

SABANA

SHARI'AH COMPLIANT REIT

SABANA REIT

Annual Report
2018

VISION

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

MISSION

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

CORE VALUES

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

- ▶ **UNITHOLDERS' INTERESTS FIRST**
We strive to build a portfolio of quality assets for our Unitholders.
- ▶ **FOCUS ON VALUE CREATION**
We promise to create value for Unitholders by creating success factors and direction for the future.
- ▶ **INTEGRITY**
We are committed to the values of responsibility, transparency and professionalism.
- ▶ **FAIRNESS AND EQUALITY**
We ensure that our business activities are consistent with the principles of fairness, partnerships and equality.
- ▶ **PEOPLE**
We recognise that our people are our greatest assets. By creating and maintaining a conducive working environment, our people will grow professionally and make a positive impact to both the organisation and society.

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CORPORATE PROFILE

ABOUT SABANA REIT

Listed on Singapore Exchange Securities Trading Limited since 26 November 2010, Sabana REIT has a diversified property portfolio valued at S\$0.9 billion as at 31 December 2018, comprising 19 properties strategically located across Singapore. Sabana REIT has four main industrial property segments: High-tech Industrial, Chemical Warehouse and Logistics, Warehouse and Logistics and General Industrial. As at 31 December 2018, Sabana REIT continued to be one of the largest listed Shari'ah compliant REITs in the world in terms of total asset size. The Trust is managed by an external manager, Sabana Real Estate Investment Management Pte. Ltd. (the "Manager").

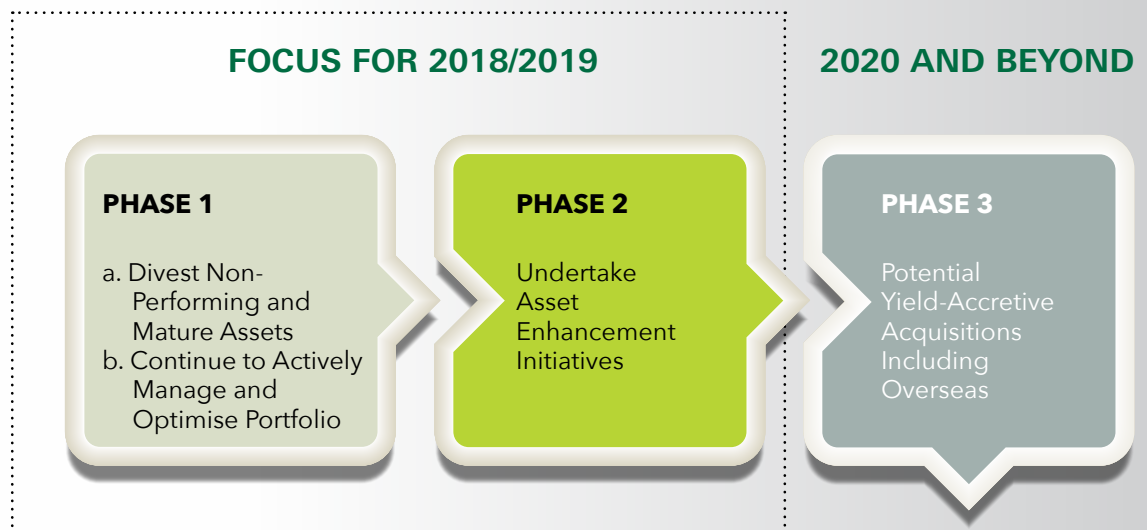
THE MANAGER

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

WE WORK FOR UNITHOLDERS

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

OUR REFRESHED STRATEGY



ALL UNDERPINNED BY

- Prudent Capital and Risk Management
- Ongoing Cost Rationalisation

LETTER TO UNITHOLDERS

Dear Unitholders,

2018 was a challenging year, characterised by volatile conditions in global markets. In particular, the US-China trade war created a turbulent operating environment for many industries that had a knock-on effect for our business.

Yet, as you receive this Annual Report, your team at Sabana REIT - while not discounting any of the challenges - has reasons for cautious optimism as we make good progress in delivering our Refreshed Strategy. Over the course of the year, we took some difficult but necessary decisions to reshape our portfolio and lay the foundations to be able to eventually turn performance around in the future.

This strategy is being driven by a stable, close-knit management team with the oversight of a strong Board of Directors. The Sabana REIT leadership is populated by decision-makers rich in relevant experience with the diverse skills to create long-term value for Unitholders.

We are pleased to have completed Phase 1 of our strategy and are excited to now be moving on to Phase 2 - to undertake asset enhancement initiatives ("AEI") - having received provisional approval to rejuvenate our flagship property New Tech Park at 151 Lorong Chuan.



LETTER TO UNITHOLDERS



Mr. Donald Han
Chief Executive Officer

Mr. Yong Kok Hoon
Chairman and Independent
Non Executive Director

LETTER TO UNITHOLDERS

LAYING THE FOUNDATION FOR THE FUTURE

Proactive leasing efforts and divestment of non-performing or mature assets was the lynchpin of Phase 1 of our Refreshed Strategy.

Our commitment to actively manage and optimise our portfolio is literally “across the board” as we aim to unlock long-term growth. Together, we have been continually meeting and engaging with key existing tenants, seeking new ones and pursuing negotiations to drive occupancy levels. We have expanded and enhanced our relationship with agents specialising in business space from both local and international real estate agencies to attract more corporate tenants. We even forged a special ‘platinum partnership’ with many of our agents, to better incentivise them to bring in larger or repeat leases.

This has resulted in an empowered team ready to respond nimbly to any market opportunities. Despite the initial plan to sell 1 Tuas Avenue 4[#] and 21 Joo Koon Crescent, we acted opportunistically to divest 1 Tuas Avenue 4 and find a replacement master tenant for 21 Joo Koon Crescent instead. Our agility also enabled us to divest 9 Tai Seng Drive, which we had fully optimised, at a highly attractive price for us.

We are pleased to have cleared the hurdles of 2018 and are working hard to make continued progress in 2019. Through our announced divestments of 3 properties (6 Woodlands Loop, 9 Tai Seng Drive and 1 Tuas Avenue 4) totalling S\$124.58 million, we have realised an approximately 59.0% gain over book value. The proceeds can fund value accretive propositions such as AELs, repay outstanding loans and/or for consideration of distribution to you, our Unitholders.

As we embark on Phase 2 of our strategy, New Tech Park’s AEL is at the fulcrum. As the Manager is poised to rejuvenate its flagship asset, it is also a case of life coming to a full circle for your CEO. As a young real estate consultant in an international property firm in 1989, he and his team then made their mark securing tenants for New Tech Park which was touted as Singapore’s first “business park” with an innovative concept to accommodate high-end industrial tenants with office needs. It achieved high occupancy rates in record time. Fast forward 30 years, Donald now helms Sabana REIT and is working hard with the Board, management and staff to restore New Tech Park to its former glory, if not exceed it.

With a current gross floor area (“GFA”) of approximately 75,317 sqm and representing approximately one third of our portfolio asset value, the

rejuvenation of New Tech Park will be a priority for Sabana REIT in the next 12 months. The initial plan is to add approximately 3,980.0 sqm of new commercial gross floor area. Once completed, tenants and residents nearby will have an improved and exciting mix of integrated retail and dining options within a thriving business hub. As with all AELs, we can expect some short-term impact during the transition period as we firstly undertake work, then bring onboard new tenants. But ultimately the longer-term benefits to revenue and occupancy will outweigh the initial impact.

This rejuvenation of New Tech Park is in line with the Manager’s aim to improve the quality of our asset base and drive performance without necessarily making acquisitions. Upon completion of works at New Tech Park, we can assess the feasibility of replicating the AEL model to our other prime and centrally located properties to maintain healthy leasing demand for our portfolio.

SABANA REIT PERFORMANCE

In FY 2018, the still challenging industrial property market continued to weigh on our performance, as we recorded lower year-on-year DPU of 3.18 Singapore cents for FY 2018, 3.9% down compared to the 3.31 Singapore cents for FY 2017.

[#] The completion of 1 Tuas Avenue 4 is pending JTC’s approval.

LETTER TO UNITHOLDERS

Yet, our balance sheet remained resilient. We lowered gearing to 36.8% at the end of FY 2018 from 38.2% as at the end of FY 2017. While we are unable to control external factors like the rising borrowing rates environment, we are committed to lowering our gearing to build the debt headroom that would put us in a better position with financial institutions to fund the next stages of growth. As one of the constituents of the newly launched FTSE ST Singapore Shariah Index, the REIT also widened its potential investor base. Our net asset value ("NAV") stood at 57 Singapore cents as at the end of FY 2018 (FY 2017: 54 Singapore cents).

We also delivered on our commitment to optimise our portfolio. Over the course of the year, we secured 61 lease transactions, renewed all five master leases set to expire in FY 2018 and undertook strategic divestments of 6 Woodlands Loop, 9 Tai Seng Drive and 1 Tuas Avenue 4 to streamline our portfolio. We also converted 10 Changi South Street 2 into a multi-tenanted property and secured a major tenant to complement the master tenant. Other highlights include achieving higher occupancies for 23 Serangoon North Avenue 5 and securing a new master tenant for 21 Joo Koon Crescent. Our star portfolio performer for FY 2018 was 508 Chai Chee Lane, which is now 100.0% occupied.

Putting it all together, if the divestment of 1 Tuas Avenue 4 and 9 Tai Seng Drive – announced in September 2018 – had been completed by the end of FY 2018, occupancy levels would have been 88.5% instead of 84.4% as at 31 December 2018.

LOOKING AHEAD

As we forge ahead and execute our Refreshed Strategy, we remain optimistic but are cognisant of the challenges ahead and adopt a pragmatic assessment of market outlook. Improving performance continues to be our priority and we remain focused on ramping up occupancy levels nearer to 89.0% - 90.0%.

In the coming year, we aim to stabilise valuations and rentals to uplift our asset under management ("AUM"). Our leasing strategy will be to target companies in resilient and growing industries like technology, healthcare, and education which have shown a willingness to move backroom operations from more costly city centre locations. When the AEI for New Tech Park is completed, our AUM can grow directly and contribute more positively to performance in the long run.

ACKNOWLEDGEMENTS

Our people are our most important asset and the progress we have made within this short timeframe was only possible due to their unreserved commitment towards a united goal of improving our performance. We owe them a debt of gratitude for standing with us.

Our Trustee, partners, lenders and tenants have also given us tremendous support for which we are deeply grateful.

Finally, we would like to express our heartfelt thanks for all the support that you, our Unitholders, have given us. Your continued patience and the vote of confidence we have received inspires us to work harder. Having laid a firm foundation, we are confident of delivering sustainable, long-term value for you.

Mr. Yong Kok Hoon

Chairman and Independent
Non Executive Director

Mr. Donald Han

Chief Executive Officer

SHARI'AH COMPLIANCE

COMMONLY ASKED QUESTIONS

INDEPENDENT SHARI'AH COMMITTEE

Dr. Mohamed Ali Elgari
Professor Dr. Obiyathulla Ismath Bacha
Dr. Ashraf bin Mohammed Hashim

Q: What does being "Shari'ah compliant" mean?

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

Q: What are the differences in the day-to-day operations of Sabana REIT compared to conventional REITs?

A: We have to ensure that the total rental income from lessees, tenants and/or sub-tenants engaging in activities prohibited under the Shari'ah guidelines should not exceed 5.0% per annum of the Trust's gross revenue. On an annual basis, our Shari'ah Advisor, Five Pillars Pte. Ltd. (The "Shari'ah Advisor") conducts audit checks to ensure that the business activities conducted by the tenants are permissible by Shari'ah guidelines. Business activities relating to conventional financial and insurance services, gaming, non-halal production, tobacco-related products, non-permitted entertainment activities and stock-broking in non-compliant

securities are considered to be non-permissible. The assessments by the Shari'ah Advisor would then be reported to the Independent Shari'ah Committee which will decide if Sabana REIT is eligible for re-certification as being Shari'ah compliant.

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

Q: Does being Shari'ah compliant limit growth opportunities for Sabana REIT?

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

Q: How is Sabana REIT different from other listed Shari'ah compliant REITs?

A: Sabana REIT is the only Singapore listed REIT which has obtained a certification issued by an Independent Shari'ah Committee consisting of respected Islamic scholars from Malaysia and Saudi Arabia. The

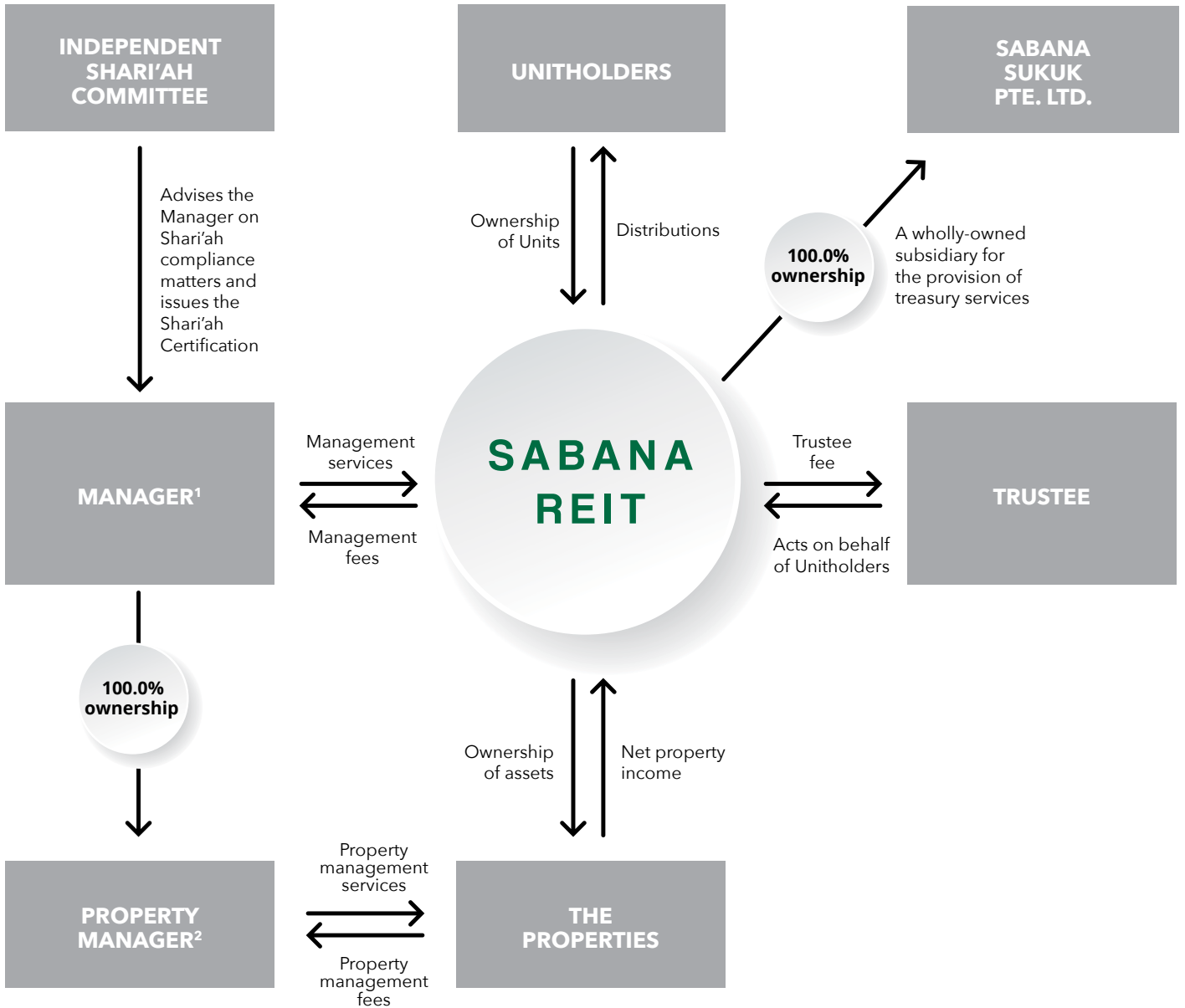
certificate represents an endorsement of Sabana REIT's compliance with Shari'ah guidelines according to standards generally accepted in GCC¹ region, such that the total income should not exceed 5.0% of the Trust's gross revenue. The standards used in the GCC states are typically stricter compared to the other parts of the world, thus making it accessible to even more Shari'ah investors. Any non-Shari'ah income generated by Sabana REIT is given away to charitable causes on a quarterly basis. For FY2018, Sabana REIT's non-Shari'ah income that was donated represents only approximately 0.18% of Sabana REIT's gross revenue.

Q: Does Sabana REIT have to comply with prevailing legislation, regulations, accounting standards, guidelines and directives affecting REITs in Singapore or is it only subject to Shari'ah Guidelines?

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

¹ Refers to Corporation Council for the Arab States of the Gulf

OUR TRUST STRUCTURE



¹ The Manager is 100.0% owned by SIP. SIP is 51.0% owned by the Sponsor, 45.0% owned by Blackwood and 4.0% owned by AACP as at 31 December 2018.

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

2018 SIGNIFICANT EVENTS

FEBRUARY

- On 28 February 2018, announced proposed divestment of 6 Woodlands Loop, for a sale price of S\$13.8 million.

APRIL

- On 5 April, CEO sat in an interview with The Edge to showcase Sabana REIT's refreshed strategy and leadership. The interview was subsequently published in print and online on 13 April and 17 April, respectively.
- On 9 April, published Sabana REIT's 2017 Annual Report.
- On 23 April, announced Sabana REIT's 1Q 2018 Financial Results.
- On 25 April, Sabana REIT's 2018 Annual General Meeting ("AGM") held.

JANUARY

- On 25 January, Mr Donald Han was appointed as Chief Executive Officer ("CEO") and Mr Aw Wei Been ceased to be Acting CEO. Mr Aw remains as Chief Operating Officer ("COO") of the Manager.
- On 25 January, Mr Tan Cheong Hin was appointed as Independent Non-Executive Director and Audit Committee member.
- On 25 January, announced Sabana REIT's 4Q 2017 Financial Results.

MARCH

- On 1 March, CEO met with high-performing industrial property agents and unveiled new competitive commission scheme and agent loyalty programme.
- On 1 March, CEO live interview with Money FM 89.3 to give an update on 6 Woodlands Loop's divestment exercise.
- On 7 March, CEO presentation with analysts on Sabana REIT's refreshed leadership.
- On 29 March, announced the sale completion of 6 Woodlands Loop.

2018 SIGNIFICANT EVENTS

SEPTEMBER

- On 11 September, Chief Strategy Officer and Head of Investor Relations Mr Tay Chiew Sheng resigned.
- On 24, 25 and 27 September, attended non-deal roadshow with CIMB Bank in Singapore and Kuala Lumpur.
- On 26 September, announced proposed divestment of 9 Tai Seng Drive, Geo-Tele Centre, for a sale price of S\$99.6 million.
- On 28 September, announced proposed divestment of 1 Tuas Avenue 4, for a sale price of S\$11.18 million.

NOVEMBER

- On 20 November, CEO live interview with Money FM 89.3 to give an update on Sabana REIT's business model and the importance of clear communications to unitholders.

JULY

- On 25 July, announced Sabana REIT's 2Q 2018 Financial Results.
- On 27 July, Chief Financial Officer Ms Tan Chiew Kian resigned.

OCTOBER

- On 8 October, published Sabana REIT's inaugural 2017 Sustainability Report.
- On 26 October, announced Sabana REIT's 3Q 2018 Financial Results.

DECEMBER

- Signed new master lease for the property located at 21 Joo Koon Crescent.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL FIGURES

S\$'000	FY 2018	FY 2017	FY 2016
Gross revenue	80,961	85,196	91,807
Net property income	52,790	53,379	56,942
Distributable income	33,391	35,005	36,949
DPU (cents)	3.18	3.31	4.64

SELECTED BALANCE SHEET DATA

S\$'000	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Total assets	989,409	966,109	1,022,889
Borrowing, at amortised costs	361,709	365,806	437,924
Net assets attributable to Unitholders	604,478	571,545	556,795
Units in issue and to be issued entitled to distribution ('000)	1,053,084	1,053,084	1,053,084
NAV per Unit (S\$)	0.57	0.54	0.75
Adjusted NAV per Unit (S\$)	0.57	0.53	0.74
Market capitalisation	410,703	415,968	399,191

BORROWINGS PROFILE

	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Aggregate leverage ¹	36.8%	38.2%	43.2%
Total borrowings (S\$ million)	363.0	367.5	441.1
Fixed as % of total borrowings	71.6%	76.2%	90.2%
Weighted average all-in financing cost	4.2%	3.9%	4.2%
Weighted average tenor of borrowings	1.3 years	1.8 years	1.9 years
Profit coverage ratio ²	3.8x	3.7x	3.1x
Unencumbered investment properties (S\$ million) ³	240.8	268.7	331.5

¹ Ratio of total borrowings and deferred payments over deposited property as defined in the Property Funds Appendix.

² Ratio of net property income over profit expense (excluding amortisation and other fees).

³ Based on independent valuations by independent valuers.

BOARD OF DIRECTORS



MR YONG KOK HOON

Chairman and Independent Non-executive Director

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

Mr Yong has more than 37 years of auditing, management and operation experiences from International Accounting firms and large listed conglomerates in SGX and SET. He is presently an Executive Director of China Jishan Holdings Ltd. Prior to this, he held various senior leadership roles in Innotek Group from 1999 to 2014. He was the Managing Director of Innotek Ltd (SGX), Chairman & CEO of Mansfield Group (HK) and Executive Director of MPT Ltd (SET). From 1996 to 1999, he was the CFO of QAF Ltd. From 1981 to 1995, he was with International Accounting firms KPMG, Ernst and Young and last served as an Audit Partner in Moore Stephen. He was a member of the financial statements review committee and was also a member of the China Committee of the Institute of Singapore Chartered Accountants.

Mr Yong is a Chartered Accountant (Singapore) and a Fellow of the Association of Chartered Certified Accountants (UK). He also holds a Master of Business Administration degree from the International Management Centre, Europe. He attended the CEO program of Tsing Hua University and also the CEO program of the Singapore Institute of Management.

PRESENT DIRECTORSHIPS

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

BOARD OF DIRECTORS



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

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

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

MR TAN CHEONG HIN

Independent Non-executive Director

PRESENT DIRECTORSHIPS

- Sabana Real Estate Investment Management Pte. Ltd.

BOARD OF DIRECTORS



MR KELVIN TAN WEE PENG
Independent Non-executive Director

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

Mr Tan has more than 30 years of management and operational experience in the private and public sectors. With extensive directorship experience on public-listed companies, he currently sits on the boards of Viking Offshore and Marine Ltd., IREIT Global Group Pte. Ltd. and Unusual Ltd. He also holds directorship and advisory positions with several other companies and investment funds such as Golden Equator Capital and Makara Capital Partners.

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

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

PRESENT DIRECTORSHIPS

- Sabana Real Estate Investment Management Pte. Ltd. • GBE Investments Pte. Ltd.
- Viking Offshore And Marine Ltd. • YK Management Pte. Ltd. • NL Consulting Pte. Ltd.
- IREIT Global Group Pte. Ltd. • Golden Equator Capital Pte. Ltd.
- Oriental Straits Fund II-D Cayman Island • Unusual Ltd. • ISCA Pte. Ltd. • ATT(S) Pte. Ltd.

BOARD OF DIRECTORS



MR HENRY CHUA TIONG HOCK
Non-executive Director

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

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

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

PRESENT DIRECTORSHIPS

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

MANAGEMENT TEAM

MR DONALD HAN

Chief Executive Officer

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

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

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

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

MR AW WEI BEEN

Chief Operating Officer and Head of Asset Management

Mr Aw was appointed as the Chief Operating Officer and Head of Asset Management of the Manager since the listing of Sabana REIT in November 2010. He has worked in the real estate industry for approximately 23 years.

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

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

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

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

MR LIU QINGBIN

Vice President, Finance

Mr Liu Qingbin was appointed as Vice President, Finance of the Manager in May 2018. He is responsible for all finance functions including accounting, taxation, treasury, capital management and financial reporting of Sabana REIT and its subsidiaries.

Mr Liu Qingbin has more than 13 years of experience in accounting, auditing and corporate finance. He joined the Manager in September 2012 as Finance Manager. Prior to joining the Manager, he was an Audit Manager at PricewaterhouseCoopers LLP Singapore.

Mr Liu Qingbin holds a Bachelor in Accountancy (First Class Honours) from the Nanyang Technological University and is a Chartered Accountant and a member of the Institute of Chartered Accountants of Singapore.

INVESTOR RELATIONS

OUR GUIDING PRINCIPLE

Providing a timely, clear and consistent information to Sabana REIT's stakeholders is our top priority as the Manager. We believe that by doing so, they will be able to assess the value proposition of Sabana REIT and make informed investment decisions.

PROACTIVE ENGAGEMENT

Our Investor Relations (IR) team is easily contactable via phone and email. Any queries or concerns by stakeholders pertaining to Sabana REIT are addressed promptly. Analysts and media have access to the management through quarterly briefings after the release of Sabana REIT's financial results.

OUR COMMITMENT TO CORPORATE TRANSPARENCY

We aim to release our quarterly financial results within one month from the end of each quarter through SGX-ST via the SGXNet and our corporate website at www.sabana-reit.com. The same goes to market sensitive news where they are broadcasted via

the same channels. Other pertinent information including annual reports, sustainability reports, financial information, distribution history, portfolio details, announcements and press releases relating to Sabana REIT's corporate development are also updated regularly on our website.

SUSTAINABILITY REPORTING

Sabana REIT believes that managing both business opportunities and Environmental, Social and Governance ("ESG") risks prudently will enable us to continue delivering long-term value to all our stakeholders. Sabana REIT will publish its standalone FY 2018 Sustainability Report (the "Report") in May 2019, where we will share our management, performance and targets in relation to ESG factors that are material to our business and stakeholders. The Report will be our second Sustainability Report and will be aligned to SGX-ST's Listing Rules - Sustainability Reporting Guide. The Report will be publicly accessible through Sabana REIT's company website as well as on SGXNet.

It should be read in conjunction with our Annual Report.

EFFECTIVE COMMUNICATIONS

We continue to encourage participations from Unitholders through our Annual General Meetings ("AGM") held annually at locations which are easily accessible through public transportations. On 25 April 2018, Sabana REIT held its 2018 AGM at Raffles City Convention Centre with a turnout of 255 Unitholders. We also engage with the investment community on a regular basis through phone calls, emails and face-to-face meetings to ensure that they are kept up to date with publicly available information. In September 2018, senior management participated in a non-deal roadshow with CIMB Singapore to meet with investors from Singapore and Kuala Lumpur.

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

INVESTOR & MEDIA RELATIONS ACTIVITIES IN FY 2018

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
<ol style="list-style-type: none"> CEO presentation with analysts on Sabana REIT's refreshed leadership Analysts and Media Results Briefing for 4Q 2017 Financial Results 	<ol style="list-style-type: none"> Sabana REIT's 7th AGM Published Sabana REIT's 2017 Annual Report Analysts and Media Results Briefing for 1Q 2018 Financial Results 	<ol style="list-style-type: none"> Analysts and Media Results Briefing for 2Q 2018 Financial Results Non-deal roadshow (NDR) with CIMB Bank in Singapore and Kuala Lumpur 	<ol style="list-style-type: none"> Published Sabana REIT's inaugural 2017 Sustainability Report Analysts and Media Results Briefing for 3Q 2018 Financial Results

UNITHOLDERS' ENQUIRIES

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

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 Singapore 556741

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Website: www.sabana-reit.com

CORPORATE SOCIAL RESPONSIBILITY



Sabana REIT believes in contributing back to the society through corporate social responsibility (CSR) efforts. The Manager actively seeks out causes for those in need with the intention of fostering positive relationships within the community it operates in. During the financial year ended 2018, Sabana REIT contributed S\$48,236 from its non-Shari'ah income to several charitable organizations, namely Singapore Kadayanallur Muslim League ("SKML"), SG Enable - TODAY Enabled Fund ("TEF") and National Youth Achievement Award Council ("NYAAC").

SKML originally provides social and financial assistance to the local Indian Muslim community but has now widened its outreach, working with national organisations such as Sinda, Yayasan Mendaki, MUIS, Jamiyah Singapore, and PA's Narpani Pearavai, to help all Singaporeans. TEF seeks to build a more caring society where persons with disabilities are integral members of the community. It provides financial assistance to persons with disabilities and supports efforts that enhance education and

employment prospects of persons with disabilities. Lastly, NYAAC is a premier youth development programme in Singapore with activities designed to equip youths with personal qualities and skills to improve themselves and make a difference to their communities and their world.



