performance

CCT delivered healthy financial returns with higher distributable income YoY and a strong portfolio performance. For details on the financial performance, please refer to Financial Highlights, pages 4 to 5; Financial Review, pages 108 to 115; and Financial Statements, pages 127 to 221.

ORGANISATIONAL CAPITAL

Corporate Governance

In the interest of Unitholders, the Trust's Board and management upholds a high standard of corporate governance and transparency in our execution of policies and processes. The Trust recognises governance as a critical component to build trust and confidence in the teams which indirectly leads to securing sustainable value and success. Details on corporate governance can be found on pages 29 to 54.

CCT is a member of the Investor Relations Professionals Association (Singapore) (IRPAS) and REIT Association of Singapore (REITAS). It is also a member of the Financial Industry Disputes Resolution Centre Ltd (FIDReC). The Trust participates and supports the activities organised by IRPAS, REITAS and Securities Investors Association (Singapore) (SIAS). Alongside other listed companies, the Manager pledged to maintain high standards of good corporate governance practices during SIAS Singapore Corporate Governance Week in September 2018.

Code on Business Conduct

In ensuring a corrupt-free environment, all employees of the Manager and Property Managers adhere to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place and accessible via the intranet of CapitaLand (iHub).

Policies targeted to help detect and prevent occupational fraud are mainly:

1. Fair compensation packages based on pay-for-performance and promotion on merit are offered to employees. Various healthcare subsidies and financial assistance schemes are provided to ease common financial pressures faced by employees.

2. Clear policies and setting up internal controls for work processes ensure adequate checks and balances. This is reinforced by conduct of periodic audits to evaluate the adequacy of the internal controls.

3. Build and maintain the right organisational culture through our core values, educating employees on good business conduct and ethical values.

Bribery and Corruption Prevention Policy

Employees make declarations annually, pledging to uphold the core values and not engage in any corrupt or unethical practices. The pledge serves as a reminder to employees to maintain high levels of integrity while remaining committed to execute their responsibilities to the utmost standards. We have a comprehensive system in place where all employees and partners along the supply chain are apprised about our strict anti-corruption policy. Anti-corruption clauses are required in certain service contracts and agreements with our suppliers and partners. In the event of reports of suspicious activities, an investigation will be launched, after which offenders will be firmly dealt with while gaps in business processes are rectified. No cases of corruption were reported in 2018.

A whistle-blowing policy and other procedures are put in place to provide employees of the Manager and parties who have dealings with the Manager with well defined, accessible and trusted channels to report any infringements or business malpractice and for the independent investigation of any reported incidents and appropriate follow up action. The objective of the whistle-blowing policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, as much as possible, be protected from reprisal. To instill CapitaLand's core values and principles, new hires undergo the CapitaLand Immersion Program which includes a mandatory module on anti-corruption policies and procedures.

SUSTAINABILITY MANAGEMENT

Enterprise Risk Management (ERM)

The Manager's ERM framework defines the required environmental and organisational components which enable the Manager to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually.

Supported by the Audit Committee (AC), the Board exercises dedicated oversight of risk management at the Board level. The Board is responsible for determining the Group's risk appetite which defines the acceptable tolerance levels for material risks in achieving the Trust's strategic and business goals. In safeguarding the interests of key stakeholders, the Trust's Risk Appetite Statement (RAS) formally defines the specific risk limits that CCT is willing to accept at the operational level and is in line with our strategy and business plans. Being aware and prepared for potential risks affecting its business continuity help minimise the impact of disruption to its business operations. CCT has a business continuity plan to limit the impact of potential threats such as terrorism, epidemics, natural disasters and information systems failure. It enables continuity in the Trust's core business operations, minimises financial and reputational damage and contains the effects of a disruption to our tenants. The regularly reviewed plan is pegged to global and industry best practices and complies with the applicable laws and regulations. More information can be found on pages 55 to 58.

ENVIRONMENTAL CAPITAL

We are aligned with CapitaLand's commitment to minimise our negative environmental impact and contribute towards achieving the desired positive outcomes that will benefit our stakeholders and future generations. These are achieved through a combination of energy-efficient practices, resource conservation, waste management and use of innovative technologies across our buildings.

Policy and Objectives

- Identify and respond to climate change and reduce energy consumption
- Reduce water consumption, encourage use of recycled water and rainwater harvesting
- Manage waste through construction efficiency and encourage recycling
- Manage biodiversity to contribute positively to the natural environment
- Engage stakeholders to make a difference
- Identify opportunities to manage our property portfolio more efficiently to deliver long-term benefits

Approach and Implementation

- Compliances with local environmental laws and regulations.
- Identification of significant environmental aspects and management of impact.
- Implementation of Sustainable Building Guidelines (SBG), an in-house guide that ensures holistic incorporation of environmental considerations throughout all stages of our properties' life cycles.
- Appointment of ISO 14001-certified main contractors or conduct EMS legal compliance on site.

Accountability

- BU CEOs are EHS Champions
- Setting performance targets linked to remuneration for staff, and monitoring energy and water usage, waste generation and carbon emissions performance through the Environmental Tracking System (ETS), an in-house online system
- Use of the ISO 14001-certified EMS ensures accountability of relevant managers and all staff

Managing Our Environmental Footprint

Every employee is involved in reducing our impact on the environment and highlighting environmental issues including instances of non-compliance and complaints.

Climate change risks and opportunities are identified and mitigated through CCT's ERM framework and the externally certified ISO14001 Environmental Management System.

CCT is already contributing to CapitaLand's target to achieve green certification of existing properties by 2030. CCT's portfolio is minimally Green Mark certified except for Bugis Village as there is no appropriate criteria under current Green Mark categories.

The Environmental Management System (EMS), together with the Occupational Health and Safety Management System (OHSMS), are integrated as CapitaLand's Environmental Health and Safety Management System (EHSMS), externally audited and benchmarked to ISO 14001 and OHSAS 18001 standards. CapitaLand's EHS Committee and BU EHS Committees are responsible for driving the EHSMS.

Risk management of environmental aspects and impacts involves identifying and managing significant environmental aspects of our business operations that can potentially have a negative impact on the environment. The EMS provides a systematic approach to assess the significance of each environmental aspect and impact based on factors such as the likelihood of the occurrence, severity of the impact and control measures implemented.

CCT refers to CapitaLand's Sustainable Building Guidelines, for guidance on incorporating environmental considerations throughout all stages of its properties' life cycles. Specifically, the Guidelines emphasise four main goals – reducing carbon footprint and energy consumption, enhancing water management, minimising waste generation and promoting biodiversity – and offer a structured process where the respective persons-in-charge are accountable.

A key component of the guidelines is the EIA which is conducted during the feasibility stage of a development project. It identifies environmental threats and opportunities related to the project site and its surroundings, covering areas such as floods, biodiversity, air quality, noise, connectivity, heritage and resources. There are no properties in the portfolio located within protected areas and no material biodiversity risk has been identified.

Training and Awareness Programmes

Employees attend training and awareness programmes to facilitate effective implementation of CapitaLand's EHSMS. In 2018, 57.0% of employees attended approximately 1,630 hours of EHS-related training. The number of hours was higher than what was reported in 2017 as several employees were due to attend an occupational first aid refresher course.

New employees are introduced to CapitaLand's EHS policy and EHSMS. Our efforts in addressing environmental issues extend beyond the Trust to our stakeholders. To drive greater awareness on sustainability, we engage with our service providers, tenants and the authorities as partners to foster a strong culture of sustainability aimed at benefiting the environment and the economy.

Piloting New Platform

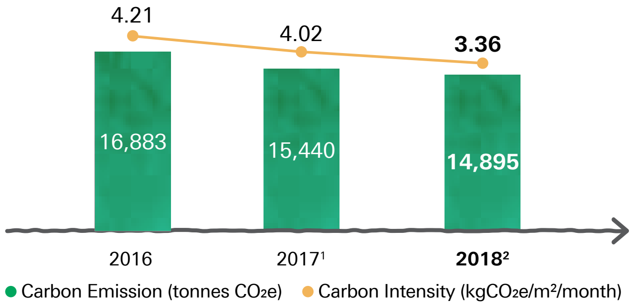
An Intelligent Building Platform (IBP) was rolled out at select CCT's buildings to collect data and analyse trends on operational performance and utility consumption such as chilled water air-conditioning system in the second half of 2018. Using equipment analytics, the platform allows for automatic fault detection, system optimisation, better emergency responses and more efficient resource allocation. When stabilised, the IBP will facilitate better understanding of the building's chilled water air-conditioning system performance over time and enable preventive measures to be implemented.

Measuring our Performance

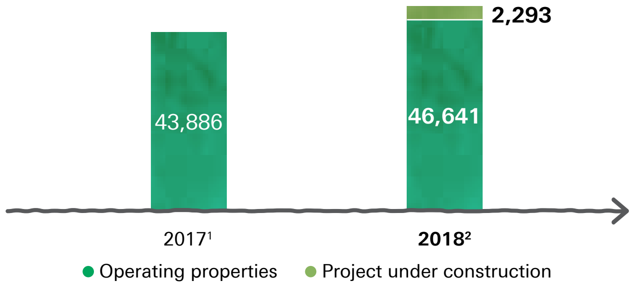
CCT's properties are closely monitored for energy and water usage, waste generation and carbon emissions via CapitaLand's Environmental Tracking System (ETS). Through the ETS, Property Managers submit monthly data and supporting documentary evidence online. The system's control and monitoring tool allows the Property Managers to conduct analysis against set targets and past trends to better gauge consumption patterns and uncover potential areas in which we can augment eco-efficiency.

SUSTAINABILITY MANAGEMENT

Carbon Emission and Carbon Intensity



Energy Usage ('000kWh)



CARBON EMISSIONS

CCT seeks to lower energy usage and carbon footprint across its business operations to address climate change risk. Greenhouse gas emissions (GHG) stem largely from the operational properties and minimising energy consumption is therefore key to controlling emissions. Scope 2 emissions in 2018 from purchased electricity consumption was 14,895 tonnes excluding Asia Square Tower 2, a stabilising building and 18,358 tonnes including Asia Square Tower 2. Scope 3 emissions from a project under construction and business travel by air by CCT employees was 600 tonnes, contributing about 3.2% of total emissions.

Monthly carbon emission intensity for the reported operating properties in 2018 declined to 3.36 $kgCO_2e/m^2$, and a 46.0% reduction was achieved compared to base year 2008.

In addition to our own reduction efforts, we encourage the working community in our properties to use more environmentally-friendly modes of transport. Bicycle bays and green lots with charging stations are provided in our buildings and most of our properties having easy access to public transport modes such as MRT stations and buses.

ENERGY

The energy data reported included the consumption of CCT – covering eight[2] operating properties and one under construction in Singapore. Of the eight operating properties, the consumption data for Twenty Anson was up to the date of divestment completion on 29 August 2018. CapitaSpring, a project under construction used diesel and generator sets for its needs in 2018. The data excluded 21 Collyer Quay (HSBC Building), a building entirely leased to HSBC and not managed by us.

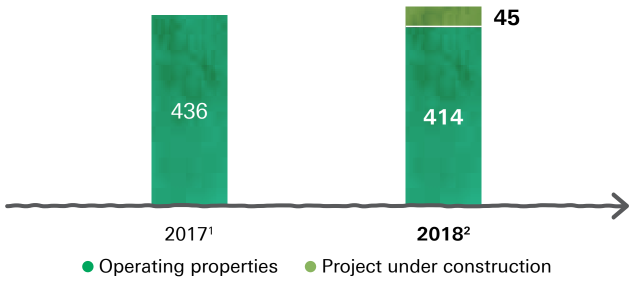
In 2018, 48,933,875 kilowatt hours (kWh) was consumed across the Singapore portfolio[2], including CapitaSpring. An increase of 11.5% YoY was largely attributable to the addition of Asia Square Tower 2's energy used for the 12 months in 2018 compared to two months in 2017.

We achieved an energy intensity reduction of 2.7% YoY for the operating properties[1,2] and 27.3% compared to base year 2008 (excluding Asia Square Tower 2 and CapitaSpring).

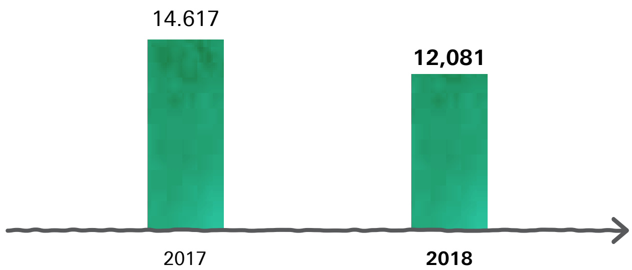
We recognise that as buildings become more energy efficient, the reduction in energy intensity inevitably becomes less significant. Collaboration with tenants becomes all the more important. A green fit-out guide, along with other materials are included in the handover kit which are given to new tenants. This is to encourage tenants to adopt green office fit out and promote green practices and behaviour in workplaces. We remain on track to attaining CapitaLand's 2020 eco-efficiency goal.

1 Operating properties for 2017 include Capital Tower, CapitaGreen, Six Battery Road, One George Street, Twenty Anson, Bugis Village, Golden Shoe Car Park (up to the date of closure) and Wilkie Edge (up to completion of divestment). Please refer to footnote 3 for Asia Square Tower 2.
2 Operating properties for 2018 include Capital Tower, CapitaGreen, Six Battery Road, One George Street, Raffles City Tower (office), Twenty Anson (up to completion of divestment) and Bugis Village. Please refer to footnote 3 for Asia Square Tower 2.
3 Consumption from Asia Square Tower 2 (from completion of acquisition for 2017 and whole of 2018) was included in the aggregate for energy and water but not in the calculation of carbon emission, carbon emission intensity and intensities for energy and water as it is a stabilising building.

Water Usage ('000 m³)



Collection of Electronic Waste (kg)



WATER

The main water source for CCT's portfolio is from PUB, Singapore's national water agency. In 2018, CCT's total water consumption (including recycled water) amounted to 459,317m³ from eight[2] of our properties in Singapore and CapitaSpring, a project under construction. The data excluded 21 Collyer Quay (HSBC Building), a building entirely leased to HSBC and not managed by us. The 5.4% increase YoY was attributable to the addition of Asia Square Tower 2's water used for the 12 months in 2018 compared to two months in 2017.

To reduce water consumption, we also utilise recycled water (NEWater[4]) in the cooling towers and sprinkler systems at six properties in Singapore, which accounted for 154,741m³ or about 34% of the total amount of water used in 2018. CCT's operating properties (excluding Asia Square Tower 2) was still able to achieve a reduction in water intensity, measured in m³ per m² of 6.8% YoY in 2018 and 26.9% compared to the base year 2008.

Properties with NEWater connection used NEWater in their cooling towers and sprinkler systems. For properties with storage tanks, rainwater is harvested for plant irrigation and hi-jetting car park decks and ramps, amongst other uses. We adopt stringent monitoring of the consumption and water intensity to ensure that fluctuations are duly accounted for and issues promptly addressed.

WASTE MANAGEMENT

We commit to proper management of the disposal of waste generated at our properties. We consolidated waste data for seven Singapore operating properties in 2018 comprising Capital Tower, Asia Square Tower 2, CapitaGreen, Six Battery Road, Raffles City Tower, One George Road and Twenty Anson. The collection and disposal of waste at these properties are being carried out by licensed contractors for recyclable waste.

2018 recorded 3,824 tonnes of non-recyclable waste and 99.6 tonnes of recyclable waste collected. Recyclable waste comprised 93.9 tonnes of paper, 3.2 tonnes of plastic, 1.5 tonnes of metal and 0.9 tonnes of other materials. At CCT, we encourage and support our stakeholders' waste recycling efforts, by placing recycling bins in our operational properties.

In our continuing partnership with Cimelia Resource Recovery for the collection and management of electronic-waste, a total of 12,081 kilogrammes was collected from April to December 2018 (2017: 14,617 kilogrammes).

For CapitaSpring, the project under construction, about 76.6% of the total waste disposed during demolition were recycled.

BUILDING CERTIFICATIONS

Properties/Tenant Service Centres	Building and Construction Authority Award
Capital Tower	Green Mark Pearl **NEW**
Capital Tower	Green Mark Platinum
Capital Tower Tenant Service Centre	Green Mark Platinum (Office Interior) **NEW**
Asia Square Tower 2	Green Mark Platinum
CapitaGreen	Green Mark Platinum
CapitaGreen Tenant Service Centre	Green Mark Platinum (Office Interior)
Six Battery Road	Green Mark Platinum
Six Battery Road Tenant Service Centre	Green Mark Platinum (Office Interior)
One George Street	Green Mark Gold^{PLUS}
One George Street Tenant Service Centre	Green Mark Gold^{PLUS} (Office Interior) **NEW**
Raffles City Singapore	Green Mark Gold^{PLUS}
21 Collyer Quay (HSBC Building)	Green Mark Certified
CapitaSpring (Under Construction)	Green Mark Platinum **NEW**

1 Operating properties for 2017 include Capital Tower, CapitaGreen, Six Battery Road, One George Street, Twenty Anson, Bugis Village, Golden Shoe Car Park (up to the date of closure) and Wilkie Edge (up to completion of divestment). Please refer to footnote 3 for Asia Square Tower 2.
2 Operating properties for 2018 include Capital Tower, CapitaGreen, Six Battery Road, One George Street, Raffles City Tower (office), Twenty Anson (up to completion of divestment) and Bugis Village. Please refer to footnote 3 for Asia Square Tower 2.
3 Consumption from Asia Square Tower 2 (from completion of acquisition for 2017 and whole of 2018) were included in the aggregate for energy and water, but not in the calculation of carbon emission, carbon emission intensity and intensities for energy and water as it is a stabilising building.
4 Treated waste water produced by PUB which has been purified using advanced membrane technologies and ultraviolet disinfection.

SUSTAINABILITY MANAGEMENT

MANUFACTURED CAPITAL

Social Integration

CCT upholds CapitaLand's universal design principles and its commitment to building safe, accessible, vibrant and quality real estate developments. All new CCT developments are required to meet the following social integration criteria specified in CapitaLand's Sustainable Building Guidelines:

1) ensuring accessibility in the built environment for people of different age groups and varying mobility;
2) connectivity to public transport, roads, amenities and between buildings; and
3) providing community spaces as public gathering points.

The Trust's Singapore portfolio comprises eight operating commercial buildings which are mostly well located within Singapore's CBD. The properties are also in close proximity to public transport hubs such as MRT stations, bus stops and taxi stands.

Most of our properties have disability access enabled facilities such as sheltered access to drop-off areas, parking lots, underground pedestrian networks. There are also designated community spaces within the portfolio such as The Cube at Asia Square Tower 2 and Urban Plaza at Capital Tower.

To encourage the use of environmentally friendly transportation modes, the Trust has allocated 252 bicycle bays across the eight properties, as well as green parking lots and charging stations at five properties. To cater to our building occupants who cycle to work, shower facilities are also available at most of CCT's properties.

Type of amenities	No of Singapore Operating Properties
Disability access enabled facilities	7 out of 8
Guide dog friendly policy	8 out of 8
Family/ nursing rooms	3 out of 8
Shower facilities	6 out of 8
Accessible public toilets	6 out of 8
Bicycle lots	7 out of 8
Biycle-sharing parking zones	2 out of 8
EV charging stations	5 out of 8

Properties	Building and Construction Authority Award
Capital Tower	Universal Design Mark Gold
CapitaGreen	Universal Design Mark Platinum
CapitaSpring (under construction)	Universal Design Mark Gold^{PLUS}

CONSTRUCTION INNOVATIONS AT **CAPITASPRING**

In line with CapitaLand's commitment to adopt the latest building technologies for productivity gains, new systems and programmes were introduced to the construction process of CapitaSpring. CapitaSpring will be the first integrated development to adopt one such systems, which is the use of prefabricated modular mechanical and electrical (M&E) services, including vertical risers and horizontal services. The M&E service modules will be fabricated at an off-site factory and transported on site for assembly, thereby achieving significant site productivity improvement through better coordination, workmanship and safety. Other programmes such as digital construction technology and integrated digital delivery, from Building Information Modelling to Virtual Design and Construction and 3D printing, have been employed for improved collaboration. Drones have been used to monitor construction progress and virtual reality will allow for more efficient design review, reducing the need for physical mockups and material wastage.

ROLLOUT OF CAPITALAND'S "OFFICE OF THE FUTURE" ECOSYSTEM AT CAPITAL TOWER AND ASIA SQUARE TOWER 2

The "office of the future" is a strategic approach to address tenants' evolving workspace needs by delivering value-add solutions. It involves an integrated offering of conventional (core) and flexible (flex) spaces with community-driven and tech-enabled workplace solutions. The "core-flex" model will create an ecosystem of workplace solutions that are agile and innovative, allowing conventional office tenants to have their flexible working arrangements met and the smaller companies in flexible spaces to lease conventional workspaces as they expand.

To support the initiative, level 9 at Capital Tower was refurbished to incorporate new shared spaces. Big Picture (formerly STI Auditorium) is now an auditorium by day and movie theatre by night while Open Mind, the breakout space outside the auditorium can now cater to fireside chats, seminars and networking sessions.

Big Picture (theatre)

Photo credit: Salt Media & Entertainment

Movie Premiere of Storm Boy

Open Mind (open-concept space)

Photo credit: Centre for Liveable Cities

WCS Young Leaders Synergies: The Future of Retail, Work and Living

Leveraging technology to build a vibrant vertical community, the pilot of our mobile application, CapitaStar@Work, allows tenants to connect with the office community through shared interests, sign up for activities and in future, book shared spaces that complement their office space or for collaboration purposes.

SOCIAL AND RELATIONSHIP CAPITAL

CCT's social and relationship capital have been cultivated through community programmes and active engagements with our stakeholders. Stakeholders are groups that our business has a significant impact on and those with a vested interest in our operations.

CCT regularly engages our stakeholders through various channels to be attuned to issues that impact each group. In turn, we develop effective responses to address the issues and seek feedback with the ultimate objective of building sustainable and lasting relationships that benefit all stakeholders operating within the community.

Our key stakeholders include employees, customers, investors/business partners, contractors and suppliers as well as the local community including regulators, key government agencies and non-governmental organisations (NGOs). They are categorised into groups based on their impact on the Trust.

SUSTAINABILITY MANAGEMENT

Stakeholders' issues of interest

Customers – Tenants
- To attract new and retain existing tenants, and be a landlord of choice

Engagement Channels
- Engagement programmes/ activities
- Post event feedback
- Meetings with key existing and new tenants
- Tenant Relations Specialists (TRSs) serve as regular contact points for tenants
- Monthly communication via e-newsletter – your M.I.X
- Quarterly communication via newsletter – yourCAPITALETTER
- Social media platforms

Issues
- Quality and well managed office buildings
- Safe working environment
- Positive customer experience
- Vibrant communities

Response
- Preserve efficient Green Mark-certified buildings.
- Keep buildings relevant through an active portfolio reconstitution strategy.
- Leverage technology to enhance product and service offerings and build tenant loyalty.
- Regular tenant engagement to build relationships and ensure prompt responses to tenants' needs.
- Pilot launch of CapitaStar@Work mobile app for the office community to connect and participate in events.

Investors (include business partners)
- To provide timely and consistent communication to investors, and be a choice investment

Engagement Channels
- Announcements on SGXNET CCT website (www.cct.com.sg) – webcasts
- Biannual media and analysts results briefings
- Annual General Meeting
- Meetings and teleconferences with investors and analysts
- Visits to CCT properties

Issues
- Long-term sustainable distribution and total returns
- Business performance, expectations and strategies
- ESG risks and opportunities

Response
- Proactive portfolio and assets management
- Proactive capital management
- Strong corporate governance
- Disciplined approach to acquisitions and divestments for value creation
- Investor feedback from investor meetings and teleconferences
- Committed to annual sustainability reporting
- Participate in GRESB's annual sustainability survey
- Build win-win partnerships

Employees
- To build a high performance culture that embraces diversity, innovation and teamwork

Engagement Channels
- Regular communication sessions by senior management
- CapitaLand's Employee Engagement Pulse Survey 2018
- Employee engagement programmes - volunteer and recreation club activities
- Staff participation in strategy workshops for developmental exposure
- Teambuilding workshops to build teamwork

Issues
- Work-life balance
- Remuneration and benefits
- Employee welfare and well-being
- Training

Response
- Financial performance, target performance indicators, business strategy and employee engagement plan are shared at communication sessions
- Annual performance assessment for managers and direct reports to review performance and identify training and development goals
- Monitor occupational health and safety issues
- Identify action plans to improve employee welfare and well-being

Supply chain – vendors (term and main contractors) suppliers and service providers › To be a fair and reasonable employer for goods and services and share industry best practices	**Community (include government, national agencies and NGOs)** › To be a responsible corporate citizen and contribute to the community we are in
Engagement Channels Sharing of the following information with supply chain: › CapitaLand's EHS Policy › Contractor management guidelines and house rules › Standard Operating Procedures	**Engagement Channels** › Senior management of CapitaLand is represented on various boards › Head of Commercial Management Singapore is a member of various taskforce teams and committees in the Building and Construction Authority and Ministry of Manpower › Partnerships with government, national agencies and NGOs
Issues › Fair and reasonable treatment › OHS practices › Environmental compliance	**Issues** › Sustainable buildings › Community programmes to generate wider awareness on sustainability, health and wellness
Response › Feedback system to recognise supply chain for exceeding standards in design and quality › Collaborate to manage EHS challenges such as an epidemic outbreak › Quarterly EHS monitoring and reporting › Half-yearly term contractor/ vendor evaluation system including events, meetings and training sessions. › CapitaLand Supply Chain Code of Conduct initiative sets out the requirements for its supply chain in the areas of legal compliance, anti-corruption, human rights, health and safety, as well as environmental management › Build win-win partnerships	**Response** › Commitment to pursue Green Mark certification for portfolio › Each employee has three days of volunteer leave. › Customers and employees participate in community engagement events such as Gifts of Joy to donate gifts to beneficiaries and contribute funds to CCT's adopted charity, Rainbow Centre. › Partnered CapitaLand Hope Foundation (CHF) and contributed S$16,550 to Rainbow Centre through Gifts of Joy. › Partnered government/national agencies and tenants to promote green behaviour and healthy living through Wellness Week.

COMMUNITY

Community engagement is a key focus of CCT's sustainability strategy. The Trust collaborates with CapitaLand Hope Foundation (CHF), the philanthropic arm of CapitaLand supporting the social growth and development of vulnerable children through their education, healthcare and proper shelter. The Foundation also strives to improve the quality of life for the vulnerable elderly in Singapore through healthcare, deeper social integration and better living conditions.

Employees volunteer in community development initiatives and engagement activities, while their contribution-in-kind through such activities are given to adopted beneficiaries. The Trust also communicates its community and sustainability initiatives to its tenants and stakeholders, and invites them to take part by in various activities.

Volunteerism and Donations

CapitaLand employees are granted Volunteer Service Leave (VSL) of up to three days, as well as special schemes like Volunteer No Pay Leave and Volunteer Part-Time Work Arrangement, to encourage volunteerism in community service projects. The latter two allow employees engaged in CapitaLand's community development projects to spend longer periods away from the office. CHF acknowledges

SUSTAINABILITY MANAGEMENT

the efforts of each employee who fully utilises the three days of VSL by donating S$500 to a registered Singapore-based children's charity of their choice.

Over the years, employees have continued to volunteer generously towards various social and community causes. In 2018, 10.2% of employees engaged in community development projects such as Gifts of Joy, putting in a total of 190 volunteer hours. The commitment level varies with the number of activities held each year, the length of time involved for each event and when they are held. Employees are also encouraged to utilise their VSL and to support social and community causes whenever opportunities arise.

Stakeholder engagement programmes: Building relationships, Creating vibrancy

In 2018, CCT expanded its programmes and activities to engage different stakeholder groups on broader themes surrounding community, health and well-being, and green practices. The expanded topics promoted greater knowledge sharing on sustainability and enhanced awareness about healthy living and charity.

Engagement Activities

	Stakeholders Involved				Objectives Met			
Initiatives	Employees	Customers - tenants	Supply chain	Community, government/ national agencies/ NGOs	Knowledge sharing & Promoting awareness	Healthy Living & Wellness	Charity	Enhanced customer experience
Community								
Gifts of Joy	✓	✓		✓	✓		✓	✓
Tenants Treats	✓	✓	✓					✓
Mobile Massage by SAVH	✓	✓		✓		✓	✓	✓
Blood Donation Drive	✓	✓		✓			✓	✓
Lease Anniversary Gifts		✓	✓					✓
CapitaLand Giving Marketplace	✓	✓	✓	✓	✓		✓	✓
CapitaLand Volunteer Day	✓						✓	
Health & Wellness								
Wellness Week	✓	✓	✓	✓	✓	✓		✓
HPB Healthy Workplace Ecosystem	✓	✓		✓	✓	✓		✓
HPB Health Screening & Coaching	✓	✓		✓	✓	✓		✓
National Steps Challenge™ Season 4 Roadshow	✓	✓		✓	✓	✓		✓
Traveller's Health & Vaccination Clinic		✓		✓	✓	✓		✓
Beauty Talks	✓	✓			✓	✓		✓
Financial/Investment Talks	✓	✓			✓	✓		✓
Self Improvement Talks	✓	✓			✓	✓		✓
Green & Sustainability								
Earth Hour		✓	✓	✓	✓			
PUB Water Saving Exhibit	✓	✓		✓	✓			✓
Urban Farming Talk	✓	✓			✓	✓		✓
E-waste Collection and Management	✓	✓	✓		✓			✓

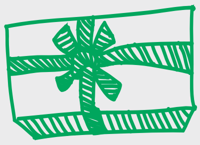
ENGAGING OUR COMMUNITY

Gifts of Joy

Launched in 2013, Gifts of Joy is an annual community outreach programme where CapitaLand employees and office tenants come together to bring joy to underprivileged children. Volunteers can choose to give back to the community by fulfilling a wish for the beneficiaries of our adopted charity, contributing their time for gift wrapping or engaging with the children.

CCT collaborates with CHF to support a charity organisation each year. In 2018, we continued our partnership with Rainbow Centre Singapore, a charity supported by Community Chest, and expanded the Gifts of Joy initiative with a larger pool of gift donations and art-jamming sessions held at two special needs schools by Rainbow Centre Singapore.

CHF donated S$10 for every fulfilled wish or every hour of volunteer work or every completed art canvas, raising a total of S$16,550 for Rainbow Centre Singapore.



779 gifts

donated to Rainbow Centre Singapore

(2017: 466)

400 beneficiaries

for Art Jamming session

(2017: 367 beneficiaries for Sports Day)

293

tenant volunteers

(2017: 158)

S$16,550

raised for Rainbow Centre Singapore

"I was glad CapitaLand values giving back to the society and I was able to make my contribution in however small a way."
Tan Yan Rong, Reliance Industries Limited, Raffles City Tower

"This event gave me the opportunity to spread the spirit of joy, love and hope to the community that I live in. Thank you so much for organising this every year!"
Huei Yih Lee, Cargill, CapitaGreen

"I think it was a meaningful event and novel way to give back to the community as we were assigned "a task", rather than just donating cash items."
Christie Nah, Dow Jones, CapitaGreen

Rakuten Asia is proud to be able to contribute to Gifts of Joy by sharing our venue for related activities. We want to extend our appreciation to CapitaLand Commercial Trust for organising these initiatives to allow tenants to do their part to give back to the society. We look forward to many more collaborations in future.

Management Team, Rakuten Asia.

SUSTAINABILITY MANAGEMENT

Tenant Treats

To engage with the office tenant community, create delightful experiences and show appreciation for their support, CCT distributes delectable treats to its tenants twice a year. In 2018, CCT tenants were surprised with two additional treats on Valentines' Day and before Christmas. Adding vibrancy during the festive season, Christmas carolling was organised at our properties.

All smiles for tenants at Capital Tower after receiving the treats in November 2018

Christmas carolling at Six Battery Road

FEB 2018

Distributed chocolates on Valentines' Day

MAY 2018

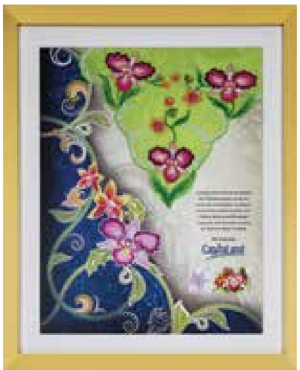
Distributed Häagen-Dazs Stickbar in partnership with our tenant, General Mills

NOV 2018

Distributed cashew nuts from East Bali Cashew, an impact-driven company, that uses wild ingredients sourced directly from farmers in Bali, Indonesia. The local community is empowered through employment, farming and education.

DEC 2018

Distributed candy during the Christmas season and organised Christmas carolling at our properties



A Peranakan embroidery of CapitaLand Orchids, accompanied by an exclusive commisioned stamp

Lease Anniversary Gifts

The distribution of lease anniversary gifts creates an opportunity for our CEO and senior officers to connect and strengthen relationships with the C-suite of our tenant companies. In 2017, we started a three-year gift series featuring the CapitaLand Orchid. This year, tenants received a framed art piece featuring a Peranakan embroidery of the CapitaLand Orchid motif and a lacquer tea box.

CapitaLand Giving Marketplace

CCT continues to support the CapitaLand Giving Marketplace, an initiative aimed at promoting the spirit of giving. Held at Capital Tower, the initiative provides social enterprises and charities with the space and opportunity to share their causes and products, and to reach out to our staff and tenant community on opportunities for volunteering.

The Community Chest booth at the CapitaLand Giving Marketplace

PROMOTING HEALTH AND WELL-BEING

In 2018, CCT's partnership with Health Promotion Board (HPB) was deepened through more activities and focused on holistic approaches to healthy living.

Wellness Week

Trampoline workout held at Capital Tower

Held from 30 July to 3 August, Wellness Week offered CCT tenants a variety of health-related activities, including workshops, talks and workout sessions, and food and beverage promotions aimed at revitalising mind, body and spirit – the key elements underlying one's well-being.

Over 400 tenants took part in 31 activities, including talks on dental health, eye care and urban farming, workshops on water brush calligraphy and bento-making, as well as trampoline workouts and yoga sessions.

The event, which encouraged community bonding through fun and exercise, was well received with most of the activities oversubscribed. Event partners included HPB, Breast Cancer Foundation and nine CCT tenants: Artemis Grill, Da Paolo, Fitness First, General Mills, Grain Traders, Gravity, T32 Dental Group, The Executive Centre and The Great Room.

31
Activities

10 Hands-On Workshops

10 Workout Sessions

9 Talks & Seminars

2 F&B Promotions

5 **Buildings**

15 **Event Partners** (9 tenants)

402 **Unique Participants**

"I think everything was well-organised. The instructors/lecturers were interesting and definitely worth the time. Thank you very much. I really appreciate this initiative and all the hard work and thought that went into it. Thank you!"

Joshua Tan, Allianz, Asia Square Tower 2

"There was a good mix of talks and exercise. Hope to see more (eg. Landlord collaborating with HPB to bring in more such healthy and wholesome activities for tenants)"

Angie Ng, a tenant at Capital Tower

HPB has partnered CapitaLand, who has demonstrated strong support for the wellness of their staff and office community at CCT properties. Till date, over 20,000 participants from CapitaLand office community have benefited from these meaningful health activities held at their properties. We look forward to strengthen this partnership and reach out to more participants to enhance their health and well-being

Simon Lim, Director
Workplace Health & Outreach Division, Health Promotion Board

SUSTAINABILITY MANAGEMENT

Partnership with HPB

Workout sessions such as body combat, zumba and yoga were offered to tenants at Capital Tower, CapitaGreen and Asia Square Tower 2 regularly under HPB's Healthy Workplace Ecosystem. We held free HPB health screening and health coaching sessions which were open to all staff and tenants. We also partnered HPB National Steps Challenge™ Season 4 to distribute fitness trackers at our properties.

National Steps Challenge™ Season 4 Booth at CapitaGreen

Vaccination Clinic at Six Battery Road

Together with The Executive Centre, our tenant at Six Battery Road, we supported the first influenza vaccination drive by Tan Tock Seng Hospital in the property on 31 October. The event was open to all tenants at Six Battery Road and their family members, and was highly successfully in creating awareness on the importance of protection against flu.

Travellers' Health and Vaccination Clinic

ENCOURAGING GREEN AND SUSTAINABLE HABITS

Earth Hour & i Light Marina Bay festival

To create awareness on climate change and energy conservation, CCT continues to support the annual WWF Earth Hour initiative by turning off the façade and non-essential lights across our propeties through the night on 24 March 2018.

We also supported URA's "Switch Off, Turn Up" campaign for the i Light Marina Bay festival from 9 March to 1 April 2018.

PUB Water Saving Exhibit

An exhibition was held at CapitaGreen and Asia Square Tower 2 in collaboration with the Public Utilities Board to raise awareness on the importance of water conservation.

PUB Water Saving Exhibit at CapitaGreen

Urban Farming Talk

A lunchtime talk on Urban Farming Talk by Edible Garden City was organised as part of Wellness Week. The session enriched participants' knowledge about the health benefits of growing and consuming indigenous and native produce, and provided useful tips on growing your own food.

Urban Farming Talk at Capital Tower

HUMAN CAPITAL

Commitment to a safe and healthy workplace - Occupational Health and Safety (OHS)

The Manager and Property Managers ensure a safe and healthy environment at CCT properties for all stakeholders, comprising employees, tenants, supply chain vendors, investors, business partners and the community. An effective OHS management system enhances productivity, morale and well-being as occupational risks are monitored systematically.

CCT adopts CapitaLand's Occupational Health and Safety Management System (OHSMS) which is accredited to the international OHSAS 18001 OHS Management System. The framework involves identifying and reviewing OHS hazards, assessing their risks, establishing policies, ensuring accountability, developing action plans and engaging stakeholders.

Policy

- Reduce occupational injury rates with the aim to achieve zero harm
- Provide a robust OHS Management System
- Meet or exceed OHS legal requirements
- Promote a culture of individual ownership and responsibility for OHS management
- Seek proactive support and participation from stakeholders including top management, employees, contractors, suppliers and tenants
- Drive continuous improvement in OHS performance

Accountability

- BU CEOs are accountable for their OHS performance
- The OHSAS 18001 OHS Management System secures the accountability of relevant managers and staff KPIs linked to remuneration of all staff:
  - OHS performance of staff
  - Stakeholder engagement

Approach and Implementation

The OHS Management System is audited annually and sets out to achieve the following:

- Provides assurance to top management and external investors about its legal compliance and alignment with the firm's best practices
- Covers various business functions such as property management, property development, operations and corporate management
- Employs Hazards, Identification and Risk Assessments (HIRA) to identify OHS hazards and secure the administration, development and operational functions of CapitaLand's businesses
- Adopts various standard operating procedures (SOPs) to minimise the incidence of hazards such as falling from height
- Adheres to CapitaLand's Sustainable Building Guidelines – Design for Safety (DfS) to manage health and safety risks throughout the early stages of its buildings' life cycles; thus, improving safety for the buildings' contractors, maintenance teams, occupants and demolition workers
- Involves training and awareness programmes for employees to facilitate effective implementation and partnerships with stakeholders to create a safe work environment

SUSTAINABILITY MANAGEMENT

Occupational Health and Safety Performance

Stakeholder	Engagement Channels	Safety Performance
Employees	› OHS key performance indicators are linked to the remuneration of all employees, including top management. › All employees are encouraged to take ownership of OHS issues and be proactive in reporting all OHS-related incidences alongside non-compliance and non-conformities. › The Manager and Property Managers have instituted a series of SOPs to respond to an epidemic outbreak, including a 24 hours emergency response team. The HR department regularly updates employees about medical advice and travel alerts where necessary.	› Absentee rate of 6.1 days. › There was no reported work-related injuries in 2018. › No work-related fatalities were reported. › Attendance rate of 57.0% by employees at EHS-related training, equivalent to 1,630 hours › No breach of local OHS laws and regulations.
Supply chain – vendors (term and main contractors), suppliers and service providers	› CapitaLand's contractor management guidelines require the supply chain vendors to comply with local government and other legal requirements. › Risk assessments are to be submitted if activities contain OHS hazards that may affect employees, tenants or visitors to the buildings. › CapitaLand EHS Policy and House Rules are shared with the supply chain vendors to familiarise them with the safety requirements while working in CCT properties. › CapitaLand Supply Chain Code of Conduct initiative sets out the requirements for its supply chain vendors in the areas of legal compliance, anti-corruption, human rights, health and safety, as well as environmental management.	› Preference is given to OHSAS 18001-certified vendors, suppliers and service providers. › Non-OHSAS 18001-certified vendors, suppliers and service providers are encouraged to achieve bizSAFE Level 3 certification and above. › All cleaning contractors at our properties are OHSAS 18001-certified. › 87% of CCT's term contractors is minimally bizSAFE Level 3 and above. › Worked with term contractors to use green-labelled cleaning and servicing products across CCT properties.
Customers – tenants and visitors to the buildings	› Emergency response procedures are in place to manage OHS risks. › Periodic briefings such as safety talks and emergency evacuation drills are conducted to familiarise tenants with the emergency response plan. › Timely circulars serve as an effective communication tool to disseminate vital information.	› Conducted biannual evacuation drills to familiarise tenants on the emergency response plan.

