ESR
REIT

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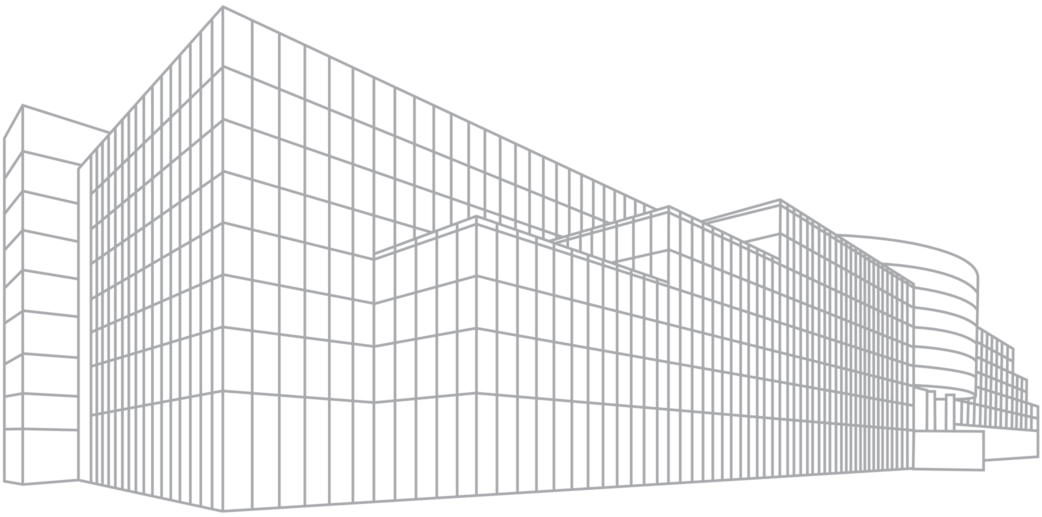


INTEGRATING STRENGTHS ACHIEVING GROWTH

2018

ANNUAL REPORT

R

EXECUTING

OUR STRATEGIES

UE BIZHUB EAST

STRENGTHENING

OUR PORTFOLIO

7000 ANG MO KIO AVENUE 5

REVITALISING

OUR ASSETS

30 MARSILING INDUSTRIAL ESTATE ROAD 8

VISION

To be a leading Real Estate Investment Trust with a portfolio of quality industrial assets.

MISSION

To deliver stable returns and long-term capital growth to our Unitholders.

To develop a resilient and diversified portfolio through strategic investments in quality assets, proactive asset management of our properties, and prudent capital and risk management.

To operate with credibility for the benefit of our Unitholders, tenants, employees, partners and other stakeholders within the communities in which we do business.

CORPORATE PROFILE

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 December 2018 has a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 14.1 million sq ft and a property value of S$3.02 billion(1). The properties are in the following business sectors: General Industrial, Light Industrial, Logistics/Warehouse, Hi-Specs Industrial, and Business Park, and are located close to major transportation hubs and key industrial zones island-wide.

The Manager's objective is to provide Unitholders with a stable income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Proactive asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned namely by, ESR Cayman Limited (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

For further information on ESR-REIT, please visit www.esr-reit.com.sg.

(1) Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest.

KEY HIGHLIGHTS

STABLE RETURNS

Market Capitalisation
(S$ million)

+117.8%

2018	1,616.8[1]
2017	742.2

Average Daily Trading Volume
(million)

+53.8%

2018	2.0
2017	1.3

Number of Units
(billion)

+146.2%

2018	3.2
2017	1.3

Distribution Yield
(%)

2018	7.6[2]
2017	6.8[3]

Distribution per Unit
(cents)

+0.1%

	Q1	Q2	Q3	Q4	
2018	0.847	1.001	1.004	1.005	3.857
2017	1.004	0.956	0.964	0.929	3.853

(1) As at 31 December 2018.
(2) Based on closing price of S$0.510 as at 31 December 2018 and FY2018 DPU of 3.857 cents.
(3) Based on closing price of S$0.565 as at 31 December 2017 and FY2017 DPU of 3.853 cents.

KEY HIGHLIGHTS

IMPROVING PORTFOLIO FUNDAMENTALS

Portfolio Value(1) (S$ billion)

+76.5%

2018	3.0
2017	1.7

Gross Floor Area (million sq ft)

+42.4%

2018	14.1
2017	9.9

Occupancy (%)

No Change

2018	93.0(2)
2017	93.0

Reduced Top 10 Tenant's Concentration (%)

-22.2%

2018	30.1
2017	38.7

PRUDENT CAPITAL MANAGEMENT

Total Debt (S$ million)

+90.1%

2018	1,277.6
2017	672.0

Aggregate Leverage (%)

+5.8%

2018	41.9
2017	39.6

Proportion of Fixed Debt (%)

+20.5%

2018	83.4(3)
2017	69.2

Weighted Average Fixed Debt Expiry (years)

+57.9%

2018	3.0
2017	1.9

(1) Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest.
(2) Above JTC average of 89.3% as at 31 December 2018.
(3) Interest rate exposure fixed for a weighted average tenor of 3.0 years.

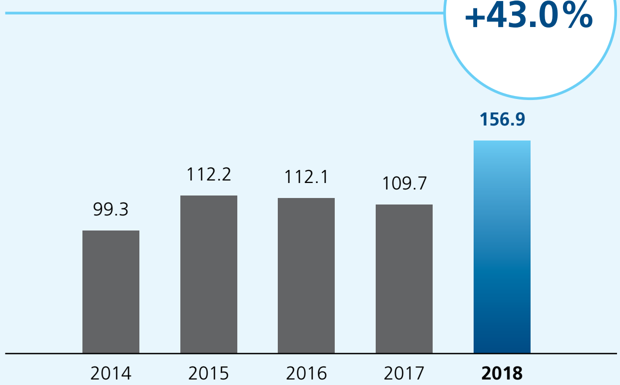
FINANCIAL HIGHLIGHTS

	2018	2017	2016	2015	2014
BALANCE SHEET					
Total assets (S$ million)	**3,050.7**	1,695.8	1,367.0	1,430.9	1,380.5
Total net borrowings (S$ million)	**1,268.2**	669.8	509.6	525.3	475.4
Unitholders' funds (S$ million)	**1,479.7**	778.9	827.0	872.9	866.3
KEY FINANCIAL RATIOS					
Net asset value per Unit (cents)	**46.7**	59.3	63.4	67.3	68.1
Debt to total assets (%)	**41.9**	39.6	37.5	36.9	34.8
Weighted average all-in cost of debt (p.a.) (%)	**3.8**	3.6	3.7	3.7	3.7
Interest cover (times)(1)	**4.0**	3.5	3.6	4.0	5.2
CAPITAL MANAGEMENT					
Total loan facilities (S$ million)	**1,360.0**	715.0	615.0	565.0	570.0
Gross borrowings (S$ million)	**1,277.6**	672.0	512.5	528.5	480.0
Perpetual securities issued (S$ million)	**150.0**	150.0	–	–	–
Units in issue (million)	**3,170.2**	1,313.6	1,304.4	1,297.8	1,271.5
Market capitalisation (S$ million)(2)	**1,616.8**	742.2	704.4	733.2	864.6
TRADING STATISTICS FOR FINANCIAL YEAR					
Opening price (S$)	**0.565**	0.540	0.565	0.680	0.695
Highest price (S$)	**0.595**	0.615	0.580	0.725	0.785
Lowest price (S$)	**0.470**	0.535	0.485	0.530	0.665
Closing price (S$)	**0.510**	0.565	0.540	0.565	0.680
Volume weighted average price (S$)	**0.525**	0.571	0.539	0.657	0.718
Total volume traded (million Units)	**490.4**	320.0	415.0	333.9	558.7
Average volume per day (million Units)	**2.0**	1.3	1.7	1.4	2.2
TOTAL RETURN(3) (%)	**(2.75)**	11.85	3.15	(10.46)	5.71

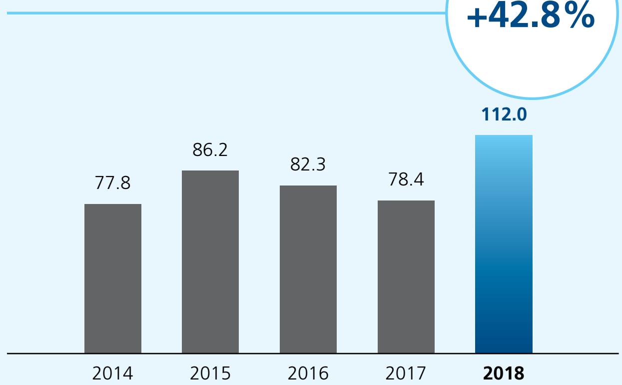
(1) Computed based on EBITDA excluding gain on disposal of investment properties, fair value adjustments relating to the Merger and changes in the fair value of investment properties and financial derivatives divided by interest expenses.
(2) Computed based on closing price and Units in issue at the end of financial year.
(3) Performance is calculated on the change in unit price over the year, based on the closing price of the last day of the preceding year and the closing price of the current year, including the assumption that distributions paid were reinvested at the closing price on the ex-distribution.

FIVE-YEAR FINANCIAL SUMMARY

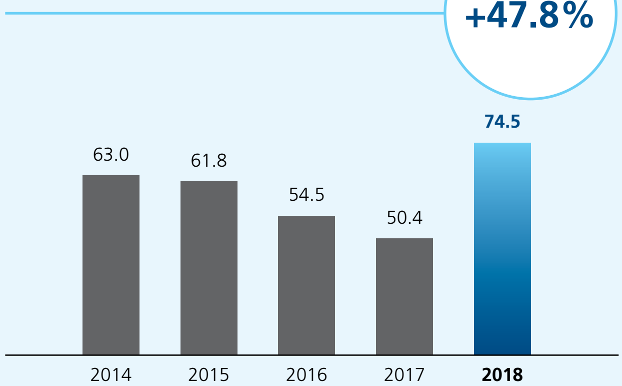
Gross Revenue
(S$ million)



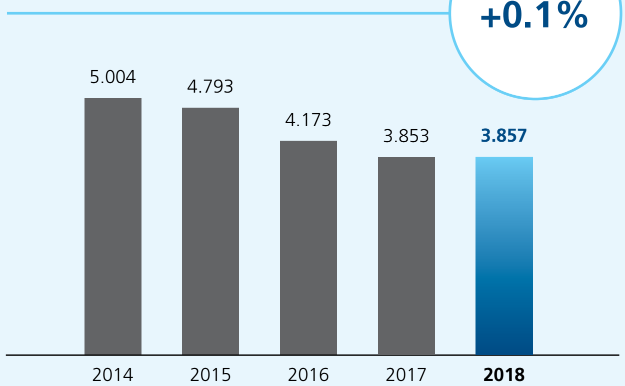
Net Property Income ("NPI")
(S$ million)



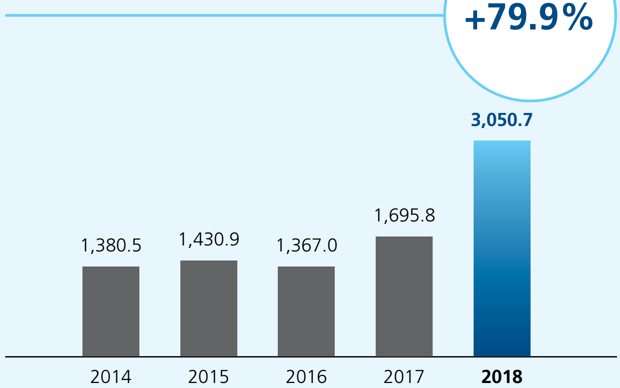
Distributable Income
(S$ million)



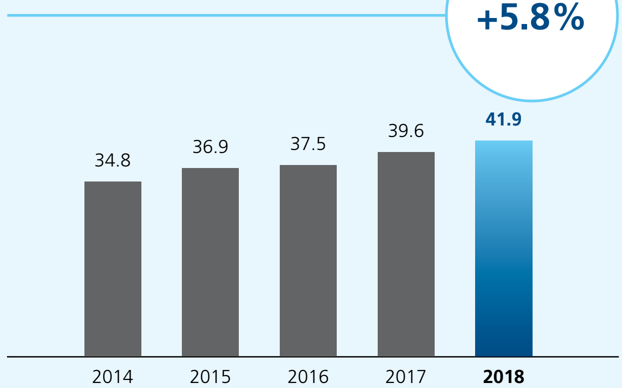
Distribution Per Unit ("DPU")
(cents)



Total Assets
(S$ million)



Debt To Total Assets
(%)



PURSUING OPPORTUNITIES TO DRIVE SUSTAINABLE LONG-TERM VALUE FOR UNITHOLDERS

2/4, 6/8 Changi Business Park (UE BizHub East)

2018 MILESTONES

JAN

- Announcement of 4Q2017 DPU of 0.929 cents
- Announced the submission of a proposal to merge with Viva Industrial Trust

FEB

- Announced the proposed divestment of 9 Bukit Batok Street 22
- Extraordinary General Meeting held on 27 February 2018 in relation to the Preferential Offering
- Launched the Preferential Offering to raise gross proceeds of approximately S$141.9m. Sponsor demonstrated support through financial commitment of a S$125m backstop

MAR

- Completed the divestment of 9 Bukit Batok Street 22
- Announced results of the Preferential Offering which was 170.6% subscribed
- New units issued and listed at an issue price of S$0.54 per Unit pursuant to the Preferential Offering

APR

- 9th Annual General Meeting held on 20 April 2018
- Announcement of 1Q2018 DPU of 0.847 cents
- Announced the proposed acquisition of 15 Greenwich Drive

Extraordinary General Meeting held on 27 February 2018

9th Annual General Meeting held on 20 April 2018

Extraordinary General Meeting held on 31 August 2018

MAY

- Announced the disposal gain on 63 Hillview Avenue in FY2013 will not be subject to income tax
- Announced the Proposed Merger of Viva Industrial Trust and ESR-REIT by way of a Trust Scheme of Arrangement

AUG

- ESR-REIT wins Platinum Award at Asia Pacific Best Of The Breeds REITs Awards 2018
- Announcement of 2Q2018 DPU of 1.001 cents
- SIAS – ESR-REIT dialogue session in relation to the Proposed Merger
- Extraordinary General Meeting held on 31 August 2018 to approve the Proposed Merger

OCT

- Completion of Viva Industrial Trust and ESR-REIT merger to become the 4th largest industrial REIT(1)
- New units issued and listed at an issue price of S$0.54 per Unit as part of the Scheme Consideration for the Merger
- Entry into a S$700m unsecured loan facility agreement with United Overseas Bank Limited, RHB Bank Berhad, The Hongkong and Shanghai Banking Corporation Limited and Malayan Banking Berhad, Singapore Branch
- Completed the acquisition of 15 Greenwich Drive
- Entry into S$100m unsecured loan facility with BNP Paribas to finance the acquisition of 15 Greenwich Drive
- Announcement of 3Q2018 DPU of 1.004 cents

NOV

- Redemption on maturity and cancellation of S$155.0m 3.5% medium term notes

DEC

- Awarded the "Best Singapore Deal" for the merger between ESR-REIT and Viva Industrial Trust at the FinanceAsia Awards 2018
- Awarded the "Certificate of Excellence in Investor Relations" at the IR Magazine Forum & Awards South East Asia 2018
- Awarded the "Best Domestic M&A" for the merger of Viva Industrial Trust at The Asset Triple A Regional Awards 2018
- GCP ESR-REIT Symposium & Investors Meet held on 8 December 2018


Acquisition of 15 Greenwich Drive


GCP ESR-REIT Symposium & Investors Meet on 8 December 2018


Awards garnered

(1) Based on Investor Presentation slides released on 8 December 2018.

MERGER WITH VIVA INDUSTRIAL TRUST

The Merger

On 15 October 2018, ESR-REIT completed the merger with Viva Industrial Trust ("VIT") via a Trust Scheme of Arrangement creating an enlarged portfolio of S$3.1 billion in total assets. The Sponsor, ESR, demonstrated its financial commitment to grow ESR-REIT by paying S$62.0 million to acquire the VIT Manager, thereby facilitating the REIT level transaction.

18 MAY 2018

- Announced the Proposed Merger of Viva Industrial Trust and ESR-REIT by way of a Trust Scheme of Arrangement

21 AUGUST 2018

- SIAS – ESR-REIT Dialogue Session held in relation to the Proposed Merger

31 AUGUST 2018

- Extraordinary General Meeting held to approve the Proposed Merger
- More than 94% voted FOR the Proposed Merger

15 OCTOBER 2018

- Viva Industrial Trust and ESR-REIT merged to become the 4th largest Industrial REIT[1]
- New units issued and listed at an issue price of S$0.54 per Unit as part of the Scheme Consideration for the Merger
- Entered into a S$700m unsecured loan facility agreement with several lenders including United Overseas Bank Limited, RHB Bank Berhad, The Hongkong and Shanghai Banking Corporation Limited and Malayan Banking Berhad, Singapore Branch

POST DEAL

- Awarded the "Certificate of Excellence in Investor Relations" at the IR Magazine Forum & Awards South East Asia 2018
- Awarded the "Best Singapore Deal" for the merger between ESR-REIT and Viva Industrial Trust at the FinanceAsia Awards 2018
- Awarded the "Best Domestic M&A" for the merger of Viva Industrial Trust at The Asset Triple A Regional Awards 2018

Media Excerpts

THE EDGE *Unlock Value (27 Aug 2018)*

"A larger REIT with a fully unencumbered portfolio with increased debt tenor provides greater access to pools of capital and at more competitive prices…A stated strategy by ESR-REIT's manager is to unlock value where properties have unutilised GFA, to attract high-value tenants. This is in line with the government's Smart Nation push."

THE BUSINESS TIMES *ESR-REIT and VIT merger (19 May 2018)*

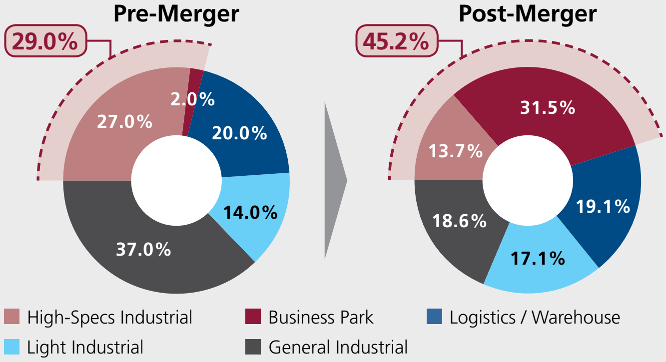
"Possibility of the enlarged trust having a positive re-rating "closer to the large caps", as well as the possibility of repricing its debt, which could shave off some of the interest costs and lead to better distribution per unit (DPU) for investors."

(1) Based on Investor Presentation slides released on 8 December 2018.

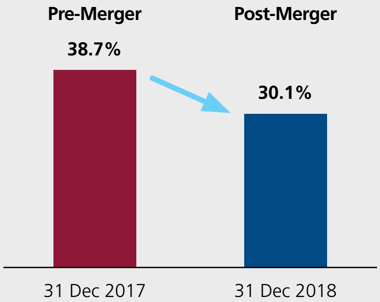
Post-Merger Achievements to-date

1 Diversified portfolio amidst balanced demand / supply industrial space environment

- *Enhanced portfolio quality and scalability*
- *Greater exposure to high-tech and high value-added tenant pool*



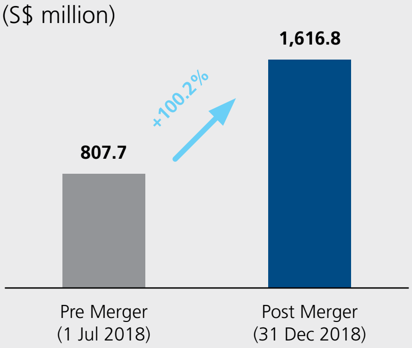
Reduced Top 10 Tenant Concentration Risks



2 Increased Market Capitalisation and Free Float

Currently the 4th largest Industrial S-REIT with S$3.1(2) billion in total assets and a stronger platform for future growth opportunities

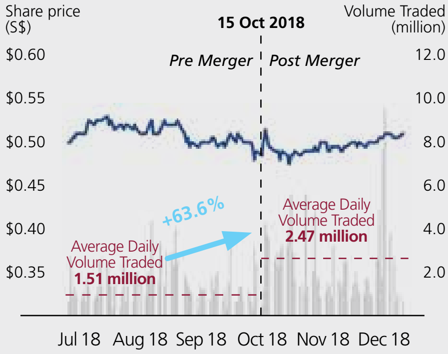
Enlarged Market Capitalisation(3)
(S$ million)



3 Increased Trading Liquidity

With potential to be included in major indices

ESR-REIT Price and Volume
(1 Jul 2018 – 31 Dec 2018)



4 Increased Coverage and Activities from Research Houses and Banking Support

BNP PARIBAS · CIMB BANK · CLSA · CTBC BANK · DBS · Daiwa Capital Markets · OCBC Bank · RHB · Standard Chartered · UOB

(2) As at 31 December 2018.
(3) Pre Merger market capitalisation as at 1 Jul 2018; Post Merger market capitalisation as at 31 Dec 2018.

LETTER TO UNITHOLDERS

MR. OOI ENG PENG
Independent Chairman

MR. ADRIAN CHUI
Chief Executive Officer ("CEO") and Executive Director

"In yet another significant milestone, we completed a transformational merger, unifying the ESR-REIT and Viva Industrial Trust ("VIT") portfolios... a landmark transaction in the S-REIT sector and for the interests of Unitholders."

Dear Unitholders,

On behalf of the Board of Directors of ESR Funds Management (S) Limited ("ESR-FM" or the "Manager"), we are pleased to present ESR-REIT's Annual Report for the year ended 31 December 2018 ("FY2018").

It has been a transformational year for ESR-REIT and has exemplified the importance of having a committed and strong Sponsor like the ESR Group ("ESR" or "Sponsor").

The decision to undertake an Equity Fund Raising exercise via a Preferential Offering of approximately S$141.9 million in March was well-supported by ESR, with our Sponsor agreeing not only to take up its full *pro rata* entitlement but to also undertake to subscribe to any unsubscribed units to a total of around S$125.0 million, thus not only validating the transaction but displaying its commitment and support for ESR-REIT. More details on this are outlined in the Financial Review section on pages 38 to 39.

In yet another significant milestone, we completed a transformational merger, unifying the ESR-REIT and VIT portfolios, thereby marking the first-ever merger between Singapore Real Estate Investment Trusts ("S-REITs") via a Trust Scheme of Arrangement, a landmark transaction in the S-REIT sector executed for the interests of Unitholders. Once again, ESR demonstrated its commitment towards ESR-REIT's growth by paying S$62.0 million for VIT Manager to facilitate the merger.

At the Extraordinary General Meeting ("EGM") held on 31 August 2018, Unitholders of ESR-REIT demonstrated strong support of the transaction with more than 94% of ESR-REIT Unitholders voting in favour of the merger, a clear validation of our proposed strategy outlined in the EGM circular. For their efforts in bringing this transaction to fruition, our team received the "Best Singapore Deal" at the FinanceAsia Achievement Awards 2018, the "Best Domestic M&A" award at The Asset Triple A Regional Awards 2018 and a "Certificate of Excellence in Investor Relations" at the IR Magazine Forum & Awards South East Asia 2018.

Positive impacts are starting to flow through from the merger with VIT, in line with the Manager's expectations. For example, the enlarged ESR-REIT has also benefited from a larger market capitalisation of c.S$1.62 billion[1], which has resulted in higher liquidity and trading volume and increased coverage from research houses.

ESR-REIT will be able extract value from exposure to higher-value asset classes such as Business Parks and High-Specs Industrial and access to a wider pool of tenants.

In 4Q2018, ESR-REIT completed the S$95.6 million acquisition of 15 Greenwich Drive, a modern four-storey ramp-up logistics facility at Tampines LogisPark. The addition of 15 Greenwich Drive and the nine properties under Viva Trust ("VT") have bolstered ESR-REIT's portfolio. This has created a more robust, diversified and competitive platform aggregating a total portfolio size of S$3.02 billion which is better able to adapt to market cycles and evolving customer trends.

This year's annual report embodies growth and the spirit of change as well, incorporating our Sustainability Report into a comprehensive and integrated report, reflecting what we do, how we operate and the impact our broader actions have on our customers, communities, partners and employees. More details on our Sustainability Report are available on pages 106 to 128.

FINANCIAL PERFORMANCE

Total revenue for the year was S$156.9 million and net property income ("NPI") was S$112.0 million, up year-on-year ("y-o-y") by 43.0% and 42.8% respectively. The improvement in the NPI was mainly due to full-year contributions from 8 Tuas South Lane and 7000 Ang Mo Kio Avenue 5 which were acquired in December 2017 and the acquisition of 15 Greenwich Drive and the VIT portfolio in October 2018. Distribution per Unit ("DPU") for FY2018 was 3.857 cents which was 0.1% higher than the previous year.

The acquisitions have strengthened ESR-REIT's asset base, with total portfolio valuation as at 31 December 2018 doubling to S$3.02 billion, as compared to the end of 2017.

Cultivating diversified sources of capital and strengthening a strong credit profile enables us to better manage risks. In doing so, we have been able to capitalise on opportunities when they arise and leverage on opportunities to further create value for our unitholders.

As part of our proactive approach towards capital management, we have successfully completed a Preferential Offering in March 2018, with 262.8 million new units issued, raising gross proceeds of S$141.9 million. This deal was well-supported by our Sponsor ESR agreeing not only to take up its full *pro rata* entitlement but to also undertake to subscribe to any unsubscribed units to a total of S$125.0 million. The Preferential Offering was 1.7 times subscribed. Proceeds from the Preferential Offering were used to repay debt drawn to partially fund the acquisition of 7000 Ang Mo Kio Avenue 5.

As part of the merger between ESR-REIT and VIT, we entered into a S$700.0 million unsecured loan facility agreement with HSBC, Maybank, RHB Bank and United Overseas Bank, with the proceeds applied towards refinancing VIT's existing loan facilities, funding the cash consideration for the Scheme relating to the merger, and the payment of other expenses incurred as part of the merger. In the same month, we also completed the acquisition of 15 Greenwich Drive, a modern ramp-up logistics facility. In connection with the completion of this acquisition, we entered into a S$100.0 million unsecured loan facility agreement with BNP Paribas, with the facility drawn down for the purposes of the completion of the acquisition.

(1) As at 31 December 2018.

LETTER TO UNITHOLDERS

Our focus for the year ahead will be on integrating the enlarged portfolio to achieve operational synergies and economies of scale.

In November 2018, the Manager redeemed all the outstanding S$155.0 million 3.5% notes due in November 2018, pursuant to the S$750.0 million Multicurrency Debt Issuance Programme and the redeemed notes were cancelled in accordance with the terms and conditions.

As at 31 December 2018, ESR-REIT's Debt to Total Assets was at 41.9%. The portfolio remains 100% unencumbered, with Weighted Average Debt Expiry at 2.7 years, as compared to 2.4 years as at 31 December 2017. ESR-REIT has a well-staggered debt maturity profile, with no more than 27.0% of debt expiring in each year over the next five years. Amidst an expected rising interest rate environment, we have also reduced risk by fixing 83.4% of interest rate exposure for a weighted average tenor of 3.0 years. More details on ESR-REIT's capital management can be found on pages 40 to 41.

OPERATIONS

ESR-REIT's portfolio fundamentals remain stable with an occupancy rate of 93.0% as at 31 December 2018, unchanged from the occupancy rate recorded at the end of FY2017 and above the JTC Industrial average of 89.3% recorded at the end of 2018.

For FY2018, we completed new leases and lease renewals for 1.7 million sq ft of space. Although downward pressure on rents has resulted in a rental reversion of -2.9% for FY2018, it is a significant improvement from the -15.8% rental reversion in FY2017. The Weighted Average Lease Expiry ("WALE") is 3.8 years. We have embarked on an exercise to convert single-tenanted buildings ("STB") to multi-tenanted buildings ("MTB") since 2012. The current mix of STB and MTB by rental income as at the end of FY2018 stands at 30.5% and 69.5% respectively and creates flexibility for us to capture potential rental upside and improve our tenant mix and quality in an increasingly stabilised demand / supply environment.

We have also taken the opportunity to reposition our portfolio. Following the completion of the merger with VIT, our portfolio profile has further diversified, with Business Parks and High-Specs Industrial spaces making up c.45% and logistics assets comprising 19% of ESR-REIT's portfolio by Rental Income. These sub-sectors enjoy higher average rents amidst a balanced demand / supply industrial space environment. As the Singapore economy moves towards Industry 4.0 through digitalisation and automation of manufacturing processes, specifications and building infrastructure needs to keep up with such trends and technologies.

Enhancing our assets helps them retain an attractive leasing profile and remain resilient as the type of industrialists changes with global trends. We have put this into action with the Asset Enhancement Initiative ("AEI") at 30 Marsiling Industrial Estate Road 8. What was formerly a General Industrial building is now a High-Specs building. The property obtained its Temporary Occupation Permit ("TOP") in 25 January 2019 and is 100% occupied, with facilities and amenities in place to meet the needs of tenants from high-valued added manufacturing sectors. More details on the project are on page 37.

As at 31 December 2018, ESR-REIT has a portfolio of 57 investment properties valued at S$3.02 billion, compared to 48 investment properties, valued at S$1.68 billion the year before. ESR-REIT's portfolio comprises quality industrial properties across Singapore's key industrial zones, with a total gross floor area ("GFA") of approximately 14.1 million sq ft across the following sub-asset classes: General Industrial, Light Industrial, Logistics/Warehouse, High-Specs Industrial and Business Parks. The REIT now has a diversified base of 339 tenants and following the acquisition of the nine Viva assets and 15 Greenwich Drive, we have also reduced our top 10 tenant concentration risk. Top 10 tenants now account for 30.1% of Rental Income as at 31 December 2018, compared to 38.7% the year before.

We look forward to building a diversified and stable portfolio that is future-ready in order to meet the evolving needs of the tenants of tomorrow.

OUTLOOK FOR 2019

We ended the year with a larger and diversified portfolio, at a time of increased uncertainty in global markets. Risks such as protectionist trade policies, volatile financial markets and a rising interest rate environment continue to contribute towards this challenging operating environment.

While this uncertainty may impact rents and occupancy, data from JTC points towards an increasingly stable supply of industrial real estate. We remain cautiously optimistic that this, coupled with the tapering future supply of industrial space expected to come on stream over the next few years, will support the leasing demand and rentals of industrial space as Industry 4.0 takes shape in Singapore's economy.

Our focus for the year ahead will be on integrating the enlarged portfolio to achieve operational synergies and economies of scale. One example of how we are doing this is the self-management of our property management services, an initiative that was rolled out in 4Q2018. The enlarged portfolio has also given us the flexibility to undertake asset rejuvenation and/or AEIs to enhance the building specifications and unlock further value respectively. Up to 35.7% of our portfolio comprises the older generation General and Light Industrial properties which may be suitable for asset rejuvenation. In addition, we have an unutilised plot ratio providing up to 1 million sq ft of additional GFA. Updates on these AEI projects will be announced in due course.

It is important that our decisions are determined by long-term considerations and in understanding mega trends and issues in the market, our experienced team is able to anticipate and respond quickly to ongoing opportunities to protect and enhance the interest of stakeholders.

BOARD AND SENIOR MANAGEMENT RENEWAL

We would like to thank the Board of Directors for their support and contributions over the year. Their extensive experience, broader business and commercial knowledge has enabled ESR-REIT to plan for the future.

In the last year, there have been some changes to the Board as part of ongoing succession planning. Former Non-Executive Directors Mr. Shen Jinchu and Mr. Akihiro Noguchi have stepped down after serving with dedication for 2 years and close to 5 years respectively.

We are also pleased to welcome several new board members who were former directors and senior management of VIT manager for continuity. Dr. Leong Horn Kee and Mr. Ronald Lim have been appointed Independent Non-Executive Directors while Mr. Tong Jinquan and Mr. Wilson Ang have been appointed as Non-Executive Directors.

There have also been changes to the senior management team. We welcomed Mr. Lawrence Chan, former Chief Financial Officer ("CFO") of VIT Manager, to the ESR-FM management team, as the new CFO.

We look forward to working with the new members of the Board and senior management team to build on ESR-REIT's strong foundations.

NOTES OF APPRECIATION

On behalf of the Board, we would like to thank our stakeholders, our Trustee, our Auditors, our real estate services partners, our legal advisors and banks for their continued support. Special appreciation goes to our customers – our tenants. Mr. Shane Hagan, Chief Operating Officer and Chief Financial Officer resigned in October 2018 to pursue other interests. We would like to extend our gratitude to him for his significant contributions to ESR-REIT over the last few years. Without them, the ongoing stability and transformation of ESR-REIT would not have been possible.

We would also like to personally thank the senior management and the entire team, for their continued dedication, enthusiasm and perseverance over the year.

Last but not least, we would like to express our gratitude to you, our Unitholders. The confidence and the support shown by you towards the Board and the Manager is sincerely appreciated. On behalf of the Board, we again look forward to your attendance and active participation at ESR-REIT's Annual General Meeting ("AGM") which will be held on 24 April 2019.

MR. OOI ENG PENG
Independent Chairman

MR. ADRIAN CHUI
Chief Executive Officer and Executive Director

EXECUTING OUR STRATEGIES

With a dedicated team of professionals, we bring insight and experience to help our tenants visualise how space can help their business succeed. We anticipate the opportunities and challenges ahead, putting in place an ambitious strategy to manage our risks while creating a portfolio that will meet future demands.

16 International Business Park

PROPERTY PORTFOLIO OF APPROXIMATELY

S$3.02bn[1]

▲76.5%

PORTFOLIO OCCUPANCY OF

93%

above JTC average of 89.3%

1 Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest.

COMPETITIVE STRENGTHS

RESILIENT AND BALANCED PORTFOLIO

A balanced portfolio with 57 quality income-producing industrial properties valued at S$3.02 billion across five sub-asset classes in key industrial zones across Singapore.

DIVERSIFIED TENANT NETWORK

An extensive tenant base of 339 clients creates a network that reduces overall exposure to any one particular sector.

PRUDENT CAPITAL AND RISK MANAGEMENT

ESR-REIT has a stable income stream supported by prudent capital and risk management strategies. Diversified sources of funding ensure ESR-REIT can tap into alternative pools of capital in order to optimise Unitholder returns.

ACTIVE ASSET MANAGEMENT

Maximising the growth potential of the portfolio is done through an asset management strategy which focuses on proactive marketing and leasing of spaces, delivering high standards of property and customer service, improving operational efficiency and costs, and engaging in Asset Enhancement Initiatives.

EXPERIENCED MANAGEMENT TEAM

ESR-REIT's management team comprises real estate and finance professionals with proven track records and a wealth of experience across local and regional real estate companies and financial institutions, which set the tone for a collaborative team culture focused on results.

STRONG AND COMMITTED SPONSOR

A leading APAC focused real estate platform developing and managing institutional-quality logistics facilities with a high-quality tenant base. ESR-REIT has "first look" on the pipeline of properties in an increasingly asset-scarce environment for quality logistics assets from ESR.

OUR SPONSOR

About ESR

ESR is a leading Asia-Pacific focused logistics real estate platform. Co-founded by its senior management team and Warburg Pincus, ESR is backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, CITIC CLSA, Goldman Sachs, CPPIB, Ping An and Allianz Real Estate. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India.

As of 30 September 2018, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR exceeded US$14 billion, and gross floor area (GFA) of properties completed and under development as well as GFA to be built on land held for future development stood at approximately 11 million square metres in total.

ESR'S DEMONSTRATION OF SUPPORT FOR ESR-REIT

- **Payment of S$62.0 million for the VI-REIT Manager to facilitate the Merger with Viva Industrial Trust**
- **Financial commitment to grow ESR-REIT via a S$125.0 million backstop in recent Preferential Offering**

China
ESR has established a leading market position in the PRC, with one of the largest logistics property portfolios in Greater Shanghai, Greater Beijing and Greater Guangzhou.

India
With an initial focus on Tier 1 cities, ESR launched its India platform to capitalise on the growing demand for larger industrial facilities in modern logistics parks.

Singapore
In January 2017, ESR obtained control of the ESR-REIT manager and became the second largest unitholder of ESR-REIT. ESR-REIT completed its merger with VIT in October 2018.

Australia
In 2018, ESR officially launched ESR Australia and acquired 100% equity interest in Commercial & Industrial Property, following its strategic investments in the ASX-listed Centuria Capital Group and Propertylink Group in late 2017.

South Korea
Set to become the largest logistics facilities supplier in the Seoul Metropolitan Area, ESR builds, operates and invests in modern logistics facilities, with a focus on the greater Seoul and Busan markets.

Japan
ESR is a top institutional operator in Japan, with a focus on Tier 1 cities including Greater Tokyo and Greater Osaka, and a leading landlord for 3PL providers.

AUM

>US$14bn

As of 30 September 2018

GFA

11 million sqm

in operation and under development

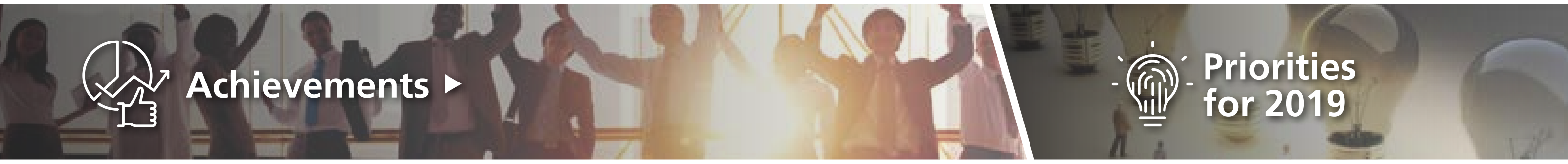
As of 30 September 2018

OUR LONG-TERM STRATEGY

CREATE VALUE FOR OUR UNITHOLDERS

We have established a three-pronged approach to bring together the capabilities, tenant base, capital resources and global connections to deliver stable returns for our Unitholders.

Strategic Objectives	Approach
Achieving Organic Growth	• Focus on asset enhancements to unlock value and attract high value tenants • Proactive asset management to maximise returns • Enhance tenant quality and base by leveraging on Sponsor's capabilities and networks
Active Acquisition and Development Growth	• Yield-accretive, scalable and value-enhancing acquisition opportunities in Singapore • Potential pipeline of assets from the Sponsor, ESR • Exploring opportunities to participate in development projects, either individually or in joint ventures with Sponsor • Divest non-core assets and redeploy capital to acquire/develop higher value-adding properties
Exercising Prudent Capital Management	• Maintain a well-staggered debt maturity profile and long-term debt to total assets target range of 30% to ±40% to mitigate financial and liquidity risk • Exercise prudent capital and risk management • Diversify funding sources into alternative pools of capital • Broaden and strengthen banking relationships across products



Achievements

Balanced demand / supply industrial space environment
- Business Parks and High-Specifications Industrial sectors constitutes c.45% of portfolio, set to ride on these sub-sectors with favourable demand / supply dynamics and higher average rents

Proportion of MTB vs STB near optimal status
- MTBs constitute 69.5%[1] of portfolio by Rental Income – positions portfolio for flexibility to capture potential rental upside in an increasingly stabilised market

Extracted operational synergies and economies of scale
- Implemented strategy of self-managing property management services to improve cost efficiencies and enhance tenant service quality
- Clustered properties by region for better on-site management
- Larger portfolio commanded stronger bargaining power benefits from economies of scale

Unlock value in unutilised plot ratio
- Identified c.1 million sq ft of untapped gross floor area available at 7000 Ang Mo Kio Avenue 5 and 3 Tuas South Avenue 4

Rejuvenation of assets to generate rental upside
- Upgrading works on 30 Marsiling Industrial Estate Road 8 to convert to high-specs and attract high quality tenants

Priorities for 2019

- Various properties identified for AEI, including c.1 million sq ft of unutilised plot ratio, to be rolled out progressively
- Continue to focus on integration of enlarged portfolio to extract operational synergies, reduction in property expenses and cost of funding
- Capitalise on a balanced demand / supply industrial space environment to attract value-added tenants

Achievements

Strengthened portfolio via yield-accretive acquisitions
- Successful merger with Viva Industrial Trust ("VIT") on 15 October 2018 – the first REIT merger in Singapore via a Trust Scheme of Arrangement, resulting in a 76.5% increase in portfolio to S$3.02 billion across 57 assets in Singapore
- Completed acquisition of 15 Greenwich Drive on 25 October 2018 for a purchase consideration of S$95.6 million

Divestment of non-core assets to recycle capital
- Completed one non-core divestment (9 Bukit Batok Street 22) for a total consideration of S$23.9 million

Committed Sponsor's demonstration of financial support
- Sponsor paid S$62.0 million to facilitate the merger with VIT
- Provided S$125.0 million backstop during the Preferential Offering in March 2018 to acquire third party asset

Priorities for 2019

- Acquire yield-accretive, value-adding and strategic assets with long-term growth prospects consistently supported by strong developer Sponsor
- Continue to streamline portfolio to dispose non-core assets and redirect proceeds to fund future acquisitions and improve portfolio returns

Achievements

Maintained a well-staggered debt maturity profile
- Portfolio maintained 100.0% unencumbered
- Weighted Average Debt Expiry lengthened from 2.4 years to 2.7 years
- Portfolio hedged ratio increased from 69.2%[1] to 83.4%
- Weighted Average Fixed Debt Expiry increased from 1.9 years[1] to 3.0 years

Broadened banking relationships
- Secured 4 new lending banks (BNP Paribas, Maybank, RHB and UOB) to address financing requirements and support future growth

Diversified pools of capital to reduce funding risks
- On 28 March 2018, approximately 262.2 million units were issued via a 199-for-1000 Preferential Offering which raised approximately S$141.9 million of gross proceeds; and was 170.6% subscribed[2]

Priorities for 2019

- Maintain a disciplined approach towards proactive capital management to sustain future development and growth
- Continue to optimise borrowing costs and lengthen average loan tenor to ensure financial stability and flexibility
- Reduce risks by optimising hedged tenor and hedged ratio

(1) As at 31 December 2018
(2) Includes valid acceptances and excess applications, including excess applications for additional new units by the Sponsor, per announcement dated 26 March 2018.

KEY TRENDS INFLUENCING OUR STRATEGY

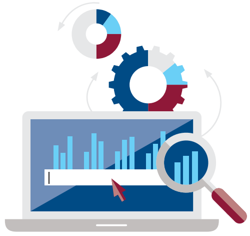
EVOLVING TENANT REQUIREMENTS

For many business space occupiers, location is no longer the only consideration. Companies are increasingly having to meet the demands of an evolving workforce that value workplaces situated in eco-systems that promote productivity, well-being and culture.

Opportunities for ESR-REIT

In 2018, ESR-REIT completed its merger with VIT and added two Business Parks to its portfolio – UE Bizhub EAST and Viva Business Park. Value-enhancing acquisitions focusing on Business Parks and High-Specs Industrial such as 7000 Ang Mo Kio Avenue 5 augments the portfolio for long term growth. Such acquisitions allow ESR-REIT to meet the evolving needs of the tenants of tomorrow. ESR-REIT also increasingly looks at incorporating eco-friendly green features in its buildings, to provide sustainable environment solutions.

BALANCE OF SUPPLY AND DEMAND

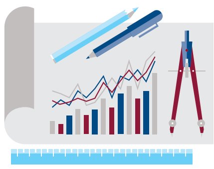


The last few years have seen Singapore's industrial real estate market experiencing an oversupply in the amount of space introduced to market. But the balance between supply and demand of space is slowly shifting towards a scenario where new supply is being introduced at a slower pace to meet demand.

Opportunities for ESR-REIT

A tapering supply of new industrial space may provide more stability in prices and rents over the next few years. ESR-REIT's proactive approach towards asset and lease management enables it to maximise any potential opportunities from these improved market conditions. The portfolio of 57 properties across the five different asset class also enables the REIT to capture upside in demand from across the various trade sectors.

ECONOMIC UNCERTAINTY

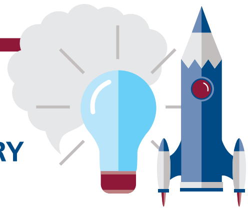


Wider uncertainty surrounding global trade markets has affected the ability of companies to plan and make decisions. Volatile markets set amidst a rising interest rate environment may also cast further uncertainty but may also provide opportunities for potential economic and financial benefits.