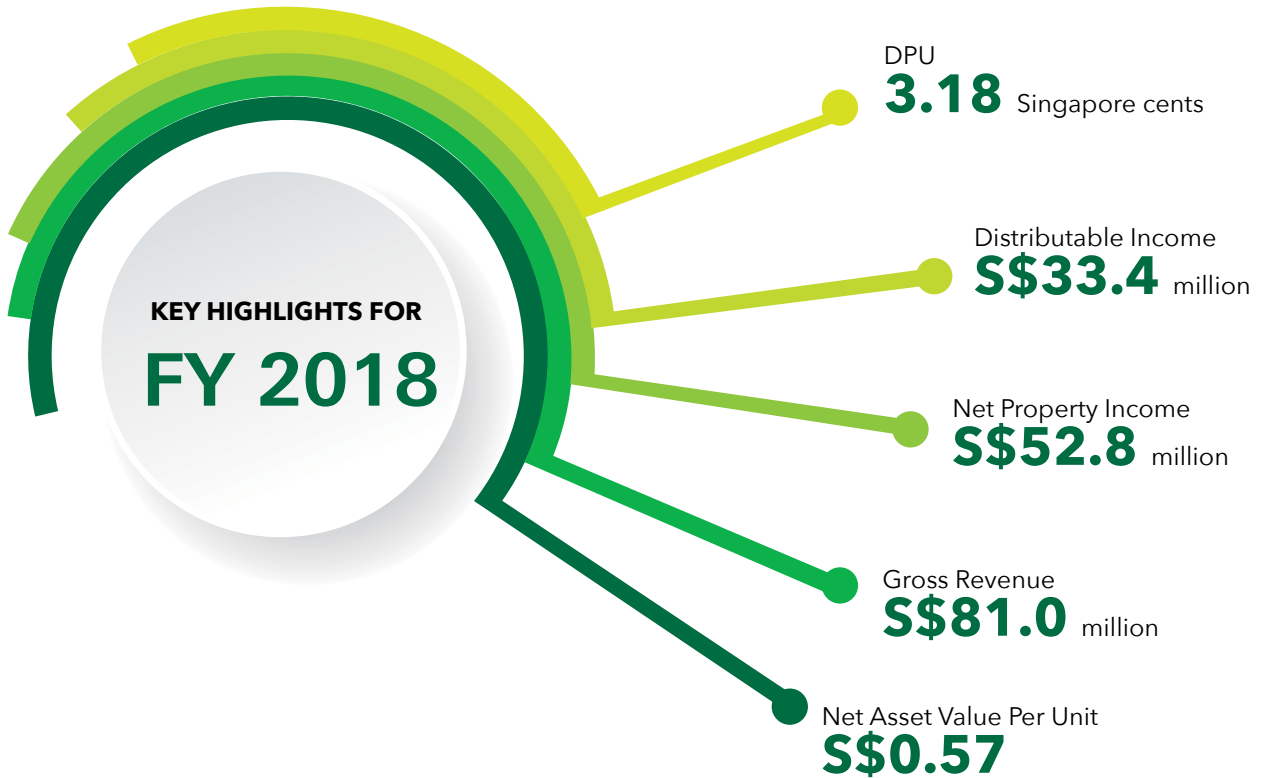
COMMUNITY ENGAGEMENT

The Manager also collaborated with Singapore Management University's (SMU) Rotaract Club as their main sponsor for the club's "Rotaract Camp 2018". SMU Rotaract is a youth development club that places emphasis on service, outreach and fellowship. Chartered in 2001, SMU Rotaract comprises students keen to make a difference in the community, and to cultivate better relations with fellow schoolmates, Rotaractors and Rotarians.



On 25 and 26 August, senior Management of the Manager participated in activities organised during SMU's Rotaract Camp 2018. The activities carried out were: (1) kite-building and kite-flying with children with special needs and underprivileged children; and (2) house painting and flat cleaning for underprivileged elderly communities to improve their living environments.

MANAGER'S REVIEW: FY2018



Strategy Review of Operations

Appointed Mr Donald Han as CEO

Further recalibrated Sabana REIT's strategy to improve performance

Manager forgone 20% of fees in 1Q 2018 to mitigate DPU impact on Unitholders

Active Portfolio Management

Secured 61 lease transactions (renewals and new leases); overall occupancy level stood at 84.4%

Renewed all 5 master leases expiring in the year, securing steady recurring income

Proposed and subsequently completed the divestment of 6 Woodlands Loop and 9 Tai Seng Drive for S\$13.8 million and S\$99.6 million respectively; proposed divestment of 1 Tuas Avenue 4 for S\$11.18 million, completion pending JTC's approval

Prudent Financial Management

Capital structure optimisation:

- Lower aggregate leverage at 36.8% as at 31 December 2018 (2017:38.2%)
- Weighted all-in cost of borrowings at 4.2% as at 31 December 2018 (2017:3.9%)
- Improved profit coverage ratio to 3.8 times (FY 2017: 3.7 times)

Net finance costs reduced by 11.2% on repayment of borrowings using divestment proceeds of 6 Woodlands Loop and refinancing with lower cost facilities.

MANAGER'S REVIEW: FY2018

RECALIBRATED STRATEGY

Following the appointment of Mr Donald Han as CEO, the REIT has further recalibrated its strategy with aim to improve performance by:

1. Driving revenue and occupancy by ramping up marketing efforts, and focusing on retaining particularly key tenants
2. Enhancing the portfolio to focus on high specification assets and business parks, through selective divestments of underperforming assets

3. Further cost rationalisation by re-examining the entire business to identify additional operational efficiencies

The refreshed strategy consists of three phases of which its first two phases will be the REIT's immediate focus. These three phases will be underpinned by prudent capital and risk management, as well as ongoing costs rationalisation.

Phase 1

- a) Divest non-performing and mature assets
- b) Continue to actively manage and optimise portfolio

Phase 2

Undertake AEI

Phase 3

To seek potential yield-accretive acquisitions, including overseas. This strategy will be carried out in 2020 and beyond

FINANCIAL PERFORMANCE REVIEW

S\$'000	FY 2018	FY 2017
Gross Revenue	80,961	85,196
Net property income	52,790	53,379
Distributable income	33,391	35,005
DPU (cents)	3.18	3.31

In FY 2018, Sabana REIT reported a DPU of 3.18 cents, 3.9% lower than the 3.31 cents declared for FY 2017. This was based on a distributable income of S\$33.4 million, which was 4.6% lower year on year ("YoY"). The lower distributable income was attributable to lower gross revenue, and lower Manager's fees being waived, which were partially offset by lower property expenses and lower finance costs.

Gross revenue for FY 2018 was S\$81.0 million, 5.0% lower YoY, partly due to lower contribution from 1 Tuas Avenue 4 and 21 Joo Koon Crescent whose master leases were surrendered in 1Q 2018 and expired in 3Q 2018 respectively. Negative rental reversions of certain master leases and

lower occupancies of certain multi-tenanted properties also adversely affected revenue.

The decline in gross revenue was partially offset by higher contribution from 10 Changi South Street 2 due to the commencement of a supplementary lease with the master tenant in 4Q 2017, recovery of revenue from the ex-master tenant of 6 Woodlands Loop that was previously de-recognised and higher contribution from 39 Ubi Road 1, 15 Jalan Kilang Barat and 508 Chai Chee Lane due to improved occupancy rates.

The 1.1% decrease in net property income was narrower due to lower property expenses by 11.5% YoY, largely arising from the reversal of

impairment losses upon recovery of trade receivables from the ex-master tenant of 6 Woodlands Loop and lower repair and maintenance expenses incurred for multi-tenanted properties.

Net finance costs was lower by 11.2% mainly due to repayment of borrowings using divestment proceeds of 6 Woodlands Loop and refinancing with lower cost facilities.

As at 31 December 2018, total assets and net asset value increased by 2.4% and 5.8% to S\$989.4 million and S\$604.5 million respectively, largely due to the fair value adjustments of the investment properties during the year. Consequently, net asset value per unit increase to S\$0.57 as compared to S\$0.54 in the preceding year.

MANAGER'S REVIEW: FY2018

PRUDENT CAPITAL MANAGEMENT

Capital structure optimisation remained a focus for the Manager and in FY 2018, the Manager continued to deliver by reducing Sabana REIT's net finance costs by 11.2% in FY 2018. As at 31 December 2018, Sabana REIT's aggregate leverage ratio improved to 36.8% from 38.2% in the preceding year, while profit coverage ratio for FY 2018 improved slightly to 3.8 times, from 3.7 times in FY 2018. All-in-cost of borrowings increased to 4.2% as at 31 December 2018 compared to 3.9% in the preceding year, in line with the increasing profit rate environment. To minimise the impact of profit rate volatility, Sabana REIT has 71.6% of outstanding borrowings on fixed or hedged rates as at 31 December 2018.

After redeeming the S\$90.0 million Trust Certificates due April 2018 and early refinancing of the Revolving Murabahah Facility due September 2018 with new bilateral term and revolving credit facilities, the weighted

average tenor of all available facilities, which amounted to S\$368.0 million as at 31 December 2018, was approximately 1.3 years staggered evenly between 2019 to 2021. As at 31 December 2018, Sabana REIT has undrawn revolving credit facilities of S\$5.0 million and unencumbered investment properties valued at approximately S\$240.8 million (based on independent valuation) available on hand for financing flexibility.

PORTFOLIO MANAGEMENT REVIEW KEY HIGHLIGHTS FOR FY 2018

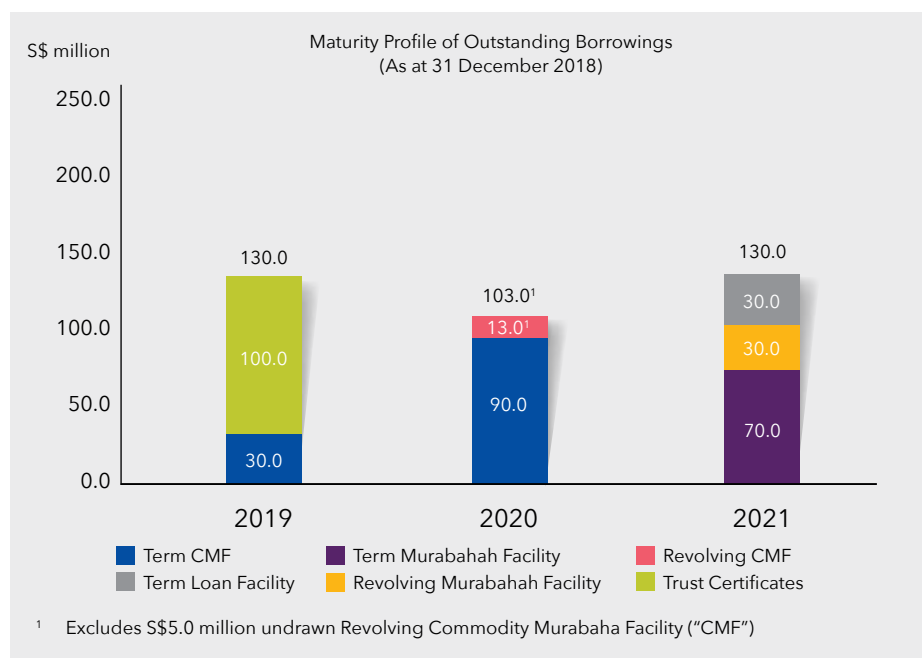
For the financial year ended 31 December 2018, Sabana REIT held a portfolio of 19 industrial properties in Singapore with a total net lettable area ("NLA") of 3,544,143 sq ft with total of 116 tenants. These properties are segmented into four different asset types namely High-tech Industrial, Chemical Warehouse and Logistics, Warehouse and Logistics and General Industrial, and located near major transport routes and are

easily accessible by public transport. The Trust's properties sit on long underlying land leases, with an average lease period of 32.5 years by GFA.

Throughout the financial year under review, the Manager proposed a total of three divestments:

- 1) Proposed divestment of 6 Woodlands Loop to Systematic Holdings Pte. Ltd. for S\$13.8 million which was subsequently completed in March 2018
- 2) Proposed divestment of 9 Tai Seng Drive to Perpetual (Asia) Limited in its capacity as trustee of ADC Singapore Trust for S\$99.6 million which was subsequently completed in January 2019
- 3) Proposed divestment of 1 Tuas Avenue 4 to Kim Soon Lee (Lim) Heavy Transport Pte. Ltd. for S\$11.18 million; completion pending JTC's approval.

As at 31 December 2018, the value of the Trust's portfolio was S\$929.2 million.



LEASE MANAGEMENT FOR FY 2018

In FY 2018, a total of 61 lease transactions (renewals and new leases) were secured by the REIT across its portfolio, including the renewal of all five master-tenanted properties expiring in 2018 as shown in the table below.

Properties	Lease Renewal Term
30 & 32 Tuas Avenue 8	2 years
26 Loyang Drive	5 years
18 Gul Drive	1 year 1 month 6 days
33 & 35 Penjuru Lane	1 year
51 Penjuru Road	2 years

MANAGER'S REVIEW: FY2018

As at 31 December 2018, the Trust's portfolio occupancy was 84.4%, with all 7 master-tenanted properties fully occupied and its 11 multi-tenanted properties having an occupancy of 81.4%. The portfolio weighted average lease term to expiry ("WALE") by gross rental income as at 31 December 2018 has improved to 2.7 years, as compared to 2.5 years in

the preceding year. For the new leases and renewals, the WALE by gross rental income was 34.3 months, contributing 8.3% of the year's gross rental income. The WALE for multi-tenanted leases and master-tenanted leases by gross rental income as at 31 December 2018 were 38.5 months and 2.0 years respectively.

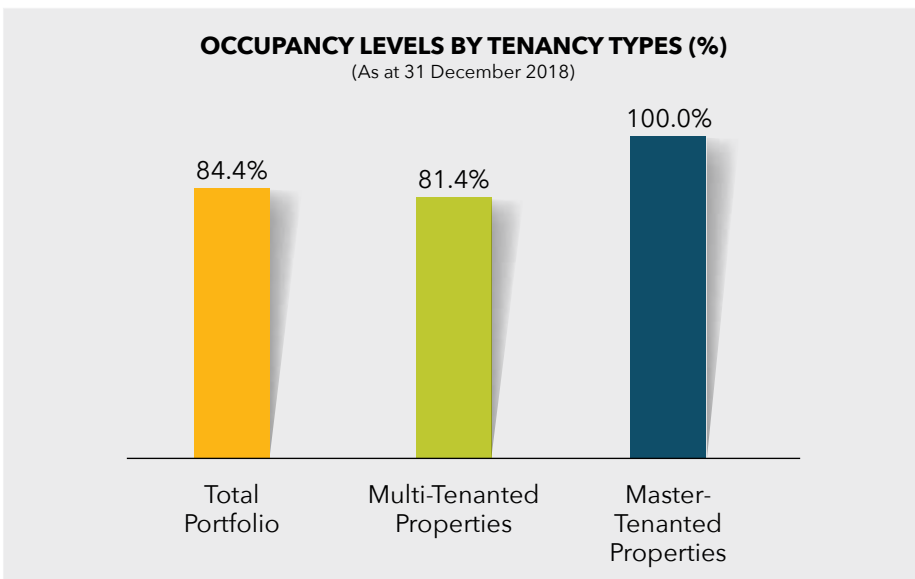
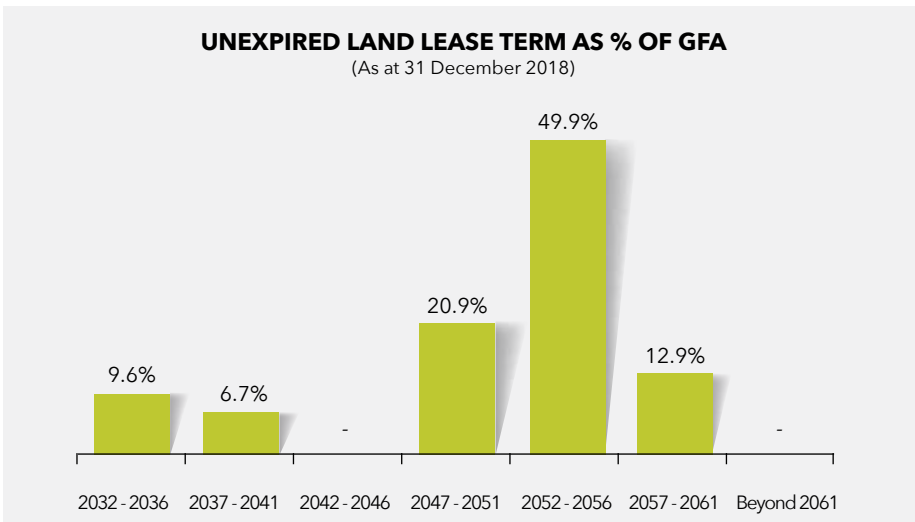
WELL-DIVERSIFIED PORTFOLIO OF ASSETS AND TENANTS

Sabana REIT's well-diversified portfolio is spread across four asset types: High-tech Industrial, Chemical Warehouse and Logistics, Warehouse and Logistics and General Industrial. The High-tech Industrial segment remained the largest in the Trust's portfolio, accounting for 41.8% of total NLA and generating 56.4% of Sabana REIT's gross revenue as at 31 December 2018. This was followed by Warehouse and Logistics, General Industrial and lastly, Chemical Warehouse and Logistics.

In terms of the portfolio's NLA, the split between master-tenanted and multi-tenanted properties was 31.8% and 68.2%, respectively.

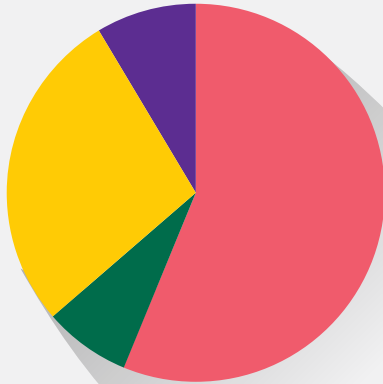
The REIT's tenant mix remained diversified. The largest tenant contributing 12.7% of Sabana REIT's gross rental income for FY 2018 was Vibrant Group Limited, the Sponsor of Sabana REIT. The top 10 tenants of the REIT account for approximately 52.5% of Sabana REIT's total gross rental income during the financial year under review.

There is no significant concentration risk faced by Sabana REIT as the Trust's tenants spans across small and medium enterprises ("SME") to multi-national companies ("MNC") and are operating under different trades and industries. As at 31 December 2018, the largest single sector was the Logistics segment at 15.8%, followed by Electronics at 12.5%.



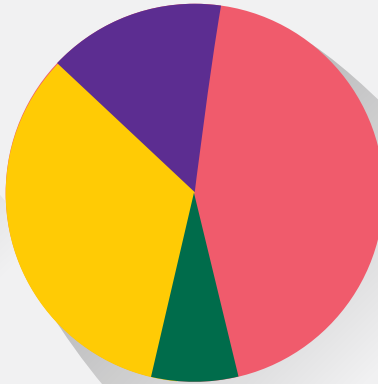
MANAGER'S REVIEW: FY2018

PORTFOLIO BREAKDOWN BY GROSS REVENUE (%)
(As at 31 December 2018)



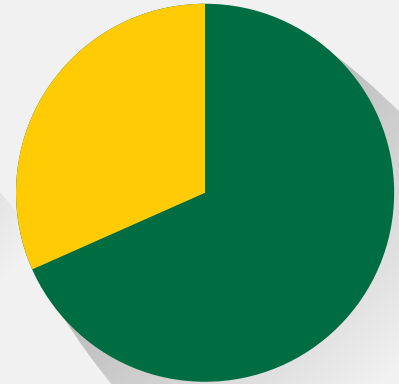
- High-Tech Industrial, 56.4%
- Warehouse & Logistics, 27.7%
- Chemical Warehouse & Logistics, 7.3%
- General Industrial, 8.6%

PORTFOLIO BREAKDOWN BY ASSET TYPE (% OF NLA)
(As at 31 December 2018)



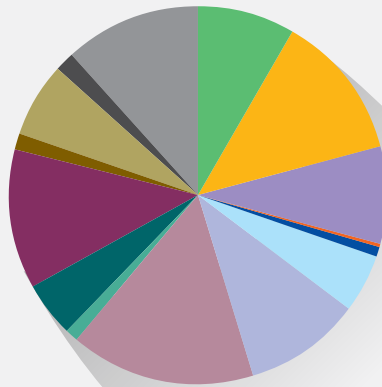
- High-Tech Industrial, 41.8%
- Warehouse & Logistics, 35.8%
- Chemical Warehouse & Logistics, 9.4%
- General Industrial, 13.0%

LEASE TYPE BY NLA (%)
(As at 31 December 2018)



- Multi-tenanted, 68.2%
- Master Leases, 31.8%

TENANT'S INDUSTRY DIVERSIFICATION BY NLA (%)¹
(As at 31 December 2018)

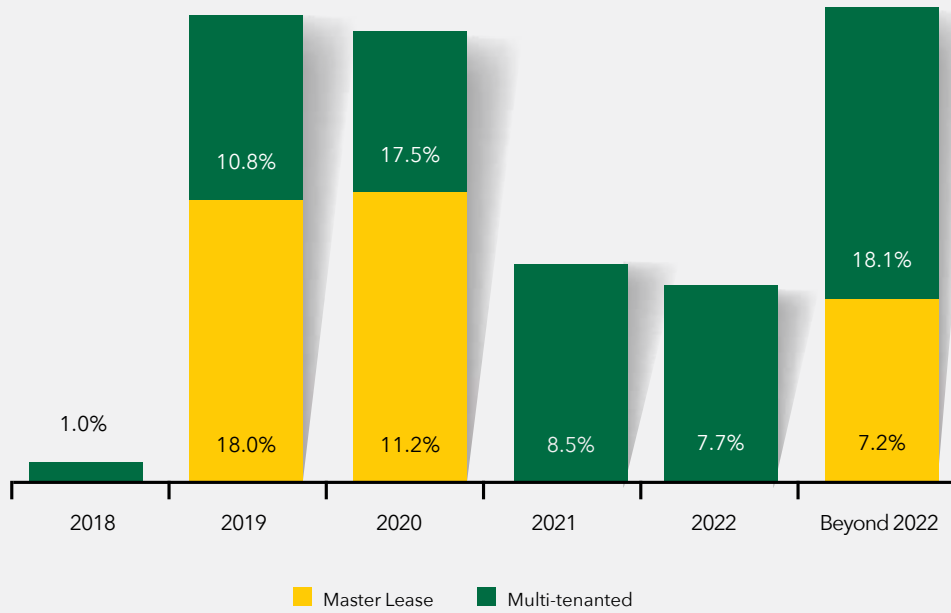


- Chemical, 8.4%
- Electronics, 12.5%
- Engineering, 8.3%
- F&B, 0.3%
- General Manufacturing Industries, 0.9%
- Healthcare, 4.9%
- Information Technology, 10.2%
- Logistics, 15.8%
- R&D, 1.0%
- Storage, 4.7%
- Telecommunication & Data Warehousing, 11.9%
- Construction & Utilities, 1.4%
- Fashion & Apparel, 6.5%
- Printing, 1.6%
- Others, 11.6%

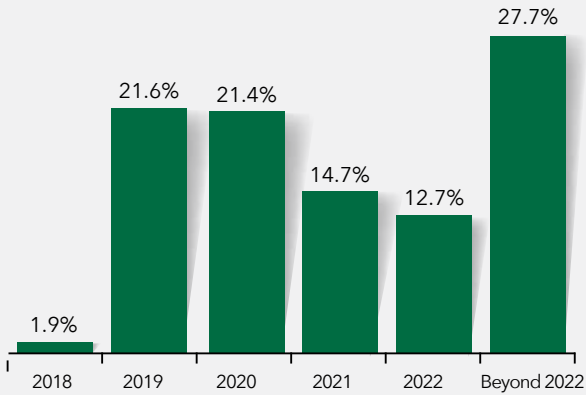
¹ Excludes 7 master tenants

MANAGER'S REVIEW: FY2018

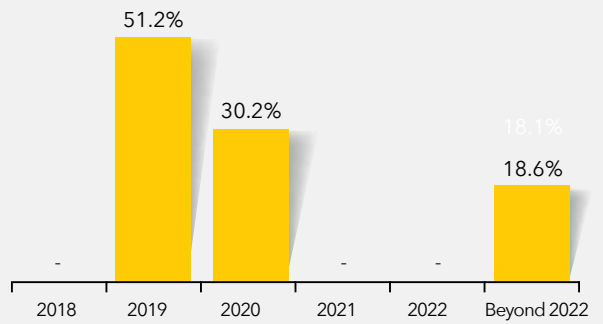
LEASE EXPIRY BY NLA (%)
(As at 31 December 2018)



**MULTI-TENANTED LEASE EXPIRY
BY GROSS RENTAL INCOME (%)**
(As at 31 December 2018)



**MASTER LEASE EXPIRY
BY GROSS RENTAL INCOME (%)**
(As at 31 December 2018)



MANAGER'S REVIEW: FY2018

No	Tenant	Property	Percentage of Total Gross Rental Income (%)
1	Subsidiaries of Vibrant Group Limited	33 & 35 Penjuru Lane, Freight Links Express Logisticpark, Singapore 609200/609202	12.7
		18 Gul Drive, Singapore 629468	
		51 Penjuru Road, Freight Links Express Logisticcentre, Singapore 609143	
2	Adviva Distribution Pte. Ltd.	10 Changi South Street 2, Singapore 486596	8.0
3	Advanced Micro Devices (Singapore) Pte Ltd	508 Chai Chee Lane, Singapore 469032	6.6
4	Diebold Nixdorf Singapore Pte. Ltd.	151 Lorong Chuan, New Tech Park, Singapore 556741	5.4
5	Avnet Asia Pte Ltd	26 Loyang Drive, Singapore 508970	4.9
		151 Lorong Chuan, New Tech Park, Singapore 556741	
6	ST Synthesis Pte Ltd	3A Joo Koon Circle, Singapore 629033	4.3
7	ASM Advanced Packaging Materials Pte. Ltd.	30 & 32 Tuas Avenue 8, Singapore 639246/639247	3.6
8	Cotton On Singapore Pte. Ltd.	34 Penjuru Lane, Penjuru Logistics Hub, Singapore 609201	2.6
9	Epsilon Telecommunications (SP) Pte. Ltd.	151 Lorong Chuan, New Tech Park, Singapore 556741	2.3
10	Home Box Office (Singapore) Pte Ltd	151 Lorong Chuan, New Tech Park, Singapore 556741	2.1

MANAGER'S REVIEW: FY2018

	Valuation as at 31 December 2018 (S\$ '000)	Valuation as at 31 December 2017 (S\$ '000)
HIGH-TECH INDUSTRIAL		
151 Lorong Chuan	308,600	304,000
8 Commonwealth Lane	56,100	55,000
9 Tai Seng Drive	49,000 ¹	40,500
15 Jalan Kilang Barat	23,000	23,000
1 Tuas Avenue 4	10,950 ³	24,800 ²
23 Serangoon North Avenue 5	35,700	37,000
508 Chai Chee Lane	56,800	56,200
CHEMICAL WAREHOUSES & LOGISTICS		
33 & 35 Penjuru Lane	51,200	52,000
18 Gul Drive	20,000	21,000
WAREHOUSE & LOGISTICS		
34 Penjuru Lane	38,000	39,000
51 Penjuru Road	40,700	45,000
26 Loyang Drive	24,500	24,700
3A Joo Koon Circle	38,600	39,000
2 Toh Tuck Link	31,700	31,000
10 Changi South Street 2	63,900	62,200 ⁴
GENERAL INDUSTRIAL		
123 Genting Lane	18,100	17,800
30 & 32 Tuas Avenue 8	27,000	29,000
39 Ubi Road 1	21,800	22,700
21 Joo Koon Crescent	13,500	18,500
TOTAL	929,150	942,400

¹ Valuation was conducted as at 31 December 2018 in accordance with the Code of Collective Investment Schemes issued by Monetary Authority of Singapore but the divestment was legally completed on 10 January 2019 at a sale consideration of S\$99,600,000

² The property has been revalued assuming immediate termination of existing master lease as at 31 December 2017 and being replaced by a new master tenant (within 6 months) at the then prevailing market rental

³ Valuation is based on sales comparison method on existing vacant possession basis

⁴ Includes additional GFA of 49,415 sq ft from additions & alterations work which obtained Certificate of Statutory Completion on 28 November 2017 and was announced on 21 December 2017

UNIT PERFORMANCE

UNIT PERFORMANCE

In 2018, the total return increased by 7.1%¹. Sabana REIT's unit price closed at S\$0.39 on 31 December 2018, 1.3%² lower than the opening unit price on 2 January 2018, translating to a market capitalization of approximately S\$410.7 million³.

TRADING DATA BY YEAR

UNIT PRICE (S\$)	2018	2017	2016
Opening	0.395	0.380	0.625
Closing	0.390	0.395	0.380
Highest	0.445	0.515	0.625
Lowest	0.380	0.340	0.380
Unit price performance (%) ⁴	(1.3)	3.9	(39.2)
Trading volume (million units)	253.8	572.1	192.6

RETURN ON INVESTMENT (FROM 1 JANUARY 2018 TO 31 DECEMBER 2018)

UNIT PRICE (S\$)	%
Total Return ¹	7.1
Capital Appreciation ²	(1.3)
Distribution Yield ⁵	8.2

¹ Source: Bloomberg

² Difference between the closing unit price on 31 December 2018 and the opening unit price on 2 January 2018.

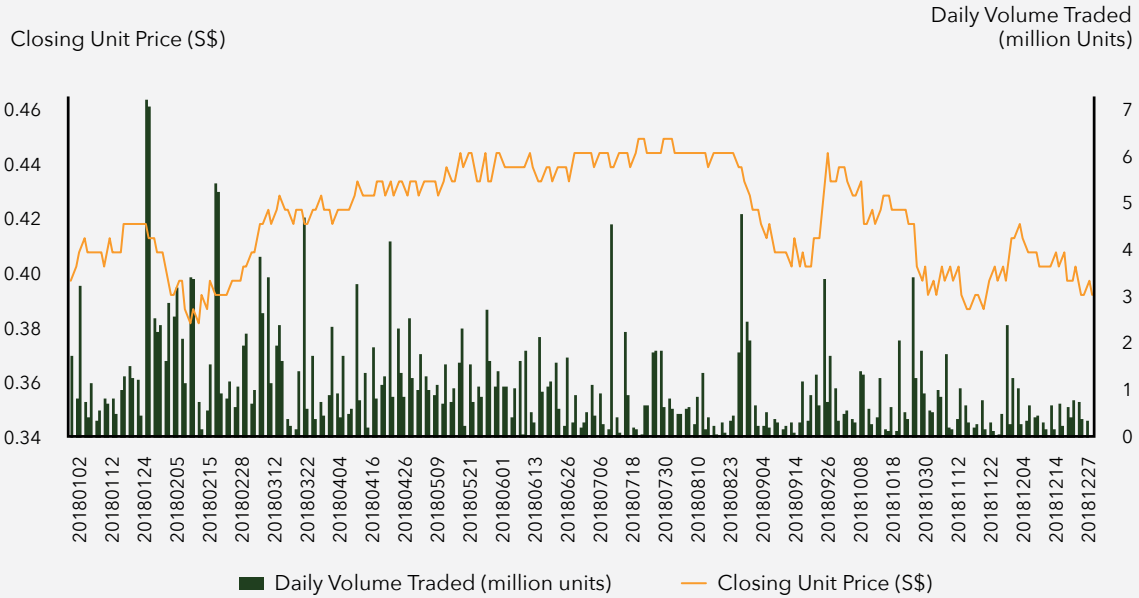
³ Computed based on closing price and units in issue at the end of the financial year.

⁴ Difference between the closing unit price on the last trading day of the year and the opening unit price on the first trading day of the year.