Employee Management

As the employees of CCT, the Manager and Property Managers manage the property and portfolio operations in Singapore, and are vital to the Trust's success. Leveraging CapitaLand's integrated human capital strategy, CCT recruits, develops and motivates employees and has in place, aligned key performance indicators for both employees and the business. The total headcount for 2018 is 127.

Anti-child Labour and Anti-forced Labour

CCT is against any form of coerced labour and discrimination, and adheres to the tenets of global human rights conventions that include the Universal Declaration of Human Rights and the International Labour Organisation (ILO) Conventions. To date, 20 ILO Conventions have been ratified by Singapore, spanning four critical aspects of employment standards: child labour, forced labour, collective bargaining and equal remuneration.

CapitaLand complies with five key principles of fair employment as a signatory of the Employers Pledge with the Tripartite Alliance for Fair Employment Practices:

- Recruit and select employees on the basis of merit (such as skills, experience or ability to perform the job), regardless of age, race, gender, religion, marital status and family responsibilities, or disability.
- Treat employees fairly and with respect and implement progressive human resource management systems.
- Provide employees with equal opportunity to be considered for training and development based on their strengths and needs to help them achieve their full potential.
- Reward employees fairly based on their ability, performance, contribution and experience.
- Comply with the labour laws and abide by the Tripartite Guidelines on Fair Employment Practices.

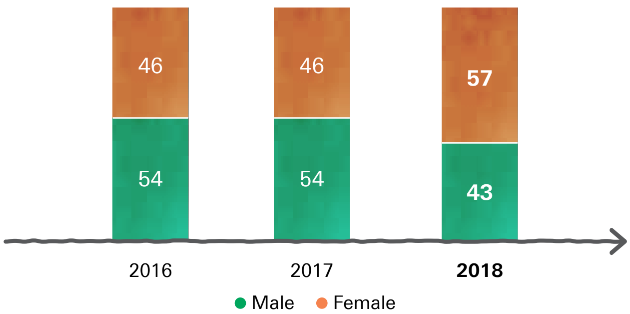
In 2018, there was no reported incident relating to child labour or forced labour in CCT and no employee was below the age of 16.

Fairness and Diversity

CCT has a performance-oriented work culture that values diversity and teamwork while upholding CapitaLand's commitment to be a workplace of choice. Employees can make strong contributions based solely on their talent, expertise and experience, regardless of gender, ethnicity, culture, nationality and family status. To draw high-calibre talent, job opportunities with the Manager and Property Managers are advertised publicly via online job portals, with selections based on individual merit, in line with CapitaLand's non-discriminatory employment practices.

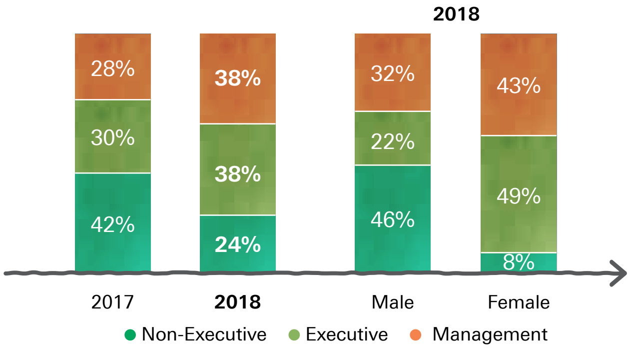
Most employees under CCT are Singaporeans and Singaporean permanent residents. Employees who are resigning are required to give a minimum of one to three months' notice, depending on the job grade.

Employee by Gender (%)



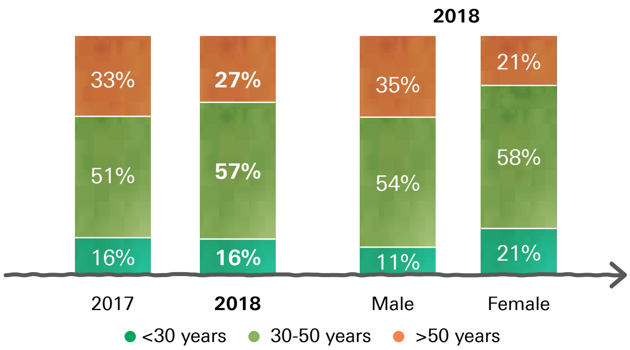
In 2018, the male-to-female employee ratio was 43:57. The proportion of female employees was higher than 2017, due to organisation change.

Employee Profile by Seniority and Gender



About 65% of female employees are represented in the management level (manager & above).

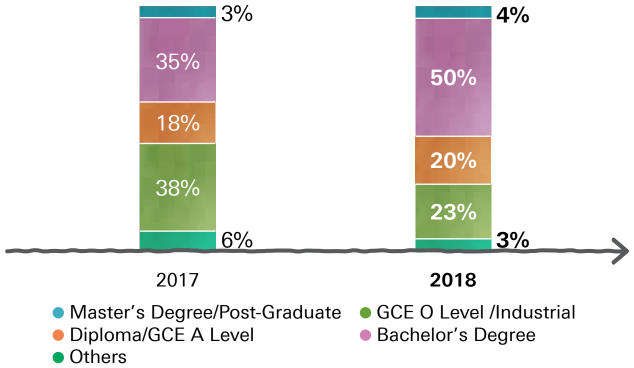
Employee Profile by Age and Gender



Employees between the ages of 30 to 50 accounted for 57% of the workforce, while those below the age of 30 was maintained around 16%.

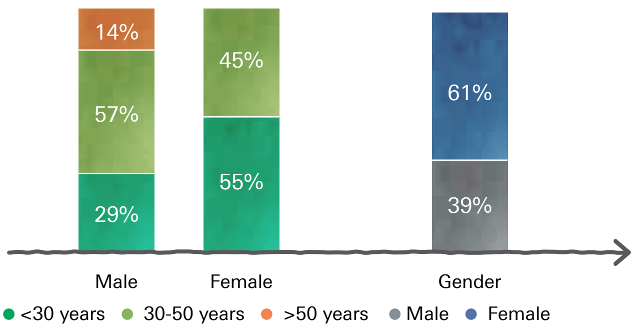
SUSTAINABILITY MANAGEMENT

Employee Profile by Educational Qualifications



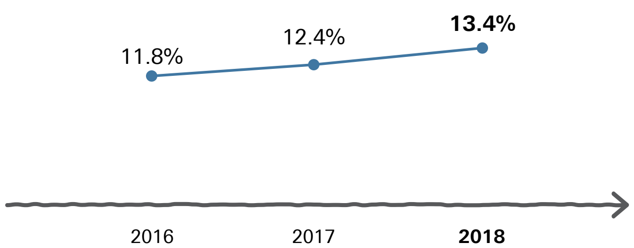
About 54% of the workforce possess tertiary qualifications and above.

New Hires by Age and Gender (2018)



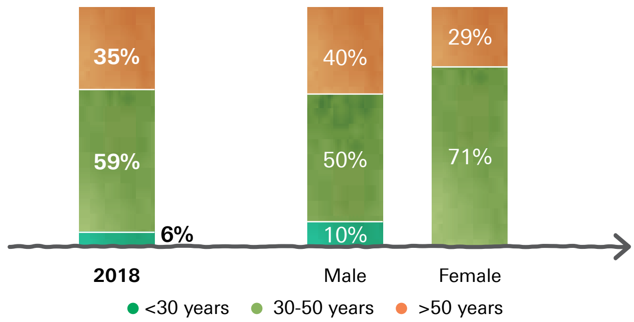
New hires represented 14.2% of the total headcount of 127 in 2018, compared to 8.0% of the total headcount of 193 in 2017.

Employee Turnover Rate



The employee turnover rate for 2018 was higher at 13.4% compared to 12.4% for 2017. However, this is in line with its average turnover rate of about 13% in the last three years from 2015 to 2017.

Voluntary Turnover by Age and Gender (2018)



Re-employment Opportunities

Employees who are able and willing can continue their employment with CCT beyond the statutory retirement age of 62. CCT continues to employ these individuals at their last drawn salary if their work scope and responsibilities remain unchanged under its re-employment policy. One employee above the retirement age in 2018 was re-employed.

Respect for Freedom of Association

CCT upholds employees' rights to freedom of association and adheres to the Industrial Relations Act by permitting employees to be represented by trade unions for collective bargaining. More than one-third of the employees at CCT are union members. The Trust and the union work together cordially, seeking to foster positive work environments and raise productivity for the mutual benefit of the staff and the firm. No employee health and safety concerns were raised by the union in 2018.

Positive Work Environment

A positive work environment is essential to attract, motivate and retain talent. CCT drives high employee performance by championing their personal development healthcare needs and work-life balance. The compensation and benefits programmes include group medical insurance, personal accident insurance, health screenings, employee engagement initiatives, flexible work arrangements, flexible medical benefits, complimentary flu vaccinations and subsidised rates at Ascott's serviced residences. Part-time workers enjoy the same benefits as full-time employees, on a pro-rated basis.

There were six employees who took maternity leave in 2018, and six of them returned to work in the same year. Paid paternity leave is also granted to male employees. Two male employees took paternity leave in 2018.

Fair Remuneration

Fair remuneration is vital for CCT to remain competitive, attract and retain talent, and align employee performance targets with its corporate objectives. CapitaLand engages external consultants to benchmark the Trust's compensation packages across different markets. Beyond base salaries, other components of the compensation packages encompass short-term cash bonuses and long-term equity based reward plans.

The Singapore Central Provident Fund (CPF) enables all working Singaporeans and Permanent Residents to save for retirement. In line with prevailing regulations, both CapitaLand and its employees make monthly contributions to employees' CPF accounts. The monthly CPF contributions by CapitaLand form part of the employees' compensation.

Employment contracts with clearly-stated terms and conditions are signed with all employees. Performance reviews involving an open discussion on the employee's performance, developmental needs, areas for improvement and career planning are conducted annually. Supervisors are encouraged to provide regular feedback on employee performance. Key performance indicators are set to drive employee performance. Employees participate in the setting of team and individual goals to clearly define performance and compensation expectations.

Learning and Development

Employees are provided appropriate training to have the knowledge and expertise to contribute meaningfully and effectively to the Trust's performance. Employees' training and development needs are discussed at the annual performance reviews with their immediate superior and updated along the course of a year.

CapitaLand channels up to 3% of its annual wage bill towards learning and development programmes for employees. Employees can participate in certified skills training programmes, personal development courses as well as industry seminars and conferences. They may apply for a maximum of 10 days of paid leave annually for examinations supported by the company.

CapitaLand's in-house training hub, CapitaLand Institute of Management and Business (CLIMB), promotes continuous professional and personal development of CapitaLand employees.

About 99.2% of employees completed at least one learning session during the year. The average number of training hours per employee was 33.4 hours in 2018, which is lower than the industry recommended guide of 40 hours per annum. This was due to staff involvement in special projects which required more attention in 2018.

Employee Engagement

CCT supports opportunities for management-employee engagements to foster a vibrant and productive workforce.

Employees can highlight issues and other feedback to HR or management through various communication channels.

These include the staff communication session, which allows BUs and CCT's CEO and management team to update employees on the Trust's business results and operational performance and to address any work concerns.

Another platform is the CapitaLand intranet, which updates employees on the Group's latest developments, employment policies, benefits, corporate governance and ethics.

Employee engagement activities for the year ranged from staff communication sessions, CEO chat sessions, team building activities and events organised by the BU Recreation Club and HR department. These were in addition to the lunchtime talks and after-work workout sessions, which were well received by employees.

SUSTAINABILITY MANAGEMENT

MATERIAL TOPICS AND BOUNDARIES

Material topics (GRI 102-47)	Topics Boundary Internal and External	Management Approach References (GRI 103)
Economic Performance		
Economic Performance	CCT	Financial Capital (pg 61 & 67)
Indirect Economic Impacts	CCT, Community	Manufactured Capital (pg 72) Social & Relationship Capital (pg 73)
Anti-corruption	CL, Investors, Customers, Community	Organisational Capital (pg 67)
Environmental		
Energy	CCT, Supply Chain	Environmental Capital (pg 68-71)
Water	CCT, Supply Chain	
Biodiversity	CCT, Supply Chain	
Emissions	CCT, Supply Chain	
Effluents and Waste	CCT, Supply Chain	
Environmental Compliance	CCT, Investors	
Supplier Environmental Assessment	CCT, Supply Chain	
Social		
Employment	CCT	Human Capital - Employee Management (pg 83-85)
Labour/Management Relations	CCT	Human Capital - Employee Management (pg 83-85)
Occupational/Health and Safety	CCT	Human Capital - OHS (pg 81-82)
Training and Education	CCT	Human Capital - Employee Management (pg 85)
Diversity and Equal Opportunity	CCT	Human Capital - Employee Management (pg 83-85)
Non-discrimination	CCT	Human Capital - Employee Management (pg 83)
Child Labour	CCT	Human Capital - Employee Management (pg 83)
Forced or Compulsory Labour	CCT	Human Capital - Employee Management (pg 83)
Human Rights Assessment	CCT, Supply Chain	Human Capital - OHS (pg 81-82)
Local Communities	CCT	Environmental Capital (pg 68-71) Manufactured Capital - Social Integration (pg 71-73) Social & Relationship Capital (pg 73-80) Human Capital - OHS (pg 81-82)
Supplier Social Assessment	CCT, Supply Chain	Human Capital - OHS (pg 81-82)
Customer Health and Safety	CCT, Customers (Tenants), Supply Chain, and Community	Human Capital - OHS (pg 81-82)
Marketing and Labelling	CCT, Customers	Organisational Capital (pg 67-68) Environmental Capital (pg 68-71) Manufactured Capital (pg 72-73)
Customer Privacy	CCT, Customers, Investors	Organisational Capital (pg 67-68)
Socioeconomic Compliance	CCT, Investors	Organisational Capital (pg 67-68) Human Capital (pg 81-85)

GRI STANDARDS CONTENTS INDEX

Disclosure Number	Title	Page Reference and Remarks
General Disclosures		
102-1	Organisation's name	Corporate Profile (Pg 1)
102-2	Primary brands, products, and services	Corporate Profile (Pg 1)
102-3	Location of headquarters	Corporate Information (inside back cover)
102-4	Location of operations	Corporate Profile (Pg 1)
102-5	Nature of ownership and legal form	Corporate Profile (Pg 1)
102-6	Markets served	Corporate Profile (Pg 1)
102-7	Scale of the organisation	Corporate Profile (Pg 1)
102-8	Workforce figures	Human Capital - Employee Management (pg 83-85)
102-9	Organisation's supply chain	Environmental Capital (pg 68-71) Social & Relationship Capital (pg 73-80) Human Capital - OHS (pg 81-82)
102-10	Significant changes during the reporting period	CEO's message (pg 61) Introduction (pg 62)
102-11	Report whether and how the precautionary approach or principle is addressed by the organisation	Introduction (pg 62) Environmental Capital (pg 68-71)
102-12	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes	Introduction (pg 62-66) Corporate Governance (pg 29-54, 67-68) Human Capital - OHS (pg 81-82)
102-13	Memberships of associations and national or international advocacy organisations	Corporate Governance (pg 67)
102-14	Statement from senior decision-maker	CEO's message (pg 61)
102-15	Description of key impacts, risks, and opportunities	Corporate Governance (pg 29-54, 67-68) Environmental Capital (pg 68) Social & Relationship Capital (pg 74-80) Human Capital - OHS (pg 81-82)
102-16	Organisation's values, principles, standards and norms of behaviour	Corporate Profile (IFC) Corporate Governance (pg 29-54, 67-68) Enterprise Risk Management (pg 55-58) Introduction (pg 62-66)
102-18	Governance structure	Corporate Governance (pg 29-54, 67-68) Introduction (pg 63-64)
102-40	List of stakeholder groups	Social & Relationship Capital (pg 74-75) Human Capital - OHS (pg 82)
102-41	Collective bargaining agreements	Human Capital - Employee Management (pg 83-84)
102-42	Identification and selection of stakeholders	Social & Relationship Capital (pg 74-75) Human Capital - OHS (pg 82)
102-43	Approaches to stakeholder engagement	Materiality (pg 64-66) Environmental Capital (pg 68-69) Social & Relationship Capital (pg 74-75) Human Capital - OHS (pg 81-82)
102-44	Key topics and concerns raised through stakeholder engagement	Materiality (pg 64-66) Social & Relationship Capital (pg 74-75) Human Capital - OHS (pg 82)
102-45	Entities included in the organisation's consolidated financial statements	Introduction (pg 62-64)
102-46	Defining the report content and the aspect boundaries	Introduction (pg 62-64)
102-47	List of material topics	Material Aspects and Boundaries (pg 86)
102-48	Effect of any restatements of information provided in previous reports	No restatements for 2018.
102-49	Significant changes from previous reports in the scope and aspect boundaries	There are no significant changes from previous reports.

SUSTAINABILITY MANAGEMENT

Disclosure Number		Title	Page Reference and Remarks
102-50		Reporting period	Introduction (pg 62)
102-51		Date of previous report	FY 1 January to 31 December 2018
102-52		Reporting cycle	Introduction (pg 62)
102-53		Contact point	Introduction (pg 62)
102-54		Claims of reporting in accordance with GRI Standards	Introduction (pg 62)
102-55		GRI Content Index	GRI Index (pg 87-89)
102-56		Assurance	No external assurance
Topic-Specific Standards			
Economic			
Economic Performance	201-1	Direct economic value generated and distributed	Financial Highlights (pg 3-5) Financial Review (108-115) Financial Statements (pg 127-221)
	201-2	Financial implications, risk and opportunities due to climate change	Introduction (pg 62) Environmental Capital (pg 68-71)
Market Presence	202-2	Proportion of senior management hired from local community	Human Capital - Employee Management (pg 83)
Indirect Economic Impacts	203-1	Development and impact of infrastructure investments and services supported	Environmental Capital (pg 68) Manufactured Capital - Social Integration (pg 71)
Anti-corruption	205-1	Risk assessment for corruption	Corporate Governance (pg 44) Enterprise Risk Management (pg 57) Organisational Capital (pg 67-68)
	205-2	Communication and training on anti-corruption policies and procedures	Organisational Capital (pg 67-68) Human Capital (pg 85)
	205-3	Incidents and action taken	Organisational Capital (pg 67-68)
Environment			
Energy	302-1	Energy consumption within the organisation	Environmental Capital (pg 70)
	302-2	Energy consumption outside of the organisation	None reported during the reporting period.
	302-3	Energy intensity	Environmental Capital (pg 70)
	302-4	Reduction of energy consumption	Environmental Capital (pg 70)
	302-5	Reductions in energy requirements of products and services	Environmental Capital (pg 64)
Water	303-1	Total water consumption	Environmental Capital (pg 71)
	303-2	Water sources significantly affected by withdrawal of water	None during the reporting period.
	303-3	Water recycled and reused	Environmental Capital (pg 71)
Biodiversity	304-1	Protected areas or areas of high biodiversity	None during the reporting period. Environmental Capital (pg 69)
	304-2	Impact on biodiversity	
	304-3	Endangered species effected	
Emissions	305-1	Direct (Scope 1) greenhouse gas (GHG) emissions	Environmental Capital (pg 70)
	305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environmental Capital (pg 70)
	305-3	Other indirect (Scope 3) GHG emsisions	Environmental Capital (pg 70)
	305-4	Greenhouse gas (GHG) emissions intensity	Environmental Capital (pg 70)
	305-5	Reduction of greenhouse gas (GHG) emissions	Environmental Capital (pg 70)
Effluents and Waste	306-1	Total water discharge by quality and destination	Wastewater is discharged into the public sewerage system or sewage treatment plant.
	306-2	Waste management	Environmental Capital (pg 71)
	306-3	Significant spills	None during the reporting period. Environmental Capital (pg 69)
	306-5	Discharge and runoffs affecting protected water bodies	Waste water is discharged into the public sewerage system or sewage treatment plant.

Disclosure Number		Title	Page Reference and Remarks
Environmental Compliance	307-1	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations	Value created (pg 65-66) Environmental Capital (pg 68) Human Capital - OHS (pg 81-82)
Supplier Environmental Assessment	308-1	% of new suppliers screened using environmental criteria	Value created (pg 65-66) Environmental Capital (pg 68)
Social			
Labour Practices and Decent Work			
Employment	401-1	New hires and Employee turnover	Human Capital - Employee Management (pg 83 - 85)
	401-3	Parental leave	Human Capital - Employee Management (pg 84)
Labour/ Management Relations	402-1	Notice period regarding operation changes	Human Capital - Employee Management (pg 83)
Occupational/ Health and Safety	403-1	% of staff represented in OHS committee	Human Capital - OHS (pg 81-82)
	403-2	Occupational injury	Human Capital - OHS (pg 81-82)
Training and Education	404-1	Average hours of training	Human Capital - Employee Management (pg 85)
	404-2	Skills management and lifelong learning	Human Capital - Employee Management (pg 85)
	404-3	Performance and career development reviews	Human Capital - Employee Management (pg 83-85)
Diversity and Equal Opportunity	405-1	Diversity	Human Capital - Employee Management (pg 83-84)
Non-discrimination	406-1	Incidents of discrimination and corrective action taken	Human Capital (pg 83)
Child Labour	408-1	Operations and suppliers identified as having significant risk for incidents of child labour and measures taken to the effective abolition of child labour	Human Capital - Employee Management (pg 81-84)
Forced or Compulsory Labour	409-1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures taken to eliminate it	Human Capital (pg 81-84)
Human Rights Assessment	412-1	% of operations subjected to human rights reviews	Human Capital - OHS (pg 81-82)
Local Communities	413-1	Operations with local community engagement, impact assessments and development programmes	Environmental Capital (pg 68-71) Social & Relationship Capital - Community (pg 73-80) Manufactured Capital - Social Integration (pg 78) Human Capital - OHS (pg 81-82)
Supplier Social Assessment	414-1	% of suppliers screened using social criteria	Human Capital - OHS (pg 81-82)
Customer Health and Safety	416-1	Health and safety impacts assessment of products and services	Human Capital - OHS (pg 81-82) Manufactured Capital - Social Integration (pg 72)
	416-2	Incidents of non-compliance	Human Capital - OHS (pg 81-82)
Marketing Communications	417-1	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	No incidents in CCT of non-compliance with regulations and voluntary codes concerning marketing communications.
Customer Privacy	418-1	Substantiated complaints regarding breaches of customer privacy and losses of customer data	There were no known complaints during the reporting period.
Socioeconomic Compliance	419-1	Fines and non-monetary sanctions for non-compliance with laws and regulations	There were no fines or non-monetary sanctions for non-compliance with laws and regulations.

SHAPING OUR FUTURE **WITH FORESIGHT AND AGILITY**

We shape our future by having clear insights to evolving landscapes, anticipating developments affecting our business and taking proactive actions with foresight and agility.

We continue to capitalise on timely acquisitions that are enhanced through proactive asset management. We anticipate changing financial market conditions and ensure that we optimise our debt portfolio. We take advantage of active real estate market interest to unlock value and recycle capital. We embrace changing needs of our tenants by developing new value-added products and services.

Portfolio Property Value as at 31 December 2018

S$10.6 billion

S$9.9 billion as at 31 December 2017

Aggregate leverage as at 31 December 2018

34.9%

37.3% as at 31 December 2017

INDEPENDENT MARKET REVIEW

THE SINGAPORE MARKET

According to the Ministry of Trade and Industry (MTI), Singapore's economy grew by 3.2% in 2018. This was largely attributed to expansion in the manufacturing sector which posted a 7.2% YoY growth. Growth was primarily supported by the electronics, transport engineering, and biomedical manufacturing clusters. The services industries grew by 3.0% supported mainly by the finance & insurance, business services and wholesale & retail trade sectors. The construction sector, on the other hand, contracted by 3.4% YoY due to weakness in public sector construction activities. Taking into acount the global and domestic economic environment, MTI has maintained the 2019 GDP forecast at slightly below the midpoint range of between 1.5% to 3.5%.

OFFICE MARKET

Existing Supply

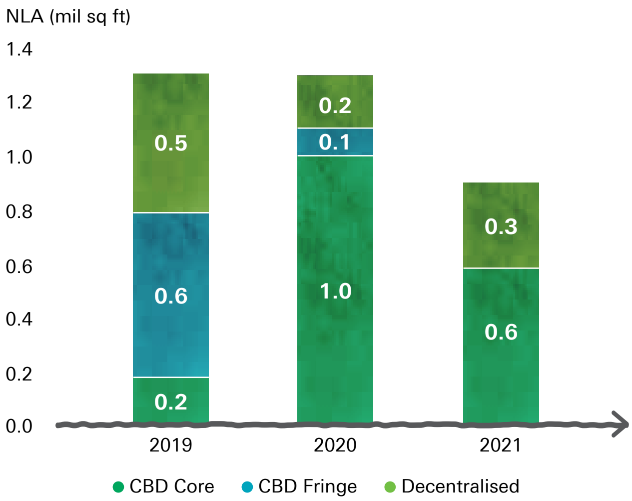
Total island-wide office stock edged up by 2.5% YoY to 61.0 million sq ft in 4Q 2018 after the completion of major developments such as Paya Lebar Quarter (872,000 sq ft) and Frasers Tower (663,000 sq ft).

The CBD Core[1] is a sought-after location for large corporates to house their front office functions and headquarters. Buildings in CBD Core include Capital Tower, Asia Square Tower 2, Six Battery Road, CapitaGreen and One George Street in CCT's portfolio. Typical premier office tenants in the CBD Core area include firms from the financial & insurance, technology, media & telecommunications and legal services sector. The CBD Core, comprising Marina Bay, Raffles Place, Shenton Way and Marina Centre has a total office stock of 30.4 million sq ft as at 4Q 2018 (of which 14.4 million sq ft is classified as Grade A office space). This represents a 2.2% YoY increase and accounted for 49.9% of the island-wide office stock.

Future Supply

Over the next three years from 2019 to 2021, island-wide new office supply is expected to moderate, amounting to an estimated 3.5 million sq ft. 29.1% of the pipeline is in the Decentralised[2] market, while the remaining 51.5% and 19.4% will be from the CBD Core and CBD Fringe[3] markets respectively.

Island-wide Future Office Supply



Source: CBRE Singapore.

New completions in 2019 is projected to be 1.3 million sq ft, with HD 139 (71,548 sq ft) and 18 Robinson (145,000 sq ft) being the only completions in the CBD Core. The remaining bulk of incoming supply for 2019 will be in the CBD Fringe (0.6 million sq ft) and Decentralised Area (0.5 million sq ft). Within the CBD Fringe market, the completion of Funan Redevelopment will add 204,000 sq ft of office space to the supply.

In 2020, new supply of 1.3 million sq ft is expected to come onstream. Major completions will include ASB Tower (500,000 sq ft) in the CBD Core, the redevelopment of Hub Synergy Point (128,456 sq ft) in the CBD Fringe and Centrium Square (107,041 sq ft) in the Decentralised market.

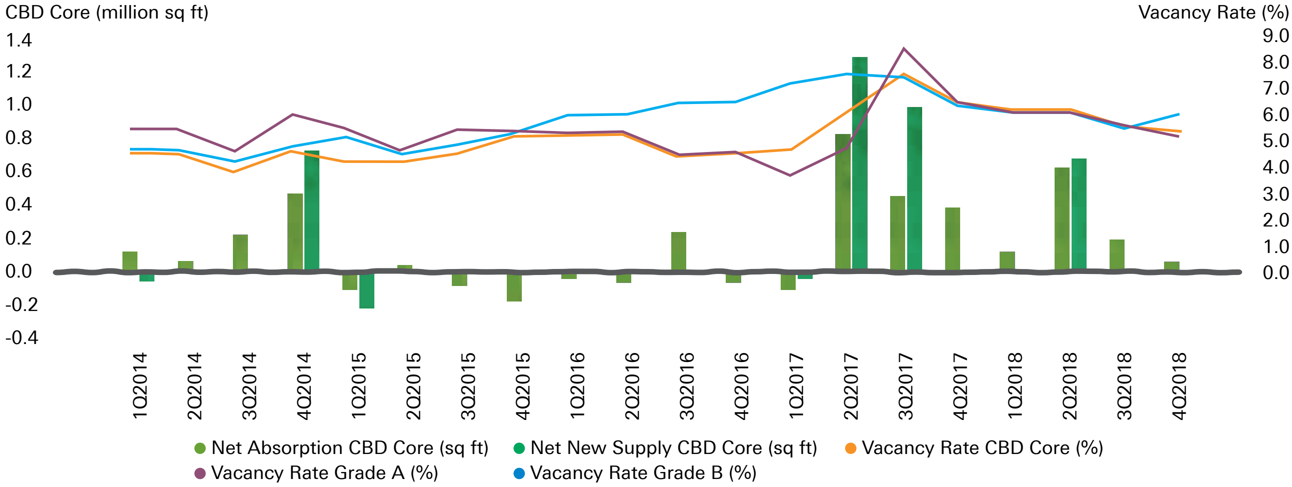
The estimated new supply of 0.9 million sq ft in 2021 is mainly attributed to the completion of CapitaSpring (635,000 sq ft), an integrated project jointly developed by CapitaLand, CCT and Mitsubishi Estate Co. Ltd in CBD Core.

1 The CBD Core area comprises the four micro-markets: Raffles Place, Shenton Way, Marina Bay and Marina Bay Centre.
2 The Decentralised markets are anchored mainly by clusters of office in Alexandra/HarbourFront, Western Suburban area and Eastern Suburban area.
3 The CBD Fringe area includes Tanjong Pagar, Beach Road/City Hall as well as Orchard Road.

Demand & Vacancy

For the whole of 2018, CBD Core office net absorption totalled 1.0 million sq ft. Grade A office buildings continued to attract tenants seeking to maximise office efficiencies. A typical tenant profile will include global financial institutions, technology, media and telecommunications firms, insurance companies and increasingly, coworking operators.

CBD Core Office Supply and Demand



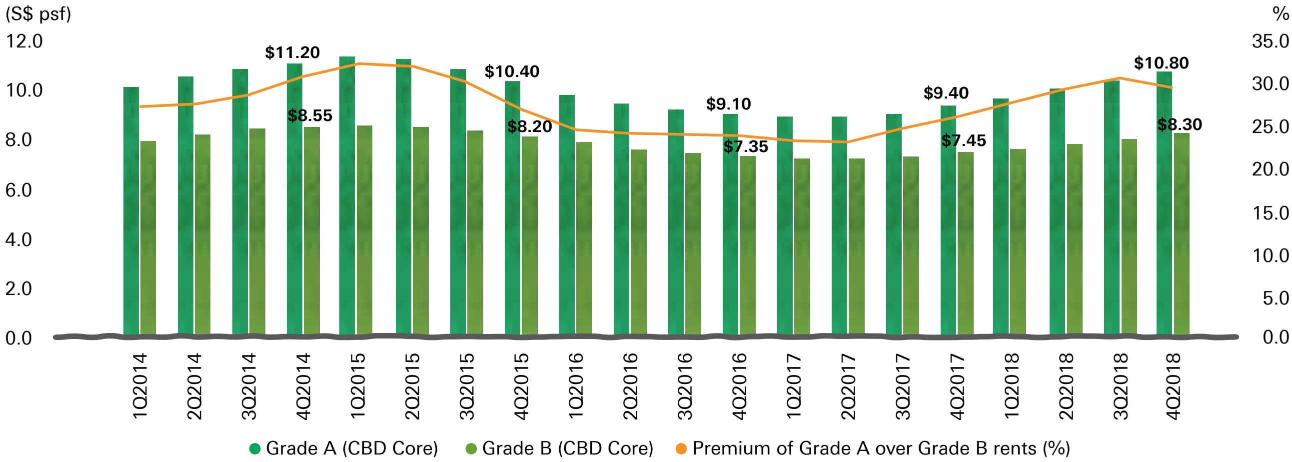
Source: CBRE Singapore.

Absorption during the year is mainly driven by financial institutions, technology firms and coworking operators. During the year, JP Morgan announced the relocation to CapitaSpring (155,000 sq ft) and coworking operators such as WeWork, JustCo, and Spaces took up new spaces in the CBD Core and CBD Fringe areas. During the year, vacancy rates for CBD Core declined to 5.2% due to a limited supply of quality office space and improved business sentiments. There was also increased interest in Grade B space. Consequently, landlords are expected to revise their rental expectations upwards.

Rental Values

Singapore's office rents continued to trend upwards in an environment of increasingly tight vacancy. Grade A (CBD Core) and Grade B (CBD Core) rents grew by 14.9% YoY and 11.4% YoY to S$10.80 psf and S$8.30 psf in 4Q 2018 respectively. Despite economic risks from regional currency volatility and external trade disputes, the rental outlook for the office market remains optimistic.

CBD Core Monthly Rental Values



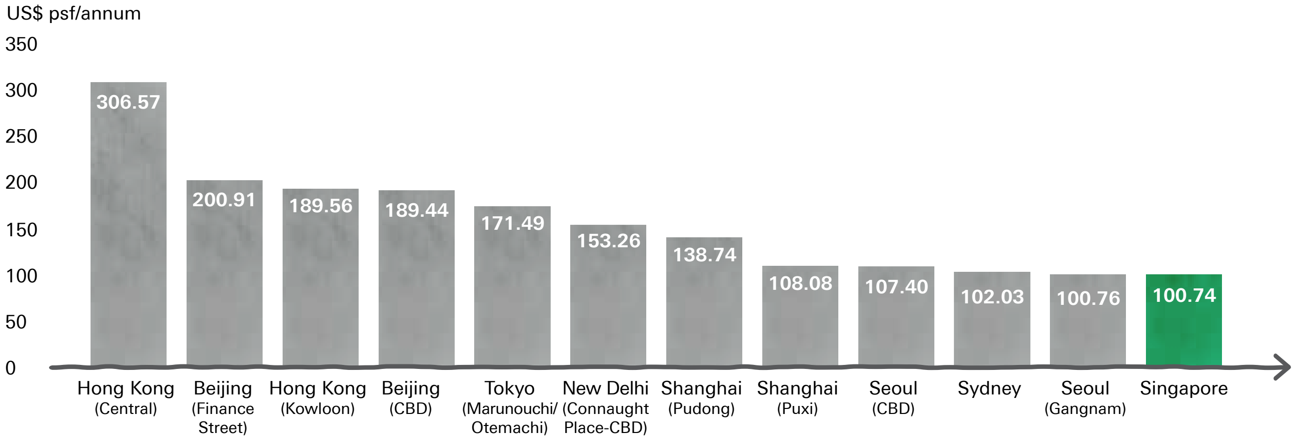
Source: CBRE Singapore.

INDEPENDENT MARKET REVIEW

CBRE Prime Office Occupancy Costs

Global prime office occupancy costs[4] rose by 2.4% YoY, accelerating from the previous year. Specifically, the Americas, Asia Pacific and the Europe, Middle East and Africa (EMEA) registered YoY increases of 3.2%, 1.7% and 2.0% respectively.

Prime Occupancy Costs Index (Asia Pacific Top 12 Cities)



Source: 1Q 2018

Singapore ranked 22nd and 12th on the Global and Asia Pacific indices of most expensive prime office markets, with an annual occupancy cost of US$100.74 psf as of 1Q 2018. The gateway city has witnessed an increase in occupancy costs, moving up by five and two places respectively from the previous edition of the survey. Hong Kong Central (US$306.57 psf) and London West End (US$235.01 psf) continued to be the world's first and second most expensive office markets. Beijing Finance Street (US$200.91 psf) ranked third, displacing Midtown Manhattan, New York (US$183.78 psf) to sixth place. Frankfurt ranked 46th and 18th on the Global and EMEA indices with an annual occupancy cost of US$64.84 psf as of 1Q 2018.

In Asia Pacific, occupancy costs in most cities continued to hold firm with Bangkok, Thailand witnessing the highest YoY change of 28.7%. Jakarta (-6.4%) is the only key Southeast Asian market that registered reductions in occupancy costs. Asia Pacific is home to six markets ranked among the top 10 most expensive globally – Hong Kong (Central), Beijing (Finance Street), Hong Kong (Kowloon), Beijing (CBD), Tokyo (Marunouchi/Otemachi) and New Delhi (Connaught Place – CBD). The increase in prime office occupancy costs in Singapore is in line with the broader office market recovery. Singapore will continue to remain as an attractive location for businesses due to its strategic location as a key gateway city within the Asia Pacific region. On a global perspective, Singapore has outperformed several key Asian gateway cities including Taipei (US$71.94 psf), Jakarta (US$53.38 psf) and Bangkok (US$41.93 psf) and some cities in the Americas including Downtown Houston (US$63.13 psf) and Downtown Seattle (US$64.71 psf).

The Office Investment Market and Capital Values

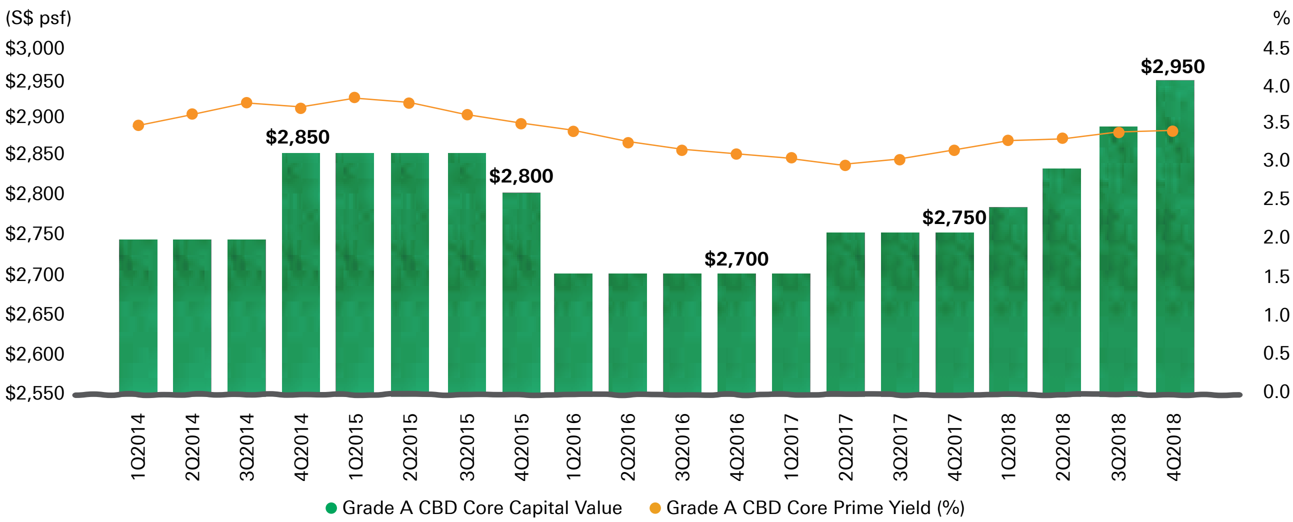
Over the year, the market has witnessed several big-ticket office investment deals which include the sale of the office component of OUE Downtown 1 & 2 by OUE to OUE Commercial REIT for S$908 million (S$1,713 psf), Twenty Anson by CCT to a private equity fund for S$516 million (S$2,503 psf) and 55 Market Street by Frasers Commercial Trust to AEW Asia for S$216 million (S$3,020 psf).

Quarterly CBD Core Grade A office capital values increased by 7.3% YoY to S$2,950 psf, with yield continuing its increase from 3.41% in the preceding quarter to 3.48% as rental growth continue to strengthen.

Investor sentiment remained positive as they pursue portfolio diversification and price in possible rental reversion amidst a broader recovery in the office market. High net worth individuals, fund managers and traditional property companies continue to be active participants in the office real estate investment market.

4 Total Occupancy Costs are reported for the highest-quality office space in a prime location. They are on a gross basis (inclusive of service charges and taxes) and have been adjusted to a net internal area of measurement.

Prime Office Capital Values and Net Yields



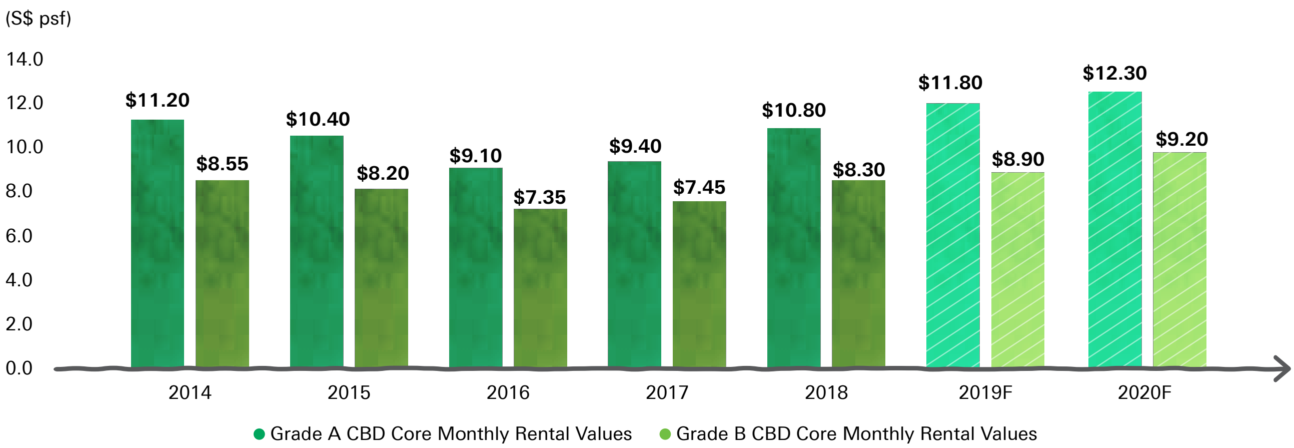
Source: CBRE Singapore.