Opportunities for ESR-REIT

ESR-REIT's approach towards diversifying its sources of capital and strengthening its credit profile has enabled it to better manage risks. Active steps have been taken to guard against interest rate volatility, with close to 83.4% of the REIT's interest rate exposure fixed for a weighted average tenor of 3.0 years. This provides stability to the REIT by reducing uncertainty and risks.

SINGAPORE'S INDUSTRY 4.0 INITIATIVES

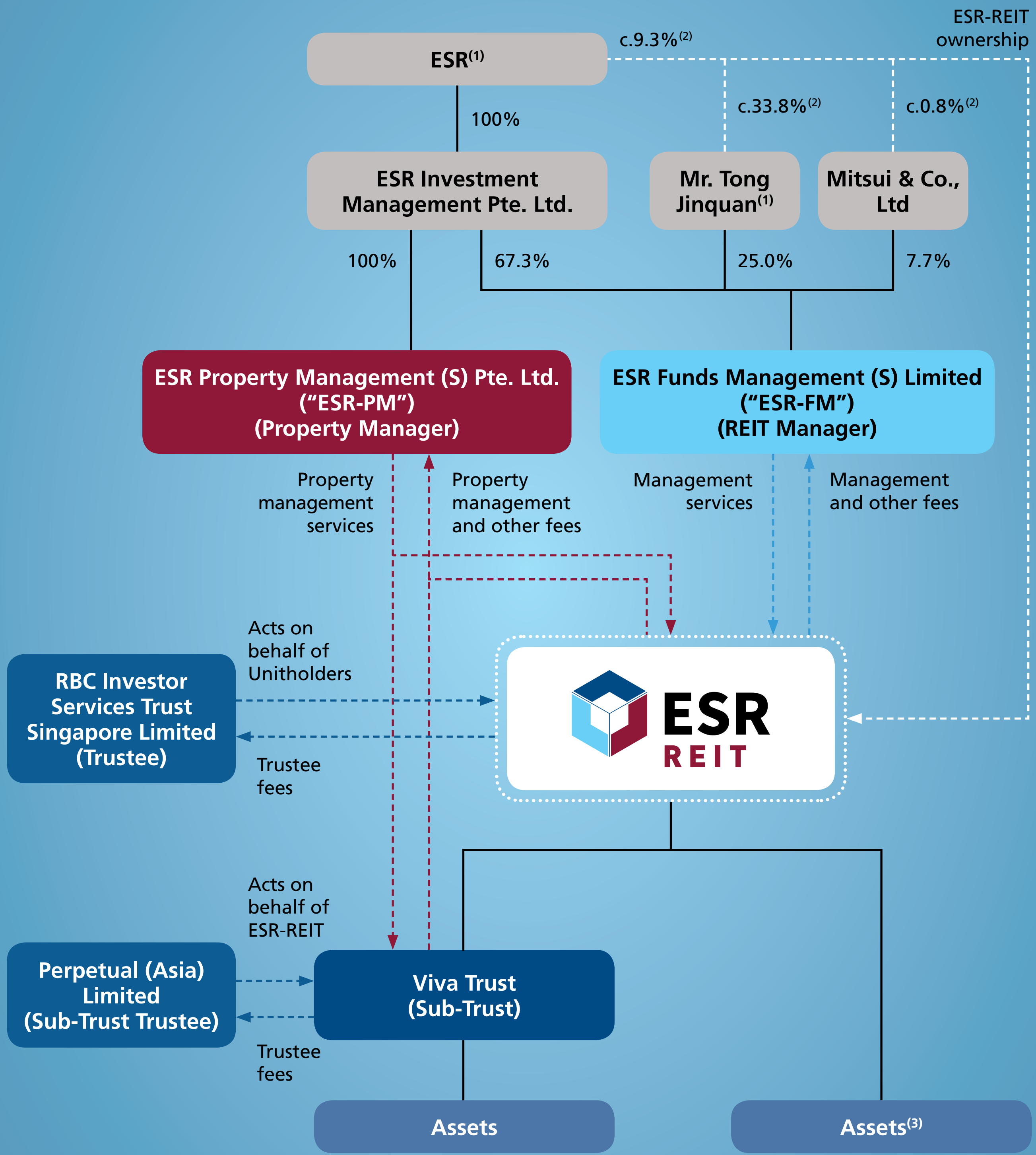


The fourth industrial revolution or "Industry 4.0" refers to the rise of new manufacturing technologies. The increased prevalence of technology and design innovation not only has the potential to change the face and functionality of buildings but also the profile of tenants that lease these spaces. Singapore's government has acknowledged the need to revamp its manufacturing model into one that provides more innovation-based and high-value added production, and initiatives are in place to help the sector gear up.

Opportunities for ESR-REIT

In line with the Singapore government's push towards Industry 4.0, ESR-REIT is repositioning its properties to cater to the needs of high value-added manufacturers. Planned AEIs at selected properties to convert buildings from General/Light Industrial to High-Specs Industrial also enable ESR-REIT to improve building specifications to attract tenants of tomorrow.

TRUST STRUCTURE



(1) Includes direct interests and/or deemed interests through holding entities in ESR-REIT.
(2) As at 11 March 2019.
(3) Includes 80% ownership of 7000 AMK LLP. Ho Lee Properties Pte Ltd owns the remaining 20%.

ORGANISATION STRUCTURE

ESR FUNDS MANAGEMENT (S) LIMITED

BOARD OF DIRECTORS

Mr. Ooi Eng Peng
(Independent Chairman)

Mr. Bruce Kendle Berry
(Independent Non-Executive Director)

Mr. Erle William Spratt
(Independent Non-Executive Director)

Dr. Leong Horn Kee
(Independent Non-Executive Director)

Mr. Ronald Lim Cheng Aun
(Independent Non-Executive Director)

Mr. Philip John Pearce
(Non-Executive Director)

Mr. Jeffery David Perlman
(Non-Executive Director)

Mr. Tong Jinquan
(Non-Executive Director)

Mr. Wilson Ang Poh Seong
(Non-Executive Director)

Mr. Adrian Chui Wai Yin
(CEO and Executive Director)

AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE (“ARCC”)

Mr. Bruce Kendle Berry (Chairman)
Mr. Ooi Eng Peng
Mr. Erle William Spratt
Dr. Leong Horn Kee
Mr. Ronald Lim Cheng Aun

EXECUTIVE COMMITTEE (“EXCO”)

Mr. Ooi Eng Peng (Chairman)
Mr. Philip John Pearce
Mr. Jeffrey David Perlman
Mr. Adrian Chui Wai Yin

NOMINATING AND REMUNERATION COMMITTEE (“NRC”)

Mr. Erle William Spratt (Chairman)
Mr. Ooi Eng Peng
Mr. Ronald Lim Cheng Aun
Mr. Jeffery David Perlman

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

Mr. Adrian Chui Wai Yin

JOINT COMPANY SECRETARIES

Mr. Robin Yoo Loo Ping
Ms. Angeline Chiang Wai Ming

ESR FUNDS MANAGEMENT (S) LIMITED MANAGEMENT TEAM

BOARD OF DIRECTORS

Mr. Ooi Eng Peng, 62
Independent Chairman

Date of appointment as Director: 27 July 2012
Date of last re-appointment as Director: 27 July 2018
Length of service as a Director (as at 28 February 2019):
6 years 7 months

Board Committees Served On:
- Audit, Risk Management, Compliance Committee (Member)
- Nominating and Remuneration Committee (Member)
- Executive Committee (Chairman)

Description:
Mr. Ooi has over 31 years of real estate experience in property investment, development, project management and fund investment, and management businesses in both Asia and Australia. Mr. Ooi was previously the CEO of Lend Lease Asia, based in Singapore from 2010 to 2011. From 2006 to 2010, he was the CEO of Investment Management and Retail Asia for Lend Lease based in Singapore. Prior to his roles in Asia, he was regional Chief Financial Officer ("CFO") of Lend Lease Communities Asia Pacific (2003 to 2005), Global CFO of Lend Lease Investment Management (2002 to 2003) and CFO of Lend Lease Development (2000 to 2002), all based in Sydney.

Academic and Professional Qualifications:
- Bachelor of Commerce, University of New South Wales, Australia
- Member of the Certified Practising Accountants of Australia

Present Directorships/Chairmanships[(1)]:
Listed Companies
- Perennial Real Estate Holdings Limited

Principal Commitment[(2)]
- Keppel REIT (Australia) Management Limited

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years[(1)]:
Nil

Mr. Bruce Kendle Berry, 65
Independent Non-Executive Director

Date of appointment as Director: 16 September 2016
Length of service as a Director (as at 28 February 2019):
2 years 5 months

Board Committees Served On:
- Audit, Risk Management and Compliance Committee (Chairman)

Description:
Mr. Berry has over 32 years of business experience covering, construction, property, financial management, infrastructure, and project finance in both Asia and Australia. From 2005 to 2012 Mr. Berry was with AMP Capital Services Limited where he held a number of senior management positions including Fund Manager for a diversified infrastructure fund, and was seconded as the CFO for the then ASX listed DUET.

Prior to this, Mr. Berry was with Lend Lease Corporate for 22 years, and held a number of senior roles in subsidiary or joint venture companies including CFO for Civil and Civic Ltd, Lyonnaise Asia Water Services Pte Ltd and Oakwood Asian Pacific Pte Ltd.

Academic and Professional Qualifications:
- Bachelor of Commerce, University of New South Wales
- Master of Business Administration, University of Sydney
- Chartered Accountant, Chartered Accountants of Australia and New Zealand
- Graduate member of Australia Institute of Company Directors

Present Directorships/Chairmanships[(1)]:
Listed Companies
Nil

Principal Commitments[(2)]
- WaterNSW

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years[(1)]:
Nil

(1) Present (as at 31 December 2018) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2016 to 31 December 2018).
(2) The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

BOARD OF DIRECTORS

Mr. Erle William Spratt, 51
Independent Non-Executive Director

Date of appointment as Director: 13 January 2017
Length of service as a Director (as at 28 February 2019):
2 years 1 month

Board Committees Served On:
- Nominating and Remuneration Committee (Chairman)
- Audit, Risk Management and Compliance Committee (Member)

Description:
Mr. Spratt has more than 30 years of experience in finance, real estate investment, audit and advisory services. He started his career with Deloitte in audit and advisory services, followed by more than 16 years with Lend Lease Corporation, where he held a number of senior roles including CFO for Lend Lease Development Australia and Lend Lease Real Estate Investments Japan, Commercial Manager in Lend Lease Development Australia, Investment Director in Lend Lease Retail Singapore and Fund Manager in Lend Lease Investment Management Singapore.

Upon leaving Lend Lease, Mr. Spratt joined M&G Real Estate as Investment Director and Fund Manager of the Asia Property Fund in 2010. He held these roles until he left M&G Real Estate in November 2016.

In March 2018 Mr. Spratt joined Keppel Capital as Head, Australia. Keppel Capital is a subsidiary of Keppel Corporation Limited.

Academic and Professional Qualifications:
- Bachelor of Economics, University of Sydney
- Qualified as a Chartered Accountant, Chartered Accountants of Australia and New Zealand

Present Directorships/Chairmanships[1]:
Listed Companies
Nil

Principal Commitments[2]
- Keppel Capital
- Aerial Equity Pte. Ltd.
- Aerial Equity Pty Ltd
- Gabriel Nominees Pty Ltd
- SprattFam Pty Ltd
- Alpha Investment Partners Australia Pty Limited
- Reef Charm Investment Pty Ltd
- Reef Property Holding Pty Ltd
- IX Infrastructure Pty Ltd
- IXOM 2
- IXOM 3

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years[1]:
Nil

Dr. Leong Horn Kee, 66
Independent Non-Executive Director

Date of appointment as Director: 8 January 2019
Length of service as a Director (as at 28 February 2019):
2 months

Board Committees Served On:
- Audit, Risk Management and Compliance Committee (Member)

Description:
Dr. Leong is the Chairman of CapitalCorp Partners Pte Ltd, a boutique corporate finance advisory company, which he founded in 2009. He was previously with the Far East Organization group from 1993 to 2008, serving as Managing Director of Orchard Parade Holdings Limited, Managing Director and Chief Executive Officer of Yeo Hiap Seng Ltd, and Executive Director of Far East Organization, where he was closely involved in property development and management. From 1977 to 1983, Dr. Leong served in the Ministry of Finance and Ministry of Trade and Industry. He was a Member of Parliament for 22 years until 2006. He was also the Non-Resident Ambassador to Mexico from 2006 to February 2013 and was appointed the Non-Resident High Commissioner to Cyprus in July 2014.

Academic and Professional Qualifications:
- Bachelor of Production Engineering (First Class Honours), Loughborough University
- Bachelor of Science (Economics), University of London
- Bachelor of Arts in Chinese Language and Literature, Beijing Normal University
- Master of Business Administration, INSEAD
- Master of Business (Research), University of Western Australia
- Doctor of Business Administration, University of Western Australia

Present Directorships/Chairmanships[1]:
Listed Companies
- SPH REIT Management Pte Ltd (Manager of SPH REIT)
- CSC Holdings Limited
- IGG Inc

Principal Commitments[2]
- BJ Development Pte Ltd
- CapitalCorp Partners Private Limited

Major Appointment (other than Directorship)
- Non-Resident High Commissioner to Cyprus

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years[1]:
- Tat Hong Holdings Ltd
- Viva Industrial Trust Management Pte. Ltd. (Manager of Viva Industrial Trust)

1 Present (as at 31 December 2018) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2016 to 31 December 2018).
2 The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

Mr. Ronald Lim Cheng Aun, 72
Independent Non-Executive Director

Date of appointment as Director: 8 January 2019
Length of service as a Director (as at 28 February 2019):
2 months

Board Committees Served On:
- Audit, Risk Management and Compliance Committee (Member)
- Nominating and Remuneration Committee (Member)

Description:
Mr. Ronald Lim has more than 36 years of experience in the banking and finance industry. Mr. Lim was with United Overseas Bank Ltd (UOB) from March 1973 to November 2009 where he last held the appointment of Executive Director and Division Head of Commercial Banking in which the Bank is a leader in the SMEs market. Prior to the above and during his tenure with UOB, Mr. Lim had also held leadership appointments as Head of Human Resource and Head of Branches Division where he was involved in the management and development of human capital, its delivery channels and banking services. From November 2009 to October 2011, Mr. Lim was an Adviser to the RGE Pte Ltd, a resource-based manufacturing group in the paper and pulp, palm oil and the oil and gas industries.

Academic and Professional Qualifications:
- Bachelor of Social Science, University of Singapore (currently known as the National University of Singapore)

Present Directorships/Chairmanships[1]:
Listed Companies
- Hiap Hoe Limited

Principal Commitments[2]
- The HEAD Foundation Limited

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years[1]:
- Viva Industrial Trust Management Pte. Ltd. (Manager of Viva Industrial Trust)

Mr. Philip John Pearce, 51
Non-Executive Director

Date of Appointment as Director: 5 April 2017
Length of service as a Director (as at 28 February 2019):
1 year 11 months

Board Committees Served On:
- Executive Committee (Member)

Description:
Mr. Pearce has extensive real estate experience in the Asia Pacific Region. He is currently the CEO of ESR Australia where he has been responsible for the establishment of the Group's Australian Business. Prior to joining ESR he held the position of Managing Director, Greater China for the Goodman Group, where he was responsible for US$5 billion of assets across Hong Kong and China and the establishment of the Goodman Group's business in China. Mr. Pearce was a Director on the board of the Goodman Group from 1 January 2013 until July 2016. While at Goodman he worked in Singapore, Hong Kong and China. Mr. Pearce was seconded to the manager of Ascendas Real Estate Investment Trust from October 2002 to July 2006 where he held the position of portfolio manager.

Prior to joining Goodman Mr Pearce held various roles at AMP Henderson Global Investors in Sydney including valuation, asset management and fund management.

Academic and Professional Qualifications:
- Bachelor of Commerce (Land Economy), Western Sydney University, Australia
- Graduate Diploma in Applied Finance, Australian Securities Institute
- Member of the Australian Institute of Company Directors

Present Directorships/Chairmanships[1]:
Listed Companies
Nil

Principal Commitments[2]
- ESR Real Estate (Australia) Pty Ltd
- ESR Pte Ltd

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years[1]:
- Goodman Group (GMG.AX)

1 Present (as at 31 December 2018) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2016 to 31 December 2018).
2 The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

BOARD OF DIRECTORS

Mr. Jeffrey David Perlman, 35
Non-Executive Director

Date of appointment as Director: 18 January 2017
Length of service as a Director (as at 28 February 2019):
2 years 1 month

Board Committees Served On:
- Nominating and Remuneration Committee (Member)
- Executive Committee (Member)

Description:
Jeffrey Perlman is based in Singapore, joined Warburg Pincus in 2006 and leads the firm's investments in Southeast Asia. Additionally, Mr. Perlman focuses on real estate investments across the greater Asia-Pacific region. Prior to joining Warburg Pincus, he worked in the Real Estate Investment Banking Group at Credit Suisse.

He currently serves on the Board of Directors for ARA Asset Management Holdings, ESR Cayman Limited, ESR Funds Management (ESR-REIT), GO-JEK, Lodgis Hospitality Holdings, Mofang Apartments, Nova Property Investment, NWP Retail, Trax Technology Solutions, Vincom Retail Joint Stock Company and OnlinePajak.

Academic and Professional Qualifications:
- Bachelor of Business Administration (BBA) from the Ross School of Business, University of Michigan

Present Directorships/Chairmanships[1]:
Listed Companies
- Vincom Retail Joint Stock Company

Principal Commitments[2]
- ESR Cayman Limited
- Cubic City (China) Service Apartment Group Holdings Limited (also known as 'Mofang Apartments')
- Nova Property Investment Co., Ltd.
- PT Nirvana Wastu Pratama
- PT Aplikasi Karya Anak Bangsa (also known as 'GO-JEK')
- ARA Asset Management Holdings Pte Ltd (previously known as 'Athena Investment Company (Singapore) Pte Limited')
- Lodgis Hospitality Holdings Private Limited (previously known as 'Helen Holdings Private Limited')
- Trax Technology Solutions Pte Ltd
- Achilles Systems Pte. Ltd.

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years[1]:
Nil

Mr. Tong Jinquan, 63
Non-Executive Director

Date of appointment as Director: 8 January 2019
Length of service as a Director (as at 28 February 2019):
2 months

Board Committees Served On:
Nil

Description:
Mr. Tong has more than 20 years of experience in property investment, property development and property management in the People's Republic of China. He is the founder and Chairman of Shanghai Summit (Group) Co., Ltd. and its subsidiaries (the "Summit Group") and the Chairman of Shanghai Changfeng Real Estate Development Co., Ltd. Having established Summit Group in 1994, Mr. Tong has been responsible for overseeing the growth of Summit Group, which holds and operates commercial properties such as hotels, serviced apartments, office buildings and a shopping mall in Shanghai, Shenyang and Chengdu.

Present Directorships/Chairmanships[1]:
Listed Companies
- New Century Asset Management Limited (Manager of New Century Real Estate Investment Trust)
- IREIT Global Group Pte. Ltd. (Manager of IREIT Global)

Principal Commitments[2]
- Shanghai Summit (Group) Co., Ltd
- Shanghai Changfeng Real Estate Development Co., Ltd.
- Shanghai Summit Pte. Ltd.

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years[1]:
- Viva Industrial Trust Management Pte. Ltd. (Manager of Viva Industrial Trust)

1 Present (as at 31 December 2018) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2016 to 31 December 2018).
2 The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

Mr. Wilson Ang Poh Seong, 53
Non-Executive Director

Date of appointment as Director: 8 January 2019
Length of service as a Director (as at 28 February 2019):
2 months

Board Committees Served On:
Nil

Description:
Mr. Ang has extensive experience in real estate investment trust management, industrial property investment and consultancy services. He co-founded Viva Industrial Trust Management Pte. Ltd. ("VITM"), the manager of Viva Industrial Trust ("VIT") in 2012 where he served as the CEO and Executive Director of VITM in steering the growth and enhancing the value of VIT post its successful listing on the SGX-ST in November 2013 until its merger with ESR-REIT in October 2018. Prior to his roles with VITM, Mr. Ang was the Consultant of Asia Industrial Services with Colliers International focusing on Industrial Investment Markets in Singapore and Asia, advising building owners, investors including REITs, private and institution funds on their real estate portfolio as well as servicing their real estate portfolio requirements across Asia. Mr. Ang also co-founded Cambridge Industrial Trust Management Limited ("CITM"), the manager of Cambridge Industrial Trust ("CIT") in 2005 where he served as the Managing Director (Investment) and became CEO from 2007 to 2009. Prior to co-founding CITM, Mr. Ang was the Executive Director and Head of the Industrial Division at Colliers International (Singapore) Pte. Ltd.

Academic and Professional Qualifications:
- Bachelor of Science (Estate Management) (Honours), National University of Singapore.

Present Directorships/Chairmanships[1]:
Listed Companies
Nil

Principal Commitments[2]
- Viva Investment Management Pte Ltd
- ESR Funds Management (S) Limited

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years:
- Viva Industrial Trust Management Pte. Ltd. (Manager of Viva Industrial Trust)

Mr. Adrian Chui Wai Yin, 43
CEO and Executive Director

Date of appointment as Director: 24 March 2017
Length of service as a Director (as at 28 February 2019):
1 year 11 months

Board Committees Served On:
- Executive Committee (Member)

Description:
Prior to joining the Manager, Mr. Chui ran the South East Asia real estate advisory division of Standard Chartered Bank ("SCB"). His overall responsibilities at SCB included structuring, fundamental analysis and approval of acquisition financing for real estate companies / REITs / Business Trusts, valuation and execution advice for mergers and acquisitions, as well as structuring, execution and investment case positioning and strategies of REIT Initial Public Offerings ("IPOs") and follow-on offerings of equity, equity- linked and debt securities across all real estate segments.

Before SCB, Mr. Chui was the Director of Real Estate, Lodging and Leisure Group at UBS Investment Bank's Singapore office, where he headed a team involved in structuring and listing of Singapore and cross-border REITs / Business Trusts and property company IPOs for Southeast Asia. His past work experience also includes a stint at Morgan Stanley Asia (Singapore) Securities Pte Ltd, where he was the lead property research analyst responsible for Singapore listed REITs and property companies. He has also held management roles with CapitaCommercial Trust Management Limited and was part of the pioneer management team at Ascendas Funds Management (S) Limited.

Academic and Professional Qualifications:
- Bachelor of Business, Nanyang Technological University, Singapore

Present Directorships/Chairmanships[1]:
Listed Companies
Nil

Principal Commitment[2]
- 7000 AMK LLP

Past Directorships/Chairmanships in Listed Companies Held Over the Preceding Three Years:
Nil

1 Present (as at 31 December 2018) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2016 to 31 December 2018).
2 The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

SENIOR MANAGEMENT

From left: Irene Phua, Nancy Tan, Adrian Chui, Lawrence Chan, Loy York Ying, Charlene-Jayne Chang
Not pictured: Steven Leow

Adrian Chui
CEO and Executive Director

Mr. Chui joined the Manager in March 2017 as CEO and Executive Director. He reports to the Board and is responsible for achieving ESR-REIT's fiduciary duties to Unitholders as well as managing major stakeholder relationships. His key responsibilities include setting the strategic objectives for ESR-REIT alongside the Board as well as driving the overall business plan execution with the support of the management team.

Lawrence Chan
Chief Financial Officer ("CFO")

Mr. Chan joined the Manager in November 2018 as CFO. He reports to the CEO and oversees all finance functions of the Trust and the Manager.

Mr. Chan has more than 19 years of experience in audit, accounting and finance-related work. Prior to joining the Manager, Mr. Chan was the CFO of Viva Industrial Trust Management Pte. Ltd. ("VITM") and was also a director of Viva Real Estate Asset Management Pte. Ltd. and Viva iTrust MTN Pte. Ltd. In his role, he was responsible for the corporate finance, treasury, financial reporting, forecast and budgeting, tax, internal control, financial risk management, corporate governance and compliance functions.

Prior to joining VITM, Mr. Chan was the Financial Controller of Hoe Leong Corporation Ltd and was an Associate Director with Genesis Capital, an independent corporate finance advisory firm licensed by the Monetary Authority of Singapore. Before joining Genesis Capital, Mr. Chan was an Audit Manager with KPMG, where he was responsible for auditing Singapore and Chinese companies across various industries.

Mr. Chan is a Chartered Accountant of Singapore and non-practicing member of the Institute of Singapore Chartered Accountants. He graduated from Nanyang Technological University with a Bachelor of Accountancy in 1999.

Charlene-Jayne Chang
Head of Capital Markets and Investor Relations

Ms. Chang joined the Manager in April 2017 as Head of Capital Markets and Investor Relations. She reports to the CEO and manages the capital markets/fundraising, treasury and investor relations/corporate communications functions of the Manager. Ms. Chang has more than 10 years of experience in originating and executing mergers and acquisitions, capital markets/fundraising and treasury strategies. Prior to joining the Manager, Ms. Chang was a Director of the Commercial Real Estate division at Standard Chartered Bank and has originated and executed major transactions across Singapore and Southeast Asia for real estate companies, REITS and Business Trusts. In her role, she was responsible for the structuring, valuation, fundamental analysis, financing and execution advice for mergers and acquisitions, initial public offerings, and follow-on offerings of equity, equity-linked and debt securities.

Before joining Standard Chartered Bank, Ms. Chang was based in the Hong Kong and Singapore Corporate Finance offices of the Royal Bank of Scotland, providing corporate finance advisory and executing cross-border transactions across Hong Kong, China and Southeast Asia.

Ms. Chang holds a Bachelor of Business Administration with double majors in Finance and Management from the National University of Singapore.

Nancy Tan
Head of Real Estate

Ms. Tan joined the Manager in February 2009 and was appointed as Head of Real Estate in February 2011. She reports to the CEO and formulates strategic plans to maximise the returns of ESR-REIT's assets. She oversees the investments, asset management, property management and leasing departments. She has over 20 years of experience in the real estate and asset management industry in Singapore.

Prior to joining the Manager, Ms. Tan was the Fund Manager of MacarthurCook Industrial REIT. She also held management positions in a number of established real estate firms, including Far East Organisation and City Developments Limited.

Ms. Tan holds a Bachelor of Science (Estate Management) from the National University of Singapore and a Graduate Diploma in Marketing from the Marketing Institute of Singapore.

Loy York Ying
Head of Compliance and Risk Management

Ms. Loy joined the Manager in June 2014 as Head of Compliance. She reports to the CEO and is responsible for all internal and external compliance requirements for the Trust, the Manager and all other related companies of the Manager. She has over 10 years of experience in regulatory and compliance requirements in the financial services industry.

Prior to joining the Manager, Ms. Loy was the Head of Regulatory Advisory and Policy, Compliance at Maybank Singapore and was responsible for the oversight and management of all compliance-related requirements of Singapore branch. Prior to that, she also managed portfolio and provided financial advisory services to high net-worth individuals with DBS Bank Ltd and UOB Ltd.

Ms. Loy holds a Bachelor of Business (Banking) from Nanyang Technological University. She also holds the Institute of Banking and Finance Advanced, Compliance (Banking) Certification.

SENIOR MANAGEMENT

Irene Phua
Head of Human Resources and Corporate Services

Ms. Phua joined the Manager in July 2017 as Head of Human Resources and Corporate Services. She reports to the CEO and oversees the human resources and office administration functions of the Trust and the Manager.

Ms. Phua has more than 18 years of experience providing human capital insight to management, developing talent to enhance skills and productivity as well as cultivating leaders for business continuity. Prior to joining Manager, Ms. Phua was the Associate Director of a real estate consultancy firm and was responsible for formulating human resource strategies for the company.

Ms. Phua graduated from University of Bradford with a Bachelor of Science (Honours) in Business and Management Studies.

Steven Leow
Head of Property Services

Mr. Leow joined the Manager in April 2018 as Head of Property Services. He reports to the CEO and oversees the property management functions where he is responsible for optimizing the performance of the Trust's properties under his charge. Mr. Leow has more than 25 years of experience in estate and asset management.

Prior to joining the Property Manager, Mr. Leow was the Head of Property Management with Ascendas Services and Soilbuild Group Holdings where he managed the operations and technical services of more than 100 buildings across Singapore. In his capacity as the Head of Property Management, he has provided leadership expertise in strategic leasing, marketing, operations and project management services.

Mr. Leow graduated from University of Derby with a Bachelor of Arts in Business Management in 2017.

PROPERTY MANAGER

From left: Dillon Ng, Senior Leasing Manager; Ong Lay Peng, Senior Property Manager; Sim Thiam Meng, General Manager (Projects). Not pictured: Steven Leow, Head of Property Services

Comprising an experienced team of staff, ESR-REIT's property manager, ESR Property Management (S) Pte. Ltd ("ESR-PM"), is responsible for providing proactive and professional property management services to ESR-REIT's tenants and customers. Collectively, the team provides expertise in the managing of operational matters such as the marketing of space, property management and maintenance, supervision of the performance of contractors and ensuring that all building and safety regulations are complied with.

MARKETING AND LEASING

The Marketing and Leasing team is responsible for the marketing and leasing of available space within ESR-REIT's portfolio of properties. This is carried out through direct prospects or in partnership with property consultants. The team also focuses on developing solutions to attract and retain tenants.

In addition, the team also works closely with tenants to organise events and related activities to encourage vibrant and dynamic live-work-play environments at ESR-REIT properties.

PROPERTY MANAGEMENT SERVICES

The Property Management Services team focuses on managing contracts and procurement of property service contracts, managing site staff and providing on-site services to tenants, to ensure optimal levels of service and customer care are implemented across all ESR-REIT properties. The team also works closely with the Manager's Asset Management team to ensure property specifications and service levels are aligned with the market positioning of each property.

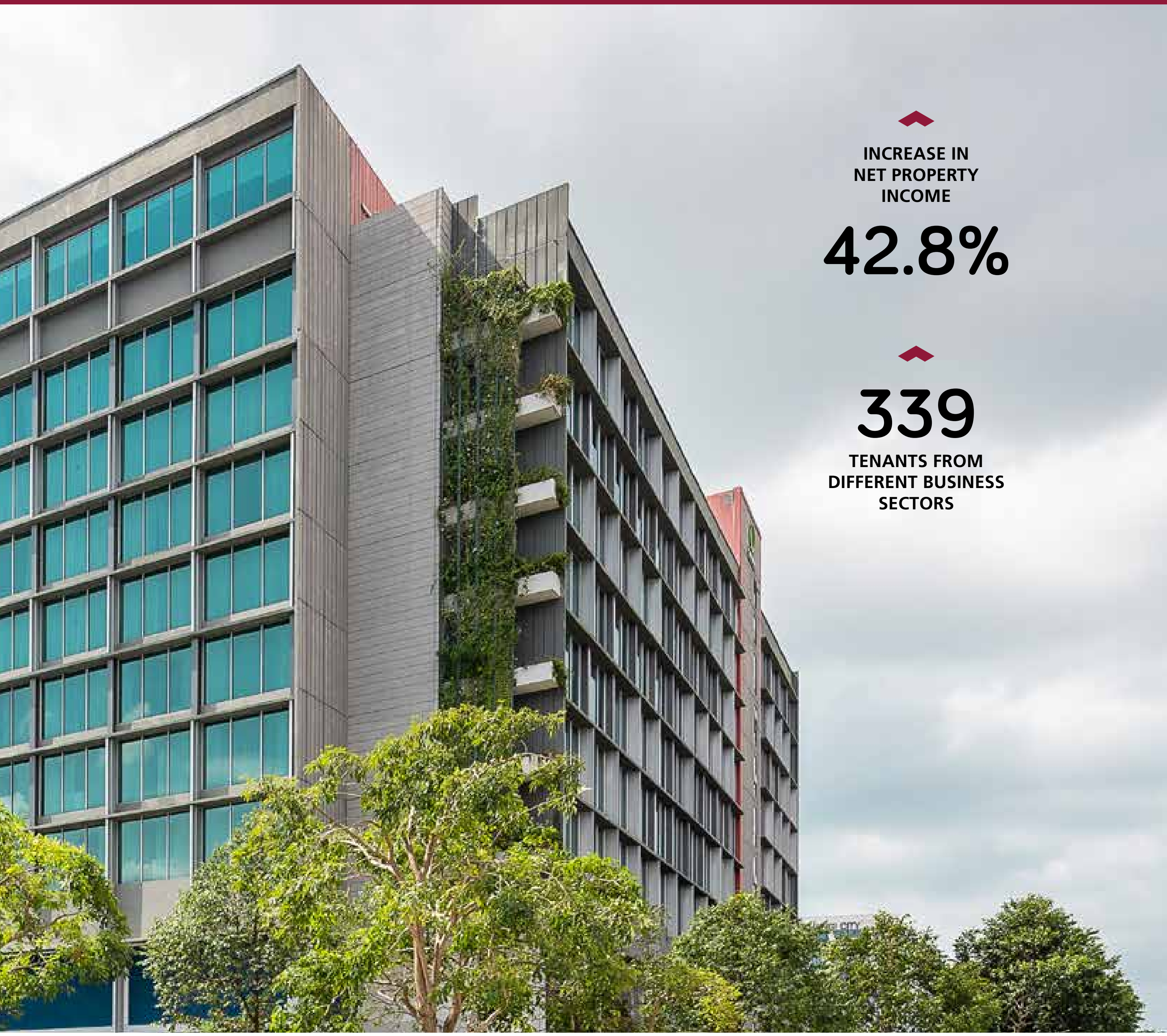
PROJECT MANAGEMENT

The Project Management team works closely with external professionals to project manage redevelopment and asset enhancement initiatives, ensuring that each project is carried out in a timely and efficient manner. The project management team also carries out regular audits of energy and water consumption at the various properties to identify opportunities for more efficient management.

STRENGTHENING OUR PORTFOLIO

Even as uncertainty shapes our market, we continue to strengthen our portfolio, moving forward with clear priorities. Our proactive approach towards asset and fund management means we actively manage our assets and track potential acquisitions, while looking at new ways to optimise our capital to enhance value for our investors.

2/4, 6/8 Changi Business Park Avenue 1



INCREASE IN NET PROPERTY INCOME

42.8%

339

TENANTS FROM DIFFERENT BUSINESS SECTORS

OPERATIONS REVIEW

Consolidating our strengths to bring the combined capabilities in asset development and management to contribute and capitalise on the Industry 4.0 megatrend.

As at 31 December 2018, ESR-REIT has 57 properties, each located in key industrial clusters across Singapore, aggregating 14.1 million sq ft in gross floor area. ESR-REIT's property portfolio remains well-balanced and diversified with a healthy occupancy rate of 93.0% as at 31 December 2018. The properties were valued at S$3.02 billion as at 31 December 2018. The overall increase over the previous valuation of S$1.68 billion as at 31 December 2017 was mainly due to the acquisitions of Viva Industrial Trust's portfolio and 15 Greenwich Drive.

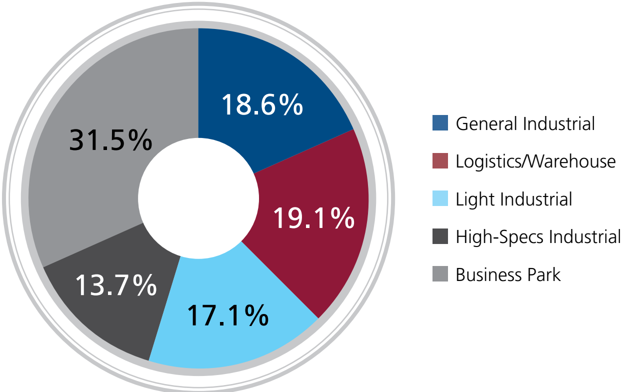
KEY PORTFOLIO STATISTICS

	As at 31 December 2018	As at 31 December 2017	Variance (%)
Number of Properties	57	48	+18.8
Gross Floor Area (million sq ft)	14.1	9.9	+42.4
Net Lettable Area (million sq ft)	12.6	9.0	+40.0
Portfolio Valuation(1) (S$ million)	3,021.9	1,675.8	+80.3
Occupancy (%)	93.0	93.0	0.0

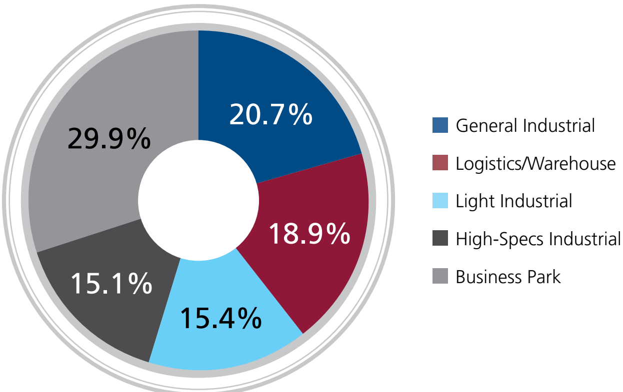
WELL-DIVERSIFIED PORTFOLIO

ESR-REIT continues to own a range of industrial properties, comprising General Industrial, Logistics / Warehouse, Light Industrial, High-Specs Industrial and Business Parks. Collectively, High-Specs Industrial and Business Parks account for 45.2% of the portfolio by rental income and 45.0% by valuation. With new technologies being adopted across a range of industry sectors and disciplines, advances in manufacturing would translate to stronger demands for higher quality space in these higher rental sub-sectors with limited potential supply. ESR-REIT is well-positioned to capture the favourable demand-supply dynamics in the High-Specs Industrial and Business Parks.

Breakdown of Asset Class
By Rental Income
As at 31 December 2018



Breakdown of Asset Class
By Valuation
As at 31 December 2018



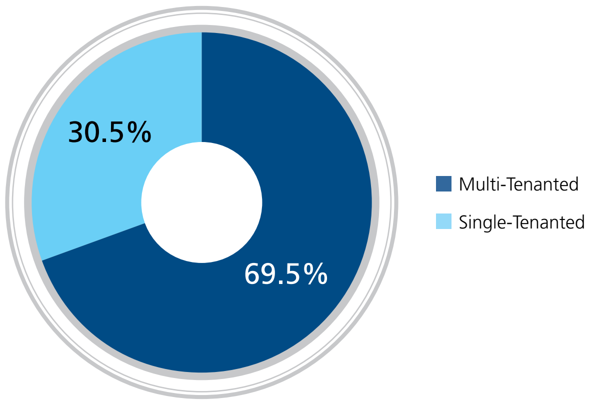
BREAKDOWN OF SINGLE-TENANTED AND MULTI-TENANTED BUILDINGS

The Manager aims to achieve a healthy mix of multi-tenanted buildings ("MTB") and single-tenanted buildings ("STB") in the portfolio through proactive asset and lease management. MTB provides tenant diversification while STB, with its longer leases and in-built rental escalation, generates yield stability. Since

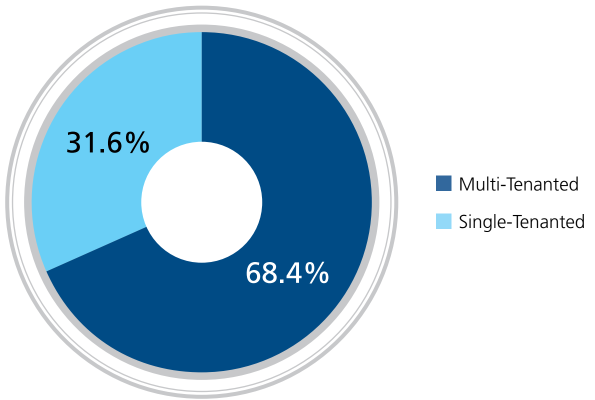
(1) Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest.

2012, ESR-REIT has embarked on a STB to MTB conversion strategy. Based on rental income as at 31 December 2018, 30.5% of the portfolio comprises STB while the remaining 69.5% accounts for MTB, thereby positioning the portfolio to ensure flexibility to capture potential rental upside in an increasingly stabilised supply environment. Based on valuation as at 31 December 2018, 31.6% of the portfolio constitutes STB while MTB makes up the remaining 68.4%.

Breakdown of Single-Tenanted Buildings and Multi-Tenanted Buildings
By Rental Income
As at 31 December 2018



Breakdown of Single-Tenanted Buildings and Multi-Tenanted Buildings
By Valuation
As at 31 December 2018



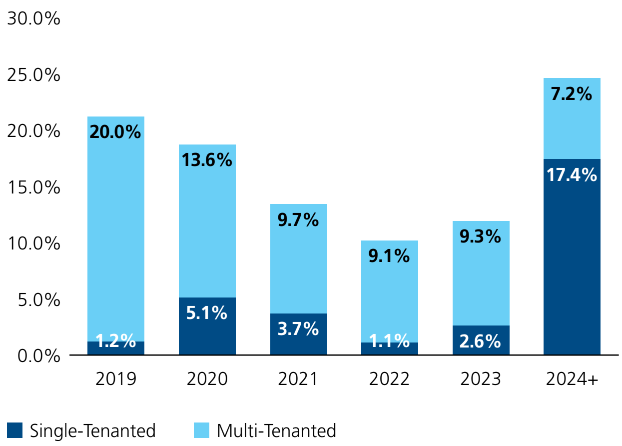
PORTFOLIO LEASE EXPIRY PROFILE

In line with its proactive asset and lease management strategy, the Manager has consistently engaged its tenants well ahead of lease expiries to manage vacancy risk. Together, these leases have a weighted average lease expiry ("WALE") of 3.8 years as at 31 December 2018. The Manager has secured new and renewal leases amounting to 1.7 million sq ft for FY2018. The WALE for new leases signed in FY2018 is 3.0 years accounting for 12.1% of the total rental income. The retention rate for MTBs in FY2018 was 56.6%(2), a reflection of our strong relationship with tenants as well as proactive lease management to refresh the tenant mix in each property to remain relevant and aligned to market trends. No more than 21.2% of leases are expiring in any given year over the next 3 years.

Portfolio Lease Expiry Profile (% of Rental Income)
As at 31 December 2018

	% of Rental Income
2019	21.2
2020	18.7
2021	13.4
2022	10.2
2023	11.9
2024 and beyond	24.6

WALE by Rental Income
As at 31 December 2018



(2) Mainly due to the non-renewal of Beyonics International Pte. Ltd. at 30 Marsiling Industrial Estate Road 8.

OPERATIONS REVIEW

TOP 10 TENANTS BY RENTAL INCOME

As at 31 December 2018

Top 10 tenants account for 30.1% of rental income, a reduction from 38.7% of rental income in the preceding year.

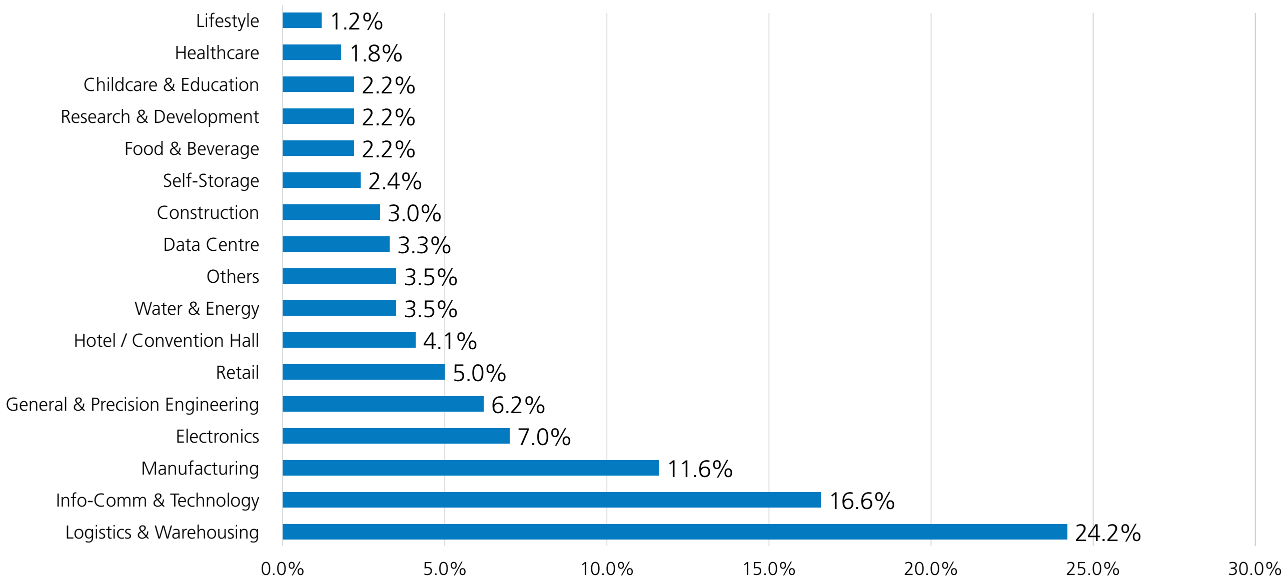
Tenant	Trade Sector	% of Rental Income
AMS Sensors Singapore Pte. Ltd.	Electronics	4.6
United Engineers Developments Pte Ltd	Hotel / Convention Hall	4.1
Hyflux Membrane Manufacturing (S) Pte. Ltd.	Water & Energy	3.5
Venture Corporation Limited	Logistics & Warehousing	3.4
Sharikat Logistics Pte. Ltd.	Logistics & Warehousing	3.1
Meiban Investment Pte Ltd	Manufacturing	3.0
Cisco Systems (USA) Pte. Ltd.	Info-Comm & Technology	2.4
Data Centre Operator(3)	Data Centre	2.1
Ceva Logistics Singapore Pte Ltd	Logistics & Warehousing	2.0
GKE Warehousing & Logistics Pte Ltd	Logistics & Warehousing	1.9
Total		**30.1**

TRADE SECTOR ANALYSIS

ESR-REIT's rental income is well distributed within its portfolio of 339 tenants which are diversified across various industries including logistics & warehousing, info-comm & technology, manufacturing, electronics, general & precision engineering etc. As at 31 December 2018, logistics and warehousing remained the largest contributor to rental income at 24.2% followed by Info-Comm & Technology at 16.6%. No individual trade sector accounts for more than 24.2% of the total rental income while none of the individual tenants account for more than 4.6% of the total rental income.