⁵ Based on total DPU declared for FY2018 and closing unit price of S\$0.39 on 31 December 2018.

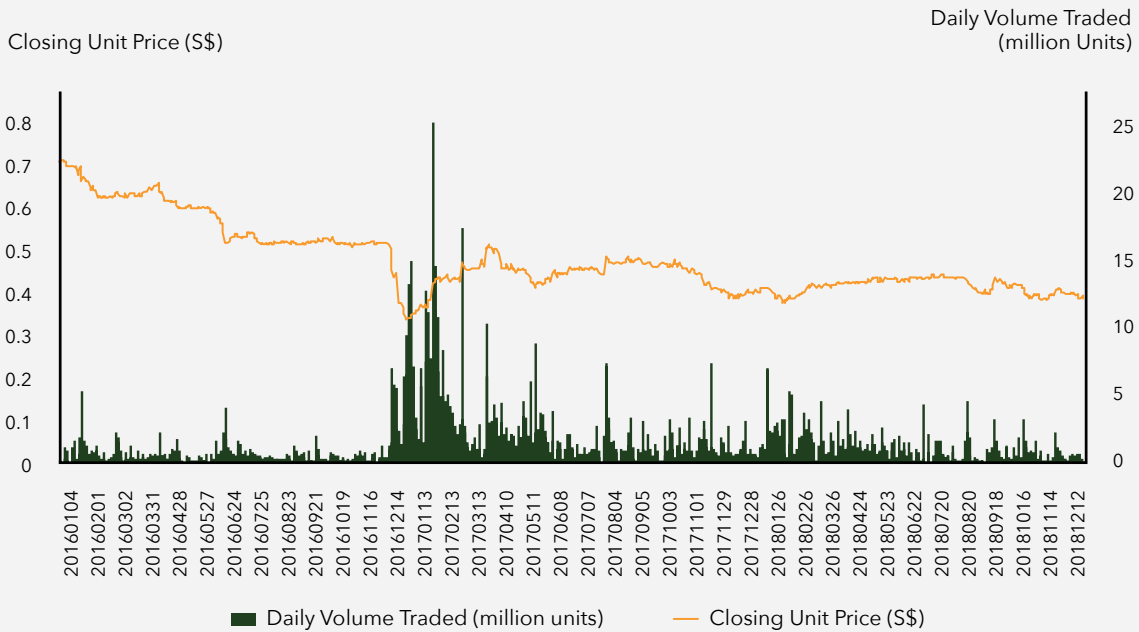
UNIT PERFORMANCE

Trading Performance in 2018



Source: ShareInvestor

Trading Performance between 2016-2018

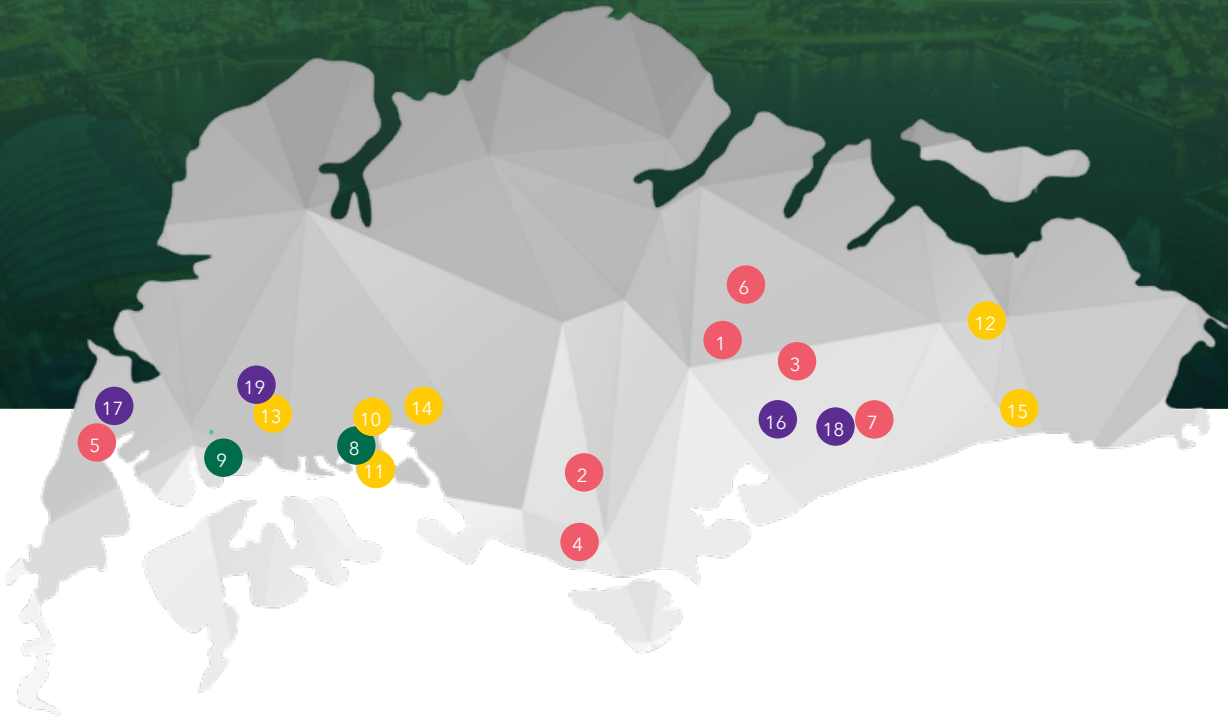


Source: ShareInvestor

PROPERTY PORTFOLIO

As at 31 December 2018

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



HIGH-TECH INDUSTRIAL

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



CHEMICAL WAREHOUSE & LOGISTICS

- 08** 33 & 35 Penjuru Lane
- 09** 18 Gul Drive



WAREHOUSE & LOGISTICS

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



GENERAL INDUSTRIAL

- 16** 123 Genting Lane
- 17** 30 & 32 Tuas Avenue 8
- 18** 39 Ubi Road 1
- 19** 21 Joo Koon Crescent

PROPERTY PORTFOLIO

151 LORONG CHUAN NEW TECH PARK SINGAPORE 556741



A six-storey industrial building with a ground level carpark

Purchase Consideration (\$ million)	305.9
Latest Valuation (As at 31 December 2018) (\$ million)	308.6
Gross Rental Income for FY 2018 (\$ million)	20.3
Occupancy Rate¹ (%)	79.1
Land Lease Expiry	2055 45 yrs with effect from ("wef") 26 Nov 2010
GFA (sq ft)	810,710

8 COMMONWEALTH LANE SINGAPORE 149555



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

Purchase Consideration (\$ million)	70.3
Latest Valuation (As at 31 December 2018) (\$ million)	56.1
Gross Rental Income for FY 2018 (\$ million)	3.2
Occupancy Rate (%)	61.9
Land Lease Expiry	2059 30 + 23 yrs wef 1 Feb 2006
GFA (sq ft)	161,815

9 TAI SENG DRIVE GEO-TELE CENTRE SINGAPORE 535227



A six-storey industrial building with a basement carpark

Purchase Consideration (\$ million)	46.3
Latest Valuation (As at 31 December 2018) (\$ million)	49.0 ²
Gross Rental Income for FY 2018 (\$ million)	3.0
Occupancy Rate (%)	65.2
Land Lease Expiry	2055 30 + 30 yrs wef 1 Jun 1995
GFA (sq ft)	218,905

¹ Occupancy rates stated from pages 31-37 are as 31 December 2018

² Valuation was conducted as at 31 December 2018 in accordance with the Code of Collective Investment Schemes issues by Monetary Authority of Singapore but the divestment was legally completed on 10 January 2019 at sale consideration of S\$99,600,000

PROPERTY PORTFOLIO

15 JALAN KILANG BARAT FRONTECH CENTRE SINGAPORE 159357



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

Purchase Consideration (\$ million)	34.5
Latest Valuation (As at 31 December 2018) (\$ million)	23.0
Gross Rental Income for FY 2018 (\$ million)	1.9
Occupancy Rate (%)	81.7
Land Lease Expiry	2060 99 yrs wef 1 Jan 1962
GFA (sq ft)	73,928

1 TUAS AVENUE 4 SINGAPORE 639382¹



A three-storey industrial building

Purchase Consideration (\$ million)	28.0
Latest Valuation (As at 31 December 2018) (\$ million)	11.0
Gross Rental Income for FY 2018 (\$ million)	0.0
Occupancy Rate (%)	0.0
Land Lease Expiry	2047 30 + 21 yrs 4 mths wef 1 Jan 1996
GFA (sq ft)	160,361

23 SERANGOON NORTH AVENUE 5 BTC CENTRE SINGAPORE 554530



A five-storey industrial building with a mezzanine level

Purchase Consideration (\$ million)	61.0
Latest Valuation (As at 31 December 2018) (\$ million)	35.7
Gross Rental Income for FY 2018 (\$ million)	1.4
Occupancy Rate (%)	66.0
Land Lease Expiry	2056 30 + 20 yrs 15 days wef 16 Sep 2006
GFA (sq ft)	159,384

¹ Announced for divestment on 28 September 2018

PROPERTY PORTFOLIO

508 CHAI CHEE LANE SINGAPORE 469032



A seven-storey industrial building with two basements

Purchase Consideration (\$ million)	67.2
Latest Valuation (As at 31 December 2018) (\$ million)	56.8
Gross Rental Income for FY 2018 (\$ million)	5.9
Occupancy Rate (%)	100.0
Land Lease Expiry	2060 30 + 29 yrs wef 16 Apr 2001
GFA (sq ft)	319,718

33 & 35 PENJURU LANE FREIGHT LINKS EXPRESS LOGISTICPARK, SINGAPORE 609200/609202



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

Purchase Consideration (\$ million)	78.9
Latest Valuation (As at 31 December 2018) (\$ million)	51.2
Gross Rental Income for FY 2018 (\$ million)	4.0
Occupancy Rate (%)	100.0
Land Lease Expiry	2049 30 + 31 yrs wef 16 Feb 1988
GFA (sq ft)	286,192

18 GUL DRIVE SINGAPORE 629468



A part two-/part four-storey warehouse

Purchase Consideration (\$ million)	34.1
Latest Valuation (As at 31 December 2018) (\$ million)	20.0
Gross Rental Income for FY 2018 (\$ million)	1.9
Occupancy Rate (%)	100.0
Land Lease Expiry	2038 13 yrs 10 mths 12 days + 20 yrs wef 1 Nov 2004
GFA (sq ft)	132,878

PROPERTY PORTFOLIO

34 PENJURU LANE PENJURU LOGISTICS HUB SINGAPORE 609201



A five-storey warehouse with ancillary offices

Purchase Consideration (\$ million)	60.0
Latest Valuation (As at 31 December 2018) (\$ million)	38.0
Gross Rental Income for FY 2018 (\$ million)	4.1
Occupancy Rate (%)	81.2
Land Lease Expiry	2032 30 yrs wef 16 Aug 2002
GFA (sq ft)	414,270

51 PENJURU ROAD FREIGHT LINKS EXPRESS LOGISTICENTRE, SINGAPORE 609143



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

Purchase Consideration (\$ million)	42.5
Latest Valuation (As at 31 December 2018) (\$ million)	40.7
Gross Rental Income for FY 2018 (\$ million)	2.9
Occupancy Rate (%)	100.0
Land Lease Expiry	2054 30 + 30 yrs wef 1 Jan 1995
GFA (sq ft)	246,376

26 LOYANG DRIVE SINGAPORE 508970



A single-storey warehouse building with mezzanine floors

Purchase Consideration (\$ million)	32.0
Latest Valuation (As at 31 December 2018) (\$ million)	24.5
Gross Rental Income for FY 2018 (\$ million)	2.4
Occupancy Rate (%)	100.0
Land Lease Expiry	2053 30 + 18 yrs wef 1 Jan 2006
GFA (sq ft)	149,166

PROPERTY PORTFOLIO

3A JOO KOON CIRCLE SINGAPORE 629033



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

Purchase Consideration (\$ million)	40.3
Latest Valuation (As at 31 December 2018) (\$ million)	38.6
Gross Rental Income for FY 2018 (\$ million)	3.0
Occupancy Rate (%)	100.0
Land Lease Expiry	2047 30 + 30 yrs wef 1 Aug 1987
GFA (sq ft)	217,899

2 TOH TUCK LINK SINGAPORE 596225



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

Purchase Consideration (\$ million)	40.1
Latest Valuation (As at 31 December 2018) (\$ million)	31.7
Gross Rental Income for FY 2018 (\$ million)	2.2
Occupancy Rate (%)	83.0
Land Lease Expiry	2056 30 + 30 yrs wef 16 Dec 1996
GFA (sq ft)	181,705

10 CHANGI SOUTH STREET 2 SINGAPORE 486596



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

Purchase Consideration (\$ million)	54.2
Latest Valuation (As at 31 December 2018) (\$ million)	63.9
Gross Rental Income for FY 2018 (\$ million)	5.5
Occupancy Rate (%)	100.0
Land Lease Expiry	2051 30 + 27 yrs wef 1 Oct 1994
GFA (sq ft)	238,862

PROPERTY PORTFOLIO

123 GENTING LANE YENOM INDUSTRIAL BUILDING SINGAPORE 349574



An eight-storey industrial building with ancillary offices

Purchase Consideration (S\$ million)	24.5
Latest Valuation (As at 31 December 2018) (S\$ million)	18.1
Gross Rental Income for FY 2018 (S\$ million)	1.9
Occupancy Rate (%)	77.0
Land Lease Expiry	2041 60 yrs wef 1 Sept 1981
GFA (sq ft)	158,907

30 & 32 TUAS AVENUE 8, SINGAPORE 639246/639247



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

Purchase Consideration (S\$ million)	24.0
Latest Valuation (As at 31 December 2018) (S\$ million)	27.0
Gross Rental Income for FY 2018 (S\$ million)	2.5
Occupancy Rate (%)	100.0
Land Lease Expiry	2056 30 + 30 yrs wef 1 Sept 1996
GFA (sq ft)	158,846

PROPERTY PORTFOLIO

39 UBI ROAD 1 SINGAPORE 408695



An eight-storey industrial building with ancillary offices

Purchase Consideration (\$ million)	32.0
Latest Valuation (As at 31 December 2018) (\$ million)	21.8
Gross Rental Income for FY 2018 (\$ million)	1.8
Occupancy Rate (%)	89.5
Land Lease Expiry	2051 30 + 30 yrs wef 1 Jan 1992
GFA (sq ft)	135,513

21 JOO KOON CRESCENT SINGAPORE 629026



A three-storey industrial building with ancillary offices

Purchase Consideration (\$ million)	20.3
Latest Valuation (As at 31 December 2018) (\$ million)	13.5
Gross Rental Income for FY 2018 (\$ million)	0.8
Occupancy Rate (%)	100.0
Land Lease Expiry	2054 30 + 30 yrs wef 16 Feb 1994
GFA (sq ft)	99,575

INDEPENDENT MARKET REVIEW

1. INTRODUCTION

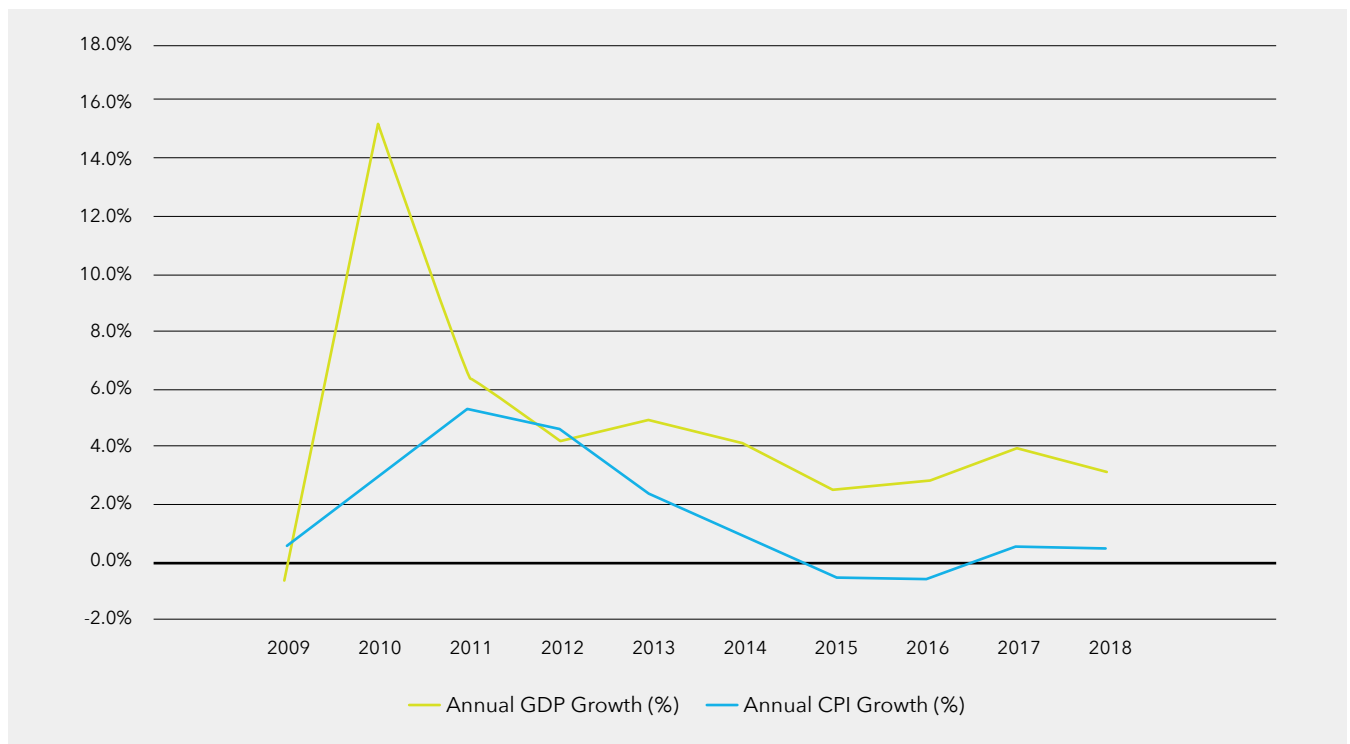
Jones Lang LaSalle (“JLL”) was appointed by Sabana Real Estate Investment Management Pte. Ltd. (herein referred to as the Client) to provide a Singapore Industrial Property Market Overview covering the private factory (excluding business park) and private warehouse markets. The report will be incorporated as part of Sabana Shari’ah Compliant REIT’s annual report for FY2018.

2. SINGAPORE MACROECONOMIC OVERVIEW

2.1. Review of 2018 Economic Performance

Figures released by the Ministry of Trade and Industry (MTI) on 15 February 2019 showed the Singapore economy expanded at a slower pace of 3.2% year-on-year (“y-o-y”) in 2018, compared to 3.9% y-o-y in 2017. This falls within the MTI’s official growth forecast of 3.0-3.5% y-o-y as announced on 22 November 2018.

Figure 1. Annual Gross Domestic Product Growth and Inflation Rate (2009 to 2018)



Source: MTI, Singapore Department of Statistics (SDOS), JLL Research

The deceleration in the 2018 Gross Domestic Product (“GDP”) growth was largely anticipated and came on the back of a slowdown in manufacturing sector growth from 10.4% y-o-y in 2017 to 7.2% y-o-y in 2018. Notwithstanding, the manufacturing sector remained the key growth driver in 2018, while services producing industries expanded 3.0% y-o-y during the year, slightly slower than the 3.2% y-o-y growth in 2017. Although the construction sector continued to contract in 2018, the rate of decline moderated to 3.4% y-o-y in 2018, compared to 10.2% y-o-y in 2017.

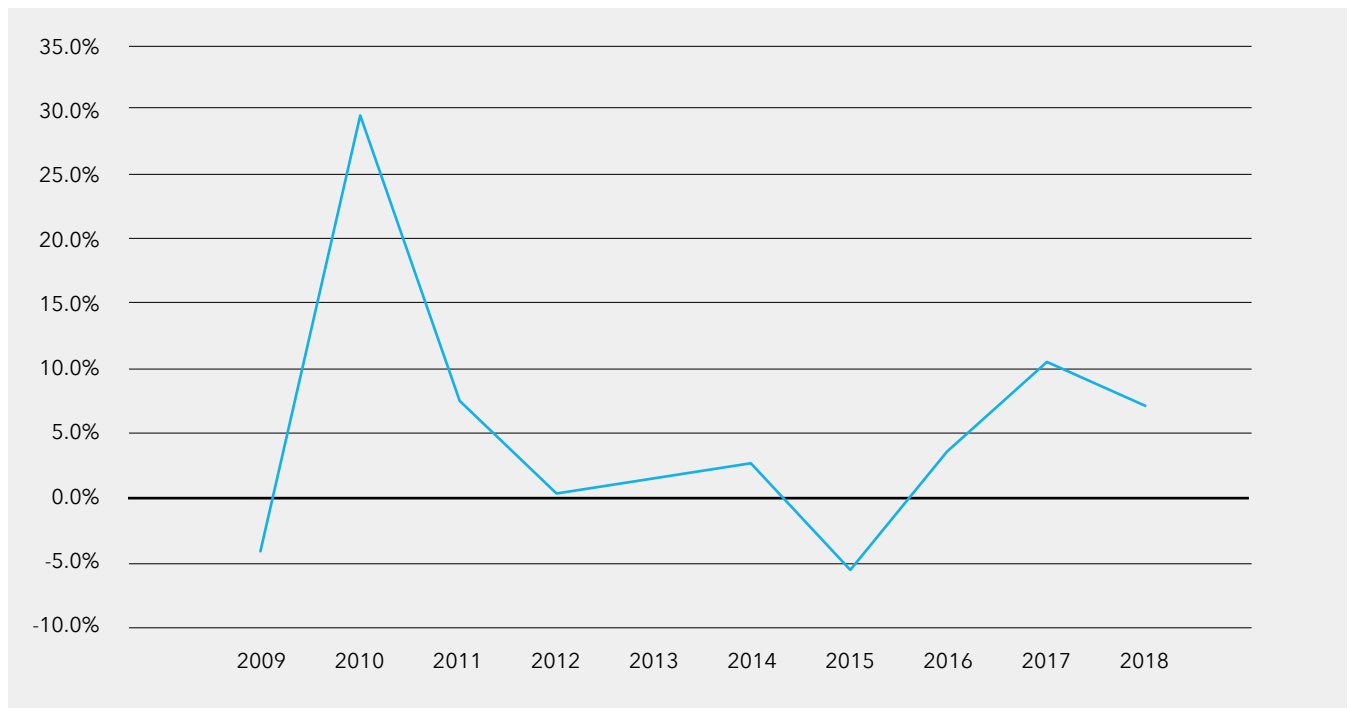
Meanwhile, the Consumer Price Index (CPI)-All Items rose for the second consecutive year, but at a slightly slower pace of 0.4% y-o-y in 2018, compared to the 0.6% y-o-y increase in 2017.

INDEPENDENT MARKET REVIEW

2.2. Index of Industrial Production and Manufacturing Fixed Asset Investments

The latest figures released by the Economic Development Board (“EDB”) on 25 January 2019 showed that Singapore’s Index of Industrial Production expanded at a slower pace of 7.2% y-o-y in 2018, compared to a growth of 10.4% y-o-y in 2017. This came on the back of a steep deceleration in output growth for the electronics cluster, from 33.8% y-o-y in 2017 to 8.1% y-o-y in 2018. Over the same period, the precision engineering cluster also saw a significant slowdown in output growth from 18.1% y-o-y in 2017 to 4.1% y-o-y in 2018.

Figure 2. Change in Index of Industrial Production (2009 to 2018)



Source: EDB, SDOS, JLL Research

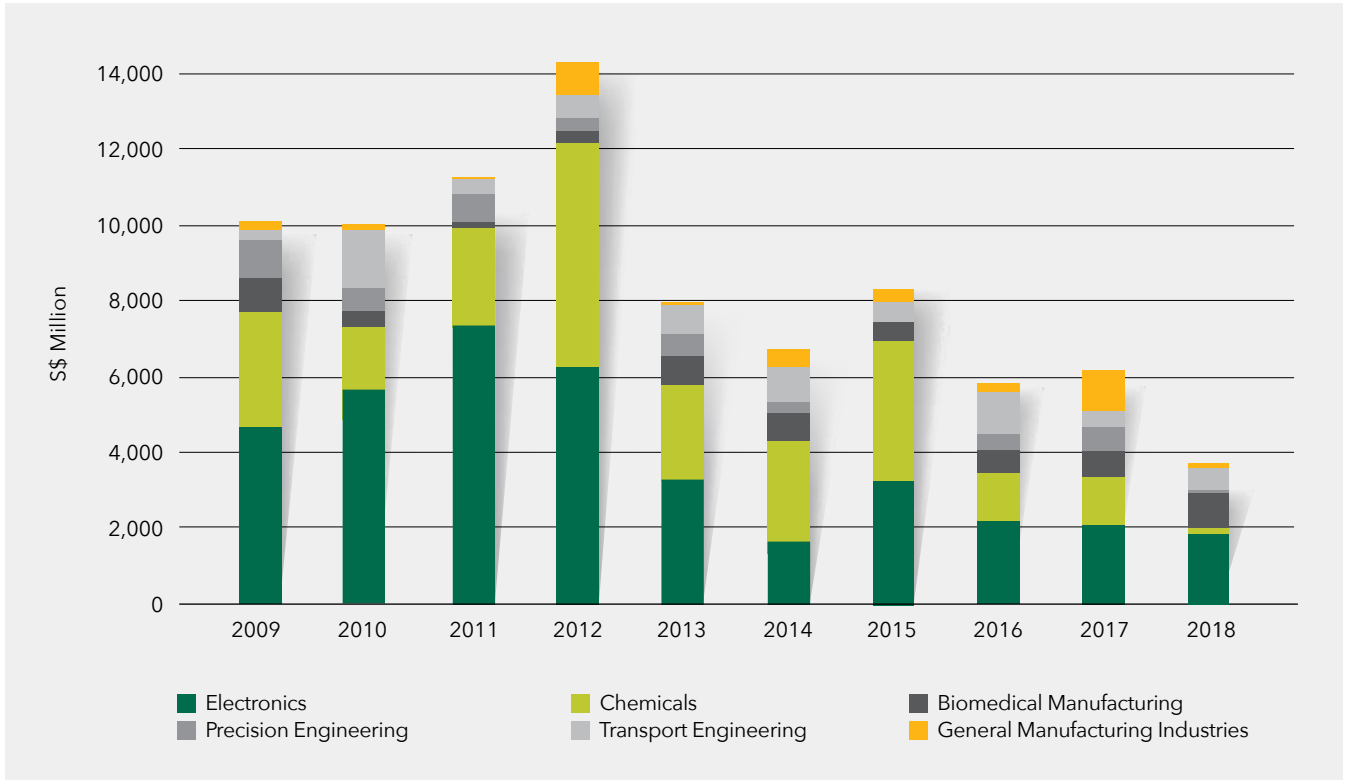
On a positive note, all six major industry clusters saw positive output growths in 2018. Besides the electronics and precision engineering clusters, the biomedical manufacturing, chemicals, transport engineering and general manufacturing clusters recorded a growth in output of 8.1%, 4.8%, 14.4% and 0.3%, on a y-o-y basis, respectively in 2018.

This was unlike in 2017 where the biomedical manufacturing, transport engineering and general manufacturing clusters recorded annual contractions in output of 8.4%, 6.9% and 1.4%, on a y-o-y basis, respectively.

In terms of total manufacturing fixed asset investments (“FAI”), the latest available statistics showed that the overall manufacturing FAI in 2018 fell 14.5% y-o-y. The decline was the result of a contraction in FAI in the chemicals, general manufacturing, and precision engineering clusters by 83.7%, 82.1% and 75.4%, on a y-o-y basis, respectively. On a positive note, FAI continued to expand for the transport engineering, biomedical manufacturing, and electronics clusters by 76.9%, 47.0% and 46.0%, on a y-o-y basis, respectively. As a result of the expansion, these three clusters collectively contributed about 89% of the total FAI in 2018.

INDEPENDENT MARKET REVIEW

Figure 3. Total Manufacturing Fixed Asset Investments



Source: EDB, SDOS, JLL Research

The contributions by the respective industry clusters to total manufacturing FAI in 2018 are shown in the following table.

Figure 4. Total Manufacturing Fixed Asset Investments in 2018

Industry Cluster	Investment Commitments (S\$ Million)	Change (y-o-y)	Market Share
Electronics	3,088.3	46.0%	58.2%
Chemicals	214.2	-83.7%	4.0%
Biomedical Manufacturing	948.9	47.0%	17.9%
Precision Engineering	157.4	-75.4%	3.0%
Transport Engineering	700.9	76.9%	13.2%
General Manufacturing Industries	194.7	-82.1%	3.7%
Total Manufacturing FAI	5,304.4	-14.5%	100%

Source: EDB, SDOS, JLL Research

INDEPENDENT MARKET REVIEW

2.3. Economic Outlook for 2019

Heading into 2019, Singapore's economic growth is expected to moderate in 2019, as compared to 2018.

Singapore is a small open economy dependent on global economic and trade condition. The ongoing trade friction between the United States ("US") and its key trading partners is expected to dampen growth of many of the advanced economies and economies in the region, many of which are Singapore's trading partners. Specifically, the US, China and some of the key ASEAN economies are expected to see a slower pace of economic expansion in 2019, compared to 2018. This will impact Singapore's economic growth.

Additionally, there are downside risks from the possibility of a further escalation of the ongoing trade conflicts that could trigger a sharp decline in global business and consumer confidence. A sharper-than-expected slowdown in China's economic growth could also have adverse effects on the region's growth as a result of falling import demand from China, given the close interlinkages between China and the regional economies in manufacturing and trade-related services. There is also the risk of a "no-deal" Brexit as the United Kingdom ("UK") could now leave the European Union ("EU") without a withdrawal agreement. This could result in substantial trade frictions with its trading partners, and weigh on consumer and business sentiments in the UK and EU, with potential negative repercussions on global growth. The occurrence of these risks could lead to some pullback in investment and consumption growth, with negative spillover effects on the rest of the world, including Singapore.