Singapore Office Market Outlook

According to the Monetary Authority of Singapore, the country's economic outlook for 2019 is expected to expand at a slower pace. The manufacturing sector will remain as a key driver of GDP growth although its contribution is expected to moderate. Domestic digitalisation initiatives and regional growth will benefit the information & communication sectors (ICT), financial and business services sector. Additionally, some form of recovery is expected for the discretionary services sector such as the retail and food services industry.

Fundamentals in the office market have improved with the outlook for the next couple of years looking positive. Office demand is expected to remain resilient amidst strong economic performance and a moderating office pipeline. Banking and finance, coworking, technology and shipping firms are expected to remain as key drivers of leasing demand. Coworking operators are eager to expand their market share and are actively growing their real estate footprint across the country. The technology sector is expected to continue growing as domestic digitisation efforts gain increasing importance. Singapore continues to remain as an attractive gateway to South East Asia with its pro-innovation and technology policies. However, external headwinds in terms of market volatility and trade risks may impact office demand should these factors gain momentum and affect businesses space requirements.

Projected CBD Core Monthly Rental



Source: CBRE Singapore.

INDEPENDENT MARKET REVIEW

Singapore REITs and Business Trusts Market Overview

Singapore REITs (S-REITs) are managed by REIT managers to invest in income generating real estate. This allows individual unitholders to access real estate property and share the benefits and risks of owning a portfolio of properties. The investment vehicle is attractive to investors due to the high level of distributable income of at least 90% of taxable income and the favourable tax exemption environment.

The REIT regime in Singapore was established with the objective of providing investors with a platform to gain exposure to real estate assets that allows for diversification of risks through pooling of capital. The S-REITs market now comprises REITs with portfolios of office, retail, industrial space as well as other non-traditional REIT assets including hospitals, hotel/serviced apartments, residential and data centres. Since the listing of the first REIT in 2002, the number of S-REITs which have launched over the years has grown significantly, indicating its popularity as an investment asset class due to its high yielding and recurring passive income.

There are concerns over the impact of rising interest rates on the performance of REITs with the Fed expected to continue increasing rates in 2019 albeit at a more measured pace. The federal funds rate stood at a range of 2.25 - 2.50% as of 4Q 2018. Although rising interest rates lead to increased borrowing and financing costs, it also implies an expectation that economic growth and inflation is on the rise – reflecting sentiments of confidence in the US economy and possibly the global economy at large. With job growth and an overall economy gaining momentum, business fundamentals could improve and in turn, translate to greater demand for real estate and better occupancy rates, driving the growth for office space. These repercussions could possibly boost future REIT earnings and dividends. That said, more REITs have restructured their loan terms from floating to fixed interest rates, mitigating against fluctuations in the interest rate environment.

Attractive long – term returns, liquidity, high dividend yields, and its capacity to hedge against inflation will continue to deem REITs as a popular investment vehicle. S-REITs are poised to perform well and are opined to be able to withstand gradual interest rate hikes going forward.

FRANKFURT OFFICE MARKET

Frankfurt Office Market Outlook

For the whole of 2018, demand was robust with 620,200 sqm of office space taken up in the overall Frankfurt office leasing market. This represents the second-best performing result over the past 15 years, albeit 13% lower than the record achieved in 2017. Demand continue to remain strong, with financial services, legal advisors, chartered accountants and real estate firms being key drivers of leasing activities. Modern office space in central locations continue to be an attractive option for occupiers.

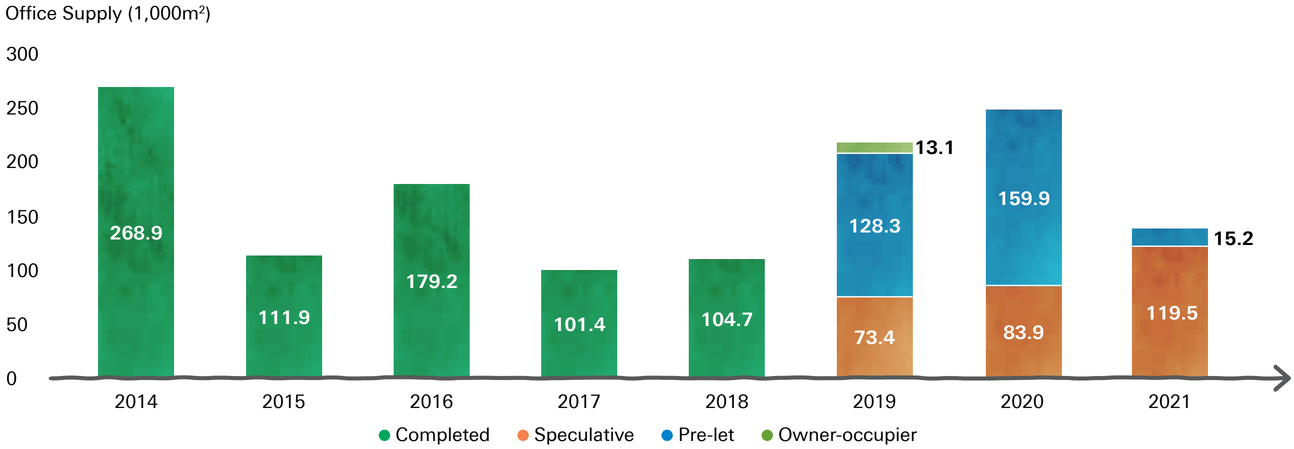
As of 4Q 2018, approximately 593,300 sqm of future office space is expected to enter the market over the next three years with a pre-commitment rate of more than 50%. Several notable upcoming developments in the CBD include the Marienturm (approximately 40,400 sqm) and Omniturm (45,500 sqm).

The investment market continues to be active with both domestic and foreign investors on the lookout for attractive investment opportunities. Investors are drawn by the strong performance in the office leasing market, decline in central submarkets vacancy levels and positive prospects for Frankfurt. The overall annual investment volume in Frankfurt was €10.4 billion in 2018. Skyscrapers with a large ticket size remain the main entry target of new investors.

Gallileo is located in the Banking District, within the Frankfurt CBD market. The Frankfurt CBD is made up of the Banking District, West-end and Frankfurt City submarkets. Net absorption for the Frankfurt CBD market in 2018 forms 34% (211,300 sqm) of total take-up rate. Additionally, the Banking District witnessed the highest take-up amongst all submarkets, achieving 96,500 sq m over the year. Consequently, vacancy levels in the district declined to 3.9% at the end of 2018.

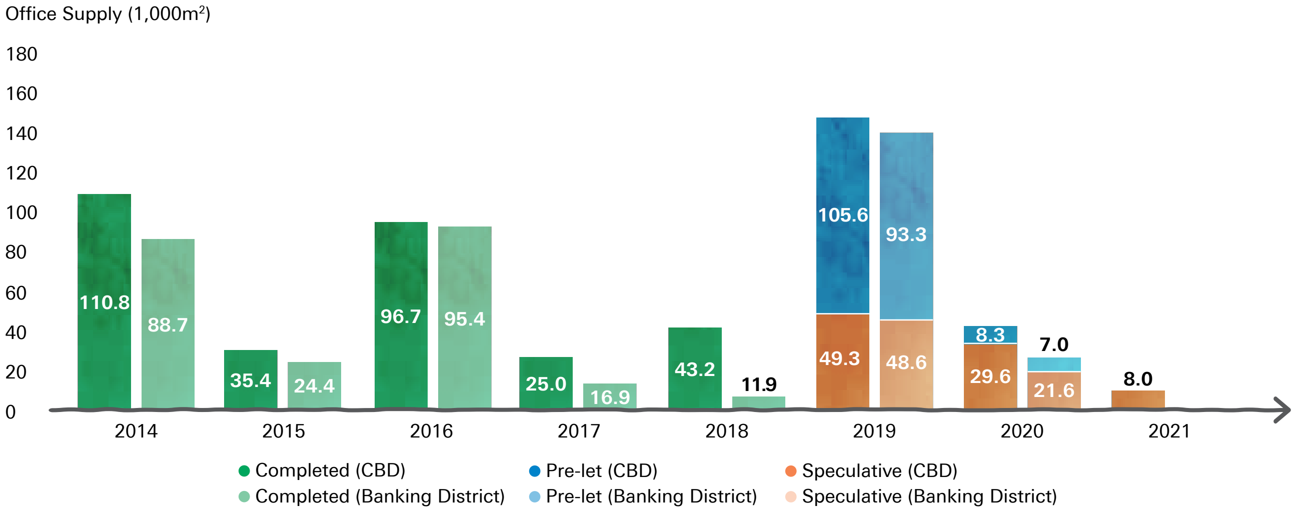
Going forward, CBRE expects that the Frankfurt office leasing market will continue to remain dynamic. Given that the shortage of office space is not expected to ease in the near future, decline in vacancy levels and an increase in rents are expected in 2019. Financial services, banks, legal advisors and chartered accountants are expected to form key pillars of demand in view of Frankfurt's importance as a financial center. In addition, investor interests in the capital markets will continue to remain robust in 2019 as strong positive indicators are expected in the office market. However, a repetition of the record transaction volume witnessed in 2018 is unlikely amidst the limited number of office buildings available for sale in the market.

Frankfurt Office Space Completions & Future Supply (Overall Market)



Source: CBRE Germany Research, 4Q 2018.

Frankfurt Office Space Completions & Future Supply (CBD & Banking District)

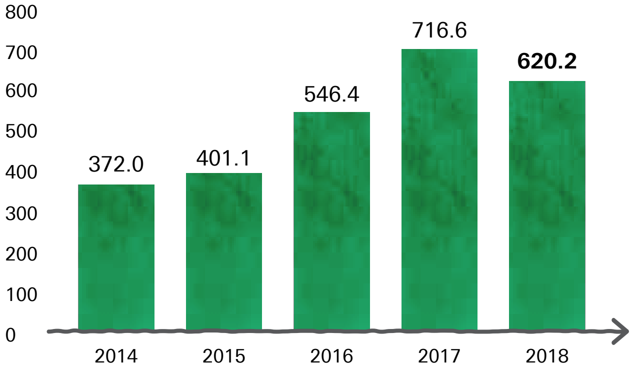


Source: CBRE Germany Research, 4Q 2018.

INDEPENDENT MARKET REVIEW

Frankfurt Demand (Overall Market)

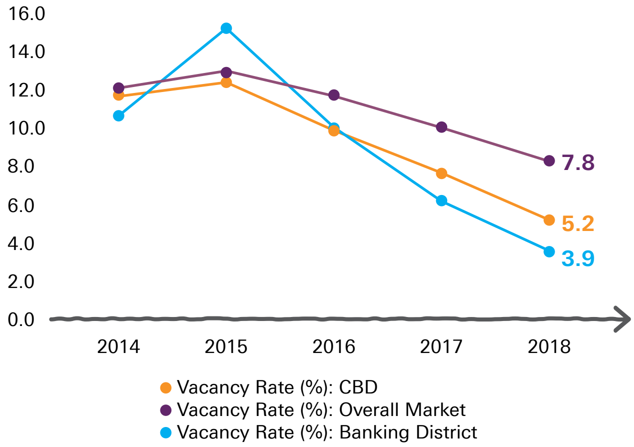
Demand (1,000m²)



Source: CBRE Germany Research, Q4 2018.

Frankfurt Vacancy Rates (Overall Market, CBD & Banking District)

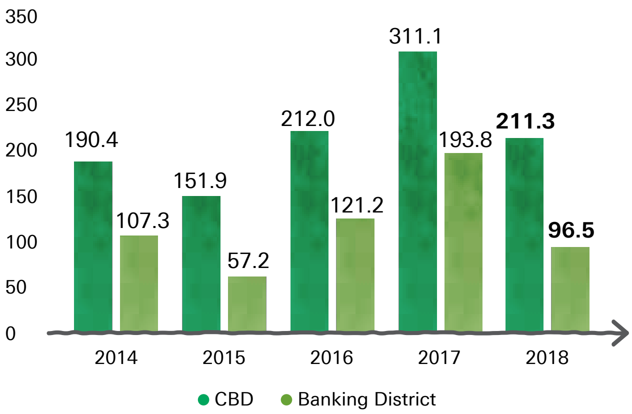
(%)



Source: CBRE Germany Research, 4Q 2018.
Note*: Without Subletting.

Frankfurt Demand (CBD & Banking District)

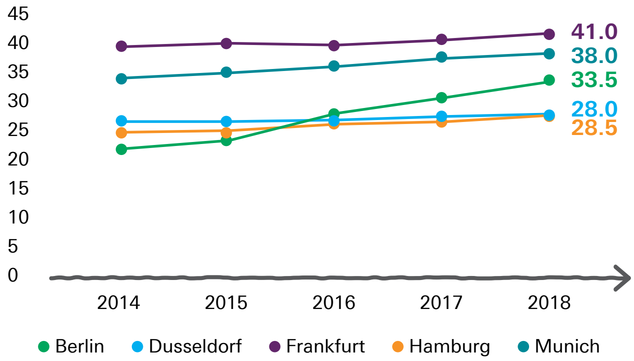
Demand (1,000m²)



Source: CBRE Germany Research, 4Q 2018.

Germany Prime Office Rents

(€ per m²/month)



Source: CBRE Germany Research, 4Q 2018.

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CBRE GERMANY

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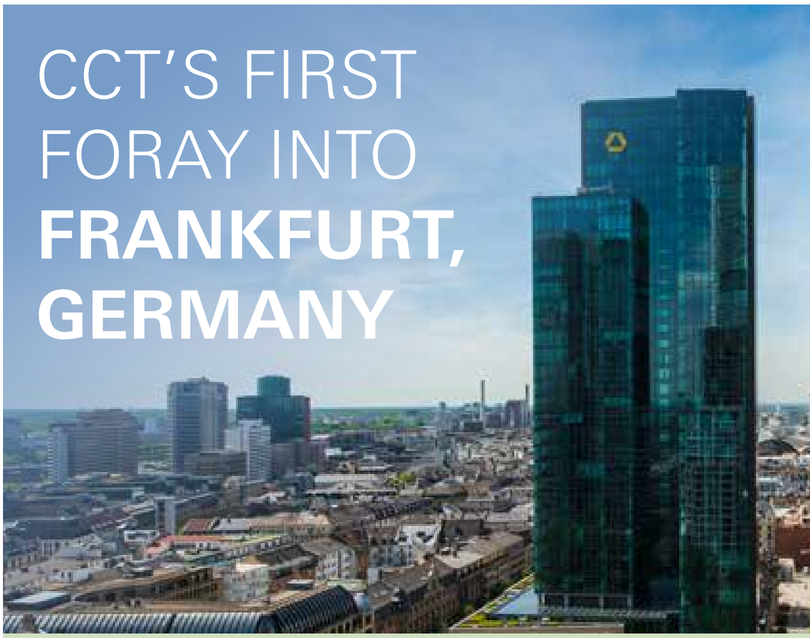
OPERATIONS REVIEW

DRIVING LONG-TERM SUSTAINABLE GROWTH AND IMPROVED FINANCIAL FLEXIBILITY

CCT continued to diversify its income sources to ensure long-term sustainable DPU growth. In FY 2018, the Trust made its first foray outside Asia with the acquisition of a 94.9% stake in Gallileo, a freehold Grade A commercial property in Frankfurt, Germany. The acquisition which is to capture growth opportunities in gateway cities of developed markets, is part of the Trust's value creation strategy. CCT will remain predominantly in Singapore, with up to 20% of its portfolio property value overseas.

Gallileo was acquired at the agreed property value of EUR337.8 million for a 94.9% interest (approximately S$531.3 million[1]), which was 1.4% below its appraised value of EUR342.5 million (94.9% interest). The appraisal by Cushman and Wakefield LLP was based on the Discounted Cash Flow method. The property is anchored by a long-term lease to Commerzbank AG, one of the top banks in Germany, which provides a new stable income stream at a net yield of 4.0%[2].

CCT'S FIRST FORAY INTO **FRANKFURT, GERMANY**



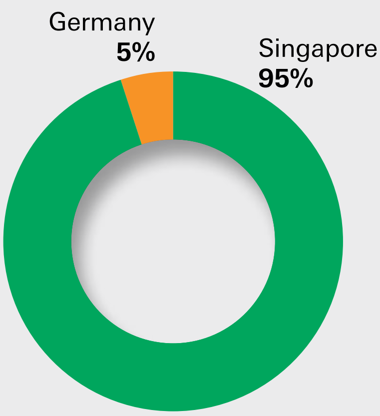
High technical specifications:

- 2.9m floor to ceiling height
- Centre core with efficient layout
- Flexibility to cater for multi-tenant space configuration

- Gallileo, a fully occupied freehold Grade A commercial property
- Strategically located in the Banking District, Frankfurt's prime CBD
- Anchor tenant, Commerzbank AG, a leading international commercial bank with branches and offices in almost 50 countries, has a lease[3] for 98% of the property's NLA till 2029

WALE	NPI Yield[2]	Agreed property value
10.0 years	**4.0%** p.a.	**EUR337.8** million

95% of CCT's portfolio property value in Singapore



1 Singapore dollar amount for reference only, based on an exchange rate of EUR1 to S$1.5728 as at 19 June 2018.
2 Based on Gallileo's FY 2017 net property income and valuation as at 31 March 2018.
3 Commerzbank AG's lease expires in 2029 and the rent is adjusted based on an inflation index every two years. The bank has an option to terminate the lease in 2024 with 24-months' notice.

WHY FRANKFURT?

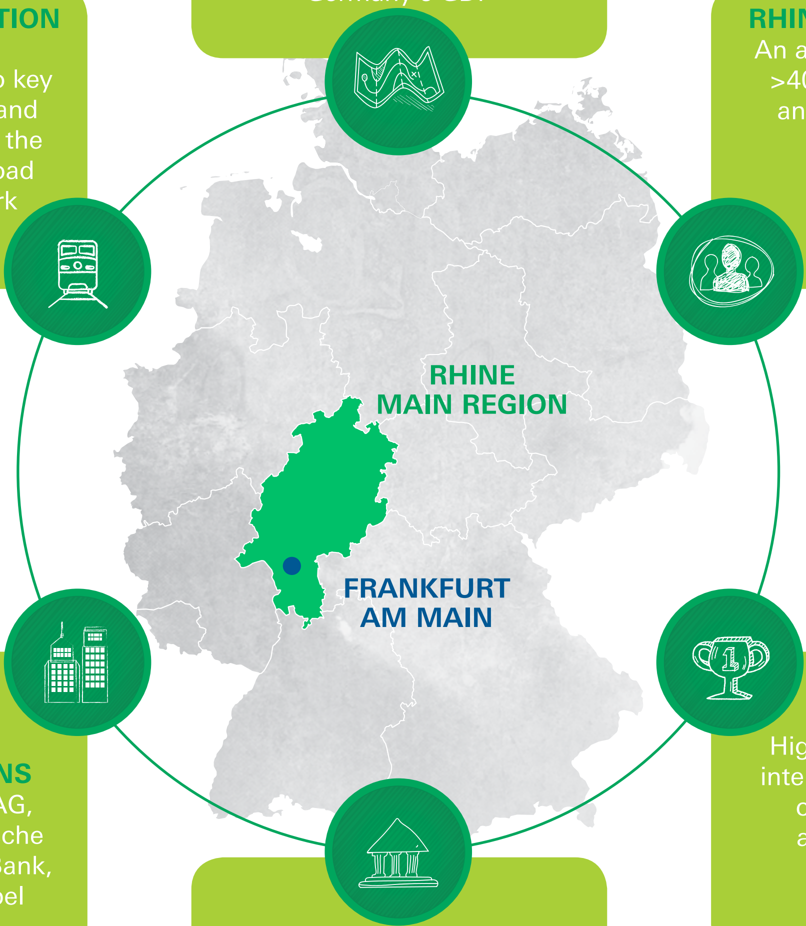
Frankfurt – #1 financial centre in Germany and continental Europe

FRANKFURT – WELL POSITIONED WITHIN CONTINENTAL EUROPE

MAJOR EUROPEAN METROPOLITAN REGION
Frankfurt Rhine-Main Metropolitan Region is the 3rd largest metropolitan region in Germany with a population of 5.7 million; contributes 8% of Germany's GDP

CENTRAL LOCATION IN EUROPE
Short distances to key European cities and excellent links to the pan-European road and rail network

RHINE-MAIN AREA
An attractive base to >400,000 national and international companies



HQ LOCATION FOR LARGE CORPORATIONS
Commerzbank AG, Lufthansa, Deutsche Bahn, Deutsche Bank, Continental, Opel

NO. 1 IN GERMANY
Highest density of international banks, consultancies and law firms

IMPORTANT SECTORS
Financial Services, ICT, Logistics, Automotive, Chemical, Environmental and Energy

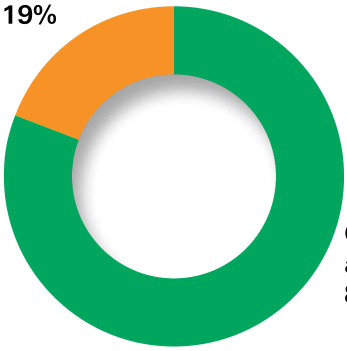
Source: IHK-Forum (Rhein-Main)

OPERATIONS REVIEW

In Singapore, Twenty Anson was divested for S$516.0 million or S$2,503 psf. The sales consideration was S$83.0 million or 19.2% over the property's valuation of S$433.0 million as at 31 December 2017. The sale consideration translated to an exit yield of 2.7% based on Twenty Anson's net property income of S$13.9 million for the 12 months preceding 31 March 2018. The divestment proceeds were utilised to pare down existing higher interest borrowings and this has enhanced CCT's financial flexibility by reducing the Trust's aggregate leverage to 34.9% as at end December 2018.

CCT's portfolio comprises nine properties in Singapore including one under development, and one property in Germany. Proactive portfolio reconstitution over the years has increased CCT's exposure to high-quality Grade A office space, which represents 81.0% of the portfolio's attributable net lettable area (NLA) of 4.2 million sq ft.

81% of CCT's portfolio NLA are Grade A assets



Enhanced portfolio property value[1] following portfolio reconstitution

CCT's portfolio property value as at 31 December 2018 was $10.6 billion, up 7.1% from S$9.9 billion a year ago. This change was mainly due to the inclusion of Gallileo in the portfolio, and the increase in the portfolio valuation of the Singapore properties. Gallileo is the only freehold asset and constitutes 5% of CCT's portfolio property value.

Investment Properties	31 Dec 2017	31 Dec 2018	Variance	31 Dec 2018	Cap Rate	Discount Rate
	$m	$m	%	$ per sq ft	%	%
Asia Square Tower 2	2,094.0[2]	2,143.0	2.3	2,752	3.50	6.75
CapitaGreen	1,616.0	1,638.0	1.4	2,337	4.00	6.75
Capital Tower	1,363.0	1,387.0	1.8	1,885	3.60	6.75
Six Battery Road	1,402.0	1,420.0	1.3	2,868	3.50	6.75
21 Collyer Quay (HSBC Building)	456.0	461.7	1.3	2,303	3.50	6.75
Raffles City Singapore (60.0% interest)	1,956.0	1,993.2	1.9	NM[3]		
› Hotel					4.75	7.00
› Office					4.00	6.75
› Retail					4.70	7.00
One George Street (50.0% interest)	558.1	569.5	2.0	2,556	3.60	6.75
CapitaSpring (45.0% interest)[4] - under construction	472.5	472.5	–	NM[3]	–	–
Singapore Portfolio	**9,917.6**	**10,084.9**	**1.7**			
Gallileo (94.9% interest)[5]	–	535.2		1,293	3.90[6]	3.15
Total Portfolio	**9,917.6**	**10,620.1**	**7.1**			

1 Excludes Twenty Anson, which was divested on 29 August 2018, and Bugis Village, which is re-classified under "Asset Held for Sale".
2 Based on transacted value of the property.
3 NM indicates "Not Meaningful".
4 Based on land value including the differential premium paid for the change of use and increase in plot ratio.
5 Valuation for 100.0% interest in Gallileo was EUR361.2 million and converted to Singapore dollar based on an exchange rate of EUR1 to S$1.5612 in December 2018.
6 Exit capitalisation rate at the end of discounted cash flow period.

VALUE CREATION THROUGH DEVELOPMENT & ASSET ENHANCEMENT

The construction of CapitaSpring on the site of the former Golden Shoe Car Park is on track for completion in the first half of 2021. The upcoming 51-storey skyscraper at 88 Market Street has secured J.P. Morgan, the global banking and financial services provider, as its first anchor office tenant. J.P. Morgan will occupy approximately 155,000 sq ft of premium office space from levels 24 to 30.

At Raffles City Singapore, refurbishment works to the interior of the mall, the rooms, lobby and F&B outlets of Swissôtel The Stamford were completed during the year. The rejuvenated property will present an enhanced retail and hospitality experience to shoppers and tourists arriving in Singapore.

In October 2018, the Trust's sponsor CapitaLand initiated its 'office of the future' ecosystem in Capital Tower and Asia Square Tower 2. It involves an integrated offering of conventional (core) and flexible (flex) spaces with community-driven and tech-enabled workplace solutions that can support tenants at various growth stages. This initiative dovetails with CCT's ongoing efforts to enhance the relevance and attractiveness of its properties to meet evolving workspace needs and encourage tenant retention.

CAPITASPRING AT 86 & 88 MARKET STREET

- JV between CCT (45%), CapitaLand (45%) and Mitsubishi Estate Co., Ltd (10%)
- A 51-storey integrated development at height of 280 metres (on par with tallest buildings in Raffles Place)

Artist impression of the lobby at CapitaSpring

- "**Capita**" encompasses the lineage of CapitaLand and its credo "Building People. Building Communities." in this people-centric integrated development
- "**Spring**" inspired by the Green Oasis, a four-storey high botanical promenade located between the office and serviced residence floors
- The Green Oasis will become the central social space for placemaking and community activities

9 February 2018
Broke ground for CapitaSpring, an integrated development at Market Street (former site of Golden Shoe Car Park)

April 2018
Secured J.P. Morgan as anchor tenant for 155,000 sq ft or 24% of CapitaSpring's office NLA

ON TRACK TO COMPLETE IN 1H 2021

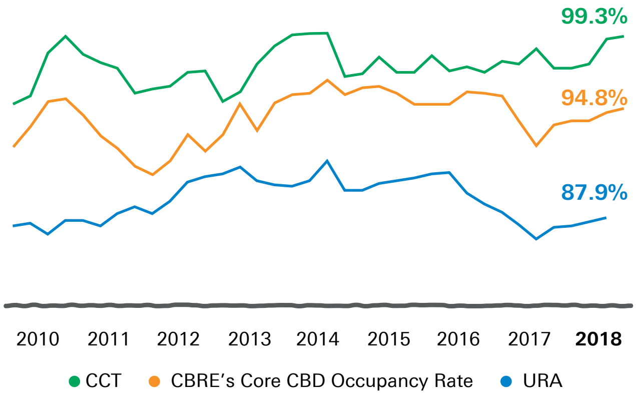
OPERATIONS REVIEW

STRENGTHENED PORTFOLIO PERFORMANCE

High committed occupancy

CCT recorded a committed portfolio occupancy of 99.4% as at 31 December 2018, compared to 97.3% as at 31 December 2017. Proactive tenant management and engagement as well as a focused leasing strategy have enabled CCT's properties to achieve high committed occupancy rates. Notably, as a result of active marketing, the committed occupancy of Asia Square Tower 2 has increased to 98.1% from 88.7% when it was acquired in November 2017. Gallileo, which was fully leased since it was added to the portfolio in August 2018, also contributed to the portfolio's higher occupancy.

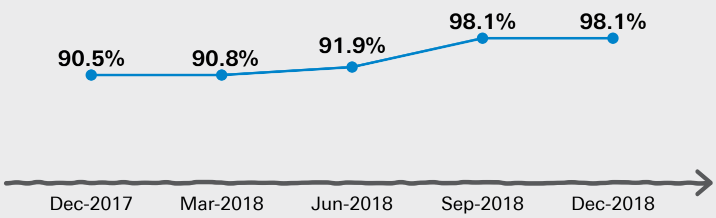
CCT Singapore properties achieved higher committed occupancy than market levels



ASIA SQUARE TOWER 2 COMMITTED OCCUPANCY AT **98.1%**

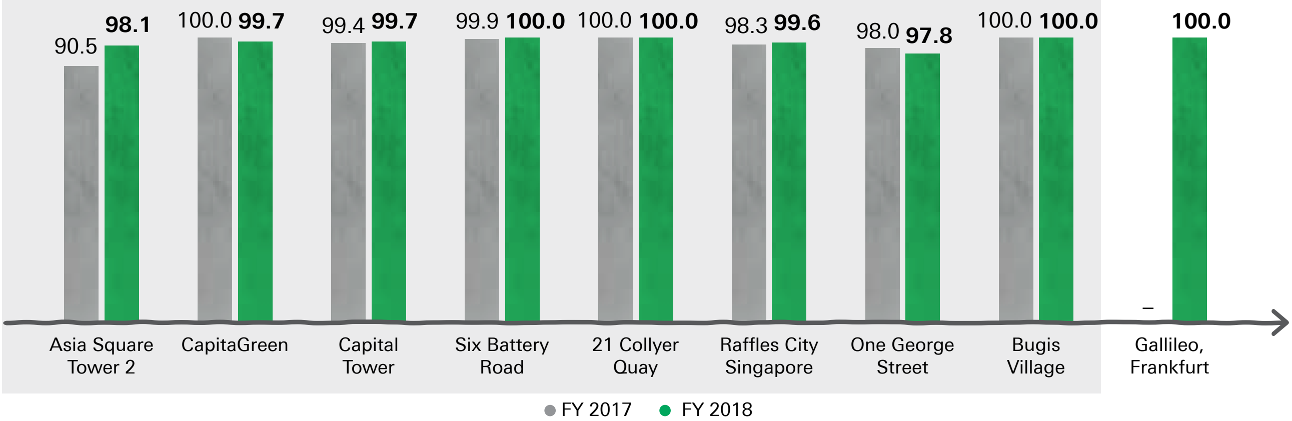
- Acquired Asia Square Tower 2 at an agreed property value of S$2,094.0 million on 1 November 2017
- Valuation was S$2,143.0 million as at 31 December 2018
- Increased committed occupancy to 98.1% after acquisition

Committed occupancy of Asia Square Tower 2



CCT's committed portfolio occupancy rate was 99.4% (%)

Singapore Portfolio occupancy: 99.3%



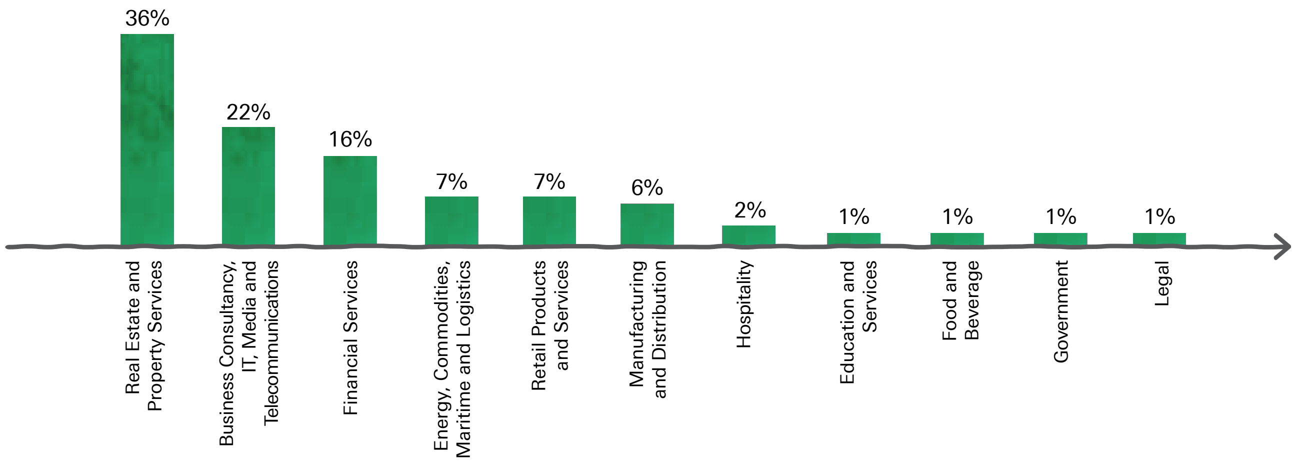
Active leasing contributed to higher occupancy

Leasing activities remained healthy in FY 2018. Over one million square feet of new and renewal leases were signed and the Trust achieved a tenant retention rate of 77%. Retained tenants include CBRE, d'Amico Group, J.P. Morgan and ServCorp.

CCT continued to attract new tenants from diverse trade sectors, of which the three largest sectors are 1) Real Estate and Property Services, 2) Business Consultancy, IT, Media and Telecommunications and 3) Financial Services. New tenants include Allfunds Singapore Branch, Pinebridge Investments Singapore Limited and SilkRoad Property Partners Pte. Ltd..

The weighted average lease term to expiry of leases signed in 2018 is 2.8 years. The proportion of revenue attributed to these leases stands at approximately 25% of the portfolio's committed monthly gross rental income as at 31 December 2018, and includes the proportionate interest in the revenue of JVs while excluding the retail and hotel turnover rent.

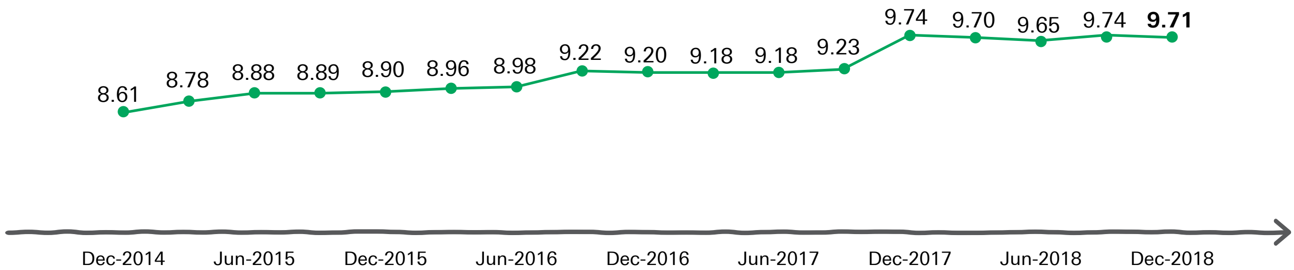
Business sectors of new leases signed in 2018
(Based on NLA of new leases; approximately 224,000 sq ft)



Steady average office gross rent

The average monthly gross rent of CCT's office properties in Singapore was S$9.71 psf as at 31 December 2018, which eased by 0.3% from S$9.74 psf as at 31 December 2017. The easing was largely due to flow through of negtive rent reversions committed in the earlier quarters of 2018.

Steady growth in the average office rent of CCT's Singapore properties
Average monthly gross rent for office portfolio (S$ psf)



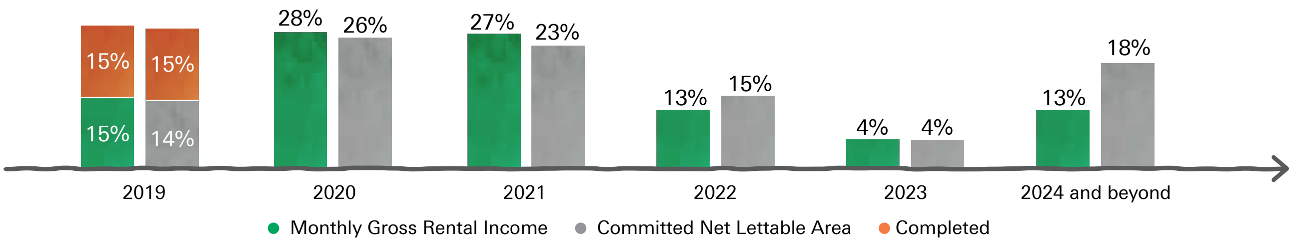
OPERATIONS REVIEW

Well spread lease expiry profile

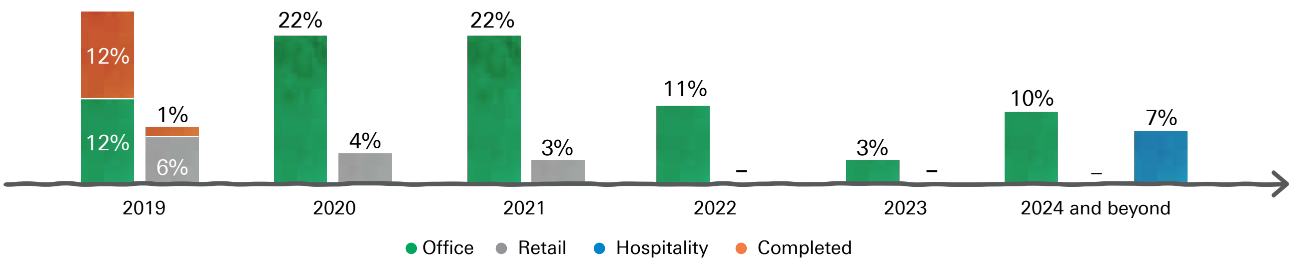
CCT's portfolio, comprising office, retail and hotel leases, has a weighted average lease term to expiry of 5.8 years as at end December 2018. This is attributed to CCT's proactive leasing strategy, which includes active tenant engagement, forward lease renewals and managing the portfolio lease expiry profile.

As at 31 December 2018, about half of the office leases expiring in 2019 have been successfully committed. The renewals included a one-year lease extension from 30 April 2019 for the whole of 21 Collyer Quay to The Hongkong and Shanghai Banking Corporation Limited at a total rent of S$27.7 million. The Manager is evaluating options for the property after April 2020, including refurbishment and re-letting, redevelopment and divestment.

Office lease expiry profile as at 31 December 2018
(Based on attributable committed monthly gross rental income and NLA)



Portfolio lease expiry profile as at 31 December 2018
(Based on attributable committed monthly gross rental income excluding retail and hotel turnover rent)



CCT's key buildings' expiry profiles as a percentage of office portfolio committed gross rental income

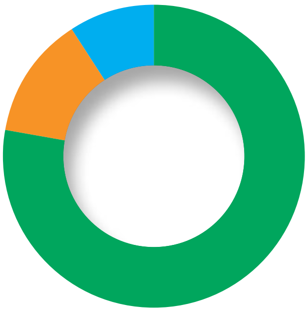
	2019		2020		2021	
	% of Expiring Leases	Average Gross Rental (psf)	% of Expiring Leases	Average Gross Rental (psf)	% of Expiring Leases	Average Gross Rental (psf)
Asia Square Tower 2	4.6%	$10.96	4.4%	$10.00	6.3%	$13.60
Capital Tower	0.5%	$9.28	1.3%	$8.16	5.1%	$8.25
CapitaGreen	4.2%	$10.80	5.9%	$9.28	7.9%	$11.50
Six Battery Road	1.8%	$11.29	6.1%	$10.27	4.8%	$11.19
Raffles City Tower	2.0%	$8.69	1.5%	$8.64	2.0%	$8.35
Total	**13.1%**	**$10.46**	**19.2%**	**$9.59**	**26.1%**	**$10.71**

Diversification in income streams

In FY 2018, CCT's gross rental income contribution was approximately 78% from the office component (2017: 74%), 13% from retail component (2017: 15%) and 9% from hotels and convention centre component (2017: 11%).

About 43% of the Trust's gross rental income came from its top three trade sectors, with 23% from Banking (2017: 19%), 11% from Financial Services sector (2017: 13%) and 9% from the Energy, Commodities, Maritime and Logistics sector (2017: 10%).