Breakdown of Trade Sectors by Rental Income

As at 31 December 2018



(3) Tenant cannot be named due to confidentiality obligations.

PORTFOLIO OCCUPANCY

Portfolio occupancy of 93.0% as at 31 December 2018 is consistently above JTC average of 89.3% in FY2018 and rental reversions have largely improved from -15.8% in FY2017 to -2.9% in FY2018. Amid tight supply in the forthcoming year, the Manager intends to continue to pursue high-value tenants and proactively manage its portfolio to scale up its proportion in asset classes that command higher rental.

	1Q2018	2Q2018	3Q2018	4Q2018
Occupancy (%)	90.7	91.4	92.9	93.0
JTC Average (%)	89.0	88.7	89.1	89.3

COMPLETED ACQUISITIONS

In October 2018, the Manager completed the acquisition of 15 Greenwich Drive for a purchase price of S$95.6 million (including upfront land premium of S$9.4 million). The property is a four-storey modern ramp-up logistics facility located within Tampines LogisPark, an established dedicated logistics park in Singapore. It is well-connected and easily accessible to Seletar Aerospace Park and Changi Airport. 15 Greenwich Drive has a gross floor area of 455,396 sq ft and is 100.0% occupied as at 31 December 2018. The acquisition is in line with the Manager's strategy of securing value-added properties in the portfolio.

Property	Purchase Price (S$ million)	Completion Date
15 Greenwich Drive	95.6	25 October 2018

ASSET ENHANCEMENT INITIATIVES (COMPLETED/ONGOING)

To sustain and deliver a stable income stream with long-term growth prospects, the Manager has identified certain existing assets that are suitable for rejuvenation and asset enhancement. These include a total of c.1 million sq ft of unutilised plot ratio, at 7000 Ang Mo Kio Avenue 5 and 3 Tuas South Avenue 4.

The asset enhancement at 30 Marsiling Industrial Estate Road 8 entailed upgrading of the building's M&E and the conversion of its use from General Industrial to High-Specs to meet the robust demand for customizable and modular facilities. With this conversion, the property has secured two high-value tenants from the general & precision engineering and electronics sector and is expected to yield better returns for the portfolio. Temporary Occupation Permit was obtained on 25 January 2019.

DIVESTMENT ACTIVITY

During the year, ESR-REIT continued with its strategy to divest its non-core assets and re-deploy the capital proceeds to fund future acquisitions and improve portfolio returns to Unitholders. ESR-REIT completed its divestment of 9 Bukit Batok Street 22 for a total consideration of S$23.9 million in March 2018.

Property	Sale Price (S$ million)	Valuation (S$ million)	Buyer	Completion Date
9 Bukit Batok Street 22	23.9	23.6	MSS Bukit Batok Pte. Ltd.	5 March 2018

FINANCIAL REVIEW

Statement of Net Income and Distribution	FY2018 S$'000	FY2017 S$'000	Fav/(Unfav) %
Gross revenue	156,916	109,700	43.0
Property expenses	(44,880)	(31,255)	(43.6)
Net property income ("NPI")	**112,036**	**78,445**	**42.8**
Interest income	48	113	(57.5)
Manager's management fees	(9,805)	(6,989)	(40.3)
Trust expenses	(1,891)	(2,176)	13.1
Borrowing costs	(27,442)	(20,439)	(34.3)
Net income	**72,946**	**48,954**	**49.0**
Amount available for distribution to Unitholders	68,427	50,390	35.8
Distribution from other gains	6,039	–	n.m.
Total amount available for distribution to Unitholders	**74,466**	**50,390**	**47.8**
Distribution per unit ("DPU")	**3.857**	**3.853**	**0.1**

n.m. – not meaningful

GROSS REVENUE

Gross Revenue for FY2018 was S$156.9 million, an increase of S$47.2 million or 43.0% y-o-y from FY2017. The revenue growth was mainly attributed to the full year contribution from the two acquisitions of 8 Tuas South Lane and 7000 Ang Mo Kio Avenue 5 completed in December 2017 and the additional contributions from the newly acquired 15 Greenwich Drive and the 9 properties from Viva Trust's portfolio following the completion of the merger in October 2018.

The revenue growth was partially offset by the master lease conversion of 16 Tai Seng to multi-tenancy, expiry of leases at several properties, the property at 30 Marsiling Industrial Estate Road 8 undergoing asset enhancement initiatives as well as the absence of revenue from the four properties(5) that have been divested during FY2017 and FY2018.

NET PROPERTY INCOME

NPI for FY2018 was S$112.0 million, an increase of S$33.6 million or 42.8% y-o-y from FY2017 due to higher gross revenue partially offset by higher property expenses. The increase in gross revenue was primarily due to contributions from property acquisitions and completion of merger during the year (as detailed in Gross Revenue above).

Property expenses increased by S$13.6 million to S$44.9 million in FY2018, which was higher than last year. The property expenses increased largely due to property manager's fees, property tax and other property expenses from the new property acquisitions, the merger and master lease conversions.

NET INCOME AND DISTRIBUTIONS TO UNITHOLDERS

Net income for FY2018 was S$72.9 million, an increase of S$24.0 million or 49.0% y-o-y from FY2017 largely due to higher NPI but partially offset by higher borrowing costs and Manager's fees. While the higher borrowing costs resulted from more debt being drawn down to fund the property acquisitions and merger completion (which included cash consideration, transaction costs and the refinancing of Viva Industrial Trust's existing borrowings), the higher Manager's fees were the result of higher underlying assets under management from property acquisitions and inclusion of Viva Trust's assets after merger.

Distribution for FY2018 was S$74.5 million, an increase of S$24.1 million or 47.8% y-o-y compared to FY2017 mainly attributed to a higher net income from the portfolio and divestment gains from properties divested in prior years. DPU for FY2018 was higher at 3.857 cents as compared to 3.853 cents in FY2017.

(5) The properties divested during FY2017 included 23 Woodlands Terrace, 87 Defu Lane 10 and 55 Ubi Avenue 3. 9 Bukit Batok Street 22 was divested during FY2018.

Breakdown of the Unitholders' distribution per unit for FY2018 as compared to FY2017 is as follows:

Year	1 Jan to 31 Mar (cents)	1 Apr to 30 Jun (cents)	1 Jul to 30 Sep (cents)	1 Oct to 31 Dec (cents)	Total (cents)
2017	1.004	0.956	0.964	0.929	**3.853**
2018	0.847	1.001	1.004	1.005	**3.857**

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	FY2018 S$' million	FY2017 S$' million	Variance %
Total Assets	3,050.7	1,695.8	79.9
Total Liabilities	1,419.9	765.8	85.4
Net Assets Attributable to Unitholders	1,479.7	778.9	90.0
Net assets value ("NAV") per Unit (cents)	46.7	59.3	(21.2)

Total assets increased by 79.9% from S$1,695.8 million to S$3,050.7 million as at 31 December 2018, primarily attributed to the investment properties from property acquisition and the completion of the merger. As the property acquisition and merger were partially funded by debt, total liabilities increased by 85.4% from S$765.8 million to S$1,419.9 million.

Despite an increase in the net assets attributable to Unitholders of S$700.8 million as at 31 December 2018, NAV per Unit decreased due to the dilutive effect of new units issued during the year to settle the consideration for the merger partially paid in units, payment of management fees and acquisition fees to the Manager in units, distribution payment in units pursuant to distribution reinvestment plan and the preferential offering units issued in March 2018.

CASHFLOWS

As at 31 December 2018, the value of cash and cash equivalents of ESR-REIT group stood at S$17.7 million, compared with S$11.7 million as at 31 December 2017. The higher quantum was mainly attributable to investing activities during the year.

Cashflows used in investing activities were mainly for the purchase of investment properties and capital expenditure. It was lower in FY2018 as 90% of the merger consideration were paid in new units whereas the acquisition of 7000 AMK Pte. Ltd. in FY2017 was settled in cash funded by debt and perpetual securities.

Cashflows generated from financing activities were lower for FY2018 as the proceeds from the preferential offering and borrowings during the year were deployed to repay medium term notes and revolving credit facilities, to refinance existing borrowings of Viva Industrial Trust at acquisition date and for distribution payments to Unitholders, perpetual securities and non-controlling interest holders.

CAPITAL MANAGEMENT

PRUDENT CAPITAL AND RISK MANAGEMENT

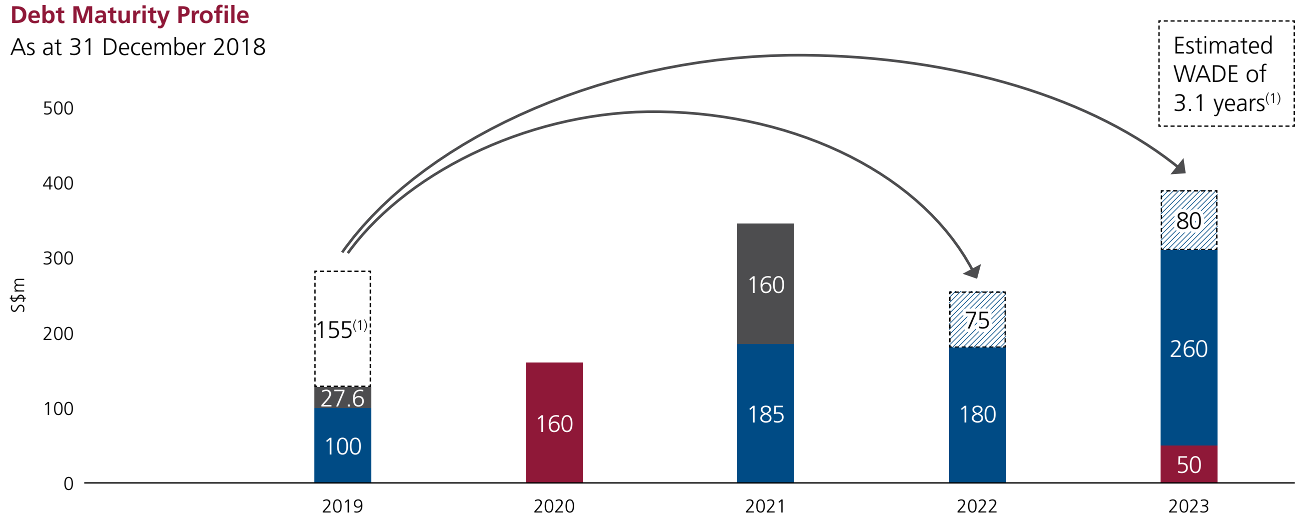
Our philosophy towards capital management is grounded to the belief that cultivating diversified sources of capital and strengthening our credit profile is key to us being better able to manage risks for prudent capital management.

As at 31 December 2018, ESR-REIT's Debt to Total Assets was 41.9%. The portfolio remains 100% unencumbered, and the weighted average debt expiry is currently at 2.7 years (an improvement from 2.4 years as at 31 December 2017). ESR-REIT maintains a well-staggered debt maturity profile, with no more than 27.0% of debt expiring in each year. 83.4% of interest rate exposures are fixed for a weighted average tenor of 3.0 years (an improvement from 1.9 years as at 31 December 2017), thereby reducing uncertainty in the current volatile macroeconomic climate.

	As at 31 Dec 2018	As at 31 Dec 2017
Total Gross Debt (S$ million)	1,277.6	672.0
Debt to Total Asset (%)	41.9	39.6
Weighted Average All-in Cost of Debt (%) p.a	3.81	3.55
Weighted Average Debt Expiry (years)	2.7	2.4
Interest Coverage Ratio (times)	4.0	3.5
Interest Rate Exposure Fixed (%)	83.4	69.2
Weighted Average Fixed Debt Expiry (years)	3.0	1.9
Proportion of Unencumbered Investment Properties (%)	100	100
Undrawn Available Committed Facilities (S$ million)	82.4	43.0

Debt Maturity Profile

As at 31 December 2018

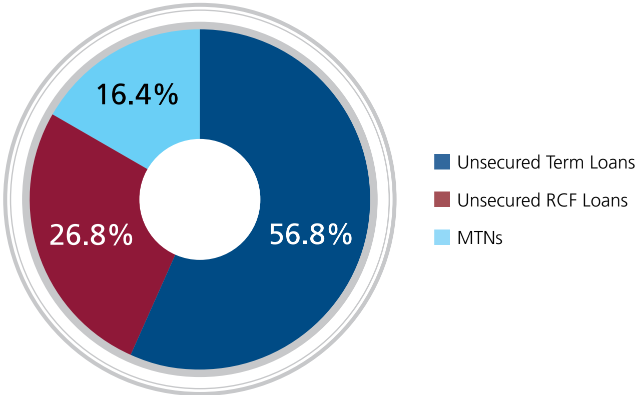


% of Debt Expiring	22.1	12.5	27.0	14.1	24.3

MTN | Unsecured Term Loans | Unsecured RCF Loans | New Unsecured Term Loans

(1) Assuming the maturing Revolving Credit Facility is refinanced with a new term loan facility comprising a S$75.0 million 3-year tranche and S$80.0 million 4-year tranche.

As at 31 December 2018, Medium-Term Notes and Unsecured Term Loans make up 16.4% and 56.8% of total debt respectively.



KEY CAPITAL MANAGEMENT ACTIVITIES

In March 2018, the Manager successfully completed a Preferential Offering with approximately 262.8 million new units issued, raising gross proceeds of around S$141.9 million. The Preferential Offering was 1.7 times oversubscribed. Proceeds from the Preferential Offering were used to repay the debt drawn to partially fund the acquisition of 7000 Ang Mo Kio Avenue 5.

In October 2018, RBC Investor Services Trust Singapore Limited ("ESR-REIT Trustee"), as the trustee of ESR-REIT, entered into a S$700.0 million unsecured loan facility agreement with several lenders including United Overseas Bank Limited, RHB Bank Berhad, The Hongkong and Shanghai Banking Corporation Limited and Malaysian Banking Berhad, Singapore Branch, as part of the merger between ESR-REIT and VIT. The proceeds were applied towards the part refinancing of existing loan facilities granted to ESR-REIT Trustee, the refinancing of VIT's existing loan facilities and its multicurrency medium term note programme, the part financing of the cash consideration for the merger, and the payment of other expenses incurred in connection with the merger.

In the same month, the Manager also completed the acquisition of 15 Greenwich Drive, a four-storey modern logistics ramp-up facility. To fund the acquisition, the ESR-REIT Trustee entered into a S$100.0 million unsecured loan facility agreement with BNP Paribas.

In November 2018, the Manager redeemed all the outstanding S$155.0 million 3.5% notes due in 2018 ("Series 003 Notes"), pursuant to the S$750.0 Multicurrency Debt Issuance Programme. Following the redemption, the redeemed Series 003 Notes were cancelled in accordance with the terms and conditions of the Series 003 Notes.

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Prepared by CBRE Pte. Ltd.

THE SINGAPORE ECONOMY

According to the Ministry of Trade and Industry ("MTI"), Singapore's Gross Domestic Product ("GDP") posted a 3.2% growth for the whole of 2018. Growth for the year was mainly supported by the manufacturing sector, recording a 7.2% Year-on-Year (Y-o-Y) expansion which was driven by output growth in the transport engineering, electronics and biomedical manufacturing clusters. The services producing industries grew by 3.0% Y-o-Y, with growth mainly supported by the business services, finance & insurance and wholesale & retail sectors. Conversely, the construction sector contracted by -3.4% Y-o-Y as weakness in public sector construction activities continues to weigh down on the sector.

Singapore's economy is expected to post slower growth in 2019 as compared to 2018 with GDP growth expected to fall slightly below the mid-point of the forecast range (1.5-3.5%). The manufacturing sector is expected to witness a significant moderation in growth with the precision engineering and electronics clusters expected to face external headwinds due to weakening demand and a fading global electronics cycle. Externally-oriented services sectors of Wholesale Trade, Transportation & Storage and Finance & Insurance is expected to ease, in alignment with the moderation in growth amongst key regional and advanced economies. The Health & Social Services, Information & Communications and Education sectors are expected to remain resilient, supported by continued expansion of the local healthcare sector and demand for digital solutions amidst the ongoing Smart Nation initiative. Lastly, the construction sector is expected to improve as the amount of construction contracts awarded in 2H 2017 is expected to translate into construction activities going forward.

GOVERNMENT MEASURES & POLICIES

Flexibility in Land Use Planning: National Development Minister Lawrence Wong introduced the Enterprise District Concept in 2017 which would be piloted at strategic clusters around Singapore. The Enterprise District will fall under the purview of a Master Developer who would be given the flexibility to determine a wider range of uses than the current industrial land guidelines, thereby encouraging the development of an integrated ecosystem amongst various users within the district. The evolving economic and manufacturing landscape meant that companies are increasingly agglomerating their business functions into an integrated facility. The Enterprise District concept opens the possibility for businesses to house their production lines, showrooms, retail stores, headquarters and research & development functions into a single location which may otherwise be constrained under current zoning guidelines. The policy builds upon the recommendation by the Committee on the Future Economy ("CFE") which encourages the creation of dense clusters of "mutually reinforcing economic activities" where companies and institutions may be sited together. This facilitates partnerships and encourages cross-collaboration between various users. The government has since announced that Enterprise Districts would be piloted at Punggol Digital District ("PDD") and Kampong Bugis.

Industry Transformation Map: The government has unveiled 23 Industry Transformation Maps ("ITM") to promote the growth and competitiveness of several industries in Singapore. These industries currently account for over 80% of Singapore's GDP. The roadmap aims to develop strategies to support companies to move up the value chain, improve operational efficiencies and overseas expansion. It focuses on investing in people and equipping them with the necessary skills to support greater value creation. Firms are encouraged to leverage on research & development to develop new products and services. The Logistics ITM in particular, is expected to add S$8.3 billion in value to the sector and create 2,000 PMET[(1)] jobs by 2020. The involvement of trade associations and chambers will ensure optimal utilisation of resources and raise awareness amongst logistics players on the initiatives available. Further, the Logistics ITM strives to improve the domestic logistics system through the consolidation of logistics at retail malls, deployment of federated lockers and potential goods mover system. Going forward, the next phase will involve deepening linkages between complementary industries by grouping them into six clusters, namely, manufacturing, built environment, trade and connectivity, essential domestic services, modern services and lifestyle clusters.

(1) Refers to professionals, managers, executives and technicians

Next – Generation Industrial Parks: The new generation of industrial parks to be developed by the government will be very different from the current conventional estates which are segregated by industries whose primary focus is on production. Jurong Innovation District ("JID") and PDD are both touted as examples of a next generation industrial estate. JID is a 600-hectare district and is envisaged to house factories of the future, an advanced manufacturing campus and companies in the urban solutions, smart logistics and advanced manufacturing sectors. PDD is a 60-hectare upcoming industrial park that is expected to open progressively from 2023. The estate combines amenities for the community with a university and business park. Industries within PDD will be co-located with the Singapore Institute of Technology, facilitating cross collaboration between the various stakeholders.

Changi East Development: The Changi 2036 Steering Committee was established in 2012 to formulate a long-term airport expansion plan at a 1,080-hectare site at Changi East. This is part of an ongoing effort to strengthen Singapore's position as a regional air transportation hub. A key recommendation would be the development of a new passenger terminal (Terminal 5) at the site over two phases. It is expected to become one of the largest airport terminals in the world with an initial passenger handling capacity of 50 million per annum. Additionally, the committee also recommends a three-runway system through the conversion and lengthening of an existing military runway for civilian use. This increase in runway capacity will improve aircraft movement efficiency and enable the airport to handle more take-offs and landings. The aerospace and logistics industries will benefit from the anticipated growth in air traffic and cargo movements. As part of the master plan, land will be set aside for air freight and aircraft maintenance, Repair & Operations ("MRO") activities at Changi East Industrial Zone.

Kuala Lumpur – Singapore High Speed Rail: The High-Speed Rail ("HSR") was first raised as part of Malaysia's Economic Transformation Programme in 2010. An agreement was jointly announced by the Prime Ministers of Malaysia and Singapore to build a HSR link between both countries in 2013. The network is expected to cut down travelling time between Singapore and Kuala Lumpur to 90 minutes, improving cross-border connectivity, increased convenience and wider market access for businesses. The rail will have 7 stations in Malaysia at Bandar Malaysia, Sepang-Putrajaya, Seremban, Melaka, Muar, Batu Pahat and Iskandar Puteri. The train terminus in Singapore would be located at Jurong East, which is envisaged to be the country's second central business district. However, in September 2018, both governments have formally agreed to postpone the construction until end-May 2020. Consequently, the HSR express service is now expected to start by 1st January 2031, instead of 31st December 2026.

Johor Bahru – Singapore Rapid Transit System Link: A bilateral agreement was signed between Singapore and Malaysia in January 2018 to build a cross-border transit system otherwise known as the Johor Bahru – Singapore Rapid Transit System ("RTS") between both countries. The transit system is expected to be completed by end 2024 and will link Bukit Chagar Station in Johor Bahru to Woodlands North Mass Rapid Transit ("MRT") station which sits along the Thomson-East Coast MRT Line. The line will improve connectivity between commuters from both sides of the causeway and will facilitate the flow of goods and talents. Further, the station is located within proximity to the upcoming Woodlands North Coast precinct which is envisaged to be a new employment cluster in the north with offices and business parks space.

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INDUSTRIAL GOVERNMENT LAND SALES

The government releases industrial land for sale through the Industrial Government Land Sales ("IGLS") Programme. For the first half of 2019, a total of 12 sites were released for sale with 5 on the confirmed list and 7 on the reserve list.

Table 1: 1H 2019 IGLS List of Confirmed Sites

No.	Location	Site Area (Hectare)	Zoning	Gross Plot Ratio	Land Tenure	Estimated Available Date[2]
1	Woodlands Industrial Park E2/E5	0.50	B2	2.5	20	January 2019
2	Plot 2, Tampines North Drive 3	0.48	B2	2.5	20	February 2019
3	Plot 2, Jalan Papan	1.24	B2	1.4	20	March 2019
4	Plot E, Gul Circle	0.80	B2	1.4	20	April 2019
5	Senoko Drive	1.20	B2	2.5	30	May 2019

Source: JTC

The five industrial sites on the confirmed list are all zoned as Business 2 and could potentially yield 894,000 sq ft GFA[3] of industrial space.

Table 2: 1H 2019 IGLS List of Reserve Sites

No.	Location	Site Area (Hectare)	Zoning	Gross Plot Ratio	Land Tenure	Estimated Available Date[4]
1	Plot 19 Tuas South Link 3	0.45	B2	1.4	20	Available*
2	Gul Circle	1.00	B2	1.4	20	Available*
3	Plot 9, Tampines North	0.49	B2	2.5	20	Available*
4	Plot 2, Gambas Way	1.20	B2	2.5	30	Available*
5	Plot 1, Benoi Sector	2.00	B2	2.5	30	Available*
6	Tuas Avenue 6	0.50	B2	1.4	20	May 2019
7	Plot 4, Kaki Bukit Road 5	2.00	B2	2.5	30	June 2019

Source: JTC. Note: Available* refers to the availability of the site as of date of writing on 2nd January 2019.

The seven industrial sites on the reserve list are all zoned as Business 2 space. Collectively, the seven sites could potentially yield 1.8 million sq ft GFA of industrial space.

(2) Available date refers to the estimated date when the detailed conditions of sale will be made available and tenders can be submitted
(3) Refers to Gross Floor Area
(4) Available date refers to the estimated date when the detailed conditions of sale will be made available and tenders can be submitted

THE FACTORY MARKET

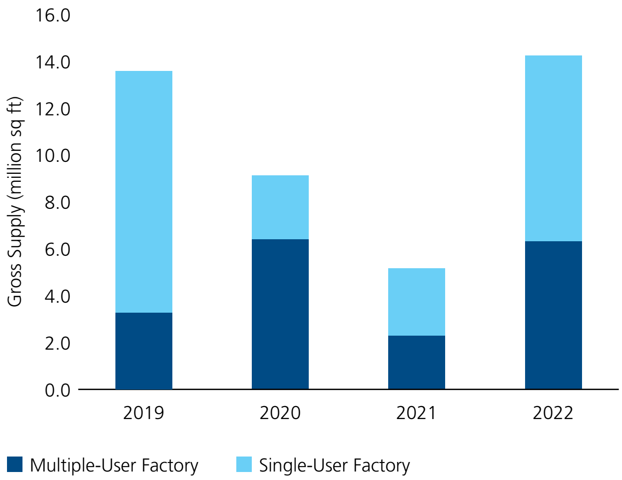
Existing Factory Supply

Total island-wide factory stock as at 4Q 2018 stood at 386.5 million sq ft, having edged up by 0.7% y-o-y or 2.7 million sq ft. The bulk of total stock at 85.0% are private in nature, with public stock forming the remaining 15.0%. Several notable factory completions within the year would include Nordcom Two (749,167 sq ft), T-Space (737,004 sq ft) and Woodlands Connection (143,160 sq ft). No public-sector factory projects were completed in 2018.

Future Factory Supply

Over the next four years from 2019 to 2022, total island-wide upcoming factory supply is estimated to amount to 42.1 million sq ft of GFA. The bulk of this pipeline are attributable to Single-User Factories (56.6%) with Multiple-User Factories forming the remaining 43.4%.

Chart 1: Future Factory Supply (2019 - 2022)



Sources: JTC, CBRE

Table 3: Selected Upcoming Factory Supply (2019 – 2022)

No.	Proposed Project	Developer	Location	Region	Estimated GFA (sq ft)
			2019		
1	Bedok Food City	JTC Corporation	Bedok North Avenue 4	East	1,137,960
2	Food Concept @ 239 Pandan Loop	JVA Pandan Pte. Ltd.	Pandan Loop	West	75,670
3	Trendspace	JTC Corporation	Sungei Kadut Street 2	North	659,935
			2020		
4	Defu Industrial City	JTC Corporation	Bartley Road East / Kim Chuan Road	North East	3,520,656
5	TimMac@ Kranji	JTC Corporation	Kranji Loop/Kranji Road	North	1,542,144
6	Single-User Factory	Shimano Singapore Pte. Ltd.	Bulim Drive	West	458,650
			2021		
6	Multiple-User factory	JTC Corporation	Kranji Loop	North	1,442,685
			2022		
7	Multiple-User Factory	JTC Corporation	Bulim Lane 1/2	West	1,715,766
8	Multiple-User Factory	SB (Ipark) Investment Pte. Ltd.	Tai Seng Avenue	North-East	1,132,900
9	Multiple-User Factory	SB (Northview) Investment Pte. Ltd.	Tuas Bay Close	West	497,292
10	JTC Space@AMK	JTC Corporation	Ang Mo Kio Street 64/65	North East	1,256,255

Source: JTC, CBRE

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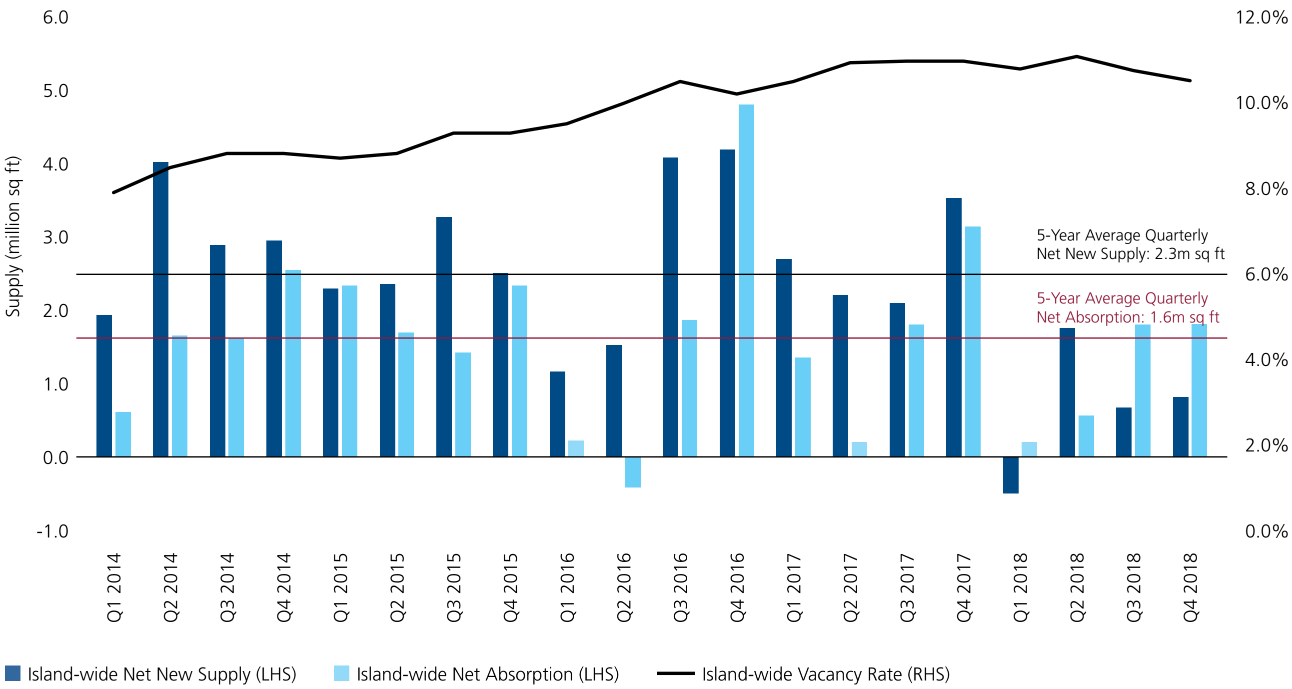
Bedok Food City is a multi-storey and multi-tenanted industrial development at Bedok North Avenue 4 for food industries. The complex is expected to contain 140 modular units with space optimization being a key feature as tenants enjoy the flexibility to configure the space for their own business requirements. The development is currently being developed by JTC Corporation and is expected to be completed in 2019. Defu Industrial City is one of the largest single supplies of upcoming factory space and is expected to be completed in 2020. Similarly, it is a public project by JTC Corporation and is located at the site of the former Kim Chuan Water Reclamation Plant. The development would be six-stories in height and targets the light and general industries. It falls within the Greater Defu Master Plan which was conceptualized by HDB in partnership with other government agencies in guiding the long-term redevelopment of Defu Industrial Estate.

Demand & Vacancy

The island-wide net absorption for factory space in 2018 was 4.4 million sq ft which exceeds the net new factory supply of 2.7 million sq ft. Major completions in the latest quarter include a single-user factory at 8 Tuas Avenue 18 (184,278 sq ft) and 7 Woodlands Height (268,344 sq ft) respectively. Island-wide factory vacancy rate stood at 10.5% (-4.6% y-o-y) as at 4Q 2018 and has been relatively stable over the preceding two years. Leasing enquiries from electronics and semiconductor firms continue to remain strong during the quarter.

Chart 2: Factory Demand & Vacancy (2014-2018)

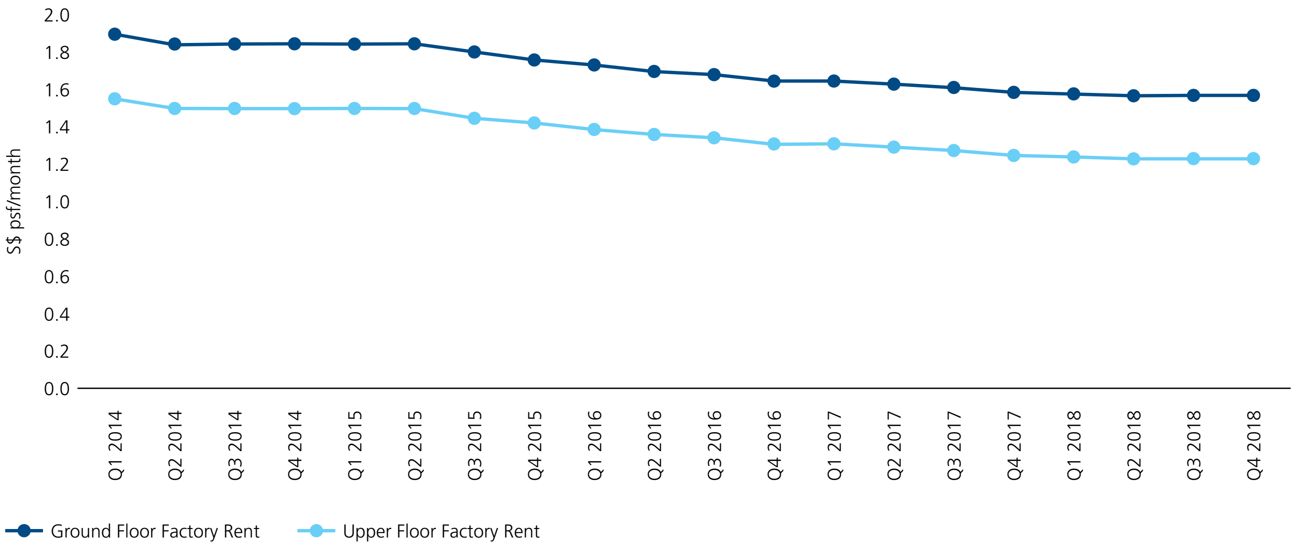


Sources: JTC, CBRE

Rent

According to CBRE's basket of multiple-user factory space, rental remained flat in 4Q 2018 after exhibiting a multi-year downwards trend following the previous five-year peak in 2014. As at 4Q 2018, ground and upper floor factory space commands a monthly rental of S$1.57 psf and S$1.23 psf respectively, marking a -1.3% and -1.6% y-o-y decline. Ground floor units generally command a rental premium over upper floor space as they enjoy better accessibility to amenities such as loading bays which are typically located at the ground floor of non-ramp up facilities.

Chart 3: Multiple-User Factory Rents (2014-2018)

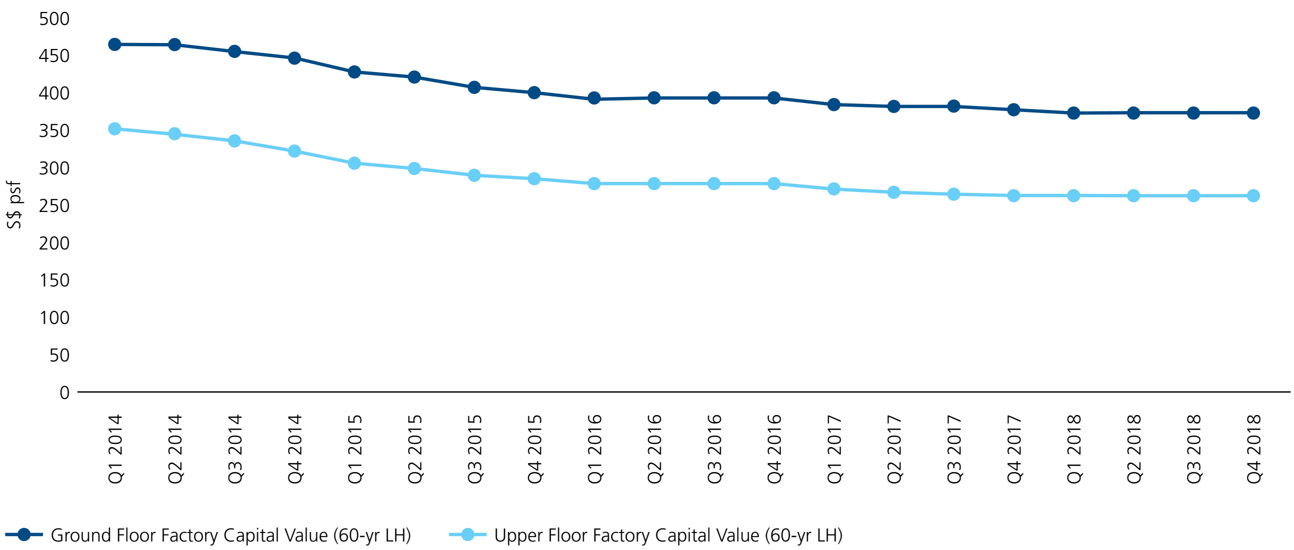


Sources: CBRE

Capital Value

CBRE tracks the capital value of strata-titled factory space for 60-year leasehold properties. As at 4Q 2018, the capital value for the ground and upper floor of a 60-year leasehold factory is S$371 psf and S$261 psf respectively, marking a -1.3% and -0.8% y-o-y decline.

Chart 4: Strata-Titled Factory Capital Value (2014-2018)



Sources: CBRE

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WAREHOUSE MARKET

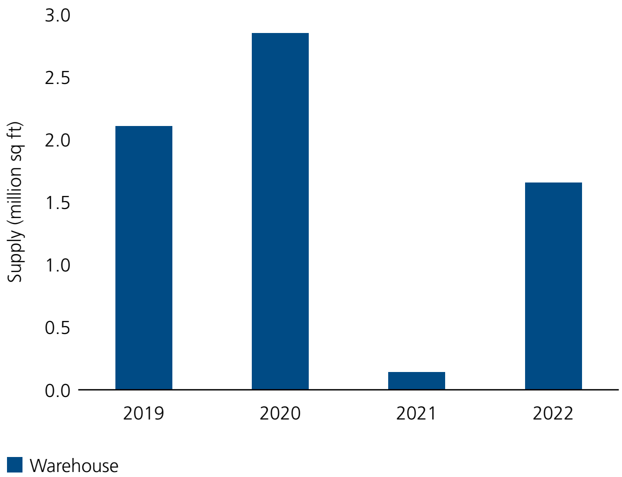
Existing Warehouse Supply

Total island-wide warehouse stock as at 4Q 2018 stood at 115.0 million sq ft, a y-o-y increase of 2.4% or 2.7 million sq ft. Existing warehouse space is primarily private in nature with 97.9% of total stock owned by the private sector and the remaining 2.1% held by the government. The increase in warehouse stock comes after the completion of several major warehouse developments over the year which include a warehouse development at 2 Tuas South Link 1 (703,420 sq ft) by Diamond Land Pte. Ltd, 9 Pioneer View (322,809 sq ft) by Panalpina World Transport (S) Pte. Ltd, CWT Distripark (2,391,200 sq ft) by CWT Limited and Poh Tiong Choon Logistics Hub (1,093,505 sq ft) by Poh Tiong Choon Logistics Limited. No public-sector warehouse projects were completed in 2018.

Future Warehouse Supply

As at 4Q 2018, island-wide warehouse pipeline over the next four years (2019 – 2022) totalled 6.8 million sq ft of GFA. Future supply is expected to be 2.1 million sq ft in 2019 before peaking to 2.9 million sq ft in 2020 and hitting a trough of 0.1 million sq ft in 2021. Notable supply coming on stream over the next few years include JTC Logistics Hub (1,445,807 sq ft) and a warehouse development (30,785 sq ft) by OJJ Foods Pte. Ltd. at Chin Bee Avenue.

Chart 5: Future Warehouse Supply (2019 - 2022)



Sources: JTC, CBRE

JTC Logistics Hub @ Gul is a multi-tenanted integrated warehouse facility at Gul Circle and will be the largest single stock of upcoming warehouse space when it is completed in 2020. The facility will house a wide spectrum of amenities, providing a one-stop solution for industrialists' commercial needs. These include container depots, warehouses and a heavy vehicle park which are currently decentralised and located at various parts of Singapore, thereby incurring higher costs for companies.

Table 4: Selected Upcoming Warehouse Supply (2019 - 2020)

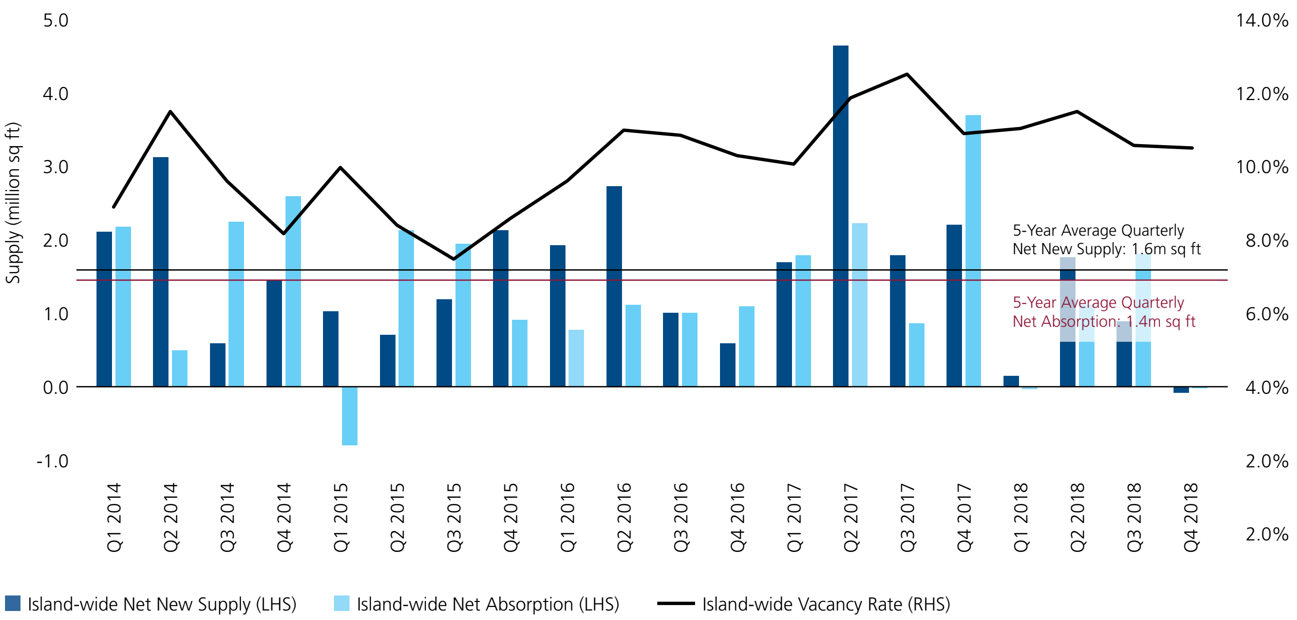
No.	Proposed Project	Developer	Location	Region	GFA (sq ft)
			2019		
1	Warehouse Development	Bollore Logistics Singapore Pte. Ltd.	Sunset Way	West	538,195
2	JTC Poultry Processing Hub @ Buroh	JTC Corporation	Buroh Lane	West	42,733
			2020		
3	JTC Logistics Hub	JTC Corporation	Gul Circle	West	1,445,807
4	Single-User Industrial Development	OJJ Foods Pte. Ltd.	Chin Bee Avenue	West	30,785
5	Warehouse Development	S H Cogent Logistics Pte. Ltd.	Tembusu Crescent	West	941,841

Source: JTC, CBRE

Demand & Vacancy

The island-wide net absorption for warehouse space in 2018 was 2.9 million sq ft which exceeds the net new warehouse supply of 2.7 million sq ft. The build-up of inventory from the growing gap between higher output and lower exports has consequently led to a noticeable increase in demand for storage space in recent quarters. Island-wide warehouse vacancy rate stands at 10.5% as of 4Q 2018. Warehouse completions in the latest quarter include a warehouse development at 9 Jalan Besut (120,125 sq ft) and 4 Tampines Industrial Drive (73,625 sq ft) by Hock Seng Heng Transport & Trading Pte. Ltd. and Hock Lian Seng Holdings Limited respectively.