The manufacturing sector, a key pillar of the Singapore economy, is also expected to expand at a more modest pace. Within the sector, the electronics and precision engineering sectors are expected to face external headwinds due to weaker demand conditions in the global semiconductor and semiconductor equipment markets with the fading of the global electronics cycle.

Meanwhile, the anticipated moderation in growth in the key advanced and regional economies is expected to ease the growth of Singapore's outward-oriented services sectors such as wholesale trade, transportation & storage and finance & insurance in 2019.

On a positive note, other services sectors such as information & communications and education, health & social services are projected to remain resilient, supported by robust demand for information technology (IT) and digital solutions and the ramp-up of operations in healthcare facilities respectively. The construction sector is also expected to improve its performance in 2019, on the anticipation that the pickup in contracts awarded since the second half of 2017 would translate into construction activities in the coming quarters.

Taking cognisance of the above, the MTI expects Singapore's GDP growth to fall within the range of 1.5-3.5% in 2019, with growth expected to come in slightly below the mid-point of the forecast range, in its latest official forecast as of 15 February 2019.

Over the same period, the CPI which saw slightly slower annual growth of 0.4% y-o-y in 2018, is projected to pick up pace to 1-2% in 2019 as the overall drag from accommodation and private road transport costs lessens, according to the MTI as of 23 January 2019.

3. RECENT GOVERNMENT POLICIES AND MEASURES AFFECTING THE INDUSTRIAL PROPERTY MARKET

There are no known changes or updates to JTC's policies for third-party facility providers, since the last revision in 2015. The following sections covers latest Industrial Government Land Sales ("IGLS") programme as well as an update on the Industry Transformation Map ("ITM") Programme announced in Budget 2016.

INDEPENDENT MARKET REVIEW

3.1. Industrial Government Land Sales (IGLS) Programme

The Government manages the supply of industrial land through its bi-annual IGLS Programme with the aim of ensuring an adequate supply of industrial space to meet the needs of industrialists.

Specifically, 12 plots covering 11.86 ha have been placed on the 1H 2019 IGLS Programme announced by the MTI on 28 December 2018. This consisted of five sites on the Confirmed List¹ and seven sites on the Reserve List² that can potentially yield about 0.9 million sq ft and 1.8 million sq ft of industrial gross floor area, respectively.

However, the industrial land pipeline for 1H 2019 is less than the 13 sites with a total land area of 12.59 ha offered for 2H 2018. This reflects the government's continued measured approach which likely took into consideration the lingering trade war concerns and the expected slowdown in manufacturing sector growth in 2019, as well as the lukewarm demand seen in recent IGLS tenders for 20-year leasehold plots targeted at end-users or industrialists.

The details of the sites placed under the 1H 2019 IGLS Programme are provided in the following table.

Figure 5. Industrial Government Land Sales (IGLS) Programme for 1H 2019

Location	Site Area (ha)	Zoning	Gross Plot Ratio	Tenure (years)	Estimated Available Date
Confirmed List of Industrial Sites					
Woodlands Industrial Park E2/E3*	0.50	B2**	2.5	20	Tender launched on 29 January 2019 and will close on 26 March 2019
Plot 2, Tampines North Drive 3*	0.48	B2	2.5	20	February 2019
Plot 2, Jalan Papan	1.24	B2	1.4	20	March 2019
Plot E, Gul Circle	0.80	B2	1.4	20	April 2019
Senoko Drive	1.20	B2	2.5	30	May 2019
Reserve List of Industrial Sites					
Plot 19, Tuas South Link 3 [#]	0.45	B2	1.4	20	Already available for application
Gul Circle [#]	1.00	B2	1.4	20	Already available for application
Plot 9, Tampines North [#]	0.49	B2	2.5	20	Already available for application
Plot 2, Gambas Way [#]	1.20	B2	2.5	30	Already available for application
Plot 1, Benoi Sector [#]	2.00	B2	2.5	30	Already available for application
Tuas Avenue 6	0.50	B2	1.4	20	May 2019
Plot 4, Kaki Bukit Road 5	2.00	B2	2.5	30	June 2019

Notes for Figure 5:

* Previously in the 2H 2018 Confirmed List.

** Business 2 ("B2"): These are areas used or intended to be used for clean industry, light industry, general industry, warehouse, public utilities and telecommunication uses and other public installations. Special industries such as manufacture of industrial machinery, shipbuilding and repairing, may be allowed in selected areas subject to evaluation by the competent authority.

[#] Previously in the 2H 2018 Reserve List.

Source: MTI, JLL Research (as of 22 February 2019)

¹ Under the Confirmed List, the Government will release a site for sale by tender at a pre-determined date, without the need for the site to be triggered for sale.

² Under the Reserve List, the Government will only release a site for sale if an interested party submits an application for the site to be put up for tender with an offer of a minimum purchase price acceptable to the Government. The successful applicant must undertake to submit a bid for the site in the ensuing tender at or above the minimum price offered in the application.

INDEPENDENT MARKET REVIEW

3.2. Update on the Industry Transformation Map (ITM) Programme

The S\$4.5 billion ITM Programme was introduced during Budget 2016 to transform and grow the Singapore economy. All ITMs for the 23 identified key sectors covering 80% of the Singapore economy have been launched, with each ITM tailored to the needs of the specific industry to systematically raise productivity, develop skills, drive innovation, and promote internationalisation.

On 18 April 2018, Finance Minister Heng Swee Keat announced that these 23 industries will be grouped into six clusters namely manufacturing, built environment, trade and connectivity, essential domestic services, modern services, and lifestyle, to maximise opportunities for collaboration among them. This is part of the next phase of Singapore's economic transformation that will involve deepening the linkages between complementary industries by grouping them into clusters.

Figure 6. Six Industry ITM Clusters

ITM Cluster	ITM Industries
Manufacturing	<ul style="list-style-type: none"> Precision Engineering Energy & Chemicals Marine & Offshore Aerospace Electronics
Built Environment	<ul style="list-style-type: none"> Construction Real Estate Security Environmental Services
Trade & Connectivity	<ul style="list-style-type: none"> Wholesale Trade Land Transport Sea Transport Air Transport Logistics
Essential Domestic Services	<ul style="list-style-type: none"> Healthcare Education
Modern Services	<ul style="list-style-type: none"> Professional Services Financial Services ICT and Media
Lifestyle	<ul style="list-style-type: none"> Food Manufacturing Food Services Hotels Retail

Source: Singapore Public Sector Outcomes Review 2018

Among these, the growth of the industries within the manufacturing cluster, as well as wholesale trade, logistics and food manufacturing will form a demand base for the industrial property market going forward.

INDEPENDENT MARKET REVIEW

4. SINGAPORE PRIVATE FACTORY MARKET OVERVIEW

4.1. Existing Supply, Demand and Occupancy

According to JTC’s statistics, Singapore’s total completed private factory stock (excluding business parks) stood at 328.6 million sq ft as of 4Q 2018. This accounted for 85.0% of the total islandwide factory stock of 386.5 million sq ft, with the remaining 15.0% held by the public sector.

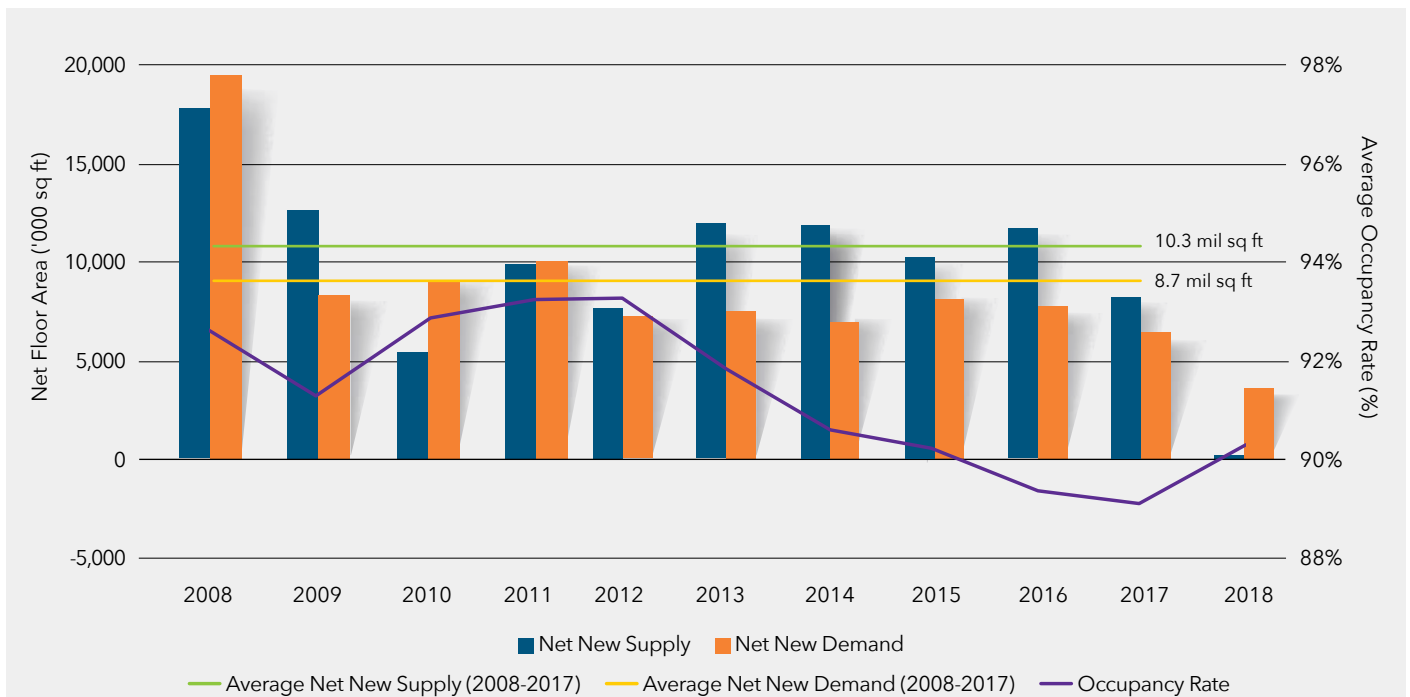
By type, the majority of 68.8% of the total private factory stock comprised of single-user factory developments (225.9 million sq ft) which are predominantly intended for self-use. Multiple-user factory space made up the remaining 31.2% or 102.7 million sq ft.

Overall, the islandwide stock of completed private factory space (excluding business park space) declined by a very slight 0.1% y-o-y, reflecting a net withdrawal of 185,200 sq ft in 2018, contrasting with the average annual net new supply of 10.3 million sq ft in the preceding ten years from 2008 to 2017. This was due to the net withdrawal of around 3.1 million sq ft from the single-user factory segment, which exceeded the net addition of about 2.9 million sq ft of multiple-user factory space in 2018. In comparison, around 7.8 million sq ft was injected to the overall private factory stock in 2017, with net additions to both the multiple-user (3.0 million sq ft) and single-user (4.8 million sq ft) factory segments.

Over the same period, the quantum of occupied stock grew by about 1.1% y-o-y, translating to a net new demand of 3.3 million sq ft in 2018. This was lower than 2017’s net new demand of 6.1 million sq ft and the average net new demand of 8.7 million sq ft per annum from 2008 to 2017.

Against this backdrop of steady supply and continued net absorption of space, the average occupancy rate for private factory space rose from 89.0% as of end-2017 to 90.1% as of end-2018. While the single-user factory segment saw an improvement in the occupancy rate from 89.6% as of end-2017 to 91.4% as of end-2018 due mainly to the net withdrawal of space, the multiple-user factory segment recorded a slight dip in the occupancy rate from 87.7% as of end-2017 to 87.4% as of end-2018, as net new supply at 2.9 million sq ft surpassed net new demand of 2.2 million sq ft in 2018.

Figure 7. Net New Supply, Net New Demand and Average Occupancy of Private Factory* Space



* Refers to private single-user and multiple-user factory space, excluding business parks.

Source: JTC, JLL Research

INDEPENDENT MARKET REVIEW

Figure 8. Examples of Major* Private Factory Completions in 2018

Name of Development	Location	Planning Region	Name of Developer	Approximate Gross Floor Area (sq ft)
Single-User Factory Developments				
Additions/alterations to existing factory (Phase 1)	101 Banyan Avenue	West	Evonik Methionine (SEA) Pte Ltd	368,987
Peck Tiong Choon Building (factory component)	39 Tuas West Drive	West	Peck Tiong Choon (Private) Limited	342,938
Global Switch Data Centre	7 Woodlands Height	North	Global Switch Property (S) Pte Ltd	268,344
Mapletree Sunview 1	12 Sunview Drive	West	Mapletree Industrial Trust	241,757
Single-user industrial development (factory component)	12 Tukang Innovation Drive	West	DORMA Production GmBH & Co KG	221,737
Soilbuild Prefab Innovation Hub (Phase 2)	21, 23 Defu South Street 1	Northeast	Soilbuild Pte Ltd	195,796
Single-user factory	8 Tuas Avenue 18	West	Goldbell Engineering Pte Ltd	184,278
Single-user factory	4 Tuas Drive 2	West	AVA Global Pte Ltd	153,386
Soilbuild Prefab Innovation Hub (Phase 1)	21, 23 Defu South Street 1	Northeast	Soilbuild Pte Ltd	152,525
TSL 101	101 Eunos Avenue 3	Central	Index-Cool Furniture Design & Construction Pte Ltd	134,011
Continental Building Phase 3	84 Boon Keng Road	Central	BP-CA3 LLP	120,018
Vico PPVC Centre	3 Kranji Link	North	Swee Hong Engineering Construction Pte Ltd	101,181
Multiple-User Factory Developments				
Mega@Woodlands	39 Woodlands Close	North	Wee Hur Development Pte Ltd	1,053,356
Nordcom Two	2 to 46 (even) Gambas Crescent	North	Grow-Tech Properties Pte Ltd	749,168
T-Space	1 Tampines North Drive 1	East	Goldprime Land Pte Ltd	737,005
Shine@Tuas South	11 Tuas South Link 1	West	Beacon Properties Pte Ltd	553,265
Multiple-user factory	30A Kallang Place	Central	DBS Trustee Limited as Trustee of Mapletree Industrial Trust	336,480
Woodlands Connection	4 to 56 (even) Woodlands Sector 2	North	Yee Lee Development Pte Ltd	143,160

* Refers to developments with approximate gross floor area of at least 100,000 sq ft.

Source: JTC, JLL Research

INDEPENDENT MARKET REVIEW

4.2. Potential Supply

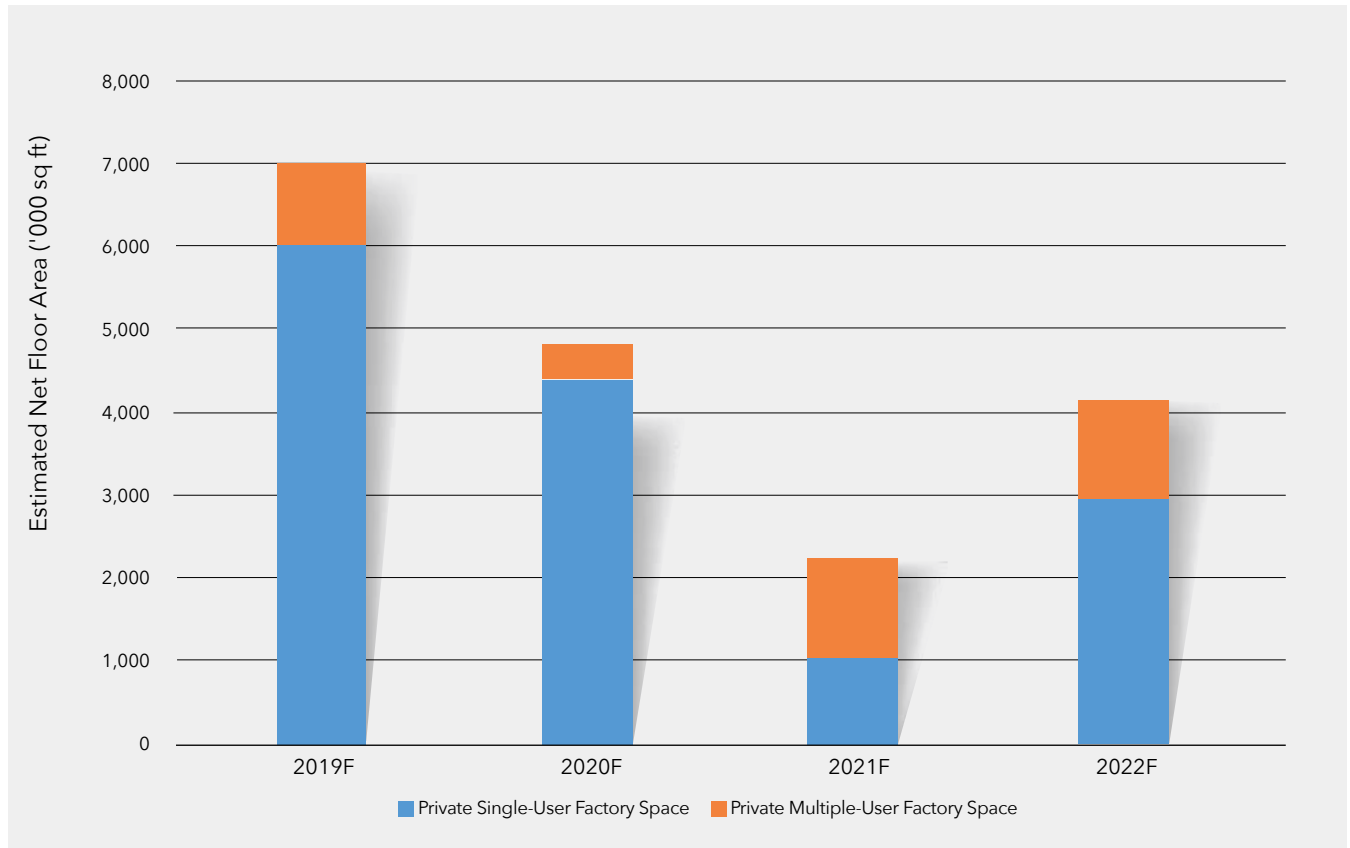
Based on JTC's latest list of projects under development and JLL's research as of 4Q 2018, an estimated 18.2 million sq ft[#] (net floor area) of new private factory space (excluding business park) is expected to be completed from 2019 to 2022.

Of the total pipeline supply, the majority of 77.2% or about 14.1 million sq ft are expected to be from single-user private factory developments meant mostly for self-use, while multiple-user private factory space accounted for the remaining 22.8% or around 4.1 million sq ft.

The bulk of the total potential supply amounting to about 7.1 million sq ft (38.8%) are expected to be completed in 2019. This will taper to 4.8 million sq ft (26.6%) in 2020 and further to 2.2 million sq ft (12.1%) in 2021, before rising to 4.1 million sq ft (22.5%) in 2022.

On average, some 4.6 million sq ft of new private factory space will be added to the islandwide private stock per annum from 2019 to 2022. This is 36.1% lower than the average annual net new supply of 7.2 million sq ft in the preceding four years (2015 to 2018), and nearly half of the average annual net new supply of 8.6 million sq ft in the previous ten years (2009 to 2018). Assuming all projects materialise and there are no stock withdrawals, this will raise the overall private factory stock as at 4Q 2018 by 5.5% to about 346.8 million sq ft as of end-2022.

Figure 9. Potential Supply of Private Factory* Space (2019 to 2022)



* Refers to private single-user and multiple-user factory space, excluding business parks.

Source: JTC, JLL Research

Potential supply includes space under construction and planned. However, the actual level of new supply could change due to amendments to the estimated gross floor area, as well as the status of planned projects.

INDEPENDENT MARKET REVIEW

Figure 10. Examples of Major* Upcoming Private Factory Developments in 2019

Name of Development	Location	Planning Region	Name of Developer	Approximate Gross Floor Area (sq ft)
Single-User Factory Developments				
Additions/alterations to existing factory	North Coast Drive	North	Micron Semiconductor Asia Pte Ltd	2,750,179
Additions/alterations to existing factory	30 Tuas Bay Drive	West	Syscon Pte Ltd	524,418
Extension to existing factory	Tuas South Boulevard	West	Jurong Shipyard Pte Ltd	436,799
Single-user factory	Airport Road	Northeast	Teambuild (ICPH) Pte Ltd	350,796
Single-user factory	Tuas West Drive	West	Tuas West Drive Pte Ltd	310,431
Google Data Centre (Phase 2)	2 Jurong West Street 23	West	Google Asia Pacific Pte Ltd	230,455
Extension and Additions/alterations to existing factory	Jurong East Street 21	West	ST Electronics Limited	225,289
Additions/alterations to existing factory	Pasir Ris Industrial Drive 1	East	Systems on Silicon Manufacturing Co. Pte Ltd	214,094
Single-user factory	Chin Bee Crescent	West	S M C Nutrition Pte Ltd	171,146
Single-user factory	Sungei Kadut Street 2	North	Redwood Interior Pte Ltd	161,459
Single-user factory	Tampines North Drive 3	East	BHCC Construction Pte Ltd	156,184
STT Defu 2	Defu Avenue 1	Northeast	ST Telemedia Global Data Centres	155,000
Single-user factory	Tuas View Circuit	West	Veolia ES Singapore Industrial Pte Ltd	140,792
Single-user factory	Senoko Way	North	D.A. Foods Industries Pte Ltd	129,167
Excel Centre	Seletar Aerospace Avenue	Northeast	Excel Venture Capital Pte Ltd	111,084
Additions/alterations to existing factory	Leng Kee Road	Central	Wearnes Automotive & Equipment Pte Ltd	110,545
Additions/alterations to existing factory	Tuas Avenue 5	West	Sumitomo Warehouse (Singapore) Pte Ltd	109,900
Multiple-User Factory Developments				
Solaris @ Kallang 164	164 Kallang Way	Central	SB (Waterview) Investment Pte Ltd	586,525
Solaris @ Kallang 171	171 Kallang Way	Central	SB (Waterfront) Investment Pte Ltd	390,838
Multiple-user industrial development (factory component)	3 Tuas Avenue 2	West	AIMS AMP Capital Industrial REIT	198,917
Platinum@Pioneer	32 Tuas Avenue 11	West	Soon Hock Realty Pte Ltd	134,441

* Refers to developments with approximate gross floor area of at least 100,000 sq ft.

Source: JTC, JLL Research

INDEPENDENT MARKET REVIEW

4.3. Rents

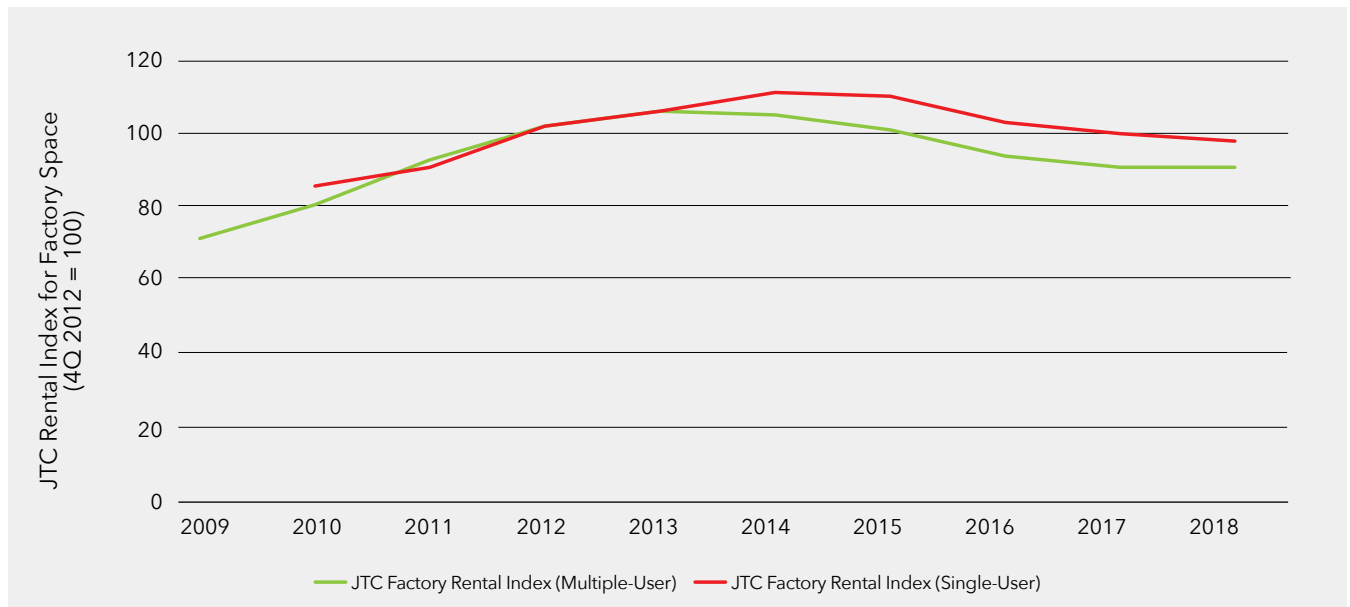
Rents for both single-user and multiple-user factory space fell for the fifth and fourth consecutive year, respectively, in 2018, according to JTC's latest rental indices as of 4Q 2018, which are based on transactions of private factory developments. However, the rate of decline has moderated for the second consecutive year, for both single-user and multiple-user factory premises.

Specifically, JTC's rental index for single-user factory space declined at a slower pace of 1.9% y-o-y in 2018, compared to the 2.6% y-o-y fall in 2017. Likewise, JTC's rental index for multiple-user factory space eased by a marginal 0.1% y-o-y in 2018, after falling by 2.8% y-o-y in 2017.

The improvement in rental performance came on the back of a pick-up in leasing activities in 2018. According to rental records from JTC's J-Space, there were 8,483 leasing transactions involving factory (both single-user and multiple-user) premises in 2018, an increase of 11.2% y-o-y. This represents the highest annual leasing volume in the last decade.

As of 4Q 2018, the median rent for single-user factory space stood at S\$ 1.66 per sq ft per month, up 0.6% y-o-y, while the median rent for multiple-user factory space stood at S\$ 1.78 per sq ft per month after easing 1.1% y-o-y. Note, however, that median rents are dependent on the number and type of transactions during the period of analysis. This in turn depends on factors such as the floor level and size of the unit leased, as well as the location, age and specifications of the factory development.

Figure 11. JTC Rental Indices for Factory* Space (2009 to 2018)



* JTC's rental indices are based on transactions of private factory developments.

Source: JTC, JLL Research

INDEPENDENT MARKET REVIEW

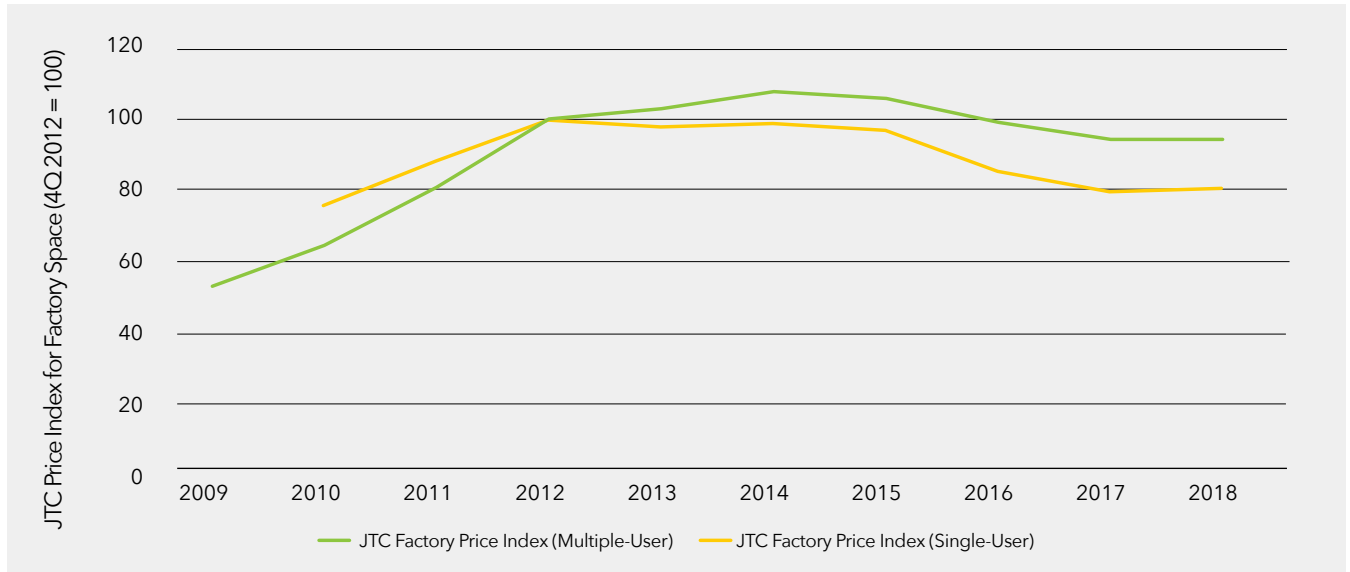
4.4. Prices

JTC's price index for single-user factory space climbed by a marginal 0.4% y-o-y in 2018, ending three consecutive years of decline. This was despite a fall in number of caveats lodged# for single-user factories, from 127 caveats in 2017 to 104 caveats in 2018.

In contrast, the number of caveats lodged for multiple-user factories rose from 808 caveats in 2017 to 896 caveats in 2018. However, JTC's price index for multiple-user factory space continued to contract by 0.2% y-o-y in 2018, albeit this was a more modest pace of decline compared to the 4.8% y-o-y drop in 2017, indicating that buyers are still price conscious.

According to J-Space, the median price for single-user factory stood at S\$ 262 per sq ft (based on land area) as of 4Q 2018, up 48.0% y-o-y, while the median price for multiple-user factory space stood at S\$ 414 per sq ft (based on strata area), down 3.5% y-o-y. Note, however, that median prices are dependent on the number and type of transactions during the period of analysis. This in turn depends on factors such as the floor level and size of the unit, remaining tenure, as well as the location, age and specifications of the factory development.

Figure 12. JTC Price Indices for Factory Space (2009 to 2018)



Source: JTC, JLL Research

Based on caveat records downloaded from JTC's J-Space on 30 January 2019.