CCT's income contribution by sector (%)
(Based on attributable FY 2018 gross rental income excluding retail turnover rent)

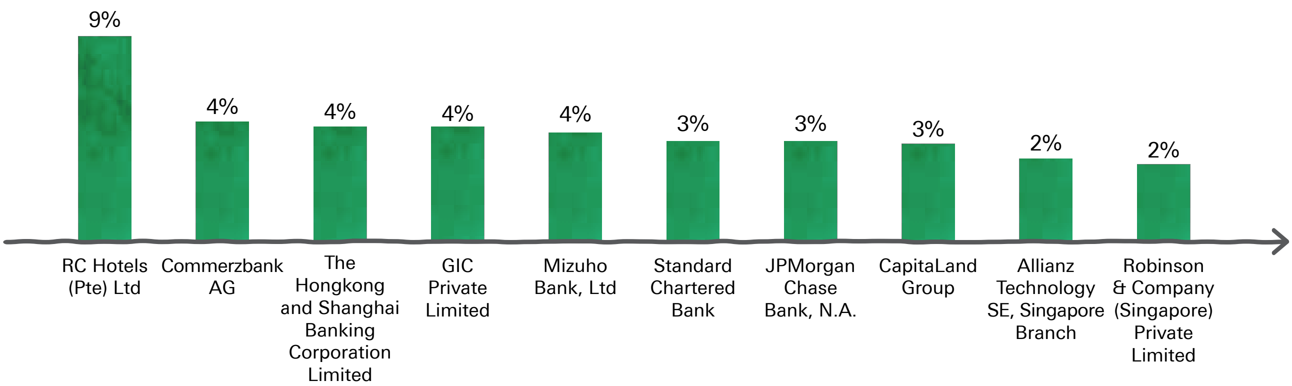


Office	78
Retail	13
Hotels & Convention Centre	9

Diverse tenant mix in CCT's portfolio (%)
(Based on attributable committed monthly gross rental income excluding retail turnover rent as at 31 December 2018)

Banking	23
Financial Services	11
Energy, Commodities, Maritime and Logistics	9
Hospitality	9
Business Consultancy, IT, Media and Telecommunications	8
Real Estate and Property Services	8
Retail Products and Services	8
Insurance	7
Food and Beverage	6
Manufacturing and Distribution	4
Legal	3
Education and Services	2
Government	2

Top 10 tenants contributed approximately 37% of CCT's monthly gross rental income
(Based on attributable monthly gross rental income for December 2018 excluding retail turnover rent)



The top three tenants for FY 2018 in terms of monthly gross rental income were RC Hotels (Pte) Ltd, Commerzbank AG and The Hongkong and Shanghai Banking Corporation Limited. Commerzbank AG is the new entrant to the top 10 tenants list after the acquisition of Gallileo in June 2018.

FINANCIAL REVIEW

GROSS REVENUE

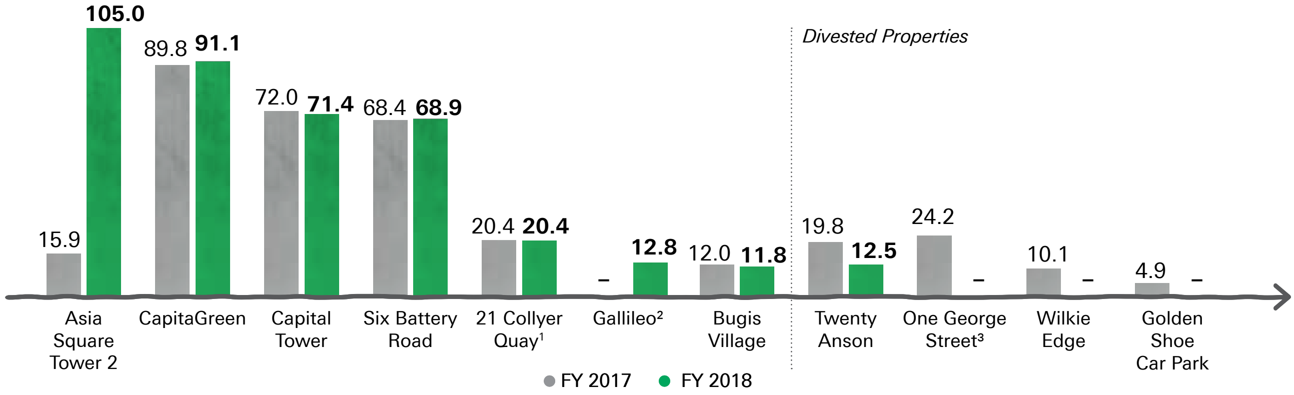
Gross revenue for CCT Group in FY 2018 was S$394.0 million, an increase of S$56.5 million or 16.7% from FY 2017. The increase was mainly due to contributions from Asia Square Tower 2 (AST2) acquired on 1 November 2017 and Gallileo acquired on 18 June 2018, which together offset the loss in gross revenue due to the divestments of One George Street (50.0% interest), Golden Shoe Car Park and Wilkie Edge in 2017, and Twenty Anson on 29 August 2018.

NET PROPERTY INCOME

Due to higher gross revenue, CCT's net property income (NPI) for FY 2018 of S$314.6 million was S$49.1 million or 18.5% above FY 2017.

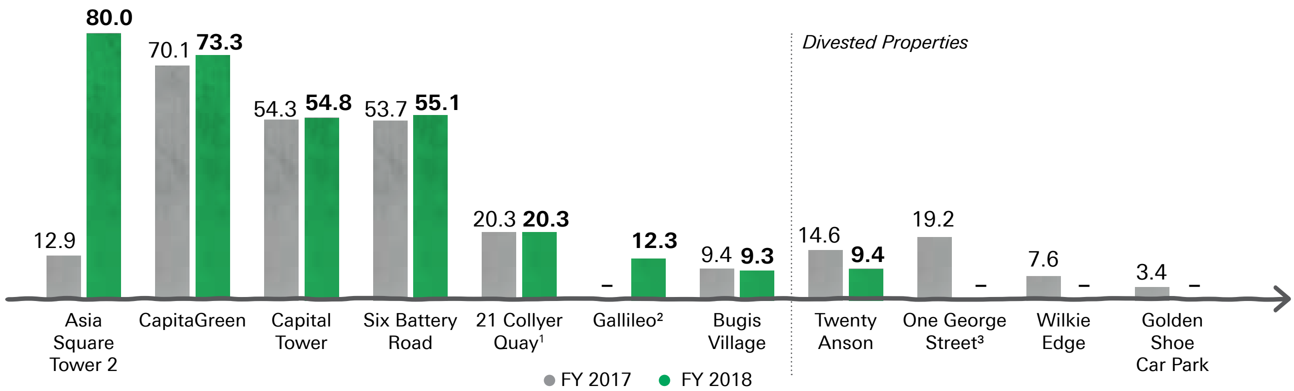
FY 2018 gross revenue by property

(S$ million)



FY 2018 net property income by property

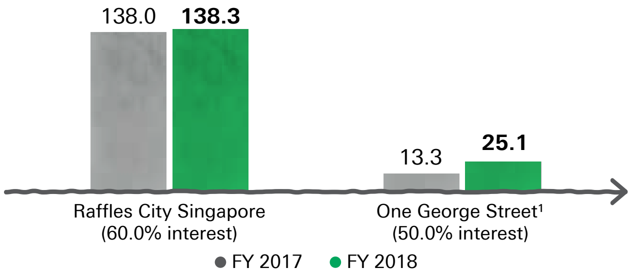
(S$ million)



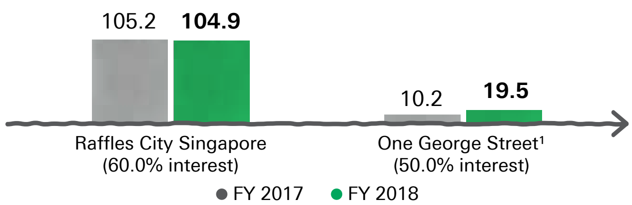
1 Also known as HSBC Building.
2 CCT owns 94.9% of Gallileo which contributed revenue and income from 19 June 2018, The reported figure is on 100.0% basis.
3 One George Street was divested on 19 June 2017 to OGS LLP, in which CCT owns a 50.0% share.

CCT's proportionate interest in joint ventures' gross revenue and NPI is shown below for information.

CCT's interest in joint ventures' gross revenue
(S$ million)



CCT's interest in joint ventures' net property income
(S$ million)



FINANCE COSTS

Finance costs for FY 2018 were S$84.5 million, an increase of S$15.5 million or 22.5% higher than last year. The increase was mainly due to borrowings drawn down for the acquisitions of AST2 and Gallileo, as well as one-off fees and expenses paid by MSO Trust that holds CapitaGreen for the pre-payment of S$710.0 million of bank borrowings and pre-termination of interest rate swaps.

SHARE OF PROFITS OF JOINT VENTURES

Share of profit of joint ventures for FY 2018 and FY 2017 comprised 60.0% interest in RCS Trust, 50.0% interest in OGS LLP (from 20 June 2017) and 45.0% interest in Glory Office Trust (GOT) and Glory SR Trust (GSRT) (from 12 July 2017).

Share of profits / (losses) of joint ventures (S$ million)	2017	2018
Raffles City Singapore (60.0% interest)	112.0	**97.0**
One George Street [1] (50.0% interest)	(26.9)	**22.7**
Glory Office Trust and Glory SR Trust [2] (45.0% interest)	(0.2)	**(1.6)**

The lower share of profits of Raffles City Singapore in FY 2018 was mainly due to a lower revaluation gain compared with FY 2017.

The higher share of profits of One George Street in FY 2018 was mainly due to revaluation gain compared with revaluation loss in FY 2017.

DISTRIBUTIONS

Distributable income in FY 2018 was S$321.7 million, an increase of S$32.8 million or 11.4% higher than S$288.9 million in FY 2017. The increase was mainly attributable to contributions from AST2 and Gallileo.

A breakdown of Unitholders' distribution per Unit (DPU) for FY 2018 as compared to FY 2017 is as follows:

Year (cents)	1 Jan to 30 Jun	1 Jul to 31 Dec	1 Jan to 31 Dec
2018	**4.28**	**4.42**	**8.70**
2017	4.56	4.10	8.66

MANAGEMENT FEES IN UNITS

Management fees paid in Units	2017	2018
CCT Properties	2,309,602	**1,653,482**
RCS Trust	5,910,744	**4,630,217**

CCT Properties

In FY 2018, management fees paid in Units relates to the base component of asset management fees paid for AST2 for 1Q 2018, 2Q 2018 and 3Q 2018 as well as the performance component of asset management fees for One George Street and Wilkie Edge for FY 2017.

In FY 2017, it relates to the base component of asset management fees for 4Q 2016, 1Q 2017, 2Q 2017 and 3Q 2017 as well as the performance component of asset management fees for One George Street and Wilkie Edge for FY 2016.

1 One George Street was divested on 19 June 2017 to OGS LLP, in which CCT owns a 50.0% share.
2 Golden Shoe Car Park was divested in 2017 and is currently held by two private trusts, namely GOT and GSRT in which CCT owns a 45% share in each.

FINANCIAL REVIEW

RCS Trust (CCT's 60.0% interest)

In FY 2018, management fees paid in Units relates to payment of the base component of asset management fees for 4Q 2017, 1Q 2018, 2Q 2018 and the performance component of management fees for FY 2017. For 3Q 2018, 50.0% of the base component of asset management fees were paid in Units and the balance were paid in cash.

In FY 2017, it relates to payment of the base component of asset management fees for 4Q 2016, 1Q 2017, 2Q 2017 and 3Q 2017 as well as the performance component of asset management fees for FY 2016.

FINANCIAL PERFORMANCE FOR 2015 TO 2017

2017

Gross revenue for CCT Group in FY 2017 was S$337.5 million, an increase of S$38.9 million or 13.0% from FY 2016. CCT Group achieved higher gross revenue in FY 2017 notwithstanding the loss of revenue from the divestments of One George Street, Golden Shoe Car Park and Wilkie Edge. The increase was mainly due to contributions following the acquisition of AST2 on 1 November 2017 and from MSO Trust that holds CapitaGreen for the full financial year of 2017 compared to only four months in 2016.

As a result of the higher gross revenue, NPI of S$265.5 million was S$34.2 million or 14.8% higher than FY 2016. NPI from all properties were higher or the same in FY 2017 vis-à-vis FY 2016 except for Twenty Anson and Bugis Village due to lower occupancies and absence of yield stabilisation sum for Twenty Anson.

Distributable income in FY 2017 was S$288.9 million, an increase of S$19.9 million or 7.4% higher than S$269.0 million in FY 2016. The increase was mainly attributable to contributions from AST2 as well as higher distribution from RCS Trust and MSO Trust that hold Raffles City Singapore and CapitaGreen respectively.

2016

Gross revenue for FY 2016 was S$298.6 million, an increase of S$25.4 million or 9.3% from S$273.2 million in FY 2015, mainly contributed by CapitaGreen.

Higher gross revenue in turn led to higher NPI of S$231.3 million in FY 2016, an increase of S$18.5 million or 8.7% from S$212.8 million in FY 2015. The increase was largely due to contributions from CapitaGreen.

Distribution for FY 2016 was S$269.0 million, an increase of S$14.6 million or 5.7% from S$254.5 million in FY 2015. DPU rose 0.46 cents or 5.3% from 8.62 cents in FY 2015 to 9.08 cents in FY 2016.

2015

Gross revenue for FY 2015 was S$273.2 million, an increase of S$10.6 million or 4.0% over FY 2014 arising from positive rent reversions and improved portfolio occupancy.

Capital Tower's S$35 million AEI was completed in December 2015, and achieved a return on investment of 8.2%, which exceeded the target of 7.8%.

During the year, the Trust acquired Twenty Anson from FirstOffice Pte. Ltd. (a wholly owned subsidiary of CCT) in order to streamline the holding structure of the property.

Gross revenue contributions from properties owned directly by the Trust, registered a rise in FY 2015 compared to a year ago. Revenue from Twenty Anson was marginally lower year-on-year due to a lesser amount of yield stabilisation income required to achieve the stabilised property yield of 4.0%. Revenue from Golden Shoe Car Park was lower due to a decrease in average occupancy and lower car park revenue.

CapitaGreen commenced operations in FY 2015 with tenants progressively moving into their new offices.

Higher gross revenue in turn accounted for the higher NPI which grew S$7.5 million or 3.7% to S$212.8 million.

ASSETS

As at 31 December 2018, total assets for CCT Group were S$9,690.5 million, S$336.5 million or 3.6% higher compared to S$9,354.0 million as at 31 December 2017. The increase was due to the acquisition of Gallileo, higher valuation of investment properties and cash balance.

NET ASSET VALUE

As at 31 December 2018, CCT's adjusted net asset value (NAV) was S$1.80 per Unit, after excluding the distributable income for the second half of FY 2018.

Prudent capital management

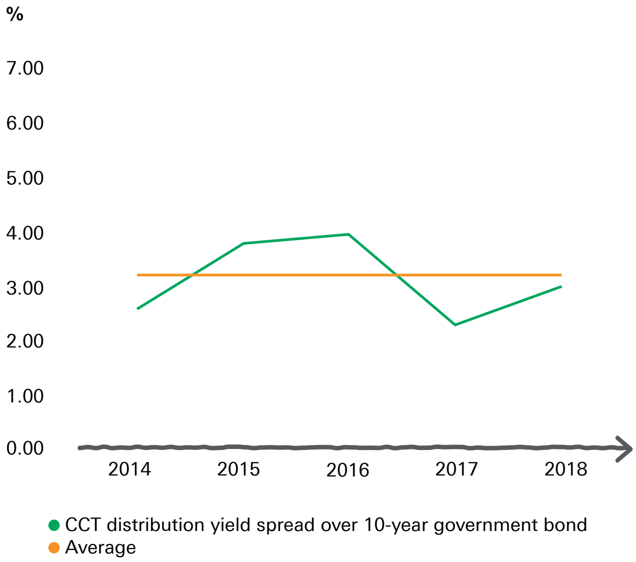
As at 31 December	Note	2017	2018
Aggregate Leverage (%)	1	37.3	**34.9**
Interest Coverage (times)	2	4.9	**5.4**
Average Term to Maturity (years)	3	2.4	**3.9**
Average Cost of Debt (%)	4	2.6	**2.6**
Unencumbered Assets as % of Total Assets (%)	5	83	**78**
CCT's Issuer Rating	6	BBB+	**BBB+**

1 In accordance with Property Funds Appendix, CCT's proportionate share of its joint ventures' borrowings and deposited property values are included when computing the aggregate leverage. The ratio of total gross borrowings to total net assets is 56.5%.
2 Interest coverage is the ratio of EBITDA over finance costs includes amortisation of transaction costs except for one-off fees and expenses relating to pre-payment of bank loans and pre-termination of interest rate swaps (excludes borrowings of joint ventures).
3 Excludes borrowings of joint ventures.
4 Ratio of interest expense over weighted average borrowings (exclude borrowings of joint ventures).
5 Investment properties of CCT (exclude joint ventures) are all unencumbered except for CapitaGreen and Gallileo.
6 Standard & Poor's has assigned a rating of BBB+ with stable outlook as at 31 December 2018.

DISTRIBUTION YIELD

CCT's distribution yield as at 31 December 2018 was 5.0%. CCT has been consistently delivering a yield higher than the 10-year SGD government bond. The chart below shows CCT distribution yield spread over 10-year SGD government bond and the average over five years was 3.2%.

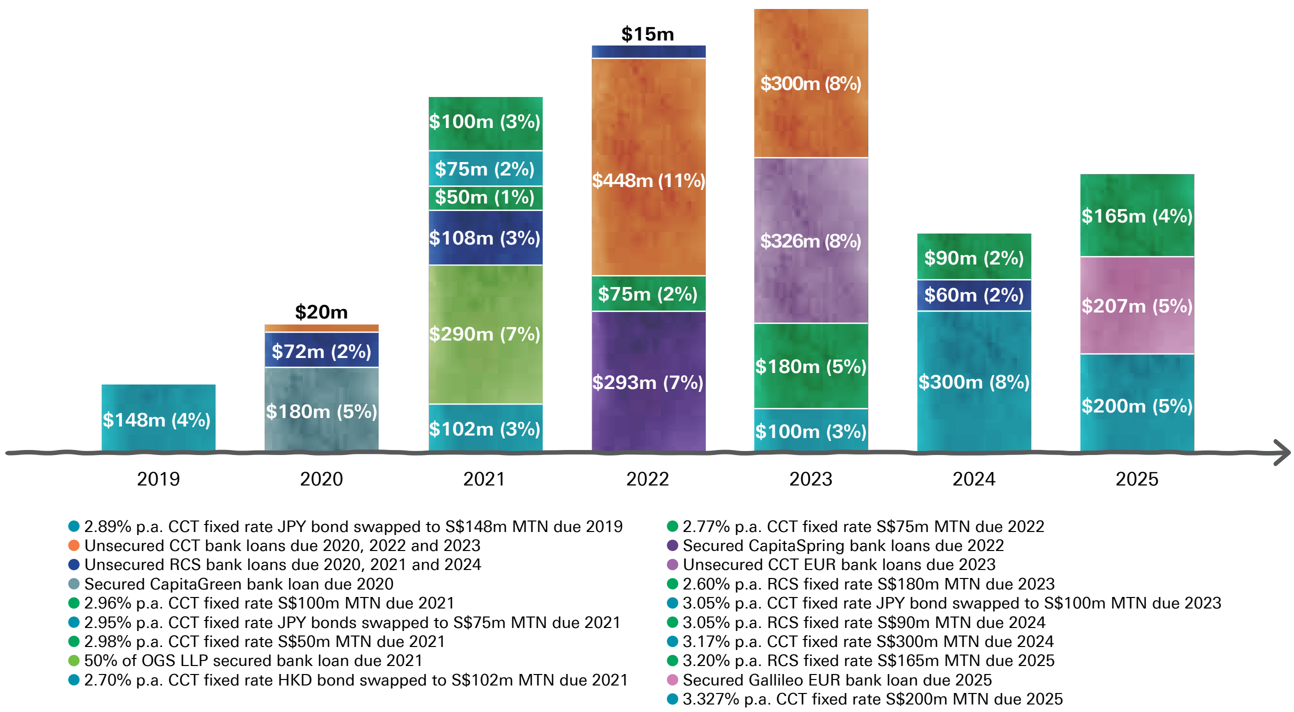
CCT distribution yield spread over 10-year government bond



FINANCIAL REVIEW

CCT GROUP'S DEBT MATURITY PROFILE (INCLUDING SHARE OF JOINT VENTURES' BORROWINGS)

Debt maturity profile
As at 31 December 2018



CAPITAL MANAGEMENT

In 1Q 2018, CCT refinanced borrowings of S$1.1 billion due in March 2019 relating to the acquisition of AST2 ahead of its maturity with the following bank loans and MTNs:

1) S$300.0 million unsecured bank loan due in 2022;
2) S$300.0 million unsecured bank loan due in 2023;
3) S$300.0 million 6-year fixed rate MTN of 3.17% per annum due in 2024; and
4) S$200.0 million 7-year fixed rate MTN of 3.327% per annum due in 2025.

In 2Q 2018, CCT raised equity of S$217.9 million through a private placement of 130.0 million new CCT Units. About S$3.6 million or 1.6% of gross proceeds was used for transaction related expenses. The balance of gross proceeds of about 98.4% or S$214.3 million was used to partially fund the acquisition of Gallileo Property S.a.r.l. The use of proceeds is in accordance with the stated use in the percentage allocated in the announcement on 19 June 2018. In addition, CCT Group obtained bank loans totaling EUR 341.6 million (S$532.8 million) which were used to partially fund the acquisition as well as to refinance existing CCT Group's bank borrowings.

In 3Q 2018, bank borrowings of about S$500.0 million were repaid using the proceeds from the divestment of Twenty Anson.

In FY 2018, RCS Trust issued two MTNs under its US$2.0 billion Euro MTN programme:

1) S$275.0 million 7-year fixed rate MTN of 3.20% per annum due 2025; and
2) S$150.0 million 6-year fixed rate MTN of 3.05% per annum due 2024.

The proceeds of the MTNs were used to refinance bank borrowings due in 2018, 2019 and 2022.

Through proactive capital management efforts to refinance borrowings ahead of maturity, CCT Group is left with only S$148.3 million of debt due at the end of 2019. The refinancings done in 2018 extended the debt portfolio's term to maturity from 2.4 years as at 31 December 2017 to 3.9 years as at 31 December 2018, while maintaining stable average cost of debt at 2.6% per annum compared to a year ago.

CCT's Joint Ventures Borrowings

As at 31 December 2018, RCS Trust has an aggregate of S$1,150.0 million borrowings comprised of S$425.0 million of unsecured bank borrowings and S$725.0 million of unsecured MTNs. CCT's 60.0% interest was S$690.0 million.

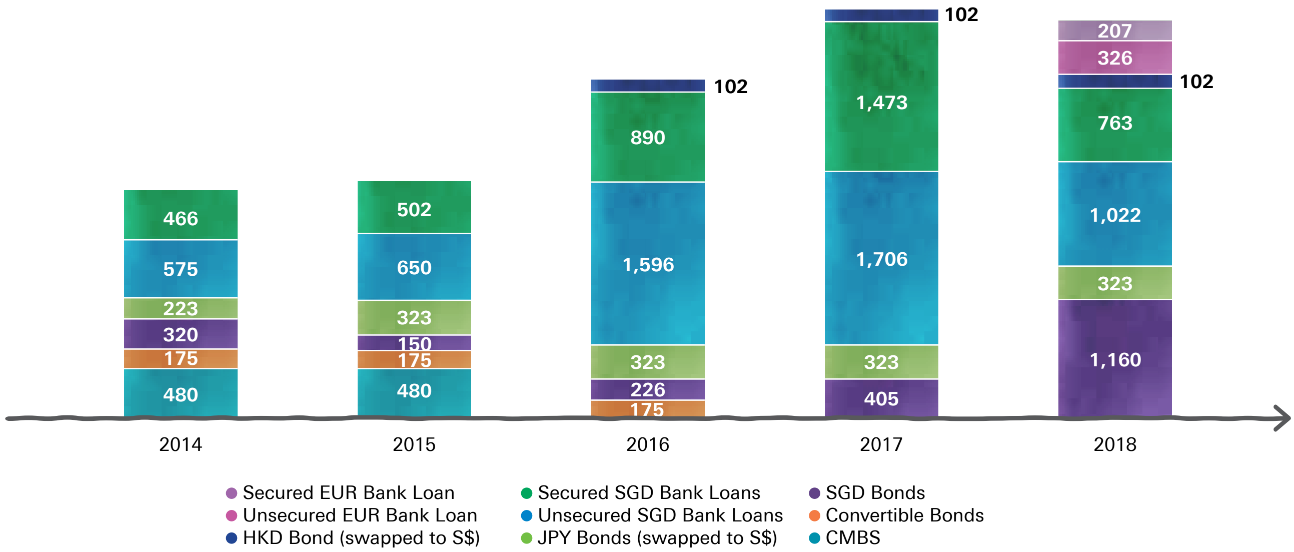
As at 31 December 2018, OGS LLP has secured bank borrowings of S$580.0 million and CCT's 50.0% interest was S$290.0 million.

As at 31 December 2018, Glory Office Trust and Glory SR Trust has secured bank borrowingss of S$650.0 million. CCT's 45.0% interest was S$292.5 million.

Diversify Funding Sources

CCT is committed to diversify its sources of funding by tapping different debt markets. As at 31 December 2018, our funding sources comprised 26% unsecured SGD bank loans, 20% secured SGD bank loans, 8% unsecured EUR bank loan, 5% secured EUR bank loan, 8% JPY bonds, 3% HKD bond and 30% SGD bonds.

Achieved diversification of funding sources through the years
(S$ million)

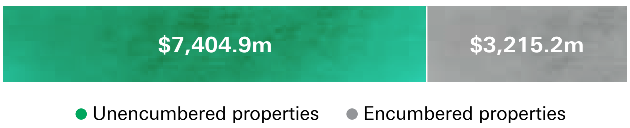


FINANCIAL REVIEW

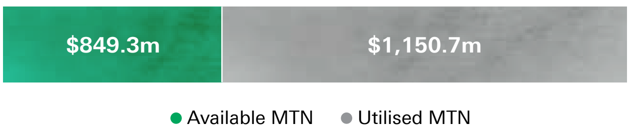
Enhanced Financial Flexibility

CCT Group's unencumbered assets were valued at S$7.4 billion as at 31 December 2018. CCT also has an untapped balance of S$0.8 billion from its MTN programme as well as available bank credit facilities amounting to S$651.9 million which can be utilised for working capital or future financial obligations.

Total investment properties S$10,620.1 million



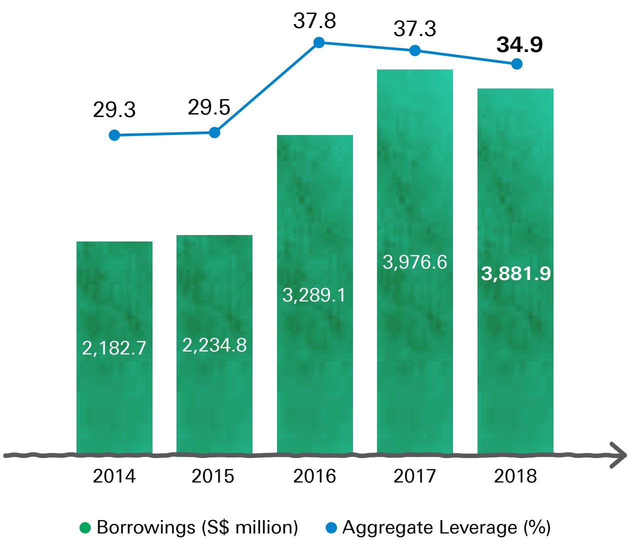
Total MTN facilities S$2,000.0 million



Prudent Capital Structure with Aggregate Leverage Below Regulatory Limit

CCT ended the financial year with an aggregate leverage ratio of 34.9%, below the regulatory limit of 45.0%. CCT expects aggregate leverage to range between 30.0% to 40.0% through property market cycles.

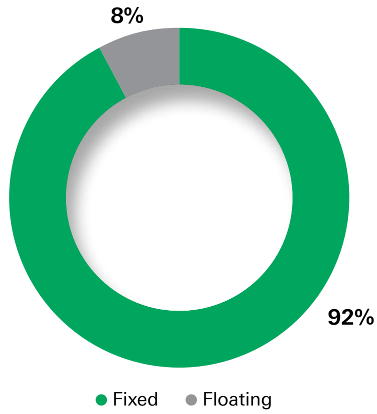
Target aggregate leverage below 40.0% through market cycles



Stable Cost of Debt

CCT's average cost of debt remained low at 2.6% per annum and with approximately 92% of its total borrowings on fixed interest rates, this ensures certainty of interest expenses.

Fixed rate borrowings



Cash Flows and Liquidity

As at 31 December 2018, CCT's cash and cash equivalents amounted to S$174.9 million, as compared with S$122.6 million as at 31 December 2017.

Net cash generated from operating activities for FY 2018 was S$282.0 million. This was an increase from S$250.8 million generated in the preceding year, a result of improved operational performance.

Net cash generated from investing activities for FY 2018 was S$58.7 million, as compared to net cash used in FY 2017 of S$902.0 million.

In FY 2018, net cash used in financing activities was S$288.4 million mainly due to cash used for the repayment of CCT's bank borrowings offset by net proceeds from the equity private placement.

Foreign Exchange Risk Management

CCT manages foreign exchange risks through natural and forward hedges. For CCT's first German acquisition, Gallileo, EUR denominated borrowings were obtained as a hedge for CCT's net investment value. In addition, anticipated net dividends from Gallileo were hedged with forward foreign exchange contracts.

Unit Buy-back Mandate

CCT renewed its Unit buy-back mandate from Unitholders during its Annual General Meeting in 2018. When utilised at strategic junctures, Unit buy-backs mitigate short-term market volatilities, offsets the effects of short-term speculation and bolsters market confidence in the Units. CCT's Unit buy-back mandate was not used in FY 2018.

Credit Rating

Standard & Poor's (S&P) affirmed CCT's long-term corporate credit rating "BBB+" with stable outlook. S&P believes CCT will maintain its consistent record of stable operating metrics throughout property market cycles. CCT's high quality and well-located assets puts the Trust in a good position to benefit from improving market fundamentals. S&P also maintained that CCT has undertaken and demonstrated management's ability to improve the quality of its asset portfolio. The acquisition of Gallileo enhances the Trust's geographic diversification.

Sensitivity Analysis

Estimated DPU impact per annum	
0.1% increase in interest rate	-0.10%
0.1% decrease in interest rate	0.10%

As at 31 December 2018, 92% of the Trust's borrowings are on fixed interest rates, thereby minimising the impact due to changes in interest rates. It is estimated that a 0.1% increase or decrease in interest rate would have a 0.1% negative or positive impact on profoma DPU per annum.

Estimated aggregate leverage impact per annum	
0.25% increase in valuation of investment properties	-0.08%
0.25% decrease in valuation of investment properties	0.08%

The Trust maintained a prudent low aggregate leverage of 34.9% as at 31 December 2018. It is estimated that a 0.25% increase or decrease in valuation would decrease or increase the Trust's aggregate leverage by 0.08% per annum.

Estimated rental income impact per annum	
0.5% increase in occupancy	S$2.5m
0.5% decrease in occupancy	-S$2.5m
10.0% increase in committed rental rates	S$3.4m
10.0% decrease in committed rental rates	-S$3.4m

CCT's rental income could be impacted by changes in its properties' occupancies and rental rates achieved. Assuming that the monthly average rental rate is maintained for each month in 2018, it is estimated that 0.5% increase or decrease in occupancy in each month of 2018 would correspondingly result in S$2.5 million increase or decrease in rental income for FY 2018.

Assuming leases committed in 2018 for lease renewals, rent reviews and vacant units, the impact on rental income for every 10.0% increase or decrease in committed rental rates would lead to a corresponding change of approximately S$3.4 million for FY 2018.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the "Statement of Recommended Accounting Practise (RAP) 7 (Revised 2012) Reporting Framework of Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the CIS Code issued by the Monetary Authority of SIngapore (MAS) and the provisions of the trust deed.

CCT holds derivative financial instruments to hedge its currency and interest rate risk exposures. The fair value derivatives for FY 2018, which were included in the financial statement as financial derivatives assets and financial derivatives liabilities were S$7.3 million and S$27.9 million respectively. The net amount represented 0.3% of the net assets of CCT Group as at 31 December 2018.

PROPERTY DETAILS

CAPITAL TOWER

Capital Tower is a 52-storey Grade A office building set in a landscaped plaza, integrated with meeting and conference facilities, flexible workspaces, fitness centre, retail and F&B outlets. It is seamlessly linked to the Tanjong Pagar MRT station and surrounding buildings via an underground pedestrian network.

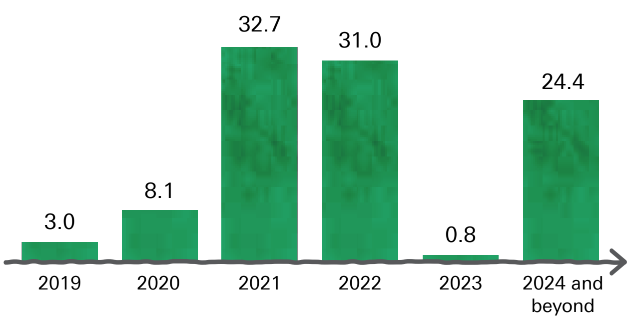
PROPERTY INFORMATION

Location	168 Robinson Road
Title	Leasehold estate expiring 31 December 2094
Purchase Price in 2004 (S$ million)	793.9
Car Park Lots	415
Bicycle Lots	42
Awards	- BCA Green Mark Pearl - BCA Green Mark Platinum - BCA Universal Design Mark Gold

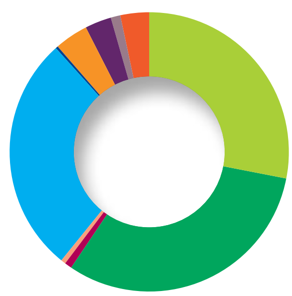
As At 31 December	2017	2018
Valuation (S$ million)	1,363.0	**1,387.0**
Net Lettable Area (sq m)	68,545	**68,362**
Net Lettable Area (sq ft)	737,821	**735,848**
Number of Tenants	26	**26**
Committed Occupancy (%)	99.4	**99.7**
Gross Rental Income (S$ million)	66.1	**64.8**
Gross Revenue (S$ million)	72.0	**71.4**
Net Property Income (S$ million)	54.3	**54.8**

Top 3 tenants' contribution to portfolio gross rental income for December 2018	%
GIC Private Limited	3.8
JP Morgan Chase Bank, N.A.	2.9
CapitaLand Group	2.8

Lease expiry profile (%)
As at 31 December 2018



Tenant mix[1] (%)
As at 31 December 2018



Banking	28.2
Financial Services	31.3
Energy, Commodities, Maritime and Logistics	0.8
Business Consultancy, IT, Media and Telecommunications	0.7
Real Estate and Property Services	27.5
Retail Products and Services	0.2
Food and Beverage	3.9
Manufacturing and Distribution	3.0
Legal	1.3
Education and Services	3.1

1 Based on building's committed monthly gross rental income.

ASIA SQUARE TOWER 2

Asia Square Tower 2 is a 46-storey integrated development comprising premium Grade A offices with ancillary retail space and hotel premises (owned by an unrelated third party). Completed in September 2013, it is one of the newest buildings in the Marina Bay area and offers high quality office space through its large, efficient and column-free floor plates of up to 31,300 sq ft.

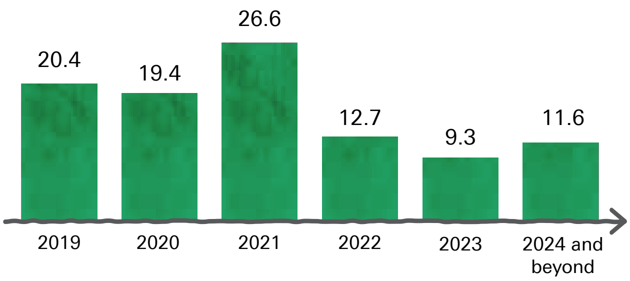
PROPERTY INFORMATION

Location	12 Marina View
Title	Leasehold estate expiring 2 March 2107 (land lot only)
Agreed property value in 2017 (S$ million)	2,094.0
Car Park Lots	266
Bicycle Lots	87
Awards	- BCA Green Mark Platinum - LEED Shell & Core Platinum

As At 31 December	2017	2018
Valuation (S$ million)	2,094.0[1]	**2,143.0**
Net Lettable Area (sq m)	72,345	**72,334**
Net Lettable Area (sq ft)	778,719	**778,604**
Number of Tenants	61	**66**
Committed Occupancy (%)	90.5	**98.1**
Gross Rental Income (S$ million)	15.3[2]	**101.0**
Gross Revenue (S$ million)	15.9[2]	**105.0**
Net Property Income (S$ million)	12.9[2]	**80.0**

Top 3 tenants' contribution to portfolio gross rental income for December 2018	%
Mizuho Bank, Ltd	3.7
Allianz Technology SE, Singapore Branch	2.1
Mitsui Group	1.7

Lease expiry profile[3] (%)
As at 31 December 2018



Tenant mix[3] (%)
As at 31 December 2018

Banking	27.6
Financial Services	3.5
Energy, Commodities, Maritime and Logistics	21.2
Business Consultancy, IT, Media and Telecommunications	9.7
Real Estate and Property Services	12.4
Insurance	12.8
Food and Beverage	4.0
Manufacturing and Distribution	7.0
Education and Services	1.8

1 Based on transacted value of the property.
2 For two months following completion of acquisition on 1 November 2017.
3 Based on building's committed monthly gross rental income.

PROPERTY DETAILS

CAPITAGREEN

CapitaGreen is a 40-storey Grade A office tower located in the heart of Singapore's CBD, near the Raffles Place MRT interchange station and Telok Ayer MRT station. The tower was designed by Pritzker Prize winner Toyo Ito. CapitaGreen's environmentally sustainable and inclusive design has garnered numerous local and international awards including Best Tall Building (Asia and Australasia) 2015 by The Council on Tall Buildings and Urban Habitat.

CCT owns 40.0% interest of CapitaGreen when it was under development and acquired the remaining 60.0% interest from the JV partners on 31 August 2016.

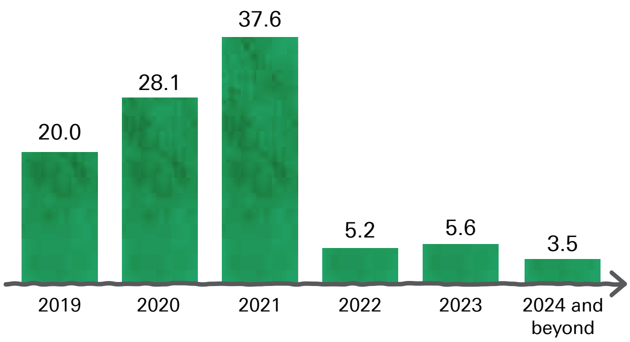
PROPERTY INFORMATION

Location	138 Market Street
Title	Leasehold estate expiring 31 March 2073
Development cost (S$ million)	1,266.0
Property Price on Acquisition in 2016 (S$ million)	1,600.5
Car Park Lots	184
Bicycle Lots	75
Awards	- BCA Green Mark Platinum - BCA Universal Design Mark Platinum

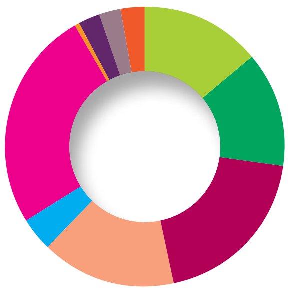
As At 31 December	2017	2018
Valuation (S$ million)	1,616.0	**1,638.0**
Net Lettable Area (sq m)	65,209	**65,129**
Net Lettable Area (sq ft)	701,913	**701,048**
Number of Tenants	45	**46**
Committed Occupancy (%)	100.0	**99.7**
Gross Rental Income (S$ million)	85.5	**86.4**
Gross Revenue (S$ million)	89.8	**91.1**
Net Property Income (S$ million)	70.1	**73.3**

Top 3 tenants' contribution to portfolio gross rental income for December 2018	%
Lloyd's of London (Asia) Pte Ltd	1.7
Cargill International Trading Pte Ltd	1.1
Chubb Insurance Singapore Limited	1.0

Lease expiry profile[1] (%)
As at 31 December 2018



Tenant mix[1] (%)
As at 31 December 2018



Banking	14.1
Financial Services	13.3
Energy, Commodities, Maritime and Logistics	19.3
Business Consultancy, IT, Media and Telecommunications	15.6
Real Estate and Property Services	4.0
Insurance	25.7
Food and Beverage	0.5
Manufacturing and Distribution	2.4
Legal	2.5
Education and Services	2.6

1 Based on building's committed monthly gross rental income.

SIX BATTERY ROAD

Six Battery Road is a 42-storey Grade A office building and a Raffles Place landmark. Combining prime location with towering views, excellent amenities and revitalised interiors, it is the first operating CBD office building to attain the Green Mark Platinum accolade. Six Battery Road is well connected to other developments within the Raffles Place precinct and the Raffles Place MRT interchange station. It also boasts the first vertical indoor garden in Singapore.