Chart 6: Warehouse Demand & Vacancy (2014 – 2018)

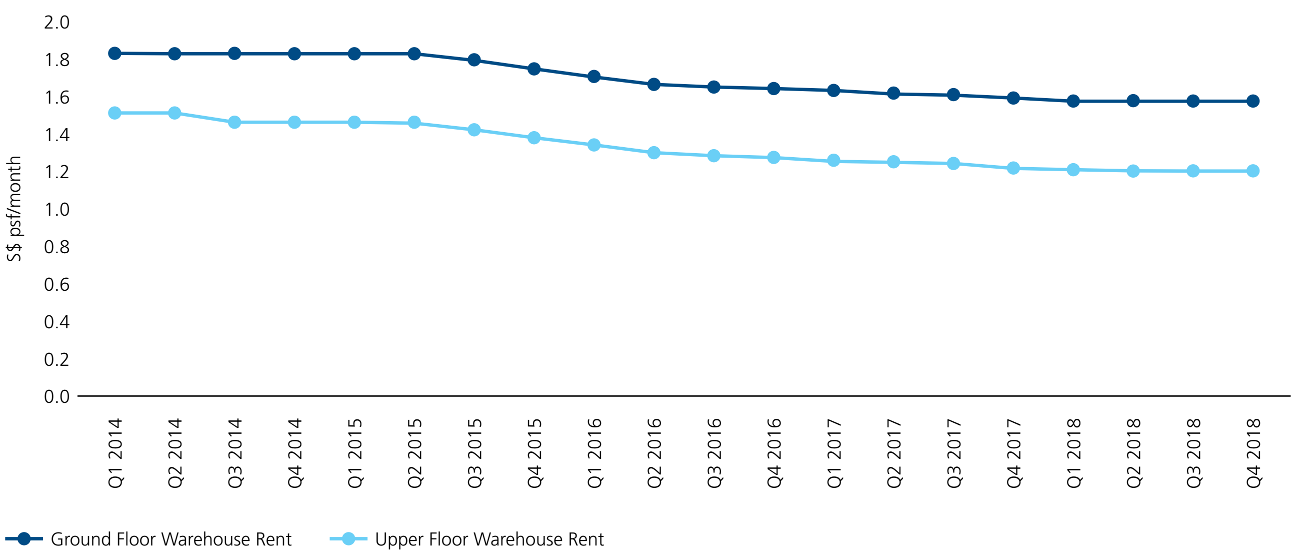


Sources: JTC, CBRE

Rent

Ground and upper floor warehouse rents remained relatively stable in 2018, with rental declining by -0.6% and -1.6% y-o-y to S$1.58 and S$1.20 respectively as of 4Q 2018. Similar to factory space, ground floor units generally command a premium over upper floor space as they enjoy better accessibility to amenities such as loading bays which are typically located at the ground floor.

Chart 7: Warehouse Rents (2014 – 2018)



Sources: CBRE

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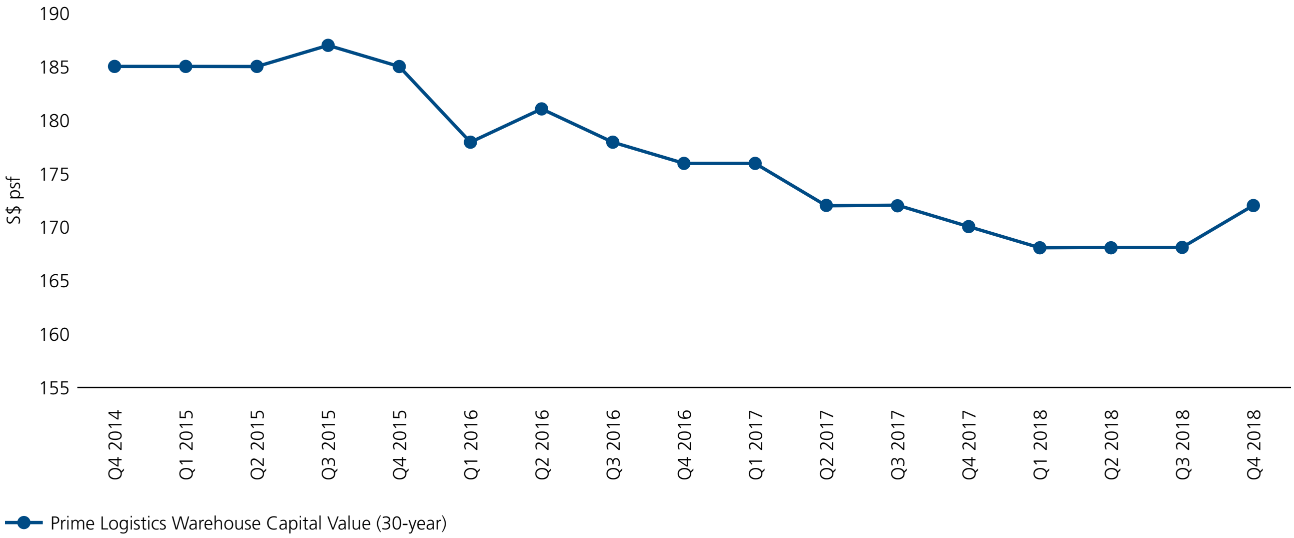
Capital Value

Capital value for 30-year prime warehouse space has bottomed out with a value of S$172 psf as at 4Q 2018. This represents a 1.2% y-o-y change.

Chart 8: 30-Year Prime Warehouse Capital Value (2014 – 2018)



Sources: CBRE

THE BUSINESS PARK MARKET

Existing Business Park Supply

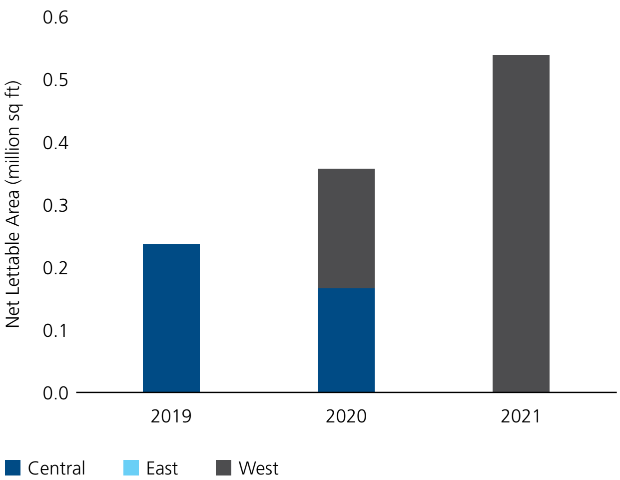
Total island-wide business park stock as at 4Q 2018 stood at 23.5million sq ft, inching up by 2.0% y-o-y. The majority (84.7%) of total stock is privately held with the remaining 15.3% being public stock. Major business park developments which was completed in 2018 include 22 Changi Business Park Central 2 and Alice@Mediapolis by Kingsmen Creatives Ltd and BP-Dojo LLP respectively.

Future Business Park Supply

As of 4Q 2018, the island-wide business park pipeline for the next three years (2019 – 2021) totalled 1.1 million sq ft of NLA. Approximately 20.9% will enter the market in 2019 with the completion of Ascent 5 by Ascendas-Singbridge Pte. Ltd. at Singapore's Science Park. Business park supply will increase in 2020 with 31.6% of total upcoming supply expected to enter the market throughout the course of the year. This is attributable to the redevelopment of 13 International Business Park and development of Razer HQ by Pension Real Estate Singapore and Boustead Projects respectively.

Business park supply will further ramp up in 2021, making up 47.6% of total upcoming supply. The largest development would be Cleantech Three (NLA: 538,453 sq ft) which will be developed by JTC Corporation. It is located at Cleantech Loop and will be a multi-tenanted facility catering to firms involved in clean technology activities. Beyond 2021, the progressive opening of Punggol Digital District will lead to the creation of a new business park market in the North-East region of Singapore.

Chart 9: Future Business Park Supply (2019-2021)



Sources: CBRE

Table 5: Selected Upcoming Business Park Supply (2019 - 2021)

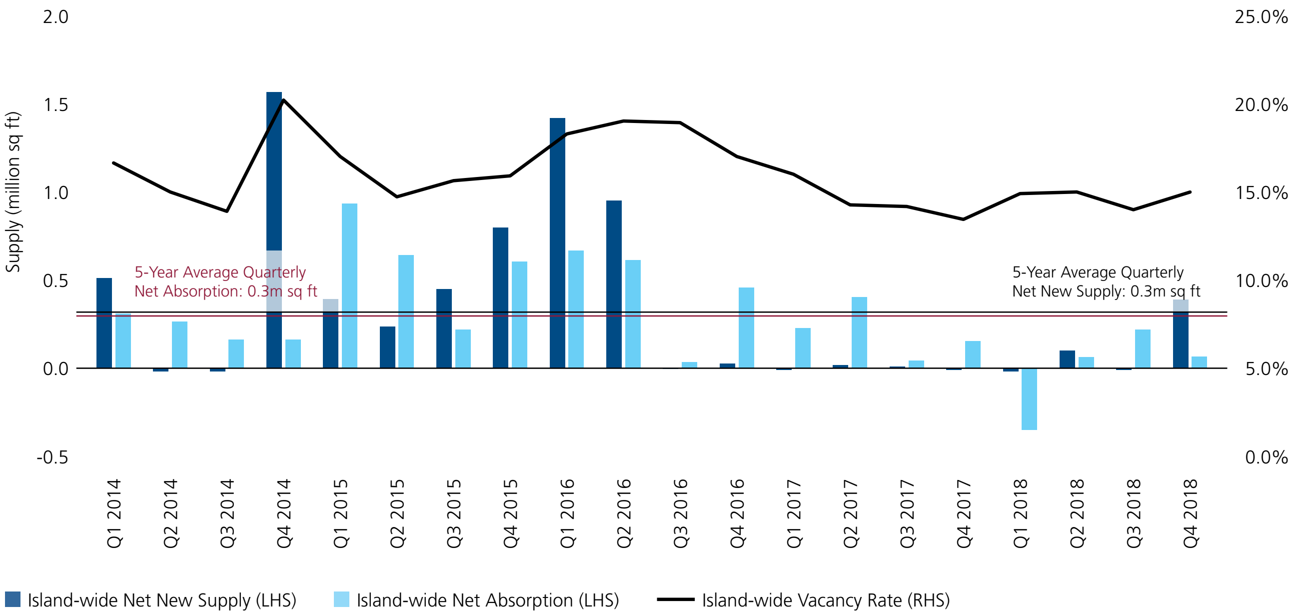
No.	Proposed Project	Developer	Location	Micro Market	Estimated NLA (sq ft)
			2019		
1	Ascent 5	Ascendas-Singbridge Pte. Ltd.	Science Park Drive	Science Park	236,000
			2020		
2	Reconstruction of 13 International Business Park	Pension Real Estate Singapore Pte. Ltd.	13 International Business Park	International Business Park	190,844
3	Business Park Development (Razer HQ)	Boustead Projects	One-north	One-north	166,195
			2021		
4	Cleantech Three	JTC Corporation	Cleantech Loop	Cleantech Park	538,453

Source: JTC, CBRE

Demand & Vacancy

The business park sector has been relatively subdued in 2018 with island-wide net absorption being 4,112 sq ft for the year. Vacancy rates continued to remain stable at 15.1% as of 4Q 2018. Technology firms were the primary demand driver of business parks space as they seek space for expansionary activities. The co-working trend has also spread to business parks with some interest from operators who are selectively seeking out opportunities.

Chart 10: Business Park Demand & Vacancy (2014 – 2018)



Sources: JTC, CBRE

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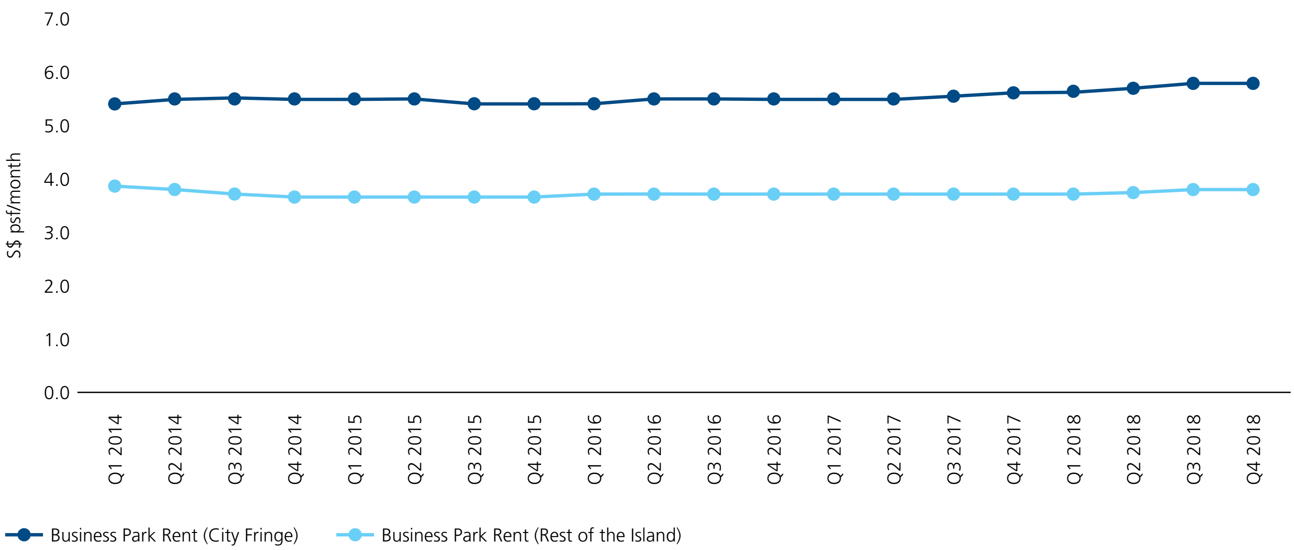
Rent

Business park rents have generally been very resilient. As at 4Q 2018, city-fringe business park monthly rents increased by 3.6% y-o-y to reach S$5.80 psf. Similarly, the rest of island submarket increased by 2.7% y-o-y to reach S$3.80 psf. During this period, rentals in the city fringe commanded a 52.6% premium over that of other business park space which are located across the rest of the island. The disparity in performances between the city fringe and rest of island submarkets reflects the clear advantages of business parks in the city fringe, which have proven to be attractive to occupiers who are drawn by the lower rental and excellent locational attributes. Furthermore, the strong office market recovery has led to a considerable widening in rental gap between both sectors. Examples of business parks space which are located in the city fringe include Mapletree Business City Phase 1 and 2, both of which are located within the Alexandra micro-market.

Chart 11: Business Park Rent (2014-2018)



Sources: CBRE

KEY INDUSTRIAL INVESTMENT TRANSACTIONS

The industrial investment market witnessed a moderation in growth for the whole of 2018, with transaction volume totaling S$3.3 billion. The sale of 20 Tuas South Avenue 14 (S$585 million) to LOGOS makes it the largest industrial transaction of the year. As the industrial market is showing signs of turning around, transaction activity is likely to pick up, especially with assets that can provide a wider yield spread.

S-REITs have been relatively active throughout the year with Mapletree Logistics Trust involved in several transactions. The trust's acquisition of five ramp-up warehouses from CWT Ltd. for S$730 million makes it the largest deal in Q3 2018. Additionally, Mapletree Industrial Trust also acquired a warehouse at 7 Tai Seng Drive for S$68 million. Conversely, to better manage their portfolios, several local industrial assets were divested by Mapletree Logistics Trust, Ascendas REIT, Sabana REIT, ESR-REIT and Cache Logistics Trust.

Table 6: Selected Factory Transactions in 2018

Quarter	Property Name	Price (S$) (Excluding development charge)	Price (S$ psf per GFA)	Land Tenure	Buyer	Seller
Q4	8 Tai Seng Link	$60,000,000	$223	60 years	Charles & Keith Group	Marvell Technology Group LImited
Q4	18 Tai Seng Street	$268,300,000	$605(5)	60 years	Mapletree Industrial Trust	Mapletree Investments Pte. Ltd.
Q3	20 Tuas South Avenue 14	$585,000,000	$358	30+30 years	LOGOS	REC Group
Q3	1 Tuas Avenue 4	$11,180,000	$70	30+21 years	Kim Soon Lee (Lim) Heavy Transport Pte. Ltd.	Sabana REIT
Q2	Pei Fu Industrial Building	$76,250,000	$489	Freehold	Oxley Kyanite Pte. Ltd.	Collective Sale
Q1	Admirax	$106,000,000	$182	60 years	BlackRock Inc	Ascendas-Singbridge
Q1	6 Woodlands Loop	$13,800,000	$178	30+30 years	Systematic Holdings Pte. Ltd.	Sabana REIT

Note: GFA refers to Gross Floor Area. Transactions are recorded at the point of announcement.
Source: CBRE. Based on CBRE estimates.

Table 7: Selected Warehouse Transactions in 2018

Quarter	Property Name	Price (S$) (Excluding development charge)	Price (S$ psf per GFA)	Land Tenure	Buyer	Seller
Q3	6 Fishery Port Road	$244,000,000	$325	30+24 years	Mapletree Logistics Trust	CWT Ltd.
Q3	52 Tanjong Penjuru	$179,000,000	$212	30+10 years	Mapletree Logistics Trust	CWT Ltd.
Q3	4 Pandan Avenue	$117,000,000	$183	30+30 years	Mapletree Logistics Trust	CWT Ltd.
Q3	5A Toh Guan Road East	$115,000,000	$192	30+21 years	Mapletree Logistics Trust	CWT Ltd.
Q3	38 Tanjong Penjuru	$75,000,000	$200	30+14 years	Mapletree Logistics Trust	CWT Ltd.
Q2	Sembawang Kimtrans Logistics Centre	$24,000,000	$136	60 years	Soon Bee Huat Trading Pte. Ltd.	Ascendas REIT
Q2	15 Greenwich Drive	$95,800,000	$210	30 years	ESR-REIT	Tampines Distrihub Pte. Ltd.
Q1	9 Bukit Batok Street 22	$23,900,000	$151	30+30 years	MSS Bukit Batok Pte. Ltd.	ESR-REIT
Q1	40 Alps Avenue	$73,800,000	$239	30+30 years	AP SG 16 Pte. Ltd.	Cache Logistics Trust

Note: GFA refers to Gross Floor Area. Transactions are recorded at the point of announcement.
Source: CBRE. Based on CBRE estimates.

(5) Price is inclusive of Industrial and white component (Office and Retail)

SINGAPORE INDUSTRIAL MARKET REPORT 2018

INDUSTRIAL OUTLOOK

Factory & Warehouse

The ongoing trade war between the United States and China have raised concerns amongst Asian economies. Singapore's export-reliant economy faces headwinds with China, the United States and European Union being the country top three export partners in terms of Domestic Exports of Non Oil (NODX).

The industrial market is showing signs of stabilisation with the volume of new industrial supply expected to abate over the next three years. Furthermore, the improvement in leasing volume over the past year has shored up occupancy and stemmed the rental decline in industrial buildings. Assuming demand remains stable, industrial rents have the potential for growth in 2019, subject to trade risks. In the long term, future market performance will be dependent on how adoption of automation is going to affect occupiers' space requirements. This is critical given the emergence of Industry 4.0, whereby data exchange and automation will be widely seen in manufacturing processes.

The industrial market continues to remain highly regulated with the government having a considerable amount of influence on the sector. The increased flexibility in land use planning will create better synergies between the manufacturing and services industries. This will be piloted at the first Enterprise District in Punggol and a multi-tenanted building at Woodlands North Coast. Both projects will be spearheaded by JTC. To promote the growth and competitiveness of industries in Singapore, the government has since announced 23 ITMs for various sectors. The goal would be to address issues within each industry and deepen partnerships between various stakeholders. The logistics ITM in particular encourages firms to leverage on technology to improve productivity. Higher degrees of automation such as the usage of autonomous guided vehicles, drones, uninterrupted power supply and internet connectivity will enhance the competitiveness of the logistics industry.

Business Park

Prospects for the business park sector is stable and is expected to continue remaining as a favourable option for qualified tenants who are seeking long term stability. Tenants in this space include incubators and firms from the fintech & technology sectors. The limited new supply of business park space offers limited supply-side pressure on future occupancy. Occupiers have consistently exhibit preference for business parks space with higher specifications, particular in the City Fringe with the difference between the two-tier (City Fringe vs Rest of Island) submarket expected to be more pronounced.

QUALIFYING CLAUSE

This Report is subject to the following limiting conditions:

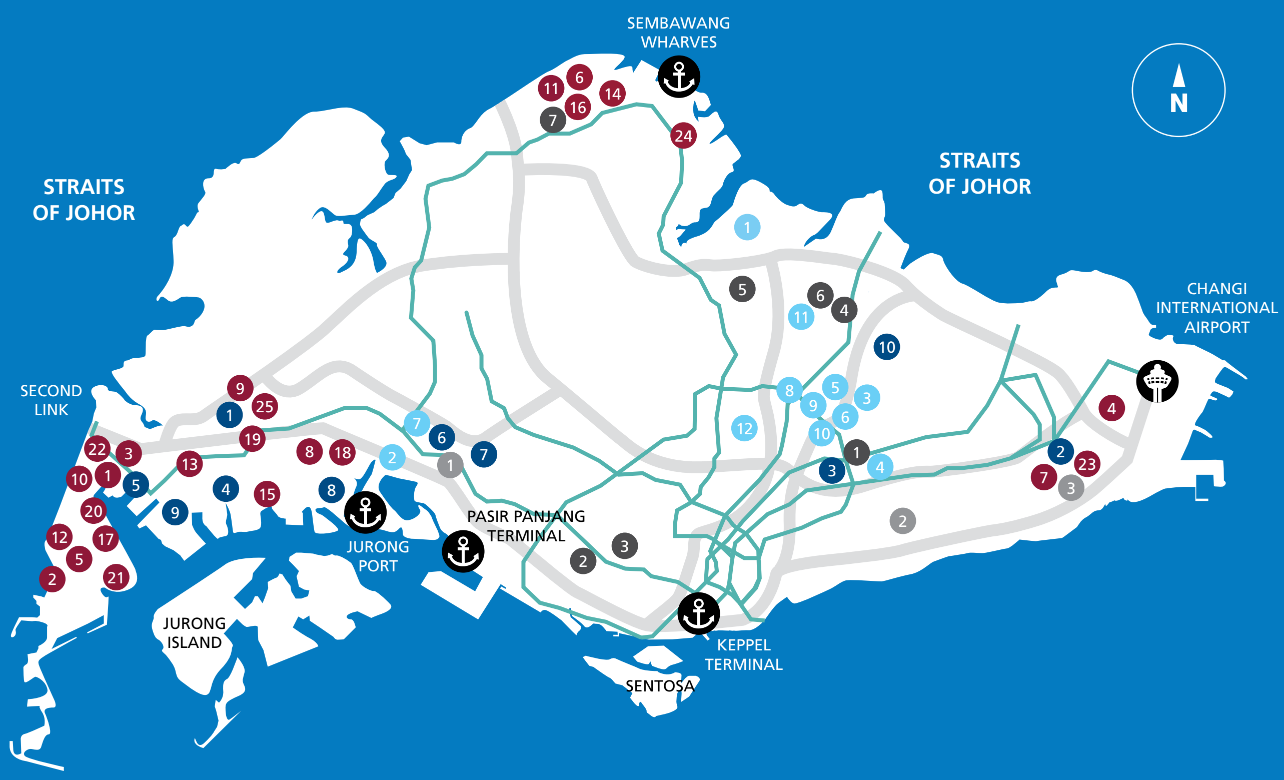
The content of this report is for information only and should not be relied upon as a substitute for professional advice, which should be sought from CBRE prior to acting in reliance upon any such information.

The opinions, estimates and information given herein or otherwise in relation hereto are made by CBRE and affiliated companies in their best judgment, in the utmost good faith and are as far as possible based on data or sources which they believe to be reliable in the context hereto.

Where it is stated in the Report that information has been supplied to CBRE's by another party, this information is believed to be reliable by CBRE. Other information is derived from sources which we believe to be reliable to the best of our ability. We can accept no responsibility if this should prove not to be so.

Notwithstanding this, CBRE disclaims any liability in respect of any claim that may arise from any errors or omissions, or from providing such advice, opinion, judgment or information.

PROPERTY LOCATIONS



MAJOR HIGHWAYS   MRT LINES

BUSINESS PARK

1 16 International Business Park
2 750-750E Chai Chee Road
3 2/4, 6/8 Changi Business Park Avenue 1

HIGH SPECS INDUSTRIAL

1 21/23 Ubi Road 1
2 2 Jalan Kilang Barat
3 11 Chang Charn Road
4 54 Serangoon North Avenue 4
5 12 Ang Mo Kio Street 65
6 7000 Ang Mo Kio Avenue 5
7 30 Marsiling Industrial Estate Road 8

LOGISTICS & WAREHOUSE

1 1 Third Lok Yang Road and 4 Fourth Lok Yang Road
2 25 Changi South Avenue 2
3 160 Kallang Way
4 6 Chin Bee Avenue
5 30 Pioneer Road
6 3C Toh Guan Road East
7 4/6 Clementi Loop
8 24 Jurong Port Road
9 3 Pioneer Sector 3
10 15 Greenwich Drive

GENERAL INDUSTRIAL

1 81 Tuas Bay Drive
2 79 Tuas South Street 5
3 31 Tuas Avenue 11
4 1/2 Changi North Street 2
5 9 Tuas View Crescent
6 28 Senoko Drive
7 31 Changi South Avenue 2
8 22 Chin Bee Drive
9 31 Kian Teck Way
10 2 Tuas South Avenue 2
11 21B Senoko Loop
12 60 Tuas South Street 1
13 5/7 Gul Street 1
14 28 Woodlands Loop
15 25 Pioneer Crescent
16 11 Woodlands Walk
17 43 Tuas View Circuit
18 13 Jalan Terusan(1)
19 160A Gul Circle
20 3 Tuas South Avenue 4
21 8 Tuas South Lane
22 120 Pioneer Road
23 45 Changi South Avenue 2
24 511/513 Yishun Industrial Park A
25 86/88 International Road

LIGHT INDUSTRIAL

1 70 Seletar Aerospace View
2 30 Teban Gardens Crescent
3 16 Tai Seng Street
4 11 Ubi Road 1
5 29 Tai Seng Street
6 19 Tai Seng Avenue
7 30 Toh Guan Road
8 128 Joo Seng Road
9 130 Joo Seng Road
10 136 Joo Seng Road
11 11 Serangoon North Avenue 5
12 11 Lorong 3 Toa Payoh (Jackson Square)

(1) Formerly known as 15 Jurong Port Road.

PROPERTY PORTFOLIO AT A GLANCE

BUSINESS PARK

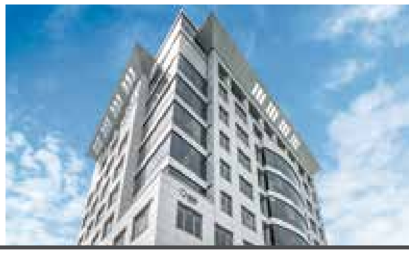
1 16 International Business Park

2 750-750E Chai Chee Road (Viva Business Park)

3 2/4, 6/8 Changi Business Park (UE BizHub East)

HIGH SPECS INDUSTRIAL

1 21/23 Ubi Road 1



2 2 Jalan Kilang Barat

3 11 Chang Charn Road

4 54 Serangoon North Avenue 4

5 12 Ang Mo Kio Street 65

6 7000 Ang Mo Kio Avenue 5

7 30 Marsiling Industrial Estate Road 8

LOGISTICS & WAREHOUSE

1 1 Third Lok Yang Road and 4 Fourth Lok Yang Road

2 25 Changi South Avenue 2

3 160 Kallang Way

4 6 Chin Bee Avenue

5 30 Pioneer Road

6 3C Toh Guan Road East

7 4/6 Clementi Loop

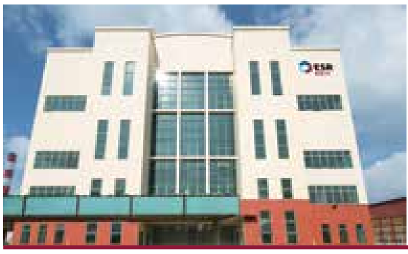
8 24 Jurong Port Road

9 3 Pioneer Sector 3

10 15 Greenwich Drive

GENERAL INDUSTRIAL

1 81 Tuas Bay Drive



2 79 Tuas South Street 5

3 31 Tuas Avenue 11

4 1/2 Changi North Street 2

5 9 Tuas View Crescent

6 28 Senoko Drive

7 31 Changi South Avenue 2

8 22 Chin Bee Drive

9 31 Kian Teck Way

10 2 Tuas South Avenue 2

PROPERTY PORTFOLIO AT A GLANCE


11 21B Senoko Loop


12 60 Tuas South Street 1


13 5/7 Gul Street 1


14 28 Woodlands Loop


15 25 Pioneer Crescent


16 11 Woodlands Walk


17 43 Tuas View Circuit


18 13 Jalan Terusan (formerly known as 15 Jurong Port Road)


19 160A Gul Circle


20 3 Tuas South Avenue 4


21 8 Tuas South Lane


22 120 Pioneer Road


23 45 Changi South Avenue 2


24 511/513 Yishun Industrial Park A

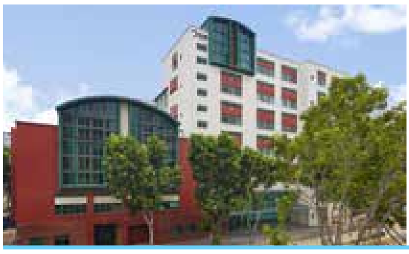

25 86/88 International Road

LIGHT INDUSTRIAL

1 70 Seletar Aerospace View

2 30 Teban Gardens Crescent

3 19 Tai Seng Avenue



4 11 Ubi Road 1

5 29 Tai Seng Street

6 16 Tai Seng Street

7 30 Toh Guan Road

8 128 Joo Seng Road

9 130 Joo Seng Road

10 136 Joo Seng Road

11 11 Serangoon North Avenue 5

12 11 Lorong 3 Toa Payoh (Jackson Square)

PROPERTY PORTFOLIO

Viva Business Park

Business Parks

Business Parks are clusters of buildings and offices typically dedicated to business activities relating to high-technology, research and development (R&D) value-added and knowledge-intensive sectors. Companies that take up space in Business Parks can engage in a range of light and clean uses such as technical support, information-communications, healthcare devices, product design, development and testing, service centres and back-end office functions.

<table>
<tr><th></th><th>Address</th><th>Lease Type</th><th>Gross Floor Area (sq ft)</th><th>Net Lettable Area (sq ft)</th><th>Land Tenure (years)</th><th>Land Lease Expiry</th></tr>
<tr><td>1</td><td>16 International Business Park</td><td>Master lease</td><td>69,258</td><td>69,258</td><td>30 + 30</td><td>31-Jul-2056</td></tr>
<tr><td rowspan="2">2</td><td rowspan="2">750 to 750E Chai Chee Road (Viva Business Park)</td><td rowspan="2">Multi-tenanted</td><td rowspan="2">1,526,762</td><td rowspan="2">1,134,067</td><td>60</td><td>31-Mar-2031</td></tr>
<tr><td>43</td><td>28-Feb-2031</td></tr>
<tr><td rowspan="2">3</td><td>6/8 Changi Business Park Avenue 1 (UE BizHub East)</td><td>Multi-tenanted</td><td>626,018</td><td rowspan="2">654,353</td><td rowspan="2">30 + 30</td><td rowspan="2">31-Jan-2068</td></tr>
<tr><td>2/4 Changi Business Park Avenue 1 (UE BizHub East)</td><td>Multi-tenanted</td><td>157,397</td></tr>
</table>

No. of Properties

3

Gross Floor Area

2,379,435

SQ FT

Net Lettable Area

1,857,678

SQ FT

Remaining Term of Land Lease (years)	**Acqusition Date**	**Purchase Price/ Development Cost** (S$ million)	**Occupancy** (%) As at 31 Dec 2018	**Rental Income** (S$ million) As at 31 Dec 2018	**Valuation** (S$ million) As at 31 Dec 2018
37.6	19-Dec-14	30.3	100	2.0	31.3
12.3 12.2	15-Oct-18	322.2	82	7.8[1]	322.8
49.1	15-Oct-18	531.0	92	5.1[1] 2.1[1]	531.0

(1) Rental income covers post-acquisition period from 15 October 2018 to 31 December 2018

PROPERTY PORTFOLIO

7000 Ang Mo Kio Ave 5

High Specs Industrial

High-specs Industrial facilities are mixed-use industrial buildings with a high proportion of space that can be allocated for office use. These building typically have facilities such air-conditioned units and sufficient floorboard, ceiling height and electrical power capacities to enable both office and manufacturing functions to be carried out concurrently.

	Address	Lease Type	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry
1	21/23 Ubi Road 1	Multi-tenanted	202,770	148,055	30 + 30	31-Jan-2057
2	2 Jalan Kilang Barat	Multi-tenanted	82,652	67,667	99	30-Jun-2062
3	11 Chang Charn Road	Multi-tenanted	97,546	73,745	99	31-Dec-2056
4	54 Serangoon North Avenue 4	Multi-tenanted	139,249	116,761	30 + 30	15-Jun-2056
5	12 Ang Mo Kio Street 65	Multi-tenanted	180,425	166,124	30 + 30	15-Oct-2050
6	7000 Ang Mo Kio Avenue 5[(1)]	Multi-tenanted	1,073,233	819,323	32 + 30	29-Jan-2057
7	30 Marsiling Industrial Estate Road 8	Multi-tenanted	217,953	190,365	30 + 30	30-Nov-2049

(1) Information has been presented on a 100% basis which includes a 20% non-controlling interest.

No. of Properties
7

Gross Floor Area
1,993,828
SQ FT

Net Lettable Area
1,582,040
SQ FT

Remaining Term of Land Lease (years)	Acqusition Date	Purchase Price/ Development Cost (S$ million)	Occupancy (%) As at 31 Dec 2018	Rental Income (S$ million) As at 31 Dec 2018	Valuation (S$ million) As at 31 Dec 2018
38.1	25-Jul-06	25.0	87	3.7	36.7
43.5	25-Jul-06	20.0	77	1.9	27.4
38.0	31-Mar-14	32.0	80	2.0	29.8
37.5	01-Mar-13	21.0	70	1.7	23.2
31.8	13-Sep-14	39.8	64	2.0	38.2
38.1	13-Dec-17	300.0	94	24.2	305.4
30.9	24-Oct-12	39.0	100	1.4	47.5

PROPERTY PORTFOLIO


15 Greenwich Drive

Logistics & Warehouse

Buildings classified as Logistics/ Warehouse properties are typically equipped with high floor loading and also have a high floor-to-ceiling height. Such buildings can be either single-storey or multi-storey properties with vehicular ramp access and/or heavy-duty cargo lift access.

	Address	Lease Type	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry
1	1 Third Lok Yang Road and 4 Fourth Lok Yang Road	Master lease	114,111	114,111	30	15-Dec-2031
2	25 Changi South Avenue 2	Master lease	72,998	72,998	30 + 30	15-Oct-2054
3	160 Kallang Way	Master lease	322,604	322,604	30 + 30	15-Feb-2033
4	6 Chin Bee Avenue	Master lease	324,166	324,166	30	15-Oct-2043
5	30 Pioneer Road	Master lease	281,101	281,101	30	15-Feb-2037
6	3C Toh Guan Road East	Multi-tenanted	192,864	173,102	30 + 30	15-Feb-2051
7	4/6 Clementi Loop	Multi-tenanted	300,920	255,560	30 + 30	30-Sep-2053
8	24 Jurong Port Road	Multi-tenanted	817,021	737,817	30 + 12	28-Feb-2037
9	3 Pioneer Sector 3	Multi-tenanted	716,510	645,499	30 + 30	15-Dec-2050
10	15 Greenwich Drive	Multi-tenanted	455,396	453,006	30	15-Dec-2041

No. of Properties
10

Gross Floor Area
3,597,691
SQ FT

Net Lettable Area
3,379,964
SQ FT

Remaining Term of Land Lease (years)	**Acqusition Date**	**Purchase Price/ Development Cost** (S$ million)	**Occupancy** (%) As at 31 Dec 2018	**Rental Income** (S$ million) As at 31 Dec 2018	**Valuation** (S$ million) As at 31 Dec 2018
13.0	25-Jul-06	12.4	100	1.2	11.4
35.8	25-Jul-06	7.3	100	1.0	12.6
14.1	25-Jul-06	23.2	100	2.5	26.3
24.8	15-Oct-18	94.3	100	1.6(1)	94.3
18.1	15-Oct-18	54.0	100	1.0(1)	54.0
32.1	30-Jan-12	35.5	77	1.8	30.5
34.8	13-Jun-11	63.4	67	3.0	44.1
18.2	25-Jul-06	96.0	95	8.2	91.7
32.0	25-Jul-06	93.4	100	7.9	95.8
23.0	25-Oct-18	95.6	100	1.3(2)	98.0

(1) Rental income covers post-acquisition period from 15 October 2018 to 31 December 2018
(2) Rental income covers post-acquisition period from 25 October 2018 to 31 December 2018

PROPERTY PORTFOLIO

3 Tuas South Avenue 4

General Industrial

General industrial buildings can be single or multi-storey facilities dedicated to general and heavy manufacturing or factory activities. Such buildings also have a percentage of space which can be set aside for office use.

	Address	Lease Type	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry
1	81 Tuas Bay Drive	Master lease	107,567	107,567	60	18-Jul-2066
2	79 Tuas South Street 5	–	67,942	67,942	30 + 30	31-Jan-2060
3	31 Tuas Avenue 11	Master lease	75,579	75,579	30 + 30	31-Mar-2054
4	1 Changi North Street 2	Master lease	125,870	125,870	30 + 30	28-Feb-2061
	2 Changi North Street 2	Master lease			30 + 30	22-Nov-2065
5	9 Tuas View Crescent	Master lease	71,581	71,581	30 + 30	15-Jul-2058
6	28 Senoko Drive	Master lease	159,338	159,338	30 + 30	15-Dec-2039
7	31 Changi South Avenue 2	Master lease	59,697	59,697	30 + 30	28-Feb-2055
8	22 Chin Bee Drive	Master lease	120,653	120,653	30	15-Sep-2035
9	31 Kian Teck Way	–	33,088	33,088	30 + 19	31-Aug-2042
10	2 Tuas South Avenue 2	Master lease	217,351	217,351	60	3-Jan-2059
11	21B Senoko Loop	Master lease	195,823	195,823	30 + 30	31-Jan-2053
12	60 Tuas South Street 1	Master lease	44,675	44,675	30	15-Mar-2035
13	5/7 Gul Street 1	Master lease	98,864	98,864	29.5	30-Sep-2037
14	28 Woodlands Loop	Master lease	131,859	131,859	30 + 30	15-Oct-2055
15	25 Pioneer Crescent	Master lease	76,003	76,003	30 + 28	31-Jan-2067
16	11 Woodlands Walk	Master lease	96,625	96,625	30 + 30	15-Oct-2055
17	43 Tuas View Circuit	Master lease	122,836	122,836	30	31-Jan-2038
18	13 Jalan Terusan	Master lease	245,172	245,172	28	24-Mar-2035
19	160A Gul Circle	Master lease	86,075	86,075	27	29-Sep-2040
20	3 Tuas South Avenue 4	Master lease	315,522	315,522	30 + 30	30-Apr-2059
21	8 Tuas South Lane	Master lease	781,124	768,201	30 + 16	31-Mar-2054
22	120 Pioneer Road	Multi-tenanted	244,513	219,781	30 + 28	15-Feb-2055
23	45 Changi South Avenue 2	Multi-tenanted	73,684	63,530	30 + 30	31-Aug-2055
24	513 Yishun Industrial Park A	Multi-tenanted	224,689	200,562	30 + 30	30-Nov-2053
	511 Yishun Industrial Park A	Multi-tenanted			29 + 30	31-May-2054
25	86/88 International Road	Multi-tenanted	237,229	237,229	30 + 30	15-Dec-2054

No. of Properties
25

Gross Floor Area
4,013,359
SQ FT

Net Lettable Area
3,841,423
SQ FT

Remaining Term of Land Lease (years)	**Acquisition Date**	**Purchase Price/ Development Cost** (S$ million)	**Occupancy** (%) As at 31 Dec 2018	**Rental Income** (S$ million) As at 31 Dec 2018	**Valuation** (S$ million) As at 31 Dec 2018
47.6	15-Oct-18	28.0	100	0.4[1]	28.0
41.1	30-Apr-08	10.4	–	–	11.4
35.3	25-Jul-06	8.7	100	0.8	12.1
42.2 46.9	19-Oct-10	22.1	100 100	1.3	22.0
39.6	25-Jul-06	5.6	100	0.4	10.0
21.0	25-Jun-07	12.0	100	1.7	13.6
36.2	27-Jul-07	7.3	100	0.9	12.0
16.7	28-Sep-10	15.0	100	1.4	14.9
23.7	25-Jul-06	3.2	–	–	5.7
40.0	25-Jul-06	23.0	100	2.4	36.3
34.1	28-Jan-08	27.8	100	2.4	25.6
16.2	29-Jun-11	6.4	100	0.5	4.3
18.8	15-Jul-11	14.5	100	1.4	14.3
36.8	25-Jul-06	13.0	100	1.6	17.3
48.1	29-Mar-12	15.3	100	1.2	16.4
36.8	29-Oct-12	17.3	100	1.3	17.4
19.1	21-Sep-12	13.5	100	1.5	16.4
16.2	30-Jan-13	43.0	100	3.8	36.9
21.8	13-May-15	19.1	100	1.6	18.0
40.4	19-Mar-13	15.0	100	2.4	43.0
35.3	13-Dec-17	106.1	100	8.4	115.0
36.2	24-Oct-07	31.1	75	1.1	40.3
36.7	25-Jul-06	8.3	65	0.8	12.2
34.9 35.4	30-Nov-10	32.6	84	1.3	26.1
36.0	25-Jul-06	32.6	90	3.4	44.7

(1) Rental income covers post-acquisition period from 15 October 2018 to 31 December 2018

PROPERTY PORTFOLIO

16 Tai Seng Street

Light Industrial

Light industrial properties are single or multi-storey spaces that can be used for light industrial and manufacturing activities. Such properties also have a percentage of space set aside for office use.

	Address	Lease Type	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry
1	70 Seletar Aerospace View	Master lease	53,729	53,729	30	15-Oct-2041
2	30 Teban Gardens Crescent	Master lease	139,525	139,525	10 + 22	31-May-2039
3	16 Tai Seng Street	Multi-tenanted	215,666	182,729	30 + 30	3-Jul-2067
4	11 Ubi Road 1	Master lease	253,058	253,058	Plot 1: 30 + 30 Plot 2: 21 + 30	31-Aug-2055
5	29 Tai Seng Street	Master lease	85,070	85,070	30 + 30	30-Apr-2067
6	19 Tai Seng Avenue	Master lease	120,556	120,556	30 + 30	10-Sep-2067
7	30 Toh Guan Road	Multi-tenanted	332,001	292,944	30 + 30	15-Aug-2055
8	128 Joo Seng Road	Multi-tenanted	92,849	73,760	30 + 30	30-Apr-2052
9	130 Joo Seng Road	Multi-tenanted	118,320	89,627	30 + 30	30-Nov-2051
10	136 Joo Seng Road	Multi-tenanted	101,321	78,189	30 + 30	30-Sep-2050
11	11 Serangoon North Avenue 5	Multi-tenanted	146,619	112,601	30 + 30	15-Apr-2057
12	11 Lor 3 Toa Payoh	Multi-tenanted	418,586	348,103	60	15-May-2029

No. of Properties
12

Gross Floor Area
2,077,300
SQ FT

Net Lettable Area
1,829,891
SQ FT

Remaining Term of Land Lease (years)	**Acqusition Date**	**Purchase Price/ Development Cost** (S$ million)	**Occupancy** (%) As at 31 Dec 2018	**Rental Income** (S$ million) As at 31 Dec 2018	**Valuation** (S$ million) As at 31 Dec 2018
22.8	22-Nov-12	8.5	100	1.0	9.2
20.4	17-Mar-14	41.0	100	3.7	39.3
48.5	29-May-12	72.9	100	4.1	58.5
36.7	15-Oct-18	84.0	100	1.4(1)	84.0
48.4	15-Oct-18	33.4	100	0.4(1)	33.4
48.7	15-Oct-18	47.8	100	0.7(1)	47.8
36.6	25-Jul-06	35.0	85	4.9	61.0
33.4	25-Jun-07	10.0	100	1.2	11.8
32.9	25-Jul-06	12.0	86	1.5	15.2
31.8	25-Jul-06	10.3	76	1.2	12.8
38.3	25-Jul-06	14.0	90	2.1	20.0
10.4	15-Oct-18	63.0	86	1.9(1)	63.0

(1) Rental income covers post-acquisition period from 15 October 2018 to 31 December 2018

REVITALISING OUR ASSETS

Market trends and the increased use of technology can create big impacts and generate opportunities and challenges for us. Our forward-looking approach to our business keeps us ahead of the curve, enabling us to think of long-term solutions and create spaces that have enduring appeal to meet the evolving needs of tenants of tomorrow.