INDEPENDENT MARKET REVIEW

4.5. Major Investment Sales

Based on information collated by JLL Research as of 24 January 2019, an estimated S\$ 1.3 billion worth of private factory investment transactions (excluding development sites) of at least S\$ 5 million each changed hands in 2018. This was lower than the S\$ 3.4 billion accumulated in 2017, of which almost three-fifths were from the S\$ 1.97 billion Jurong Aromatics Complex deal.

Examples of major private factory investment sales in 2018 which are based on available market information/ transaction records are provided in the following table.

Figure 13. Examples of Major* Private Factory Transactions in 2018

Quarter Sold	Name of Development	Location	Sale Price (S\$ million)	Approximate Gross Floor Area (sq ft)	Tenure
1Q	Eunos Industrial Estate	107 Eunos Avenue 3	28.00	N.A.	30 Years From 01/01/2011
1Q	Nucleus Connect Building	13 Tai Seng Drive	30.70	109,575	30+30 Years From 16/04/1994
1Q	Admirax	8 Admiralty Street	106.00	581,832	60 Years From 09/10/2000
2Q	Kingsland Data Centre (99% Interest In Kingsland Data Center Pte Ltd)	13 Sunview Way	295.10	N.A.	N.A.
2Q	RBM Centre	7 Tai Seng Drive	68.00	256,655	30+30 Years From 16/03/1993
3Q	Khai Huat Industrial Building	9 Changi South Lane	21.00	N.A.	30+30 Years From 16/07/1997
3Q	Senoko Industrial Estate	57 Senoko Drive	27.50	N.A.	30 Years From 17/11/2018
3Q	Geo-Tele Centre	9 Tai Seng Drive	99.60	218,905	30+30 Years From 1/6/1995
4Q	N.A.	23 Leng Kee Road	33.00	N.A.	99 Years From 15/07/1954
4Q	N.A.	8 Tai Seng Link	60.00	N.A.	60 Years From 17/09/2006
4Q	Tuas Techpark	43 Tech Park Crescent	34.40	N.A.	60 Years From 18/08/1993
4Q	Pantech 21	200 Pandan Loop	56.80	184,729	99 Yrs From 27/01/1984

* Refers to transactions worth at least S\$ 20 million each.

N.A. denotes "Not Available".

Source: JTC, REALIS, RCA, JLL Research (as of 24 January 2019)

INDEPENDENT MARKET REVIEW

4.6. Market Outlook for 2019

We expect the outlook of the private factory property market to be mixed in 2019.

On the supply front, we foresee limited oversupply risk for the overall private factory segment, given that around 85% of the 7.1 million sq ft of new factory space expected to be completed in 2019 are estimated to be from single-user factory developments which are predominantly intended for self-use.

Occupier demand should also remain firm amid continued economic growth, although macroeconomic risks such as the global trade war and slowing manufacturing sector growth in 2019 could weigh on business sentiments.

At the same time, the government has reiterated the importance of the manufacturing sector as a key economic growth driver, and is committed towards pushing the manufacturing sector towards higher value-adding and value-creating activities such as research and development, and advanced manufacturing. The implementation of the various ITMs as part of Singapore's economic transformation strategy as well as encouraging firms to embrace industry 4.0 initiatives will also bode well for the growth and development of Singapore's manufacturing sector going forward. This would in turn provide a demand base for factory developments.

Hence, well-located industrial developments with higher building specifications catering to the needs of new economy firms (e.g. technology companies) and firms from higher value-added industries are expected to remain sought after in 2019.

Conversely, landlords of older developments are likely to keep rents and prices competitive, and be more willing to negotiate. Some landlords may also undertake asset enhancement initiatives to enhance the marketability of their developments.

Against this backdrop, and barring a worsening of the external environment or other unforeseen external shocks, we expect the average occupancy rate for private factory space to hover within the range of 89-91% in 2019. This took into account the time lag between the physical completion and occupation of the premises, space that could be vacated as occupiers shift into their new premises, and the potential withdrawal of space from the completed stock.

Taking cognisance of the above, rents could move in the range of -1% to 1% in 2019 with better located and higher specification developments outperforming the broader market. On the other hand, as prices have already more or less stabilised in 2018, there is potential for some upside of up to 2% in 2019.

5. SINGAPORE PRIVATE WAREHOUSE MARKET OVERVIEW

5.1. Existing Supply, Demand and Occupancy

As of end-2018, Singapore has 112.5 million sq ft of private warehouse space, accounting for 97.9% of the total islandwide warehouse stock of 115.0 million sq ft. Only about 2.5 million sq ft or 2.1% are held by the public sector.

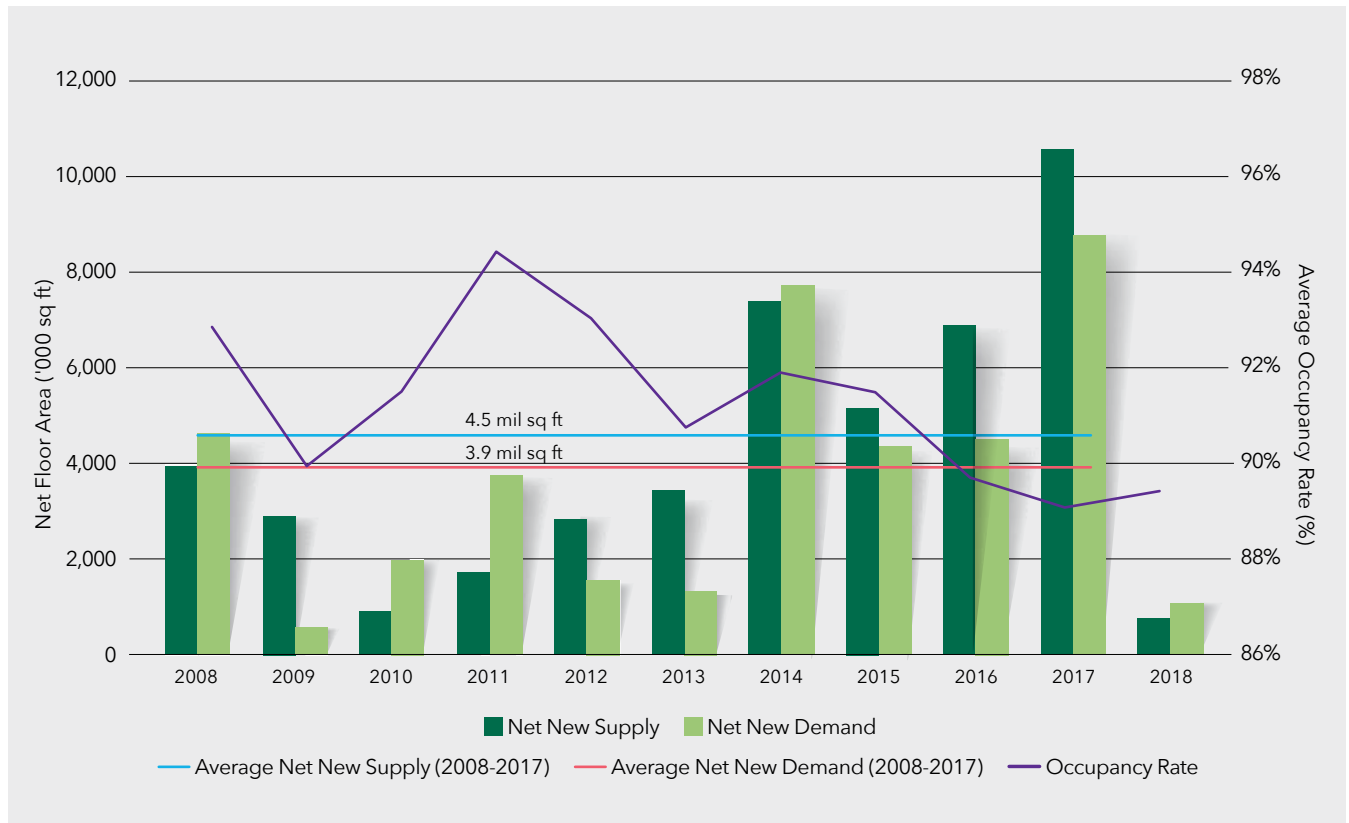
Compared to 2017, the islandwide private warehouse stock expanded marginally by 0.7% y-o-y, translating to a net new supply of about 0.8 million sq ft. This was a sharp fall from 2017's net new supply of 10.4 million sq ft and less than a fifth of the average net new supply of 4.5 million sq ft per annum in the previous ten years from 2008 to 2017.

Likewise, net new demand amounted to 1.1 million sq ft in 2018, also significantly less than 2017's net new demand of 8.6 million sq ft, and less than a third of the average net new demand of 3.9 million sq ft per annum from 2008 to 2017.

The sharp cutback in net new supply amid the continued absorption of space resulted in net new demand exceeding net new supply in 2018. As a result, the average occupancy rate climbed marginally from 89.1% as of end-2017 to 89.4% as of end-2018.

INDEPENDENT MARKET REVIEW

Figure 14. Net New Supply, Net New Demand and Average Occupancy of Private Warehouse Space



Source: JTC, JLL Research

Figure 15. Examples of Major* Private Warehouse Completions in 2018

Name of Development	Location	Planning Region	Name of Developer	Approximate Gross Floor Area (sq ft)
Yang Kee Integrated Logistics Hub @ Tuas South Link	2 Tuas South Link 1	West	Diamond Land Pte. Ltd.	703,422
PLG Building	31 Tuas South Link 4	West	Pacific Investment Group Pte Ltd	592,015
Poh Tiong Choon Logistics Hub	48 Pandan Road	West	Poh Tiong Choon Logistics Ltd	548,206
Warehouse	20 Tuas Avenue 1	West	HSBC Institutional Trust Services (Singapore) Limited	479,425
Peck Tiong Choon Building (warehouse component)	39 Tuas West Drive	West	Peck Tiong Choon (Private) Limited	342,938

Continue on next page

INDEPENDENT MARKET REVIEW

Name of Development	Location	Planning Region	Name of Developer	Approximate Gross Floor Area (sq ft)
Panalpina Logistics Centre	9 Pioneer View	West	Panalpina World Transport (S) Pte Ltd	322,810
Single-user industrial development (warehouse component)	12 Bulim Avenue	West	Angel Playing Card Singapore Pte Ltd	262,855
Additions/alterations to Singapore Logistics Centre (for Yusen Logistics)	30, 32 Tuas Avenue 13	West	Boustead Projects Investments Pte Ltd	236,053
Single-user industrial development (warehouse component)	12 Tukang Innovation Drive	West	DORMA Production GmbH & Co KG	221,737
Redevelopment of Warehouse	102 Pasir Panjang Road	Central	Singapore Storage & Warehouse Pte Ltd	124,108
Warehouse development	9 Jalan Besut	West	Hock Seng Heng Transport and Trading Pte Ltd	120,125
Extension to existing warehouse	2 Seraya Place	West	Bertschi Singapore Pte Ltd	118,726
Warehouse development (Phase 2)	3 Changi South Street 1	East	Santa Warehousing Pte Ltd	105,809

* Refers to developments with approximate gross floor area of at least 100,000 sq ft.

Source: JTC, JLL Research

5.2. Potential Supply

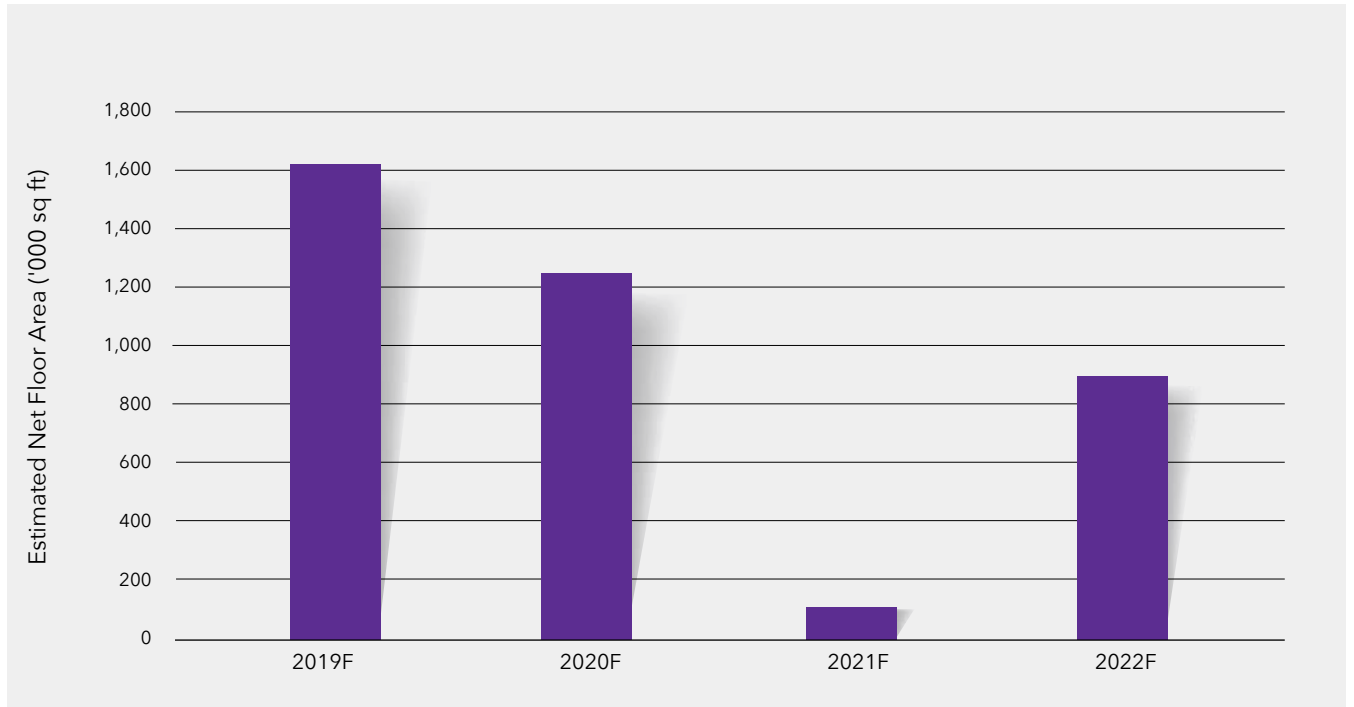
Based on JTC's latest project pipeline and available information as of 4Q 2018, around 3.9 million sq ft (net floor area) of new private warehouse space is envisaged to be completed from 2019 to 2022. An estimated 3.8 million sq ft (98.4%) are from private single-user warehouse projects meant predominantly for self-use, while the remaining 1.6% or around 62,000 sq ft are expected to be multiple-user warehouse space.

Most (41.7%) of the new pipeline supply of 1.6 million sq ft is expected to be completed in 2019, followed by 1.3 million sq ft (32.5%) in 2020. Thereafter, new supply is expected to drop to around 106,000 sq ft (2.7%) in 2021, before increasing to 0.9 million sq ft (23.1%) in 2022.

Overall, the total upcoming private warehouse supply of 3.9 million sq ft worked out to around 952,000 sq ft per annum from 2019 to 2022. This is significantly 83.4% and 77.3% lower than the average annual net new supply of 5.7 million sq ft for the four years from 2015 to 2018, and the ten-year average annual net new supply of 4.2 million sq ft from 2009 to 2018, respectively. Based on the assumption that there are no stock withdrawals and that all planned projects to materialise, this will increase the islandwide stock of private warehouse space as at 4Q 2018 by 3.4% to about 116.4 million sq ft as of end-2022.

INDEPENDENT MARKET REVIEW

Figure 16. Potential Supply of Private Warehouse Space (2019 to 2022)



Source: JTC, JLL Research

Figure 17. Examples of Major* Upcoming Private Warehouse Developments in 2019

Name of Development	Location	Planning Region	Name of Developer	Approximate Gross Floor Area (sq ft)
Warehouse development	Alps Avenue	East	Schenker Singapore (Pte) Ltd	553,588
Warehouse development	Sunview Way	West	Bollore Logistics Singapore Pte Ltd	538,196
Sinar Mas Building	118 Pioneer Road	West	Radha Exports Pte Ltd	375,338
Additions/alterations to existing industrial development	6 Mandai Link	North	CMM Marketing Management Pte Ltd	110,007

* Refers to developments with approximate gross floor area of at least 100,000 sq ft.

Source: JTC, JLL Research

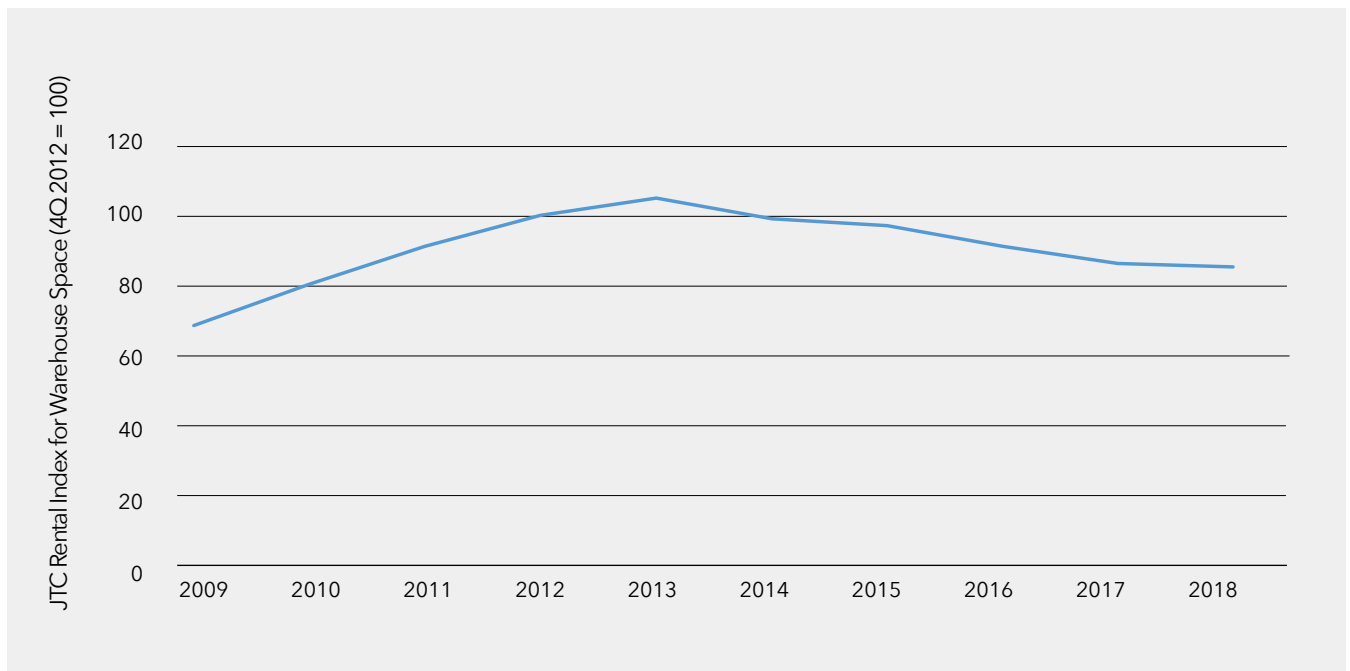
INDEPENDENT MARKET REVIEW

5.3. Rents

JTC's warehouse rental index, which is based on transactions of private warehouses contracted by 0.9% y-o-y in 2018, albeit at a slower pace than the 5.7% y-o-y fall in 2017. Notably, 2018 is the second straight year that the rate of rental decline has slowed. The continued fall in warehouse rents, despite the 33.5% y-o-y jump in leasing volume to 1,671 in 2018, can be attributed to the stiff competition for tenants given the ample space options in the market. At the same time, tenants had remained rent sensitive amid lingering trade war concerns and the anticipated slowdown in manufacturing sector growth.

Based on rental information obtained from JTC's J-Space, the median rent for warehouse space stood at S\$ 1.85 per sq ft per month as of 4Q 2018. This represents a slight 0.5% y-o-y decline compared to the median rent of S\$ 1.86 per sq ft per month as of 4Q 2017. However, note that median rents are dependent on the number and type of transactions during the period of analysis. This in turn depends on factors such as the floor level and size of the unit leased, as well as the location, age and specifications of the warehouses.

Figure 18. JTC Rental Index for Warehouse Space (2009 to 2018)



* JTC's rental indices are based on transactions of private warehouse developments.
Source: JTC, JLL Research

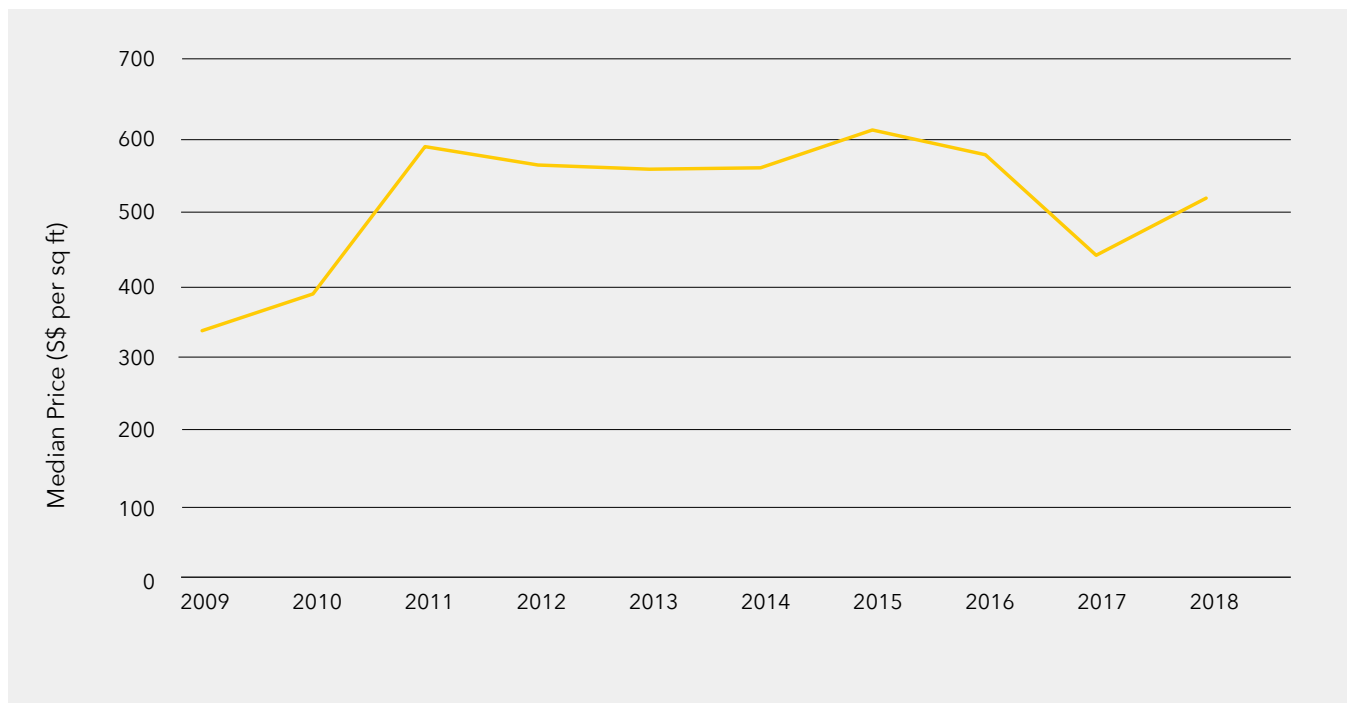
INDEPENDENT MARKET REVIEW

5.4. Prices

JTC has not published the warehouse price index since 4Q 2014 as there were insufficient transactions to compile an index that is reflective of the warehouse market. Based on median prices of warehouses downloaded from JTC's J-Space on 30 January 2019, the median price for warehouses stood at S\$ 539 per sq ft (based on strata area) as of 4Q 2018, up 18.2% y-o-y. Over the same period, there was a slight increase in the number of caveats lodged for strata-titled warehouse space from 53 records in 2017 to 55 records in 2018.

Note, however, that median prices are dependent on the number and type of transactions during the period of analysis. This in turn depends on factors such as the floor level and size of the unit, remaining tenure, as well as the location, age and specifications of the factory development.

Figure 19. Median Prices* of Warehouse Space (2009 to 2018)



* Based on strata area

Source: JTC, JLL Research (as at 30 January 2019)

5.5. Major Investment Sales

An estimated S\$ 1.1 billion worth of private warehouses (excluding development sites) of at least S\$ 5 million each were transacted in 2018, based on information collated by JLL Research as of 24 January 2019. The bulk or 72.2% of 2018's total transaction value was contributed by the sale of a portfolio of five ramp-up warehouses at 4 Pandan Avenue, 52 Tanjong Penjuru, 6 Fishery Port Road, 5A Toh Guan Road East and 38 Tanjong Penjuru, by CWT Pte Limited and its subsidiaries to Mapletree Logistics Trust (MLT) for S\$ 778.3 million, inclusive of an estimated upfront land premium of S\$ 48.3 million payable to JTC for the balance lease term. Compared to the S\$ 375.2 million captured in 2017, the overall private warehouse investment sales value had nearly tripled in 2018.

Examples of major private warehouse investment sales in 2018, which are based on available market information/ transaction records, are provided in the following table.

INDEPENDENT MARKET REVIEW

Figure 20. Examples of Major* Private Warehouse Transactions in 2018

Quarter Sold	Name of Development	Location	Sale Price (S\$million)	Approximate Gross Floor Area (sq ft)	Tenure
1Q	Hi-Speed Logistics Centre	40 Alps Ave	73.80	309,000	30+30 Years From 16/08/2005 (Remaining land lease of approximately 47.6 years)
1Q	N.A.	9 Bukit Batok Street 22	23.90	157,860	30+30 Years From 01/02/1993
2Q	Sembawang Kimtrans Logistics Centre	30 Old Toh Tuck Road	24.00	176,022	30+30 Years From 16/02/1997
2Q	Ceva Logistics Centre	15 Greenwich Drive	95.80	455,396	30 Years expiring in 2041
3Q	5 logistics properties	4 Pandan Avenue, 52 Tanjong Penjuru, 6 Fishery Port Road, 5A Toh Guan Road East, 38 Tanjong Penjuru	778.30	3,212,045	30 Years
3Q	N.A.	531 Bukit Batok Street 23	22.40	202,824	30+30 Years From 1/10/1995
4Q	Century Warehouse (collective sale)	100E Pasir Panjang Road	48.50	N.A.	Freehold

* Refers to transactions worth at least S\$ 20 million each.

N.A. denotes "Not Available".

Source: JTC, REALIS, RCA, JLL Research (as of 24 January 2019)

INDEPENDENT MARKET REVIEW

5.6. Market Outlook for 2019

The outlook of the private warehouse property market is expected to be cautiously optimistic in 2019.

Given that the majority of 96.6% of the upcoming supply in 2019 are estimated to be single-user warehouse space meant mostly for self-use, there is limited oversupply risk in 2019. As such, the islandwide private warehouse occupancy rate is expected to hover within a healthy range of 89-92% in 2019.

Meanwhile, future demand for logistics/warehouse facilities is expected to be driven by the business growth of logistics service providers as well as industrialists/end-users. This includes new requirements from firms in growth industries such as pharmaceuticals and biotechnology, and growing requirements from e-commerce companies for last mile logistics services.

The government's commitment towards sustaining Singapore's global logistics hub status through investments in new infrastructure (e.g. Tuas Mega Port), talent development and encouraging firms to adopt Industry 4.0 initiatives (e.g. Internet of Things and automation) should also bode well for the logistics industry.

However, the adoption of smart warehouse system could enable third-party logistics players or 3PLs to reduce their real estate requirements even as they expand their business operations. The uncertainties arising from the escalating US-China trade war could also temper near-term demand and rent growth.

Hence, barring a worsening of the external environment or other unforeseen external shocks, there is potential for rents to firm and post marginal upside of up to 1% in 2019.

Disclaimer

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CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

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

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

The Manager is committed to upholding high standards of corporate governance, which are essential to sustaining the Trust's business and performance. This report describes the Manager's corporate governance framework and practices in compliance with the principles and guidelines of the Code of Corporate Governance 2018 (the "2018 Code") which the Manager has voluntarily adopted ahead of the application of the 2018 Code to annual reports for financial years commencing from 1 January 2019. The Manager confirms that it has adhered to the principles and guidelines as set out in the 2018 Code where applicable. Any deviations from the 2018 Code are explained.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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

As at 31 December 2018, the Board members are:

Independent Directors

Mr Yong Kok Hoon (Chairman)
Mr Kelvin Tan Wee Peng
Mr Tan Cheong Hin[#]

[#] Mr Tan Cheong Hin was appointed an Independent Non-Executive Director and member of the Audit Committee on 25 January 2018.

Non-executive Directors

Mr Henry Chua Tiong Hock

CORPORATE GOVERNANCE

The profiles of the Directors are set out on pages 13-16 of this Annual Report.

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

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

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

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

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

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

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

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

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

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

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

CORPORATE GOVERNANCE

The Board currently consists of four Directors, three of whom are non-executive and independent, that is, they have no relationship with the Manager, its related companies, its substantial shareholders¹, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Trust, and they are able to exercise objective judgment on corporate affairs independently from the management and its substantial shareholders. Furthermore, the Independent Directors are considered to be independent because they are not substantial Unitholders of the REIT, they do not have management or business relationships with the Manager and its related companies as well as the Trust and its subsidiaries and they are independent from the substantial shareholder of the Manager and substantial Unitholders of the Trust. As Non-executive Directors and Independent Directors make up more than half of the Board, no individual or group is able to dominate the Board's decision-making process.

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

Based on the NRC's review of the size and composition of the Board and the diversity of skills, experience and core competencies of the Board members and related recommendations on these aspects, the Board is satisfied that there is a strong and independent element on the Board and that the present size and composition of the Board is appropriate to facilitate effective decision making.

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

While the Board is of the view that it has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the REIT and its unitholders, the NRC is still currently working on implementing a board diversity policy to build on the other aspects of diversity as well as to set out certain qualitative and measurable quantitative objectives of such a policy to further enhance the Board.

CHAIRMAN AND CEO

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

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

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

¹ A "substantial shareholder" of a company is a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the company, in line with the definition set out in section 2 of the Securities and Futures Act (Chapter 289) of Singapore.