PROPERTY INFORMATION

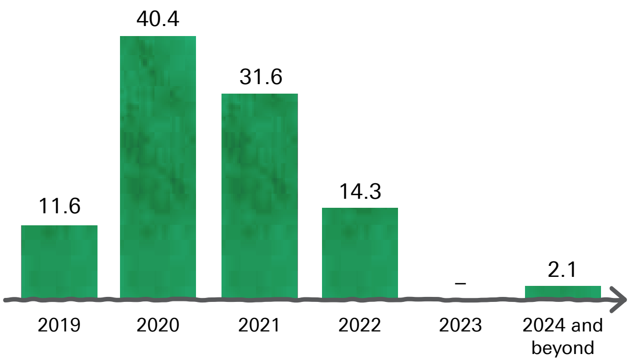
Location	6 Battery Road
Title	Leasehold estate expiring 19 April 2825
Purchase Price in 2004 (S$ million)	675.2
Car Park Lots	191
Bicycle Lots	18
Award	BCA Green Mark Platinum

As At 31 December	2017	2018
Valuation (S$ million)	1,402.0	**1,420.0**
Net Lettable Area (sq m)	46,004	**46,004**
Net Lettable Area (sq ft)	495,184	**495,189**
Number of Tenants	92	**92**
Committed Occupancy (%)	99.9	**100.0**
Gross Rental Income (S$ million)	64.6	**65.3**
Gross Revenue (S$ million)	68.4	**68.9**
Net Property Income (S$ million)	53.7	**55.1**

Top 3 tenants' contribution to portfolio gross rental income for December 2018	%
Standard Chartered Bank	2.9
Watson, Farley & Williams LLP	0.5
CBRE Pte. Ltd.	0.4

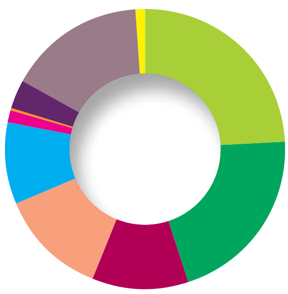
Lease expiry profile[1] (%)

As at 31 December 2018



Tenant mix[1] (%)

As at 31 December 2018



Banking	24.3
Financial Services	20.7
Energy, Commodities, Maritime and Logistics	11.1
Business Consultancy, IT, Media and Telecommunications	12.7
Real Estate and Property Services	9.4
Insurance	1.4
Food and Beverage	0.3
Manufacturing and Distribution	3.4
Legal	15.7
Government	1.0

1 Based on building's committed monthly gross rental income.

PROPERTY DETAILS

ONE GEORGE STREET

One George Street is a 23-storey Grade A office building conveniently located close to Raffles Place MRT interchange station, Clarke Quay MRT station and Chinatown MRT station. The building features eco-friendly attributes, large and efficient floor plates, advanced building automation, generous car parking, spacious sky gardens and excellent views. It houses amenities including F&B outlets, a clinic, a fitness centre and a swimming pool.

CCT sold One George Street to OGS LLP and accounts for 50.0% of share of OGS LLP with effect from 20 June 2017.

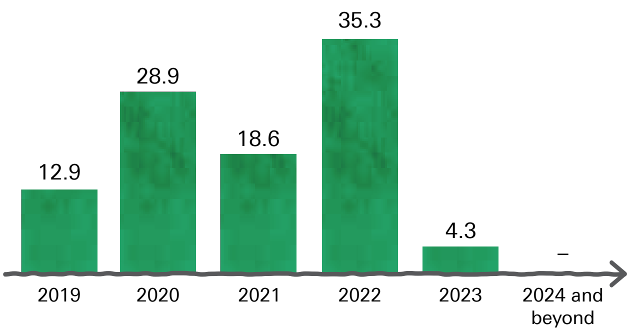
PROPERTY INFORMATION

Location	1 George Street
Title	Leasehold estate expiring 21 January 2102
Purchase Price in 2008 (S$ million)	1,165.0
Divestment Price in 2017 (S$ million)	1,183.2
Joint Venture Partners (% interest)	CCT - 50.0 OGS (II) Limited - 50.0
Car Park Lots	178
Bicycle Lots	10
Award	BCA Green Mark GoldPLUS

As At 31 December	2017	2018
Valuation (S$ million)	1,116.2	**1,139.0**
Net Lettable Area (sq m)	41,490	**41,401**
Net Lettable Area (sq ft)	446,594	**445,640**
Number of Tenants	49	**51**
Committed Occupancy (%)	98.0	**97.8**
Gross Rental Income (S$ million)	47.8	**47.1**
Gross Revenue (S$ million)	50.8	**50.2**
Net Property Income (S$ million)	39.5	**39.0**

Top 3 tenants' contribution to portfolio gross rental income for December 2018	%
Borouge Pte. Ltd.	0.5
Amazon Asia-Pacific Resources Private Limited	0.4
L'Oreal Singapore Pte. Ltd.	0.3

Lease expiry profile[1] (%)
As at 31 December 2018



Tenant mix[1] (%)
As at 31 December 2018

Banking	5.1
Financial Services	21.2
Energy, Commodities, Maritime and Logistics	7.7
Business Consultancy, IT, Media and Telecommunications	19.5
Real Estate and Property Services	5.3
Food and Beverage	0.6
Manufacturing and Distribution	20.8
Legal	6.8
Education and Services	3.6
Government	9.4

1 Based on building's committed monthly gross rental income.

RAFFLES CITY SINGAPORE

Raffles City Singapore is a prime landmark within the Civic and Cultural District and one of Singapore's largest integrated developments. Served by three MRT lines including City Hall MRT interchange station, it comprises the 42-storey Raffles City Tower, 5-storey Raffles City Shopping Centre, Raffles City Convention Centre, the 73-storey Swissôtel The Stamford Singapore and the 28-storey twin-towers Fairmont Singapore.

The breakdown of major usage mix[2] is 19.9%, 47.1% and 33.0% for the office, retail and hotels & convention centre respectively.

PROPERTY INFORMATION

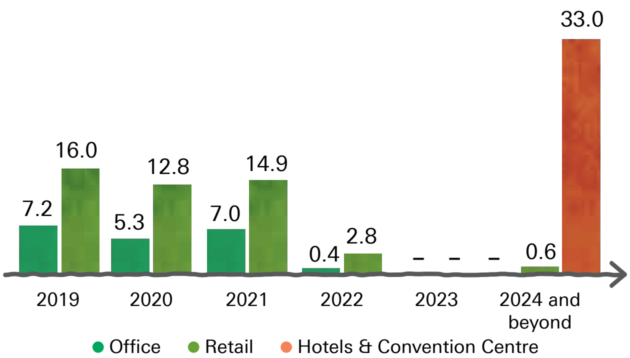
Location	250 & 252 North Bridge Road, 2 Stamford Road and 80 Bras Basah Road
Title	Leasehold estate expiring 15 July 2078
Purchase Price in 2006 (S$ million)	2,166.0
Joint Venture Partners (%)	CCT - 60.0 CapitaLand Mall Trust 40.0
Car Park Lots	1,051
Bicycle Lots	10
Award	BCA Green Mark Gold PLUS

As At 31 December	2017	2018
Valuation (S$ million)	3,260.0	**3,322.0**
Net Lettable Area (sq m)	75,148	**75,146**
Net Lettable Area (sq ft)	808,895	**808,867**
Number of Tenants	279[1]	**254**
Committed Occupancy (%)	98.3	**99.6**
Gross Rental Income (S$ million)	219.9	**219.2**
Gross Revenue (S$ million)	229.9	**230.5**
Net Property Income (S$ million)	175.3	**174.9**
Annual Shopper Traffic (million)	31.6	**30.1**

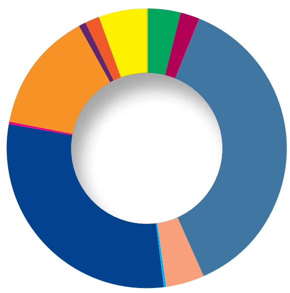
Top 3 tenants' contribution to portfolio gross rental income for December 2018	%
RC Hotels (Pte) Ltd	9.2
Robinson & Company (Singapore) Private Limited	1.8
Economic Development Board	1.1

1 Based on number of leases for retail tenants.
2 Based on building's committed monthly gross rental income, excluding retail and hotel turnover rent.

Lease expiry profile[2] (%)
As at 31 December 2018



Tenant mix[2] (%)
As at 31 December 2018



Banking	0.1
Financial Services	3.8
Energy, Commodities, Maritime and Logistics	2.3
Hospitality	37.2
Business Consultancy, IT, Media and Telecommunications	4.4
Real Estate and Property Services	0.5
Retail Products and Services	29.7
Insurance	0.2
Food and Beverage	14.0
Manufacturing and Distribution	0.8
Education and Services	1.5
Government	5.5

PROPERTY DETAILS

BUGIS VILLAGE

Bugis Village comprises 34 restored pre-war shophouses in a vibrant heritage enclave. Located next to Bugis MRT station, the three-storey shophouses accommodate a mix of offices, music schools and tuition centres, as well as hair salons, restaurants and retail outlets. Bugis Village will be returned to the State on 1 April 2019 and compensation sum from the State to CCT has been confirmed to be S$40.7 million.

CCT has since signed a one year lease with the State for Bugis Village from April 2019 to March 2020.

PROPERTY INFORMATION

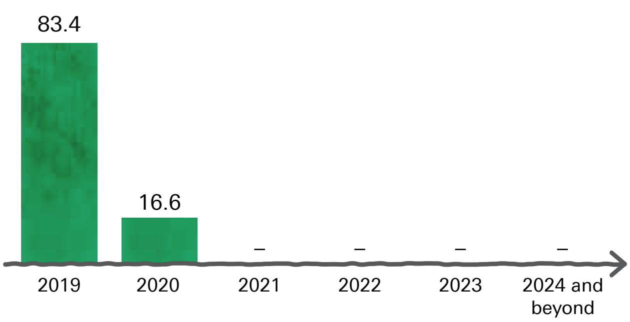
Location	62 to 67 Queen Street, 151 to 166 Rochor Road, 229 to 253 Victoria Street (Odd numbers only)
Title	Leasehold estate expiring 30 March 2088[1]
Purchase Price in 2004 (S$ million)	56.5
Car Park Lots	NA

As At 31 December	2017	2018
Valuation (S$ million)	44.0	**40.7[2]**
Net Lettable Area (sq m)	11,254	**11,254**
Net Lettable Area (sq ft)	121,140	**121,140**
Number of Tenants	78	**79**
Committed Occupancy (%)	100.0	**100.0**
Gross Rental Income (S$ million)	11.7	**11.5**
Gross Revenue (S$ million)	12.0	**11.8**
Net Property Income (S$ million)	9.4	**9.3**

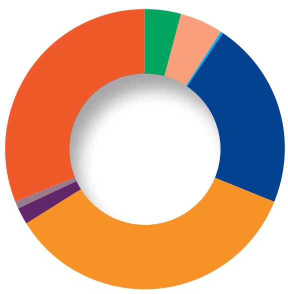
Top 3 tenants' contribution to portfolio gross rental income for December 2018	%
Golden Pass (S) Pte. Ltd.	0.1
Kentucky Fried Chicken Management Pte Ltd	0.1
Japan Home (Retail) Pte. Ltd.	0.1

1 The State has exercised the right to terminate the State Lease on 1 April 2019 upon payment of compensation sum of S$40.7 million.
2 Based on compensation sum that CCT will receive when Bugis Village is returned to the State on 1 April 2019.
3 Based on building's committed monthly gross rental income.

Lease expiry profile[3] (%)
As at 31 December 2018



Tenant mix[3] (%)
As at 31 December 2018



Financial Services	4.2
Business Consultancy, IT, Media and Telecommunications	5.1
Real Estate and Property Services	0.3
Retail Products and Services	21.8
Food and Beverage	34.9
Manufacturing and Distribution	2.1
Legal	0.7
Education and Services	30.9

21 COLLYER QUAY

21 Collyer Quay (HSBC Building) is a 21-storey office tower with views of Marina Bay and proximity to Raffles Place MRT station. It houses The Hongkong and Shanghai Banking Corporation Limited, the sole tenant who bears the building's operating expenses, including property tax, while CCT manages the insurance and structural maintenance matters. The lease to the bank will expire in April 2020.

PROPERTY INFORMATION

Location	21 Collyer Quay
Title	Leasehold estate expiring 18 December 2849
Purchase Price in 2005 (S$ million)	153.9
Car Park Lots	55
Bicycle Lots	10
Award	BCA Green Mark Certified

As At 31 December	2017	2018
Valuation (S$ million)	456.0	**461.7**
Net Lettable Area (sq m)	18,624	**18,624**
Net Lettable Area (sq ft)	200,469	**200,469**
Number of Tenants	1	**1**
Committed Occupancy (%)	100.0	**100.0**
Gross Rental Income (S$ million)	20.4	**20.4**
Gross Revenue (S$ million)	20.4	**20.4**
Net Property Income (S$ million)	20.3	**20.3**

CAPITASPRING

The new 280-metre integrated development will offer work, live, play spaces in a vertically connected environment. Up in the tower, between the Grade A office floors and the modern serviced residences is a Green Oasis, with a height of more than 30 metres, designed with social and activity spaces spread out over four contiguous storeys of lush greenery and trees, a re-connection with nature in the middle of the city. Featuring an iconic façade and harnessing the latest workplace and lifestyle innovations, the new integrated development will redefine the skyline. In support of the government's drive toward a car-lite society and to promote healthy living, the integrated development will feature a cycling path in its perimeter, secure bicycle lots and end-of-trip facilities to encourage our office tenants to cycle to work.

PROPERTY INFORMATION

Location	86 & 88 Market Street
Joint Venture Partners (%)	CCT - 45.0% CapitaLand - 45.0% Mitsubishi Estate Co., Ltd - 10.0%
Title	Leasehold estate expiring 31 January 2081
Project Development Estimate (S$ million)	1,820.0
Valuation (S$ million)	1,050.0[1]
Concept Architect	Bjarke Ingels Group (BIG) and Carlo Ratti Associati
Site Area (sq ft)	65,700
Gross Floor Area (sq ft)	1,005,000
Estimated Net Lettable Area	647,000
Typical Floor Plate (sq ft)	22,000
Car Park Lots	350
Bicycle Lots	165
Awards	BCA Green Mark Platinum BCA Universal Design Mark Gold[PLUS]
No of Storeys	51
Target Completion	1H 2021

1 Based on land value including the differential premium paid for the change of use and increase in plot ratio.

PROPERTY DETAILS

GALLILEO

Gallileo is a 38-storey Grade A commercial building with ancillary retail and a 4-storey heritage building for office use. It is strategically located in the Banking District of Frankfurt's CBD.

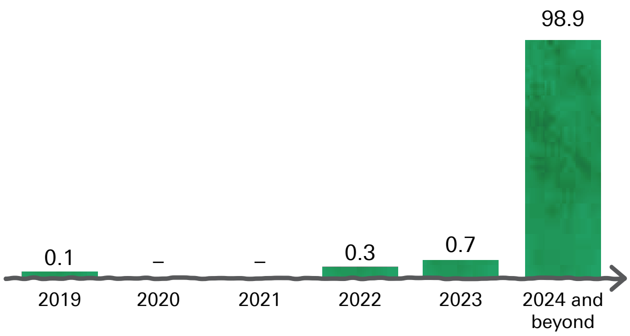
PROPERTY INFORMATION

Location	Gallusanlage 7/ Neckarstrasse 5, 60329 Frankfurt am Main, Germany
Title	Freehold
Agreed Property Value in 2018 (EUR million)	356.0
Car Park Lots	43

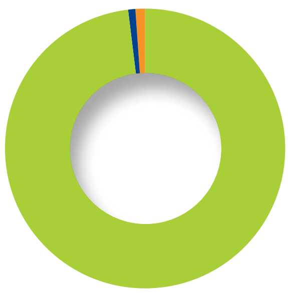
As At 31 December	2018
Valuation (EUR million)	**361.2**
Valuation (S$ million)	**563.9**[1]
Net Lettable Area (sq m)	**40,522**
Net Lettable Area (sq ft)	**436,179**
Number of Tenants	**7**
Committed Occupancy (%)	**100.0**
Gross Rental Income (S$ million)	**12.6**[2]
Gross Revenue (S$ million)	**12.8**[2]
Net Property Income (S$ million)	**12.3**[2]

Top 3 tenants' contribution to portfolio gross rental income for December 2018	%
Commerzbank AG[3]	4.1
Naseem Hasan Chaudhary	0.03
Main Mobility GmbH	0.01

Lease expiry profile[4] (%)
As at 31 December 2018



Tenant mix[4]
As at 31 December 2018



Banking	98.2
Retail Products and Services	0.9
Food and Beverage	0.9

1 Based on an exchange rate of EUR1 to S$1.5612 in December 2018
2 For the period from completion of acquisition on 19 June 2018 to 31 December 2018 based on 100.0% interest
3 The bank's lease expires in 2029 and the rent is adjusted based on an inflation index every two years. It has an option to terminate the lase in 2024 with 24-months' notice.
4 Based on building's committed monthly gross rental income.

GLOSSARY

AEI	Asset enhancement initiative
CapitaLand	CapitaLand Limited
CapitaLand Group	CapitaLand and its subsidiaries (including the Manager)
CBD	Central Business District
CCT Group	CCT and its subsidiaries As at 31 December 2018, CCT Group comprises CCT's property portfolio of Capital Tower, Six Battery Road, 21 Collyer Quay (HSBC Building), Bugis Village; 100% interest in subsidiaries MSO Trust which holds CapitaGreen (from 31 August 2016), Asia Square Tower 2 Pte. Ltd which holds Asia Square Tower 2 (from 1 November 2017) and 94.9% interest in Gallileo Property S.a.r.l. which holds Gallileo (from 18 June 2018). The changes to CCT Group were: divestment of One George Street to OGS LLP on 20 June 2017 and CCT now owns 50.0% interest in OGS LLP under a joint venture; divestment of Golden Shoe Car Park to be redeveloped into a Grade A office building named CapitaSpring on 12 July 2017. CCT now owns 45% of the joint development, currently held via to two private trusts namely Glory Office Trust and Glory SR Trust; and divestments of Wilkie Edge and Twenty Anson on 11 September 2017 and 29 August 2018 respectively.
CDP	The Central Depository (Pte) Limited
CIS Code	Code on Collective Investment Schemes
CMBS	Commercial Mortgage Backed Securities
CMS	Capital Markets Services
Committed Occupancy	Occupancy rate based on committed leases
CPI	Consumer price index
Capitalisation Approach	A valuation method appraisers use to estimate the value of income producing real estate where the net income of the property is capitalised for the remaining unexpired term of the lease period. An appropriate capitalisation rate derived from the relevant sales evidence, is then applied to the net income.
Discounted Cashflow Method	A valuation method appraisers use to estimate the value of income producing real estate, where net operating income is discounted at an appropriate discount rate to derive the market value. The capital value of the property considers the 10-year discounted income stream and the present value of its adopted terminal value.
EUR	Euros
GDP	Gross domestic product
GFA	Gross floor area
Gross Rental Income	Comprises base rent (after rent rebates, where applicable), turnover rent, advertising and promotion levy, where applicable and tenant service charge, which is a contribution paid by tenants towards property operating expenses.
Gross Revenue	Comprises gross rental income, car park income and other income
kg	Kilogram
kWh	Kilowatt-hour
LHS	Left-hand side
Listing Manual	Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST)

GLOSSARY

Management Expense Ratio	Refers to the expenses of the Group excluding property expenses, borrowing costs and income tax expense as a percentage of weighted average net assets.
Manager	CapitaLand Commercial Trust Management Limited, in its capacity as manager of CCT
MAS	Monetary Authority of Singapore
MRT	Mass rapid transit
MTN	Medium term note
m³	Cubic metres
NLA	Net lettable area
NPI	Net property income. Comprises gross revenue less property operating expenses.
%	Per centum or Percentage
psf	Per square foot
psm	Per square metre
Property Funds Appendix	The Property Funds Appendix of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore
Property Managers	CapitaLand Commercial Management Pte. Ltd. and CapitaLand (RCS) Property Management Pte. Ltd.
Property Operating Expenses	Comprises property tax, property management fee and other property operating expenses (comprising utility expenses, reimbursement of salaries and related expenses, marketing expenses, repairs and maintenance expenses, general and administrative expenses as well as other miscellaneous expenses).
Property Yield	Net property income as a percentage of the asset value
QoQ	Quarter-on-quarter
REIT / S-REITs	Real Estate Investment Trust / Singapore Real Estate Investment Trusts
RHS	Right-hand side
SFA	Securities and Futures Act, Chapter 289
S$	Singapore dollars
sq ft	Square feet/foot
sq m	Square metre
Trust	CapitaLand Commercial Trust or CCT
Trustee	HSBC Institutional Trust Services (Singapore) Limited, as trustee of CCT
Unit	A unit representing an undivided interest in CCT
Unitholder	The registered holder for the time being of a Unit, including person so registered as a joint holder, except where the registered holder is CDP, the term "Unitholder" shall, in relation to Units registered in the name of CDP, meaning where the context requires, the Depositor whose Securities Account with CDP is credited with Units.
YoY	Year-on-year

FINANCIAL STATEMENTS

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 CapitaLand Commercial Trust (the "Trust") and its subsidiaries (the "Group") in trust for the Unitholders. 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 CapitaLand Commercial Trust Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the deed of trust dated 6 February 2004 constituting the Trust, as amended, restated and supplemented by the first supplemental deed dated 15 July 2005, the second supplemental deed dated 20 April 2006, the third supplemental deed dated 11 August 2006, the fourth supplemental deed dated 31 October 2007, the first amending and restating deed dated 26 March 2008, the sixth supplemental deed dated 24 August 2010, the seventh supplemental deed dated 27 April 2012, the eighth supplemental deed dated 13 August 2012, the ninth supplemental deed dated 8 March 2013, the tenth supplemental deed dated 6 May 2015, the eleventh supplemental deed dated 10 April 2016 and the second amending and restating deed dated 27 July 2018 between the Manager and the Trustee (the "Trust Deed") 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 Group during the period covered by these financial statements, set out on pages 134 to 221 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Authorised signatory

Singapore
15 February 2019

STATEMENT BY THE MANAGER

In the opinion of the directors of CapitaLand Commercial Trust Management Limited, the accompanying financial statements set out on pages 134 to 221 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds, Portfolio Statements, Statements of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of CapitaLand Commercial Trust (the "Trust") and its subsidiaries (the "Group") and of the Trust as at 31 December 2018, the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and 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 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 its financial obligations as and when they materialise.

For and on behalf of the Manager,
CapitaLand Commercial Trust Management Limited

Chee Tien Jin Kevin
Director

Singapore
15 February 2019

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS
CAPITALAND COMMERCIAL TRUST
(Constituted under a Trust Deed in the Republic of Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of CapitaLand Commercial Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the Statements of Financial Position and Portfolio Statements of the Group and the Trust as at 31 December 2018, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds and Statements of Cash Flows of the Group and the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 134 to 221.

In our opinion, the accompanying financial statements of the Group and the Trust present fairly, in all material respects, the financial position and the portfolio holdings of the Group and of the Trust as at 31 December 2018 and the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the Trust for the year then ended on this date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

Valuation of investment properties
(Refer to Note 5 to the financial statements)

The key audit matter

The Group has significant portfolio of investment properties comprising commercial properties located in Singapore and Germany. Investment properties represent the largest asset item on the Statements of Financial Position.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving the capitalisation, discount and terminal yield rates i.e. a small change in the assumptions can have a significant impact to the valuation.

How the matter was addressed in our audit

We assessed the Group's processes for the selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the valuations reported by the external valuers.

We evaluated the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We held discussions with the valuers to understand their valuation approach and basis. We considered the valuation methodologies used against those applied by other valuers for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting documents such as lease agreements and other documents. We challenged the capitalisation, discount and terminal yield rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Our findings

The Group has a structured process in appointing external valuers and in reviewing, challenging and accepting their valuations. The valuers are members of recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are in line with generally accepted market practices and the key assumptions used by the valuers are within the range of market data. The disclosures in the financial statements are appropriate.

INDEPENDENT AUDITORS' REPORT

Other information

CapitaLand Commercial Trust Management Limited, the Manager of the Trust (the "Manager"), is responsible for the other information. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lau Kam Yuen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
15 February 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Non-current assets					
Plant and equipment	4	793	1,002	790	980
Investment properties	5	7,613,634	7,408,000	3,605,700	3,698,000
Intangible asset	6	–	–	–	–
Subsidiaries	7	–	–	3,707,905	2,827,171
Joint ventures	8	1,763,086	1,732,140	1,428,818	1,420,289
Equity instrument at fair value	9	40,632	47,533	40,632	47,533
Financial derivatives	10	7,348	–	7,050	–
		9,425,493	9,188,675	8,790,895	7,993,973
Current assets					
Asset held for sale	11	40,746	–	40,746	–
Trade and other receivables	12	49,355	42,746	70,163	49,011
Cash and cash equivalents	13	174,913	122,581	144,106	72,346
		265,014	165,327	255,015	121,357
Total assets		**9,690,507**	**9,354,002**	**9,045,910**	**8,115,330**
Current liabilities					
Loans and borrowings	14	120,800	–	120,800	–
Current tax payable		5,401	3,187	194	379
Trade and other payables	15	63,663	90,293	63,393	226,571
Security deposits		10,708	4,002	8,173	2,545
Financial derivatives	10	24,197	81	24,197	81
		224,769	97,563	216,757	229,576
Non-current liabilities					
Loans and borrowings	14	2,493,182	2,720,208	2,095,736	1,832,818
Security deposits		57,302	66,404	36,315	21,694
Other payables	15	430	–	131,559	–
Financial derivatives	10	3,725	52,904	2,771	37,476
Deferred tax liabilities	16	1,938	–	–	–
		2,556,577	2,839,516	2,266,381	1,891,988
Total liabilities		**2,781,346**	**2,937,079**	**2,483,138**	**2,121,564**
Net assets		**6,909,161**	**6,416,923**	**6,562,772**	**5,993,766**
Represented by:					
Unitholders' funds	17	6,892,018	6,416,923	6,562,772	5,993,766
Non-controlling interests	18	17,143	–	–	–
		6,909,161	**6,416,923**	**6,562,772**	**5,993,766**
Units issued and issuable ('000)	19	3,746,465	3,608,879	3,746,465	3,608,879
Net asset value per Unit attributable to Unitholders ($)		1.84	1.78	1.75	1.66

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

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2018

		Group		Trust	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Gross revenue	20	393,968	337,457	290,070	231,750
Property operating expenses	21	(79,358)	(71,989)	(60,728)	(49,345)
Net property income		**314,610**	**265,468**	**229,342**	**182,405**
Investment income	22	3,293	1,575	162,891	143,482
Interest income		4,781	3,007	50,662	19,867
Asset management fees	23				
- Base component		(8,125)	(6,934)	(6,471)	(5,296)
- Performance component		(12,127)	(9,487)	(10,534)	(8,111)
Audit fees:					
- Statutory audit		(333)	(322)	(289)	(248)
Amortisation of intangible asset	6	–	(2,086)	–	(2,086)
Finance costs	24	(84,516)	(68,977)	(64,875)	(39,123)
Other expenses		(3,039)	(1,188)	(37,662)	(1,161)
Trustee's fees		(1,061)	(890)	(852)	(683)
Valuation fees		(233)	(188)	(165)	(194)
Net income before share of results of joint ventures		**213,250**	**179,978**	**322,047**	**288,852**
Share of results (net of tax) of joint ventures	8	118,097	84,883	–	–
Net income		**331,347**	**264,861**	**322,047**	**288,852**
Loss on liquidation of subsidiary		–	–	(4,477)	–
Net gain on disposal of investment properties	31	–	69,256	–	69,256
Net increase in fair value of investment properties	5	197,843	248,398	314,939	256,375
Total return for the year before tax		**529,190**	**582,515**	**632,509**	**614,483**
Tax expense	25	(6,332)	(3,688)	(506)	(533)
Total return for the year		**522,858**	**578,827**	**632,003**	**613,950**
Total return attributable to:					
Unitholders		522,047	578,827	632,003	613,950
Non-controlling interest		811	–	–	–
Total return for the year		**522,858**	**578,827**	**632,003**	**613,950**
Earnings per Unit (cents)					
Basic	26	14.15	18.53	17.13	19.66
Diluted	26	14.13	18.51	17.11	19.63

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2018

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Amount available for distribution to Unitholders at 1 January	152,487	143,267	152,487	143,267
Total return attributable to Unitholders	522,047	578,827	632,003	613,950
Net tax and other adjustments (Note A)	(305,757)	(400,094)	(318,722)	(337,451)
Tax-exempt income distribution	8,450	8,000	8,450	8,000
Distribution from joint ventures	96,991	97,766	–	–
Other gains distribution	–	4,400	–	4,400
Income available for distribution to Unitholders	321,731	288,899	321,731	288,899
Amount available for distribution to Unitholders	474,218	432,166	474,218	432,166
Distributions to Unitholders:				
Distribution of 4.69 cents per Unit for the period from 1/7/2016 to 31/12/2016	–	(138,988)	–	(138,988)
Distribution of 4.56 cents per Unit for the period from 1/1/2017 to 30/6/2017	–	(140,691)	–	(140,691)
Distribution of 4.10 cents per Unit for the period from 1/7/2017 to 31/12/2017	(147,934)	–	(147,934)	–
Distribution of 3.49 cents per Unit for the period from 1/1/2018 to 27/5/2018	(126,083)	–	(126,083)	–
Distribution of 0.79 cents per Unit for the period from 28/5/2018 to 30/6/2018	(29,567)	–	(29,567)	–
	(303,584)	(279,679)	(303,584)	(279,679)
Amount available for distribution to Unitholders at 31 December	**170,634**	**152,487**	**170,634**	**152,487**
Distribution per Unit (cents)[1]	8.70	8.66	8.70	8.66

1 The Distribution per Unit relates to the distributions in respect of the relevant financial year. The distribution relating to the second half of 2018 will be paid after 31 December 2018.

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2018

Note A – Net tax and other adjustments comprise:

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Non-tax deductible/(chargeable) items:				
- Amortisation of transaction costs on borrowings and convertible bonds	11,091	3,850	2,449	2,875
- Amortisation of lease incentives	4,964	5,213	850	1,283
- Amortisation of intangible asset	–	2,086	–	2,086
- Asset management fees paid and payable in Units	5,213	2,070	5,213	2,070
- Depreciation of plant and equipment	183	288	163	249
- Share of profit of joint ventures	(118,097)	(84,883)	–	–
- Net increase in fair value of investment properties[1]	(197,766)	(248,398)	(314,939)	(256,375)
- Net gain on disposal of investment property	–	(69,256)	–	(69,256)
- Trustee's fees	1,061	890	852	683
- Tax-exempt income distribution	(8,450)	(8,000)	(8,450)	(8,000)
- Other items	(3,956)	(3,954)	(4,860)	(13,066)
Net tax and other adjustments	(305,757)	(400,094)	(318,722)	(337,451)

[1] Excludes non-controlling interest's share

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Net assets attributable to Unitholders at 1 January		6,416,923	5,278,542	5,993,766	4,806,543
Operations					
Total return attributable to Unitholders for the year		522,047	578,827	632,003	613,950
Unitholders' transactions					
Creation of Units:					
- Units issued in respect of RCS Trust's asset management fees		8,529	9,068	8,529	9,068
- Asset management fees paid and payable in Units		5,213	2,070	5,213	2,070
- Equity placement		217,880	–	217,880	–
- Conversion of convertible bonds		–	181,938	–	181,938
- Divestment fees paid in Units		–	362	–	362
- Rights issue		–	699,955	–	699,955
		231,622	893,393	231,622	893,393
Distributions to Unitholders		(303,584)	(279,679)	(303,584)	(279,679)
Net (decrease)/increase in net assets resulting from Unitholders' transactions		(71,962)	613,714	(71,962)	613,714
Capital reserves	17	(1,273)	(17,851)	(1,273)	(17,851)
Hedging reserves	17				
Effective portion of change in fair value of cash flow hedges		18,511	(57,748)	7,851	(34,524)
Net change in fair value of cash flow hedge reclassified to Statements of Total Return		13,398	19,406	9,288	9,235
Share of hedging reserves of joint ventures		1,311	(666)	–	–
		33,220	(39,008)	17,139	(25,289)
Fair value reserves	17	(6,901)	2,699	(6,901)	2,699
Foreign currency translation reserve	17	(36)	–	–	–
		25,010	(54,160)	8,965	(40,441)
Net assets attributable to Unitholders at 31 December		**6,892,018**	**6,416,923**	**6,562,772**	**5,993,766**
Non-controlling interests					
At 1 January		–	–	–	–
Total return attributable to non-controlling interests		811	–	–	–
Distributions to non-controlling interests		(659)	–	–	–
Acquisition of subsidiary	30	16,978	–	–	–
Translation differences from financial statements of foreign operations		13	–	–	–
At 31 December		17,143	–	–	–

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

PORTFOLIO STATEMENTS

As at 31 December 2018

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing Use	Carrying Value[1] 2018 $'000	Carrying Value[1] 2017 $'000	Percentage of Net Assets 2018 %	Percentage of Net Assets 2017 %
Group									
Investment properties - Office buildings									
Singapore									
Six Battery Road	Leasehold	999 years	806 years	6 Battery Road	Commercial	1,420,000	1,402,000	20.6	21.9
Capital Tower	Leasehold	99 years	76 years	168 Robinson Road	Commercial	1,387,000	1,363,000	20.1	21.2
21 Collyer Quay (HSBC Building)	Leasehold	999 years	831 years	21 Collyer Quay	Commercial	461,700	456,000	6.7	7.1
Twenty Anson[2]	Leasehold	99 years	89 years	20 Anson Road	Commercial	–	433,000	–	6.7
CapitaGreen[3]	Leasehold	99 years	54 years	138 Market Street	Commercial	1,638,000	1,616,000	23.8	25.2
Asia Square Tower 2[4]	Leasehold	99 years	88 years	12 Marina View	Commercial	2,143,000	2,094,000	31.1	32.6
Frankfurt, Germany									
Gallileo[5]	Freehold	–	–	Gallusanlage 7	Commercial	563,934	–	8.2	–
Investment properties - Other buildings									
Singapore									
Bugis Village[6]	Leasehold	99 years	70 years	62 to 67 Queen Street 151 to 166 Rochor Road 229 to 253 (odd numbers only) Victoria Street	Commercial	–	44,000	–	0.7
Investment properties, at valuation (Note 5)						7,613,634	7,408,000	110.5	115.4
Investment in joint ventures (Note 8)						1,763,086	1,732,140	25.5	27.0
Equity instrument at fair value (Note 9)						40,632	47,533	0.6	0.7
Asset held for sale (Note 11)						40,746	–	0.6	–
Other assets and liabilities (net)						(2,548,937)	(2,770,750)	(37.0)	(43.1)
Net assets of the Group						6,909,161	6,416,923	100.2	100.0
Non-controlling interests						(17,143)	–	(0.2)	–
Unitholders' funds						6,892,018	6,416,923	100.0	100.0

1 The carrying value of investment properties are at valuation (2017: valuation and transacted value).
2 The divestment of Twenty Anson was completed on 29 August 2018.
3 CapitaGreen is held by MSO Trust, a wholly owned subsidiary of the Trust.
4 Asia Square Tower 2 is held by AST2 Co., which is in turn held through MVKimi (BVI) Limited, (collectively referred to as "AST2 Group").
5 Gallileo is held by Gallileo Property S.a.r.l. which the Trust acquired on 18 June 2018.
6 Bugis Village will be returned to the President of the Republic of Singapore as lessor ("the Lessor") under the State Lease, on 1 April 2019. The property has been reclassified to asset held for sale (Note 11).

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

PORTFOLIO STATEMENTS

As at 31 December 2018

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing Use	Carrying Value[1] 2018 $'000	Carrying Value[1] 2017 $'000	Percentage of Net Assets 2018 %	Percentage of Net Assets 2017 %
Trust									
Investment properties - Office buildings									
Singapore									
Six Battery Road	Leasehold	999 years	806 years	6 Battery Road	Commercial	1,420,000	1,402,000	21.6	23.4
Capital Tower	Leasehold	99 years	76 years	168 Robinson Road	Commercial	1,387,000	1,363,000	21.1	22.8
21 Collyer Quay (HSBC Building)	Leasehold	999 years	831 years	21 Collyer Quay	Commercial	461,700	456,000	7.1	7.6
Twenty Anson[2]	Leasehold	99 years	89 years	20 Anson Road	Commercial	–	433,000	–	7.2
Asia Square Tower 2[3]	Leasehold	99 years	88 years	12 Marina View	Commercial	337,000	–	5.1	–
Investment properties - Other buildings									
Singapore									
Bugis Village[4]	Leasehold	99 years	70 years	62 to 67 Queen Street 151 to 166 Rochor Road 229 to 253 (odd numbers only) Victoria Street	Commercial	–	44,000	–	0.7
Investment properties, at valuation (Note 5)						3,605,700	3,698,000	54.9	61.7
Investment in joint ventures (Note 8)						1,428,818	1,420,289	21.8	23.7
Equity instrument at fair value (Note 9)						40,632	47,533	0.6	0.8
Asset held for sale (Note 11)						40,746	–	0.6	–
Other assets and liabilities (net)						1,446,876	827,944	22.1	13.8
Net assets						6,562,772	5,993,766	100.0	100.0

1 The carrying value of investment properties are at valuation.
2 The divestment of Twenty Anson was completed on 29 August 2018.
3 On 1 January 2018, the Trust entered into a Master Lease Arrangement ("MLA") with AST2 Co. to lease Asia Square Tower 2 for a period of 21 years. The Trust had elected to classify and account for this property interest as an investment property.
4 Bugis Village will be returned to the Lessor under the State Lease, on 1 April 2019. The property has been reclassified to asset held for sale (Note 11).

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

PORTFOLIO STATEMENTS

As at 31 December 2018

INVESTMENT PROPERTIES

On 31 December 2018, independent valuations of Capital Tower, Six Battery Road, and CapitaGreen were undertaken by CBRE Pte Ltd ("CBRE"), independent valuation of 21 Collyer Quay (HSBC Building) was undertaken by Cushman & Wakefield VHS Pte. Ltd. ("C&W"), independent valuation of Asia Square Tower 2 was undertaken by Knight Frank Pte Ltd ("Knight Frank"), while independent valuation of Gallileo was undertaken by C&W (U.K.) LLP German Branch.

On 31 December 2017, independent valuations of Capital Tower, Six Battery Road, 21 Collyer Quay (HSBC Building), Twenty Anson and CapitaGreen were undertaken by Knight Frank and independent valuation of Bugis Village was undertaken by Jones Lang LaSalle Property Consultants Pte Ltd ("JLL") while valuation of Asia Square Tower 2 was based on transacted value on 1 November 2017 due to the proximity to the year end.

The Manager believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations were based on direct capitalisation method and/or discounted cash flow analysis. The valuations were performed on the same basis as 2017.

The net increase in fair value of the investment properties has been taken to the Statements of Total Return.

Investment properties comprise mainly commercial properties that are leased to external customers. Generally, the leases contain an initial non-cancellable period of three years. Subsequent renewals are negotiated with the lessee. Contingent rents recognised in the Statements of Total Return of the Group and of the Trust amounted to $450,000 (2017: $653,000) and $330,000 (2017: $490,000) respectively.

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2018

	Group		Trust	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Cash flows from operating activities				
Total return for the year before tax	529,190	582,515	632,509	614,483
Adjustments for:				
Amortisation of intangible asset	–	2,086	–	2,086
Amortisation of lease incentives	4,964	5,213	850	1,283
Asset management fees paid and payable in Units	5,213	2,070	5,213	2,070
Depreciation of plant and equipment	183	288	163	249
Finance costs	84,516	68,977	64,875	39,123
Impairment losses on trade receivables	7	–	7	–
Interest income	(4,781)	(3,007)	(50,662)	(19,867)
Investment income	(3,293)	(1,575)	(162,891)	(143,482)
Loss on disposal of plant and equipment	130	168	130	168
Loss on liquidation of subsidiary	–	–	4,477	–
Net increase in fair value of investment properties	(197,843)	(248,398)	(314,939)	(256,375)
Net gain on disposal of investment properties	–	(69,256)	–	(69,256)
Share of results of joint ventures	(118,097)	(84,883)	–	–
Operating income before working capital changes	300,189	254,198	179,732	170,482
Changes in working capital:				
Trade and other receivables	(5,675)	1,749	(10,344)	1,688
Trade and other payables	(8,397)	8,663	(5,267)	22,179
Security deposits	(2,396)	(12,948)	20,249	(16,801)
Cash generated from operating activities	283,721	251,662	184,370	177,548
Tax paid	(1,686)	(872)	(691)	(381)
Net cash from operating activities	**282,035**	**250,790**	**183,679**	**177,167**

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired[1]	30	(548,894)	(2,067,192)	*	(2,159,128)
Capital expenditure on investment properties		(9,626)	(5,017)	(12,232)	(2,343)
Distributions from equity instrument		3,293	1,575	3,293	1,575
Distributions from joint ventures		98,032	94,158	98,032	94,158
Distributions/dividend from subsidiaries		–	–	62,606	48,553
Investment in subsidiaries		–	–	(210,000)	–
Interest income received		4,709	3,156	37,957	16,439
Loan to joint ventures		–	(158,850)	–	(158,850)
Loan to subsidiaries		–	–	(1,046,855)	–
Net proceeds from divestment of investment property	31	511,257	1,230,436	513,250	1,230,436
Repayment of loan by subsidiary		–	–	211,569	50,000
Purchase of plant and equipment		(104)	(263)	(103)	(224)
Net cash from/(used in) investing activities		**58,667**	**(901,997)**	**(342,483)**	**(879,384)**

1 For FY2018, it includes the balance purchase consideration paid for AST2 Group of $19,131,000.

* Less than $1,000

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Cash flows from financing activities					
Distributions to Unitholders		(303,584)	(279,679)	(303,584)	(279,679)
Distributions to non-controlling interest		(659)	–	–	–
Interest paid		(71,162)	(64,848)	(49,721)	(36,486)
Net proceeds from equity placement		214,331	689,454	214,331	689,454
Payment of lease expense		–	–	(9,000)	–
Payment of transaction costs related to borrowings		(12,089)	(2,088)	(4,686)	(1,250)
Proceeds from loans and borrowings		2,024,919	1,207,187	1,801,980	1,207,187
Repayment of loans and borrowings		(2,128,756)	(936,200)	(1,418,756)	(936,200)
Repayment of loans and borrowings from NCI		(11,370)	–	–	–
Net cash (used in)/from financing activities		**(288,370)**	**613,826**	**230,564**	**643,026**
Net increase/(decrease) in cash and cash equivalents		52,332	(37,381)	71,760	(59,191)
Cash and cash equivalents at 1 January		122,581	159,962	72,346	131,537
Cash and cash equivalents at 31 December	13	**174,913**	**122,581**	**144,106**	**72,346**

Significant non-cash transactions

During the financial year ended 31 December 2018:

- 4,630,217 (2017: 5,910,744) Units were issued as payments of asset management fees in relation to the Group's 60% interest in RCS Trust, which is payable in Units to the Manager, amounting to a value of $8,529,000 (2017: $9,068,000);

- 1,653,482 (2017: 2,309,602) Units were issued as payments of asset management fees in relation to One George Street, Wilkie Edge and Asia Square Tower 2 which is payable in Units to the Manager, amounting to a value of $2,997,000 (2017: $3,470,000);

- In 2017, 215,848 Units were issued as payment for the divestment fees of $362,000 in relation to the divestment of 45% interest in Golden Shoe Car Park to CapitaLand Singapore Limited (a wholly owned subsidiary of CapitaLand Limited). In Appendix 6 of Code of Collective Investment Scheme, the divestments fees paid in respect of transactions with interested parties will have to be in the form of units which shall not be sold within one year from the date of issuance of such units; and

- In 2017, 122,677,866 Units were issued for the conversion of convertible bonds due 2017 into Units by bond holders before its maturity date.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 15 February 2019.