16 Tai Seng Street


KEITH

CORPORATE GOVERNANCE

ESR-REIT, constituted as a trust, is externally managed by ESR-FM. ESR-REIT has no personnel of its own. ESR-FM appoints qualified and experienced executives to manage its operations.

The Manager is committed to maintaining high standards of corporate governance in line with the Singapore Code of Corporate Governance. The Board and Management believe that sound corporate governance policies and practices are essential to protect the assets of ESR-REIT and the interests of its Unitholders and to enhance the value of Unitholders' investment in ESR-REIT.

The Manager has general powers of management over the real estate and real estate related assets of ESR-REIT. The Manager's main responsibility is to manage ESR-REIT's assets and liabilities for the benefit of the Unitholders. It sets the strategic direction of ESR-REIT and gives recommendations to the Trustee on the acquisition, property development, divestment and/or enhancement of assets of ESR-REIT in accordance with its stated investment strategy. The Manager is also responsible for the capital and risk management of ESR-REIT. In executing its strategy, the Manager is responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, including the SGX-ST Listing Rules, the Code on Collective Investment Schemes ("CIS Code") (including its property funds appendix ("Property Funds Appendix")) and the Trust Deed.

The Manager also supervises the performance of the Property Manager to ensure that it meets its objectives pursuant to the property management agreement. The Manager holds a Capital Markets Services Licence ("CMS Licence") issued by MAS to carry out REIT management under the SFA. Under its CMS Licence, the Manager appoints relevant officers and staff as its representatives to conduct REIT management activities on its behalf.

This report describes the Manager's corporate governance practices and structures that were in place during FY2018, to comply with the Code of Corporate Governance ("the CG Code") issued by MAS on 2 May 2012 (CG 2012). We provide a summary disclosure on our compliance with the CG 2012 on pages 92 to 95 of this Annual Report.

SIGNIFICANT CHANGES DURING REPORTING PERIOD

1) Merger of Viva Industrial Trust ("VIT") with ESR-REIT and Change of Shareholders of ESR-FM

- ESR-REIT successfully completed the Merger with VIT on 15 October 2018 via a trust scheme of arrangement ("the Scheme"). Following the completion of the Merger, VIT was delisted from SGX-ST and renamed as Viva Trust and became a sub-trust of ESR-REIT.
- In connection with the Scheme, ESR-FM, in its own capacity as purchaser, acquired all of the issued shares of VIT REIT Manager, Viva Industrial Trust Management Pte. Ltd. ("VITM"), for an aggregate consideration of S$62.0 million, from Viva Investment Management Pte. Ltd. ("VIM"), the sole shareholder of VITM. The acquisition was funded by ESR Investment Management Pte. Ltd. ("ESR-IM") via a capital injection in cash. Shanghai Summit Pte. Ltd. ("SSPL"), a shareholder of VIM, had utilised its share of the acquisition proceeds, distributed to it by VIM, to invest in ESR-FM.
- Upon completion of the Manager Arrangements on 22 October 2018, VITM is now a wholly-owned subsidiary of ESR-FM and the resultant shareholding of ESR-FM became:

Shareholder	Shareholding proportion
ESR-IM	67.3%
SSPL	25.0%
Mitsui & Co., Ltd	7.7%

2) Change of Board Members of ESR-FM

- With the change of the shareholders of ESR-FM on 22 October 2018, the representative director of Mitsui & Co., Ltd, Mr. Akihiro Noguchi, stepped down on 22 October 2018;
- Mr. Shen Jinchu stepped down from the Board on 8 January 2019;
- Dr. Leong Horn Kee and Mr. Ronald Lim Cheng Aun were appointed as Independent Non-Executive Directors on 8 January 2019; and
- Mr. Tong Jinquan and Mr. Wilson Ang Poh Seong were appointed as Non-Executive Directors on 8 January 2019.

Accessibility of Annual Report

Limited copies of the annual report were printed, however a PDF version is available for download from the corporate website: www.esr-reit.com.sg

Principles and Guidelines of the Code of Corporate Governance 2012

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BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board's primary responsibility is to lead and to supervise the management of the business and affairs of the Manager and the Trust. The top-stewardship responsibility of the Board is to ensure that the Trust is managed in the best interests of all Unitholders. This includes protecting ESR-REIT's assets and Unitholders' interests and enhancing the value of Unitholders' investment in ESR-REIT.

The functions of the Board are defined broadly as follows:

- To ensure the Manager discharges its duties to act in the best interests of all Unitholders of the Trust and to give priority to the interests of the Unitholders over the interest of the Manager and its shareholders in the event of conflict between the interests of the Unitholder and those of the Manager or its shareholders;
- To provide entrepreneurial leadership, set strategic and financial objectives, major corporate policies, annual budgets, and ensure that the necessary financial and human resources are in place for the Manager to meet its objectives;
- To establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- To review senior management performance;
- To set the Manager's values and standards and ensure that obligations to shareholders and others are understood and met; and
- To consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board oversees a system of internal controls and business risk management processes that set the guidelines which govern matters reserved for Board's decision and approval. This includes approval limits for investments and divestments, bank borrowings, capital expenditure and cheque signatories. These limits are set out in the Board's approved Financial Authority Limits ("FAL"). Transactions and matters which require the Board's approval are clearly set out in the FAL. Such transactions and matters include but are not limited to all acquisitions and divestments of investment properties, property development and AEIs, expenditure for property expenses/capex/AEI and operational matters exceeding the prescribed limits. Appropriate delegation of authority for approval of capital and operating expenditure and specified financial transactions are also provided at Management level to facilitate operational efficiency.

The Board meets at least once every quarter, and on such other occasions that necessitate its involvement. Members of the Board also meet periodically without the presence of Management to discuss and review Management performance. The Manager's Constitution permits Board meetings to be held by way of telephone conference or by means of similar communication equipment by which all persons participating in the meeting are able to hear and be heard by all other participants. The Board and Board Committees may also make decisions by way of resolutions in writing. Where exigencies prevent a director attending a Board meeting in person, the Director still receives all the papers and materials for discussion at that meeting. The director will review them and will advise the Board or relevant Board committee of his views and comments on the matters to be discussed so that they can be conveyed to other participants present at the meeting.

Various Board Committees, namely Audit, Risk Management and Compliance Committee ("ARCC"), Nominating and Remuneration Committee ("NRC") and Executive Committee ("EXCO") have been constituted with clear written Terms of Reference to assist the Board in the discharge of its functions. Each of these Board Committees operates under delegated authority from the Board. The Board may form other Board Committees as dictated by business imperatives. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

Composition of the Board of Directors and its Committees as at 28 February 2019:

Name	Board	ARCC	NRC	EXCO
Mr. Ooi Eng Peng	Independent Chairman	M	M	C
Mr. Bruce Kendle Berry	Independent Non–Executive Director	C	-	-
Mr. Erle William Spratt	Independent Non–Executive Director	M	C	-
Dr. Leong Horn Kee	Independent Non–Executive Director	M	-	-
Mr. Ronald Lim Cheng Aun	Independent Non–Executive Director	M	M	-
Mr. Phillip John Pearce	Non–Executive Director	-	-	M
Mr. Jeffrey David Perlman	Non–Executive Director	-	M	M
Mr. Tong Jinquan	Non–Executive Director	-	-	-
Mr. Wilson Ang Poh Seong	Non–Executive Director	-	-	-
Mr. Adrian Chui Wai Yin	CEO and Executive Director	-	-	M

Denotes C- Chairman; M- Member

A total of four Board meetings were held in FY2018. The Board also schedules a Board Strategy meeting once a year to discuss strategic matters. A table showing the attendance record of Directors at Board and Board Committee meetings during FY2018 is set out as follows:

Board Members	Board Meetings[1]		ARCC		NRC		EGM held on 27 Feb 18	AGM held on 20 Apr 18	EGM held on 31 Aug 18
	Held	Attended	Held	Attended	Held	Attended			
Mr. Ooi Eng Peng	8	8	7	7	2	2	√	√	√
Mr. Bruce Kendle Berry	8	8	7	7	N.A.	N.A.	√	√	√
Mr. Erle William Spratt	8	8	7	7	2	2	√	√	√
Mr. Phillip John Pearce	8	8	7	7[3]	NA	NA	√	√	√
Mr. Akihiro Noguchi	8	7[2]	NA	NA	NA	NA	√	√	Absent
Mr. Shen Jinchu	8	4	NA	NA	NA	NA	Absent	Absent	Absent
Mr. Jeffrey David Perlman	8	5	NA	NA	2	0[4]	√	√	√
Mr. Adrian Chui Wai Yin	8	8	NA	NA	NA	NA	√	√	√

Note 1: Not including other meetings attended by directors with Management
Note 2: Mr. Akihiro Noguchi resigned from the Board with effect from 22 October 2018 in connection with the merger of ESR-REIT and Viva Industrial Trust
Note 3: Mr. Philip John Pearce stepped down from ARCC with effect from 20 July 2018. However, he continues to attend the ARCC via invitation by the ARCC to contribute his valuable experience in the industrial properties area.
Note 4: Though Mr. Jeffrey David Perlman did not attend both meetings, he had provided his comments and approvals (where relevant) to the papers put up prior to both meetings.

To enable the Board of Directors to be able to properly discharge their duties and responsibilities as Board or Board Committee members, the Board is provided with routine updates on developments and changes in the operating environment, including revisions to accounting standards affecting ESR-REIT and/or the Manager. Directors are also kept updated, on a quarterly basis, on revisions to relevant laws and regulations impacting the business. Directors are also encouraged to participate in industry conferences, seminars and training programmes in connection with their duties. Directors have also participated in property tours, as part of their continuing education to familiarize themselves with ESR-REIT's business.

Newly appointed directors are given induction training after joining the Board together with an induction pack which includes constitutional documents of ESR-REIT and the Manager, contact information of each Board member, Management staff and Company Secretary. The training covers business activities of ESR-REIT, its strategic directions and policies, the regulatory environment in which ESR-REIT and the Manager operate, and the Manager's corporate governance practices, statutory and other duties and responsibilities as directors. Property tours are also organized to allow new directors to familiarize with the properties within the ESR-REIT portfolio. Where a director has no prior experience as a director of a listed company, further training in areas such as accounting, legal and industry-specific knowledge is provided.

As a principle of good corporate governance, all directors are appointed for three years, subject to extension for a further three years at the Board's and shareholders' discretion. Letters of appointment are issued to directors upon their appointment, setting out their duties and responsibilities to the Manager and ESR-REIT. These include seeking the Chairman's prior approval before accepting any additional commitments that may affect the time allocated to their role as a director of the Manager. None of the directors of the Manager has entered into any service contract directly with ESR-REIT.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders[(1)]. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Board Composition and Independent Directors

The Board presently consists of ten members, five of whom are independent Directors. This complies with the composition guidelines in the CG Code, which require at least half the Board to comprise independent Directors. The Chairman of the Board is Mr. Ooi Eng Peng.

The current Board is represented by members with a breadth of expertise in banking, finance, accounting, real estate and management.

The Board believes that the current board size, composition and balance between Executive, Non-Executive and Independent directors is appropriate and provides sufficient diversity without interfering with efficient and effective decision making. It allows for a balanced exchange of views, robust deliberations and debates among members and effective oversight over Management, ensuring no individual or small group dominates the Board's decisions or its process.

With the background of skills, experience and core competencies of its members, the Board is of the view that it has the appropriate mix of expertise and experience, skills needed in the strategic direction and planning of the business of ESR-REIT. The composition of the Board is reviewed periodically to ensure that the board size is appropriate and comprises directors with an appropriate mix of expertise, skills, and experience to discharge their duties and responsibilities.

Board Independence

The NRC reviews and assesses annually the independence of its directors based on the definitions and guidelines of independence set in the CG Code and Regulation 13D to 13H[(2)] of the Securities and Futures (Licensing and Conduct of Business) Regulations ("SF(LCB) Regulations"). Under the SF(LCB) Regulations, a director is considered to be independent if the director:

(i) is independent from the management of the Manager and ESR-REIT;
(ii) is independent from any business relationship with the Manager and ESR-REIT;
(iii) is independent from every substantial shareholder of the Manager, and every substantial unitholder of ESR-REIT;
(iv) is not a substantial shareholder of the Manager, or a substantial unitholder of ESR-REIT; and
(v) has not served as a director of the Manager for a continuous period of 9 years or longer.

(1) The term "10% shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.
(2) The SF (LCB) Regulations was updated and amended by the Securities and Futures (Licensing and Conduct of Business)(Amendment No. 2) Regulations 2018 which came into operation on 8 October 2018. One of the amendments to the SF(LCB) Regulations was the insertion of Regulations 13D to 13H which relate to board composition and director's independence.

For the purpose of Regulation 13E(b) of SF(LCB) Regulations, the Board of the Manager, after considering the relevant requirements under the SF(LCB) Regulations, wishes to set out its views in respect of each of the Directors as follow:

The Director:	Mr. Ooi Eng Peng	Mr. Bruce Kendle Berry	Mr. Erle William Spratt	Mr. Phillip John Pearce(1)	Mr. Akihiro Noguchi(2)	Mr. Shen Jinchu(3)	Mr. Jeffrey David Perlman(4)	Mr. Adrian Chui Wai Yin(5)
(i) had been independent from the management of the Manager and ESR-REIT during FY2018;	√	√	√	X	X	X	X	X
(ii) had been independent from any business relationship with the Manager and ESR-REIT during FY2018;	√	√	√	√	√	√	√	√
(iii) had been independent from every substantial shareholder of the Manager, and every substantial unitholder of ESR-REIT during FY2018;	√	√	√	X	√	X	X	X
(iv) Had not been a substantial shareholder of the Manager, or a substantial unitholder of ESR-REIT during FY2018; and	√	√	√	√	√	√	√	√
(v) has not served as a director of the Manager for a continuous period of 9 years or longer as at the last day of FY2018	√	√	√	√	√	√	√	√

Notes:
(1) Mr. Philip John Pearce is the CEO of ESR Australia and director of certain entities within the ESR Group other than the Manager. As such, Mr. Philip John Pearce is deemed to be connected to the shareholder of the Manager and substantial unitholder of ESR-REIT;
(2) Mr. Akihiro Noguchi was appointed as the representative director of Mitsui & Co., Ltd, which is one of the shareholders of ESR-FM, hence he is deemed not independent from the management of ESR-FM. He has since 22 October 2018 stepped down from the Board of ESR-FM;
(3) Mr. Shen Jinchu is the Co-founder and Co-CEO of ESR, which is the controlling shareholder of ESR-FM and a substantial unitholder of ESR-REIT through e-Shang Infinity Cayman Limited. As such, Mr. Shen Jinchu is deemed not to be independent. He has since 8 January 2019 stepped down from the Board of ESR-FM;
(4) Mr. Jeffrey David Perlman is the Managing Director, Head of Southeast Asia of Warburg Pincus. Warburg Pincus is a controlling shareholder of ESR-FM through ESR and a substantial unitholder of ESR-REIT through e-Shang Infinity Cayman Limited. As such, Mr. Jeffrey David Perlman is deemed not to be independent;
(5) As CEO and Executive Director of ESR-FM, Mr. Adrian Chui is considered employed by ESR-FM and deemed not to be independent.

The Board is satisfied that, as at the last day of FY2018, Mr. Phillip John Pearce, Mr. Akihiro Noguchi, Mr. Shen Jinchu, Mr. Jeffrey David Perlman and Mr. Adrian Chui, are able to act in the best interests of all the unitholders of ESR-REIT that was managed by ESR-FM.

The Board has also conducted an assessment on the independence of the newly onboarded directors at the point of appointment and the result is as follow:

The Director:	Dr. Leong Horn Kee	Mr. Ronald Lim Cheng Aun	Mr. Wilson Ang Poh Seong(1)	Mr. Tong Jinquan(2)
(i) had been independent from the management of the Manager and ESR-REIT;	√	√	X	X
(ii) had been independent from any business relationship with the Manager and ESR-REIT;	√	√	√	√
(iii) had been independent from every substantial shareholder of the Manager, and every substantial unitholder of ESR-REIT;	√	√	X	X
(iv) Had not been a substantial shareholder of the Manager, or a substantial unitholder of ESR-REIT; and	√	√	√	X
(v) has not served as a director of the Manager for a continuous period of 9 years or longer	√	√	√	√

Notes:
(1) As Senior Adviser of ESR-FM, Mr. Wilson Ang is considered employed by ESR-FM and deemed not to be independent.
(2) Mr. Tong Jinquan is the Director and ultimate beneficial owner of Shanghai Summit Pte. Ltd.. Shanghai Summit Pte. Ltd. is a substantial shareholder of ESR-FM. Mr. Tong Jinquan is also a substantial unitholder of ESR-REIT. As such, Mr. Tong Jinquan is deemed not to be independent;

In accordance to the new Code of Corporate Governance 2018 (CG Code 2018), all directors are subject to an annual independence assessment, conducted by the NRC. The directors whom are independent are required to fill up self-declaration forms whereby the NRC reviewed each independent director's self-declaration and assess whether any relationship or factor disclosed by the director or any other non-disclosed relationship or factor may influence the director's ability to act independently. When the NRC assessed the director's independence, the respective NRC member will also recuse himself when his independence was tabled for assessment.

The assessment takes into account additional factors such as the director's business relationship with ESR-REIT, the Manager and/or related entities, whether the director has received any gifts or financial assistance from ESR-REIT, the Manager and/or related entities, whether the director is financially dependent on ESR-REIT, the Manager and/or related entities and whether any of the director has any close personal friendships or current or past business dealings with major shareholders, Executive Directors or other key executives which could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment, as recommended under the Nominating Committee Guide.

The NRC has tabled the result of the assessment and made recommendation to the Board on the independence of each Independent Director. With respect to FY2018, the Board is of the view that the following directors are independent:

- Mr. Ooi Eng Peng
- Mr. Bruce Kendle Berry
- Mr. Erle William Spratt

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

CORPORATE GOVERNANCE

The roles of the Chairman and the CEO are separate. The Chairman and the CEO are not related to each other, nor is there any business relationship between them. This is consistent with the principle of instituting an appropriate balance of power and authority.

The Chairman of the Board is an Independent Director. He leads the Board, ensures its effectiveness in all aspects of its role; sets its meeting agenda and ensures that adequate time is available for discussion for all agenda items; promotes a culture of openness and debate at the Board; arranges for directors to receive accurate, timely and clear information; monitors CEO's effective communication with Unitholders and other stakeholders; encourages constructive relations within the Board and between the Board and Management; facilitates the effective contribution of non-executive directors and promotes high standards of corporate governance in general. The CEO has full executive responsibilities over the business direction and operational decisions in managing ESR-REIT and is responsible for implementing ESR-REIT's strategies and policies. He ensures the quality and timeliness of the flow of information between Management and the Board, Unitholders and other stakeholders.

Board Membership

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

Nominating and Remuneration Committee

The Manager has established a NRC to make recommendations to the Board on all director appointments and related matters including the following:

- The review of structure, size and composition of the Board and Board Committees;
- The review of succession plans for the directors, CEO and key management staff;
- The appointment and re-appointment of all directors;
- Recommend CEO's remuneration and incentive to the Board for consideration and approval by the shareholders of the Manager
- Review and recommend Management's proposal for Key Performance Indicators ("KPIs"), short-term bonus and long-term incentive pool to be paid to staff

As at 28 February 2019, the NRC comprises four Directors, the majority of whom, including the Chairman of the NRC, are independent; namely:

1. Mr. Erle William Spratt (Chairman)
2. Mr. Ooi Eng Peng (Member)
3. Mr. Ronald Lim Cheng Aun (Member)
4. Mr. Jeffrey David Perlman (Member)

Process and Criteria for Appointment of Directors

New directors are appointed by way of a board resolution. The NRC shall make recommendations to the Board on all Board appointments, re-appointments and composition of the Board, taking into account the balance between executive and non-executive directors, independent and non-independent directors, the scope and nature of the operations of ESR-REIT and the requirements of the business. Appointment of alternate directors is not encouraged.

In addition, the NRC takes into account that the Board composition should reflect balance in matters such as skill representation, tenure, experience, age spread and diversity. The NRC identifies suitable candidates with skills and experience that will complement the existing Board and ensure that the candidate has sufficient time available to commit to his responsibilities as a Director for appointment to the Board. During the search process, the NRC may also tap on the personal contacts of current directors and senior management for recommendations of prospective candidates. The NRC will also consider professional networking sessions, inputs from the Manager's shareholders, and the use of third party executive/Board search firms at the company's expense. Nominations of incoming directors may be made by any of the Manager's shareholders and are openly discussed and objectively evaluated by the NRC before any appointment and/or reappointment is made. Appointment of directors is also subject to MAS approval.

Annual Review of Directors' Time Commitments

The CG Code requires listed companies to fix the maximum number of Board representations on other listed companies that their directors may hold and to disclose this in their annual report.

Although no maximum limit has been formally set by the Board on the number of listed company board representations a Director with multiple board representations may hold, the NRC is of the view that the duties of all Directors have been fully discharged based on the time and attention devoted by each Director, their individual abilities and their respective individual contribution of skills, knowledge and experience and their commitment to the affairs of ESR-REIT. The Board is of the view that such appointments do not hinder the Directors from carrying out their duties as Directors of the Manager and therefore believes that it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold.

Key Information Regarding Directors

The key information regarding Directors is set out in pages 23 to 27 of the Annual Report, which covers academic and professional qualifications, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments.

Board Performance

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

The Board has in place a formal process to annually assess the effectiveness of the Board and the ARCC through feedback from individual directors on areas relating to the Board's and ARCC's competencies and effectiveness. The review, which is conducted internally, includes assessing both the Board and ARCC composition, access to information, attendance and ability to contribute effectively and have meaningful participation and rigorous decision making during the meetings, strategic planning, risk management, accountability and oversight, directors' development and management. All directors are requested to complete a Board Evaluation Questionnaire and are allowed to individually express their personal and confidential assessment of the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. Based on the responses to the Questionnaire returned by each director, a consolidated report is prepared and presented to the Chairman and the Board. The results of the evaluation will be reviewed both by the Chairman and the Board. Action plans will be implemented for areas which the Board is of the view that improvements are required to enhance the overall effectiveness of the Board and the ARCC.

Accordingly, the annual review of the Board's performance was carried out for FY2018.

Access to Information

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

All directors have unrestricted access to ESR-REIT's and the Manager's records and information. A Deed of Access, which sets out their rights to access or inspect the records and information, is issued to directors upon their appointment. The Board is provided with timely and complete information both prior to board meetings and on an ongoing basis so as to allow the Board to make informed decisions to discharge its duties and responsibilities. Generally, board papers are distributed at least one week prior to Board meetings to ensure that directors have sufficient time to review the information provided. However, sensitive matters may be tabled at the meeting itself, or discussed without papers being distributed. Parties who can provide relevant information on matters tabled at Board meetings will be in attendance to provide further information that may be required.

The information provided to the Board includes board papers, financial results, market and business developments, and business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of ESR-REIT's performance, financial position and prospects. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period.

A one day off-site business overview and Board strategy meeting is organised annually for an in-depth discussion by the Board and the Management on strategic issues and directions pertaining to ESR-REIT and the Manager. Where appropriate, the Management arranges for the Directors to visit the properties to better appraise the Directors of the business.

In addition to the information provided above, Management remains available at all times to answer any query raised by any Director. Frequent dialogues and interaction take place between Management and the Directors. The Directors are thus able to access the Manager's operations and information at a deeper level, allowing them to better strategise and guide ESR-REIT in their role as Directors. Furthermore, the Board Papers Portal allows Board members to securely access and read Board/Board Committee papers and materials electronically at any place and any time, using the Directors' electronic or mobile devices.

Board members have separate and independent access to Management as well as to the Company Secretary. The Company Secretary attends all Board meetings and ensures that board procedures and applicable rules and regulations are complied with. The appointment and the removal of the Company Secretary is subject to Board's approval. The Company Secretary, together with the CEO, ensure good information flows between Management and the directors. The Board takes independent professional advice as and when necessary, with approval from the Chairman, to enable it to discharge its responsibilities effectively. Individual directors can seek independent professional advice with the consent of the Chairman or ARCC Chairman. For complex matters, the Board may from time to time appoint a subcommittee to assist the Board in its deliberations and to provide recommendations.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Level and Mix of Remuneration

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

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and KMP, and performance.

Procedures for Developing Remuneration Policies

ESR-REIT, constituted as a Trust, is externally managed by the Manager and accordingly, it has no personnel of its own. Through the NRC, the Board has instituted a formal and transparent procedure in developing remuneration policies and framework relating to CEO and Non-Executive Directors. Independent Directors' fees and the CEO's remuneration, including all employees of the Manager are paid by the Manager and not the Trust. Guided by the Remuneration Framework, NRC with the endorsement of the Board, reviews on periodic basis:

- the directors' fees and allowances provided to the Independent Directors. Directors do not decide on their own fees; and
- remuneration components of the CEO, as well as the KMP.

Directors' Fees

There are no directors' fees paid to the CEO and Non-Executive Directors. All Independent Directors are appointed for a period of 3 years and are subject to extension for a further 3 years at the discretion of the Board and the shareholders of the Manager. Accordingly, the Independent Directors' fees are established once every 3 years. The Independent Directors are paid a basic fee. The fees are dependent on the level of responsibilities at the Board level, and where applicable, additional responsibilities given in other committees set up by the Board. The Chairman of the Board, ARCC and NRC are paid higher fees compared with members of the Board, ARCC and NRC in view of greater responsibilities carried by those appointments. ESR-FM also ensures that the remuneration of its CEO and executive director shall not only be linked to the gross revenue of ESR-REIT or ESR-FM.

CEO AND SELECT KMP

Remuneration

The NRC reviews the remuneration of the CEO and some KMP of the Manager annually or as and when there is a significant change to the structure of the Manager. With the change of the majority shareholder of ESR-FM in 2017, the NRC together with the Manager commissioned Aon-Hewitt[3] to develop a new compensation framework that reflects the following key considerations:

a) Alignment to Performance
   a. Clear and measurable performance indicators
   b. Incentives-linked to performance to drive the right behaviour

(3) Aon-Hewitt has no relationship with ESR-REIT or ESR-FM.

b) Market Practice and Benchmarking

a. A framework that reflects the current market evolution
b. Benchmarking of compensation with market

c) Reflects Business Realities

a. Reflects ESR-REIT's strategic priorities and business plan
b. In line with regulatory changes

The objectives of the Total Compensation Framework are as follows:

- Rewarding employees to work towards achieving the strategic goals of ESR-REIT and targets as approved by the Board ;
- Retaining outstanding or good performers and attracting good candidates to execute ESR-REIT's strategic priorities and business plan;
- Providing clear and achievable targets to motivate performance and efficiency;
- Create a culture and environment of meritocracy and right long-term behaviour in the way the Manager conducts its business

The remuneration components within the Total Compensation Framework include fixed pay, fixed allowances, short-term incentive ("STI") bonus and long-term incentives plan ("LTIs").

The STI is driven by the Manager Corporate Scorecard where it covers a mixture of financial and non-financial KPIs which is aligned to both ESR-REIT and the Manager. The KPIs include financials such as DPU, debt costs, operating costs, and non-financials such as talent management, occupancy rate and risk management and control processes. Linking STI bonus to the Manager Corporate Scorecard helps to achieve strategic goals of ESR-REIT which are aligned to the interests of the unitholders.

Given the growth profile and footprint of ESR-REIT, strategic transactions will likely be a key feature of ESR-REIT's business plan. Strategic transactions e.g. Mergers & Acquisitions or other transformational deals can be long-gestated, time and resource consuming which requires special attention, care and often out of office working hours sacrifices. At the same time, staff are still handling the daily business-as-usual ("BAU") activities. Within the STI component, an Additional Bonus Pool ("ABP") is included to reward employees who are involved in such transactions. Once the staff is awarded with ABP, one-third of the award will be vested annually, provided employees remain in employment with the Manager.

The purpose of the LTIs is to reward KMP for achievement of the company's strategic objectives that will maximise unitholders value. The LTIs payout is conditional upon the achievement of pre-determined performance targets measured over a 3-year period. The award of the LTIs will lapse if performance is not met at the end of the performance period.

For FY2018, the Manager carried out a formal annual performance review process to reinforce strengths, identify improvements and plan for the development of the employees. Based on the performance review, the Board and the NRC are of the opinion that all the performance conditions used to determine the remuneration of KMP of the Manager were met and that the STI bonus pool is a reasonable percentage of the Manager's profit. The NRC and the Board are of the view that the remuneration is aligned to FY2018 performance and that the new Total Compensation Framework is aligned with the long-term interests and risk management policies of the Manager. There were no ESR-REIT units issued to employees in 2018. To date, the Manager has not implemented a Share Employee Option Scheme as part of its remuneration package. The Manager reviews, on an annual basis, the relationships between employees, shareholders and board members to ensure that there is no conflict of interest. For FY2018, there were no employees who are immediate family members of any director or the CEO or any of the existing staff.

The Manager is cognisant of the requirements stated within the CG Code and the "Notice to all Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management" to disclose (i) the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; (ii) the remuneration of at least the top five key executive officers (who are neither Directors nor the CEO) in bands of S$250,000, with a breakdown (in percentage or dollar terms) of each key executive officer's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; and (iii) the aggregate total remuneration paid to the top five key executive officers (who are neither Directors nor the CEO). In the event of non-disclosure, the Manager is also required to provide reasons for such non-disclosure.

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The Manager has decided (a) to disclose the CEO's remuneration in bands of S$250,000 (instead of on a quantum basis), and (b) not to disclose the remuneration of the other four KMP of the Manager in bands of S$250,000 and (c) not to disclose the aggregate total remuneration paid to the top five KMP of the Manager (including the CEO). In arriving at its decision, it took into account the following:

(i) The remuneration of all the Manager personnel is paid by the Manager out of the fees that it receives (of which the quantum and basis have been disclosed within the Financial Statements), rather than by ESR-REIT. Remuneration of the independent directors and the KMP of the Manager is paid in cash;
(ii) The remuneration of all the Manager personnel is not linked to the Manager's profitability;
(iii) In view of the sensitivity and confidential nature of remuneration matters and the competitive nature of the business environment in which the Manager operates, it is not in the best interest of ESR-REIT and its unitholders to disclose the remuneration of the KMP on a named basis (whether in exact quantum or in bands of S$250,000). It is important for the Manager to retain talent for the long-term interests of ESR-REIT and its unitholders, and ensure that stability and continuity of business operations with a competent and experienced management team in place.
(iv) The non-disclosure of the remuneration of KMP does not compromise the ability of the Manager to meet with the requirement of having good corporate governance as the NRC, comprising of independent and non-independent Non-Executive Directors, reviews the remuneration package of such KMP who are remunerated based on their roles and responsibilities to ensure that the KMP are fairly remunerated.

Directors' fees paid in FY2018 are as follows:

Board Members	Membership	Fees Paid in FY2018
Mr. Ooi Eng Peng	Independent Chairman	S$162,333
Mr. Bruce Kendle Berry	Independent Non–Executive Director	S$103,000
Mr. Erle William Spratt	Independent Non–Executive Director	S$101,583
Dr. Leong Horn Kee(1)	Independent Non–Executive Director	N.A.
Mr. Ronald Lim Cheng Aun(1)	Independent Non–Executive Director	N.A.
Mr. Phillip John Pearce(2)	Non–Executive Director	S$47,833
Mr. Jeffrey David Perlman	Non–Executive Director	N.A.
Mr. Tong Jinquan	Non–Executive Director	N.A.
Mr. Wilson Ang Poh Seong	Non–Executive Director	N.A.
Mr. Adrian Chui Wai Yin	CEO and Executive Director	N.A.
Mr. Akihiro Noguchi	Non–Executive Director	N.A.
Mr. Shen Jinchu	Non–Executive Director	N.A.

Remuneration(3) of the CEO in bands of S$250,000 for FY2018 are as follows:

Key Management Personnel	Fixed Compensation + Statutory Contribution (%)(3)	Short-Term Incentives + Statutory Contribution (%)	Long-term incentives (%)	Total (%)
Between $900,000 and $1,150,000				
Mr. Adrian Chui Wai Yin	53.8	46.2	–	100

Notes:
(1) Appointed as Independent Non-Executive Director with effect from 8 January 2019.
(2) Re-designated as Non-Executive Director with effect from 25 April 2018.
(3) The amount disclosed includes base salary, allowances, employer's CPF contribution and bonus declared for FY2018.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is responsible for providing a balanced and understandable assessment of ESR-REIT's performance, position and prospects, which extend to interim and other price sensitive public reports, and reports to regulators (where required). Management provides the Board with relevant information on the performance of ESR-REIT and the Manager both on a regular, timely basis as well as on an ad-hoc basis, as and when the Board may require from time to time, in order for the Board to effectively discharge its duties. Quarterly and annual financial reports and other material information are disseminated to the unitholders through announcements via SGXNET, ESR-REIT's corporate website, and where applicable, media releases and analyst briefings.

The Board meets regularly to review the financial performance of ESR-REIT and the Manager against the yearly approved budget, taking note of any significant variances for quarter-on quarter and year-to-date performance. In assessing business risks, the Board takes into account the economic environment and risks associated with the property industry.

The Board also reviews the risks to the assets of ESR-REIT, examines the management of liabilities, and will act upon any comments from internal and external auditors of ESR-REIT. Given the importance of compliance and risk management, the ARCC has been tasked to oversee this aspect of the Manager and ESR-REIT's operations. The ARCC reviews and assesses the adequacy of the Manager's financial, operational, compliance, information technology controls, risk management policies and systems established by the Management. The ARCC also oversees the establishment and operation of the risk management system, including reviewing the adequacy of risk management practices for material risks, such as commercial and legal, financial and economical, operational and technology risks, on a regular basis; and reviews major policies for effective risk management.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard unitholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Manager has put in place a system of internal controls to safeguard ESR-REIT's assets, Unitholders' interests and to manage risk in general. The Manager's approach to risk management and internal control and the management of key business risks is set out in the "Risk Management" section on pages 96 to 99 of the Annual Report.

ESR-REIT's and the Manager's Enterprise Risk Management ("ERM") framework have been implemented to further enhance risk management capabilities. Key risks, control measures and management actions are continually identified, reviewed and monitored as part of the ERM process. The monitoring of the risks identified is via a "traffic light alert system". The risk appetite threshold of each risk is based on the colours of a traffic light – Red, Amber and Green. Green is within the acceptable risk appetite, Amber signals increasing risk which needs to be monitored and reduced as necessary and Red means it is outside the risk appetite that both ESR-REIT and the Manager is willing to undertake and thus measures and steps need to be put in place to reduce the risk level to within the acceptable range. The ERM Risk Appetite Statement is monitored on a quarterly basis to ensure that all risks are appropriately managed. The Statement is reviewed and tabled to both the ARCC and the Board on a quarterly basis for their notation. The metrics adopted for each measure will be reviewed at least annually or more frequently if the business environment warrants.

In addition, a Risk and Control Matrix covering ESR-REIT's and the Manager's relevant material operational risks by sub-category (e.g. Commercial and Legal; Economical/Financial; Operational; and Technology), the likelihood of the risk occurring, the consequence should it occur and the controls put in place to mitigate or manage these risks, is being used for risk monitoring. Risks are analysed by combining estimates of likelihood and consequences, adequacy of existing controls/treatments or actions to determine whether a level of risk is to be accepted, or requires specific management responsibility or escalation to the ARCC. Identified risks are reviewed quarterly

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or whenever the business environment changes substantially to ensure that changes in circumstances have not altered risk priorities. Identified controls/treatments or actions are reviewed quarterly to ensure that changes in circumstances have not affected their adequacy and effectiveness. The Risk and Control Matrix is used for risk monitoring purpose and continues to be reviewed on a quarterly basis or whenever the business environment changes substantially to ensure that changes in circumstances have not altered risk priorities.

In addition to the Risk and Control Matrix, reports on the internal controls are also provided to the ARCC on a periodic basis to assess the adequacy of the existing internal controls and risk framework.

The ARCC, with the assistance of internal and external auditors, reviews and reports to the Board on the effectiveness and adequacy of ESR-REIT's risk management and internal control system, including financial, operational, compliance and information technology controls, taking into consideration the reports and assurance provided by Management, recommendations of both internal and external auditors and the timely and proper implementation of all required corrective, preventive or improvement measures.

In line with the strategic objectives of providing Unitholders with a stable income stream and achieving long term growth in net asset value per unit, the Manager critically analyses each transaction before proceeding. To arrive at an investment decision, the Manager identifies the risk exposures and determines how to mitigate, transfer, manage and/or reduce those risks, where possible, to a level which is appropriate for the corresponding expected return on that investment. Extensive procedures, including due diligence, are carried out at various stages of the investment process.

The Board reviews management reports and feasibility studies on proposed acquisitions prepared by the Manager, and approves the proposal if the Board believes it is in the best interests of the Trust and its Unitholders to enter into the transaction.

The Manager is committed to conduct its business within a framework that fosters the highest ethical and legal standards. The Manager has a whistle-blowing policy that is made available on ESR-REIT's website. The policy provides a channel for external parties, in addition to employees, to raise concerns and continues to provide employees reassurance that they will be protected from reprisals or victimisation for whistleblowing in good faith.

The Board has received confirmation from both the CEO and CFO of the Manager that they are not aware of any events that have arisen which would have a material effect on the financial results of ESR-REIT and its subsidiaries (the "Group"), except as disclosed in the financial results, and nothing has come to their attention which may render the financial results false or misleading. In addition, they have provided assurances to the Board that the financial records have been properly maintained and the financial statements give a true and fair view of the Trust's operations and finance.

The Board and ARCC have also received confirmation from CEO, CFO, Head of Real Estate, Head of Capital Markets & Investor Relations and Head of Compliance & Risk Management, that to the best of their knowledge and belief, the system of risk management and internal controls were adequate and effective to address all material risks.

Their confirmation is based on:

- Both internal and external auditors have confirmed that based on their audits conducted, there were no issues to warrant any significant concerns in the risk management and internal controls system of ESR-FM;
- Compliance Department has confirmed the following:
    - o Based on internal quarterly compliance monitoring reviews conducted, there were no issues to warrant any significant concerns in the areas covered in the compliance monitoring program;
    - o There were no issues to warrant significant concerns on the continuous fit and properness of directors and appointed representatives based on the annual due diligence conducted on them;
    - o Key risk and control matrix for ESR-REIT, ESR-FM and ESR-PM was reviewed and updated on a quarterly basis by the Heads of Departments, IT Manager and Senior HR Manager, to ensure relevance and controls are continuously in place for each risk;
- Quarterly and annual attestations on the risk monitoring tools, quarterly attestations from employees, appointed representatives, Management Team and Directors in terms of compliance with relevant regulatory requirements;
- Sufficient training hours were attended by all staff;
- Policies and procedures are in placed to reduce operational risks and serves as guidance in day-to-day work processes;

- Quarterly letter of representation in connection with the unaudited financial statements announcement were provided by both CEO and CFO (previously known as COO & CFO) confirming that nothing has come to their attention which may render the result announcements to be false or misleading in any material aspect;
- There have been no communications from the relevant regulatory bodies concerning material non-compliance with or deficiencies in the internal controls of ESR-REIT as well as the managers;
- There has been no fraud or suspected fraud affecting the Group involving the management, employees who have significant roles in internal controls or others;

Based on the above, pursuant to Rule 1207(10) of the Listing Manual, the Board with the concurrence of the ARCC is of the opinion that the Manager's system of internal controls, were adequate and effective as at 31 December 2018 to address financial, operational, compliance and information technology risks, which the Manager considers relevant and material to ESR-REIT's operations.

The Board of Directors has reasonable assurance on the internal controls of the Manager, taking into account the nature, scale and complexity of ESR-FM's operations to support the type of properties that ESR-REIT invests in and size of ESR-REIT's property portfolio.

Dealing in ESR-REIT Units

The Trust Deed requires each director of the Manager to give notice to the Manager of his acquisition of units or to any changes to the number of units which he holds, or in which he has an interest, within two business days after such acquisition, or the occurrence of the event giving rise to changes in the number of units which he holds, or in which he has an interest, as applicable. The SFA also requires directors and CEO of the Manager to give such notice. All dealings in units by the directors and CEO of the Manager are to be announced through SGXNET.

In general, the directors and employees of the Manager are encouraged to hold the units and not to deal on short-term considerations. The Manager has adopted an internal policy which provides guidelines for dealing in units, under which directors, CEO and employees are prohibited from dealing in units in the period commencing:

1. One month before the public announcement of ESR-REIT's annual results and, where applicable, ESR-REIT's property valuations, ending on the date of announcement of the relevant results;
2. Two weeks before the announcement of ESR-REIT's quarterly results, ending on the date of announcement of the relevant results; and
3. At any time whilst in possession of undisclosed material information.

In addition, while in possession of undisclosed material information, Directors and employees of the Manager are not to advise others to trade in ESR-REIT units or communicate such information to another person.

Prior to the commencement of the prohibition period, directors and employees are reminded not to trade during this period or whenever they are in possession of undisclosed material information.

In addition, the Manager has given an undertaking to the MAS that it will announce to the SGX-ST the particulars of its holdings in the units and any changes thereto within two business days after the date on which it acquires or disposes of any units. The Manager has also undertaken that it will not deal in ESR-REIT units during the period commencing two weeks before the public announcement of ESR-REIT's quarterly results or one month before the annual results, and if applicable, property valuation, and ending on the date of announcement of the relevant results.

Review Procedures for Interested Party Transactions ("IPT")

The Manager has established an internal control system to ensure that all future transactions involving the Trustee and any related party of the Manager or ESR-REIT are undertaken on normal commercial terms and will not be prejudicial to the interests of ESR-REIT and the Unitholders. Generally, the Manager will demonstrate to the ARCC that such transactions satisfy the foregoing criteria, which may entail obtaining quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent valuers, in accordance with the Property Funds Appendix. In addition:

- transactions equal to or exceeding $100,000 in value but below 3% of the value of ESR-REIT's net tangible assets are subject to review by the ARCC at regular intervals;
- transactions equal to or exceeding 3%, but below 5% of the value of ESR-REIT's latest audited net tangible assets, are subject to the review and prior approval of the ARCC. Such approval will only be given if the transactions are on normal commercial terms and consistent with similar types of transactions made by Trustee with third parties which are unrelated to the Manager; and

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- transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 5% of the value of ESR-REIT's latest audited net tangible assets, are reviewed and approved by the ARCC who may, as it deems fit, request advice on the transaction from independent sources or advisers, including obtaining valuations from independent valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning ESR-REIT relate to transactions entered into, or to be entered into, by the Trustee for and on behalf of ESR-REIT with a related party of the Manager or ESR-REIT, the Trustee is also required to ensure that such transactions are conducted on normal commercial terms and are not prejudicial to the interests of ESR-REIT and the Unitholders.

Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or ESR-REIT. If the Trustee is to sign any contract with a related party of the Manager or ESR-REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Appendix and the provisions of the Listing Manual relating to interested person transactions, as well as such other guidelines issued by MAS and the SGX-ST that apply to REITs. All IPTs (and the basis, quotation obtained to support its basis) entered into are maintained in records by the Manager and reviewed by the ARCC.

ESR-REIT will, in compliance with Rule 905 of the Listing Manual, announce any interested person transaction if such transaction, either by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3% or more of ESR-REIT's latest audited net tangible assets.