CORPORATE GOVERNANCE

BOARD MEMBERSHIP AND PERFORMANCE

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NRC comprises the following Directors:

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

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

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

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

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

The Board reviews annually whether a Director is considered an independent director based on the 2018 Code, the Listing Rules and the Securities and Futures (Licensing and Conduct of Business) Regulations. The Board has ascertained that for the financial year under review, the Independent Directors are independent.

CORPORATE GOVERNANCE

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

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

The number of Board meetings and Board committee meetings held during the year from 1 January 2018 to 31 December 2018 and Directors' attendances are as follows:

Attendance of the Directors for FY 2018

Name of Directors	Board		AC		NRC	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Mr Yong Kok Hoon	4	4	4	4	1	1
Mr Kelvin Tan Wee Peng	4	4	4	4	1	1
Mr Tan Cheong Hin	4	4	4	4	n/a	n/a
Mr Henry Chua Tiong Hock	4	4	n/a	n/a	1	1

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

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

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

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

LEVEL AND MIX OF REMUNERATION

DISCLOSURE ON REMUNERATION

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

CORPORATE GOVERNANCE

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

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

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

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

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

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

In this regard, the Manager's report on each individual Director's and the key management personnel's remuneration paid and payable from 1 January 2018 to 31 December 2018 is disclosed as follows:

Directors	Director's fees S\$'000
Mr Yong Kok Hoon	150.0
Mr Kelvin Tan Wee Peng	95.6
Mr Tan Cheong Hin	51.4
Mr Henry Chua Tiong Hock	55.0

CORPORATE GOVERNANCE

Remuneration Bands	Salary %	Bonus %	Other Benefits %	Total %
Key management personnel				
S\$250,000 - S\$500,000				
Mr Han Yong Lee (Donald)	89.4	7.4	3.2	100.0%
Mr Aw Wei Been	80.1	16.7	3.2	100.0%
Below S\$250,000				
Mr Liu Qingbin	80.2	19.4	0.4	100.0%

Note: Remuneration was based on amount paid and payable, based on the Trust's financial year from 1 January 2018 to 31 December 2018. Bonus consists of annual wage supplement and performance bonus. Leave encashment, mobile and transport allowances are classified under Other Benefits. There were no other key management personnel.

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

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

AUDIT COMMITTEE

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

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

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

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

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

Currently, the AC members are:

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

[#] Mr Tan Cheong Hin was appointed an Independent Non-Executive Director and member of the Audit Committee on 25 January 2018.

CORPORATE GOVERNANCE

The main duties of the AC include reviewing and monitoring the effectiveness of the Manager's internal controls relating to financial, operational, compliance and risk management processes. The AC receives regular updates by external auditors to keep abreast of changes to accounting standards and issues which may have a direct impact on financial statements. The AC meets with internal and external auditors without the presence of management at least once a year. As and when required, the Non-Executive Directors and Independent Directors will also meet to discuss without the presence of management.

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

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

For FY 2018, the External Auditor KPMG LLP ("KPMG") has again identified the valuation of investment properties as a key audit matter and in its report, KPMG has communicated their findings that the valuation methodologies adopted by the valuers and key assumptions applied in the valuation exercise are consistent with market practices and data. The AC has also reviewed the valuation reports and discussed the contents thereof with management and KPMG and is satisfied with the assumptions and methodologies used. However, given that the assumptions are subjective and are highly susceptible to changes in the business environment, the AC cautions Unitholders against relying solely on the investment property valuations in assessing the financial performance of Sabana REIT. This is particularly so as such valuations do not give any assurance that the investment properties will be sold at such prices even if such sales are contemplated for some of the properties as part of Sabana REIT's business strategy. Indeed, as we have seen from the divestment of 9 Tai Seng and the divestment of 1 Tuas Avenue 4 (the latter's completion is pending JTC's approval), the value of the properties held to generate passive rental income can vary significantly from the potential selling prices achieved for these properties. Hence, the AC advises Unitholders to focus on fundamental factors such as the net property income, tenant profile, tenancy duration, property occupancy, and their changes over the years to assess how well Sabana REIT's portfolio has performed. During the year under review, the AC also reviewed the terms and conditions under which the various master leases were renewed and is satisfied that they are in line with prevailing market conditions.

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

The AC, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy and effectiveness of the Manager's system of controls, including financial, operational, compliance and information technology controls put in place by the management as part of the framework. The internal audit function of the Manager is outsourced to EY. The internal auditors are guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, and report directly to the AC on audit matters.

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

CORPORATE GOVERNANCE

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

EXTERNAL AUDITORS

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

During the year, the AC has conducted a review of all non-audit services provided by the external auditors to Sabana REIT and its subsidiaries and is satisfied that the extent of such services will not prejudice the independence and objectivity of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were approximately S\$191,000 and S\$75,000 respectively, for the financial year under review.

The AC, with the concurrence of the Board, has recommended the re-appointment of KPMG LLP as the external auditors. The re-appointment of the external auditors will be subject to approval by way of an ordinary resolution of Unitholders at the AGM, to be held on 23 April 2019.

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

WHISTLE-BLOWING POLICY

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

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

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

FINANCIAL RISK

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

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

CORPORATE GOVERNANCE

OPERATIONAL RISK

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

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

Internal auditors, Ernst and Young Advisory Pte Ltd ("EY") had also been engaged to perform independent reviews of the adequacy and effectiveness of the risk management processes and internal controls. The Manager also has a Business Continuity Plan and a comprehensive insurance coverage in accordance with industry standards.

COMPLIANCE RISK

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

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

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

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

BOARD'S OPINION ON INTERNAL CONTROLS

Based on the internal controls and risk management framework established and maintained by the management, work performed by the internal and external auditors, the assurance from the CEO and Vice President (Finance) that the financial records have been properly maintained, that the financial statements give a true and fair view of the Trust's operations and finances, and the assurance from the CEO and Vice President (Finance)[#] regarding the adequacy and effectiveness of the Manager's risk management and internal control systems, the Board, with the concurrence of the AC, is of the view that taking into account the nature, scale and complexity of the Manager's operations, the Trust's financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2018.

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

[#] Mr Liu Qingbin, Vice President (Finance) of the Manager, assumed the responsibilities of Ms. Tan Chiew Kian who was the Chief Financial Officer following her cessation which was effective on 10 August 2018.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

ENGAGEMENT WITH SHAREHOLDERS

MANAGING STAKEHOLDERS RELATIONSHIP ENGAGEMENT WITH STAKEHOLDERS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

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

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

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

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

The Manager has implemented the system of voting by poll at its AGMs. Results of each resolution put to vote at the AGM are processed by independent scrutineers and the results will be announced with details of percentages in favour and against. Separate resolutions are proposed for substantially separate issues at the meetings and after the AGM's conclusion, the minutes of the AGM will be made available to Unitholders upon request.

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

DEALING IN SECURITIES

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

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

CORPORATE GOVERNANCE

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

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

DEALING WITH CONFLICTS OF INTEREST

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

- The Manager is dedicated to Sabana REIT and will not manage other REITs which invest in similar properties as Sabana REIT;
- All executive officers will be working exclusively for the Manager and will not hold executive positions in other firms;
- All resolutions in writing of the Directors in relation to matters concerning the Trust must be approved by a majority of the Directors who do not hold an interest, including at least two Independent Directors;
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude the nominee Directors of the Sponsor and/or its subsidiaries;
- It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of the Trust with a related party of the Manager, the Manager shall be obliged to consult a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors shall have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of the Trust with a related party of the Manager and the Trustee may take any action it deems necessary to protect the rights of Unitholders and/or which is in the interest of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

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

DEALING WITH RELATED PARTIES

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

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S\$100,000.00 in value but below 3% of the value of Sabana REIT's net tangible assets will be subject to review by the AC at regular intervals;
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3% but below 5% of the value of Sabana REIT's net tangible assets will be subject to review and prior approval of the AC and immediately announced on SGX-ST. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager;

CORPORATE GOVERNANCE

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

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

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

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

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

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

DEALING WITH SHARI'AH COMPLIANCE

Shari'ah compliance means adherence to the tenets of Islamic law, which places due consideration upon ethics and social responsibility. The Manager ensures total non-Shari'ah compliant rental income does not exceed 5% per annum of the gross revenue of the Trust's portfolio of properties. As part of the due cleansing procedure, donation of non-compliant income is made to charitable causes (without tax benefits) on a quarterly basis. For FY 2018, the non-compliant income came to approximately 0.18% of gross revenue.

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

CORPORATE GOVERNANCE

The ISC comprises eminent scholars and experts. They are:

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

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

- Prior to the issuance of the Shari'ah certificate for annual status, an inspection and verification will be conducted on the properties and activities of the Trust. A representative of Five Pillars will visit the individual properties in the portfolio to ensure that businesses on the premises are compliant and agree with the leasing contracts signed. For FY 2018, the Trust successfully passed the inspection; and
- For new funding, consent will be obtained on inception. Shari'ah certification and other supporting documents from the issuing or arranger bank will be vetted and approved by the ISC. For FY 2018, the Trust has not utilised interest-based borrowing or other non-Shari'ah compliant financing.

On completion of the annual audit, the ISC will sign off and issue the certificate which will be delivered by the Shari'ah Adviser to the Manager. The Trust has successfully renewed its annual Shari'ah certificate, valid till 31 December 2019. The certificate is displayed on the Trust's website www.sabana-reit.com. The total amount of fees incurred for Shari'ah advisory services for the financial year ended 31 December 2018 is approximately S\$89,000.

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

FEES PAYABLE TO THE MANAGER

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

Fees payable by the Trust	Amount payable
1 Management fee (payable to the Manager or its nominee)	<p>Base Fee A fee not exceeding the rate of 0.5% per annum of the value of the Deposited Property.</p> <p>Performance Fee 0.5% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the Net Property Income of Sabana REIT or its relevant Special Purpose Vehicles ("SPVs") in each financial year, payable on a yearly basis, provided Sabana REIT achieves at least 10% annual growth in DPU over the previous financial year (calculated after accounting for the performance fee (if any) for that financial year and after adjusting, at the discretion of the Manager, for any new Units arising from the conversion or exercise of any instruments convertible into Units which are outstanding at the time of calculation, and any rights or bonus issue, consolidation, subdivision or buy-back of Units).</p> <p>The Manager may elect to receive the Base Fee and Performance Fee in cash or Units or a combination of cash and Units (as it may in its sole discretion determine).</p> <p>The Manager received 100.0% of the Base Fee in cash for FY2018.</p>

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Fees payable by the Trust	Amount payable
<p>2 Fee for acquisition of properties (payable to the Manager or its nominee)¹</p>	<p>Acquisition Fee 1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the acquisition price of real estate of real estate-related assets acquired:</p> <ul style="list-style-type: none"> • in relation to an acquisition (whether directly or indirectly through one or more SPVs of any real estate, the acquisition price of any real estate purchased by the Trust, plus any other payments² in addition to the acquisition price made by the Trust or its SPVs to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of the Trust's interest); • in relation to an acquisition (whether directly or indirectly through one or more SPVs of the Trust) of any SPVs or holding entities which holds real estate, the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the equity interests of any vehicle holding directly or indirectly the real estate purchased by the Trust, plus any additional payments made by the Trust or its SPVs to the vendor in connection with the purchase of such equity interests) (pro-rated if applicable to the proportion of the Trust's interest); or • the acquisition price of any investment by the Trust, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate.
<p>3 Fee for divestment of properties (payable to the Manager or its nominee)³</p>	<p>Divestment Fee 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of each of the following as is applicable (subject to there being no double-counting):</p> <ul style="list-style-type: none"> • the sale price of any real estate sold or divested, whether directly or indirectly through one or more SPVs, by the Trust (plus any other payments⁴ in addition to the sale price received by the Trust or its SPVs from the purchaser in connection with the sale or divestment of the real estate) (pro rated if applicable to the proportion of the Trust's interest); • the underlying value of any real estate related assets which is taken into account when computing the sale price for such real estate-related assets, sold or divested, whether directly or indirectly through one or more SPVs, by the Trust (pro rated if applicable to the proportion of the Trust's interest); or • the sale price of any investment by the Trust, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPVs owning or acquiring real estate.

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

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

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

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

CORPORATE GOVERNANCE

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

No Performance Fees were payable for FY 2018. The Board would like to inform Unitholders that Performance Fees are only payable when the Manager has achieved a certain level of growth in DPU over the previous financial year. Accordingly, the Board is of the view that the Performance Fee will incentivise the Manager to seek growth opportunities and encourage the Manager to act in the interests of Unitholders to enhance the DPU. An increase of the DPU by 10% year-on-year is challenging and the Performance Fee will incentivise the Manager to take a holistic and balanced approach towards assuming sensible risks to grow the Trust over the long-term. In addition, the Performance Fee payable to the Manager has been assessed by the Board and the Board believes that the Trust's Performance Fee is reasonable and in line with market practices.

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

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

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

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

CORPORATE INFORMATION

SABANA REIT

REGISTERED ADDRESS

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

TRUSTEE

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

EXTERNAL AUDITORS

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

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

INTERNAL AUDITORS

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North Tower Level 18
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Fax: (65) 6532 7662

LEGAL ADVISER

Allen & Gledhill LLP
One Marina Boulevard
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Fax: (65) 6327 3800

UNIT REGISTRAR

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

BANKERS

CIMB Bank Berhad
(Singapore Branch)

United Overseas Bank Limited

Malayan Banking Berhad
(Singapore Branch)

HSBC Amanah Malaysia Berhad

The Hongkong and Shanghai
Banking Corporation Limited

STOCK QUOTES

STI - M1GU
Bloomberg - SSREIT SP
Reuters - SABA.SI
POEMS - SBNR.SG

WEBSITE

www.sabana-reit.com

THE MANAGER

REGISTERED ADDRESS

Sabana Real Estate Investment Management Pte. Ltd.

Company registration number:

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

BOARD OF DIRECTORS

Mr Yong Kok Hoon
Chairman and Independent
Non-Executive Director

Mr Kelvin Tan Wee Peng
Independent Non-Executive Director

Mr Tan Cheong Hin
Independent Non-Executive Director

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

AUDIT COMMITTEE

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

NOMINATING AND REMUNERATION COMMITTEE

Mr Yong Kok Hoon (Chairman)
Mr Henry Chua Tiong Hock
Mr Kelvin Tan Wee Peng

COMPANY SECRETARY OF THE MANAGER

Mr Cho Form Po

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REPORT OF THE TRUSTEE

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the period covered by these financial statements, set out on pages 83 to 144 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
8 March 2019

STATEMENT BY THE MANAGER

In the opinion of the directors of Sabana Real Estate Investment Management Pte. Ltd. (the “Manager”), the accompanying financial statements of Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (the “Trust”) and its subsidiaries (the “Group”) set out on pages 83 to 144 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders’ Funds of the Group and the Trust, Portfolio Statement and Statement of Cash Flows of the Group and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Group and the Trust and the portfolio holdings of the Group as at 31 December 2018, the total return, distributable income and movements in Unitholders’ funds of the Group and the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

**For and on behalf of the Manager,
Sabana Real Estate Investment Management Pte. Ltd.**



Yong Kok Hoon
Chairman

Singapore
8 March 2019

INDEPENDENT AUDITORS' REPORT

Unitholders
Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group, and the statement of financial position of the Trust as at 31 December 2018, the consolidated statement of total return, consolidated distribution statement, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 83 to 144.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, the statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust present fairly, in all material respects, the consolidated financial position and the portfolio holdings of the Group and the financial position of the Trust as at 31 December 2018 and the consolidated total return, consolidated distributable income, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and movements in unitholders' funds of the Trust for the year ended on that 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 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Valuation of investment properties and investment properties held for divestment (Refer to Note 4 to the financial statements)

Risk

The Group's property portfolio, valued at approximately \$979.8 million as at 31 December 2018, comprises 19 properties (including 2 properties held for divestment) located across Singapore.

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

Our response

The fair value of investment properties and investment properties held for divestment are based on independent external valuation or valuations taking into consideration applicable market inputs such as transaction price.

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

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

We have also assessed the appropriateness of the transaction price being an approximation of fair value, taking into consideration the nature and timing of the transaction.

Our findings

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

The valuation methodologies adopted and key assumptions applied and the transaction price used in the valuation of investment properties and investment properties held for divestment are consistent with market practices, data and inputs.

Other information

Sabana Real Estate Investment Management Pte. Ltd., the manager of the Trust (the "Manager"), is responsible for the other information contained in the annual report. 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

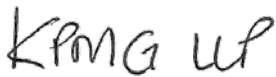
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

8 March 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-current assets					
Investment properties	4	869,200	942,400	869,200	942,400
Subsidiaries	5	-	-	*	*
		869,200	942,400	869,200	942,400
Current assets					
Investment properties held for divestment	4	110,550	12,900	110,550	12,900
Derivative assets	6	240	-	240	-
Trade and other receivables	7	2,204	3,128	2,202	3,125
Cash and cash equivalents	8	7,215	7,681	7,215	7,681
		120,209	23,709	120,207	23,706
Total assets		989,409	966,109	989,407	966,106
Current liabilities					
Trade and other payables	9	14,354	18,105	14,361	18,115
Borrowings	10	172,767	117,456	172,767	117,456
		187,121	135,561	187,128	135,571
Non-current liabilities					
Trade and other payables	9	8,726	10,388	8,726	10,388
Borrowings	10	188,942	248,350	188,942	248,350
Derivative liabilities	6	142	265	142	265
		197,810	259,003	197,810	259,003
Total liabilities		384,931	394,564	384,938	394,574
Net assets		604,478	571,545	604,469	571,532
Represented by:					
Unitholders' funds		604,478	571,545	604,469	571,532
Units issued ('000)	11	1,053,084	1,053,084	1,053,084	1,053,084

* Less than \$1,000

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

STATEMENTS OF TOTAL RETURN

For the year ended 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Gross revenue	14	80,961	85,196	80,961	85,196
Property expenses	15	(28,171)	(31,817)	(28,171)	(31,817)
Net property income		52,790	53,379	52,790	53,379
Finance income		154	308	154	308
Finance costs		(15,149)	(17,193)	(15,142)	(16,948)
Net finance costs	16	(14,995)	(16,885)	(14,988)	(16,640)
Manager's fees		(4,568)	(3,700)	(4,568)	(3,700)
Trustee's fees		(385)	(423)	(385)	(423)
Donation of non-Shari'ah compliant income	17	(48)	(21)	(48)	(21)
Other trust expenses	18	(901)	(3,546)	(904)	(3,562)
		(5,902)	(7,690)	(5,905)	(7,706)
Net income		31,893	28,804	31,897	29,033
Net change in fair value of financial derivatives		363	(225)	363	(225)
Net change in fair value of investment properties		34,675	(57,205)	34,675	(57,205)
Gain on divestment of investment properties		754	1,816	754	1,816
Total return for the year before taxation and distribution		67,685	(26,810)	67,689	(26,581)
Tax expense	19	*	*	-	-
Total return for the year after taxation and before distribution		67,685	(26,810)	67,689	(26,581)
Earnings per Unit (cents)					
Basic	20	6.43	(2.60)	6.43	(2.57)
Diluted	20	6.43	(2.60)	6.43	(2.57)

* Less than \$1,000

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

DISTRIBUTION STATEMENTS

For the year ended 31 December 2018

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Amount available for distribution to Unitholders at beginning of the year	8,943	9,321	8,943	9,321
Total return for the year after taxation and before distribution	67,685	(26,810)	67,689	(26,581)
Non-tax deductible/(chargeable) items:				
Amortisation of transaction costs	1,217	1,757	1,217	1,526
Break fees on termination of profit rate swaps	-	656	-	656
Trustee's fees	385	423	385	423
Donation of non-Shari'ah compliant income	48	21	48	21
Net change in fair value of financial derivatives	(363)	225	(363)	225
Net change in fair value of investment properties	(34,675)	57,205	(34,675)	57,205
Gain on divestment of investment properties	(754)	(1,816)	(754)	(1,816)
Effects of recognising rental income on a straight line basis over the lease term	(460)	578	(460)	578
Other items	308	2,766	304	2,768
Net effect of non-tax (chargeable)/deductible items	(34,294)	61,815	(34,298)	61,586
Amount available for distribution to Unitholders	42,334	44,326	42,334	44,326

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

DISTRIBUTION STATEMENTS (CONTINUED)

For the year ended 31 December 2018

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Distribution of 0.77 cents per Unit for the period 1 July 2018 to 30 September 2018	(8,109)	-	(8,109)	-
Distribution of 0.82 cents per Unit for the period 1 April 2018 to 30 June 2018	(8,635)	-	(8,635)	-
Distribution of 0.88 cents per Unit for the period 1 January 2018 to 31 March 2018	(9,267)	-	(9,267)	-
Distribution of 0.83 cents per Unit for the period 1 October 2017 to 31 December 2017	(8,741)	-	(8,741)	-
Distribution of 0.79 cents per Unit for the period 1 July 2017 to 30 September 2017	-	(8,320)	-	(8,320)
Distribution of 0.81 cents per Unit for the period 1 April 2017 to 30 June 2017	-	(8,529)	-	(8,529)
Distribution of 0.88 cents per Unit for the period 1 January 2017 to 31 March 2017	-	(9,267)	-	(9,267)
Distribution of 0.88 cents per Unit for the period 1 October 2016 to 31 December 2016	-	(9,267)	-	(9,267)
	(34,752)	(35,383)	(34,752)	(35,383)
Amount available for distribution to Unitholders at end of the year	7,582	8,943	7,582	8,943
Number of Units entitled to distributions ('000) (Note 11)	1,053,084	1,053,084	1,053,084	1,053,084
Distribution per Unit (cents)	3.18	3.31	3.18	3.31

*Less than \$1,000

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the year ended 31 December 2018

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Unitholders' funds at beginning of the year	571,545	556,795	571,532	556,553
Operations				
Total return after taxation and before distribution	67,685	(26,810)	67,689	(26,581)
	639,230	529,985	639,221	529,972
Unitholders' transactions				
Proceeds from Rights Issue	-	80,164	-	80,164
Issue expenses	-	(3,221)	-	(3,221)
Distributions to Unitholders	(34,752)	(35,383)	(34,752)	(35,383)
Net (decrease)/increase in net assets resulting from Unitholders' transactions	(34,752)	41,560	(34,752)	41,560
Unitholders' funds at end of the year	604,478	571,545	604,469	571,532

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

CONSOLIDATED PORTFOLIO STATEMENT

As at 31 December 2018

Group

Description of property	Type	Leasehold term	Location
New Tech Park	High-tech industrial	45 years with effect from ("wef") 26 November 2010	151 Lorong Chuan
8 Commonwealth Lane	High-tech industrial	30 years wef 1 February 2006 ⁽¹⁾	8 Commonwealth Lane
Geo-Tele Centre*	High-tech industrial	30 years wef 1 June 1995 ⁽²⁾	9 Tai Seng Drive
Frontech Centre	High-tech industrial	99 years wef 1 January 1962	15 Jalan Kilang Barat
1 Tuas Avenue 4*	High-tech industrial	30 years wef 1 January 1996 ⁽³⁾	1 Tuas Avenue 4
BTH Centre	High-tech industrial	30 years wef 16 September 2006 ⁽⁴⁾	23 Serangoon North Avenue 5
508 Chai Chee Lane	High-tech industrial	30 years wef 16 April 2001 ⁽⁵⁾	508 Chai Chee Lane
Freight Links Express Logisticpark	Chemical warehouse & logistics	30 years wef 16 February 1988 ⁽⁶⁾	33 & 35 Penjuru Lane
18 Gul Drive	Chemical warehouse & logistics	13 years 10 months 12 days wef 1 November 2004 ⁽⁷⁾	18 Gul Drive
Penjuru Logistics Hub	Warehouse & logistics	30 years wef 16 August 2002	34 Penjuru Lane
Freight Links Express Logisticcentre	Warehouse & logistics	30 years wef 1 January 1995 ⁽²⁾	51 Penjuru Road
26 Loyang Drive	Warehouse & logistics	30 years wef 1 January 2006 ⁽⁸⁾	26 Loyang Drive

*Balance carried forward**The accompanying notes form an integral part of these financial statements.*

Committed occupancy rate as at		Carrying values as at		% of total net assets as at	
31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
%	%	\$'000	\$'000	%	%
79	83	308,600	304,000	51.1	53.2
62	76	56,100	55,000	9.3	9.6
65	100	99,600 ⁽¹⁰⁾⁽¹¹⁾	40,500	16.5	7.1
82	92	23,000	23,000	3.8	4.0
-	100	10,950 ⁽¹⁰⁾	24,800	1.8	4.3
66	23	35,700	37,000	5.9	6.5
100	72	56,800	56,200	9.4	9.8
100	100	51,200	52,000	8.5	9.1
100	100	20,000	21,000	3.3	3.7
81	79	38,000	39,000	6.3	6.8
100	100	40,700	45,000	6.7	7.9
100	100	24,500	24,700	4.0	4.3
		765,150	722,200	126.6	126.3

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

CONSOLIDATED PORTFOLIO STATEMENT (CONTINUED)

As at 31 December 2018

Group (continued)

Description of property	Type	Leasehold term	Location
<i>Balance brought forward</i>			
3A Joo Koon Circle	Warehouse & logistics	30 years wef 1 August 1987 ⁽²⁾	3A Joo Koon Circle
2 Toh Tuck Link	Warehouse & logistics	30 years wef 16 December 1996 ⁽²⁾	2 Toh Tuck Link
10 Changi South Street 2	Warehouse & logistics	30 years wef 1 October 1994 ⁽⁹⁾	10 Changi South Street 2
Yenom Industrial Building	General industrial	60 years wef 1 September 1981	123 Genting Lane
30 & 32 Tuas Avenue 8	General industrial	30 years wef 1 September 1996 ⁽²⁾	30 & 32 Tuas Avenue 8
39 Ubi Road 1	General industrial	30 years wef 1 January 1992 ⁽²⁾	39 Ubi Road 1
21 Joo Koon Crescent	General industrial	30 years wef 16 February 1994 ⁽²⁾	21 Joo Koon Crescent
6 Woodlands Loop*	General industrial	30 years wef 16 September 1994 ⁽²⁾	6 Woodlands Loop

Investment properties and investment properties held for divestment

Other assets and liabilities (net)

Net assets

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

Committed occupancy rate as at		Carrying values as at		% of total net assets as at	
31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
%	%	\$'000	\$'000	%	%
		765,150	722,200	126.6	126.3
100	100	38,600	39,000	6.4	6.8
83	83	31,700	31,000	5.2	5.4
100	100	63,900	62,200	10.6	10.9
77	80	18,100	17,800	3.0	3.1
100	100	27,000	29,000	4.5	5.1
90	88	21,800	22,700	3.6	4.0
100	100	13,500	18,500	2.2	3.2
-	-	-	12,900 ⁽¹⁰⁾	-	2.3
		979,750	955,300	162.1	167.1
		(375,272)	(383,755)	(62.1)	(67.1)
		604,478	571,545	100.0	100.0

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

CONSOLIDATED PORTFOLIO STATEMENT (CONTINUED)

As at 31 December 2018

Group (continued)

As disclosed in the Statements of Financial Position:

	Carrying values as at	
	31 December 2018 \$'000	31 December 2017 \$'000
Investment properties - non-current	869,200	942,400
Investment properties held for divestment - current (denoted as * in the Consolidated Portfolio Statement)	110,550	12,900
	979,750	955,300

- ⁽¹⁾ The Trust has an option to renew the land lease term for a further term of 23 years upon expiry.
⁽²⁾ The Trust has an option to renew the land lease term for a further term of 30 years upon expiry.
⁽³⁾ The Trust has an option to renew the land lease term for a further term of 21 years and 4 months upon expiry.
⁽⁴⁾ The Trust has an option to renew the land lease term for a further term of 20 years and 15 days upon expiry.
⁽⁵⁾ The Trust has an option to renew the land lease term for a further term of 29 years upon expiry.
⁽⁶⁾ The Trust has an option to renew the land lease term for a further term of 31 years upon expiry.
⁽⁷⁾ The Trust has an option to renew the land lease term for a further term of 20 years upon expiry.
⁽⁸⁾ The Trust has an option to renew the land lease term for a further term of 18 years upon expiry.
⁽⁹⁾ The Trust has an option to renew the land lease term for a further term of 27 years upon expiry.
⁽¹⁰⁾ These properties were transferred to investment properties held for divestment, following the proposed divestment of the properties.
⁽¹¹⁾ Subsequent to the reporting date, the property was divested.

The carrying amounts of the investment properties as at 31 December 2018 were based on independent valuations undertaken by Knight Frank Pte Ltd and Edmund Tie & Company (SEA) Pte Ltd (2017: Colliers International Consultancy & Valuation (Singapore) Pte Ltd, Savills Valuation and Professional Services (S) Pte Ltd and Suntec Real Estate Consultants Pte Ltd). Valuations are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

The carrying amount of the investment properties held for divestment as at 31 December 2018, namely 9 Tai Seng Drive was based on the sale consideration to be received upon divestment, and 1 Tuas Avenue 4 was based on independent valuation undertaken by Suntec Real Estate Consultants Pte Ltd (2017: 6 Woodlands Loop was based on the independent valuation undertaken by Suntec Real Estate Consultants Pte Ltd).

Investment properties comprise properties used for the purpose of high-tech industrial, chemical warehouse and logistics, warehouse and logistics and general industrial use. Generally, the leases contain an initial non-cancellable period of three to ten years. Subsequent renewals are negotiated with the lessees. As at 31 December 2018, 9 Tai Seng Drive, 151 Lorong Chuan, 8 Commonwealth Lane, 123 Genting Lane, 508 Chai Chee Lane, 2 Toh Tuck Link, 23 Serangoon North Avenue 5, 34 Penjuru Lane, 15 Jalan Kilang Barat, 39 Ubi Road 1 and 10 Changi South Street 2 are leased on individual lease agreements, 1 Tuas Avenue 4 is vacant and the other investment properties are leased on master lease agreement.