1. GENERAL

CapitaLand Commercial Trust (the "Trust") is a Singapore-domiciled unit trust established pursuant to the trust deed dated 6 February 2004 (as amended) (the "Trust Deed") between CapitaLand Commercial Trust Management Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of Units in the Trust (the "Units").

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 11 May 2004 and was included under the Central Provident Fund ("CPF") Investment Scheme on 11 May 2004.

The consolidated financial statements of the Trust as at and for the year ended 31 December 2018 comprise the Trust and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its joint ventures.

For financial reporting purposes, the immediate and ultimate holding company is CapitaLand Limited, a company incorporated in the Republic of Singapore. Prior to 11 May 2018, the immediate and ultimate holding companies are CapitaLand Singapore Limited, a company incorporated in the Republic of Singapore, and CapitaLand Limited respectively.

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

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

(i) Property management fees

Under the property management agreements, property management fees are charged at 3.00% per annum of the net property income of the properties except for 21 Collyer Quay (HSBC Building) which is charged at 0.25% per annum of the net property income.

The property management fees are payable monthly in arrears.

(ii) Asset management fees

The Manager is entitled under Clause 15.1 of the Trust Deed to receive, the amount of asset management fees which comprise a base component of 0.10% per annum of the value of Deposited Property and a performance component of 5.25% per annum of net investment income of the Trust for each financial year.

The base and performance components of the asset management fees are payable quarterly and yearly in arrears respectively.

"Deposited Property" refers to all the assets of the Trust, including all its authorised investments for the time being held or deemed to be held upon the trusts of the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL (continued)

(ii) Asset management fees (continued)

The Manager is entitled under Clause 15.1.3 of the Trust Deed to receive, at the option of the Manager, the asset management fees wholly in the form of cash, wholly in the form of Units or a combination of both. When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased with the relevant amount of the asset management fees attributable to such period at an issue price equal to the market price (as defined in the Trust Deed).

(iii) Acquisition fee and divestment fee

The Manager is entitled under Clause 15.2 of the Trust Deed to receive acquisition fee at the rate of 1% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the acquisition price and a divestment fee at the rate of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price.

In Appendix 6 of Code of Collective Investment Scheme, where the manager receives a percentage-based fee when the property fund acquires and disposes of real estate assets from or to interested parties, such a fee should be in the form of units issued by the property fund at the prevailing market price. The units should not be sold within one year from their date of issuance.

(iv) Trustee's fees

Pursuant to Clause 15.3 of the Trust Deed, the Trustee's fees shall not exceed 0.10% per annum of the value of Deposited Property, subject to a minimum sum of $8,000 per month payable out of the Deposited Property of the Trust. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

The Trustee's fees are payable quarterly in arrears.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

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 has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with RAP 7 requires management 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in following notes:

- Note 27 – Valuation of investment properties

Measurement of fair values

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

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

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

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

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

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

- Note 27 – Valuation of investment properties
- Note 27 – Valuation of financial instruments

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies

Revised standards

The Group has applied the principles relating to recognition and measurement under the following FRSs for the first time for the annual period beginning on 1 January 2018:

- FRS 115 *Revenue with Contracts with Customers*
- FRS 109 *Financial Instruments*

The adoption of these principles did not have a material effect on the Group's and the Trust's financial statements.

FRS 109 *Financial Instruments*

(i) Classification and measurement of financial assets and financial liabilities

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses, see note 3.6.

The following tables and the accompanying notes explain the original measurement categories under the principles of FRS 39 and the new measurement categories under the principles of FRS 109 for each class of the Group's and the Trust's financial assets and financial liabilities as at 1 January 2018.

	Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39 $'000	New carrying amount under FRS 109 $'000
Group				
Financial assets				
Loan to joint venture	Loans and receivables	Amortised cost	158,850	158,850
Equity investment at fair value[1]	Available-for-sale	FVOCI – equity instrument	47,533	47,533
Trade and other receivables[2]	Loans and receivables	Amortised cost	33,038	33,038
Cash and cash equivalents	Loans and receivables	Amortised cost	122,581	122,581
Total financial assets			**362,002**	**362,002**
Financial liabilities				
Financial derivatives				
Interest rate swaps	Fair value – hedging instruments	Fair value – hedging instruments	15,509	15,509
Cross currency swaps	Fair value – hedging instruments	Fair value – hedging instruments	37,476	37,476
Trade and other payables	Other financial liabilities	Other financial liabilities	90,293	90,293
Security deposits	Other financial liabilities	Other financial liabilities	70,406	70,406
Loans and borrowings	Other financial liabilities	Other financial liabilities	2,720,208	2,720,208
Total financial liabilities			**2,933,892**	**2,933,892**

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies (continued)

FRS 109 *Financial Instruments* (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

	Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39 $'000	New carrying amount under FRS 109 $'000
Trust				
Financial assets				
Loan to subsidiary	Loans and receivables	Amortised cost	1,598,938	1,598,938
Loan to joint venture	Loans and receivables	Amortised cost	158,850	158,850
Equity investment at fair value[1]	Available-for-sale	FVOCI – equity instrument	47,533	47,533
Trade and other receivables[2]	Loans and receivables	Amortised cost	45,149	45,149
Cash and cash equivalents	Loans and receivables	Amortised cost	72,346	72,346
Total financial assets			**1,922,816**	**1,922,816**
Financial liabilities				
Financial derivatives				
Interest rate swaps	Fair value – hedging instruments	Fair value – hedging instruments	81	81
Cross currency swaps	Fair value – hedging instruments	Fair value – hedging instruments	37,476	37,476
Trade and other payables	Other financial liabilities	Other financial liabilities	226,571	226,571
Security deposits	Other financial liabilities	Other financial liabilities	24,239	24,239
Loans and borrowings	Other financial liabilities	Other financial liabilities	1,832,818	1,832,818
Total financial liabilities			**2,121,185**	**2,121,185**

1 Equity investments represent investments that the Group and the Trust intend to hold for long-term strategic purposes. The Group and the Trust have designated the investment at 1 January 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserves related to such investments will never be reclassified to the Statements of Total Return.

2 Excludes prepayments.

NOTES TO THE FINANCIAL STATEMENTS

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, except as explained in Note 2.5, which addresses change in accounting policies.

3.1 Basis of consolidation

Business combinations

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

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the Statements of Total Return. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Business combinations and property acquisitions

Where a property is acquired, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

***Business combinations and property acquisitions** (continued)*

The Group accounts for an acquisition as business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired (e.g. maintenance and office operations, etc.).

When acquisition of an asset or a group of assets does not constitute a business combination, it is treated as property acquisition. In such cases, the individual identifiable assets acquired and liabilities assumed are recognised. The acquisition cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction does not give rise to goodwill.

Subsidiaries

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

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

Where the Group acquires an asset or a group of assets that does not constitute a business, the cost of investment is allocated to the individual identifiable assets acquired and liabilities assumed at the date of acquisition.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the Statements of Total Return. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in joint ventures

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

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. Unrealised gains arising from transactions with the joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries and joint ventures by the Trust

Investments in subsidiaries and joint ventures are stated in the Trust's Statements of Financial Position at cost less accumulated impairment losses.

3.2 Plant and equipment

Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on the disposal of an item of plant and equipment is determined as the difference between the proceeds from disposal and the carrying amount of the item, and is recognised net within other expenses in the Statements of Total Return on the date of disposal.

Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in the Statements of Total Return as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Items of plant and equipment are depreciated on a straight-line basis in the Statements of Total Return over the estimated useful lives of each component.

The estimated useful lives for the current and comparative years of significant items of plant and equipment are as follows:

- Furniture, fittings and equipment   2 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the Statements of Total Return.

Cost includes expenditure that is directly attributable to the acquisition, which includes transaction costs.

Fair value is determined in accordance with the Trust Deed, which requires investment properties to be valued by independent registered valuers at least once a year in accordance with the CIS Code issued by MAS.

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

Subsequent expenditure is recognised in the carrying amount of the investment property if it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably.

3.4 Intangible asset

Intangible asset acquired by the Group and the Trust is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated based on the costs of the asset and recognised in the Statements of Total Return on a systematic basis over the estimated useful life.

3.5 Foreign currency

Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency).

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the Statements of Total Return, except for differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation (Note 3.6) or qualifying cash flow hedges to the extent that the hedge is effective.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Foreign currency (continued)

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the Unitholders' funds. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the Statements of Total Return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the Statements of Total Return.

Net investment hedge in a foreign operation

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

Hedge of net investment in foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Trust's functional currency (Singapore Dollars) to certain foreign investments.

In the Trust's financial statements, foreign currency differences arising from the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the Statements of Total Return. On consolidation, such differences are recognised in the foreign currency translation reserve in Unitholders' funds, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Statements of Total Return. When the hedged net investment is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to the Statements of Total Return as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments

(i) Initial recognition

Non-derivative financial assets and financial liabilities

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

The Group classifies its non-derivative financial assets into the following measurement categories:

- amortised cost; or
- fair value through Unitholders' fund ("FVOCI").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Financial assets at amortised cost

Initial measurement

A financial asset at amortised cost is initially measured at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

Financial assets at amortised cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest rate are subsequently measured at amortised cost. Interest income, foreign exchange gains and losses and impairment are recognised in the Statements of Total Return. Any gain or loss on derecognition is recognised in the Statements of Total Return.

Equity investments at FVOCI

Initial measurement

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Unitholders' funds. This election is made on an investment-by-investment basis.

Subsequent measurement

These assets are subsequently measured at fair value. Dividends are recognised as income in the Statements of Total Return unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in Unitholders' funds and are never reclassified to the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprised cash balances and short-term bank deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Available-for-sale financial assets

The Group's investments in certain equity securities are classified as available-for-sale financial assets if they are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised directly in Unitholders' funds. When an investment is derecognised, the gain or loss accumulated in Unitholders' funds is reclassified to the Statements of Total Return.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are initially measured at fair value less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprised trade and other payables, loans and borrowings and security deposits.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(iii) Derecognition (continued)

***Financial assets** (continued)*

The Group enters into transactions whereby it transfers assets recognised in its Statements of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Statements of Total Return.

(iv) Offsetting

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

(v) Derivative financial instruments and hedge accounting

Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated using the principles under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the principles of FRS 109.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(v) Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Unitholders' funds and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in Unitholders' funds is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Statements of Total Return.

For all hedged transactions, the amount accumulated in the hedging reserve reclassified to the Statements of Total Return in the same period or periods during which the hedged expected future cash flows affect the Statements of Total Return.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in Unitholders' funds until, it is reclassified to the Statements of Total Return in the same period or periods as the hedged expected future cash flows affect the Statements of Total Return.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the Statements of Total Return.

Net investment hedges

The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in Unitholders' funds and presented in the foreign currency translation reserve within Unitholders' funds. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in the Statements of Total Return. The amount recognised in Unitholders' funds is reclassified to the Statements of Total Return as a reclassification adjustment on disposal of the foreign operation.

Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, embedded derivatives are not separated from host contracts that are financial assets in the scope of FRS 109. Instead, the hybrid financial instrument is assessed as a whole for classification of financial assets by applying the principles under FRS 109. Furthermore, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to the Statements of Total Return in the same period or periods during which the hedged expected future cash flows affected the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(vi) Convertible bonds accounted for as compound financial instruments

Convertible bonds ("CB") that can be converted into units at the option of the holder where the number of units to be issued does not vary with changes in the fair value of the bonds are accounted for as compound financial instruments.

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

Subsequent to initial recognition, the liability component of convertible bonds is measured at amortised cost using the effective interest method. The equity component of convertible bonds is not remeasured. When the conversion option is exercised or lapsed, its carrying amount will be transferred to Unitholders' funds. No gain or loss is recognised on conversion.

When a convertible bond is being redeemed before its maturity date, the purchase consideration (including directly attributable costs, net of tax effects) are allocated to the liability and equity components of the instrument at the date of redemption. Any resulting gain or loss relating to the liability component is recognised in the Statements of Total Return. The remaining purchase consideration is recognised in Unitholders' funds.

3.7 Impairment

Non-derivative financial assets - Policy applicable from 1 January 2018

The Group recognises loss allowance for expected credit losses ("ECLs") on its financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument; or
- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months).

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

***Non-derivative financial assets - Policy applicable from 1 January 2018** (continued)*

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

Non-derivative financial assets - Policy applicable from 1 January 2018 *(continued)*

Presentation of allowance for ECLs in the Statements of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-derivative financial assets - Policy applicable before 1 January 2018

A financial asset not carried at FVTPL, including an interest in joint ventures, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity instruments) were impaired included 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 would enter bankruptcy. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in the Statements of Total Return and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in Unitholders' funds to the Statements of Total Return. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in the Statements of Total Return. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through the Statements of Total Return. Impairment losses recognised in the Statements of Total Return for an investment in an equity instrument classified as available-for-sale were not reversed through the Statements of Total Return.

Joint venture

An impairment loss in respect of a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in the Statements of Total Return. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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 assets' recoverable amounts are 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 CGUs.

Impairment losses are recognised in the Statements of Total Return. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets or CGUs. Impairment losses are recognised in the Statements of Total Return unless it reverses a previous revaluation, credited to Unitholders' funds, in which case it is charged to Unitholders' funds.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity.

Incremental costs directly attributable to the issue of Units are recognised as a deduction from equity.

3.9 Revenue recognition

Rental income from operating leases

Rental income is recognised as "gross revenue" in the Statements of Total Return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals, which include gross turnover rental, 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.

Car park income

Car park income is recognised in the Statements of Total Return on a time apportioned basis.

Interest income

Interest income is recognised in the Statements of Total Return as it accrues, using the effective interest method.

Investment income

Investment income is recognised in the Statements of Total Return on the date that the Group's right to receive payment is established.

Other income

Other income is recognised in the Statements of Total Return on an accrual basis.

3.10 Lease payments

Payments made under operating leases are recognised in the Statements of Total Return on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Lease payments (continued)

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:
- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.11 Government grants

Grants that compensate the Group for expenses incurred are recognised in the Statements of Total Return as other income on a systematic basis in the periods in which the expenses are recognised or as a deduction to the cost in arriving at the carrying amount of the asset.

3.12 Expenses

Property operating expenses

Property operating expenses consist of property tax, utilities, maintenance, property management reimbursements, property management fees using the applicable formula stipulated in Note 1(i) for the Trust, marketing expenses and other property outgoings in relation to investment properties where such expenses are the responsibility of the Group.

Property operating expenses are recognised on an accrual basis.

Asset management fees

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

Trustee's fees

The Trustee's fees are recognised on an accrual basis using the applicable formula stipulated in Note 1(iv) for the Trust.

3.13 Tax

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Tax (continued)

Current tax is the expected tax payable 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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 or loss; and
- temporary differences related to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Tax (continued)

Individuals and Qualifying Unitholders are entitled to receive taxable income distributions at gross from the Trust. For other types of Unitholders (other than foreign non-individual Unitholders), the Trust is required to withhold tax at the prevailing corporate tax rate (currently 17%) on the taxable income distributions made by the Trust. Such Unitholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source at the prevailing corporate tax rate (currently 17%) by the Trust. Qualifying foreign non-individual Unitholders are entitled to receive taxable income distributions net of withholding tax at a reduced rate of 10% for distributions made on or before 31 March 2020.

A Qualifying Unitholder is a Unitholder who is:

(a) a Singapore-incorporated company which is tax resident in Singapore;

(b) 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);

(c) a Singapore branch of a foreign company;

(d) an agent bank or a Supplementary Retirement Scheme ("SRS") operator acting as nominee for individuals who have purchased Units within the Central Provident Fund Investment Scheme ("CPFIS") or the SRS respectively; or

(e) a nominee who can demonstrate that the Units are held for beneficial owners who are individuals or who fall within the classes of Unitholders listed in (a) to (c) above.

The Trust has a distribution policy to distribute at least 90% of its taxable income, other than gains from the sale of real estate properties that are determined by IRAS to be trading gains. For the taxable income that is not distributed, referred to as retained taxable income, tax will be assessed on the Trust. Where such retained taxable income is subsequently distributed, the Trust need not deduct tax at source.

3.14 Finance costs

Finance costs comprise interest expense on borrowings and convertible bonds, amortisation of borrowings and convertible bonds related transaction costs and accretion of convertible bonds interest that are recognised in the Statements of Total Return using the effective interest method over the period of borrowings and the convertible bonds.

3.15 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 Trust by the weighted average number of units outstanding during the period. 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 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 Chief Executive Officer and Board of Directors of the Manager (the Group's "Chief Operating Decision Makers" or "CODMs") 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 Group's CODMs include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire items of plant and equipment and investment properties.

3.17 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group and the Trust has not early applied the principles under the following new or amended standards in preparing these statements.

Applicable to 2019 financial statements

FRS 116 *Leases*

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 Leases, INT-FRS 104 Determining whether an Arrangement contains a Lease, INT-FRS 115 Operating Leases – Incentives and INT-FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply the principles of FRS 116 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting the principles of FRS 116 will be recognised as an adjustment to the opening balance of Unitholders' Funds at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply the principles of FRS 116 to all contracts entered into before 1 January 2019 and identified as leases in accordance with the principles of FRS 117 and INT-FRS 104.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 New standards and interpretations not yet adopted (continued)

The Group as lessee

The Group expects to measure lease liabilities by applying a single discount rate to their portfolio of property leases. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

The Group expects their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under the principles of FRS 116. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group does not expect a material increase in ROU assets, lease liabilities and Unitholders' fund.

The nature of expenses related to those leases will change as the principles of FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's lease liabilities.

The Group as lessor

The principles of FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, no significant impact is expected for leases in which the Group is a lessor.

NOTES TO THE FINANCIAL STATEMENTS

4. PLANT AND EQUIPMENT

	Furniture, fittings and equipment 2018 $'000	2017 $'000
Group		
Cost		
At 1 January	1,912	2,843
Additions	104	24
Disposals/Write-off	(294)	(955)
At 31 December	1,722	1,912
Accumulated depreciation		
At 1 January	910	1,404
Charge for the year	183	288
Disposals/Write-off	(164)	(782)
At 31 December	929	910
Carrying amounts		
At 1 January	1,002	1,439
At 31 December	793	1,002
Trust		
Cost		
At 1 January	1,838	2,775
Additions	103	18
Disposals/Write-off	(293)	(955)
At 31 December	1,648	1,838
Accumulated depreciation		
At 1 January	858	1,391
Charge for the year	163	249
Disposals/Write-off	(163)	(782)
At 31 December	858	858
Carrying amounts		
At 1 January	980	1,384
At 31 December	790	980

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTIES

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
At 1 January		7,408,000	6,590,500	3,698,000	4,987,500
Acquisition of investment property and related costs	30	556,083	2,118,787	–	–
Capital expenditure		12,998	3,504	10,987	3,384
Disposal of investment properties		(516,000)	(1,549,259)	(516,000)	(1,549,259)
Effect of lease incentives amortisation		(4,114)	(3,930)	–	–
Inception of master lease		–	–	138,520	–
Net change in fair value of investment properties		197,843	248,398	314,939	256,375
Reclassification to asset held for sale	11	(40,746)	–	(40,746)	–
Translation difference		(430)	–	–	–
At 31 December		7,613,634	7,408,000	3,605,700	3,698,000

On 1 January 2018, the Trust entered into a Master Lease Arrangement ("MLA") with a subsidiary, AST2 Co. to lease Asia Square Tower 2 ("AST2") for a period of 21 years. This is in line with the Trust's principal activity to invest in and hold commercial properties to earn rental income and capital appreciation. Consequently, the Trust had elected to classify and account for its property interest in Asia Square Tower 2 held under an operating lease as an investment property by applying the principle under FRS 17. Accordingly, the property interest has been accounted for as if it is a finance lease.

As at 31 December 2018 , the Group's investment properties with carrying amount of $2,202 million (2017: $1,616 million) is pledged as security to the banks to secure bank facilities (refer to Note 14).

As at 31 December 2018 and 2017, investment properties held by the Trust were unencumbered.

6. INTANGIBLE ASSET

	Group and Trust 2018 $'000	Group and Trust 2017 $'000
Cost		
At 1 January	17,100	17,100
Write-off	(17,100)	–
At 31 December	–	17,100
Accumulated amortisation		
At 1 January	17,100	15,014
Amortisation for the year	–	2,086
Write-off	(17,100)	–
At 31 December	–	17,100
Carrying amounts		
At 1 January	–	2,086
At 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSET (continued)

Intangible asset represents the unamortised yield stabilization sum received by the Group under the Deed of Yield Stabilization ("YS Deed") dated 22 March 2012 in relation to Twenty Anson. The YS Deed, together with the unutilised yield stabilization amount, was assigned to the Trust upon the acquisition of Twenty Anson on 1 July 2015 and had expired on 21 September 2015. The Manager had determined that the Trust could continue to utilise the yield stabilization sum to top up any shortfall or deficiency in the property income of Twenty Anson and had fully utilised the yield stabilization sum as at 31 December 2017.

During the year, Twenty Anson was divested, and the intangible asset was written off accordingly.

7. SUBSIDIARIES

	Trust	
	2018	**2017**
	$'000	**$'000**
Unquoted equity investments at cost	1,269,811	1,228,233
Loans to subsidiaries		
- Interest-bearing	1,671,783	1,598,938
- Non-interest-bearing	766,311	–
	3,707,905	2,827,171

Loans to subsidiaries are unsecured and repayable on demand with a notice period of twelve months. The loans to subsidiaries are not expected to be repaid in the next twelve months. The interest-bearing loans bear an effective interest rate of 1.095% – 4.2% (2017: 1.652% – 4.2%) per annum.

Details of the subsidiaries are as follows:

Name of subsidiaries	**Place of incorporation/ business**	**Effective equity interest held by the Trust**	
		2018	**2017**
		%	**%**
CCT MTN Pte. Ltd. ("CCT MTN")[1]	Singapore	100	100
FirstOffice Pte. Ltd. ("FOPL")[2]	Singapore	–	100
MSO Trust[1]	Singapore	100	100
Asia Square Tower 2 Pte. Ltd. ("AST2 Co.")[1, 3]	Singapore	100	100
MVKimi (BVI) Limited[4]	British Virgin Islands/Singapore	100	100
Gallileo Property S.a.r.l. ("Gallileo Co")[5]	Luxembourg/Germany	94.9	–
CCT Galaxy One Pte. Ltd.[1]	Singapore	100	–
CCT Galaxy Two Pte. Ltd.[1]	Singapore	100	–

1 Audited by KPMG LLP Singapore
2 The company was liquidated on 23 April 2018
3 Indirectly held through MVKimi (BVI) Limited
4 MVKimi (BVI) Limited is not subject to audit by law of country of incorporation
5 Audited by KPMG Luxembourg, Société cooperative

NOTES TO THE FINANCIAL STATEMENTS

7. SUBSIDIARIES (continued)

MSO Trust

MSO Trust is an unlisted special purpose trust constituted under a trust deed ("Trust Deed of MSO Trust") dated 15 June 2011 (as amended). HSBC Institutional Trust Services (Singapore) Limited and CapitaLand Commercial Trust Management Limited is the Trustee and Trust Manager of MSO Trust respectively. MSO Trust holds CapitaGreen, a Grade A office tower.

Based on the unitholder's loan agreement dated 31 August 2016 and 31 August 2018 between the Trust and MSO Trust, the Trust agreed to make available to MSO Trust on one or more loans up to an aggregate principle of $794.0 million (2017: $794.0 million) and $404.0 million (2017: Nil) respectively, for the purpose of refinancing its bank loan and working capital or general corporate funding purpose.

As at 31 December 2018, the Trust had provided a total of $839.0 million (2017: $330.0 million) as unitholder's loan to MSO Trust.

The Trust has also provided undertakings on security margin, in respect of its 100.0% (2017: 100.0%) interest on the $300.0 million (2017: $900.0 million) bank facility granted to MSO Trust. As at 31 December 2018, the amount drawn down under the bank facility was $180.0 million (2017: $890.0 million).

8 JOINT VENTURES

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Investments in joint ventures	1,604,236	1,573,290	1,269,968	1,261,439
Loans to joint ventures	158,850	158,850	158,850	158,850
	1,763,086	1,732,140	1,428,818	1,420,289

Loans to joint ventures are unsecured and bear an average effective interest rate of 2.5% (2017: 2.5%) per annum. The loans have no fixed terms of repayment and are not expected to be repaid in the next twelve months from the reporting date.

Details of the joint ventures are as follows:

Name of joint ventures	Place of constitution/ business	Effective equity interest held by the Trust	
		2018	2017
		%	%
RCS Trust[1]	Singapore	60	60
One George Street LLP[1]	Singapore	50	50
Glory Office Trust[1]	Singapore	45	45
Glory SR Trust[1]	Singapore	45	45

1 Audited by KPMG LLP Singapore

NOTES TO THE FINANCIAL STATEMENTS

8 JOINT VENTURES (continued)

RCS Trust

RCS Trust is an unlisted special purpose trust constituted under a trust deed ("Trust Deed of RCS Trust") dated 18 July 2006 (as amended) entered into between HSBC Institutional Trust Services (Singapore) Limited as trustee-manager ("Trustee-Manager") of RCS Trust, HSBC Institutional Trust Services (Singapore) Limited as trustee of CapitaLand Mall Trust ("CMT"), the Trustee, CapitaLand Mall Trust Management Limited as Manager of CMT, and the Manager. RCS Trust is 60% owned by the Trust and 40% owned by CMT. RCS Trust holds Raffles City Singapore, an integrated development which comprise retail, hotel, convention centre and office.

One George Street LLP

One George Street LLP ("OGS LLP") is a limited liability partnership formed on 28 April 2017 between HSBC Institutional Trust Services (Singapore) Limited as Trustee of CapitaLand Commercial Trust ("the Trust") and OGS (II) Limited (the "JV Partner"), a special purpose vehicle owned by insurer FWD Group (which is unrelated to the Trust). OGS LLP is 50% owned by the Trust and the JV Partner respectively. OGS LLP holds One George Street, a Grade A office tower.

Glory Office Trust and Glory SR Trust

Glory Office Trust ("GOT") and Glory SR Trust ("GSRT") are unlisted special purpose trusts constituted under trust deed dated 28 February 2017, entered between CL Office Trustee Pte. Ltd. and Glory SR Trustee Pte. Ltd. as trustee-manager of GOT and GSRT respectively, the Trustee and the Manager.

On 12 July 2017, the Trustee and the Manager entered into a joint venture agreement with CapitaLand Singapore Limited ("CLS") and Mitsubishi Estate Asia Pte. Ltd. ("MEA"). Under the agreement, the Trust, CLS and MEA own 45%, 45% and 10% equity interest respectively in GOT and GSRT respectively.

The special purpose trusts will carry out the re-development of the former Golden Shoe Car Park to an integrated commercial and serviced residence development, CapitaSpring.

Based on the unitholder's loan agreements dated 22 September 2017 between the Trust and GOT and GSRT respectively, the Trust agreed to make available to GOT and GSRT one or more loans up to an aggregate principle amount of $536.0 million, for the purpose of joint re-development.

As at 31 December 2018, the Trust had provided a total of $158.9 million (2017: $158.9 million) as unitholder's loan to GOT and GSRT.

The Trust has also provided sponsors' undertakings on cost overrun, interest shortfall, security margin and project completion, in respect of its 45% interest in each of GOT and GSRT, on the $1,180.0 million bank facility granted to GOT and GSRT. As at 31 December 2018, the amount drawn down under the bank facility was $650.0 million (2017: $650.0 million).

NOTES TO THE FINANCIAL STATEMENTS

8 JOINT VENTURES (continued)

The following table summarises the financial information of joint ventures, based on the financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition, not adjusted for the percentage ownership held by the Group. The table also includes summarised financial information for the Group's interest in immaterial joint ventures, based on amounts reported in the Group's consolidated financial statements.

	RCS Trust $'000	OGS LLP $'000	Immaterial joint ventures $'000	Total $'000
2018				
Results				
Gross revenue	230,547	50,197		
Expenses[1]	(102,659)	(26,783)		
Net increase in fair value of investment property	33,751	22,010		
Total return for the year	161,639	45,424		
Assets and liabilities				
Non-current assets	3,322,747	1,139,006		
Current assets[2]	16,356	19,004		
Total assets	3,339,103	1,158,010		
Current liabilities[3]	102,211	14,591		
Non-current liabilities[4]	1,160,320	586,510		
Total liabilities	1,262,531	601,101		
Net assets	2,076,572	556,909		
Group's interest in net assets of investee at 1 January	1,220,012	267,894	85,384	1,573,290
Increase in investment in joint venture with no change in effective interest[5]	8,529	–	–	8,529
Share of total return for the year	96,984	22,712	(1,599)	118,097
Share of movement in hedging reserves for the year	430	–	881	1,311
Distributions received and receivable during the year	(84,840)	(12,151)	–	(96,991)
Carrying amount of interest in investee at 31 December	1,241,115	278,455	84,666	1,604,236
Group's share of joint ventures' capital commitment	21,608	576	180,168	202,352

NOTES TO THE FINANCIAL STATEMENTS

8 JOINT VENTURES (continued)

	RCS Trust $'000	OGS LLP $'000	Immaterial joint ventures $'000	Total $'000
[1] Includes:				
Depreciation	81	3		
Interest expense	29,657	12,070		
Tax expense	–	–		
[2] Includes cash and cash equivalents	14,331	17,605		
[3] Includes current financial liabilities (excluding trade and other payables and provisions)	–	–		
[4] Includes non-current financial liabilities (excluding trade and other payables and provisions)	1,148,048	577,176		
[5] Increase in investment by way of issuance of units	8,529	–		

	RCS Trust $'000	OGS LLP[1] $'000	Immaterial joint ventures[2] $'000	Total $'000
2017				
Results				
Gross revenue	229,939	26,631		
Expenses[3]	(95,190)	(13,466)		
Net increase/(decrease) in fair value of investment property	51,889	(67,011)		
Total return for the year	186,638	(53,846)		
Assets and liabilities				
Non-current assets	3,260,819	1,116,200		
Current assets[4]	20,177	22,511		
Total assets	3,280,996	1,138,711		
Current liabilities[5]	340,801	17,902		
Non-current liabilities[6]	897,761	585,021		
Total liabilities	1,238,562	602,923		
Net assets	2,042,434	535,788		

NOTES TO THE FINANCIAL STATEMENTS

8 JOINT VENTURES (continued)

	RCS Trust $'000	OGS LLP[1] $'000	Immaterial joint ventures[2] $'000	Total $'000
2017				
Group's interest in net assets of investee at 1 January	1,189,793	–	–	1,189,793
Increase in investment in joint venture with no change in effective interest[7]	9,068	–	–	9,068
Joint ventures – new investments[1, 2]	–	301,578	86,400	387,978
Share of total return for the year	111,983	(26,923)	(177)	84,883
Share of movement in hedging reserves for the year	173	–	(839)	(666)
Distributions received and receivable during the year	(91,005)	(6,761)	–	(97,766)
Carrying amount of interest in investee at 31 December	1,220,012	267,894	85,384	1,573,290
Group's share of joint ventures' capital commitment	31,564	323	205,036	236,923

Notes

1 On 19 June 2017, CCT had divested One George Street to OGS LLP. Accordingly, the information presented in the above table includes the results of OGS LLP only for the period from 20 June 2017 to 31 December 2017.

2 Immaterial joint ventures pertain to GOT and GSRT. On 12 July 2017, CCT had divested Golden Shoe Car Park to GOT and GSRT. Accordingly, the information presented in the above table includes the results of the immaterial joint ventures only for the period from 13 July 2017 to 31 December 2017.

	RCS Trust $'000	OGS LLP $'000	Immaterial joint ventures $'000	Total $'000
3 Includes:				
Depreciation	87	–		
Interest expense	14,870	2,833		
Tax expense	–	–		
4 Includes cash and cash equivalents	11,361	17,681		
5 Includes current financial liabilities (excluding trade and other payables and provisions)	204,259	–		
6 Includes non-current financial liabilities (excluding trade and other payables and provisions)	527,567	585,021		
7 Increase in investment by way of issuance of units	9,608	–		

NOTES TO THE FINANCIAL STATEMENTS

9 . EQUITY INSTRUMENT AT FAIR VALUE

	Group and Trust 2018 $'000	Group and Trust 2017 $'000
Quoted investment	40,632	47,533

Quoted investment represents the Group's and Trust's 10.9% (2017: 11.0%) interest in MRCB-Quill REIT ("MQREIT").

The principal activity of MQREIT is to own and invest in commercial properties, primarily in Malaysia.

At 1 January 2018, the Group designated the investment shown above as equity investment as at FVOCI because it represents an investment that the Group intends to hold for the long-term for strategic purposes. In 2017, this investment was classified as available-for-sale.

10. FINANCIAL DERIVATIVES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-current assets				
Interest rate swaps	1,280	–	982	–
Cross currency swaps	6,068	–	6,068	–
	7,348	–	7,050	–
Current liabilities				
Interest rate swaps	–	81	–	81
Cross currency swaps	24,197	–	24,197	–
	24,197	81	24,197	81
Non-current liabilities				
Interest rate swaps	1,141	15,428	187	–
Cross currency swaps	2,584	37,476	2,584	37,476
	3,725	52,904	2,771	37,476

At the reporting date, the notional principal amounts of the financial instruments were as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest rate swaps	927,600	1,777,600	747,600	887,600
Cross currency swaps	425,750	425,750	425,750	425,750
	1,353,350	2,203,350	1,173,350	1,313,350

The hedge relationships for which hedge accounting have been adopted are effective in the financial year ended 31 December 2018 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL DERIVATIVES (continued)

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the Statements of Financial Position.

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements with various bank counterparties ("ISDA Master Agreement"). In certain circumstances following the occurrence of a termination event as set out in an ISDA Master Agreement, all outstanding transactions under such ISDA Master Agreement may be terminated and the early termination amount payable to one party under such agreements may be offset against amounts payable to the other party such that only a single net amount is due or payable in settlement of all transactions.

In accordance with accounting standards, the swaps presented below are not offset in the Statements of Financial Position as the right of set-off of recognised amounts is enforceable only following the occurrence of a termination event as set out in such ISDA Master Agreement. 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.

The following table sets out the carrying amounts of recognised financial instruments that are subject to an enforceable master netting arrangements:

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the Statement of Financial Position $'000	Net amounts of financial instruments included in the Statement of Financial Position $'000	Related financial instruments that are not offset $'000	Net amount $'000
Group					
31 December 2018					
Financial assets					
Interest rate swaps	1,280	–	1,280	(484)	796
Cross currency swaps	6,068	–	6,068	(6,068)	–
Financial liabilities					
Interest rate swaps	1,141	–	1,141	(484)	657
Cross currency swaps	26,781	–	26,781	(6,068)	20,713
31 December 2017					
Financial liabilities					
Interest rate swaps	15,509	–	15,509	–	15,509
Cross currency swaps	37,476	–	37,476	–	37,476

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL DERIVATIVES (continued)

Offsetting financial assets and financial liabilities *(continued)*

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the Statement of Financial Position $'000	Net amounts of financial instruments included in the Statement of Financial Position $'000	Related financial instruments that are not offset $'000	Net amount $'000
Trust					
31 December 2018					
Financial assets					
Interest rate swaps	982	–	982	(187)	795
Cross currency swaps	6,068	–	6,068	(6,068)	–
Financial liabilities					
Interest rate swaps	187	–	187	(187)	–
Cross currency swaps	26,781	–	26,781	(6,068)	20,713
31 December 2017					
Financial liabilities					
Interest rate swaps	81	–	81	–	81
Cross currency swaps	37,476	–	37,476	–	37,476

11. ASSET HELD FOR SALE

	Group and Trust 2018 $'000	Group and Trust 2017 $'000
Bugis Village	40,746	–

The property will be returned to the Lessor on 1 April 2019. Accordingly, the investment property was reclassified from investment property to asset held for sale. The fair value of Bugis Village was based on the agreed sum payable by the Lessor.

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade receivables	1,555	1,869	1,448	660
Amount due from subsidiaries (non-trade)	–	–	30,276	14,754
Amounts due from joint ventures				
- trade	–	201	–	201
- non-trade	29,917	26,987	29,917	26,987
Amount due from related parties (trade)	–	8	–	8
Deposit	207	209	37	196
Other receivables	5,887	3,764	5,022	2,343
Loans and receivables	37,566	33,038	66,700	45,149
Prepayments	11,789	9,708	3,463	3,862
	49,355	42,746	70,163	49,011

Amounts due from subsidiaries, joint ventures and related parties

Outstanding balances with subsidiaries and related parties are unsecured. There is no allowance for credit losses arising from these outstanding balances as the ECL is not material.

Credit risks and impairment losses

The Group's and the Trust's exposure to credit risks and impairment losses for trade and other receivables, are disclosed in Note 27.

13. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash at bank and in hand	124,913	122,581	94,106	72,346
Fixed deposits with financial institutions	50,000	–	50,000	–
Cash and cash equivalents in the statements of cash flows	174,913	122,581	144,106	72,346

The weighted average effective interest rates relating to cash and cash equivalents at the reporting date for the Group and Trust were 0.21% (2017: 0.28%) and 0.24% (2017: 0.36%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

14. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Trust's loans and borrowings.

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current liabilities				
Medium term note (unsecured)	120,800	–	120,800	–
Non-current liabilities				
Term loans (secured)	317,446	697,390	–	–
Term loans (unsecured)	923,351	1,118,484	923,351	1,118,484
Revolving credit facilities (secured)	80,000	190,000	–	–
Revolving credit facilities (unsecured)	165,992	86,546	165,992	86,546
Medium term notes (unsecured)	1,006,393	627,788	1,006,393	627,788
	2,493,182	2,720,208	2,095,736	1,832,818

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

			2018		2017	
	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Group						
Secured						
Floating rates						
SGD bank loans	SOR[1] + margin	2020	180,000	179,652	890,000	887,390
Fixed rates						
EUR bank loans	1.33%	2025	218,579	217,794	–	–
Unsecured						
Floating rates						
SGD bank loans	SOR[1] + margin	2018 to 2023	767,100	764,790	1,207,187	1,205,030
JPY Medium Term Notes	3M LIBOR[2] + margin	2021 to 2023	175,000	179,993	175,000	180,588
Fixed rates						
EUR bank loans	1.095% to 1.175%	2023	325,917	324,552	–	–
SGD Medium Term Notes	2.77% to 3.327%	2021 to 2025	725,000	723,903	225,000	225,000
JPY Medium Term Notes	1.35875%	2019	148,300	120,800	148,300	121,200
HKD Medium Term Notes	2.27%	2021	102,450	102,498	102,450	101,000
			2,642,346	2,613,982	2,747,937	2,720,208

NOTES TO THE FINANCIAL STATEMENTS

14. LOANS AND BORROWINGS (continued)

Terms and debt repayment schedule (continued)

	Nominal interest rate	Year of maturity	2018 Face value $'000	2018 Carrying amount $'000	2017 Face value $'000	2017 Carrying amount $'000
Trust						
Unsecured						
Floating rates						
SGD bank loans	SOR[1] + margin	2018 to 2023	767,100	764,790	1,207,187	1,205,030
JPY Medium Term Notes	3M LIBOR[2] + margin	2021 to 2023	175,000	179,993	175,000	180,588
Fixed rates						
EUR bank loans	1.095% to 1.175%	2023	325,917	324,552	–	–
SGD Medium Term Notes	2.77% to 3.327%	2021 to 2025	725,000	723,903	225,000	225,000
JPY Medium Term Notes	1.35875%	2019	148,300	120,800	148,300	121,200
HKD Medium Term Notes	2.27%	2021	102,450	102,498	102,450	101,000
			2,243,767	2,216,536	1,857,937	1,832,818

1 Swap Offer Rate ("SOR").
2 3-Month London Interbank Offered Rate.

The interest-bearing liabilities comprised the following:

Secured floating rate bank loans and facilities

SGD bank loans

As at 31 December 2018, the Group has an aggregate of $300.0 million (2017: $900.0 million) secured loan facilities by its subsidiary, MSO Trust. Under the facility agreement between the banks and MSO Trust, the banks have granted MSO Trust five-year loan facilities from 25 November 2015 comprising the secured term loan facility of $100.0 million (2017: $700.0 million) and the secured revolving loan facility of $200.0 million (2017: $200.0 million).