Dealings with Conflicts of Interest

The following key protocols have been established to deal with conflict of interest issues:

- all executive officers are employed by the Manager;
- all resolutions in writing of the directors of the Manager in relation to matters concerning ESR-REIT must be approved by a majority of the directors, including at least one Independent Director;
- at least half of the Board is comprised of Independent directors;
- in respect of the matters in which a director or his associates have an interest, direct or indirect, such interested director will notify his interest and, where appropriate, abstain from voting and recuse himself from any discussion on the matter. In such matters, the Board may also seek external professional advice to assist in their deliberations;
- matters in which any of its shareholders has an interest (whether directly or indirectly), the nominee director appointed by the relevant shareholder shall abstain from voting and recuse himself from any discussion in such matters and the quorum must comprise a majority of the independent directors;
- all IPTs must be reviewed by the ARCC and approved by a majority of the ARCC. If a member of the ARCC has an interest in a transaction, he will, where appropriate, abstain from voting and recuse himself from the discussion as well;
- directors receive training about their duties including the importance of not being influenced by directives from the shareholders which may conflict with the obligations of the Manager owed to clients, Unitholders or third parties who may, in turn, owe obligations to ESR-REIT, or with their broader duties as directors;
- notwithstanding any request from its shareholders, decisions regarding service providers retained will go through a due diligence process conducted by the Manager to ensure that appropriate services are acquired in the circumstances;
- to prevent misuse of confidential information, employees must not disclose, or use for their own purposes, or cause any unauthorised disclosure of, any information of a confidential nature relating to the business of the Manager or its affiliates or its agents or customers;
- under the Trust Deed, other than a meeting convened for the removal of the Manager, the Manager and its associates are prohibited from being counted in a quorum for or voting at any meeting of Unitholders convened to approve any matter in which the Manager or any of its associates has a material interest. For so long as ESR-FM is the Manager, the controlling shareholders (as defined in the Listing Manual) of ESR-FM and their respective associates are prohibited from being counted in the quorum for or voting at any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholder and/or their associates have a material interest;

- 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 ESR-REIT with an affiliate of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) for legal advice on the matter. If that law firm is of the opinion that the Trustee, on behalf of ESR-REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager is obliged to take appropriate action in relation to such agreement. The directors of the Manager will 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 a breach of any agreement entered into by the Trustee for and on behalf of ESR-REIT with an affiliate of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and in the interests of Unitholders. Any decision by the Manager not to take action against an affiliate of the Manager shall not constitute a waiver of the Trustee's rights to take such action as it deems fit against such affiliate; and
- the Manager ensures that the CEO is fully committed to the operations of ESR-REIT's operations as he is employed full-time in the day-to-day operations of the REIT manager and he does not take up any executive role in another entity.

Audit Committee

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

The ARCC was established to assist the Board in its oversight of ESR-REIT and the Manager's governance in relation to financial, risk, audit, information technology and compliance matters. The ARCC's scope of authority and responsibilities are defined in its term of reference and in compliance with the revised second edition of the Audit Committee ("AC") Guidelines announced in August 2014.

Based on the new CG Code 2018 and MAS Notice and Guidelines to REIT Managers, the ARCC must comprise at least three directors, majority of whom must be independent. As at 28 February 2019, all five members in the ARCC are independent as indicated in the table below:

1. Mr. Bruce Kendle Berry, Chairman
   (Independent Non-Executive Director)
2. Mr. Ooi Eng Peng, Member
   (Independent Non-Executive Director)
3. Mr. Erle William Spratt, Member
   (Independent Non-Executive Director)
4. Mr. Ronald Lim Cheng Aun, Member
   (Independent Non-Executive Director)
5. Dr. Leong Horn Kee, Member
   (Independent Non-Executive Director)

The separation of the roles of the Chairman of the Board and the Chairman of the ARCC ensures greater independence of the ARCC in the discharge of its duties.

Members of the ARCC bring with them invaluable experience and professional expertise in the banking, accounting, financial management and real estate areas. Mr. Bruce Kendle Berry is a Chartered Accountant and Mr. Erle William Spratt is qualified as a Chartered Accountant of Chartered Accountants Australia and New Zealand. Mr. Ooi Eng Peng is a Member of the Certified Practising Accountants of Australia. Mr. Ronald Lim Cheng Aun has extensive experience in the banking and finance industry and Dr. Leong Horn Kee has vast experience in property development and management, including industrial properties.

The ARCC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any director or staff to attend its meetings. The ARCC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The ARCC's functions are broadly defined as assisting the Board in fulfilling its oversight responsibilities by:

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial information provided by the Manager to any governmental authority or the public and any announcements relating to ESR-REIT's financial performance;
- assessing, and challenging, where necessary, the accuracy, completeness, and consistency of financial reports, before they are submitted to the Board for approval or made public;
- reviewing and monitoring the effectiveness and adequacy of the systems of internal controls, including financial, operational, compliance, information technology and risk management controls and procedures that Management and the Board have established;

- reviewing the assurance provided by the CEO and CFO that the financial records have been properly maintained, and the financial statements give a true and fair view of ESR-REIT's operations and finances;
- overseeing and reviewing the adequacy and effectiveness of the company's risk management function;
- overseeing Management in establishing the risk management framework of the company;
- reviewing the effectiveness of the company's internal audit function;
- reviewing the scope and results of the external audit ("EA"), the independence and objectivity of the EA. The ARCC shall then recommend to the Board the appointment, reappointment and removal of the EA and its remuneration and terms of engagement;
- ensuring that ESR-REIT and the Manager comply with the requisite laws and regulations;
- overseeing the establishment and operation of the whistleblowing process in the company;
- reviewing IPTs

The ARCC's activities for FY2018, included the following:

(a) Financial Reporting

The ARCC reviewed the interim and annual financial statements and financial results announcements required by the SGX-ST, for recommendation to the Board for approval.

The ARCC's oversight of financial reporting included review of changes in Financial Reporting Standards and discussions with Management and the external auditor on the impact of current and impending changes on financial reporting by the Group.

In the review of the financial statements, the ARCC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditor and were reviewed by the ARCC:

Significant Matters	How the ARCC reviewed these matters and what decisions were made
Valuation of investment properties and investment property held for divestment	The ARCC considered the approach and methodology applied to the valuation model in assessing the valuation of the investment properties. The financial statements adopted the values determined by the relevant independent valuers. The ARCC reviewed the reasonableness of the projected cash flows, the key assumptions used (including the market rental growth, capitalisation and discount rates) and the procedures taken where rates were outside the expected range in the valuation model. The valuation of the investment properties was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for FY2018. Please refer to page 133 of this Annual Report.
Accounting for the acquisition of the stapled securities of Viva Industrial Trust ("VIT")	FRS 103 Business Combinations stipulates that an entity shall determine whether a transaction or other event is a business combination, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an asset acquisition. The transaction is assessed and accounted for as an asset acquisition as a business combination requires an integrated set of activities to be acquired in addition to the properties. Integrated set of activities includes significant processes such as strategic management and operational processes. Notwithstanding that ESR-FM had acquired VITM (VIT ex-manager), ESR-FM had only acquired the management rights to manage Viva Trust's portfolio of nine properties. The strategic management (such as the asset management process) is conducted by ESR-FM and the operational management (such as the operational and property management process) is carried out by ESR-PM. Hence, it is assessed that no strategic and operational processes were acquired along with the portfolio of nine properties and it is an asset acquisition rather than a business combination. Accordingly, the acquisition does not constitute an acquisition of a business and has been accounted for as an asset acquisition. The ARCC reviewed the reasonableness of Management's assessment and concurred with Management's conclusion. The acquisition of the stapled securities of VIT was an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for FY2018. Please refer to page 134 of this Annual Report.

Following the review and discussions, the ARCC recommended to the Board to approve the FY2018 financial statements of ESR-REIT.

(b) External Audit

Ernst & Young LLP ("E&Y") was appointed as the external auditor of ESR-REIT on 25 April 2017. The ARCC reviewed and approved the audit plan and scope with the external auditors and critically reviewed the report on the audit of the year-end financial statements.

The ARCC assessed the independence and quality of the external auditor and also met with the external auditors without the presence of the Management throughout the year. E&Y also provided regular updates to the ARCC on relevant changes to the accounting standards and the implications on the financial statements. The aggregate amount of the audit fees paid/payable by ESR-REIT and its subsidiary to the external auditors for FY2018 was S$783,000, of which audit and non-audit fees amounted to S$300,000 and S$483,000 respectively. The ARCC has undertaken a review of all non-audit services provided by the auditors and they would not, in the ARCC's opinion, affect the independence of the auditors.

At the end of the financial year, the ARCC also evaluated the performance of the external auditors via a checklist as well as a face to face evaluation session, as part of its responsibility to recommend to the Board whether the external auditors should be reappointed in the following year. The checklist was drafted based on the "ACRA's Audit Quality Indicators Disclosure Framework" which covers the audit hours spent, experience of audit team, quality of work, level of independence etc.

Based on the evaluation result and interactions with E&Y, the ARCC is of the opinion that E&Y has fulfilled the audit requirements of ESR-REIT. The Board has taken into account ARCC's recommendation and concurred with ARCC's endorsement. Accordingly, the Manager confirms that ESR-REIT complies with Rule 712 and 715 of the Listing Manual with respect to the suitability of the audit firm for ESR-REIT and its subsidiary. The Board also recommended the re-appointment of E&Y at the coming Annual General Meeting to be held on 24 April 2019.

(c) Internal Audit

The three-year Internal Audit Rotational Plan for FY2018 to FY2020 recommended by PricewaterhouseCoopers LLP ("PwC") was approved by the ARCC in 2018.

The ARCC reviewed the scope of internal audit work and its audit program; it reviewed the findings during the year and Management's responses thereto; and it satisfied itself as to the adequacy of the internal audit function.

An annual internal assessment was performed on PwC to evaluate the performance and effectiveness of the internal auditors. The internal assessments include the monitoring of performance of the internal audit function and annual review performed by the Compliance Department.

(d) Interested Party Transactions (IPTs)

The ARCC reviewed IPT to ensure compliance with internal procedures, provisions of the Listing Manual and the Property Funds Appendix.

(e) Whistle Blowing

The ARCC ensures that the Whistle Blowing Policy put in place provides an avenue through which staff and external parties may raise, in good faith and in confidence, any concerns about possible improprieties in matters of financial reporting or other matters to the Chairman of the ARCC and that there will be independent investigation and appropriate follow-up action taken.

External parties can raise their concerns by submitting the prescribed form found on www.esr-reit.com.sg/whistleblowing.html, to whistleblowing@esr-reit.com.sg.

The ARCC meets at least four times a year. It has full access to the external and internal auditors and meets with the auditors, without the presence of Management, on a quarterly basis.

The number of ARCC meetings held and corresponding attendances for FY2018 are set out on page 74.

Internal Audit

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

Given the Manager's size and scale of operations, the Manager outsources the internal audit function. PwC has been appointed as the internal auditor for a 3-year period from FY2018 to FY2020. PwC adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal auditor primary reporting line is to the Chairman of ARCC and administratively to the CEO. The ARCC reviews and approves the annual internal audit plan, and ensures that the internal auditor has adequate resources to perform its functions. The ARCC also reviews the results of internal audits and Management's actions in resolving any audit issues reported.

The ARCC is satisfied with the suitability of the internal auditors and is of the view that the internal audit function is adequately resourced to perform its functions, and has appropriate standing within the Manager.

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UNITHOLDERS RIGHTS AND RESPONSIBILITIES

Unitholders' Rights

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

Communication with Unitholders

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

Conduct of Unitholder Meetings

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

The Manager has in place a dedicated investor relations team and an Investor Relations and Corporate Communication Policy which handles communications with investors, the investment community, analysts and the media, and sets out the principles and practices that the Manager adopts to ensure that Unitholders and prospective investors are provided with relevant up to date information on the REIT to make informed investment decisions.

The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders, the investing community and other stakeholders. The Manager's disclosure policy requires timely and full disclosure of financial reports and all material information relating to ESR-REIT by way of public releases or announcements through the SGX-ST via SGXNet. This will be subsequently followed up with the release on ESR-REIT's website at www.esr-reit.com.sg.

More information on how the Manager communicates with the Unitholders are set out on pages 100 to 103 of the Annual Report, under "Investor Engagement".

Unitholders are informed of general meetings through notices (such notice will also be published on SGXNet, newspapers and ESR-REIT's website) accompanied by annual reports or circulars sent to them. Any Unitholders who are not able to attend these meetings are allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent before the proxy submission cut-off time. The Manager has also catered for the newly introduced multiple proxy regime, in anticipation of attendance by beneficial unitholders at General Meetings. Directors together with the management, external legal counsel and the auditors will be in attendance at these meetings to address questions from Unitholders.

Unitholders are provided with ample opportunities to raise relevant questions and to communicate their views at Unitholders' meetings. At the Unitholders' meetings, each matter is proposed as a separate resolution. To ensure transparency, the Manager conducts electronic poll voting for the Unitholders/proxies present at the meeting for all resolutions proposed at the Unitholders' meetings. All votes cast for or against and their respective percentages will be displayed immediately at the meeting after the conduct of each poll. The total number of votes cast for or against the resolutions and the respective percentages are also announced in a timely manner after the meeting via SGXNet. The Company Secretary prepares the minutes of the Unitholders' meetings and going forward, the Manager will publish minutes of AGM and EGM on its corporate website as soon as practicable in accordance with the CG Code 2018.

ESR-REIT's website also provides visitors with the option to sign up for a free email alert service when there is any newly posted information on the website or provide any feedback via the electronic feedback form on the website. In addition, the Manager also provides the specific investor relations contact on the website, to allow unitholders to ask questions and receive responses in a timely manner. Trust Deed will be provided to unitholders via email or physical copy upon request.

Our Policies and Practices

The CG Code encourages listed companies to have a policy on the payment of dividends. The Manager's policy is to distribute at least 90% of ESR-REIT's annual distributable income, comprising substantially its income from the letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion taking into account the needs of the Trust for capital expenditure, working capital requirements and the liquidity position of ESR-REIT. Since the listing in 2006, ESR-REIT has distributed 100 percent of its taxable income to its Unitholders.

FEES PAYABLE TO THE MANAGER

Pursuant to the CIS Code, where fees are payable to the Manager out of the deposited property value of ESR-REIT's, the justifications and methodology for each type of fees payable should be disclosed. The methodology is disclosed in Note 1 of the audited financial statements for FY2018.

Management Fees

The Manager is entitled to receive a base fee and performance fee for the management of ESR-REIT's portfolio. The payment for the total of base fee and performance fee is capped at 0.8% of ESR-REIT's total deposited property value per annum under the Trust Deed Clause 15.1.3. The amount in excess of the fee cap will be carried forward for payment in future financial years.

Base Fee

The Base Fee enables the Manager to cover operational and administrative overheads incurred in the management of the portfolio. The fee is computed at 0.5% per annum of the deposited property value in accordance with Clause 15.1.1 of the Trust Deed. The fee is calculated at a percentage of asset value as the asset value provides an appropriate metric to determine the resources for managing the assets.

Based on the Manager's election, the fee is payable in cash, units or a combination of both. Under the Trust Deed, the cash component of the base fee is payable monthly in arrears within 30 days of the calendar month end while the unit component of the base fee is accrued and issued within 30 days of the financial quarter.

The issue price for the manager fees paid in units was determined based on the volume weighted average price for a Unit for all the trades done on the Singapore Exchange Securities Trading Limited ("SGX-ST") in the ordinary course of trading on the SGX-ST for the last ten business days ("10-day VWAP") of the relevant quarter.

Performance Fee

The Manager's performance is measured by the growth in distribution per unit ("DPU Growth Model") of the Trust subject to the DPU threshold being met.

The performance fee under the DPU Growth Model is computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in issue for such financial year. The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by the Trust in the previous years for which a performance fee was payable ("Highest DPU Threshold"). Whenever a performance fee is earned, the Highest DPU Threshold will be adjusted to the highest DPU achieved. In order to be eligible for a performance fee in future, the Manager would have to outperform the adjusted Highest DPU Threshold.

The pegging of the Performance Fee to DPU aligns the interest of the Manager with those of Unitholders as the compensation commensurate with the value the Manager delivers to Unitholders as a whole in the form of DPU.

With DPU Growth Model, the Manager will be more committed to providing the Unitholders with stable distribution on a more sustainable basis. The Manager is motivated to increase DPU through the efficient portfolio management, astute cost management and effective use of debt and equity. This can be achieved by pro-active organic and external growth strategies such as asset enhancement initiatives, acquisitions, developments and divestments to continually rebalance the portfolio and sustain income accretions. Taking on short-term risks is deterred as the Manager strives to achieve sustainability.

The fee is payable in cash, units or a combination of both at the option of the Manager. Under Clause 15.1.2 of the Trust Deed, the performance fee payable whether in cash or units, is payable in arrears within 30 days of the financial year end.

The issue price for the performance fees paid in units was determined based on the greater of five business day VWAP before and after the relevant financial year (ie 10 days VWAP in total) and gross asset value per unit.

Acquisition Fee

The Acquisition Fee earned by the Manager is contingent upon the successful completion of property acquisitions. This fee entitlement is prescribed in Clause 15.2 of the Trust Deed. This fee seeks to motivate and compensate the Manager for its efforts expended to continually seek out and acquire DPU accretive assets to increase sustainable returns for Unitholders.

The Acquisition Fee also allows the Manager to recover the additional costs and resources incurred by the Manager in the course of seeking out new acquisition opportunities, including but not limited to due diligence efforts and man hours spent in evaluating the transaction.

As required by the Property Funds Appendix, where the acquisition fees are to be paid to the Manager for the acquisition of assets from an interested party, the acquisition fees are to be paid in the form of units based on the 10 days VWAP prior to the completion date of the acquisition. These units should not be sold for a period of one year from their date of issuance. As the Manager's interest is closely tied to the performance of DPU, this ensures that related party acquisition performs and contributes to Unitholders' returns.

Please see Note 1 of the audited financial statements for FY2018 for computation methodology.

Divestment Fee

The Divestment Fee earned by the Manager is contingent upon the successful completion of property divestments. This fee entitlement is prescribed in Clause 15.3 of the Trust Deed. This fee seeks to motivate and compensate the Manager for its efforts expended to continually rebalance the portfolio and maximise value received by the Trust in the divestment. In addition, the Divestment Fee allows the Manager to recover the additional costs and resources incurred by the Manager for the divestment, including but not limited to due diligence efforts and man hours spent in marketing and maximising the divestment price.

As required by the Property Funds Appendix, where divestment fees are to be paid to the Manager for the divestment of assets to an interested party, the divestment fees are to be paid in the form of units based on the 10 days VWAP prior to the completion date of the divestments. These units should not be sold for a period of one year from their date of issuance.

Please see Note 1 of the audited financial statements for FY2018 for computation methodology

CORPORATE GOVERNANCE

CODE OF CORPORATE GOVERNANCE 2012

Guidelines for Disclosures

Guideline	Questions	How has the manager complied?
Board's Conduct of Affairs		
Guideline 1.3	Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Please refer to Principle 1 on The Board's Conduct of Affairs, pages 73 to 75 of the Annual Report.
Guideline 1.4	The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	Please refer to Principle 1 on The Board's Conduct of Affairs, page 74 of the Annual Report.
Guideline 1.5	The types of material transactions which require approval from the Board	Please refer to Principle 1 on The Board's Conduct of Affairs, page 73 of the Annual Report.
Guideline 1.6	The induction, orientation and training provided to new and existing directors	Please refer to Principle 1 on The Board's Conduct of Affairs, page 75 of the Annual Report.
Board Composition and Guidance		
Guideline 2.3	The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the CG Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	Please refer to Principle 2 on Board Composition and guidance, pages 75 to 77 of the Annual Report.
Guideline 2.4	Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed.	None of the directors has served on the Board for more than nine years.
Chairman and Chief Executive Officer		
Guideline 3.1	Relationship between the Chairman and the CEO where they are immediate family members	Please refer to Principle 3 on Board Membership, pages 77 to 78 of the Annual Report.
Board Membership		
Guideline 4.1	Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	Please refer to Principle 4 on Board Membership, page 78 of the Annual Report.
Guideline 4.4	The maximum number of listed company board representations which directors may hold should be disclosed	Please refer to Principle 4 on Board Membership, pages 78 to 79 of the Annual Report. No maximum limit has been formally set by the Board on the number of listed company board representations a Director can hold as the NRC is of the view that the duties of all Directors have been fully discharged based on the time and attention devoted by each Director, their individual abilities and their respective individual contribution of skills, knowledge, experience and commitment to the affairs of ESR-REIT.

Guideline	Questions	How has the manager complied?
Board Membership		
Guideline 4.6	Process for the selection, appointment and reappointment of new directors to the Board, including the search and nomination process	Please refer to Principle 4 on Board Membership, page 78 of the Annual Report.
Guideline 4.7	Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Please refer to the following: – 'Board of Directors', pages 23 to 27 of the Annual Report – Principle 1 on the Board's Conduct of Affairs, page 74 of the Annual Report – Principle 2 on Composition and independence of Board, pages 75 to 77 of the Annual Report. – Principle 4 on Board Membership, pages 78 to 79 of the Annual Report.
Board Performance		
Guideline 5.1	The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	Please refer to Principle 5 on Board Performance, page 79 of the Annual Report.
Remuneration Matters		
Guideline 7.1	Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	Please refer to Principle 4 on Board Membership, page 78 of the Annual Report.
Guideline 7.3	Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	Please refer to Principle 7 on Procedures for Developing Remuneration Policies and Principle 8 on Level and Mix of Remuneration, page 80 of the Annual Report.
Disclosure on Remuneration		
Guideline 9	Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration.	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, pages 80 to 81 of the Annual Report.
Guideline 9.1	Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and postemployment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, pages 80 to 82 of the Annual Report.

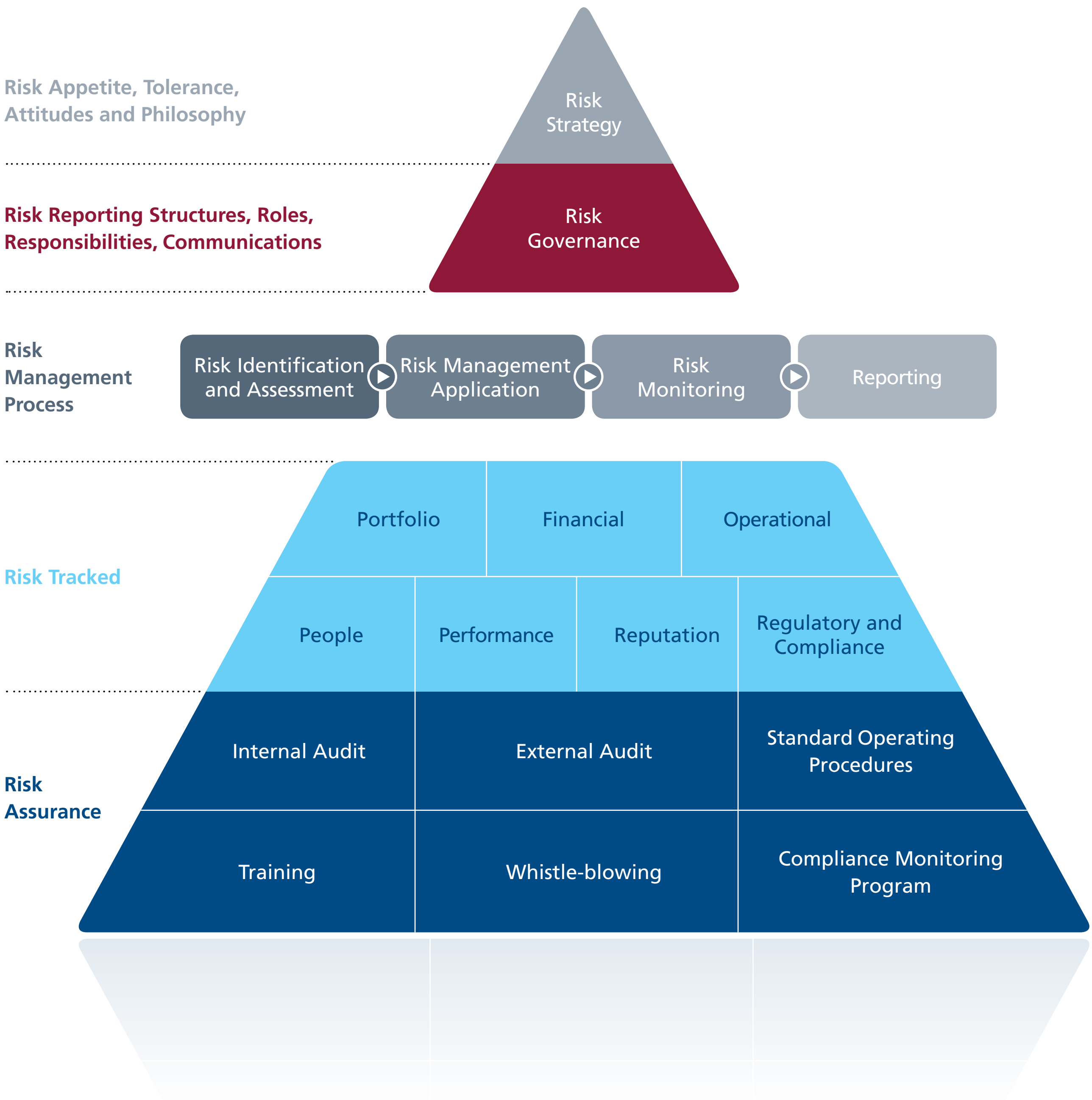
Guideline	Questions	How has the manager complied?
Remuneration Matters		
Disclosure on Remuneration		
Guideline 9.2	Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, where the Manager has also provided the reasons for non-disclosure on pages 81 to 82 of the Annual Report in relation to the CEO's remuneration.
Guideline 9.3	Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, pages 81 to 82 of the Annual Report.
Guideline 9.4	Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000	N.A.
Guideline 9.5	Details and important terms of employee share schemes	No employee share schemes provided to employees.
Guideline 9.6	For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	Please refer to Principle 7 on Procedures for Developing Remuneration Policies, Principle 8 on Level and Mix of Remuneration and Principle 9 on Disclosure on Remuneration, pages 80 to 82 of the Annual Report.

Guideline	Questions	How has the manager complied?
Risk Management and Internal Controls		
Guideline 11.3	The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems	Please refer to Principle 11 on Risk Management and Internal Controls, pages 83 to 87 of the Annual Report.
Audit Committee		
Guideline 12.1	Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	Please refer to Principle 12 on Audit Committee, pages 87 to 88 of the Annual Report.
Guideline 12.6	Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	Please refer to Principle 12 on Audit Committee, page 89 of the Annual Report.
Guideline 12.7	The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	Please refer to Principle 12 on Audit Committee, page 89 of the Annual Report.
Guideline 12.8	Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	Please refer to Principle 12 on Audit Committee, pages 87 to 89 of the Annual Report.
Communication with Unitholders		
Guideline 15.4	The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	Please refer to the following: – 'Investor Engagement', pages 100 to 103 of the Annual Report. – Principle 14 on Unitholders' Rights, Principle 15 on Communication with Unitholders and Principle 16 on Conduct of Unitholder Meetings, page 90 of the Annual Report.
Guideline 15.5	Where dividends are not paid, companies should disclose their reasons.	Please refer to Principle 14 on Unitholders' Rights, Principle 15 on Communication with Unitholders and Principle 16 on Conduct of Unitholder Meetings, page 90 of the Annual Report.

RISK MANAGEMENT

Proactive and effective risk management is a fundamental part of ESR-FM's business strategy.

ESR-FM recognises that risk management is about opportunities as much as it is about threats. To capitalize on opportunities, ESR-FM has to take risks. Therefore, risk management is not about pursuing risk minimisation as a goal, rather it is about optimising the risk-reward relationship, within known and agreed risk appetite levels. ESR-FM, therefore, takes risks in a prudent manner for justifiable business reasons.



STRONG OVERSIGHT AND GOVERNANCE

The Board of Directors of the Manager have the overall responsibility of governing risks and ensuring that ESR-FM maintains a sound risk management system and internal controls to safeguard Unitholders' interests and ESR-REIT's assets. For these purposes, the Board is assisted by the ARCC which provides dedicated oversight of risk management at the Trust and Manager Level. The ARCC currently comprises five independent members and meets on a quarterly basis. The meetings are attended by the CEO, CFO, Head of Real Estate and Head of Compliance and Risk Management of ESR-FM.

Risk Management Process

The Manager adopts a four-step risk management process to manage different risks by performing the following steps:

1. **Risk identification and assessment;**
2. **Risk management application;**
3. **Risk monitoring; and**
4. **Reporting**

1 Risk Identification and Assessment

The Enterprise-Risk Management ("ERM") Risk Appetite Statement was formulated and approved by the Board to identify the nature and extent of key material risks and risk appetite threshold of ESR-REIT and ESR-FM. Both Risk Appetite Statements are monitored on a quarterly basis to ensure that all risks are appropriately managed. The ERM Risk Appetite Statements are reviewed and tabled to both the Board and ARCC on a quarterly basis for their notation. The metrics adopted for each measure will be reviewed at least annually or more frequently if the business environment warrants.

Besides using ERM Risk Appetite Statement as one of the tools to identify and assess risks, ESR-FM requires respective Head of Departments to proactively identify, assess and document material operational risks as well as controls and/ or treatment actions needed to address them, on a quarterly basis. The Key Risks and Control Matrix ("Risk Matrix") covers ESR-REIT's and ESR-FM's material operational risks, the likelihood of the risks occurring, the consequences should they occur and the controls put in place to mitigate or manage these risks. The material operational risks are sub-categorised into commercial and legal, economic/financial, market, operational, technology, business continuity, human resources, occupational health and safety ("OHS")/environmental, development and strategic. The Risk Matrix is reviewed by the CEO before they are presented to the ARCC and the Board.

2 Risk Management Application

Besides using the ERM Risk Appetite Statement and Risk Matrix to identify and assess the risks, ESR-FM also uses other tools to manage risks. The Compliance Matrix is one such tool that lists a summary of the major regulatory requirements related to both ESR-FM and ESR-REIT. It covers the Securities and Futures Act ("SFA"), Securities and Futures Regulations ("SFR") and related Notices and Guidelines, SGX-ST Listing Rules, CIS Code, Companies Act and Personal Data Protection Act. Identified regulations are reviewed yearly or whenever the business environment changes substantially or whenever there are new relevant regulations to ensure that the matrix is kept up-to-date.

ESR-FM has various policies and procedures to reduce operational risks by providing uniform practices that serve as a basis for guidance in day-to-day operation and to facilitate the understanding and correct implementation of different work processes. All policies and procedures are reviewed and updated where relevant at least once a year to ensure they are kept up-to-date. Any revisions, amendments and supplements to the various policies must be approved by the Board, ARCC or the CEO, as appropriate.

To increase the level of awareness and knowledge of various risks, controls requirements and processes within ESR-REIT and ESR-FM, all new employees are required to undergo induction training by the various departments. On-the-job training will be provided to equip the staff with the knowledge and skills to carry out their work. Internal training will be conducted for the purpose of information sharing, especially on changes relating to internal policies. Staff are encouraged to source for external training that relates to their field of expertise and/or are included in personal development plans. Skills and knowledge acquired via such training can be applied to their work to improve work processes or control requirements thus effectively reducing operational risks for ESR-FM.

3 Risk Monitoring

To ensure that risks are effectively managed and controlled, the following are some of the methods of risk monitoring adopted by ESR-FM. The monitoring results are reported to ARCC and noted by the Board through ARCC updates.

1. Quarterly monitoring of ERM Risk Appetite Statement
2. Quarterly review of Key Risk and Control Matrix
3. Quarterly monitoring of outstanding internal/external audit recommendations

RISK MANAGEMENT

4. Quarterly attestations from employees, appointed representatives, Heads of Departments and Directors in terms of compliance with relevant regulatory requirements
5. Quarterly reporting of breaches, potential breach and loss events

In addition to the above risk monitoring methods, ESR-FM has formulated a Compliance Monitoring Framework using the Compliance Matrix as a base document. A risk assessment of all regulatory requirements impacting both ESR-REIT and ESR-FM will be performed on an annual basis which will guide the approach taken for Compliance's oversight function. The risk assessment exercise consists of both inherent risk and residual risk assessment with a rating scale of low, medium and high. With the results generated, Compliance will conduct oversight through a combination of routine monitoring and risk-based monitoring programmes (otherwise known as the Compliance Monitoring Programme). A two-year Compliance Monitoring Program based on the results of the risk assessment will be tabled to both the ARCC as well as the Board for approval. Upon the approval of the program, Compliance will proceed to implement the program and the results of the reviews will be tabled to both ARCC and the Board on a quarterly basis for their review.

4 Reporting

Reports are provided to ARCC/Board/Regulators on a regular basis to provide updates on ESR-FM's risk and compliance management activities.

Risk Tracked

ESR-FM undertakes an iterative and comprehensive approach in identifying, managing, monitoring and reporting of material risks. Such material risks include:

Portfolio Risk

The key objectives of ESR-FM are to deliver secure and stable distributions to Unitholders and to achieve long term growth in Net Asset Value ("NAV") per unit in order to provide Unitholders with a competitive rate of return for their investment. To achieve these objectives, the Manager uses the following strategies:

1. Proactively managing ESR-REIT's property portfolio to maximise returns;
2. Selectively acquiring properties that meet our investment criteria and enhance Unitholders' value;
3. Divesting of non-core properties; and
4. Adopting prudent capital and risk management strategies

The investment portfolio will primarily comprise real estate used mainly for industrial purposes (including investments in real estate related assets and/or other related value enhancing assets or instruments). The investments will be made in Singapore and Asian markets, with the current focus on the local market, depending on investment opportunities and market conditions and will be for the long- term. To manage the impact of economic uncertainties, ESR-FM monitors economic development as well as any policies that have an impact on the daily operations within the portfolio.

Financial Risk

ESR-FM monitors the financial market risk and capital structure actively as prudent capital management is the key for a sustainable business. ESR-FM needs to ensure that there is diversity in terms of source of funds, a well-staggered debt maturity profile, and a gearing ratio within its target range, to mitigate any financial and liquidity risk.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to ESR-REIT, as and when they fall due. ESR-FM established credit limits for tenants and monitors their balances on an on-going basis. Credit evaluations are performed by ESR-FM before lease agreements are entered into with the lessees. In addition, ESR-REIT requires the lessees to provide tenancy security deposits or corporate guarantees, or to assign rental proceeds from sub-lessees to ESR-REIT.

Interest Rate

ESR-REIT's exposure to changes in interest rates relate primarily to its interest-bearing financial liabilities. Interest rate risk is managed by ESR-FM on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. ESR-REIT adopts a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps and/or fixed rate borrowings.

Currency Risk

At present, all transactions involving ESR-REIT are denominated in Singapore dollars and the Group faces no currency risk. If this were to change in the future, ESR-FM would consider currency hedging to the extent appropriate.

Liquidity and Refinancing Risk

ESR-FM monitors the liquidity risk of ESR-REIT and maintains a level of cash and cash equivalents deemed adequate by management to finance ESR-REIT's operations. Typically, ESR-REIT will ensure that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. ESR-FM monitors and observes the CIS Code issued by the Monetary Authority of Singapore ("MAS") concerning limits on total borrowings.

Operational Risk

Policies, procedures and systems are put in place to ensure business continuity. This includes the monitoring of incidents and ensuring safety-related standards and procedures are set in place. To mitigate the risk of any disasters, disaster recovery testing is conducted at least once a year.

Performance and Reputation Risk

ESR-REIT's NPI yield, Mean Expense Ratio ("MER") and DPU are some of the metrics monitored and measured against peer benchmarks to ensure that the Trust is performing better than or at least on par with the market. In addition, regulatory requirements on base capital and financial resources are being monitored to ensure that the requirements are met on an ongoing basis.

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of ESR-REIT by tenants, counterparties, shareholders, investors and regulators. ESR-FM uses formal media monitoring to assess if there are any adverse news on ESR-REIT that warrants any actions from the Manager.

Other than the above material risks, ESR-FM also needs to manage the following risks:

Regulatory and Compliance Risk

Due to the nature of business, ESR-FM, being a Capital Markets Services Licence Holder, is required to comply with the relevant legislation and regulations issued by MAS, SGX-ST and the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of ESR-REIT and its Unitholders. Thus, any changes in these legislation and regulations may affect ESR-REIT's business, results or operations. The Manager has established relevant regulatory related policies and procedures to ensure ESR-REIT's and ESR-FM's compliance with applicable legislation and regulations. Regulatory compliance is being monitored via the reporting of results of compliance monitoring program, non-compliance instances, regulatory breaches and overdue internal/external/ regulatory inspection findings to ensure that both ESR-REIT and ESR-FM are adhering to regulatory requirements.

People Risk

People are the key to the business. Talent management including succession planning are in place for key personnel and staff remuneration is reviewed periodically to ensure it is aligned to the market to retain and reward staff.

Risk Assurance

On top of the risk management tools that are highlighted above, the Manager also has a Whistle Blowing Policy put in place which provides an avenue to employees and external parties to raise any concerns about possible improprieties in matters of financial reporting or other matters to the ARCC Chairman. Independent investigation and appropriate follow up action will be taken for all concerns raised.

INVESTOR ENGAGEMENT

The Manager is committed to provide existing and potential investors, analysts, media and other stakeholders (collectively, the "Investment Community") and the media with timely, transparent and clear information on its business operations and performance.

There were approximately more than 15,700 registered Unitholders that owned ESR-REIT units as at 31 December 2018. The Manager has a dedicated investor relations and corporate communications ("IR") team that proactively engages and meets with the investment community and media. The Manager communicates key updates on operational and financial performance as well as its strategy and initiatives through various channels such as conferences, meetings, briefings, print publications and through online communication platforms such as the corporate website.

In much of 2018, the IR team's focus was on engaging with institutional investors to update them on the merger between ESR-REIT and VIT. Aside from this, the team also participated in local and regional face-to-face meetings, group teleconferences, post-results investor briefings and investor conferences and roadshows across Singapore and the region. Participation in several of these events has provided institutional investors the opportunity to meet ESR-REIT's senior management team and develop a deeper understanding of ESR-REIT's business, its strategy and the industrial property market in Singapore.

Date	Conference	Location
7-9 March 2018	CLSA ASEAN Forum	Bangkok
27 March 2018	Maybank Kim Eng Invest ASEAN Singapore 2018	Singapore
13 June 2018	HSBC 2nd Annual Asia Credit Conference	Hong Kong
23 August 2018	C-Suite Singapore REITS & Sponsors Corporate Day 2018	Hong Kong
7 September 2018	SGX-DBSV-REITAS Corporate Day in Bangkok	Bangkok

The Manager has also engaged retail investors through various education seminars and events. The Manager tied up with the Securities Investors Association Singapore ("SIAS") to organize a dialogue session on the merger and rationale behind the merger with VIT. ESR-REIT is a member of the REIT Association of Singapore (REITAS), and participated in the REITS Symposium 2018 jointly organized by ShareInvestor and REITAS. As the event took place after the announcement of the proposed merger between ESR-REIT and VIT, the Management and IR team took the opportunity to share the benefits of the merger and address any Unitholder concerns. More details on the merger can be found on page 103.

To provide investors with a better understanding of our business and strategy, ESR-REIT also holds an Investor Day annually. This year's event was organized in conjunction with investment firm GCP Global. The event provided the senior management team with a platform to share the Manager's plans for the REIT after the merger and provide updates on the integration process of the merger.

ESR-REIT's Annual General Meeting ("AGM") was held on 20 April 2018 and 211 Unitholders attended the event. ESR-REIT also convened two Extraordinary General Meetings ("EGM") on 27 February 2018 and 31 August 2018 respectively to seek Unitholders' approval for continued equity support from its Sponsor and for the merger between ESR-REIT and VIT. All resolutions tabled at the meetings were approved.

All presentation slides were made available on the IR webpage for Unitholders' reference. Both the AGM and EGM provided important channels for communication between the senior management team and Unitholders. Unitholders were able to address their queries and provide feedback to the senior management team and the Board of Directors during the open dialogue sessions following the formal proceedings. The Manager utilized electronic voting by poll for the resolutions put forward at the AGM and EGM, resulting in greater efficiency and accuracy during the polling process.

ANALYST ENGAGEMENT

In FY2018, the manager actively engaged coverage analysts to provide timely updates with regards to the merger between ESR-REIT and VIT. DBS Group Research, CGS-CIMB and Daiwa Capital Markets issued add/buy calls in favor of the proposed merger. Post-merger, we continued to engage with the analysts to give updates on integration plans and the REIT's strategy going forward. The manager also organized a site visit tour for analysts to showcase ESR-REIT's enlarged and diversified portfolio. Our prompt and continued engagement led to OCBC Investment Research initiating research coverage on ESR-REIT, issuing an Initiation Report with a buy call in December 2018.

TRANSPARENT AND ACCURATE DISCLOSURES

Analyst and media results briefings are held once every six months to provide updates on ESR-REIT's half-year and full-year financial and operational performance. Site visits to our properties are regularly conducted for the investment community, analysts and media, to promote greater understanding of the performance of the various properties and the AEIs. Following the merger with VIT, ESR-REIT has continued to step up its engagement with the investment community to enable investors to observe its strategy.

The Manager is also providing more disclosures on its sustainability initiatives in order to help investors understand the work and support provided in areas such as the community, the environment and social matters. The provision of this information enables the Manager to showcase a holistic overview of how it has created a sustainable business. More details on ESR-REIT's sustainability initiatives and data are available on pages 106 to 128.

OPEN INVESTOR COMMUNICATION THROUGH VARIOUS PLATFORMS AND RESOURCES

To help investors track the progress of ESR-REIT's growth, the Manager remains committed to ensuring all investor material is made readily available to all investors.

During the Extraordinary General Meeting held on 31 August 2018, Unitholders approved the use of electronic communications to receive notices and documents. This will increase the speed and effectiveness of communications between ESR-REIT and the Unitholders.

ESR-REIT's corporate website (www.esr-reit.com.sg) is the primary touchpoint for corporate and financial information, and details on corporate developments. It contains information on ESR-REIT including annual reports, property portfolio details, investor presentations, news releases and announcements, and is updated regularly. A revamp of the website was completed in March 2018 with new improvements introduced to the website navigation, design and contents. The website is now mobile-friendly and investors may also sign up for email alerts via the website to receive the latest updates on ESR-REIT.

ESR-REIT's senior management and IR team also believe in responding to questions from investors and analysts in a timely manner. All new material announcements are posted on the website when they are uploaded to the SGXNet to ensure equal access and prompt dissemination of information.

Investors may also sign up for email alerts to receive the latest updates on ESR-REIT. ESR-REIT is currently covered by six research houses in Singapore.

Research Analyst Coverage	Analyst	Contact
CIMB	Lock Mun Yee	munyee.lock@cimb.com
CLSA	Wong Yew Kiang	yew.kiang.wong@clsa.com
Daiwa	David Lum	david.lum@sg.daiwacm.com
DBS	Derek Tan	derektan@dbs.com.sg
OCBC	Deborah Ong	deborahong@ocbc.com
RHB	Vijay Natarajan	Vijay.natarajan@rhbgroup.com

The full list of research houses and analysts is also available on the corporate website.

AWARDS AND ACHIEVEMENTS

Good corporate governance plays an important role in shaping investors' perceptions of a company. In August 2018, ESR-REIT gained recognition in two of Singapore's corporate governance indices, the Singapore Governance and Transparency Index ("SGTI") and the Governance Index for Trusts ("GIFT"), for its corporate governance practices.

ESR-REIT was ranked number 18 in SGTI's REIT and Business Trust category for 2018, with an overall score of 80.8, a significant improvement from the previous year when ESR-REIT, formerly known as Cambridge Industrial Trust, was ranked 28 with a score of 58.2. A total of 43 REITs and Business Trusts were assessed as part of the SGTI 2018. The SGTI is the leading index for assessing corporate governance practices of Singapore-listed companies and is a collaboration between CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations (CGIO), and the Singapore Institute of Directors (SID).

On the GIFT index, ESR-REIT maintained its sixth-place position on the index with an overall score of 77, an increase from 2017's score of 71.5. The GIFT index is the first-ever published governance index in Singapore that focuses on listed REITS and is supported by the Singapore Exchange (SGX).

ESR-REIT became a constituent of the MSCI Singapore Small Cap Index effective 26 September 2018. With 55 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the Singapore equity universe. The index inclusion has provided ESR-REIT with better liquidity and strengthened its market presence amongst investors.