Subsequent to the reporting date, 9 Tai Seng Drive (2017: 6 Woodlands Loop) was divested.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	Group	
		2018 \$'000	2017 \$'000
Cash flows from operating activities			
Total return for the year after taxation and before distribution		67,685	(26,810)
Adjustments for:			
Net change in fair value of financial derivatives		(363)	225
Net change in fair value of investment properties		(34,675)	57,205
Gain on divestment of investment properties		(754)	(1,816)
Net finance costs		14,995	16,885
		46,888	45,689
Change in trade and other receivables		464	3,283
Change in trade and other payables		(4,828)	1,499
Cash generated from operations		42,524	50,471
Ta'widh (compensation on late payment of rent) received		145	264
Net cash from operating activities		42,669	50,735
Cash flows from investing activities			
Capital expenditure on investment properties	(A)	(2,215)	(18,555)
Proceeds from divestment of investment properties		13,800	14,800
Profit income received from Islamic financial institutions		9	44
Net cash from/(used in) investing activities		11,594	(3,711)
Cash flows from financing activities			
Proceeds from Rights Issue		-	80,164
Issue costs paid in relation to Rights Issue		-	(3,221)
Break fees on termination of profit rate swaps		-	(656)
Proceeds from borrowings		131,000	73,000
Repayment of borrowings		(135,500)	(146,550)
Transaction costs paid		(814)	(325)
Finance costs paid		(14,663)	(15,578)
Distributions paid		(34,752)	(35,383)
Net cash used in financing activities		(54,729)	(48,549)
Net decrease in cash and cash equivalents		(466)	(1,525)
Cash and cash equivalents at beginning of the year		7,681	9,206
Cash and cash equivalents at end of the year	8	7,215	7,681

(A) Capital expenditure on investment properties for the year ended 31 December 2017 includes additions and alterations of approximately \$12,531,000 to the property at 10 Changi South Street 2 for an additional gross floor area of 49,415 square feet.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 8 March 2019.

1. GENERAL

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

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

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Trust and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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

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

1.1 Property Manager's fees

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

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

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

1.2 Manager's fees

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

- a base fee not exceeding the rate of 0.5% per annum of the value of the gross assets of the Group ("Deposited Property"); and
- a performance fee equal to 0.5% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the Group's Net Property Income in the relevant financial year, provided that the Group achieves an annual growth in distribution per Unit ("DPU") of at least 10.0% over the previous financial year (calculated after accounting for the performance fee (if any) for that financial year and after adjusting, at the discretion of the Manager, for any new Units arising from the conversion or exercise of any instruments convertible into Units which are outstanding at the time of calculation, and any rights or bonus issue, consolidation, subdivision or buy-back of Units).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL (CONTINUED)

1.2 Manager's fees (continued)

The Manager has elected to receive 100.0% of the base fee in cash for both financial years ended 31 December 2018 and 31 December 2017.

1.3 Trustee's fees

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

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

1.4 Acquisition fees

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

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

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

1.5 Divestment fees

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

- Note 4 - valuation of investment properties and investment properties held for divestment
- Note 21 - valuation of financial instruments

2.5 Changes in accounting policies

The Group has adopted new FRSs and interpretations effective for the financial period beginning 1 January 2018 as follows:

(i) **FRS 115 Revenue from Contracts with Customers ("FRS 115")**

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

There was no significant impact to the financial statements of the Group. Accordingly, comparative financial statements presented in this set of financial statements has not been restated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (continued)

(ii) FRS 109 Financial Instruments ("FRS 109")

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting.

The following table explains the original classification categories under FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39") and the new classification categories under FRS 109 for each class of financial assets and liabilities as at 1 January 2018.

	Original classification under FRS 39	New classification under FRS 109
Financial assets		
Derivative assets	Designated at fair value	Mandatorily at FVTPL
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial liabilities		
Derivative liabilities	Designated at fair value	Mandatorily at FVTPL
Trade and other payables	Other financial liabilities	Amortised cost
Borrowings	Other financial liabilities	Amortised cost

There was no significant change in measurement basis arising from the adoption of the new classification and measurement model. In assessing for impairment losses on financial assets, the Group has adopted the simplified approach and recorded lifetime expected losses on all trade receivables using the expected credit loss model. There was no significant impact to the financial statements of the Group. Accordingly, the Group did not recognise any adjustments to its opening Unitholders' funds on 1 January 2018.

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 changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(ii) *Subsidiaries*

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

(iii) *Loss of control*

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

(iv) *Transactions eliminated on consolidation*

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

(v) *Subsidiaries in the separate financial statements*

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

3.2 Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the Statement 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.

3.3 Investment properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Investment properties (continued)

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

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

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

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

3.4 Non-current assets held for sale

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

Fair value changes for non-current assets that are accounted for in accordance with the fair value model in FRS 40 *Investment Property* are recognised in the Statement of Total Return. When a non-current asset held for sale is disposed of, the resulting gain or loss is recognised in the Statement of Total Return as the difference between net disposal proceeds and the carrying amount of the property.

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

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables 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.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(ii) *Classification and subsequent measurement*

Non-derivative financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit income on the principal amount outstanding.

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit income on the principal amount outstanding.

Equity investments at FVOCI

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 other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(ii) *Classification and subsequent measurement (continued)*

Financial assets: Business model assessment - Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Manager. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the Manager's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and profit income - Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit income' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit income, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(ii) *Classification and subsequent measurement (continued)*

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and profit income - Policy applicable from 1 January 2018 (continued)

A prepayment feature is consistent with the solely payments of principal and profit income criterion if the prepayment amount substantially represents unpaid amounts of principal and profit income on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit income (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses - Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any profit income or dividend income, are recognised in the Statement of Total Return.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective profit rate method. The amortised cost is reduced by impairment losses. Profit income, foreign exchange gains and losses and impairment are recognised in the Statement of Total Return. Any gain or loss on derecognition is recognised in the Statement of Total Return.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Profit income calculated using the effective profit rate method, foreign exchange gains and losses and impairment are recognised in the Statement of Total Return. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the Statement of Total Return.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the Statement 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 OCI and are never reclassified to the Statement of Total Return.

Non-derivative financial assets - Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into the following categories: loans and receivables

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(ii) *Classification and subsequent measurement (continued)*

Non-derivative financial assets: Subsequent measurement and gains and losses - Policy applicable before 1 January 2018

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 measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective profit rate method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Directly attributable transaction costs are recognised in the Statement of Total Return as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective profit rate method. Profit expense and foreign exchange gains and losses are recognised in the Statement of Total Return. Other financial liabilities comprised borrowings, and trade and other payables.

(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.

The Group enters into transactions whereby it transfers assets recognised in its Statement 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 Statement of Total Return.

(iv) ***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the Statement 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(v) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and short-term deposits with financial institutions 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.

(vi) *Derivative financial instruments*

Derivative financial instruments - Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its profit rate risk exposure. 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 Statement of Total Return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the Statement of Total Return.

Derivative financial instruments - 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 under FRS 109.

3.6 Impairment

(i) *Non-derivative financial assets*

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 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); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

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

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (continued)

(i) *Non-derivative financial assets (continued)*

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 profit 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 or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (continued)

(i) *Non-derivative financial assets (continued)*

Policy applicable from 1 January 2018 (continued)

Credit-impaired financial assets (continued)

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement 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.

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL 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 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, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

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 and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (continued)

(i) *Non-derivative financial assets (continued)*

Policy applicable before 1 January 2018 (continued)

Loans and receivables (continued)

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 profit rate. Losses were recognised in the Statement 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 Statement of Total Return.

(ii) *Non-financial assets*

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

3.7 Issue expenses

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

3.8 Revenue recognition

Rental income from operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Expenses

(i) *Property expenses*

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

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

(ii) *Manager's fees*

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

(iii) *Trustee's fees*

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

3.10 Finance income and finance costs

Finance income comprises profit income. Finance costs comprise profit expense on borrowings, amortisation of transaction costs and agent fees.

Finance income or costs is recognised using the effective profit rate method.

The 'effective profit rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating profit income and expense, the effective profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, profit income is calculated by applying the effective profit rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of profit income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Statement of Total Return using the effective profit rate method.

3.11 Tax

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

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Tax (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. 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; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 profit 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Tax (continued)

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

- (i) where the beneficial owners are individuals (whether resident or non-resident) who receive such distributions as investment income (excluding income received through a partnership) or Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax; or
- (ii) where the beneficial owners are Qualifying Foreign Non-Individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made up to 31 March 2025, unless concession is extended.

A Qualifying Unitholder is a unitholder who is:

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

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

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

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

3.12 Earnings per Unit

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Segment reporting

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

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

3.14 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 26.

4. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR DIVESTMENT

Investment properties

	Group and Trust	
	2018	2017
	\$'000	\$'000
At 1 January	942,400	990,600
Capital expenditure	2,215	18,555
Straight line adjustments in accordance with FRS 17	460	3,150
Net change in fair value of investment properties	34,675	(57,005)
Transfer to investment properties held for divestment	(110,550)	(12,900)
At 31 December	<u>869,200</u>	<u>942,400</u>

Investment properties held for divestment

	Group and Trust	
	2018	2017
	\$'000	\$'000
At 1 January	12,900	13,000
Net change in fair value of investment properties	-	(200)
Divestment	(12,900)	(12,800)
Transfer from investment properties	110,550	12,900
At 31 December	<u>110,550</u>	<u>12,900</u>

During the financial year, two (2017: one) investment properties, namely 9 Tai Seng Drive and 1 Tuas Avenue 4 (2017: 6 Woodlands Loop) were transferred from investment properties to investment properties held for divestments following the proposed divestments to third parties. Subsequently to the reporting date, the divestment of 9 Tai Seng Drive was completed on 10 January 2019 for a gross sale consideration of \$99.6 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Security

As at 31 December 2018, investment properties of the Group and the Trust with carrying values of \$688,400,000 (2017: \$686,600,000) have been pledged as security to secure certain borrowing facilities (see Note 10).

Measurement of fair value

Investment properties and investment properties held for divestment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical investment properties that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: unobservable inputs for the investment properties.

	Level 3	Total
	\$'000	\$'000
Group and Trust		
2018		
Investment properties	869,200	869,200
Investment properties held for divestment	110,550	110,550
2017		
Investment properties	942,400	942,400
Investment properties held for divestment	12,900	12,900

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

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties and investment properties held for divestment	<ul style="list-style-type: none"> • Capitalisation rates from 6.00% to 7.00% (2017: 5.50% to 7.00%) • Discount rates from 6.50% to 8.00% (2017: 7.00% to 8.00%) • Terminal yield rates from 6.25% to 7.25% (2017: 6.00% to 7.50%) 	<p>The estimated fair value of investment properties would increase/(decrease) if:</p> <ul style="list-style-type: none"> • the capitalisation rates were lower/(higher); • the discount rates were lower/(higher); or • the terminal yield rates were lower/(higher).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. SUBSIDIARIES

	Trust	
	2018 \$'000	2017 \$'000
Equity investments at cost	*	*

* Less than \$1,000

Details of the subsidiaries of the Group are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2018	2017
Sabana Sukuk Pte. Ltd. ⁽¹⁾	Provision of treasury services	Singapore	100%	100%
Sabana Treasury Pte. Ltd. ⁽²⁾	Provision of treasury services	Singapore	-	100%

⁽¹⁾ Audited by KPMG LLP Singapore

⁽²⁾ Subsidiary was dormant and had been struck off during the financial year. It was last audited by KPMG LLP Singapore for the financial year ended 31 December 2016.

6. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current assets				
Profit rate swaps at fair value through Statements of Total Return	240	-	240	-
Non-current liabilities				
Profit rate swaps at fair value through Statements of Total Return	(142)	(265)	(142)	(265)
Total derivative financial instruments	98	(265)	98	(265)
Derivative financial instruments as a percentage of net assets	0.02%	0.05%	0.02%	0.05%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group uses profit rate swaps to manage its exposure to profit rate movements on its floating rate bearing Term Commodity Murabaha and Term Murabahah Facilities (2017: Term Commodity Murabaha Facilities) by swapping the profit rates on a proportion of these term loans from floating rates to fixed rates.

Profit rate swaps with a total notional amount of \$160.0 million (2017: \$90.0 million) had been entered into at the reporting date to provide fixed rate funding for terms of between 2.0 to 3.0 years (2017: 3.0 years) at a weighted average profit rate of 3.66% (2017: 3.52%) per annum.

Offsetting financial assets and financial liabilities

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

As at 31 December 2018 and 31 December 2017, the Group's derivative assets and liabilities do not have any balances that are eligible for offsetting under the enforceable master netting arrangement.

7. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade receivables, gross	79	1,654	79	1,654
Impairment losses	-	(795)	-	(795)
Trade receivables, net	79	859	79	859
Other receivables	824	944	824	944
Deposits	1,148	1,205	1,148	1,205
	2,051	3,008	2,051	3,008
Prepayments	153	120	151	117
	2,204	3,128	2,202	3,125

The Group's and the Trust's exposure to credit risk and impairment losses related to trade and other receivables, excluding prepayments, are disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Bank balances	3,015	2,681	3,015	2,681
Fixed deposits	4,200	5,000	4,200	5,000
	7,215	7,681	7,215	7,681

The weighted average effective profit rate relating to cash and cash equivalents at the reporting date for the Group and the Trust is 1.03% (2017: 0.58%) per annum.

9. TRADE AND OTHER PAYABLES

	Group		Trust	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Amount due to related parties, trade	1,558	1,544	1,576	1,563
Trade payables	1,046	2,562	1,046	2,562
Security deposits	12,535	14,463	12,535	14,463
Rental received in advance	641	443	641	443
Retention sums	747	1,826	747	1,826
Finance costs payable to:				
- non-related parties	1,730	2,591	694	539
- subsidiaries	-	-	1,036	2,052
Accrued operating expenses	2,805	2,596	2,805	2,596
Others	2,018	2,468	2,007	2,459
	23,080	28,493	23,087	28,503
Current	14,354	18,105	14,361	18,115
Non-current	8,726	10,388	8,726	10,388
	23,080	28,493	23,087	28,503

Outstanding balances with related parties are unsecured.

The Group's and the Trust's exposure to liquidity risk related to trade and other payables are disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. BORROWINGS

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Secured borrowings					
Commodity Murabaha Facilities					
- Term	10(a)	120,000	120,000	120,000	120,000
- Revolving	10(a)	13,000	-	13,000	-
Murabahah Facilities					
- Term	10(b)	70,000	-	70,000	-
- Revolving	10(b)	30,000	27,500	30,000	27,500
Term Loan Facility	10(c)	30,000	30,000	30,000	30,000
Less: Unamortised capitalised transaction costs		(1,225)	(1,330)	(1,225)	(1,330)
		261,775	176,170	261,775	176,170
Unsecured borrowings					
Trust Certificates	10(d)	100,000	190,000	-	-
Loans from subsidiaries	10(e)	-	-	100,000	190,000
Less: Unamortised capitalised transaction costs		(66)	(364)	(66)	(364)
		99,934	189,636	99,934	189,636
		361,709	365,806	361,709	365,806
Current		172,767	117,456	172,767	117,456
Non-current		188,942	248,350	188,942	248,350
		361,709	365,806	361,709	365,806

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. BORROWINGS (CONTINUED)

Terms and borrowings repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal profit rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
Group					
2018					
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,833
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,636
Revolving Commodity Murabaha Facility D	SGD	*SOR+Margin	2020	13,000	13,000
Term Murabahah Facility	SGD	*SOR+Margin	2021	70,000	69,547
Revolving Murabahah Facility (2021)	SGD	*SOR+Margin	2021	30,000	30,000
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,759
Trust Certificate Series 2	SGD	4.25%	2019	100,000	99,934
				<u>363,000</u>	<u>361,709</u>
2017					
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,654
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,335
Revolving Murabahah Facility (2018)	SGD	*SOR+Margin	2018	27,500	27,500
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,681
Trust Certificate Series 1	SGD	4.00%	2018	90,000	89,956
Trust Certificate Series 2	SGD	4.25%	2019	100,000	99,680
				<u>367,500</u>	<u>365,806</u>

* Swap Offer Rate

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. BORROWINGS (CONTINUED)

Terms and borrowings repayment schedule (continued)

	Currency	Nominal profit rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
Trust					
2018					
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,833
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,636
Revolving Commodity Murabaha Facility D	SGD	*SOR+Margin	2020	13,000	13,000
Term Murabahah Facility	SGD	*SOR+Margin	2021	70,000	69,547
Revolving Murabahah Facility (2021)	SGD	*SOR+Margin	2021	30,000	30,000
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,759
Loan from a subsidiary	SGD	4.25%	2019	100,000	99,934
				<u>363,000</u>	<u>361,709</u>
2017					
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,654
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,335
Revolving Murabahah Facility (2018)	SGD	*SOR+Margin	2018	27,500	27,500
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,681
Loan from a subsidiary	SGD	4.00%	2018	90,000	89,956
Loan from a subsidiary	SGD	4.25%	2019	100,000	99,680
				<u>367,500</u>	<u>365,806</u>

* Swap Offer Rate

(a) Commodity Murabaha Facilities

The outstanding \$133.0 million (2017: \$120.0 million) Commodity Murabaha Facilities from various institutional banks are secured by, inter alia:

- A first ranking legal mortgage over 3 (2017: 3) investment properties with a combined carrying value of \$360,100,000 (2017: \$357,700,000) (collectively, the "Securitized Properties") (or, where title to the Securitized Properties has not been issued, an assignment of building agreement or agreement for lease (as the case may be) coupled with a mortgage in escrow);
- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Securitized Properties; and
- A fixed and floating charge over the other assets of the Trust relating to the Securitized Properties.

As at 31 December 2018, the Revolving Commodity Murabaha Facility D has an undrawn amount of \$5.0 million (2017: \$18.0 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. BORROWINGS (CONTINUED)

(b) *Murabahah Facilities*

The outstanding \$100.0 million Murabahah Facilities (2017: \$27.5 million Revolving Murabahah Facility), from an institutional bank are secured by, inter-alia:

- A first ranking legal mortgage over 5 (2017: 5) investment properties with a combined carrying value of \$246,500,000 (2017: \$243,400,000), (the "Murabahah Secured Properties");
- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Murabahah Secured Properties; and
- A fixed and floating charge over the other assets of the Trust relating to the Murabahah Secured Properties.

As at 31 December 2018, the Revolving Murabahah Facility maturing in 2021 is fully drawn (2017: the Revolving Murabahah Facility maturing in 2018 has an undrawn amount of \$21.4 million and the Term Murabahah Facility and Revolving Murabahah Facility, both maturing in 2021, were fully undrawn).

(c) *Term Loan Facility*

The outstanding \$30.0 million (2017: \$30.0 million) Term Loan Facility from an institutional bank is secured by, inter-alia:

- A first ranking legal mortgage over 3 (2017: 2) investment properties with a combined carrying value of \$81,800,000 (2017: \$85,500,000) ("Term Loan Facility Secured Properties"); and
- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Term Loan Facility Secured Properties.

(d) *Unsecured Multicurrency Trust Certificates ("Trust Certificates")*

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

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

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

- \$90.0 million 4.0 per cent. Trust Certificates issued on 19 March 2014 and due on 19 March 2018; and
- \$100.0 million 4.25 per cent. Trust Certificates issued on 3 October 2014 and due on 3 April 2019.

On 19 March 2018, the Group has fully redeemed the \$90.0 million 4.0 per cent. Trust Certificates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. BORROWINGS (CONTINUED)

(e) Loans from subsidiaries

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

On 19 March 2018, the Trust has fully repaid a loan from its subsidiary amounting to \$90.0 million.

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

	← Group →				Total \$'000
	Liabilities		Derivative financial instruments		
	Borrowings \$'000	Finance costs payable \$'000	Profit rate swap - assets \$'000	Profit rate swap - liabilities \$'000	
Balance at 1 January 2017	437,924	3,560	(522)	562	441,524
Changes from financing cash flows					
Proceeds from borrowings	73,000	-	-	-	73,000
Repayment of borrowings	(146,550)	-	-	-	(146,550)
Transactions cost paid	(325)	-	-	-	(325)
Finance costs paid	-	(15,578)	-	-	(15,578)
Total changes from financing cash flows	(73,875)	(15,578)	-	-	(89,453)
Changes in fair value	-	-	522	(297)	225
Other changes					
Liability-related					
Amortisation of transaction costs	1,757	-	-	-	1,757
Profit expense	-	14,609	-	-	14,609
Total liability-related other changes	1,757	14,609	-	-	16,366
Balance at 31 December 2017	365,806	2,591	-	265	368,662

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. BORROWINGS (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

	← Group →				
	Liabilities		Derivative financial instruments		
	Borrowings \$'000	Finance costs payable \$'000	Profit rate swap - assets \$'000	Profit rate swap - liabilities \$'000	Total \$'000
Balance at 1 January 2018	365,806	2,591	-	265	368,662
Changes from financing cash flows					
Proceeds from borrowings	131,000	-	-	-	131,000
Repayment of borrowings	(135,500)	-	-	-	(135,500)
Transactions cost paid	(814)	-	-	-	(814)
Finance costs paid	-	(14,663)	-	-	(14,663)
Total changes from financing cash flows	(5,314)	(14,663)	-	-	(19,977)
Changes in fair value	-	-	(240)	(123)	(363)
Other changes					
Liability-related					
Amortisation of transaction costs	1,217	-	-	-	1,217
Profit expense	-	13,802	-	-	13,802
Total liability-related other changes	1,217	13,802	-	-	15,019
Balance at 31 December 2018	361,709	1,730	(240)	142	363,341

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. UNITS IN ISSUE

	Group and Trust	
	2018	2017
	'000	'000
Units in issue:		
At beginning of the year	1,053,084	739,791
Units issued:		
- Manager's fees paid in Units	-	2,580
- Rights Issue	-	310,713
	<u>1,053,084</u>	<u>1,053,084</u>
Total Units issued entitled to distributions at end of the year	<u>1,053,084</u>	<u>1,053,084</u>

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

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

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

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

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

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

During the years ended 31 December 2017 and 31 December 2018, the DRP was not implemented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. NET ASSET VALUE PER UNIT

	Group		Trust	
	2018	2017	2018	2017
Net asset value per Unit (\$)	0.57	0.54	0.57	0.54
Net asset value per Unit is based on:	\$'000	\$'000	\$'000	\$'000
Net assets	604,478	571,545	604,469	571,532
	'000	'000	'000	'000
Total Units issued at end of the year	1,053,084	1,053,084	1,053,084	1,053,084

13. FINANCIAL RISK MANAGEMENT

13.1 Capital management

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

The Group is subject to the aggregate leverage limit as defined in the Property Funds Appendix. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of its Deposited Property. The Group has complied with the Aggregate Leverage limit during the financial year. There were no changes in the Group's approach to capital management during the financial year.

As at the reporting date, the gross amounts of borrowings and retention sums as a percentage of the Group's Deposited Property is 36.8% (2017: 38.2%).

13.2 Risk management framework

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.2 Risk management framework (continued)

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

13.3 Credit risk

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

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

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade and other receivables	2,051	3,008	2,051	3,008
Cash and cash equivalents	7,215	7,681	7,215	7,681
	9,266	10,689	9,266	10,689

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.3 Credit risk (continued)

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

	Group and Trust	
	2018	2017
	\$'000	\$'000
Not past due	10	121
Past due 0 - 30 days	57	37
Past due 31 - 60 days	1	21
More than 60 days past due	11	1,475
	79	1,654

Two tenants (2017: One tenant) accounted for approximately \$66,000 (2017: \$1,422,000) of the gross trade receivables at 31 December 2018.

Impairment losses

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

	Group and Trust	
	2018	2017
	\$'000	\$'000
At 1 January	795	2,373
Impairment losses recognised during the year	-	2,477
Write-back	(795)	-
Utilised	-	(4,055)
At 31 December	-	795

Trade receivables are individually assessed for impairment at the end of the financial year. The impairment loss on trade receivables as at 31 December 2017 relates to two tenants who were in financial difficulties and had defaulted in payments.

Impairment losses of approximately \$2,477,000 were made for the outstanding trade receivables that were past due and in excess of security deposits held by the Group and the Trust in the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.3 Credit risk (continued)

Impairment losses (continued)

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

	Group and Trust	
	2018	2017
	\$'000	\$'000
At 1 January	-	63
Write-back	-	(63)
At 31 December	-	-

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

Cash and fixed deposits are placed with financial institutions which are regulated. The Group limits its credit risk exposure by dealing with counterparties that have sound external credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month 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 is negligible.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.4 Liquidity risk

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

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

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

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000
Group					
2018					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	132,469	(138,845)	(35,223)	(103,622)	-
Murabahah Facilities	99,547	(108,009)	(3,636)	(104,373)	-
Term Loan Facility	29,759	(33,513)	(1,204)	(32,309)	-
Trust Certificates	99,934	(101,083)	(101,083)	-	-
Trade and other payables*	22,439	(22,439)	(13,713)	(8,078)	(648)
	<u>384,148</u>	<u>(403,889)</u>	<u>(154,859)</u>	<u>(248,382)</u>	<u>(648)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	142	(240)	(150)	(90)	-
2017					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	118,989	(127,752)	(3,718)	(124,034)	-
Revolving Murabahah Facility	27,500	(28,046)	(28,046)	-	-
Term Loan Facility	29,681	(33,789)	(967)	(32,822)	-
Trust Certificates	189,636	(196,102)	(95,019)	(101,083)	-
Trade and other payables*	28,050	(28,050)	(17,662)	(7,160)	(3,228)
	<u>393,856</u>	<u>(413,739)</u>	<u>(145,412)</u>	<u>(265,099)</u>	<u>(3,228)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	265	(775)	(469)	(306)	-

* Trade and other payable exclude rental received in advance

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.4 Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000
Trust					
2018					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	132,469	(138,845)	(35,223)	(103,622)	-
Murabahah Facilities	99,547	(108,009)	(3,636)	(104,373)	-
Term Loan Facility	29,759	(33,513)	(1,204)	(32,309)	-
Trust Certificates	99,934	(101,083)	(101,083)	-	-
Trade and other payables*	22,446	(22,446)	(13,720)	(8,078)	(648)
	<u>384,155</u>	<u>(403,896)</u>	<u>(154,866)</u>	<u>(248,382)</u>	<u>(648)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	142	(240)	(150)	(90)	-
2017					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	118,989	(127,752)	(3,718)	(124,034)	-
Revolving Murabahah Facility	27,500	(28,046)	(28,046)	-	-
Term Loan Facility	29,681	(33,789)	(967)	(32,822)	-
Loans from subsidiaries	189,636	(196,102)	(95,019)	(101,083)	-
Trade and other payables*	28,060	(28,060)	(17,672)	(7,160)	(3,228)
	<u>393,866</u>	<u>(413,749)</u>	<u>(145,422)</u>	<u>(265,099)</u>	<u>(3,228)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	265	(775)	(469)	(306)	-

* Trade and other payables exclude rental received in advance

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.5 Market risk

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

13.6 Profit rate risk

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

As at the reporting date, the Group had entered into profit rate swaps with total contracted notional amounts of \$160.0 million (2017: \$90.0 million) whereby the Group had agreed with counterparties to exchange, at specified intervals, the difference between the floating rate pegged to the Singapore dollar SOR and fixed rate profit amounts calculated by reference to the contracted notional amounts of the borrowings.

Profit rate profile

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

	Group		Trust	
	Nominal amount	Nominal amount	Nominal amount	Nominal amount
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Financial assets	4,200	5,000	4,200	5,000
Financial liabilities	(100,000)	(190,000)	(100,000)	(190,000)
Effects of profit rate swaps	(160,000)	(90,000)	(160,000)	(90,000)
	(255,800)	(275,000)	(255,800)	(275,000)
Variable rate instruments				
Financial liabilities	(263,000)	(177,500)	(263,000)	(177,500)
Effects of profit rate swaps	160,000	90,000	160,000	90,000
	(103,000)	(87,500)	(103,000)	(87,500)

Fair value sensitivity analysis for fixed rate instruments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.6 Profit rate risk (continued)

Cash flow sensitivity analysis for fixed rate instruments

A change of 50 basis points ("bp") in profit rate at the reporting date would (decrease)/increase total return after taxation by the amounts shown below. The analysis assumes that all variables remain constant. The analysis is performed on the same basis for 2017.

	Total return after taxation	
	50 bp increase \$'000	50 bp decrease \$'000
<hr/>		
Group and Trust		
2018		
Financial liabilities	(515)	515
2017		
Financial liabilities	(438)	438

14. GROSS REVENUE

	Group and Trust	
	2018 \$'000	2017 \$'000
<hr/>		
Property rental income	69,199	74,035
Other operating income	11,762	11,161
	<u>80,961</u>	<u>85,196</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. PROPERTY EXPENSES

	Group and Trust	
	2018	2017
	\$'000	\$'000
Land rent	3,806	4,207
Service, repair and maintenance expenses	6,927	7,464
Property and lease management fees	2,429	2,556
Property tax	5,967	6,234
Utilities	8,844	8,293
(Write-back of)/impairment loss on trade and other receivables (net)	(795)	2,414
Others	993	649
	28,171	31,817

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

16. FINANCE INCOME AND COSTS

	Group		Trust	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Finance income:				
Profit income from fixed deposits with Islamic financial institutions	9	44	9	44
Ta'widh (compensation on late payment of rent)	145	264	145	264
	154	308	154	308
Finance costs:				
Commodity Murabaha Facilities	4,548	4,251	4,548	4,251
Murabahah Facilities	2,942	526	2,942	526
Profit rate swaps*	217	499	217	499
Convertible Sukuk	-	1,401	-	-
Trust Certificates	5,019	7,850	-	-
Term Loan Facility	1,076	82	1,076	82
Loans from subsidiaries	-	-	5,019	9,251
Amortisation of transaction costs	1,217	1,757	1,217	1,526
Break fees on termination of profit rate swaps	-	656	-	656
Brokerage and agent fees	130	171	123	157
	15,149	17,193	15,142	16,948
Net finance costs	14,995	16,885	14,988	16,640

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. DONATION OF NON-SHARI'AH COMPLIANT INCOME

During the year, donations that had been approved by the Independent Shari'ah Committee included Singapore Kadayanallur Muslim League, SG Enable - Today Enable Fund and National Youth Achievement Award Council (2017: The Smile Mission Ltd).