As at 31 December 2018, the outstanding amount under the secured loan facility of MSO Trust was $180.0 million (2017: $890.0 million), at an average floating interest rate of 3.00% (2017: 2.16%), which contain a security covenant requiring that the ratio of Total Loans to Total Security Value will not at any time exceed 0.70 to 1 (2017: 0.70 to 1) and are repayable in full in 2020 (2017: 2020).

As security for the facilities granted to MSO Trust, MSO Trust has granted in favour of the banks the following:

(i) A mortgage over the investment property;

(ii) Fixed and floating charge over all present and future assets of the Trust;

(iii) An assignment of proceeds, debentures and insurance policies; and

(iv) Undertakings from the Trust (refer to Note 7).

NOTES TO THE FINANCIAL STATEMENTS

14. LOANS AND BORROWINGS (continued)

Secured floating rate bank loans and facilities (continued)

EUR bank loans

As at 31 December 2018, the Group has an aggregate of EUR140.0 million (2017: Nil) secured loan facilities by its subsidiary, Gallileo Co.. Under the loan agreement between the bank and Gallileo Co, the bank had granted Gallileo Co. the amount EUR140.0 million to refinance its borrowings from shareholders' loans.

As at 31 December 2018, the total loan drawn down by Gallileo Co. was EUR140.0 million (2017: Nil), at a fixed interest rate of 1.33% (2017: Nil).

As security for the facilities granted to Gallileo Co., the entity has granted in favour of the banks the following:

(i) Assignment of the land register;

(ii) Assignment of claims for restitution; and

(iii) Assignment of rights and claims arising from rental and lease agreements.

Unsecured medium term notes

The Group has a $2.0 billion unsecured Multicurrency Medium Term Note Programme ("Programme") under its subsidiary, CCT MTN. Under the CCT MTN Programme, the Group may issue notes in any currency.

As at 31 December 2018, notes issued by the Group were as follows:

(i) $150.0 million (2017: $150.0 million) fixed rate notes maturing in 2021 (2017: 2021);

(ii) $75.0 million (2017: $75.0 million) fixed rate notes maturity in 2022 (2017: 2022);

(iii) JPY24.9 billion (2017: JPY24.9 billion) medium term notes, which comprises JPY10.0 billion, JPY6.3 billion and JPY8.6 billion (2017: JPY10.0 billion, JPY6.3 billion and JPY8.6 billion) maturing between 2019 to 2023 (2017: 2019 to 2023). The Group had entered into cross currency swaps to swap the JPY notes into Singapore dollars;

(iv) HKD585.0 million (2017: HKD585.0 million) medium term notes maturing in 2021 (2017: 2021). The Group had entered into cross currency swap to swap the HKD notes into Singapore dollars;

(v) $300.0 million (2017: Nil) fixed rate notes maturing in 2024; and

(vi) $200.0 million (2017: Nil) fixed rate notes maturing in 2025.

Unsecured bank facilities, overdraft and guarantee facilities of the Trust

As at 31 December 2018, the Trust has an aggregate of $1,325.9 million (2017: $2,000.0 million) unsecured bank facilities, comprising a combination of $925.9 million (2017: $1,425.0 million) term loans and $400.0 million (2017: $575.0 million) revolving credit facilities with various maturities of up to 4.4 years (2017: 2.7 years) from various banks. The Trust has drawn down $1,093.0 million (2017: $1,207.2 million) of the unsecured bank facilities.

The Trust also has an omnibus line facility of up to $5.0 million. As at 31 December 2018, the Trust has utilised $1.8 million (2017: $1.8 million) from the omnibus line facility for letter of guarantees.

NOTES TO THE FINANCIAL STATEMENTS

14. LOANS AND BORROWINGS (continued)

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

	Note	1 January	Financing cash flows[1]	Finance costs (Non-cash changes)	Acquisition of subsidiary (Non-cash changes)	Conversion to equity (Non-cash changes)	Others (Non-cash changes)	31 December
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2018								
MTN Notes[2, 3]		631,317	479,588	24,227	–	–	502	1,135,634
Bank loans[2, 3]		2,099,412	(666,652)	60,263	–	–	(1,765)	1,491,258
Financial derivatives	10	52,985	–	–	–	–	(32,411)	20,574
Loan from non-controlling interest	15	–	(11,394)	26	11,582	–	216	430
		2,783,714	(198,458)	84,516	11,582	–	(33,458)	2,647,896
2017								
MTN Notes[3]		640,027	(11,195)	11,154	–	–	(8,669)	631,317
Bank loans[2, 3]		1,826,152	217,415	55,845	–	–	–	2,099,412
Convertible bonds[3]		174,780	(2,169)	1,978	–	(174,589)	–	–
Financial derivatives	10	5,974	–	–	–	–	47,011	52,985
		2,646,933	204,051	68,977	–	(174,589)	38,342	2,783,714

1 Net of interest paid, payment of transaction cost related to borrowings, proceeds from loans and borrowings, repayment of loans and borrowings, and repayment of loans and borrowings from non-controlling interest
2 Includes other payables – borrowing costs of $139,000 (2017: $96,000)
3 Includes interest payable (refer to Note 15)

15. TRADE AND OTHER PAYABLES

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Current				
Trade payables and accrued operating expenses	31,878	61,620	17,823	43,157
Amounts due to related parties (trade)	11,401	11,559	9,219	8,808
Amounts due to subsidiaries (non-trade)	–	–	18,951	163,082
Other deposits and advances	7,613	6,593	5,170	3,772
Interest payable	12,771	10,521	12,230	7,752
	63,663	90,293	63,393	226,571
Non-current				
Other payables	430	–	131,559	–

Included in trade payables and accrued operating expenses was an amount due to the Trustee of $263,000 (2017: $256,000) for the Group and $210,000 (2017: $204,000) for the Trust.

Included in the amounts due to related parties (trade) were amounts due to the Manager and Property Manager of $10,514,000 (2017: $10,036,000) and $865,000 (2017: $1,355,000) respectively for the Group and $8,502,000 (2017: $8,247,000) and $711,000 (2017: $545,000) respectively for the Trust.

Included in interest payable of the Trust was an amount due to the subsidiary of $8,442,000 (2017: $3,530,000).

The Group's other payables mainly relates to the amount due to the non-controlling interest which bears a fixed interest rate of 2.7% and is repayable by 27 June 2038. In the Trust, the other payables comprise the lease liabilities payable to a subsidiary under the MLA (refer to Note 5).

NOTES TO THE FINANCIAL STATEMENTS

16. DEFERRED TAX LIABILITIES

	At 1 January 2017 and 31 December 2017 $'000	Recognised in Statement of Total Returns (Note 25) $'000	Translation differences $'000	At 31 December 2018 $'000
Group				
Fair value changes of investment properties	–	1,979	(41)	1,938

17. UNITHOLDERS' FUNDS

Capital reserves

Movement in capital reserves during the year relates to the transaction costs incurred for the Equity Placement. In 2017, movement in capital reserves related to the option value of convertible bonds that were converted during the year and the transaction costs incurred for the Rights Issue.

Hedging reserves

Hedging reserves comprises the effective portion of the cumulative net change in the fair value of hedging instruments related to hedged transactions that have not yet to mature.

Fair value reserves

Fair value reserves comprises the cumulative net change in the fair value of equity instruments at fair value until the assets are derecognised.

Foreign currency translation reserves

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, the effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.

NOTES TO THE FINANCIAL STATEMENTS

18. NON-CONTROLLING INTERESTS

On 18 June 2018, the Group acquired 94.9% interest in Gallileo Co. (refer to Note 30). Accordingly, at the reporting date, the Group only had one subsidiary with non-controlling interest of 5.1%.

The non-controlling interest is not material to the Group.

19. UNITS ISSUED AND ISSUABLE

	Group and Trust	
	2018 '000	2017 '000
Units in issue:		
At 1 January	3,608,146	2,963,491
Units created:		
- Asset management fees in relation to RCS Trust paid in Units[(a)]	4,630	5,911
- Asset management fees paid in Units[(b)]	1,653	2,310
- Equity placement[(c)]	130,000	–
- Conversion of convertible bonds[(d)]	–	122,678
- Divestment fees paid in Units[(e)]	–	216
- Rights issue[(f)]	–	513,540
Total issued Units at 31 December	3,744,429	3,608,146
Units to be issued		
- Asset management fees payable in Units	2,036	733
Total issued and issuable units as at 31 December	3,746,465	3,608,879

Units issued during the year were as follows:

(a) 4,630,217 (2017: 5,910,744) Units were issued at issue prices ranging from $1.6428 to $1.9149 (2017: $1.4813 to $1.6793) per Unit, amounting to $8,529,000 (2017: $9,068,000) as payment for the asset management fees in relation to the Group's 60.0% interest in RCS Trust for the period from 1 October 2017 to 30 September 2018 (2017: 1 October 2016 to 30 September 2017).

(b) 1,653,482 (2017: 2,309,602) Units were issued at issue price from $1.6428 to $1.9149 (2017: $1.4813 to $1.6793) per Unit, amounting to $2,997,000 (2017: $3,470,000) as payment for the asset management fees for the period from 1 October 2017 to 30 September 2018 (2017: 1 October 2016 to 30 September 2017).

(c) Pursuant to the Equity Placement launched on 17 May 2018, 130,000,000 Units were issued at issue price $1.676, amounting to $217,880,000 on 28 May 2018.

(d) In 2017, 122,677,866 Units were issued at issue price $1.4265 amounting to $181,938,000 in relation to conversion of convertible bonds due 2017.

(e) In 2017, 215,848 Units were issued at issue price $1.6793 amounting to $362,000 in relation to the divestment of the 45.0% interest in Golden Shoe Car Park to CapitaLand Singapore Limited.

(f) In 2017, 513,540,228 renounceable underwritten rights units were issued at the price of $1.363, amounting to $699,955,000 on 26 October 2017.

The issue prices were determined based on the volume weighted average traded price for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the relevant periods in which the fees accrue.

NOTES TO THE FINANCIAL STATEMENTS

19. UNITS ISSUED AND TO BE ISSUED (continued)

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

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

The restrictions of a Unitholder include the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to redeem his Units while the Units are listed on SGX-ST.

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

20. GROSS REVENUE

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Gross rental income	373,836	314,376	274,879	213,532
Car park income	6,083	8,767	4,612	7,135
Other income	14,049	14,314	10,579	11,083
	393,968	337,457	290,070	231,750

In 2017, other income includes yield stabilization income of $2,086,000 for Twenty Anson. The yield stabilization sum (refer to Note 6) was fully utilised in 2017.

NOTES TO THE FINANCIAL STATEMENTS

21. PROPERTY OPERATING EXPENSES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Maintenance and others	17,421	15,579	14,315	11,855
Marketing expenses	4,733	6,415	3,106	2,453
Property management fees	9,088	7,662	6,514	5,064
Property management reimbursements	9,596	10,448	7,462	8,561
Property tax	30,130	24,048	22,017	15,770
Utilities	8,390	7,837	7,314	5,642
	79,358	71,989	60,728	49,345

22. INVESTMENT INCOME

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Distribution/dividend income from subsidiaries	–	–	62,607	44,141
Distribution income from joint ventures	–	–	96,991	97,766
Distribution income from equity instrument at fair value	3,293	1,575	3,293	1,575
	3,293	1,575	162,891	143,482

23. ASSET MANAGEMENT FEES

Asset management fees comprise base component and performance component. Asset management fees totalling $5,213,000 (2017: $2,070,000) were paid and payable in Units. Remaining asset management fees were paid and payable in cash.

24. FINANCE COSTS

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest expense	60,027	45,721	53,138	27,013
Transaction costs	11,091	3,850	2,449	2,875
Cash flow hedges, reclassified from hedging reserve	13,398	19,406	9,288	9,235
	84,516	68,977	64,875	39,123

Transaction costs includes commitment fees for loan facilities and upfront fees for new bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

25. TAX EXPENSE

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Current tax expense				
Current year	4,353	1,928	506	533
Deferred tax expense				
Origination and reversal of temporary differences	1,979	1,760	–	–
	6,332	3,688	506	533
Reconciliation of effective tax rate				
Total return for the year before tax	529,190	582,515	632,509	614,483
Tax calculated using Singapore tax rate of 17% (2017: 17%)	89,962	99,027	107,527	104,462
Effect of tax rates in foreign jurisdictions	(222)	–	–	–
Non-deductible expenses	8,494	5,585	1,213	541
Non-taxable income	(33,620)	(54,001)	(53,540)	(55,357)
Effects of profit of joint ventures (net of tax)	(3,588)	2,190	–	–
Tax transparency	(54,694)	(49,113)	(54,694)	(49,113)
	6,332	3,688	506	533

26. EARNINGS PER UNIT

(a) Basic earnings per Unit

The calculation of basic earnings per Unit is based on the total return attributable to Unitholders and weighted average number of Units during the year, calculated as follows:

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Total return attributable to Unitholders	522,047	578,827	632,003	613,950

NOTES TO THE FINANCIAL STATEMENTS

26. EARNINGS PER UNIT (continued)

(a) Basic earnings per Unit (continued)

	Group and Trust 2018 '000	Group and Trust 2017 '000
Weighted average number of Units		
Issued Units at 1 January	3,608,146	2,963,491
Effect of creation of new Units:		
- Issued as payment of RCS Trust's asset management fees	3,204	4,334
- Issued as payment of asset management fees	986	1,902
- Issued as divestment fees paid in Units	–	38
- Conversion of convertible bonds	–	59,241
- Rights issue	–	94,266
- Equity placement	77,644	–
- Issuable as payment of asset management fees	1	1
Weighted average number of Units in issue at 31 December	3,689,981	3,123,273

	Group 2018 cents	Group 2017 cents	Trust 2018 cents	Trust 2017 cents
Basic earnings per Unit	14.15	18.53	17.13	19.66

(b) Diluted earnings per Unit

In calculating diluted earnings per Unit, the total return attributable to Unitholders and weighted average number of Units during the year are adjusted for the effects of all dilutive potential Units, calculated as follows:

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Total return attributable to Unitholders	522,047	578,827	632,003	613,950

	Group and Trust 2018 '000	Group and Trust 2017 '000
Weighted average number of Units		
Weighted average number of Units used in calculation of basic earnings per Unit	3,689,981	3,123,273
Effect of payment of performance fees and base fees	4,749	3,577
Weighted average number of Units in issue (diluted)	3,694,730	3,126,850

NOTES TO THE FINANCIAL STATEMENTS

26. EARNINGS PER UNIT (continued)

(b) Diluted earnings per Unit (continued)

	Group		Trust	
	2018 cents	2017 cents	2018 cents	2017 cents
Diluted earnings per Unit	14.13	18.51	17.11	19.63

27. FINANCIAL RISK MANAGEMENT

Capital management

The Board of Directors of the Manager (the "Board") reviews the capital management policy regularly so as to optimise the funding structure. Capital consists of Unitholders' funds. The Board also monitors the Group's exposures to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures.

The Group is subject to the Aggregate Leverage limit as defined in the Property Funds Appendix of the CIS Code. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45% of its deposited property.

As at 31 December 2018, Standard & Poor's has assigned a long-term corporate rating of BBB+ (2017: BBB+). The Aggregate Leverage of the Group as at 31 December 2018 was 34.9% (2017: 37.3%), which complied with the Aggregate Leverage limit. There were no changes in the Group's approach to capital management during the financial year.

Overview of risk management

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the costs of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees 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 risks faced by the Group. The Audit Committee is assisted in its oversight role by 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

27. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations to the Group.

Exposure to credit risk

Trade receivables

Prior to signing lease agreements, credit assessments of prospective tenants are carried out. Security deposits are collected from tenants when the lease agreements are signed. On an ongoing basis, the Manager monitors the outstanding balances of the tenants by ageing profile to minimise exposure to credit risk of the tenants.

At 31 December 2018 and 31 December 2017, there was no significant concentration of credit risk The Group's and the Trust's maximum exposure to credit risk is represented by the carrying amounts of financial assets in the Statements of Financial Position, before taking into account security deposits held as collateral.

Impairment losses on trade receivables amounting to $7,000 (2017: Nil) was recognised in the Statements of Total Returns during the year.

Expected credit loss assessment for individual tenants as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual tenants, which comprise a very large number of balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off and are based on actual credit loss experience over the past three years.

	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
2018			
Group			
Not past due	1,537	–	No
Past due 1 – 30 days	10	–	No
Past due 31 – 90 days	7	–	No
Past due more than 90 days	1	–	Yes
	1,555	–	
Trust			
Not past due	1,438	–	No
Past due 1 – 30 days	9	–	No
Past due 31 – 90 days	–	–	No
Past due more than 90 days	1	–	Yes
	1,448	–	

The Manager believes that no allowance for impairment is necessary in respect of the trade receivables as these receivables relate mainly to tenants that have a good record with the Group or have sufficient security deposits as collateral, and hence ECL is not material.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Credit risk** (continued)*

Comparative information applying the principles under FRS 39

The ageing of trade receivables is as follows:

	Group 2017 $'000	Trust 2017 $'000
Not past due	1,311	574
Past due 31 – 90 days	508	37
Past due more than 90 days	50	49
	1,869	660

Loans to subsidiaries and joint ventures

The Trust extended loans to its subsidiaries and joint ventures of $2,438,094,000 (2017: $1,598,938,000) and $158,850,000 (2017: $158,850,000) respectively to satisfy long-term funding requirements. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, and applying experienced credit judgement), these exposures are considered to have low credit risk. Therefore impairment on these balances has been measured on the 12 month expected credit loss basis; and the amount of the allowance is insignificant.

Financial derivatives

The financial derivatives are entered into with bank and financial institution counterparties which are regulated.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by investing only in liquid securities and only with counterparties that have good credit ratings. The cash and cash equivalents are held with banks and financial institution counterparties which are rated A to AA, based on Standard & Poor's rating. Management does not expect these counterparties to fail to meet their obligations.

Impairment on cash and cash equivalents has been measured on the 1-day expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Manager monitors its liquidity risk, maintains a level of cash and cash equivalents and refinances borrowings 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 MAS concerning limits on total borrowings.

As at 31 December 2018, the Trust has an aggregate of $1,325.9 million (2017: $2,000.0 million) unsecured bank facilities, comprising a combination of $925.9 million (2017: $1,425.0 million) term loans and $400.0 million (2017: $575.0 million) revolving credit facilities with various maturities of up to 4.4 years (2017: 2.7 years) from various banks. The Trust has drawn down $1,093.0 million (2017: $1,207.2 million) of the unsecured bank facilities. In addition, the Group may issue up to $849.2 million (2017: $1,349.2 million) notes under its $2.0 billion unsecured Multicurrency Medium Term Note Programme (refer to Note 14).

Exposure to liquidity risk

The following are the expected contractual undiscounted cash outflows of financial liabilities, including estimated interest payments/components and excluding the impact of netting agreements:

			Cash flows		
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group					
31 December 2018					
Non-derivative financial liabilities					
Medium Term Notes	1,127,194	1,267,803	175,330	582,667	509,806
Term loans and revolving credit facilities	1,486,788	1,604,020	31,234	1,349,047	223,739
Trade and other payables	64,093	64,164	63,675	46	443
Security deposits	68,010	68,010	10,708	53,462	3,840
	2,746,085	3,003,997	280,947	1,985,222	737,828
Derivative financial instruments					
Interest rate swaps (net-settled)	(139)	(916)	(162)	(754)	–
Cross currency swaps (gross-settled)	20,713	–	–	–	–
- Outflow	–	454,905	160,447	294,458	–
- (Inflow)	–	(433,981)	(152,638)	(281,343)	–
	20,574	20,008	7,647	12,361	–
	2,766,659	3,024,005	288,594	1,997,583	737,828

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Liquidity risk** (continued)*

Exposure to liquidity risk (continued)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group					
31 December 2017					
Non-derivative financial liabilities					
Medium Term Notes	627,788	688,569	11,022	577,511	100,036
Term loans and revolving credit facilities	2,092,420	2,176,182	125,951	2,050,231	–
Trade and other payables	90,293	90,293	90,293	–	–
Security deposits	70,406	70,406	4,002	60,240	6,164
	2,880,907	3,025,450	231,268	2,687,982	106,200
Derivative financial instruments					
Interest rate swaps (net-settled)	15,509	14,865	10,343	4,522	–
Cross currency swaps (gross-settled)	37,476	–	–	–	–
- Outflow	–	467,195	12,311	354,483	100,401
- (Inflow)	–	(438,845)	(4,494)	(334,315)	(100,036)
	52,985	43,215	18,160	24,690	365
	2,933,892	3,068,665	249,428	2,712,672	106,565

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Liquidity risk** (continued)*

Exposure to liquidity risk (continued)

			Cash flows		
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Trust					
31 December 2018					
Non-derivative financial liabilities					
Medium Term Notes	1,127,194	1,267,803	175,330	582,667	509,806
Term loans and revolving credit facilities	1,089,342	1,175,266	22,888	1,152,378	–
Trade and other payables	194,952	194,952	63,393	16,717	114,842
Security deposits	44,488	44,488	8,173	32,475	3,840
	2,455,976	2,682,509	269,784	1,784,237	628,488
Derivative financial instruments					
Interest rate swaps (net-settled)	(795)	(2,200)	(1,065)	(1,135)	–
Cross currency swaps (gross-settled)	20,713	–	–	–	–
- Outflow	–	454,905	160,447	294,458	–
- (Inflow)	–	(433,981)	(152,638)	(281,343)	–
	19,918	18,724	6,744	11,980	–
	2,475,894	2,701,233	276,528	1,796,217	628,488
31 December 2017					
Non-derivative financial liabilities					
Medium Term Notes	627,788	688,569	11,022	577,511	100,036
Term loans and revolving credit facilities	1,205,030	1,230,418	106,713	1,123,705	–
Trade and other payables	226,571	226,571	226,571	–	–
Security deposits	24,239	24,239	2,545	21,650	44
	2,083,628	2,169,797	346,851	1,722,866	100,080
Derivative financial instruments					
Interest rate swaps (net-settled)	81	812	2,255	(1,443)	–
Cross currency swaps (gross-settled)	37,476	–	–	–	–
- Outflow	–	467,195	12,311	354,483	100,401
- (Inflow)	–	(438,845)	(4,494)	(334,315)	(100,036)
	37,557	29,162	10,072	18,725	365
	2,121,185	2,198,959	356,923	1,741,591	100,445

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

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's total return or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure to foreign currency risk

The Group has exposure to foreign currency risk as a result of loans and borrowings and its operation in foreign country that were denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are Euro ("EUR"), Hong Kong Dollar ("HKD") and Japanese Yen ("JPY").

Foreign exchange risks related to the Group's HKD and JPY notes, issued by Group entities whose functional currency is in SGD, have been fully hedged using cross currency swaps that mature on the same dates that the notes are due for repayment. These cross currency swaps are designated as cash flow hedges. The Group also used its EUR loans to hedge against the currency risk arising from the Group's net investments in the foreign subsidiary.

The Group applies a hedge ratio of 1:1 to its cross currency swaps to hedge its currency risk. The Group's policy is to align the terms of the cross currency swaps with the hedged item.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assess whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In order to manage the foreign currency risk, the Manager adopts foreign currency risk management strategies that include:

- entering into foreign currency contracts or cross currency swaps to hedge the foreign currency risks; and
- the use of certain foreign currency denominated borrowings to hedge against the currency risk arising from the Group's net investments in foreign subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Foreign currency risk** (continued)*

Financial derivatives

The Group designates the foreign exchange contracts or cross currency swap to hedge its currency risk. The Group's policy is to align the terms of the cross currency swaps with the hedged item. The fair value of cross currency swaps as at 31 December 2018 for the Group and Trust was $20.7 million net liability (2017: $37.5 million net liability). Cross currency swaps represented 0.3% (2017: 0.6%) of the net assets of the Group and the Trust. These swaps have an average maturity of 2.5 years (2017: 3.5 years) from the reporting date.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assess whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the forward foreign exchange contracts or cross currency swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

Net investment hedge

The Group designates the loan to hedge the changes in the value of the net investment that is attributable to changes in the EUR/SGD spot rate. The Group's policy is to hedge the net investment only to the extent of the debt principal.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency and amount. The Group assess the effectiveness of each hedging relationship by comparing changes in the carrying amount of the debt that is due to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method).

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Foreign currency risk** (continued)*

Net investment hedge (continued)

The Group's and Trust's exposure to foreign currency based on notional amounts are as follows:

	Euro $'000	Hong Kong Dollar $'000	Japanese Yen $'000
Group			
31 December 2018			
Cash and cash equivalent	6,772	–	–
Loans and borrowings	(325,917)	(102,450)	(323,300)
Net Statements of Financial Position exposure	(319,145)	(102,450)	(323,300)
Add: Effect of cross currency swaps	–	102,450	323,300
Add: Loan designated for net investment hedge	317,924	–	–
Net exposure	(1,221)	–	–
31 December 2017			
Loans and borrowings	–	(102,450)	(323,300)
Net Statements of Financial Position exposure	–	(102,450)	(323,300)
Add: Effect of cross currency swaps	–	102,450	323,300
Net exposure	–	–	–
Trust			
31 December 2018			
Cash and cash equivalent	6,772	–	–
Loans to subsidiaries	325,917	–	–
Loans and borrowings	(325,917)	(102,450)	(323,300)
Net Statements of Financial Position exposure	6,772	(102,450)	(323,300)
Add: Effect of cross currency swaps	–	102,450	323,300
Net exposure	6,772	–	–
31 December 2017			
Loans and borrowings	–	102,450	323,300
Net Statements of Financial Position exposure	–	(102,450)	(323,300)
Add: Effect of cross currency swaps	–	102,450	323,300
Net exposure	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Foreign currency risk** (continued)*

Sensitivity analysis

A 10% strengthening of the following foreign currency against Singapore Dollar at the reporting date would increase/(decrease) the Statements of Total Return and Unitholders' Funds by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Trust	
	Statements of total return $'000	Unitholders' funds $'000	Statements of total return $'000	Unitholders' funds $'000
31 December 2018				
Euro				
(10% strengthening)	(122)	–	677	–
Hong Kong Dollar				
(10% strengthening)	–	1,042	–	1,042
Japanese Yen				
(10% strengthening)	–	5,891	–	5,891
31 December 2017				
Hong Kong Dollar				
(10% strengthening)	–	1,359	–	1,359
Japanese Yen				
(10% strengthening)	–	9,559	–	9,559

A 10% weakening of the above currency against Singapore Dollar at 31 December would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant. The analysis assumed that all other variables, in particular interest rates, remain constant and does not take into account the translation related risk, and share of non-controlling interests.

Interest rate risk

The Group's exposure to interest rate relates primarily to interest-bearing financial liabilities. The Group adopts a policy that at least 80% of its interest rate risk exposure is at a fixed rate. This is achieved by entering into fixed-rate instruments or using interest rate swaps to hedge the variability in cash flows due to movements in interest rate risk.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Interest rate risk** (continued)*

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

	Group Nominal amount		Trust Nominal amount	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Fixed rate instruments				
Loans to subsidiaries	–	–	1,652,283	–
Loans to joint ventures	158,850	–	158,850	–
Loans and borrowings	(1,520,246)	(475,750)	(1,301,667)	(475,750)
Loan from non-controlling interest	(430)	–	–	–
Effect of interest rate swaps and cross currency swaps	(1,102,600)	(1,265,000)	(922,600)	(375,000)
	(2,464,426)	(1,740,750)	(413,134)	(850,750)
Variable rate instruments				
Loans to subsidiaries	–	–	19,500	–
Loans and borrowings	(1,122,100)	(2,272,187)	(942,100)	(1,382,187)
Effect of interest rate swaps and cross currency swaps	1,102,600	1,265,000	922,600	375,000
	(19,500)	(1,007,187)	–	(1,007,187)

To manage its exposure on interest rate and foreign exchange rate volatility on its financial liabilities, the Group enters into interest rate swaps and cross currency swaps to swap foreign currencies interest into fixed SGD interest. As at 31 December 2018, the Group held these financial instruments with a total notional amount of interest rate swaps of $927.6 million (2017: $1,777.6 million) and cross currency swaps of $425.8 million (2017: $425.8 million), to provide fixed rate funding for terms up to 4.1 years (2017: 5.1 years). The interest rate swaps have fixed interest rates ranging from 1.63% to 2.49% (2017: 1.28% to 2.49%) for the Group and 1.63% to 1.87% (2017: 1.28% to 1.74%) for the Trust per annum. The cross currency rate swaps have fixed interest rates ranging from 2.70% to 3.05% (2017: 2.70% to 3.05%) for the Group and the Trust per annum.

The fair value of interest rate swaps as at 31 December 2018 for the Group was $139,000 net asset (2017: $15.5 million net liability) for the Group and $795,000 net asset for the Trust (2017: $0.01 million net asset). Interest rate swaps represented 0.002% (2017: 0.2%) of the net assets of the Group and 0.012% (2017: 0.001%) for the Trust.

The fair value of cross currency swaps as at 31 December 2018 for the Group and Trust was $20.7 million net liability (2017: $37.5 million net liability). Cross currency swaps represented 0.3% (2017: 0.6%) of the net assets of the Group and the Trust.

Fair value sensitivity analysis for fixed rate instruments

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

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Interest rate risk** (continued)*

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rate at the reporting date would increase/(decrease) the Statements of Total Return and Unitholders' Funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and does not take into account share of non-controlling interests.

	Statements of total return		Unitholders' funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
31 December 2018				
Variable rate instruments	(11,221)	11,221	–	–
Interest rate swaps	9,276	(9,276)	2,779	(2,779)
Cross currency swaps	1,800	(1,800)	464	(464)
Cashflow sensitivity (net)	(145)	145	3,243	(3,243)
31 December 2017				
Variable rate instruments	(22,722)	22,722	–	–
Interest rate swaps	10,900	(10,900)	4,837	(4,837)
Cross currency swaps	1,806	(1,806)	449	(449)
Cashflow sensitivity (net)	(10,016)	10,016	5,286	(5,286)
Trust				
31 December 2018				
Variable rate instruments	(9,226)	9,226	–	–
Interest rate swaps	7,476	(7,476)	1,889	(1,889)
Cross currency swaps	1,800	(1,800)	464	(464)
Cashflow sensitivity (net)	50	(50)	2,353	(2,353)
31 December 2017				
Variable rate instruments	(13,822)	13,822	–	–
Interest rate swaps	2,000	(2,000)	492	(492)
Cross currency swaps	1,806	(1,806)	449	(449)
Cashflow sensitivity (net)	(10,016)	10,016	941	(941)

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Equity price risk

The Group's exposures to changes in equity price relates to equity investment – at FVOCI (2017: equity investment – at available-for-sale) in a quoted security listed in Malaysia.

Sensitivity analysis

As at 31 December 2018, if the price for the quoted security increased by 5% with all other variables being held constant, the increase in Unitholders' Funds would be $2.0 million (2017: $2.4 million). A similar 5% decrease in the prices would have an equal but opposite effect.

Hedge accounting

Cash flow hedges

At 31 December 2018, the Group and the Trust held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity		
	Within 1 year	**Within 2 to 5 years**	**More than 5 years**
Group			
Foreign currency risk			
Cross currency swaps			
Net exposure (in $'000)	148,300	277,450	–
Average SGD:JPY forward contract rate	0.01483	0.01177	–
Average SGD:HKD forward contract rate	–	0.17513	–
Interest rate risk			
Interest rate swaps			
Net exposure (in $'000)	–	927,600	–
Average fixed interest rate	–	0.01786	–
Trust			
Foreign currency risk			
Cross currency swaps			
Net exposure (in $'000)	148,300	227,450	–
Average SGD:JPY forward contract rate	0.01483	0.01177	–
Average SGD:HKD forward contract rate	–	0.17513	–
Interest rate risk			
Interest rate swaps			
Net exposure (in $'000)	–	747,600	–
Average fixed interest rate	–	0.01723	–

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Hedge accounting** (continued)*

Cash flow hedges (continued)

The following table provides a reconciliation by risk category of components of Unitholders' Funds resulting from cash flow hedge accounting.

	2018 Hedging reserve $'000
Group	
Balance as at 1 January	(9,541)
Cash flow hedges	
Change in fair value	
Foreign currency risk	8,426
Interest rate risk	10,085
Amounts reclassified to Statements of Total Return	
Foreign currency risk	7,835
Interest rate risk	5,563
Share of movements in hedging reserves of joint ventures	1,311
Balance as at 31 December	23,679
Trust	
Balance as at 1 January	(14,597)
Cash flow hedges	
Change in fair value	
Foreign currency risk	8,426
Interest rate risk	(575)
Amounts reclassified to Statements of Total Return	
Foreign currency risk	7,835
Interest rate risk	1,453
Balance as at 31 December	2,542

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Hedge accounting** (continued)*

Cash flow hedges (continued)

The amounts relating to items designated as hedged items and hedging instruments (excluding share of hedging reserves of joint ventures) were as follows:

	2018								
	Nominal amount $'000	Carrying amount – assets $'000	Carrying amount – liabilities $'000	Line item in the Statement of Financial Position where the hedging instrument is included	Line item in the Statement of Financial Position where the hedged item is included	Cash flow hedge reserve $'000	Changes in the fair value of the hedging instrument recognised in Unitholders Funds $'000	Amounts reclassified from Hedging Reserve to Statements of Total Return $'000	Line item in profit or loss affected by the reclassification
Group									
Foreign currency risk									
Cross currency swaps	425,750	6,068	(26,781)	Financial derivatives	Loans and borrowings	(1,747)	8,426	7,835	Finance costs
Interest rate risk									
Interest rate swaps	927,600	1,280	(1,141)	Financial derivatives	Loans and borrowings	(139)	10,085	5,563	Finance costs
Trust									
Foreign currency risk									
Cross currency swaps	425,750	6,068	(26,781)	Financial derivatives	Loans and borrowings	(1,747)	8,426	7,835	Finance costs
Interest rate risk									
Interest rate swaps	747,600	982	(82)	Financial derivatives	Loans and borrowings	(795)	(575)	1,453	Finance costs

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Net investment hedges

The Group has foreign currency exposures from the net investment in its foreign subsidiary, Gallileo Co. that has EUR functional currency.

The risk arises from a weakening EUR against the SGD that will result in a reduction in the carrying amount of the Group's net investment in Gallileo Co..

As at reporting date, the Group's net investment in Gallileo Co. is hedged by EUR-denominated unsecured bank loans of carrying amount of $316,559,000 (2017: Nil), which mitigates the foreign currency risk arising from the subsidiary's net assets. The fair value of the borrowing at 31 December 2018 is $303,459,000 (2017: Nil). These loans are designated as a hedging instrument for the changes in the value of the net investment that is due to changes in the EUR/SGD spot rate. No ineffectiveness was recognised from the net investment hedge.

The amounts related to items designated as hedging instruments were as follows:

	2018						
	Nominal amount $'000	**Carrying amount – assets $'000**	**Carrying amount – liabilities $'000**	**Line item in the Statement of Financial Position where the hedging instrument is included**	**Changes in the fair value of the hedging instrument recognised in Unitholders Funds $'000**	**Amounts reclassified from Hedging Reserve to Statement of Total Return $'000**	**Line item in profit or loss affected by the reclassification**
Group							
Foreign exchange denominated debt (EUR)	(317,924)	–	(316,559)	Loans and borrowings	(1,427)	–	N.A.

The amounts related to items designated as hedged items were as follows:

	2018		
	Change in value used for calculating hedge ineffectiveness $'000	**Foreign currency translation reserve $'000**	**Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied $'000**
EUR net investment	(3,233)	208	–

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Accounting classification and fair values

The classification of financial assets and liabilities are as follows.

	Note	Fair value – hedging instruments $'000	Amortised cost $'000	Fair value $'000	Other financial liabilities $'000	Total carrying amount $'000
31 December 2018						
Group						
Loans to joint venture	8	–	158,850	–	–	158,850
Equity investment – at FVOCI	9	–	–	40,632	–	40,632
Trade and other receivables#	12	–	37,566	–	–	37,566
Cash and cash equivalents	13	–	174,913	–	–	174,913
Financial derivatives	10	7,348	–	–	–	7,348
		7,348	371,329	40,632	–	419,309
Loans and borrowings	14	–	–	–	(2,613,982)	(2,613,982)
Trade and other payables	15	–	–	–	(64,093)	(64,093)
Security deposits		–	–	–	(68,010)	(68,010)
Financial derivatives	10	(27,922)	–	–	–	(27,922)
		(27,922)	–	–	(2,746,085)	(2,774,007)
Trust						
Loans to subsidiaries	7	–	2,438,094	–	–	2,438,094
Loans to joint venture	8	–	158,850	–	–	158,850
Equity investment – at FVOCI	9	–	–	40,632	–	40,632
Trade and other receivables#	12	–	66,700	–	–	66,700
Cash and cash equivalents	13	–	144,106	–	–	144,106
Financial derivatives	10	7,050	–	–	–	7,050
		7,050	2,807,750	40,632	–	2,855,432
Loans and borrowings	14	–	–	–	(2,216,536)	(2,216,536)
Trade and other payables	15	–	–	–	(194,952)	(194,952)
Security deposits		–	–	–	(44,488)	(44,488)
Financial derivatives	10	(26,968)	–	–	–	(26,968)
		(26,968)	–	–	(2,455,976)	(2,482,944)

Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Accounting classification and fair values (continued)

	Note	Fair value – hedging instruments $'000	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total carrying amount $'000
31 December 2017						
Group						
Equity investment – available-for-sale	9	–	–	47,533	–	47,533
Trade and other receivables#	12	–	33,038	–	–	33,038
Cash and cash equivalents	13	–	122,581	–	–	122,581
		–	155,619	47,533	–	203,152
Loans and borrowings	14	–	–	–	(2,720,208)	(2,720,208)
Trade and other payables	15	–	–	–	(90,293)	(90,293)
Security deposits		–	–	–	(70,406)	(70,406)
Financial derivatives	10	(52,985)	–	–	–	(52,985)
		(52,985)	–	–	(2,880,907)	(2,933,892)
Trust						
Equity investment – available-for-sale	9	–	–	47,533	–	47,533
Trade and other receivables#	12	–	45,149	–	–	45,149
Cash and cash equivalents	13	–	72,346	–	–	72,346
		–	117,495	47,533	–	165,028
Loans and borrowings	14	–	–	–	(1,832,818)	(1,832,818)
Trade and other payables	15	–	–	–	(226,571)	(226,571)
Security deposits		–	–	–	(24,239)	(24,239)
Financial derivatives	10	(37,557)	–	–	–	(37,557)
		(37,557)	–	–	(2,083,628)	(2,121,185)

Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Measurement of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Trust.

(i) Investment properties

The Group's investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining the fair value, the valuations are prepared by considering the estimated rental value of the property by applying the appropriate valuation methods i.e. the capitalisation method and discounted cashflow method.

The capitalisation method is an investment approach whereby the estimated gross passing income (on both a passing and market rent basis) is adjusted to reflect anticipated operating costs and ongoing vacancy to produce a net income on a fully leased basis. The adopted fully leased net income is capitalised over the remaining term of the land lease from the valuation date at an appropriate capitalisation rate. The discounted cash flow method involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value.

The above valuation methods involve estimates. The Manager reviews the key valuation parameters and underlying data including market-corroborated capitalisation rates and discount rates adopted by the valuers and is of the view that the estimates are reflective of the current market conditions as at the reporting date.

In 2017, Asia Square Tower 2 was valued using transacted value as management determined that the agreed property value between the Trust and the vendor on the acquisition of AST2 Group on 1 November 2017 was the best evidence of fair value, negotiated on a willing-buyer and willing-seller basis and there was no significant change in the market condition between 1 November 2017 to 31 December 2017.

(ii) Asset held for sale

On 31 December 2018, the Group's asset held for sale is valued based on contractual selling price payable by the lessor.

(iii) Financial derivatives

The fair values of cross currency swaps and interest rate swaps are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates or exchange rates, where applicable, for a similar financial instrument at the measurement date.