INVESTOR ENGAGEMENT

FINANCIAL CALENDAR

Activity	FY2018	FY2019[1]
Announcement of Full Year Financial Results	17 January 2018	18 January 2019
Extraordinary General Meeting	27 February 2018	N.A.
Payment of Fourth Quarter Distribution to Unitholders	28 February 2018	28 February 2019
Annual General Meeting	20 April 2018	24 April 2019
Announcement of First Quarter Financial Results	20 April 2018	24 April 2019
Payment of First Quarter Distribution to Unitholders	31 May 2018	31 May 2019
Announcement of Second Quarter Financial Results	13 July 2018	26 July 2019
Extraordinary General Meeting	31 August 2018	N.A.
Payment of Second Quarter Distribution to Unitholders	19 September 2018	20 September 2019
Announcement of Third Quarter Financial Results	26 October 2018	25 October 2019
Payment of Third Quarter Distribution to Unitholders	26 November 2018	28 November 2019

INVESTOR AND MEDIA RELATIONS CALENDAR FY2018

Date	Activity	Location
17 January 2018	4Q and FY2017 Analyst and Media Results Briefing Sessions	Singapore
27 February 2018	Extraordinary General Meeting	Singapore
7-9 March 2018	CLSA ASEAN Forum	Bangkok
27 March 2018	Maybank Kim Eng Invest ASEAN Singapore 2018	Singapore
20 April 2018	9th Annual General Meeting 2018	Singapore
19 May 2018	REITs Symposium hosted by Shareinvestor and REITAS	Singapore
13 June 2018	HSBC 2nd Annual Asia Credit Conference	Hong Kong
13 August 2018	2Q and 1H2018 Analyst and Media Results Earnings Call	Singapore
21 August 2018	SIAS ESR-REIT Dialogue Session	Singapore
24 August 2018	Citi-REITAS-SGX C-Suite Singapore REITs & Sponsors Corporate Day 2018	Hong Kong
31 August 2018	Extraordinary General Meeting	Singapore
7 September 2018	SGX-DBSV-REITAS Singapore Corporate Day 2018	Bangkok
8 December 2018	GCP Global ESR-REIT Symposium & Investors Meet	Singapore

(1) Subject to changes.

For further enquiries, please contact:

Investor Relations	Corporate Communications	Unit Registrar	Unitholder Depository
Ms. Lyn Ong 138 Market Street #26-03/04 CapitaGreen Singapore 048946 T: (65) 6827 9332 F: (65) 6827 9339 E: ir@esr-reit.com.sg	Ms. Gloria Low 138 Market Street #26-03/04 CapitaGreen Singapore 048946 T: (65) 6827 9332 F: (65) 6827 9339 E: enquiries@esr-reit.com.sg	B.A.C.S. Private Limited 8 Robinson Road #03-00 ASO Building Singapore 048544 T: (65) 6593 4848 F: (65) 6593 4847	The Central Depository (Pte) Limited 9 Buona Vista Drive #01-19/20 The Metropolis Singapore 138588 T: (65) 6535 7511 E: asksg@sgx.com

MERGER BETWEEN ESR-REIT AND VIT

The merger between ESR-REIT and VIT was a significant milestone for ESR-REIT and was well-supported by an Investor Relations strategy that was focused on communicating the key transaction metrics, the benefits of the merger to Unitholders, and the strategy of the REIT going forward.

Employing a holistic approach, the IR team and senior management team carried out a series of engagement activities, reaching out to stakeholders across the investment community- institutional and retail investors, research analysts, the media and remisiers.

The team held meetings and calls with analysts and fund managers in Singapore, Hong Kong, Japan and London to communicate the merits of the transaction to existing Unitholders. Townhall style information sessions were organised in conjunction with the Securities Investors Association (Singapore) for retail Unitholders, with similar sessions held separately for remisiers, creating opportunities for two-way dialogue between ESR-REIT's senior management team and investors. These sessions also provided feedback to the Manager and facilitated a better understanding of investor perceptions and expectations of the transaction.

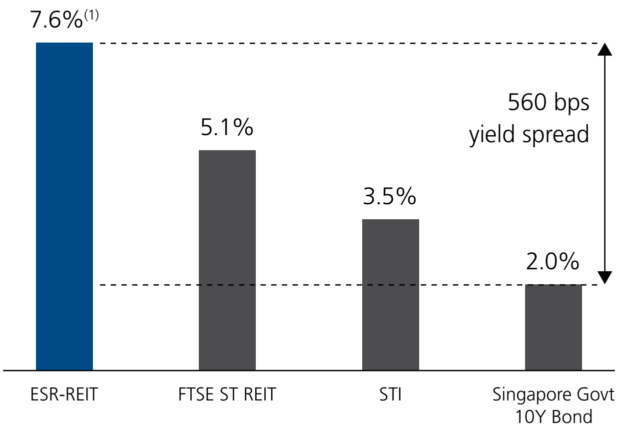
In recognition of its commitment towards active investor engagement during the deal, ESR-REIT was awarded a Certificate of Excellence under the "Best IR During a Corporate Transaction" category at the IR Magazine Awards South East Asia 2018. The merger has also been awarded the "Best Singapore Deal" at FinanceAsia Achievement Awards 2018, and the "Best Domestic M&A" award at The Asset Triple A Regional Awards 2018.

UNIT PRICE PERFORMANCE

2018 was a volatile period for global equities. Equities began the year strongly, buoyed by an improving global economy, with stock markets continuing its growth momentum from 2017. However, by the end of the first quarter, interest rates hikes and escalating global trade tensions sharp reversal of sentiments in second half of 2018.

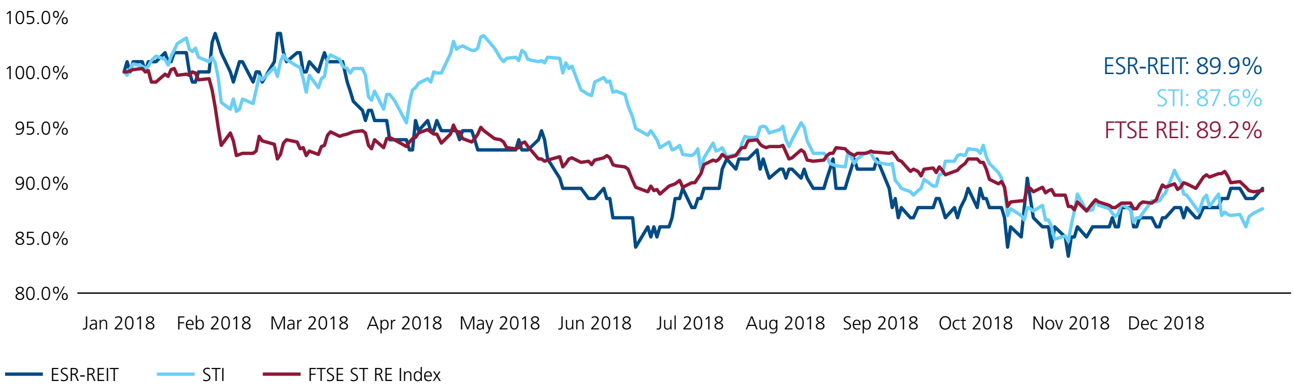
ESR-REIT's unit price closed at S$0.51 during the 12-month period to 31 December 2018. With a distribution payout of 3.857 cents, this translates to a distribution yield for ESR-REIT of 7.6%(1), which is 560 basis points above the 10-year government bond in FY2018 yield of 2.0%. A total of 490.4 million units were traded, with an average daily trading volume of 2.0 million units.

Comparative Yields in FY2018



Sources: Bloomberg, Monetary Authority of Singapore.

Comparative Trading Performance in FY2018



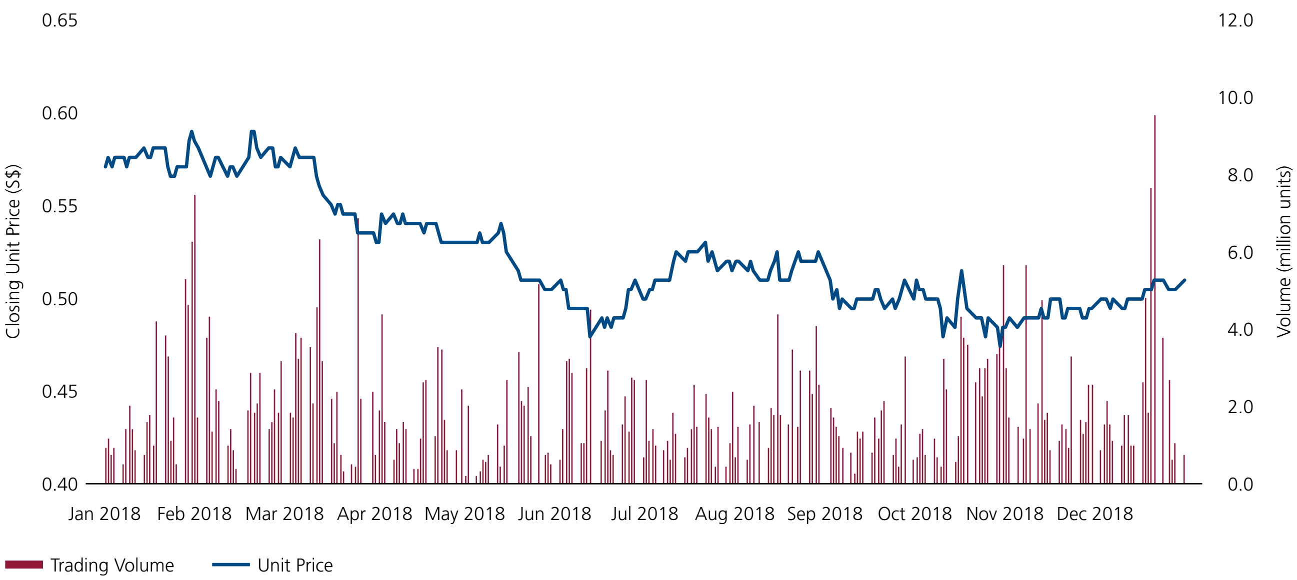
Source: Bloomberg

Trading Data Across Five Years

	2018	2017	2016	2015	2014
Closing Unit Price (S$)	0.510	0.565	0.540	0.565	0.680
Highest (S$)	0.595	0.615	0.580	0.725	0.785
Lowest (S$)	0.470	0.535	0.485	0.530	0.665
Opening (S$)	0.565	0.540	0.565	0.680	0.695
Volume Weighted Average Price (S$)	0.525	0.570	0.541	0.658	0.718
Total Trading Volume (million units)	490.4	320.0	415.0	333.9	558.7
Average Daily Trading Volume (million units)	2.0	1.3	1.7	1.4	2.2

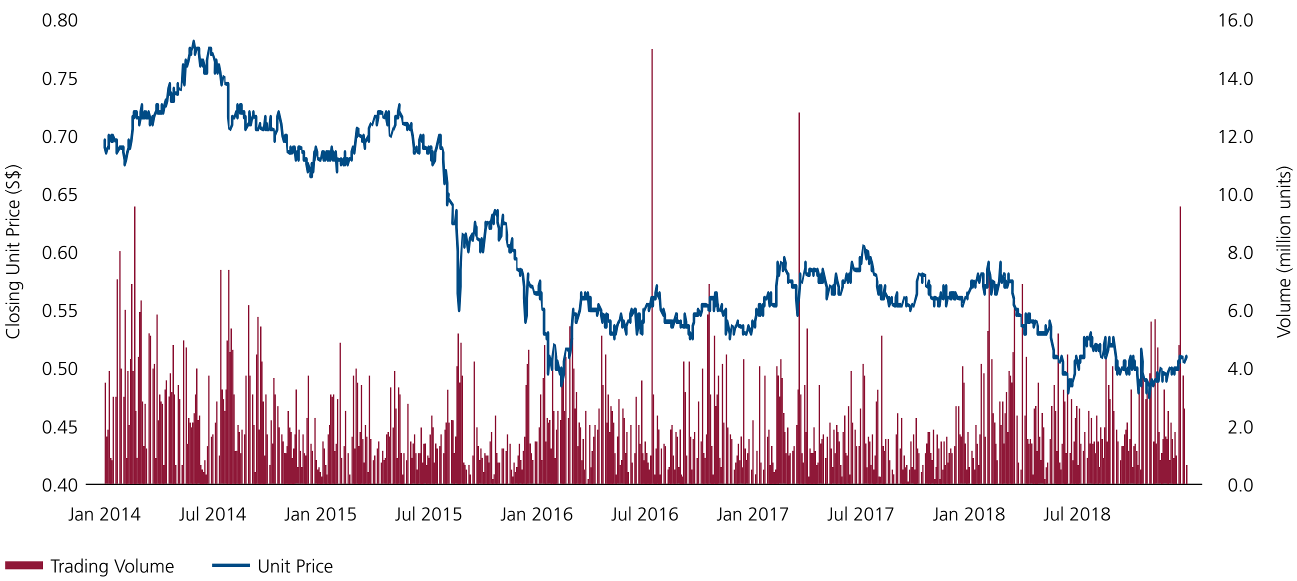
(1) Based on closing price of S$0.51 on 31 December 2018 and FY2018 DPU of 3.857 cents.

Monthly Trading Performance in FY2018



Source: Bloomberg

5-Year Trading Performance



Source: Bloomberg

SUSTAINABILITY REPORT

BOARD STATEMENT

As the Board of Directors ("Board") of ESR Funds Management (S) Limited ("ESR-FM" or "Manager"), the Manager of ESR-REIT ("REIT"), we are pleased to present ESR-REIT's first integrated sustainability report.

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") since 25 July 2006 and has grown its initial portfolio of 27 properties to 57 properties valued at S$3.02 billion as at 31 December 2018. The merger with Viva Industrial Trust ("VIT") in October 2018 added 9 properties, including two business parks to our then existing portfolio of 48 properties - creating a diversified, robust and competitive portfolio better able to adapt to market cycles and evolving tenant and industrial trends.

Building on the spirit of change following last year's merger with VIT, we have integrated our sustainability performance information into this year's annual report. This has resulted in our most comprehensive report to date, allowing us to not only fully articulate ESR-REIT's value proposition in terms of delivering stable financial returns to our unitholders, but also how we operate as an organisation with integrity and accountability to our tenants, employees, partners, wider stakeholders and communities that we do business in. With a larger portfolio, we took the opportunity to roll out 'on-site' clusters of property management teams in 2018 which encourage faster response time and better-quality service to our tenants.

The Board recognises the growing importance of Environmental, Social and Governance ("ESG") issues to our stakeholders and believes that in order to ensure the long-term resilience of our business, the Manager must uphold responsible and sustainable practices.

A materiality assessment was conducted in 2017 and 6 material factors were identified and deemed important to both external and internal stakeholders.These material factors will be reviewed and updated as required to take into consideration the enlarged portfolio, employee talent pool and changing market conditions.

The Manager also understands the importance of the environmental impact of its properties and operations. Last year, the Manager continued to undertake various sustainability initiatives to reduce its environmental footprint and improve the efficiency of the ESR-REIT properties. For example, the Manager continued its solar power harvesting programme, resulting in the harvesting of 1,438,370kWh of solar energy in 2018. An Asset Enhancement Initiative ("AEI") program was rolled out to 30 Marsiling Industrial Estate Road, a former General Industrial building which has now been converted into a High-Specs building, resulting in improved energy efficiency. The Manager is also pleased to report the ongoing certification of five properties as part of the Building and Construction Authority ("BCA") Green Mark scheme for environmental design and performance, as well as three additional properties achieving Water Efficient Building ("WEB") (Basic) certification from the Public Utilities Board ("PUB").

The Manager recognises that employees are its biggest asset and is deeply committed to developing and nurturing its employees through training, mentoring and capacity building. We adopt a 'promotion from within' culture when it comes to employee career progression and look to fill new or existing positions that become available internally before hiring externally. All decisions relating to promotion and/or recruitment are based on merit and equal opportunity. This year, the Manager dedicated significant time and resources to ensure the smooth completion of the merger between ESR-REIT and VIT, including taking over the operational responsibilities and the integration of the VIT operations and employees into the expanded business. For the annual employee satisfaction survey, the Manager achieved an overall employee satisfaction score of 83%, which is an improvement from 2017's score of 80%, reflecting sound internal stakeholder engagement and communications especially in light of the merger with VIT.

In recognition of the team's effort, the Manager received a number of awards in 2018 including "Best Singapore Deal" at the FinanceAsia Achievement Awards, "Best Domestic M&A" at The Asset Triple A Regional Awards 2018, "Platinum Award in the Industrial REIT Category" at the Asia Pacific Best of the Breeds REITS Awards 2018 and the "Certificate of Excellence in Investor Relations" at the IR Magazine Forum & Awards South East Asia.

We have ended the year with a larger and more diversified portfolio and will continue to create sustainable value for both ESR-REIT and our stakeholders in the years ahead.

We look forward to your ongoing support.

3 Pioneer Sector 3

2018 HIGHLIGHTS

Company

Smooth integration of VIT tenants and operations

Combined financial and sustainability information

Introduction of 'on-site' property management clusters

Environment

1,438,370 kWh of solar energy harvested

5 properties achieved BCA Green Mark rating

Initiated program to introduce e-waste bins at selected properties

Employees

Successful integration of VIT employees, increasing bench strength

Employee satisfaction increased to 83%

Organised employee training programmes and company offsite team building session

Tenants & Communities

Organised fire and safety training for tenants by Singapore Civil Defence Force

Organised post merger tenant engagement event

Gifts and charitable donations to local communities

Recognition Awards

Best Singapore Deal (FinanceAsia)

Best Domestic M&A (The Asset Triple A Regional Awards)

Platinum Award in the Industrial REIT Category (Asia Pacific Best of the Breeds Awards)

Certificate of Excellence in Investor Relations (IR Magazine Forum & Awards South East Asia)

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This section of the Annual Report covers the sustainability performance of our properties for the FY2018 period.

For Environment, data relates to the common areas of properties to which ESR-REIT has operational control. For 2018, reporting includes 128 Joo Seng Road and 2 Jalan Kilang Barat which were not included in 2017, 9 Bukit Batok Street divested in March FY2018 and full year of data for 7000 Ang Mo Kio Avenue 5 acquired at the end of 2017. Data for properties from VIT and 15 Greenwich Drive are excluded.

For Our People, data reported includes all ESR-REIT employees (including new joiners from VIT) with the exception of data for the employee survey which only included then existing ESR-REIT employees as the survey was conducted before the completion of the merger with VIT.

Tenant satisfaction survey excludes tenants from the VIT properties and 15 Greenwich Drive.

As a real estate investment trust, the Manager's principal business includes fund management and property and facilities management of industrial properties.

The information presented here is aligned with the SGX-ST Listing Rules Practice Note 7.6 Sustainability Reporting Guide and is prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option. The information presented outlines ESR-REIT's sustainability practices and performance for FY2018, as well as the Manager's targets for the forthcoming year or longer.

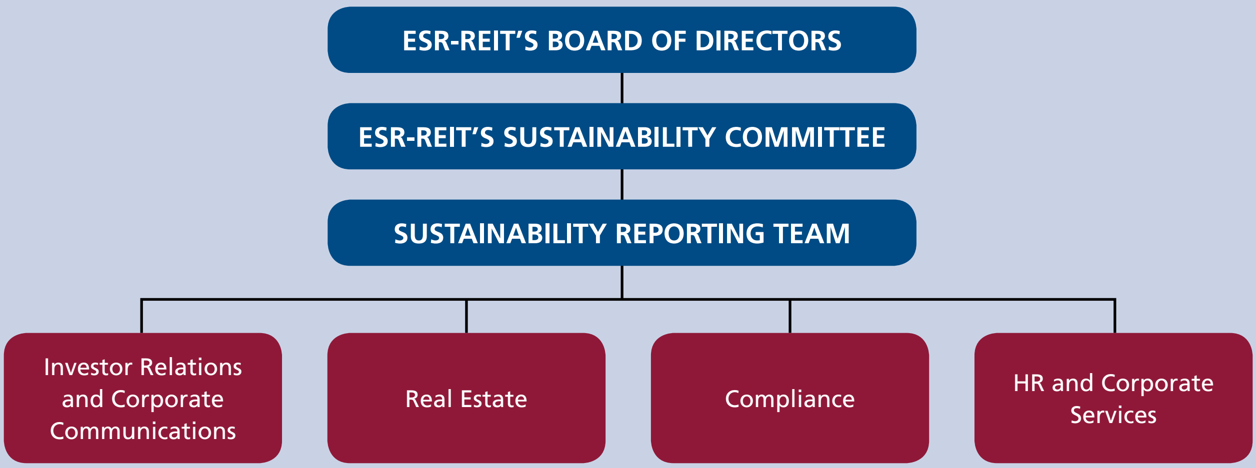
We have not sought external assurance for this reporting period and may consider having the report verified by an independent third party in the near future.

We publish our sustainability information annually. We value and welcome any feedback on our sustainability reporting, approach and performance. Please send your feedback and suggestions to enquiry@esr-reit.com.sg.

SUSTAINABILITY GOVERNANCE

ESR-REIT's Sustainability Committee overseas and drives the Manager's sustainability program. Established in 2016 and guided by the Board of Directors, the Sustainability Committee has oversight, executes and monitors policies, procedures and activities across the organisation related to sustainability. The committee, supported by the Sustainability Reporting Team comprising of key members from different business functions, is also responsible for the annual sustainability reporting process.

ESR-REIT considers its sustainability program and performance in the context of its wider business objectives. The Manager benchmarks itself against industry peers in order to identify areas of improvement. The Sustainability Committee reviews, on a regular basis, the Manager's approach to the REIT's operations, investments, projects and sustainability activities to evaluate if current policies and measures are robust and effective.



MATERIALITY ASSESSMENT

In 2016, the Sustainability Committee conducted a materiality review to identify ESG factors that were material to ESR-REIT's business operations and of significant interest to our stakeholders. A second assessment was undertaken at the end of 2017 to review the material ESG factors identified previously. The following factors were taken into consideration for the materiality assessment:

- global and local emerging sustainability trends
- material topics identified by industry peers
- sustainability frameworks

Following the second review, a decision was made by The Manager to streamline the number of material factors from nine to six, reflecting the critical opportunities and risks faced by ESR-REIT. The material ESG factors still remain relevant for FY2018. In FY2019, a further materiality review will be undertaken to consider sustainability issues born out of the merger with VIT.

Category	Material Factors	Related GRI Topic
Economic	• Economic Impact	• Economic Performance
	• Investment Management – Quality of Assets and Services	• Non-GRI Topic
Environmental	• Energy and Carbon Footprint	• Energy • Emissions
Social	• Talent Retention (including 'Diversity and Equal Opportunity' and' Employee Engagement and Wellness')	• Employment • Training and Education
	• Tenant Engagement and Satisfaction	• Non-GRI Topic
Governance	• Governance and Enterprise Risk Management (including 'Compliance')	• General Disclosures • Anti-corruption • Socioeconomic Compliance

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

Stakeholder engagement remains a priority for the Manager. The Manager aims to build positive and lasting relationships with its stakeholders by engaging with them on a regular basis to understand the issues that concern them.

Through a formal process managed by an external consultant, the ESR-REIT Sustainability Committee identified six key stakeholder groups critical to ESR-REIT's business. These six groups can have significant impact on the REIT's long-term business strategy and performance.

Stakeholders	What is Important to Stakeholders	How we are Engaging with Stakeholders
Investment Community (Institutional and Retail Investors, Analysts and the Media)	• Long-term, sustainable and recurring distributions • Total investment returns • ESR-REIT's strategic outlook and growth prospects • Timely updates on ESR-REIT's portfolio performance, asset and capital management, asset enhancement initiatives ("AEIs"), acquisitions and divestments as well as major corporate developments	• A dedicated investor relations team engages in proactive engagement with the investment community to keep them updated on operational and financial performance, and ESR-REIT's long-term strategy • Comprehensive investor relations section on the company's website • Quarterly announcement of financial results • Half-yearly results briefings for analysts and media • Regular financial and non-financial performance updates • Annual General Meetings and Extraordinary General Meetings • Investor conferences, face-to-face meetings and Non-Deal Roadshows
Board of Directors	• ESR-REIT's overall corporate governance and sustainability framework and initiatives • Setting of ESR-REIT's strategic objectives, broad policies and targets • Ensuring regulatory compliance • Ensuring that the organisation meets the needs and expectations of stakeholders	• Regular face-to-face meetings, online communication and calls • Timely and regular updates from key management on business activities • Orientation, training programmes and property tours for new Directors • Annual Board evaluation
Management Team and Employees	• Empowerment and active engagement • Competitive remuneration and benefits • Job security, stability and pathways for career progression • Health, workplace safety and work-life balance • Equality and diversity at the workplace	• Orientation and training programmes for new employees • Bi-annual performance review • Training and development programmes • Weekly/bi-weekly department meetings • Weekly Heads of Departments' meetings • Team bonding activities, staff loyalty recognition programmes and health initiatives • Annual satisfaction survey for employees
Existing and Potential Tenants, Other End Users	• Competitive rental rates and locations • Conducive and secure working environment with adequate facilities • On-site security practices and management	• Open communication • Frequent site visits and face-to-face discussions • Social and networking events • Tenant satisfaction survey • Support for key tenants' corporate milestone events • Responsiveness towards tenants' feedback

Stakeholders	What is Important to Stakeholders	How we are Engaging with Stakeholders
Government Agencies and Industry Organisations	• Compliance with applicable laws and regulations • ESR-REIT's economic, environmental, social and governance impact on the communities the REIT operates in	• Periodic participation in industry forums and dialogues • Membership in industry associations such as the REIT Association of Singapore ("REITAS"), etc.
Local Communities	• Responsible operations • Support in community development and activities • Creation of employment opportunities • Compassion and care for the underprivileged in society	• Partnerships and sponsorships for events and programmes • Giving back to the community through donations and participation in meaningful community outreach activities • Supporting tenants' CSR programmes where possible

In FY2018, the Manager made additional effort to communicate and engage key stakeholders who were impacted by the merger with VIT. To this end, specific engagement events were undertaken leading up to, during and after the merger. These included:

Investment Community – The Manager tied up with the Securities Investors Association Singapore ("SIAS") to organize a dialogue session on the merger and rationale behind the merger with VIT, exclusively for retail unitholders. The CEOs of both ESR-REIT and VIT were present to address any stakeholder concerns and questions ahead of the EGM.

Employees – ongoing updates by the CEO and formal integration plans were presented to employees. See 'Employee Engagement' section for more details

Tenants – An informal, engagement meeting was held with tenants immediately following the merger to outline changes in management, provide assurance and respond to questions. See 'Tenant Engagement and Satisfaction' section for more details.

SIAS—ESR-REIT dialogue session in relation to proposed merger

SUSTAINABILITY REPORT

INVESTMENT MANAGEMENT – QUALITY OF ASSETS AND SERVICES

Targets

Invest in properties that will enhance the sub-asset class diversity of ESR-REIT's portfolio

Achieve a portfolio occupancy rate that exceeds Jurong Town Corporation's ("JTC") industrial occupancy average

Investing in Quality Assets and Services

The Manager's strategy is to invest in good quality, yield-accretive assets in order to build a portfolio that generates higher returns with less risk to create a more stable flow of income for the REIT and recurring distributions for Unitholders. The Manager seeks opportunities to acquire and invest in assets that will diversify and rebalance the REIT's portfolio, while simultaneously improving the properties through active asset management and AEIs. This strategy is driven through three strategic objectives (see pg 18 and 19 of this report for further detail):

1. Active acquisition and development growth
2. Achieving organic growth
3. Exercising prudent capital management

In terms of asset investment, environmental certification can be a good indicator of building quality as such schemes strongly correlate to positive returns on investment and high levels of tenant satisfaction. The Manager is committed to achieving green building certifications — such as the BCA Green Mark or Leadership in Energy and Environmental Design ("LEED") — for both new developments and existing properties.

Aside from ongoing maintenance, AEIs are carried out regularly to improve the overall quality of assets. This can include the enhancement of building façades, modernisation works and landscaping projects. Up to 7 assets have been identified for possible future AEIs in order to maximise unutilised plot ratios and/or rejuvenate the property to suit future tenant needs

Several policies – including the investment and divestment of property, credit control tests, credit evaluations and quality assessments for major vendors and suppliers – have continuously been implemented to maintain the quality of ESR-REIT's assets and services.

As at 31 December 2018, ESR-REIT achieved an occupancy rate of 93.0% compared to the national average of 89.3%* for industrial properties.

* Figure from JTC's Quarterly Market Report for Industrial Properties 4Q2018.

ENVIRONMENT

The Manager understands the importance of building a better environment through resource efficiency and sound environmental management and aspires to be amongst the greenest REITs in Asia.

The Manager supports a precautionary approach to environmental challenges, and seeks to implement cost-effective measures to prevent negative impacts on the environment due to its properties' operations. The Manager understands that the implementation of sound environmental practices brings environmental, business and operational benefits. For example, replacing traditional incandescent lights with LED lights at a property can reduce energy consumption (and Greenhouse Gas emissions) as well as improve tenant comfort and satisfaction. The Manager seeks to identify and implement cost-effective environmental improvements across all its properties (where commercially feasible).

Performance data reported in this section was limited to the common areas of properties within the operational control of ESR-REIT Property Management (S) Limited.

ENERGY AND CARBON EMISSIONS

Targets

Achieve 5% saving in energy consumption of multi-tenanted buildings ("MTB") over a five-year period from 2016 to 2020.

Reduce energy intensity by 2% per year

Achieve a basic level of environmental certification for all buildings undergoing AEI e.g. BCA Green Mark

Maintain no incidents of non-compliance with environmental regulations and laws for all MTBs

Energy consumption is monitored on a monthly basis to ensure operations at our managed properties are operating as efficiently as possible. Various environmental practices and energy efficiency initiatives have been implemented at our properties over the years. In 2018, these included:

- Replacing external building lights to energy saving installations at 12 Ang Mo Kio Street 65
- Changing common area lighting to energy saving LEDs at 21/23 Ubi Road, 128, 130 & 136 Joo Seng Road & 11 Chang Charn Road
- Replacing passive lighting to LED motion sensors in the stairwells of 11 Serangoon North Avenue 5, 54 Serangoon North Avenue 4 and 45 Changi South Avenue 2
- Displacing inefficient central air conditioning system at 11 Serangoon North Avenue 5
- Refurbishing washrooms at 21 Ubi Road 1 to include active LED motion sensors

Energy consumption results in the emission of carbon dioxide and other gases, which in turn contribute to global warming and climate change. The Paris Agreement in 2016 outlined national commitments to limit carbon emissions. In response, the Singapore government is taking steps to address its carbon emissions with a target to reduce emissions intensity by 36% from 2005's levels by year 2030.

The Manager seeks to play its part in global emissions reduction commitments by improving the energy performance and efficiency of the REIT's properties. The Manager aims to attain BCA Green Mark certification for all its buildings that undergo AEIs. Currently, five ESR properties have attained the BCA Green Mark certification.

In FY2018, an AEI was undertaken at 30 Marsiling Industrial Estate Road 8, a former General Industrial building converted into a High-Specs building. The Manager is introducing energy saving lightings to common areas and will be embarking on Green Mark certification in FY2019.

BCA Certification

Certifications	Property	Year of Award
BCA Green Mark 'Certified' Certification	30 Toh Guan Road	2017
BCA Green Mark 'Certified' Certification	86 International Road	2016
BCA Green Mark 'Certified' Certification	21B Senoko Loop	2015
BCA Green Mark 'Certified' Certification	88 International Road	2014
BCA Green Mark 'Gold' Certification	3 Pioneer Sector 3	2015

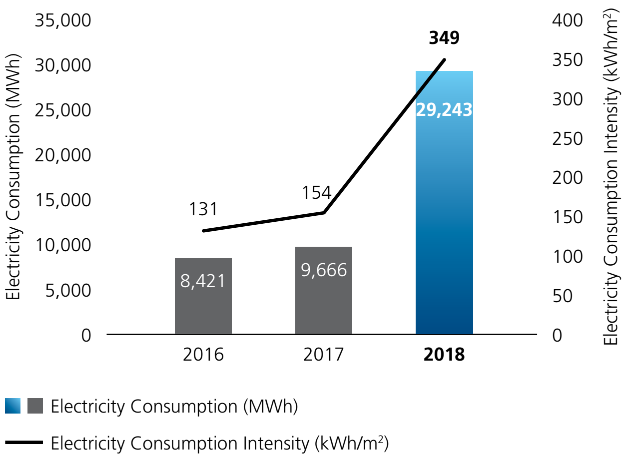
SUSTAINABILITY REPORT

The total grid electricity consumption of ESR-REIT's properties in FY2018 was 29,242,686 kWh, a 203% increase from FY2017's levels. Energy intensity increased from 154 kWh/m² in FY2017 to 349 kWh/m² in 2018. The increase was primarily due to the acquisition and inclusion of full year data for 7000 Ang Mo Kio Avenue 5 which accounted for approximately 75% of total electricity consumption for the year. Tenants at this property include a large, global optical sensor manufacturer with 24/7 operations. As part of our commitment to service our tenants' needs, we operate the common areas, toilets and lifts on a 24 hour basis. We are reviewing the feasibility of energy efficiency programs for this property in 2019 and beyond.

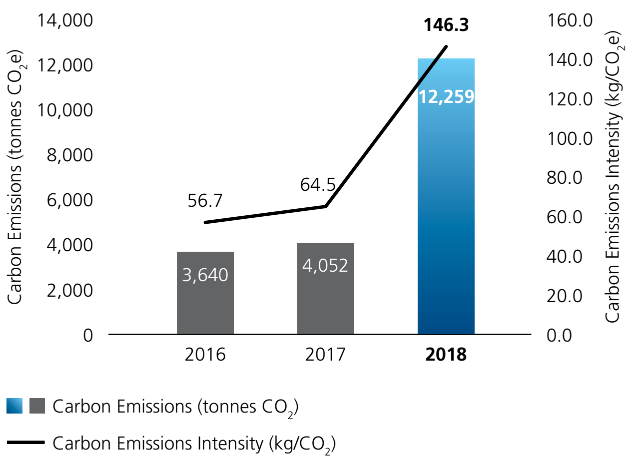
	2016	2017	2018(1)
Grid Electricity Consumption	8,421,322 kWh	9,666,436 kWh	29,242,686 kWh
Electricity Consumption Intensity	131 kWh/m²	154 kWh/m² (2)	349 kWh/m²
CO_2 Emissions Released	3,639,695 kg CO_2	4,052,170 kg CO_2 (3)	12,258,534 kg CO_2 (4)
CO_2 Emissions Intensity	56.7 kg CO_2/m²	64.5 kg CO_2/m² (2)(3)	146.3 kg CO_2/m² (4)

(1) Data collected includes 9 Bukit Batok Street 22 divested in March FY2018, 128 Joo Seng Road and 2 Jalan Kilang Barat and full year data for 7000 Ang Mo Kio Avenue 5, but excludes properties from VIT and 15 Greenwich Drive.
(2) Electricity consumption intensity and CO_2 emissions intensity for 2017 are restated due to error in reporting.
(3) Carbon dioxide emissions and intensity for 2017 are restated due to change in emissions factor from 0.4244 kg CO_2/kWh to 0.4192 kg CO_2/kWh.
(4) Carbon dioxide emissions for 2018 calculated based on Singapore's Average Operating Margin (OM) Grid Emission Factor (GEF) in 2017

Electricity Consumption and Intensity within the Organisation



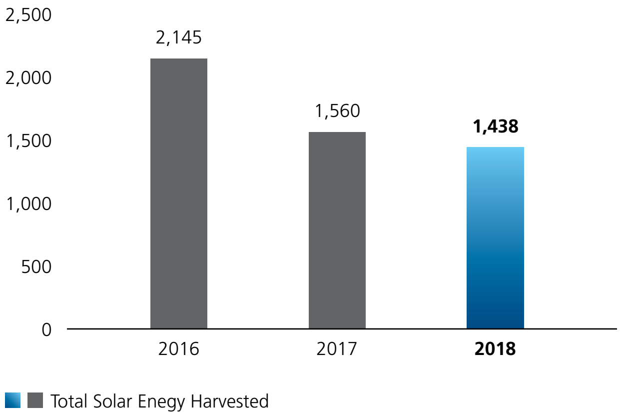
Indirect Carbon Emissions (Scope 2) and Intensity within the Organisation



The Manager continued its solar energy harvesting programme and maintained solar panel installations at seven of its properties in 2018. By using electricity from the solar installations, the property uses less grid connected electricity, reducing operational costs and carbon emissions. As part of this programme, 1,438,370 kWh of solar energy was harvested in 2018.

We are investigating the feasibility of our renewable energy program across our expanded portfolio and will be setting an updated renewable energy target in 2019.

Total Solar Energy Harvested (MWh)



Solar panels on top of 3 Pioneer Sector 3

In terms of other environmental initiatives in 2018, the Manager began a project in collaboration with Starhub to introduce e-waste bins at some of the managed properties. This project will continue in 2019. The Manager has also begun the systematic collection of information on waste and recycling across its properties and intends to disclose this information in 2020 for FY 2019.

Water

With the world's demand for water likely to increase in the next few decades, Singapore could experience significant water stress by 2040. In line with Singapore government's efforts to conserve water, the Manager has embarked on water efficiency initiatives including a target to achieve Water Efficient Building ("WEB") (Basic) certification for all the upgraded toilets in ESR-REIT's properties. In FY2018, WEB (Basic) certification was awarded to three of the REIT's buildings. This brings the total number of buildings within our portfolio with WEB (Basic) certification to 15.

Environmental Compliance

Where possible, the Manager strives to comply with all applicable environmental laws and regulations and meet the requirements of approved standards and codes of practice. In FY2018, there were no reported cases of non-compliance with any environmental laws and regulations at the properties which ESR-REIT has operational control[5].

In late 2017, ESR-REIT announced the successful acquisition of 80% interest in 7000 Ang Mo Kio Avenue 5 which comprises a six-storey multi-tenanted high-specification production block and a five-storey multi-tenanted ancillary office. This acquisition will ensure that ESR-REIT is well-positioned to ride on the demand for high specs spaces, and reinforces ESR-REIT's ability to secure yield accretive properties that will create stable long-term value for our unit holders. Tenants at the property include high value-add manufacturing, data centre operators, utility and telecommunications companies.

(5) Tat Seng Packaging, a tenant at 28 Senoko Drive, was found to be illegally discharging toxic industrial used water into the public sewerage system in March 2018. The Manager does not have control over the business operations of this tenant at this property.

SUSTAINABILITY REPORT

SOCIAL

Our People

Employees are the Manager's biggest asset and key to the business. The Manager therefore understands that its success is dependent upon the quality, integrity and talent of its employees. The Manager is strongly committed to developing and nurturing its employees across all aspects of the business.

As of 31 December 2018, there were 69 staff employed by the Manager with all of them based in Singapore. This is a significant increase from 38 employees from the previous year - due to the merger with VIT in October 2018 and expansion of the property management team. Whilst the integration of VIT employees was undertaken smoothly and with no material impact on operations, employee engagement is an ongoing process. Therefore, one of the Manager's key areas of focus for FY2019 is to ensure the continued integration of our people and streamline operations in order to achieve effective operational synergies.

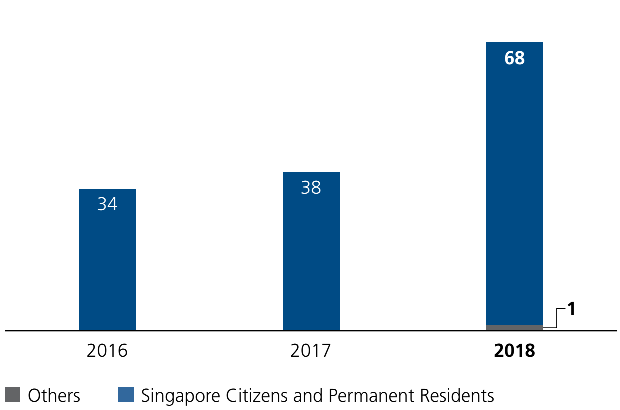
To facilitate the integration, the Manager organised a four-day offsite company trip to Hong Kong immediately following the completion of the merger with VIT. This helped to welcome new colleagues to the business through team building exercises and engagement with colleagues and management across the different business units.

Team Building Trip (Hong Kong, 2018)

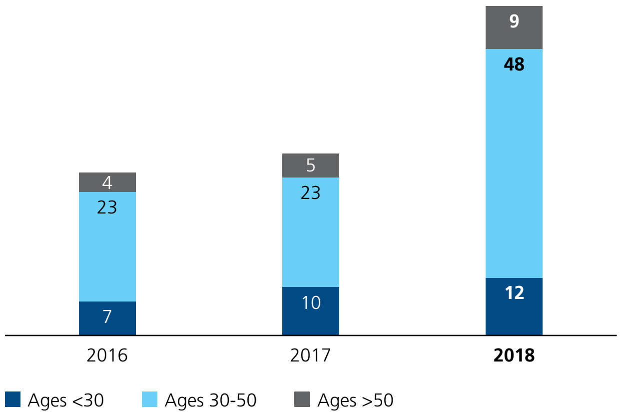
Workforce data is tracked and monitored regularly including staff turnover, absentee rate, overtime and training hours to ensure the effective management of the Manager's resources.

Nearly 50% of employees were within the 30 to 50 year age group. Male and female employees accounted for 29% and 71% respectively of the workforce. All employees are full-time permanent staff except for 3 temporary employees. Except one, all employees were Singapore citizens or permanent residents.

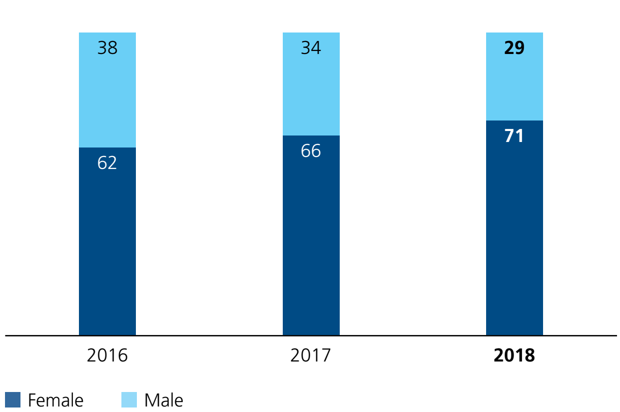
Employees' Diversity Profile



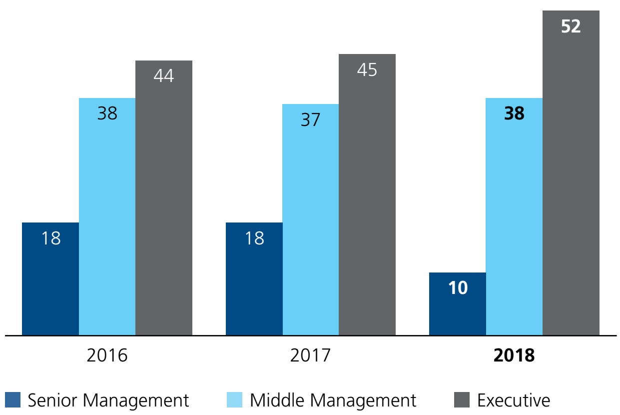
Employees' Age Profile



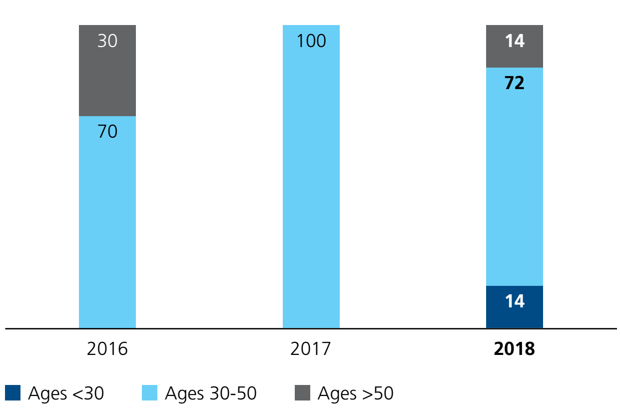
Number of Employees by Gender (%)



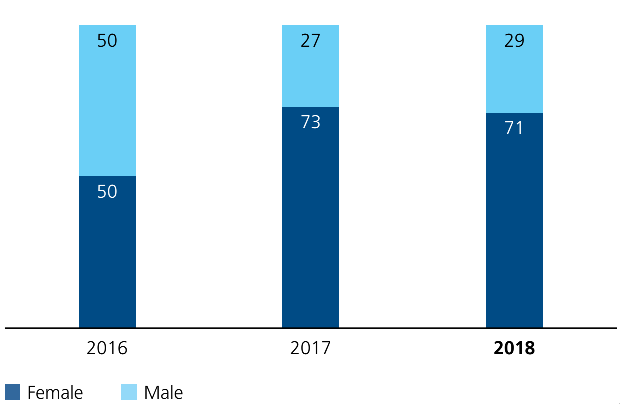
Number of Employees by Employment Category (%)



Employees' Turnover by Age (%)



Employees' Turnover by Gender (%)



SUSTAINABILITY REPORT

Diversity and Equal Opportunity

The Manager recognises the diversity of our people as a source of strength. Diverse experiences, knowledge and ability help drive performance and innovation.