18. OTHER TRUST EXPENSES

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Auditors' remuneration				
- audit fees	191	229	188	221
- non-audit fees	75	59	72	53
Valuation fees	138	136	138	136
Professional fees	261	2,857	255	2,843
Service fees payable to subsidiaries	-	-	30	58
Other expenses	236	265	221	251
	901	3,546	904	3,562

19. TAX EXPENSE

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Tax expense				
Current year	*	*	-	-
Reconciliation of effective tax rate				
Total return for the year before taxation and distribution	67,685	(26,810)	67,689	(26,581)
Tax using Singapore tax rate of 17% (2017: 17%)	11,506	(4,558)	11,507	(4,519)
Non-tax deductible items	333	10,818	332	10,779
Tax exempt income	(6,163)	(309)	(6,163)	(309)
Tax transparency	(5,676)	(5,951)	(5,676)	(5,951)
	*	*	-	-

* Less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. EARNINGS PER UNIT

Basic and diluted earnings per Unit

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

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Total return for the year after taxation and before distribution	67,685	(26,810)	67,689	(26,581)

	Number of Units			
	Group		Trust	
	2018 '000	2017 '000	2018 '000	2017 '000
Weighted average number of Units				
- Beginning of the year	1,053,084	739,791	1,053,084	739,791
- Rights Issue	-	290,282	-	290,282
- Issued as payment of Manager's fees	-	2,396	-	2,396
Weighted average number of Units	1,053,084	1,032,469	1,053,084	1,032,469

The diluted earnings per Unit is the same as the basic earnings per Unit for the Group and the Trust as there are no EPU dilutive financial instruments (2017: the Convertible Sukuk was anti-dilutive at the Group and the Trust levels).

21. FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Accounting classifications and fair values

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

Group	Note	Carrying amount			Fair value				
		Mandatorily at FVTPL - others \$'000	Amortised cost \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2018									
Financial assets measured at fair value									
Derivative assets	6	240	-	-	240	-	240	-	240
Financial assets not measured at fair value									
Trade and other receivables, excluding prepayments	7	-	2,051	-	2,051				
Cash and cash equivalents	8	-	7,215	-	7,215				
		-	9,266	-	9,266				
Financial liabilities measured at fair value									
Derivative liabilities	6	(142)	-	-	(142)	-	(142)	-	(142)
Financial liabilities not measured at fair value									
Trade and other payables, excluding security deposits and rental received in advance	9	-	-	(9,904)	(9,904)				
Security deposits	9	-	-	(12,535)	(12,535)	-	-	(11,290)	(11,290)
Borrowings	10	-	-	(361,709)	(361,709)	-	(261,775)	(99,633)	(361,408)
		-	-	(384,148)	(384,148)				

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)**Accounting classifications and fair values (continued)**

Trust	Note	Carrying amount				Fair value			
		Mandatorily at FVTPL - others \$'000	Amortised cost \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2018									
Financial assets measured at fair value									
Derivative assets	6	240	-	-	240	-	240	-	240
Financial assets not measured at fair value									
Trade and other receivables, excluding prepayments	7	-	2,051	-	2,051				
Cash and cash equivalents	8	-	7,215	-	7,215				
		-	9,266	-	9,266				
Financial liabilities measured at fair value									
Derivative liabilities	6	(142)	-	-	(142)	-	(142)	-	(142)
Financial liabilities not measured at fair value									
Trade and other payables, excluding security deposits and rental received in advance	9	-	-	(9,911)	(9,911)				
Security deposits	9	-	-	(12,535)	(12,535)	-	-	(11,290)	(11,290)
Borrowings	10	-	-	(361,709)	(361,709)	-	(261,775)	(99,633)	(361,408)
		-	-	(384,155)	(384,155)				

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Profit rate swaps	The fair value of profit rate swaps is based on broker quotes at the reporting date. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market profit rates for a similar instrument at the measurement date.	Not applicable	Not applicable

Financial instruments not measured at fair value

Borrowings

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

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

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

22. OPERATING SEGMENTS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. OPERATING SEGMENTS (CONTINUED)

The Group has four reportable segments whose information are presented in the tables below:

	← Group →				
	High-tech industrial \$'000	Chemical warehouse & logistics \$'000	Warehouse & logistics \$'000	General industrial \$'000	Total \$'000
2018					
Gross revenue	45,276	5,892	21,230	8,563	80,961
Property expenses	(20,460)	(306)	(4,994)	(2,411)	(28,171)
Segment net property income	24,816	5,586	16,236	6,152	52,790
Net change in fair value of investment properties	48,689	(1,800)	(4,619)	(7,595)	34,675
Gain on divestment of investment properties	-	-	-	754	754
					<u>88,219</u>
Unallocated amounts:					
- Finance income					154
- Finance costs					(15,149)
- Other expenses					(5,902)
- Net change in fair value of financial derivatives					363
Total return for the year before taxation					<u>67,685</u>
Assets and liabilities					
Segment assets:					
- Investment properties	480,200	71,200	237,400	80,400	869,200
- Investment properties held for divestment	110,550	-	-	-	110,550
- Others	93	3	20	50	166
Unallocated assets					9,493
Total assets					<u>989,409</u>
Segment liabilities	11,192	17	5,197	1,571	17,977
Unallocated liabilities:					
- Borrowings					361,709
- Others					5,245
Total liabilities					<u>384,931</u>
Other segment information					
Capital expenditure	1,174	-	921	120	<u>2,215</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. OPERATING SEGMENTS (CONTINUED)

	← Group →				Total \$'000
	High-tech industrial \$'000	Chemical warehouse & logistics \$'000	Warehouse & logistics \$'000	General industrial \$'000	
2017					
Gross revenue	49,239	6,821	20,813	8,323	85,196
Property expenses	(21,639)	(254)	(5,327)	(4,597)	(31,817)
Segment net property income	27,600	6,567	15,486	3,726	53,379
Net change in fair value of investment properties	(33,370)	(11,500)	(7,964)	(4,371)	(57,205)
Gain on divestment of investment properties	-	1,816	-	-	1,816
					(2,010)
Unallocated amounts:					
- Finance income					308
- Finance costs					(17,193)
- Other expenses					(7,690)
- Net change in fair value of financial derivatives					(225)
Total return for the year before taxation					<u>(26,810)</u>
Assets and liabilities					
Segment assets:					
- Investment properties	540,500	73,000	240,900	88,000	942,400
- Investment properties held for divestment	-	-	-	12,900	12,900
- Others	1,883	-	359	840	3,082
Unallocated assets					7,727
Total assets					<u>966,109</u>
Segment liabilities	12,459	23	6,329	2,894	21,705
Unallocated liabilities:					
- Borrowings					365,806
- Others					7,053
Total liabilities					<u>394,564</u>
Other segment information					
Capital expenditure	4,288	-	12,623	1,644	<u>18,555</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. OPERATING SEGMENTS (CONTINUED)

Geographical segments

Segment information in respect of the Group's geographical segments is not presented as the Group's activities for the years ended 31 December 2018 and 31 December 2017 related wholly to properties located in Singapore.

Major customer

A major customer group contributed approximately \$9,124,000 (2017: \$10,320,000) of the Group's total revenues from the High-tech industrial, Chemical warehouse and logistics and Warehouse & logistics segments (2017: High-tech industrial, Chemical warehouse and logistics and Warehouse & logistics segments) for the year ended 31 December 2018.

23. COMMITMENTS

(a) *Operating lease commitments*

The Group and the Trust are required to pay JTC Corporation ("JTC") (2017: JTC and Housing Development Board ("HDB")) annual land rent in respect of certain properties. The annual land rent payable is based on the market land rent in the relevant year of the lease term. However, the lease agreements limit any increase in the annual land rent from year to year to 5.5% of the annual land rent for the immediate preceding year.

The land rent paid/payable to JTC (2017: JTC and HDB) amounted to approximately \$5,433,000 in relation to 17 properties (2017: \$5,778,000 in relation to 17 properties) for the year ended 31 December 2018 (including amounts which have been recharged to the master lessees).

(b) *Lease commitments*

The Group and the Trust lease out their investment properties under operating lease agreements. Non-cancellable operating lease rentals receivable are as follows:

	Group and Trust	
	2018	2017
	\$'000	\$'000
Less than one year	60,301	69,418
Between one to five years	108,444	110,619
More than five years	18,758	20,458
	187,503	200,495

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

In the normal course of its business, the Group carried out transactions with parties on terms agreed between the parties. During the financial year, in addition to those disclosed elsewhere in the financial statements, there were the following significant related party transactions:

	Group and Trust	
	2018	2017
	\$'000	\$'000
Rental income received/receivable from a sponsor and its related corporations	9,124	10,320
Manager's fees and reimbursables paid/payable to the Manager	4,568	3,700
Property/lease management fees and reimbursables paid/payable to the Property Manager	2,429	2,556
Trustee fees paid/payable to the Trustee	385	423

25. FINANCIAL RATIOS

	Group	
	2018	2017
	%	%
Ratio of expenses to weighted average net assets ⁽¹⁾		
- including performance component of Manager's fees	1.04	1.25
- excluding performance component of Manager's fees	1.04	1.25
Portfolio turnover rate ⁽²⁾	-	-

(1) The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property expenses, finance costs and tax expense.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier applications is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- FRS 116 *Leases* ("FRS 116")
- *Prepayment Features with Negative Compensation* (Amendments to FRS 109)

The Group has assessed the estimated impact that initial application of FRS 116 will have on the financial statements. The Group's assessment of FRS 116, which is expected to have a more significant impact on the Group is described below.

FRS 116

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 15 *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 plan to apply FRS 116 initially on 1 January 2019, using the modified retrospective approach. The Group plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 to all contracts entered into before 1 January 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

The Group expect to measure lease liabilities by applying a single discount rate to their portfolio of leases. Furthermore, the Group are 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 are expected to use hindsight in determining the lease term.

The Group expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. Lease payments that are increased every year 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. Instead, the Group will include the payments due under the lease in their lease liability.

As at 1 January 2019, the Group expects an increase in ROU asset and lease liabilities of approximately \$80,000,000.

The nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and profit expense on lease liabilities.

The Group do not expect the adoption of FRS 116 to impact their ability to comply the revised maximum leverage threshold loan covenant.

ADDITIONAL INFORMATION

INTERESTED PARTY TRANSACTIONS

Interested person (as defined in the Listing Manual of the SGX-ST) and interested party (as defined in the Property Funds Appendix) transactions (collectively "Interested Party Transactions") during the financial year are as follows.

Name of Interested Party	Aggregate value of all Interested Party Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920 ⁽¹⁾ of the Listing Manual)	Aggregate value of all Interested Party Transactions conducted under Unitholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000)
	S\$'000	S\$'000
Vibrant Group Limited and its subsidiaries <ul style="list-style-type: none"> - Rental income - Manager's fees - Property and lease management fees - Renewal of master leases⁽²⁾ 	9,124 4,568 2,429 11,530	-
HSBC Institutional Trust Services (Singapore) Limited and its associates <ul style="list-style-type: none"> - Trustee's fees - Finance costs (profit payments) - Finance costs (agency commodity fees) - Transaction fees 	385 1,508 47 15	-

TOTAL OPERATING EXPENSES⁽³⁾

Description	S\$'000
Total operating expenses ⁽⁴⁾ (inclusive of interested party expenses paid to the Manager and interested parties)	34,025
Total operating expenses as a percentage of net asset value (as at 31 December 2018)	5.6%

Notes:

- ⁽¹⁾ There are no transactions conducted under Unitholders' mandate pursuant to Rule 920 during FY 2018.
- ⁽²⁾ Refers to the total aggregate rent payable by Vibrant Group Limited and its subsidiaries for duration of the renewed master leases entered into between the Trustee and Vibrant Group Limited and its subsidiaries.
- ⁽³⁾ For the purpose of complying with paragraph 11.1(i) of the Property Funds Appendix.
- ⁽⁴⁾ Total operating expenses include property expenses and other trust expenses but do not include finance costs.

Save as disclosed above, there were no other Interested Party Transactions (excluding transactions of less than S\$100,000 each) entered into during the financial year under review.

The fees, charges and rents payable by Sabana REIT under the Trust Deed, the Property Management Agreement, the Individual Property Management Agreements and the Master Lease Agreements entered into with the Sponsor and its subsidiaries (collectively, the "Exempted Agreements"), each of which constitutes an Interested Party Transaction, are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual for the period stated in the agreement to the extent that (in relation to the Trust Deed, the Property Management Agreement, the Individual Property Management Agreements and the Master Lease Agreements) there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Sabana REIT. Any renewal of the Property Management Agreement, the Individual Property Management Agreements and the Master Lease Agreements will be subject to Rules 905 and 906 of the Listing Manual.

STATISTICS OF UNITHOLDINGS

As at 1 March 2019

ISSUED AND FULLY PAID UP UNITS

(As at 1 March 2019)

There were 1,053,083,530 Units (voting rights: one vote per Unit) outstanding as at 1 March 2019. There is only one class of Units in Sabana REIT.

Market capitalization was S\$447.5 million based on market closing price of S\$0.425 on 1 March 2019.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	165	1.42	7,960	0.00
100 - 1,000	1,075	9.28	953,024	0.09
1,001 - 10,000	4,901	42.30	26,649,090	2.53
10,001 - 1,000,000	5,398	46.60	292,295,319	27.76
1,000,001 and above	46	0.40	733,178,137	69.62
Total	11,585	100.00	1,053,083,530	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	Citibank Nominees Singapore Pte Ltd	180,050,684	17.10
2	United Overseas Bank Nominees (Private) Limited	86,498,798	8.21
3	DBS Nominees (Private) Limited	84,845,263	8.06
4	RHB Bank Nominees Pte Ltd	55,978,400	5.32
5	HSBC (Singapore) Nominees Pte Ltd	45,722,867	4.34
6	Raffles Nominees (Pte.) Limited	42,361,682	4.02
7	Sabana Real Estate Investment Management Pte. Ltd.	41,242,726	3.92
8	RHB Securities Singapore Pte. Ltd.	30,073,226	2.86
9	DBSN Services Pte. Ltd.	24,950,111	2.37
10	DB Nominees (Singapore) Pte Ltd	21,247,191	2.02
11	DBS Vickers Securities (Singapore) Pte Ltd	15,930,666	1.51
12	OCBC Nominees Singapore Private Limited	8,811,115	0.84
13	OCBC Securities Private Limited	8,681,726	0.82
14	Meren Pte Ltd	8,600,000	0.82
15	Maybank Nominees (Singapore) Private Limited	7,000,000	0.66
16	Maybank Kim Eng Securities Pte. Ltd.	6,810,097	0.65
17	Phillip Securities Pte Ltd	6,197,060	0.59
18	Morgan Stanley Asia (Singapore) Securities Pte Ltd	6,011,289	0.57
19	CGS-CIMB Securities (Singapore) Pte. Ltd.	4,417,711	0.42
20	Sng Kay Boon Terence	3,588,576	0.34
	Total	689,019,188	65.44

STATISTICS OF UNITHOLDINGS

As at 1 March 2019

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 January 2019)

Directors	Direct interest		Deemed interest	
	No. of Units	% ¹	No. of Units	% ¹
Yong Kok Hoon ⁽²⁾	-	-	1,491,000	0.14
Kelvin Tan Wee Peng	-	-	-	-
Henry Chua Tiong Hock	-	-	-	-
Tan Cheong Hin ⁽³⁾	-	-	-	-

Notes:

⁽¹⁾ The percentage interest is based on total issued Units of 1,053,083,530 as at 21 January 2019.⁽²⁾ Yong Kok Hoon is deemed to have an interest in the units held by his spouse, Ong Lee Choo.⁽³⁾ Tan Cheong Hin was appointed as Independent Non-Executive Director on 25 January 2018.

SUBSTANTIAL UNITHOLDERS

(As recorded in the Register of Substantial Unitholdings as at 1 March 2019)

Substantial Unitholders	Direct interest		Deemed interest	
	No. of Units	% ¹	No. of Units	% ¹
Singapore Enterprises Private Limited	55,461,644	5.27	-	-
Vibrant Group Limited ⁽²⁾	13,135,119	1.25	96,704,370	9.18
Vibrant Capital Pte Ltd ⁽³⁾	-	-	109,839,489	10.43
Lian Hup Holdings Pte Ltd ⁽⁴⁾	-	-	109,839,489	10.43
Khua Hock Su ⁽⁵⁾	1,745,180	0.17	109,839,489	10.43
Khua Kian Keong ⁽⁶⁾	18,442,960	1.75	109,839,489	10.43
Wealthy Fountain Holdings Inc ⁽⁷⁾	52,043,000	4.94	-	-
Shanghai Summit Pte Ltd ⁽⁷⁾	-	-	52,043,000	4.94
Tong Jinquan ⁽⁷⁾	16,930,200	1.61	52,043,000	4.94
e-Shang Infinity Cayman Limited ⁽⁸⁾	83,167,200	7.90	41,242,726	3.92
e-Shang Jupiter Cayman Limited ⁽⁸⁾⁽⁹⁾	-	-	124,409,926	11.82
ESR Cayman Limited ⁽⁹⁾⁽¹⁰⁾	12,141,800	1.15	124,409,926	11.82
WP OCIM One LLC ⁽¹⁰⁾⁽¹¹⁾	-	-	136,551,726	12.97
WP X Investment VI Ltd. ⁽¹¹⁾⁽¹²⁾	-	-	136,551,726	12.97
Warburg Pincus Private Equity X, L.P. ⁽¹²⁾⁽¹³⁾	-	-	136,551,726	12.97
Warburg Pincus X, L.P. ⁽¹³⁾⁽¹⁴⁾	-	-	136,551,726	12.97
Warburg Pincus LLC ⁽¹⁴⁾⁽¹⁵⁾	-	-	136,551,726	12.97
Warburg Pincus X GP L.P. ⁽¹⁵⁾⁽¹⁶⁾	-	-	136,551,726	12.97
WPP GP LLC ⁽¹⁶⁾⁽¹⁷⁾	-	-	136,551,726	12.97
Warburg Pincus Partners, L.P. ⁽¹⁷⁾⁽¹⁸⁾	-	-	136,551,726	12.97
Warburg Pincus Partners GP LLC. ⁽¹⁸⁾⁽¹⁹⁾	-	-	136,551,726	12.97
Warburg Pincus & Co. ⁽¹⁹⁾⁽²⁰⁾	-	-	136,551,726	12.97
Charles R. Kaye ⁽²¹⁾	-	-	136,551,726	12.97
Joseph P. Landy ⁽²¹⁾	-	-	136,551,726	12.97

STATISTICS OF UNITHOLDINGS

As at 1 March 2019

Notes:

- (1) The percentage interest is based on total issued Units of 1,053,083,530 as at 1 March 2019.
- (2) Vibrant Group Limited ("Vibrant Group") is deemed to have an interest in the Units held by Singapore Enterprises Private Limited ("Singapore Enterprises") and Sabana Real Estate Investment Management Pte. Ltd. ("SREIM").
- (3) Vibrant Capital Pte Ltd ("Vibrant Capital") is deemed to have an interest in the units held by Vibrant Group, Singapore Enterprises and SREIM.
- (4) Lian Hup Holdings Pte Ltd ("Lian Hup") is deemed to have an interest in the units held by Vibrant Capital, Vibrant Group, Singapore Enterprises and SREIM.
- (5) Khua Hock Su is deemed to have an interest in the units held by Lian Hup, Vibrant Capital, Vibrant Group, Singapore Enterprises and SREIM.
- (6) Khua Kian Keong is deemed to have an interest in the units held by Lian Hup, Vibrant Capital, Vibrant Group, Singapore Enterprises and SREIM.
- (7) Tong Jinquan is the sole shareholder of Shanghai Summit Pte Ltd which is the sole shareholder of Wealthy Fountain Holdings Inc and accordingly, is deemed to be interested in the units which Wealthy Fountain Holdings Inc holds.
- (8) e-Shang Infinity Cayman Limited, a company established in the Cayman Islands, is a wholly-owned subsidiary of e-Shang Jupiter Cayman Limited ("ES Jupiter"), a company established in the Cayman Islands.
- (9) ES Jupiter, a company established in the Cayman Islands, is a 100% owned subsidiary of ESR Cayman Limited ("ESR"), a company established in the Cayman Islands.
- (10) e-Shang Infinity Cayman Limited, via control of InfinitySub Pte Ltd, is deemed to have an interest in the 41,242,726 units held by SREIM.
- (11) WP OCIM One LLC ("WP OCIM"), a Delaware limited liability company, holds a primary stake of approximately 38.35% of the issued share capital of ESR.
- (12) WP X Investment VI Ltd. ("WP X IVI"), a company established in the Cayman Islands, is the sole member of WP OCIM.
- (13) Warburg Pincus Private Equity X, L.P. has a controlling interest of 96.9% in WP X Investment VI Ltd ("WP X IVI").
- (14) Warburg Pincus X, L.P. ("WPXGP"), a Delaware limited partnership, is the general partner having control of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership, WPX.
- (15) Warburg Pincus LLC ("WP LLC"), a New York limited liability company, is the manager of WPX.
- (16) Warburg Pincus X GP L.P. ("WP X GP LP"), a Delaware limited partnership, is the general partner of WPXGP.
- (17) WPP GP LLC ("WPP GP"), a Delaware limited liability company, is the general partner of WP X GP LP.
- (18) Warburg Pincus Partners, L.P. ("WP Partners"), a Delaware limited partnership, is the managing member of WPP GP.
- (19) Warburg Pincus Partners GP LLC ("WP Partners GP"), a Delaware limited liability company, is the general partner of WP Partners.
- (20) Warburg Pincus & Co. ("WP"), a New York general partnership, is the managing member of WP Partners GP.
- (21) Charles R. Kaye and Joseph P. Landy are each Managing General Partners of WP and Managing Members and Co-Chief Executive Officers of WP LLC and may be deemed to control the Warburg Pincus entities. Charles R. Kaye and Joseph P. Landy disclaim beneficial ownership of all shares held by the Warburg Pincus entities.

FREE FLOAT

Under Rule 723 of the Listing Manual, a listed issuer must ensure that at least 10.00% of its listed securities are at all times held by the public.

Based on information available to the Manager as at 1 March 2019, 72.29% of the Units in Sabana REIT are held in the hands of public. Accordingly, Rule 723 of the Listing Manual has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

Managed by Sabana Real Estate Investment Management Pte. Ltd. (Company Registration No. 201005493K)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the holders of units of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**") and the holders of units of Sabana REIT, ("**Unitholders**") will be held at Meeting Room 324 - 326, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Tuesday, 23 April 2019 at 10.00 am, to transact the following businesses:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Trustee issued by HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana REIT (the "**Trustee**"), the Statement by the Manager issued by Sabana Real Estate Investment Management Pte. Ltd., as manager of Sabana REIT (the "**Manager**"), the Audited Financial Statements of Sabana REIT for the financial year ended 31 December 2018 and the Auditors' Report thereon.
(Ordinary Resolution 1)
2. To re-appoint KPMG LLP as Auditors of Sabana REIT and to hold office until the conclusion of the next Annual General Meeting of Sabana REIT, and to authorise the Manager to fix their remuneration.
(Ordinary Resolution 2)

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution, with or without any modifications:

3. That authority be and is hereby given to the Manager, to
 - (a) (i) issue units in Sabana REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and
 - (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with subparagraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

- (2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the total number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:
- (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting Sabana REIT dated 29 October 2010 (as amended) (the “**Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by the Unitholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of Sabana REIT or (ii) the date by which the next Annual General Meeting of Sabana REIT is required by the applicable law or regulations to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (6) the Manager, any director of the Manager (“**Director**”) and the Trustee, be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interest of Sabana REIT to give effect to the authority conferred by this Resolution.

(Ordinary Resolution 3)

(Please see Explanatory Note 1)

To consider and, if thought fit, to pass the following Extraordinary Resolution, with or without any modifications:

4. That:

- (a) approval be and is hereby given to amend the Trust Deed to include provisions regarding electronic munications of notices and documents to Unitholders in the manner set out in Annex A of the appendix to the Notice of Annual General Meeting (the “**Appendix**”) dated 29 March 2019 (the “**Proposed Electronic Communications Trust Deed Supplement**”); and
- (b) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Sabana REIT to give effect to the Proposed Electronic Communications Trust Deed Supplement.

(Extraordinary Resolution 1)

(Please see Explanatory Note 2)

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Sabana Real Estate Investment Management Pte. Ltd.

(Company Registration No: 201005493K)

As Manager of Sabana REIT

Cho Form Po

Company Secretary

Singapore

29 March 2019

Notes:

1. A Unitholder who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting, is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Unitholder who is a relevant intermediary entitled to attend the Annual General Meeting and vote is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
 - (b) person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds Units in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Cap. 36), in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The proxy form must be deposited at the office of Sabana REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 10.00 a.m. on 20 April 2019, being 72 hours before the time fixed for the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

5. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by Sabana REIT, the Trustee or the Manager (or their respective agents) for the purpose of processing and administration by Sabana REIT, the Trustee or the Manager (or their respective agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for Sabana REIT, the Trustee or the Manager (or their respective agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to Sabana REIT, the Trustee or the Manager (or their respective agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by Sabana REIT, the Trustee or the Manager (or their respective agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify Sabana REIT, the Trustee or the Manager (or their respective agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

Explanatory Note:

1. Ordinary Resolution 3

Ordinary Resolution 3, if passed, will empower the Manager from the date of this Annual General Meeting until (i) the conclusion of the next Annual General Meeting of Sabana REIT, (ii) the date by which the next Annual General Meeting of Sabana REIT is required by the applicable regulations to be held, or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest, to issue Units, to make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding 50% of which up to 20% may be issued other than on a pro rata basis to Unitholders (in each case, excluding treasury Units, if any).

Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this Annual General Meeting until the date of the next Annual General Meeting of Sabana REIT, to issue Units as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the issued Units at the time Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund-raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

NOTICE OF ANNUAL GENERAL MEETING

2. Extraordinary Resolution 1

In connection with the amendments to the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), companies are allowed to send notices and documents electronically to their shareholders with the express, deemed or implied consent (the “**Deemed Consent Regime**” and the “**Implied Consent Regime**”, respectively) of the shareholders if the constitution of the company provides for it and the specified modes of electronic communications are set out in the constitution of the company (the “**Companies Act Electronic Communications Amendments**”). The SGX-ST has recently amended the listing rules of the SGX-ST (the “Listing Rules”) to align the Listing Rules with the Companies Act Electronic Communications Amendments, with issuers allowed to transmit certain types of notices and documents to shareholders (or Unitholders, in the case of a listed real estate investment trust (“**REIT**”) like Sabana REIT) electronically with the express, deemed or implied consent of shareholders (or Unitholders).

Although Sabana REIT is not bound by the Companies Act, it is nonetheless bound by the Listing Rules as a REIT listed on the SGX-ST. Accordingly, the Manager proposes to amend the Trust Deed to adopt certain provisions of the Listing Rules to implement the Implied Consent Regime and the Deemed Consent Regime and allow for such electronic transmission of notices and documents in relation to Sabana REIT. The revised Code on Collective Investment Schemes which took effect on 1 January 2018 allows REITs to send annual reports to unitholders by electronic means.

(See the Appendix in relation to the Proposed Electronic Communications Trust Deed Supplement for further details.)

Important Notice

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Sabana REIT is not necessarily indicative of the future performance of Sabana REIT.

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SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

Managed by Sabana Real Estate Investment Management Pte. Ltd. (Company Registration No. 201005493K)

**PROXY FORM
ANNUAL GENERAL MEETING**

(Before completing this form, please read the notes behind)

IMPORTANT:

1. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used, or purported to be used by them. CPF investors should contact their respective Agent Banks if they have any queries regarding their appointments as proxies.
2. A relevant intermediary may appoint more than one proxy to attend the Annual General Meeting and vote (please see note 3 for the definition of "relevant intermediary").
3. By submitting an instrument appointing one proxy and/or representative(s), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 March 2019.
4. PLEASE READ THE NOTES TO THE PROXY FORM.

I/We, _____ (Name) _____ (NRIC/Passport Number)

of _____ (Address)

being a Unitholder / Unitholders of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**"), hereby appoint:

Name	Address	NRIC / Passport No.	Proportion of Unitholdings	
			No. of Units	%

and / or (delete as appropriate)

Name	Address	NRIC / Passport No.	Proportion of Unitholdings	
			No. of Units	%

or failing him/her/them, the Chairman of the Annual General Meeting ("**AGM**"), as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the AGM of Sabana REIT to be held at Meeting Room 324 - 326, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Tuesday, 23 April 2019 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion, as his/her/they may on any other matter arising at the AGM.

No.	Resolutions	No. of votes For*	No. of votes Against*
ORDINARY BUSINESS			
1	To receive and adopt the Report of the Trustee, the Statement by the Manager, the Audited Financial Statements of Sabana REIT for the financial year ended 31 December 2018 and the Auditors' Report thereon. (Ordinary Resolution)		
2	To re-appoint KPMG LLP as Auditors of Sabana REIT and to authorise the Manager to fix their remuneration. (Ordinary Resolution)		
SPECIAL BUSINESS			
3	To authorise the Manager to issue Units and to make or grant convertible instruments. (Ordinary Resolution)		
4	To approve the Proposed Electronic Communications Trust Deed Supplement. (Extraordinary Resolution)		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

TOTAL NUMBER OF UNITS HELD

Signature(s) of Unitholder(s) / Common Seal of Corporate Unitholder

IMPORTANT: PLEASE READ NOTES TO PROXY FORM ON THE REVERSE PAGE

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form

1. A Unitholder of Sabana REIT ("**Unitholder**") who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting ("**AGM**"), is entitled to appoint one or two proxies to attend and vote in his/her stead.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Unitholder who is a relevant intermediary entitled to attend the AGM and vote is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.
"Relevant intermediary" means:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds Units in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Cap. 36), in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. A proxy need not be a Unitholder.
5. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**") (as defined in Section 130A of the Companies Act (Cap. 50)), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of Sabana REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this Proxy Form (as defined in note 6 below) will be deemed to relate to all the Units held by the Unitholder.
6. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the office of Sabana REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 10.00 a.m. on 20 April 2019, being 72 hours before the time set for the AGM.
7. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM.
8. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
9. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
10. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Manager.
11. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
12. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. There shall be no division of votes between a Unitholder who is present in person and voting at the AGM and his/her proxy(ies). A person entitled to more than one vote need not use all his/her votes or cast them the same way.



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

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