(iv) Other financial assets and liabilities

The fair value of quoted securities is their quoted bid price at the reporting date. The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables (excluding prepayments), 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 value.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument in the Statements of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Assets and liabilities carried at fair value

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 December 2018				
Financial asset measured at fair value				
Equity investment – at FVOCI	40,632	–	–	40,632
Interest rate swaps	–	1,280	–	1,280
Cross currency swaps	–	6,068	–	6,068
	40,632	7,348	–	47,980
Non-financial assets measured at fair value				
Investment properties	–	–	7,613,634	7,613,634
Asset held for sale	–	40,746	–	40,746
	–	40,746	7,613,634	7,654,380
Financial liabilities measured at fair value				
Interest rate swaps	–	1,141	–	1,141
Cross currency swaps	–	26,781	–	26,781
	–	27,922	–	27,922
31 December 2017				
Financial asset measured at fair value				
Equity investment – available-for-sale	47,533	–	–	47,533
Non-financial asset measured at fair value				
Investment properties	–	–	7,408,000	7,408,000
Financial liabilities measured at fair value				
Interest rate swaps	–	15,509	–	15,509
Cross currency swaps	–	37,476	–	37,476
	–	52,985	–	52,985

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Assets and liabilities carried at fair value** (continued)*

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust				
31 December 2018				
Financial asset measured at fair value				
Equity investment – FVOCI	40,632	–	–	40,632
Interest rate swaps	–	982	–	982
Cross currency swaps	–	6,068	–	6,068
	40,632	7,050	–	47,682
Non-financial assets measured at fair value				
Investment properties	–	–	3,605,700	3,605,700
Asset held for sale	–	40,746	–	40,746
	–	40,746	3,605,700	3,646,446
Financial liabilities measured at fair value				
Interest rate swaps	–	187	–	187
Cross currency swaps	–	26,781	–	26,781
	–	26,968	–	26,968
31 December 2017				
Financial asset measured at fair value				
Equity investment – available-for-sale	47,533	–	–	47,533
Non-financial asset measured at fair value				
Investment properties	–	–	3,698,000	3,698,000
Financial liability measured at fair value				
Cross currency swaps	–	37,476	–	37,476
Interest rate swaps	–	81	–	81
	–	37,557	–	37,557

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

***Assets and liabilities carried at fair value** (continued)*

Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed[1]

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 December 2018				
Financial liabilities not measured at fair value				
Security deposits	–	–	64,382	64,382
Loans and borrowings	–	2,484,813	–	2,484,813
	–	2,484,813	64,382	2,549,195
31 December 2017				
Financial liabilities not measured at fair value				
Security deposits	–	–	66,838	66,838
Loans and borrowings	–	2,762,682	–	2,762,682
	–	2,762,682	66,838	2,829,520
Trust				
31 December 2018				
Financial liabilities not measured at fair value				
Security deposits	–	–	42,361	42,361
Loans and borrowings	–	2,097,996	–	2,097,996
	–	2,097,996	42,361	2,140,357
31 December 2017				
Financial liabilities not measured at fair value				
Security deposits	–	–	23,421	23,421
Loans and borrowings	–	1,872,682	–	1,872,682
	–	1,872,682	23,421	1,896,103

1 Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

The entity's policy is to recognise transfers out of Level 3 as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the year.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Level 3 fair values

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy for investment properties is set out in Note 5.

The following table shows the significant unobservable inputs used in the measurement of fair value of investment properties:

Valuation techniques	Significant unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow analysis	Discount rate	6.75%[1] (2017: 7.00%[2])	The estimated fair value increases with a lower discount rate
	Terminal yield	3.50% - 4.25%[1] (2017: 3.60% - 4.35%)	The estimated fair value increases with a lower terminal yield
Capitalisation of income approach	Capitalisation rate	3.50% - 4.00%[1] (2017: 3.60% - 4.10%[2])	The estimated fair value increases with a lower capitalisation rate

1 Excludes Bugis Village which fair value was based on the agreed sum payable by the Lessor
2 Excludes Asia Square Tower 2 which fair value was based on transacted value on 1 November 2017 due to the proximity to the year end.

Interest rates used in determining fair values for disclosures

The interest rates used to discount estimated cash flows, where applicable, is computed from the market rates as follows:

	Group		Trust	
	2018	2017	2018	2017
	%	%	%	%
Security deposits	2.22	1.83	2.09	1.72
Loans and borrowings	1.10 – 3.33	0.51 – 2.77	1.10 – 3.33	0.51 – 2.77

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common significant influence. Related parties may be individuals or other entities. The Manager (CapitaLand Commercial Trust Management Limited), is an indirect wholly owned subsidiary of a substantial Unitholder of the Trust.

In the normal course of the operations of the Group, the asset management fees and the Trustee's fees have been paid or are payable to the Manager and Trustee respectively.

During the financial year, other than those disclosed elsewhere in the financial statements, there were significant related party transactions, which were carried out in the normal course of business as follows:

	Group		Trust	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Acquisition fee and related expenses paid or payable to the Manager	5,277	20,940	–	20,940
Divestment fee and related expenses paid or payable to the Manager	2,580	4,801	2,580	4,801
Asset management fees paid or payables to the Manager	20,252	16,421	17,005	13,407
Interest received or receivable from joint ventures	3,971	426	3,971	426
Interest received or receivable from subsidiaries	–	–	46,028	17,426
Interest paid or payable to subsidiary	–	–	24,087	11,154
Leasing commissions paid or payable to related companies of the Manager	2,180	2,038	1,646	1,303
Lease charges paid or payable to subsidiary	–	–	47,000	–
Property management fees and reimbursables paid or payable to related company of the Manager	18,242	18,119	13,973	13,625
Rental income and other related income from related companies of the Manager	18,597	17,875	18,597	17,875

NOTES TO THE FINANCIAL STATEMENTS

29. OPERATING SEGMENTS

For the purpose of the assessment of segment performance, the Group's CODMs have focused on main business segments: Singapore comprising Capital Tower, Six Battery Road, Asia Square Tower 2, CapitaGreen, other commercial buildings and Germany comprising Gallileo. This forms the basis of identifying the operating segments of the Group, applying the principles under FRS 108 *Operating Segments*.

This primary format is based on the Group's management and internal reporting structure for the purpose of allocating resources and assessing performance by the Group's CODMs.

Segment property income represents income generated from its tenants. Segment property income represents the income earned by each segment after allocating property operating expenses. This is the measure reported to the Group's CODMs for the purpose of assessment of segment performance.

For the purpose of monitoring segment performance, the Group's CODMs monitor the non-financial assets as well as financial assets attributable to each segment.

Segment results, assets and liabilities include terms directly attributable to a segment as well as those that can be allocated on a reasonable basis.Unallocated items comprise mainly income-earning assets and revenue, loans and borrowings and expenses, related assets and expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Information regarding the Group's reportable segments is presented in the tables below. Amounts reported for the prior year have been represented to reflect the change in composition of its reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

29. OPERATING SEGMENTS (continued)

Group

31 December 2018

	Singapore						Germany	
	Capital Tower $'000	Six Battery Road $'000	CapitaGreen $'000	Asia Square Tower 2 $'000	Other commercial buildings[1] $'000	Total Singapore $'000	Gallileo[2] $'000	Group $'000
Gross revenue	71,409	68,887	91,121	104,962	44,826	381,205	12,763	393,968
Segment net property income	54,767	55,104	73,319	80,024	39,070	302,284	12,326	314,610
Interest income								4,781
Finance costs								(84,516)
Unallocated expenses								(21,625)
Share of results of joint ventures (net of tax)								118,097
Other material non-cash item:								
- Net change in fair value of investment properties	18,838	16,416	27,215	52,517	81,351	196,337	1,506	197,843
Consolidated return for the year before tax								529,190
Tax expense								(6,332)
Consolidated return for the year after tax								522,858
Segment assets and liabilities								
Reportable segment assets	1,394,720	1,426,358	1,665,757	2,155,389	505,461	7,147,685	573,394	7,721,079
Equity instrument at fair value								40,632
Interests in joint ventures								1,763,086
Unallocated assets								165,710
Total assets								9,690,507
Reportable segment liabilities	9,979	17,712	1,073,793	45,803	3,327	1,150,614	558,931	1,709,545
Unallocated liabilities								1,071,801
Total liabilities								2,781,346
Other segmental information								
Depreciation and amortisation	425	347	4,133	103	139	5,147	–	5,147
Capital expenditure	5,162	1,584	(1,101)	(3,515)	4,094	6,224	6,774	12,998

1 Includes HSBC Building, Bugis Village and Twenty Anson. The divestment of Twenty Anson was completed on 29 August 2018.
2 The acquisition of Gallileo Co., which holds Gallileo, was completed on 18 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

29. OPERATING SEGMENTS (continued)

Group

31 December 2017

	Singapore					
	Capital Tower $'000	**Six Battery Road $'000**	**CapitaGreen $'000**	**Asia Square Tower 2[1] $'000**	**Other commercial buildings[2] $'000**	**Group $'000**
Gross revenue	71,955	68,438	89,755	15,913	91,396	337,457
Segment net property income	54,247	53,744	70,143	12,931	74,403	265,468
Interest income						3,007
Finance costs						(68,977)
Unallocated expenses						(19,520)
Share of results of joint ventures (net of tax)						84,883
Other material non-cash item:						
- Net change in fair value of investment properties	35,724	30,752	16,810	(24,788)	189,900	248,398
- Net gain on disposal of investment properties						69,256
Consolidated return for the year before tax						582,515
Tax expense						(3,688)
Consolidated return for the year after tax						578,827
Segment assets and liabilities						
Reportable segment assets	1,365,950	1,408,516	1,635,399	2,162,613	934,671	7,507,149
Equity instrument at fair value						47,533
Interests in joint ventures						1,732,140
Unallocated assets						67,180
Total assets						9,354,002
Reportable segment liabilities	11,788	20,538	1,281,100	1,311,165	10,888	2,635,479
Unallocated liabilities						301,600
Total liabilities						2,937,079
Other segmental information						
Depreciation and amortisation	611	232	3,970	–	688	5,501
Capital expenditure	2,280	248	120	–	856	3,504

1 The acquisition of MVKimi Group which holds Asia Square Tower 2 was completed on 1 November 2017.
2 Includes HSBC Building, One George Street, Twenty Anson, Bugis Village, Golden Shoe Car Park and Wilkie Edge. The divestments of One George Street, Golden Shoe Car Park and Wilkie Edge were completed on 19 June 2017, 12 July 2017 and 11 September 2017 respectively.

NOTES TO THE FINANCIAL STATEMENTS

30. ACQUISITION OF SUBSIDIARY

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Typically, the Group assesses the acquisition as a purchase of business when the strategic management function and the associated processes were purchased along with the underlying property.

In 2018, the Group had the following acquisition of an asset:

(a) Acquisition of Gallileo Co.

On 18 June 2018, the Group acquired 94.9% interest in Gallileo Property S.a.r.l, ("Gallileo Co.") from an unrelated third party, which holds the property known as Gallileo. The property is located in Frankfurt, Germany. The acquisition has been accounted for as an acquisition of assets as no integrated activities are acquired.

From the date of acquisition to 31 December 2018, Gallileo Co. has contributed revenue of $12.8 million and net profit of $16.4 million to the Group's results. If the acquisition had occurred on 1 January 2018, the Manager estimates that the contribution to the Group's revenue and net profit from Gallileo Co. would have been $23.8 million and $23.1 million respectively. In determining this amount, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

The identifiable assets acquired, liabilities assumed and effect of cash flows are presented as follows:

	2018 Group $'000
Investment property	556,083
Trade and other receivables	401
Cash and cash equivalents	6,454
Trade and other payables	(2,942)
Amount due to previous shareholder	(8,427)
Loans and borrowings	(218,684)
Non-controlling interest[1]	(16,978)
Total identifiable net assets acquired	315,907
Loans to Gallileo Co. for repayment of amounts due to previous shareholder and banks	215,529
Total consideration transferred	531,436
Add: Acquisition fee and other related expenses	6,443
Total purchase consideration, including acquisition costs	537,879
Less: Cash and cash equivalents in subsidiary acquired	(6,454)
Less: Purchase consideration payable	(1,662)
Net cash outflow on acquisition	529,763

[1] Includes loan from non-controlling interest of $11,582,000.

NOTES TO THE FINANCIAL STATEMENTS

30. ACQUISITION OF SUBSIDIARY (continued)

In 2017, the Group had the following acquisition of an asset:

(b) Acquisition of AST2 Group

On 1 November 2017, the Group acquired 100% equity interest in MVKimi (BVI) Limited, which holds Asia Square Tower 2 Pte. Ltd. ("AST2 Co.") (collectively, referred to as "AST2 Group"), which in turn, holds the property, Asia Square Tower 2 from an unrelated third party. The acquisition had been accounted for as an acquisition of assets as no integrated activities were acquired.

From the date of acquisition to 31 December 2017, AST2 Group had contributed revenue of $15.9 million and net profit of $8.0 million to the Group's results. If the acquisition had occurred on 1 January 2017, the Manager estimated that the contribution to the Group's revenue and net loss from AST2 Group would have been $94.5 million and $63.6 million respectively. In determining this amount, management had assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

The identifiable assets acquired, liabilities assumed and effect of cash flows are presented as follows:

	2017	
	Group	**Trust**
	$'000	**$'000**
Investment property	2,094,000	
Trade and other receivables	1,447	
Cash and cash equivalents	72,040	
Security deposits	(22,993)	
Trade and other payables	(8,916)	
Amount due to previous shareholder	(198,784)	
Loans and borrowings	(1,120,154)	
Total identifiable net assets acquired	816,640	816,640
Loans to AST2 Co. for repayment of amounts due to previous shareholders and banks	1,318,938	1,318,938
Total consideration transferred	2,135,578	2,135,578
Add: Acquisition fee and other related expenses[1]	23,550	23,550
Total purchase consideration, including acquisition costs	2,159,128	2,159,128
Less: Cash and cash equivalents in subsidiary acquired	(72,040)	–
Less: Purchase consideration payable[2]	(19,896)	–
Net cash outflow on acquisition	2,067,192	2,159,128

1 Included in acquisition fee and other related expenses were non-audit fees paid and payable to auditors of the Group and the Trust of $770,000.

2 In 2018, a downward adjustment of $765,000 was made to the total purchase consideration and the balance purchase consideration of $19,131,000 was paid during the year.

NOTES TO THE FINANCIAL STATEMENTS

31. DISPOSAL OF INVESTMENT PROPERTIES

During the year, the Group and the Trust divested Twenty Anson to a third party at $516.0 million. The Group and the Trust recognised an increase in fair value of investment property of $82.5 million. The net proceeds from divestment of investment property is $511.3 million.

In 2017, the Group and the Trust had divested the following properties:

(a) One George Street to OGS LLP at $1,183.2 million;
(b) Golden Shoe Car Park to GOT and GSRT at $161.1 million; and
(c) Wilkie Edge to an unrelated third party at $280.0 million.

The Group and the Trust recognised an increase in fair value of investment properties of $189.3 million and net gain on disposal of $69.3 million. The net proceeds from divestment of investment properties is $1,230.4 million.

32. COMMITMENTS

(a) Capital expenditure commitments

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Contracted but not provided for	6,081	6,495	5,678	6,192

(b) Leases as lessor

The Group and the Trust lease out their investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Within 1 year	354,773	346,807	249,442	265,429
After 1 year but within 5 years	583,605	576,668	395,508	439,314
After 5 years	5,056	31,900	5,056	29,943
	943,434	955,375	650,006	734,686

(c) Leases as lessee

The Group leases an office space from a third party under non-cancellable operating leases. The Trust leases AST2 from its subsidiary under a MLA with a period of 21 years with effect from 1 January 2018. The lease payment comprised of an annual fixed component of $12 million and a quarterly contingent component of $8.75 million which is subject to the investment property having at least 74% of committed occupancy rates for that relevant quarter.

The contingent lease expense for the year ended 31 December 2018 is $35.0 million (2017: Nil) and is included in the Trust's other expenses.

NOTES TO THE FINANCIAL STATEMENTS

32. COMMITMENTS (continued)

(c) Leases as lessee (continued)

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Within 1 year	23	–	–	–
After 1 year but within 5 years	11	–	–	–
After 5 years	–	–	–	–
	34	–	–	–

33. FINANCIAL RATIOS

	Note	Group 2018 %	Group 2017 %
Expenses to weighted average net assets	A		
- expenses ratio excluding performance related fees		0.19	0.17
- expenses ratio including performance related fees		0.37	0.33
Portfolio turnover rate	B	7.73	18.27

Note A: 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 operating expenses, borrowing cost and income tax expense.

Note B: 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 weighted average net asset value.

34. CONTINGENCIES

AST2 Co., a subsidiary which the Group acquired in 2017, was named in an arbitration in 2014, which the subsidiary defended. The subsidiary prevailed in the arbitration in June 2016, as well as all appeals therefrom and other related lawsuits. The vendor group had also agreed to indemnify the losses which AST2 Co. may incur arising from such arbitration and related proceedings (if any).

In January 2019, the Court of Appeal dismissed the outstanding appeals in relation to the arbitration in full and in favour of AST2 Co. Accordingly, the vendor group's indemnity to AST2 Co. has also been released.

ADDITIONAL INFORMATION

INTERESTED PERSON (AS DEFINED IN THE LISTING MANUAL) AND INTERESTED PARTY (AS DEFINED IN THE PROPERTY FUNDS APPENDIX) TRANSACTIONS

The transactions entered into with interested persons during the financial year, which fall under the Listing Manual and the Property Funds Appendix of CIS (excluding transactions of less than S$100,000 each), are as follows:

	Aggregate value of all interested person transactions during the financial year under review	
	excluding transactions less than S$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920	**under unitholders' mandate pursuant to Rule 920 (excluding transactions of less than S$100,000)**
Name of Interested Person/Interested Party	**S$'000**	**S$'000**
CapitaLand Limited and its subsidiaries or associates		
- Acquisition fees[1]	5,277	-
- Asset management fees[1]	29,968	-
- Divestment fees[1]	2,580	-
- Joint venture commitment and shareholders' loans in connection with the acquisition of Gallileo	533,814	-
- Leases	48,489	-
- Leasing and marketing fees[2]	724	-
- Other marketing fees	210	-
- Property management fees and reimbursables[2]	8,702	-
- Service fees	16,231	-
	645,995	-
Temasek Holdings (Pte) Ltd and its subsidiaries or associates		
- Leases	956	-
	956	-
HSBC Institutional Trust Services (Singapore) Limited and its subsidiaries or associates		
- Leases	27,742	-
- Trustee's fee[1]	1,309	-
	29,051	-

Save as disclosed above, there were no additional interested party transactions (excluding transactions of less than S$100,000 each) entered into during the financial year under review.

Please also see Note 28 on Related Parties in the Financial Statements.

1 CCT is deemed to have obtained Unitholders approval on 12 April 2004 through the approval of the shareholders of CapitaLand Limited (as outlined in the Introductory Document dated 16 March 2004) in relation to payments of asset management fees and acquisition and divestment fees to the Manager as well as payment of Trustee fees. These payments are therefore not subject to Rules 905 and 906 of the SGX-ST Listing Manual and as such not included in the aggregate value of total interested party transactions entered into with the CapitaLand Group.

2 The property management fees and reimbursables in respect of payroll and related expenses and leasing and marketing fees are payable to the Property Manager pursuant to the property management agreement entered into between the Trustee, the Manager and the Property Manager dated 1 March 2004. The property management agreement was subsequently renewed for 5 years commencing 1 March 2014. The total property management fees and reimbursables for the renewal term of 5 years had been included in the aggregate value of total interested party transactions entered into with the CapitaLand Group for FY 2014 for purposes of Rules 905 and 906 of the SGX-ST Listing Manual.

ADDITIONAL INFORMATION

SUBSCRIPTION OF CCT UNITS

For the financial year ended 31 December 2018, an aggregate of 136,283,699 Units were issued and subscribed for. As at 31 December 2018, 3,744,429,288 Units were in issue and outstanding.

ASSET MANAGEMENT FEE PAID IN UNITS

A summary of Units issued for payment of the asset management fee (part payment) during or in respect of the financial year is as follows:

For Period	Issue Date	Units issued	*Issue Price S$	Total Value S$'000
Base Asset Management Fee				
1 January 2018 to 31 March 2018	04 May 2018	961,646	1.8013	1,732
1 April 2018 to 30 June 2018	03 August 2018	1,076,984	1.6428	1,769
1 July 2018 to 30 September 2019	09 November 2018	667,205	1.7592	1,174
1 October 2018 to 31 December 2018	26 February 2019	660,698	1.7781	1,175
				5,850
Performance Asset Management Fee				
1 January 2018 to 31 December 2018	26 February 2019	4,090,131	1.7781	7,273
				7,273
				13,123

* Based on the volume weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the last ten business days of the relevant period in which the management fees accrued.

According to disclosure requirements under paragraph 11.1, item (i) of Appendix 6 to the Code of Collective Investment Scheme, the total operating expenses incurred by CCT and its respective proportionate interest in joint ventures in FY 2018 was S$156.6 million (FY 2017: S$142.1 million). This translate to 2.3% of CCT's net asset value as at 31 December 2018 (31 December 2017: 2.2%). Taxation incurred was S$6.3 million (FY 2017: S$3.7 million).

ADDITIONAL INFORMATION

CBRE Pte. Ltd.

6 Battery Road #32-01
Singapore 049909

T (65) 6224 8181
F (65) 6225 1987

www.cbre.com.sg

Co. Reg. No.: 197701161R
Agency Licence No.: L3002163I

31 December 2018

HSBC Institutional Trust Services (Singapore) Limited
As Trustee of CapitaLand Commercial Trust
21 Collyer Quay #10-02 HSBC Building
Singapore 049320

CapitaLand Commercial Trust Management Limited
As Manager of CapitaLand Commercial Trust
168 Robinson Road #30-01 Capital Tower
Singapore 068912

Dear Sirs

LETTER OF INDEPENDENT DECLARATION – CAPITALAND COMMERCIAL TRUST

We, CBRE Pte. Ltd., being the Valuer of CapitaLand Commercial Trust ("CCT"), hereby declare and confirm that:

1. We are independent of CCT, CapitaLand Commercial Trust Management Limited in its capacity as Manager of CCT, HSBC Institutional Trust Services (Singapore) Limited in its capacity as Trustee of CCT, each of the significant holders of CCT, adviser or other party whom CCT is contracting with;

2. We do not have any pending business transactions, contracts under negotiation or other arrangements with the Manager, adviser or other party whom the Trustee is contracting with, and there are no other factors that would interfere with our ability to give an independent and professional valuation of the properties;

3. We confirm that we are authorized under the law of the state or country where the valuation takes place to practice as a valuer and issue a valuation report;

4. We confirm that we have the necessary expertise and experience in valuing properties of the type in question and in the relevant area; and

5. All of our directors are persons of good repute and have the necessary experience for the performance of their duties.

We have no objection to include the above declaration in your Annual Report.

Yours faithfully
For and on behalf of
CBRE PTE. LTD.

SIM HWEE YAN
Executive Director
Valuation & Advisory Services

ADDITIONAL INFORMATION

CBRE Pte. Ltd.

6 Battery Road #32-01
Singapore 049909

T (65) 6224 8181
F (65) 6225 1987

www.cbre.com.sg

Co. Reg. No.: 197701161R
Agency Licence No.: L3002163I

31 December 2018

HSBC Institutional Trust Services (Singapore) Limited
As Trustee-Manager of RCS Trust
21 Collyer Quay #13-02 HSBC Building
Singapore 049320

CapitaLand Commercial Trust Management Limited
As Manager of CapitaLand Commercial Trust
168 Robinson Road #30-01 Capital Tower
Singapore 068912

CapitaLand Mall Trust Management Limited
As Manager of CapitaLand Mall Trust
168 Robinson Road #30-01 Capital Tower
Singapore 068912

Dear Sirs

LETTER OF INDEPENDENT DECLARATION – RCS TRUST FOR FY2018

We, CBRE Pte. Ltd., being the Valuer of RCS Trust, hereby declare and confirm that:

1. We are independent of RCS Trust, CapitaLand Commercial Trust Management Limited, in its capacity as Manager of CapitaLand Commercial Trust ("CCT"), CapitaLand Mall Trust Management Limited, in its capacity as Manager of CapitaLand Mall Trust ("CMT"), HSBC Institutional Trust Services (Singapore) Limited, in its capacity as Trustee-Manager of RCS Trust, each of the significant holders of RCS Trust, adviser or other party whom CCT, CMT or RCS Trust is contracting with;

2. We do not have any pending business transactions, contracts under negotiation or other arrangements with the Managers, adviser or other party whom RCS Trust is contracting with, and there are no other factors that would interfere with our ability to give an independent and professional valuation of the property;

3. We confirm that we are authorized under the law of the state or country where the valuation takes place to practice as a valuer and issue a valuation report;

4. We confirm that we have the necessary expertise and experience in valuing properties of the type in question and in the relevant area; and

5. All of our directors are persons of good repute and have the necessary experience for the performance of their duties.

We have no objection to include the above declaration in your Annual Report.

Yours faithfully
For and on behalf of
CBRE PTE. LTD.

SIM HWEE YAN
Executive Director
Valuation & Advisory Services

ADDITIONAL INFORMATION

CUSHMAN & WAKEFIELD

Cushman & Wakefield VHS Pte. Ltd.
3 Church Street
#09-03 Samsung Hub
Singapore 049483
Tel +65 6535 3232
Fax +65 6535 1028
cushmanwakefield.com

Company Registration No. 200709839D

31 December 2018

HSBC Institutional Trust Services (Singapore) Limited
As Trustee of CapitaLand Commercial Trust
21 Collyer Quay #13-02 HSBC Building
Singapore 049320

CapitaLand Commercial Trust Management Limited
As Manager of CapitaLand Commercial Trust
168 Robinson Road #30-01 Capital Tower
Singapore 068912

Dear Sirs,

LETTER OF INDEPENDENT DECLARATION – CAPITALAND COMMERCIAL TRUST FOR FY2018

We, Cushman & Wakefield VHS Pte Ltd, being the Valuer of CapitaLand Commercial Trust ("CCT") hereby declare and confirm that:

1. We are independent of CCT, CapitaLand Commercial Trust Management Limited, in its capacity as Manager of CCT, HSBC Institutional Trust Services (Singapore) Limited, in its capacity as Trustee of CCT, each of the significant holders of CCT, adviser or other party whom CCT is contracting with;

2. We do not have any pending business transactions, contracts under negotiation or other arrangements with the Manager, adviser or other party whom CCT is contracting with, and there are no other factors that would interfere with our ability to give an independent and professional valuation of the property;

3. We confirm that we are authorised under the law of the state or country where the valuation takes place to practice as a valuer and issue a valuation report;

4. We confirm that we have the necessary expertise and experience in valuing properties of the type in question and in the relevant area; and

5. All of our directors are persons of good repute and have the necessary experience for the performance of their duties.

We have no objection to include the above declaration in your Annual Report.

Yours faithfully
For and on behalf of
Cushman & Wakefield VHS Pte Ltd

Chew May Yenk
Executive Director

ADDITIONAL INFORMATION

Knight Frank

31 December 2018

HSBC Institutional Trust Services (Singapore) Limited
As Trustee of CapitaLand Commercial Trust
21 Collyer Quay
#13-02 HSBC Building
Singapore 049320

CapitaLand Commercial Trust Management Limited
As Manager of CapitaLand Commercial Trust
168 Robinson Road
#30-01 Capital Tower
Singapore 068912

Dear Sirs,

LETTER OF INDEPENDENT DECLARATION – CAPITALAND COMMERCIAL TRUST FOR FY2018

We, Knight Frank Pte Ltd, being the Valuer of CapitaLand Commercial Trust ("CCT") hereby declare and confirm that:

1. We are independent of CCT, CapitaLand Commercial Trust Management Limited, in its capacity as Manager of CCT, HSBC Institutional Trust Services (Singapore) Limited, in its capacity as Trustee of CCT, each of the significant holders of CCT, adviser or other party whom CCT is contracting with;

2. We do not have any pending business transactions, contracts under negotiation or other arrangements with the Manager, adviser or other party whom CCT is contracting with, and there are no other factors that would interfere with our ability to give an independent and professional valuation of the property;

3. We confirm that we are authorised under the law of the state or country where the valuation takes place to practice as a valuer and issue a valuation report;

4. We confirm that we have the necessary expertise and experience in valuing properties of the type in question and in the relevant area; and

5. All of our directors are persons of good repute and have the necessary experience for the performance of their duties.

We have no objection to include the above declaration in your Annual Report.

Yours faithfully
For and on behalf of
Knight Frank Pte Ltd

Low Kin Hon
Deputy Group Managing Director
Head, Valuation & Advisory

Knight Frank Pte Ltd 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315
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KF Property Network Pte Ltd 491B River Valley Road #07-02 Valley Point Singapore 248373

Newmark Knight Frank

ADDITIONAL INFORMATION

JLL

Valuation (Land & Building)

31 December 2018

CL Office Trustee Pte. Ltd.
As Trustee-Manager of Glory Office Trust
168 Robinson Road #30-01 Capital Tower
Singapore 068912

Glory SR Trustee Pte. Ltd.
As Trustee-Manager of Glory SR Trust
168 Robinson Road #30-01 Capital Tower
Singapore 068912

CapitaLand Commercial Trust Management Limited
As Manager of CapitaLand Commercial Trust
168 Robinson Road #30-01 Capital Tower
Singapore 068912

Dear Sirs,

LETTER OF INDEPENDENT DECLARATION – GLORY OFFICE TRUST AND GLORY SR TRUST FOR FY2018

We, Jones Lang LaSalle Property Consultants Pte Ltd, being the Valuer of Glory Office Trust and Glory SR Trust hereby declare and confirm that:

1. We are independent of Glory Office Trust, CL Office Trustee Pte. Ltd. as Trustee-Manager of Glory Office Trust, Glory SR Trust, Glory SR Trustee Pte. Ltd. as Trustee-Manager of Glory SR Trust, CapitaLand Commercial Trust Management Limited, in its capacity as Manager of CCT, HSBC Institutional Trust Services (Singapore) Limited, in its capacity as Trustee of CCT, each of the significant holders of Glory Office Trust and Glory SR Trust, adviser or other party whom Glory Office Trust or Glory SR Trust is contracting with;
2. We do not have any pending business transactions, contracts under negotiation or other arrangements with the Manager, adviser or other party whom Glory Office Trust or Glory SR Trust is contracting with, and there are no other factors that would interfere with our ability to give an independent and professional valuation of the property;
3. We confirm that we are authorised under the law of the state or country where the valuation takes place to practice as a valuer and issue a valuation report;
4. We confirm that we have the necessary expertise and experience in valuing properties of the type in question and in the relevant area; and
5. All of our directors are persons of good repute and have the necessary experience for the performance of their duties.

We have no objection to include the above declaration in your Annual Report.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Property Consultants Pte Ltd

Tan Keng Chiam
Regional Director

Jones Lang LaSalle Property Consultants Pte Ltd
Jones Lang LaSalle Property Management Pte Ltd
9 Raffles Place #39-00 Republic Plaza Singapore 048619
tel +65 6220 3888 fax +65 6438 3360

Company Reg No: 198004794D Agency Licence No. L3007326E
Company Reg No. 197600508N

RESTRICTED

ADDITIONAL INFORMATION

CUSHMAN & WAKEFIELD

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Tel +49 (0) 69 50 60 73 0
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Cushman & Wakefield | Rathenauplatz 1 | 60313 Frankfurt

HSBC Institutional Trust Services (Singapore) Limited
As Trustee of CapitaLand Commercial Trust
21 Collyer Quay #13-02 HSBC Building
Singapore 049320

CapitaLand Commercial Trust Management Limited
As Manager of CapitaLand Commercial Trust
168 Robinson Road #30-01 Capital Tower
Singapore 068912

31 December 2018

LETTER OF INDEPENDENT DECLARATION – CAPITALAND COMMERCIAL TRUST FOR FY2018

Dear Sirs,

We, C&W (U.K.) LLP German Branch, being the Valuer of CapitaLand Commercial Trust ("CCT") hereby declare and confirm that:

1. We are independent of CCT, CapitaLand Commercial Trust Management Limited, in its capacity as manager of CCT, HSBC Institutional Trust Services (Singapore) Limited, in its capacity as Trustee of CCT, each of the significant holders of CCT, adviser or other party whom CCT is contracting with;

2. We do not have any pending business transactions, contracts under negotiation or other arrangements with the manager, adviser or other party whom CCT is contracting with, and there are no other factors that would interfere with our ability to give an independent and professional valuation of the property;

3. We confirm that we are authorized under the law of the state or country where the valuation takes place to practice as a valuer and issue a valuation report;

4. We confirm that we have the necessary expertise and experience in valuing properties of the type in question and in the relevant area; and

5. All of our directors are persons of good repute and have the necessary experience for the performance of their duties.

We have no objection to include the above declaration in your Annual Report.

Yours faithfully
For and on behalf of
C&W (U.K.) LLP German Branch

Martin Belik
International Partner
Head of Valuation Germany

STATISTICS OF UNITHOLDINGS

As at 15 February 2019

ISSUED AND FULLY PAID UNITS

3,744,429,288 Units (Voting Rights: 1 Vote per Unit)
Market capitalisation of S$7,002,082,769 based on market closing Unit price of S$1.870 on 15 February 2019

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	352	1.3	8,440	0.0
100 - 1,000	6,074	22.3	3,467,766	0.1
1,001 - 10,000	15,129	55.4	65,740,294	1.8
10,001 - 1,000,000	5,712	20.9	226,457,452	6.0
1,000,001 and above	39	0.1	3,448,755,336	92.1
TOTAL	**27,306**	**100.0**	**3,744,429,288**	**100.0**

LOCATION OF UNITHOLDERS

	No. of Unitholders	%	No. of Units	%
Singapore	18,535	67.9	1,394,842,445	37.3
Malaysia	617	2.2	5,510,343	0.1
Others	8,154	29.9	2,344,076,500	62.6
TOTAL	**27,306**	**100.0**	**3,744,429,288**	**100.0**

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	SBR Private Limited	746,646,934	19.9
2	Citibank Nominees Singapore Pte Ltd	745,620,703	19.9
3	DBS Nominees (Private) Limited	579,501,807	15.4
4	DBSN Services Pte. Ltd.	353,911,117	9.4
5	HSBC (Singapore) Nominees Pte Ltd	336,037,404	9.0
6	E-Pavilion Pte Ltd	215,869,742	5.8
7	CapitaLand Commercial Trust Management Limited	163,074,719	4.4
8	Raffles Nominees (Pte.) Limited	123,489,122	3.3
9	BPSS Nominees Singapore (Pte.) Ltd.	56,382,095	1.5
10	DB Nominees (Singapore) Pte Ltd	15,459,259	0.4
11	United Overseas Bank Nominees (Private) Limited	14,824,459	0.4
12	OCBC Securities Private Limited	10,101,424	0.3
13	Maybank Kim Eng Securities Pte. Ltd.	8,163,167	0.2
14	Gralf Max Hans Sieghold	8,000,000	0.2
15	OCBC Nominees Singapore Private Limited	7,134,430	0.2
16	Pei Hwa Foundation Limited	7,055,700	0.2
17	UOB Kay Hian Private Limited	6,008,358	0.2
18	Toh Capital Pte Ltd	5,672,600	0.2
19	Phillip Securities Pte Ltd	4,623,597	0.1
20	DBS Vickers Securities (Singapore) Pte Ltd	3,911,384	0.1
	TOTAL	**3,411,488,021**	**91.1**

STATISTICS OF UNITHOLDINGS

As at 15 February 2019

DIRECTORS' INTERESTS IN UNITS AND CONVERTIBLE SECURITIES AS AT 21 JANUARY 2019

Based on the Register of Directors' Unitholdings, the interests of the Directors in Units and convertible securities issued by CCT are as follows:

	No. of Units		Contingent Awards of Units[1] under the Manager's	
Name of Director	**Direct Interest**	**Deemed Interest**	**Performance Unit Plan**	**Restricted Unit Plan**
Soo Kok Leng	64,222	-	-	-
Kevin Chee Tien Jin	69,690	-	0 to 184,904[2]	46,102[3,4] 0 to 79,248[2,4]
Lam Yi Young	-	-	-	-
Tan Soon Neo Jessica	5,391	-	-	-
Quek Bin Hwee (Mrs)	-	-	-	-
Ng Wai King	-	-	-	-
Lee Chee Koon	-	-	-	-
Lim Cho Pin Andrew Geoffrey	-	-	-	-

1 This refers to the number of Units which are the subject of contingent awards granted but not released under the Manager's Performance Unit Plan (PUP) and Restricted Unit Plan (RUP). The final number of Units that will be released could range from 0% to a maximum of 200% of the baseline award under the PUP and from 0% to a maximum of 150% of the baseline award under the RUP.

2 The final number of Units to be released will depend on the achievement of pre-determined targets at the end of the respective performance periods for PUP and RUP.

3 Being the unvested two-thirds of the RUP 2017 Award.

4 On the final vesting, an additional number of Units of a total value equal to the value of the accumulated distributions which are declared during each of the vesting periods and deemed foregone due to the vesting mechanism of RUP, will also be released.

STATISTICS OF UNITHOLDINGS

As at 15 February 2019

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS AS AT 15 FEBRUARY 2019

Based on the information available to the Manager, as at 15 February 2019, the unitholdings of Substantial Unitholders of CCT are as follows:

Name of Substantial Unitholder	Direct Interest No. of Units	Direct Interest %	Deemed Interest No. of Units	Deemed Interest %
Temasek Holdings (Private) Limited (THPL)	-	-	1,154,345,021[1]	30.83
CapitaLand Limited (CL)	-	-	1,125,591,395[2]	30.06
CapitaLand Singapore Limited (CLS)	-	-	962,516,676[3]	25.71
SBR Private Limited (SBR)	746,646,934	19.94	-	-
CapitaLand (Office) Investments Pte Ltd (COI)	-	-	746,646,934[4]	19.94
E-Pavilion Pte. Ltd. (E-Pavilion)	215,869,742	5.77	-	-
CapitaLand Investments Pte Ltd (CIPL)	-	-	215,869,742[5]	5.77
BlackRock, Inc. (BlackRock)	-	-	202,309,411[6]	5.40
The PNC Financial Services Group, Inc. (PNC)	-	-	202,309,411[7]	5.40

1 THPL is deemed to have an interest in the unitholdings in which its subsidiaries and associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore. THPL is wholly owned by the Minister for Finance.

2 CL is deemed to have an interest in the unitholdings of its indirect wholly owned subsidiaries namely, SBR, E-Pavilion and CapitaLand Commercial Trust Management Limited (CCTML). CCTML holds 163,074,719 Units.

3 CLS is deemed to have an interest in the unitholdings of its indirect wholly owned subsidiaries namely, SBR and E-Pavilion.

4 COI is deemed to have an interest in the unitholding of its direct wholly owned subsidiary namely, SBR.

5 CIPL is deemed to have an interest in the unitholding of its direct wholly owned subsidiary namely, E-Pavilion.

6 BlackRock is deemed to have an interest in the unitholdings of its subsidiaries of which it has indirect control.

7 PNC is deemed to have an interest in the unitholdings through its over 20% shareholding in BlackRock.

PUBLIC FLOAT

Based on the information available to the Manager, as at 15 February 2019, approximately 63% of the Units were held in the hands of the public. Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.

CORPORATE INFORMATION

CAPITALAND COMMERCIAL TRUST

REGISTERED ADDRESS
HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
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TRUSTEE
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Public Accountants and Chartered Accountants
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Partner-in-charge: Mr Lau Kam Yuen
(With effect from financial year ended 31 December 2014)

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Website: https://www1.cdp.sgx.com

THE MANAGER

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Email: ask-us@cct.com.sg
Website: www.cct.com.sg

BOARD OF DIRECTORS
Soo Kok Leng
Chairman & Non-Executive Independent Director

Kevin Chee Tien Jin
Chief Executive Officer & Executive Non-Independent Director

Lam Yi Young
Non-Executive Independent Director

Tan Soon Neo Jessica
Non-Executive Independent Director

Quek Bin Hwee (Mrs)
Non-Executive Independent Director

Ng Wai King
Non-Executive Independent Director

Lee Chee Koon
Non-Executive Non-Independent Director

Lim Cho Pin Andrew Geoffrey
Non-Executive Non-Independent Director

AUDIT COMMITTEE
Quek Bin Hwee (Mrs)
Chairman

Lam Yi Young
Tan Soon Neo Jessica
Lim Cho Pin Andrew Geoffrey

CORPORATE DISCLOSURE COMMITTEE
Soo Kok Leng
Chairman

Lee Chee Koon
Kevin Chee Tien Jin

EXECUTIVE COMMITTEE
Lee Chee Koon
Chairman

Lim Cho Pin Andrew Geoffrey
Kevin Chee Tien Jin

COMPANY SECRETARIES
Lee Ju Lin, Audrey
Tee Leng Li

THE PROPERTY MANAGERS
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Fax: +65 6337 3618

Counter Name: CapitaCom Trust
Stock Symbol: C6IU

This Annual Report to Unitholders may contain forward-looking statements. Forward-looking statement is subject to inherent uncertainties and is based on numerous assumptions. Actual performance, outcomes and results may differ materially from those expressed in forward-looking statements. Representative examples of factors which may cause the actual performance, outcomes and results to differ materially from those in the forward-looking statements include (without limitation) changes in general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate investment opportunities, competition from other companies, shifts in customers' demands, changes in operating conditions, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current views of management on future events.

CapitaLand Commercial Trust Management Limited
(Registration Number: 200309059W)
(Incorporated in the Republic of Singapore)

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