The Manager is committed to building an inclusive workforce which embraces and promotes diversity and equal opportunity.

All employees have an equal opportunity to succeed and all decisions relating to recruitment and promotion are based on merit. The Manager also adopts a 'promotion from within' culture when it comes to hiring and filling positions. Management is encouraged to look internally to fill newly available positions before hiring externally. These commitments are incorporated into the Manager's Human Resource Management ("HRM") policy and practices and are aligned with the key principles defined by the Tripartite Guidelines on Fair Employment Practices ("TGFEP") and the Ministry of Manpower's Fair Consideration Framework.

Talent Attraction and Retention

Targets

Maintain a positive workplace culture and environment

Maintain employee satisfaction score above 80%

The recruitment and retention of talent is crucial to developing future leaders of the business. Succession planning for key personnel is in place and staff remuneration is aligned to the market in order to reward and retain employees.

A structured recruitment process is in place to ensure employees 'fit' the right roles in order to drive the REIT's business forward. This includes technical and financial aptitude assessments, as well as interviews by Human Resource representatives. All new employees – including those as part of the VIT integration - are required to participate in a comprehensive orientation programme. This programme covers topics including ESR-REIT's workplace culture, business practices, health and safety.

A competitive compensation and employee benefits scheme is in place to ensure employees are suitably rewarded for performing their roles efficiency and effectively. There is also a remuneration framework in place to ensure performance related pay is competitive and in line with industry practice. All employees receive an annual performance review.

For those leaving the business, exit interviews are conducted to understand employees' reasons for leaving the organisation. Through such interviews, feedback is gathered, thereby allowing the Manager to identify areas for improvement.

Training and Education

Training enhances employee performance and confidence. Employees are encouraged to seek out opportunities for professional as well as personal growth. Every employee is required to complete at least 20 hours of training each year. This can include participation in relevant workshops, seminars and courses to improve their skills and capabilities. Training programmes include: systems, technical and soft-skills courses. For example, Property & Project Managers attended the CERT (Company Emergency Response Team) training course to equip themselves with the skills required in responding and managing building emergencies. The Manager also provides bi-monthly internal training courses designed to provide staff members with an overview of the company's policies and regulations.

For FY2018, average hours of training per employee was 18.1 hours. This is a decrease from FY2017 due to an increase in headcount towards the end of FY2018 and not a lack of provision of training to staff.

Employee Engagement

Employee engagement is key to maintaining a motivated and successful workforce. Quarterly newsletters and regular staff communication are used to engage employees on a wide range of matters. Our regular "Chatter" newsletter outlines recent developments across the business, a message from the CEO, as well as team building activities and tenant engagement programs. It also gives a formal welcome to new joiners.

To encourage greater interaction amongst staff from different business units, the Manager introduced 'Chill Fridays' in 2018. This is where employees from across the business come together at the Head Office to meet fellow employees, discuss operational issues and build cohesion.

To impress upon employees the importance of the ESR-REIT core values of Professionalism, Team Spirit, Integrity and Passion, the Manager initiated the annual Core Value Awards to recognise employees who best embodied these values during the year.

Overall employee satisfaction levels are monitored through an annual survey, which covers the following topics:

1. Commitment of Team Members
2. Strength of the Line Managers
3. Team Spirit and Collaboration
4. Strategy and Leadership

In FY2018, the overall employee satisfaction score was 83% which was an increase from 80% in 2017. The survey was conducted in December 2018 and excluded VIT personnel who had recently joined the group following the merger in October 2018.

ESR-REIT 2018 Core Values Award presented by Head of Real Estate, Nancy Tan

1. Mr. and Ms. Professional
   Benedict Teo and Amy Low
2. Mr. and Ms. Team Spirit
   Joel Ang and Madeline Gian
3. Mr. and Ms. Integrity
   Dillion Ng (not pictured) and Loh Hui Wen
4. Mr. and Ms. Passion
   Koh Tiong Ann (not pictured) and Shirin Bte Abdul Rahman

Health & Wellness

The health and well-being of our employees is crucial to creating a productive work environment and ensuring the Manager's ongoing success.

Alongside competitive remuneration packages, the following health benefits are offered to all employees:

- Insurance Cover: Term Life, Personal Accident and Permanent Disability, Hospital and Surgical, Outpatient/ Specialist and Travel
- Flexi-benefits scheme
- Comprehensive leave entitlements, including birthday leave
- Annual team-building activities

Other benefits such as flexible work arrangements are also offered to employees so they are able to meet personal or family commitments.

In terms of promoting health and wellness, the Manager co-funds employee membership to a local health and wellness facility, encouraging employees to exercise and stay healthy. The Manager also supports national initiatives such as Singapore's "Helping Employees Achieve Lifetime Health" ("HEALTH") Charter and 'Physical and Mental Health Programme' designed to enhance employees' social, mental and physical wellness through activities such as exercises, health talks and an annual health screening event. Staff are also encouraged to engage in regular company organised exercise activities, which also facilitates bonding between staff.

Badminton session for our staff

Tenant Engagement and Satisfaction

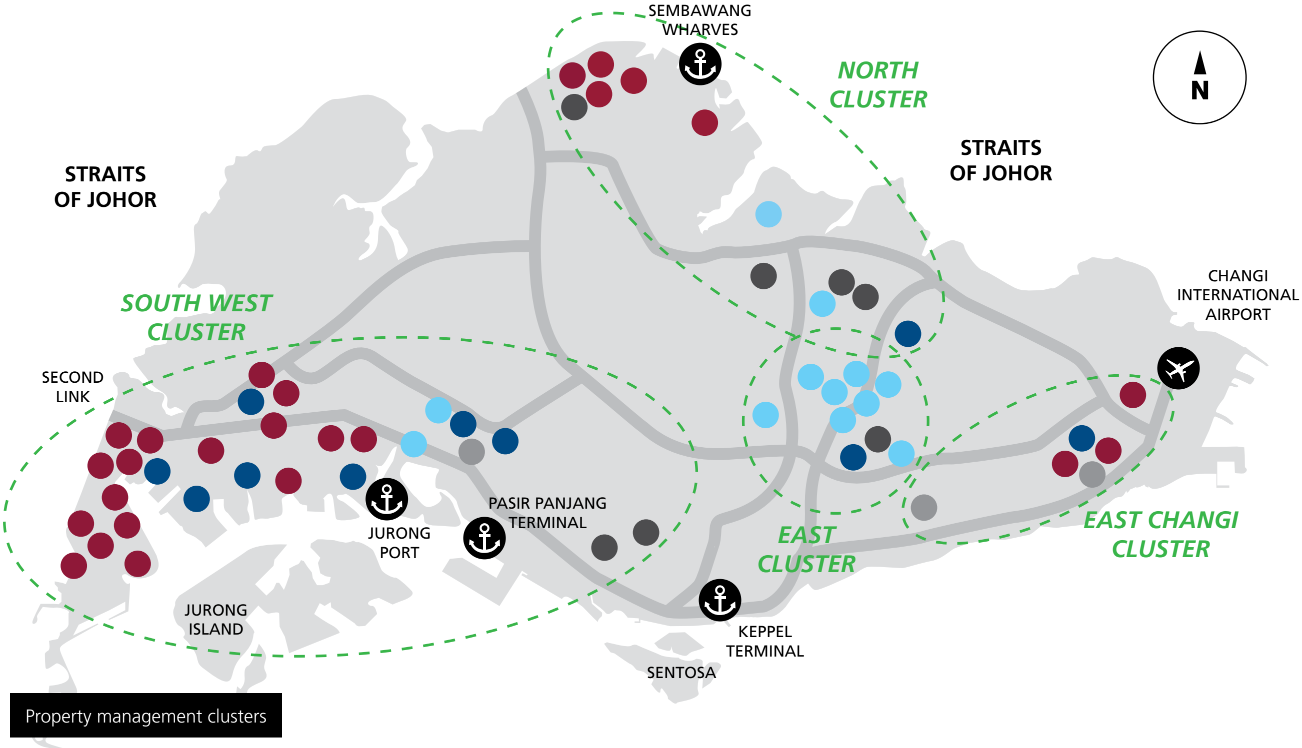
Targets

Improve tenant satisfaction levels across all benchmarks / levels (to achieve tenant satisfaction score of above 70 percent each year)

Understanding and responding to tenants' needs is a core part of our success.

Engaging and developing good relationships with tenants enables the Manager to better anticipate, understand and respond to their needs. This is achieved through regular communication, timely resolution of issues and progressive upgrading of facilities. This can include, for example, periodic site visits, email correspondence, various workshops and training events and the annual tenant satisfaction survey.

Our commitment to tenant service was further strengthened in 2018 as the Manager rolled out 'on-site' clusters of property management teams. ESR-REIT's properties have been organised into geographical clusters with property management teams stationed at centralised on-site offices within each cluster. Apart from cost savings, the cluster program increases engagement, improves response time and better enables the provision of quality service to tenants.



Property management clusters

In January 2018, The Manager's Annual Tenant Seminar was held at Alexandra Fire Station where 45 tenants were given fundamental fire safety and basic first-aid knowledge from members of the Singapore Civil Defence Force

Fire and Safety Training at The Annual Tenant Meeting

Post the completion of the merger, the Manager organised an additional tenant engagement event at Viva Business Park in November 2018. The event was an informal meeting to highlight the changes in management, provide answers to any questions following the merger and assure tenants of our ongoing service commitments

(Bottom left & above): Post merger tenant engagement event

Tenant occupancy and retention rates are tracked on an annual basis. These rates are benchmarked against industry peers in order to identify areas for improvement.

From the annual Tenant Satisfaction Survey in 2018, the overall tenant satisfaction rate was 70%. The Manager targets to achieve a higher tenant satisfaction score in 2020 for FY 2019.

	2016	2017	2018
Tenant Satisfaction Rating	73%	72%	70%

SUSTAINABILITY REPORT

Community Investment and Development

Supporting and caring for the communities where we operate is important to us.

The Manager is committed to building long-term relationships with the communities where it operates. Working responsibly includes giving back to the community through programs which aim to improve the living and educational standards of residents.

The Manager makes financial contributions to help members of the community continue or extend their education. For example, the Manager, through the introduction of a Sponsorship Programme, provided financial support to outstanding students in real estate courses from Ngee Ann Polytechnic (see case study below). The Manager will seek to continue and proactively support this program in the future.

In addition to education, indirect cash and in-kind donations are also made by the Manager to benefit the wider community. These typically take the form of financial support for a community or charitable event, or providing resources input to a particular cause (see case studies below)

ESR-REIT's Scholarship Programme

The scholarship programme aims to give outstanding students the opportunity to participate in internships and develop employability skills. The programme covers students' annual tuition fees and book allowance. Recipients of the scholarship undertake a compulsory internship with ESR-REIT's Manager. In this way, the contribution creates a direct impact on the community by helping deserving students afford higher education, fostering a new generation of industry talent and supporting the REIT's business with a potential pipeline of talent. In FY2017, financial support was allocated to this two-year programme and a student candidate from Ngee Ann Polytechnic was selected to be ESR-REIT's inaugural scholar.

ESR-REIT's Internship Programme

In 2018, the Manager offered internship to 3 second year National University of Singapore undergraduates for a 10 week placement within our offices across our operations. The Manager also offered a 3 month internship contract to a Ngee Ann Polytechnic third year student. We intend to continue this vocational training support in 2019.

Supporting Charity Auction

The Manager gifted a one night stay at Park Avenue Hotel Changi to a charity auction held at the end of December to raise funds for Budding Artist Fund. The lucky winning bidder was entitled to a one night stay at Park Avenue Hotel Changi, located at one of ESR-REIT's assets, UE BizHub East, at the Manager's expense.

Working with Social Enterprise for Mental Health

We partnered with Flour Power, a social enterprise that provides vocational hospitality training for mentally challenged youths. Cookies made by Flour Power were distributed at one of our Extraordinary General Meetings in February 2018 to our unitholders to thank them for their continuous support.

GOVERNANCE AND ENTERPRISE RISK MANAGEMENT

Targets

No reported lapses in corporate governance, corruption/employee misconduct and non-compliance with applicable laws and regulations

GOVERNANCE

The Manager believes that having a robust corporate governance framework in place enhances operations and builds stakeholder trust.

Importance is placed on protecting the REIT's assets, its reputation and the value of Unitholders' investment by adopting good corporate governance practices. This includes abiding by all applicable legislation and regulations. The Manager adheres to the Code of Corporate Governance 2012, the Code on Collective Investment Schemes, the Trust Deed, listing rules and regulations set out by SGX, as well as other applicable laws and regulations.

Relevant regulatory related policies and procedures have been established to ensure compliance with applicable legislation and regulations. The Manager monitors compliance policies and procedures to ensure they are aligned with regulatory requirements through regular attestations, routine compliance monitoring programmes, reporting of regulatory breaches and internal/external/regulatory inspection findings.

A formal process is also in place to annually assess the effectiveness of the Board and the Audit, Risk Management and Compliance Committee ("ARCC"). This is conducted through feedback collected from individual directors on areas relating to the Board's and ARCC's competencies and effectiveness.

An assessment review on each independent director is conducted by the Nominating and Remuneration Committee ("NRC") to ensure that the director remains independent. Results of the assessment will be submitted to the Board for review and approval. The performance and effectiveness of ESR-REIT's internal and external auditors are monitored and assessed by the ARCC each year.

A whistle-blowing policy is in place to provide an avenue for employees and external parties to raise any concerns about possible improprieties relating to matters of financial reporting or other issues to the Chairman of ARCC. An independent investigation and appropriate follow-up action will be taken in response to any concerns raised.

Our supply chain includes suppliers of building equipment and services, utility providers as well as facilities management contractors – including cleaning contractors and security. These products and services are sourced locally in Singapore.

All suppliers and vendors are required to comply with applicable laws and regulations. A due diligence process is conducted on the suppliers and vendors at the point of engagement by the Manager on behalf of the REIT. Routine assessments of these suppliers and vendors are conducted to ensure compliance with the internally prescribed standards and applicable laws and regulations. A review of the Approved Contractors and Suppliers List was conducted in the first quarter of 2018 to ensure that our policy is still relevant and effective.

Anti-corruption

The Manager maintains a zero-tolerance approach towards corrupt business practices and is committed to conducting business in an ethical manner. In FY2018, there were no reported cases of non-compliance with anti-corruption laws and regulations.

Anti-competitive Behaviour

The Manager is committed to complying with all applicable anti-trust and competition laws and regulations. There were no legal actions with regard to anti-competitive behaviour and violations of anti-trust and competition laws and regulations during the reporting period.

Enterprise Risk Management

The Manager has put in place a comprehensive risk management system that helps it identify, measure, prioritise and respond to potential risks that that could have a significant impact on the REIT's business. The Manager adopts a four-step risk management process to manage different risks and it includes the following steps:

1. Risk identification and assessment;
2. Risk management application;
3. Risk monitoring; and
4. Reporting

GRI CONTENT INDEX

GRI Standards (2016)

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Organisational Profile			
101-2	Name of the organisation	Corporate Profile	p.i
102-2	Activities, brands, products, and services	Corporate Profile	p.i
102-3	Location of headquarters	Corporate Directory	Inside Back Cover
102-4	Location of operations	Corporate Directory	Inside back Cover
102-5	Ownership and legal form	Trust Structure	p.21
102-6	Markets served	Corporate Profile; Our Sponsor	p.i p.17
102-7	Scale of the organisation	Corporate Profile; Key Highlights; Five-Year Financial Summary; Sustainability Report, Social - Our People	p.i p.1 - 2 p.4 p.116
102-8	Information on employees and other workers	Sustainability Report, Social - Our People Property management for single-tenanted buildings was mainly outsourced to contractors. Data has been compiled manually.	p.116 - 117
102-9	Supply chain	Sustainability Report, Governance and Enterprise Risk Management	p.123
102-10	Significant changes to organisation and its supply chain	2018 milestones; Letter to Unitholders; Financial Review	p.6 - 7 p.10 - 13 p.38 - 39
102-11	Precautionary principle or approach	Sustainability Report, Environment	p.112
102-12	External initiatives	Sustainability Report, Social - Diversity And Equal Opportunities	p.118
102-13	Memberships in associations (such as industry associations)	Sustainability Report, Stakeholder Engagement	p.111
Strategy			
102-14	Statement from senior decision-maker	Letter to Unitholders	p.10 - 13
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Our Long-Term Strategy; Sustainability Report, Social	p.18 - 19 p.116 - 118
Governance			
102-18	Governance structure	Organisation Structure; Sustainability Report, Sustainability Governance	p.22 p.108
Stakeholder Engagement			
102-40	List of stakeholder groups	Sustainability Report 2018, Stakeholder Engagement	p.110 - 111
102-41	Collective bargaining agreements	All employees within the scope of this report are not covered by collective bargaining agreements, as they are considered to be professionals	
102-42	Identifying and selecting stakeholders	Sustainability Report, Stakeholder Engagement	p.110
102-43	Approach to stakeholder engagement	Sustainability Report, Stakeholder Engagement	p.110 - 111
102-44	Key topics and concerns raised	Sustainability Report, Stakeholder Engagement	p.110 - 111

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Reporting Practice			
102-45	Entities included in the consolidated financial statements	Sustainability Report, About this report Financial Statements	p.108 p.137 - 210
102-46	Definition of report content and topic boundaries	Sustainability Report, Materiality Assessment	p.109
102-47	List of material topics	Sustainability Report, Materiality Assessment	p.109
102-48	Restatements of information	Sustainability Report, Environment	p.114
102-49	Changes in reporting	Sustainability Report, Materiality Assessment	p.109
102-50	Reporting period	Sustainability Report, About this report	p.108
102-51	Date of most recent previous report	Sustainability Report 2017 was published on 25 April 2018	
102-52	Reporting cycle	Sustainability Report, About this report	p.108
102-53	Contact point for questions regarding the report	Sustainability Report, About this report	p.108
102-54	Claims of reporting in accordance with GRI Standards	Sustainability Report, About this report	p.108
102-55	GRI content index	GRI Content Index	p.124 - 128
102-56	External assurance	Sustainability Report, About this report	p.108
Material Topics			
Economic Performance			
201-1	Direct economic value generated and distributed	Financial Statements	p.137 - 210
103-1	Explanation of the material topic and its boundary	Corporate Profile	p.i
103-2	The management approach and its components	Our Long-term Strategy; Sustainability Report, Board Statement, Sustainability Governance	p.18-19 p.106 p.108
103-3	Evaluation of the management approach	Letter to Unitholders; Sustainability Report, Sustainability Governance	p.10-13 p.108
Anti Corruption			
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report, Governance and Enterprise Risk Management - Anti-Corruption	p.123
103-1	Explanation of the material topic and its boundary	Sustainability Report, Governance and Enterprise Risk Management	p.123
103-2	The management approach and its components	Sustainability Report, Governance and Enterprise Risk Management	p.123
103-3	Evaluation of the management approach	Sustainability Report, Sustainability Governance, Governance and Enterprise Risk Management	p.108 p.123

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GRI Standards (2016)

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Energy			
302-1	Energy consumption within the organisation	Sustainability Report, Environment	p.114 - 115
302-3	Energy intensity	Sustainability Report, Environment	p.114
103-1	Explanation of the material topic and its boundary	Sustainability Report, Materiality Assessment, Environment	p.109 p.112 - 113
103-2	The management approach and its components	Sustainability Report, Sustainability Governance, Materiality Assessment, Environment	p.108 p.109 p.112 - 115
103-3	Evaluation of the management approach	Sustainability Report, Sustainability Governance, Materiality Assessment, Environment	p.108 p.109 p.113 - 115
Emission			
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report, Environment	p.114
305-4	GHG emissions intensity	Sustainability Report, Environment	p.114
103-1	Explanation of the material topic and its boundary	Sustainability Report, Materiality Assessment, Environment	p.109 p.112 - 113
103-2	The management approach and its components	Sustainability Report, Sustainability Governance, Materiality Assessment, Environment	p.108 p.109 p.112 - 115
103-3	Evaluation of the management approach	Sustainability Report, Sustainability Governance, Material Assessment, Environment	p.108 p.109 p.113 - 115
Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	Sustainability Report, Environment - Environmental Compliance	p.115
103-1	Explanation of the material topic and its boundary	Sustainability Report, Environment - Environmental Compliance	p.115
103-2	The management approach and its components	Sustainability Report, Environment - Environmental Compliance	p.115
103-3	Evaluation of the management approach	Sustainability Report, Environment - Environmental Compliance	p.115
Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	Sustainability Report 2018, Environment - Environmental Compliance	p.115
103-1	Explanation of the material topic and its boundary	Sustainability Report 2018, Environment - Environmental Compliance	p.115
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103-3	Evaluation of the management approach	Sustainability Report 2018, Environment - Environmental Compliance	p.115

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Employment			
401-1	New employee hires and employee turnover	Sustainability Report, Social - Our People There were 34 new hires in 2018, out of which 26% were male and 74% were female. 18% were <30 years old, 65% were between 30 to 50 years old and 18% were >50 years old.	p.116 - 117
103-1	Explanation of the material topic and its boundary	Sustainability Report, Materiality Assessment, Social - Our People, Talent Attraction and Retention, Employee Engagement	p.109 p.116 - 119
103-2	The management approach and its components	Sustainability Report, Sustainability Governance, Materiality Assessment, Social - Our People, Talent Attraction and Retention, Employee Engagement	p.108 p.109 p.116 - 119
103-3	Evaluation of the management approach	Sustainability Report, Sustainability Governance, Materiality Assessment, Social - Our People, Talent Attraction and Retention, Employee Engagement	p.108 p.109 p.116 - 119
Training and Education			
404-2	Programmes for upgrading employee skills and transition assistance programmes	Sustainability Report, Social - Talent Attraction and Retention, Training and Education	p.118
103-1	Explanation of the material topic and its boundary	Sustainability Report, Materiality Assessment, Social - Talent Attraction and Retention, Training and Education	p.109 p.118
103-2	The management approach and its components	Sustainability Report, Sustainability Governance, Materiality Assessment, Social - Talent Attraction and Retention, Training and Education	p.108 p.109 p.118
103-3	Evaluation of the management approach	Sustainability Report, Sustainability Governance, Materiality Assessment, Social - Talent Attraction and Retention, Training and Education	p.108 p.109 p.118
Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report, Governance and Enterprise Risk Management	p.123
103-1	Explanation of the material topic and its boundary	Sustainability Report, Materiality Assessment, Stakeholder Engagement, Governance and Enterprise Risk Management	p.109 p.110 - 111 p.123
103-2	The management approach and its components	Sustainability Report, Sustainability Governance, Materiality Assessment, Stakeholder Engagement, Governance and Enterprise Risk Management	p.108 p.109 p.110 - 111 p.123
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GRI Standards (2016)

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Investment Management – Quality of Assets and Services			
N/A	Responsible investing and quality of assets and services	Sustainability Report, Investment Management - Quality of Assets and Services	p.112
103-1	Explanation of the material topic and its boundary	Sustainability Report, Materiality Assessment, Investment Management - Quality of Assets and Services	p.109 p.112
103-2	The management approach and its components	Sustainability Report, Sustainability Governance, Materiality Assessment, Investment Management - Quality of Assets and Services	p.108 p.109 p.112
103-3	Evaluation of the management approach	Sustainability Report, Sustainability Governance, Materiality Assessment, Investment Management - Quality of Assets and Services	p.108 p.109 p.112
Tenant Engagement and Satisfaction			
N/A	Tenant engagement and satisfaction	Sustainability Report, Tenant Engagement and Satisfaction	p.121
103-1	Explanation of the material topic and its boundary	Sustainability Report, Materiality Assessment, Tenant Engagement and Satisfaction	p.109 p.120
103-2	The management approach and its components	Sustainability Report, Sustainability Governance, Materiality Assessment, Tenant Engagement and Satisfaction	p.108 p.109 p.120 - 121
103-3	Evaluation of the management approach	Sustainability Report, Sustainability Governance, Materiality Assessment, Tenant Engagement and Satisfaction	p.108 p.109 p.120 - 121
Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report, Stakeholder Engagement, Social - Community Investment and Development Community projects are implemented at head office level.	p.111 p.122
103-1	Explanation of the material topic and its boundary	Sustainability Report, Stakeholder Engagement, Social - Community Investment and Development	p.111 p.122
103-2	The management approach and its components	Sustainability Report, Stakeholder Engagement, Social - Community Investment and Development	p.111 p.122
103-3	Evaluation of the management approach	Sustainability Report, Stakeholder Engagement, Social - Community Investment and Development	p.111 p.122

FINANCIAL REPORT CONTENTS

REPORT OF THE TRUSTEE

RBC Investor Services Trust Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of ESR-REIT (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 (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS"), the Trustee shall monitor the activities of ESR Funds Management (S) Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 31 March 2006 (as amended) between the Trustee and the Manager (the "Trust Deed") in each annual accounting year 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 year covered by these financial statements, set out on pages 137 to 210 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,
RBC Investor Services Trust Singapore Limited

Hoi Sau Kheng
Director

Farrah Begum Binte Abdul Salam
Senior Manager

Singapore
18 March 2019

STATEMENT BY THE MANAGER

In the opinion of the directors of ESR Funds Management (S) Limited, the accompanying financial statements of ESR-REIT (the "Trust") and its subsidiaries (the "Group") set out on pages 137 to 210 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds, Portfolio Statement of the Group and of the Trust, the Consolidated Statement of Cash Flows of the Group and a Summary of Significant Accounting Policies and other explanatory notes, are drawn up so as to present fairly, in all material respects, the financial position and portfolio holdings of the Group and of the Trust as at 31 December 2018, and the financial performance, distributable income, movements in Unitholders' funds of the Group and of 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,
ESR Funds Management (S) Limited

Mr Ooi Eng Peng
Chairman

Singapore
18 March 2019

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

UNITHOLDERS OF ESR-REIT
Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of ESR-REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position and consolidated investment properties portfolio statement of the Group and the statement of financial position and investment properties portfolio statement 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.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust are properly drawn up 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 so as to present fairly, in all material respects, the consolidated financial position and consolidated portfolio holdings of the Group and the financial position and portfolio holdings of the Trust as at 31 December 2018 and the consolidated financial performance, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the financial performance and movements in unitholders' funds of the Trust for the year then ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

UNITHOLDERS OF ESR-REIT
Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investment properties

As at 31 December 2018, the carrying values of investment properties amounted to $3.02 billion. These investment properties are stated at their fair values based on independent external valuations and represent the single largest asset category of the Group.

The valuation of investment properties is considered as a key audit matter because it requires significant judgement in the determination of the appropriate valuation methodology and in deciding on the assumptions and estimates that are to be applied in the valuation. The valuation of the investment properties is highly sensitive to the key assumptions applied and a small change in the key assumptions can have a significant impact on the valuations.

We assessed the Group's process relating to the selection of the external valuers, the determination of the scope of work of the valuers, and the review of the valuation reports issued by the external valuers. We evaluated the independence, objectivity and competency of the valuers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We considered the valuation methodologies adopted against those applied by other valuers for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation by comparing to supporting leases and external industry and economic data where available. We assessed the reasonableness of key assumptions used in the valuations, including market rental growth, price per square metre, terminal yield, capitalisation and discount rates, by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures and, when necessary, held further discussions with the valuers to understand the effects of additional factors taken into account in the valuations. We also assessed the overall appropriateness of the movements in fair value of the investment properties.

We further reviewed the appropriateness of the disclosures in Note 4 and 25 to the financial statements.

UNITHOLDERS OF ESR-REIT
Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

Accounting for acquisition of the stapled securities of Viva Industrial Trust ("VIT")
On 15 October 2018, the Group completed the acquisition of the stapled securities of VIT. Subsequent to the completion, VIT became a sub-trust of the Group.

This acquisition is considered a key audit matter as this is a significant transaction and requires significant management judgement in determining whether this transaction is a business combination or an acquisition of assets, given that the accounting treatment is different in each case. This acquisition has been accounted for as an acquisition of assets by the Group.

We read the circular issued to the unitholders in relation to the merger to obtain an understanding of the transaction and the key terms and assessed whether the appropriate accounting treatment has been applied to this transaction. We verified the consideration paid and the issuance of units. We tested the measurement of the acquired assets and liabilities. We further assessed the adequacy and reviewed the appropriateness of the disclosures in Note 4 to the financial statements.

Other Information

ESR Funds Management (S) Limited, the Manager of the Trust (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Manager for the financial statements

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

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 liquidate 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

UNITHOLDERS OF ESR-REIT
Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

Auditor's 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 auditor's 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 skepticism 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 control.

- Obtain an understanding of internal control 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 control.

- Obtain an understanding of internal control 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 control.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

UNITHOLDERS OF ESR-REIT
Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

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 auditor's report unless law or regulation precludes 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 auditor's report is Nagaraj Sivaram.

Ernst + Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
18 March 2019

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Assets					
Non-current assets					
Investment properties	4	3,016,200	1,652,200	1,452,500	1,349,200
Investments in subsidiaries	5	–	–	1,173,978	215,463
Loans to subsidiaries	6	–	–	612,264	50,500
		3,016,200	1,652,200	3,238,742	1,615,163
Current assets					
Investment properties held for divestment	4	5,700	23,600	5,700	23,600
Trade and other receivables	7	11,144	8,374	30,535	6,999
Cash and cash equivalents		17,664	11,651	6,560	8,156
		34,508	43,625	42,795	38,755
Total assets		3,050,708	1,695,825	3,281,537	1,653,918
Liabilities					
Current liabilities					
Trade and other payables	8	58,230	28,647	45,856	21,987
Interest-bearing borrowings	9	281,921	154,895	281,921	154,895
Amount due to non-controlling interest	10	61,074	60,600	–	–
		401,225	244,142	327,777	176,882
Non-current liabilities					
Trade and other payables	8	16,129	6,783	7,860	5,715
Amount due to a subsidiary	11	–	–	40,247	40,247
Interest-bearing borrowings	9	986,282	514,896	986,282	514,896
Derivative financial instruments	12	16,289	–	16,289	–
		1,018,700	521,679	1,050,678	560,858
Total liabilities		1,419,925	765,821	1,378,455	737,740
Net assets		1,630,783	930,004	1,903,082	916,178
Represented by:					
Unitholders' funds		1,479,668	778,889	1,751,967	765,063
Perpetual securities holders' funds	13	151,115	151,115	151,115	151,115
		1,630,783	930,004	1,903,082	916,178
Units in issue ('000)	14	3,170,173	1,313,623	3,170,173	1,313,623
Net asset value per unit (cents)		46.7	59.3	55.3	58.2

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF TOTAL RETURN

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Gross revenue	15	156,916	109,700	107,951	106,615
Property expenses	16	(44,880)	(31,255)	(34,360)	(31,052)
Net property income		112,036	78,445	73,591	75,563
Management fees	17	(9,805)	(6,989)	(8,424)	(6,989)
Trust expenses	18	(1,891)	(2,176)	(1,603)	(2,140)
Interest income		48	113	46	113
Borrowing costs	19	(27,442)	(20,439)	(27,096)	(20,439)
Net income		72,946	48,954	36,514	46,108
Interest income from subsidiaries		–	–	5,292	93
Distributable income from subsidiaries		–	–	31,705	2,071
Net income after distributable income from subsidiaries		72,946	48,954	73,511	48,272
Gain on disposal of investment properties		128	221	128	221
Change in fair value of financial derivatives		(16,200)	–	(16,200)	–
Change in fair value of investment properties	4	(1,954)	(47,779)	(3,860)	(46,628)
Fair value adjustments relating to the Merger		(283,219)	–	–	–
Total (loss)/return for the year before income tax		(228,299)	1,396	53,579	1,865
Income tax expense	20	(97)	–*	(16)	–
Total (loss)/return for the year after income tax		(228,396)	1,396	53,563	1,865
Attributable to:					
Unitholders of the Trust and perpetual securities holders		(232,562)	614	53,563	1,865
Non-controlling interest		4,166	782	–	–
Total (loss)/return for the year		(228,396)	1,396	53,563	1,865
Earnings per unit (cents)					
Basic and diluted	21	(12.938)	(0.038)	2.521	0.057
Distribution per unit (cents)	21	3.857	3.853	3.857	3.853

* Less than $1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

DISTRIBUTION STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Total (loss)/return after income tax, before distribution for the year	(232,562)	614	53,563	1,865
Add: Distribution adjustments (Note A)	307,889	50,891	21,764	49,640
	75,327	51,505	75,327	51,505
Amount reserved for distribution to perpetual securities holders	(6,900)	(1,115)	(6,900)	(1,115)
Net income available for distribution to Unitholders	68,427	50,390	68,427	50,390
Distribution from other gains (Note B)	6,039	–	6,039	–
Total amount available for distribution	74,466	50,390	74,466	50,390
Less: Distributions (Note C)	(47,764)	(38,179)	(47,764)	(38,179)
Net amount available for distribution to Unitholders as at 31 December	26,702	12,211	26,702	12,211

Note A – Distribution adjustments

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Non-tax deductible items and other adjustments:				
Management fees payable in units	2,557	–	2,557	–
Trustee's fees	469	379	429	379
Amortisation of transaction costs relating to debt facilities	4,322	1,936	4,322	1,936
Fair value adjustments relating to the Merger	283,219	–	–	–
Change in fair value of investment properties	2,428	48,379	3,860	46,628
Change in fair value of financial derivatives	16,200	–	16,200	–
Legal and professional fees	256	533	120	533
Adjustment for straight line rent and lease incentives	(1,638)	(1,127)	(2,087)	(617)
Utilisation of allowance for doubtful debts	(1,163)	–	(1,163)	–
Dividend income from subsidiaries	519	(718)	(3,163)	(718)
Returns attributable to perpetual securities holders	–	1,115	–	1,115
Miscellaneous expenses	848	615	817	605
	308,017	51,112	21,892	49,861
Income not subject to tax:				
Gain on disposal of investment properties	(128)	(221)	(128)	(221)
Net effect of distribution adjustments	307,889	50,891	21,764	49,640

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Note B – Distributions from other gains

During the year, distribution from other gains represent partial payout of total $6.3 million ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisitions of land in prior years.

Note C – Distributions

	Group and Trust	
	2018	**2017**
	$'000	**$'000**
Distributions to Unitholders during the financial year comprise:		
Distribution of 1.169 cents per unit for the period from 1/7/2018 to 15/10/2018	18,497	–
Distribution of 1.001 cents per unit for the period from 1/4/2018 to 30/6/2018	15,853	–
Distribution of 0.847 cents per unit for the period from 1/1/2018 to 31/3/2018	13,414	–
Distribution of 0.964 cents per unit for the period from 1/7/2017 to 30/9/2017	–	12,612
Distribution of 0.956 cents per unit for the period from 1/4/2017 to 30/6/2017	–	12,470
Distribution of 1.004 cents per unit for the period from 1/1/2017 to 31/3/2017	–	13,097
	47,764	38,179
Distribution of 0.929 cents per unit for the period from 1/10/2017 to 31/12/2017	12,204	–
Distribution of 0.996 cents per unit for the period from 1/10/2016 to 31/12/2016	–	12,992
Total Distributions to Unitholders during the financial year[1]	59,968	51,171

Note:

(1) Distributions were partly paid by ESR-REIT issuing an aggregate of 7.2 million units amounting to $4.0 million (2017: 9.2 million units amounting to $5.2 million), pursuant to the distribution reinvestment plan.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Trust	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Unitholders' Funds				
Balance at beginning of the year	778,889	827,029	765,063	811,952
Operations				
Total (loss)/return for the year after tax attributable to Unitholders and perpetual securities holders	(232,562)	614	53,563	1,865
Less: Amount reserved for distribution to perpetual securities holders	(6,900)	(1,115)	(6,900)	(1,115)
Net (decrease)/increase in net assets resulting from operations	(239,462)	(501)	46,663	750
Unitholders' transactions				
Management fees paid in units	724	–	724	–
Units issued through Distribution Reinvestment Plan	4,031	5,173	4,031	5,173
Acquisition fees paid in units pursuant to the Merger	11,711	–	11,711	–
Preferential Offering	141,939	–	141,939	–
Partial consideration paid in units pursuant to the Merger	843,055	–	843,055	–
Equity costs pursuant to: (Note 22)				
– Distribution Reinvestment Plan	(74)	(143)	(74)	(143)
– Preferential Offering	(1,177)	–	(1,177)	–
– Perpetual securities	–	(1,498)	–	(1,498)
Distributions to Unitholders	(59,968)	(51,171)	(59,968)	(51,171)
Net increase/(decrease) in Unitholders' funds resulting from Unitholders' transactions	940,241	(47,639)	940,241	(47,639)
Balance at end of the year	1,479,668	778,889	1,751,967	765,063
Perpetual Securities Holders' Funds				
Balance at beginning of the year	151,115	–	151,115	–
Issue of perpetual securities	–	150,000	–	150,000
Amount reserved for distribution to perpetual securities holders	6,900	1,115	6,900	1,115
Distribution to perpetual securities holders	(6,900)	–	(6,900)	–
Balance at end of the year	151,115	151,115	151,115	151,115
Total	**1,630,783**	**930,004**	**1,903,082**	**916,178**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Logistics/Warehousing Properties[(1)]				
	1 THIRD LOK YANG ROAD AND 4 FOURTH LOK YANG ROAD	Leasehold	30	13[(6)]	1 Third Lok Yang Road Singapore 627996 and 4 Fourth Lok Yang Road Singapore 629701
	25 CHANGI SOUTH AVENUE 2	Leasehold	30+30	36[(7)]	25 Changi South Ave 2 Singapore 486594
	160 KALLANG WAY	Leasehold	30+30	14[(8)]	160 Kallang Way Singapore 349246
	3C TOH GUAN ROAD EAST	Leasehold	30+30	32[(9)]	3C Toh Guan Road East Singapore 608832
	4/6 CLEMENTI LOOP	Leasehold	30+30	35[(10)]	4/6 Clementi Loop Singapore 129810 and 129814
	24 JURONG PORT ROAD	Leasehold	30+12	18[(11)]	24 Jurong Port Road Singapore 619097
	3 PIONEER SECTOR 3	Leasehold	30+30	32[(12)]	3 Pioneer Sector 3 Singapore 628342
^	15 GREENWICH DRIVE	Leasehold	30	23[(13)]	15 Greenwich Drive Singapore 534022
+	9 BUKIT BATOK STREET 22	Leasehold	30+30	34[(14)]	9 Bukit Batok Street 22 Singapore 659585

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at 31/12/2018 %	Occupancy rate at 31/12/2017 %	At Independent Valuation 31/12/2018 $'000	At Independent Valuation 31/12/2017 $'000	Percentage of Net assets attributable to Unitholders 31/12/2018 %	Percentage of Net assets attributable to Unitholders 31/12/2017 %
100	100	11,400	11,700	0.77	1.50
100	100	12,600	12,500	0.85	1.60
100	100	26,300	26,800	1.78	3.44
77	97	30,500	29,700	2.06	3.81
67	80	44,100	48,100	2.98	6.18
95	95	91,700	89,400	6.20	11.48
100	86	95,800	95,700	6.47	12.29
100	–	98,000	–	6.62	–
–	98	–	23,600	–	3.03
		410,400	**337,500**	**27.73**	**43.33**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Light Industrial Properties[2]				
70 SELETAR AEROSPACE VIEW	Leasehold	30	23[15]	70 Seletar Aerospace View Singapore 797564
30 TEBAN GARDENS CRESCENT	Leasehold	10+22	20[16]	30 Teban Gardens Crescent Singapore 608927
16 TAI SENG STREET	Leasehold	30+30	49[17]	16 Tai Seng Street Singapore 534138
30 TOH GUAN ROAD	Leasehold	30+30	37[18]	30 Toh Guan Road Singapore 608840
128 JOO SENG ROAD	Leasehold	30+30	33[19]	128 Joo Seng Road Singapore 368356
130 JOO SENG ROAD	Leasehold	30+30	33[20]	130 Joo Seng Road Singapore 368357
136 JOO SENG ROAD	Leasehold	30+30	32[21]	136 Joo Seng Road Singapore 368360
11 SERANGOON NORTH AVENUE 5	Leasehold	30+30	38[22]	11 Serangoon North Avenue 5 Singapore 554809

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
100	100	9,200	9,200	0.62	1.18
100	100	39,300	38,900	2.66	4.99
100	100	58,500	60,500	3.95	7.77
85	84	61,000	59,700	4.12	7.66
100	91	11,800	12,000	0.80	1.54
86	93	15,200	15,600	1.03	2.00
76	100	12,800	12,800	0.87	1.64
90	94	20,000	20,000	1.35	2.57
		227,800	**228,700**	**15.40**	**29.35**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	General Industrial Properties[3]				
	79 TUAS SOUTH STREET 5	Leasehold	30+30	41[23]	79 Tuas South Street 5 Singapore 637604
	31 TUAS AVENUE 11	Leasehold	30+30	35[24]	31 Tuas Avenue 11 Singapore 639105
	1/2 CHANGI NORTH STREET 2	Leasehold	30+30/ 30+30	42/47[25]	1/2 Changi North Street 2 Singapore 498808/498775
	9 TUAS VIEW CRESCENT	Leasehold	30+30	40[26]	9 Tuas View Crescent Singapore 637612
	28 SENOKO DRIVE	Leasehold	30+30	21[27]	28 Senoko Drive Singapore 758214
	31 CHANGI SOUTH AVENUE 2	Leasehold	30+30	36[28]	31 Changi South Avenue 2 Singapore 486478
	22 CHIN BEE DRIVE	Leasehold	30	17[29]	22 Chin Bee Drive Singapore 619870
*	31 KIAN TECK WAY	Leasehold	30+19	24[30]	31 Kian Teck Way Singapore 628751
	2 TUAS SOUTH AVENUE 2	Leasehold	60	40[31]	2 Tuas South Ave 2 Singapore 637601
	21B SENOKO LOOP	Leasehold	30+30	34[32]	21B Senoko Loop Singapore 758171
	60 TUAS SOUTH STREET 1	Leasehold	30	16[33]	60 Tuas South Street 1 Singapore 639925
	5/7 GUL STREET 1	Leasehold	29.5	19[34]	5/7 Gul Street 1 Singapore 629318/629320

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at 31/12/2018 %	Occupancy rate at 31/12/2017 %	At Independent Valuation 31/12/2018 $'000	At Independent Valuation 31/12/2017 $'000	Percentage of Net assets attributable to Unitholders 31/12/2018 %	Percentage of Net assets attributable to Unitholders 31/12/2017 %
–	–	11,400	11,000	0.77	1.41
100	100	12,100	12,300	0.82	1.58
100	100	22,000	22,000	1.49	2.82
100	100	10,000	10,200	0.68	1.31
100	100	13,600	13,700	0.92	1.76
100	100	12,000	12,000	0.81	1.54
100	100	14,900	14,500	1.01	1.86
–	100	5,700	5,700	0.38	0.73
100	100	36,300	36,100	2.45	4.64
100	100	25,600	26,400	1.73	3.40
100	100	4,300	4,000	0.29	0.51
100	100	14,300	15,000	0.97	1.93
		182,200	**182,900**	**12.32**	**23.49**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Balance brought forward				
General Industrial Properties (cont'd)				
28 WOODLANDS LOOP	Leasehold	30+30	37[(35)]	28 Woodlands Loop Singapore 738308
25 PIONEER CRESCENT	Leasehold	30+28	48[(36)]	25 Pioneer Crescent Singapore 628554
11 WOODLANDS WALK	Leasehold	30+30	37[(37)]	11 Woodlands Walk Singapore 738265
43 TUAS VIEW CIRCUIT	Leasehold	30	19[(38)]	43 Tuas View Circuit Singapore 637360
13 JALAN TERUSAN[1]	Leasehold	28	16[(39)]	13 Jalan Terusan Singapore 619293
160A GUL CIRCLE	Leasehold	27	22[(40)]	160A Gul Circle Singapore 629618
3 TUAS SOUTH AVENUE 4	Leasehold	30+30	40[(41)]	3 Tuas South Avenue 4 Singapore 637610
8 TUAS SOUTH LANE	Leasehold	30+16	35[(42)]	8 Tuas South Lane Singapore 637302
120 PIONEER ROAD	Leasehold	30+28	36[(43)]	120 Pioneer Road Singapore 639597
45 CHANGI SOUTH AVENUE 2	Leasehold	30+30	37[(44)]	45 Changi South Avenue 2 Singapore 486133

1 Formerly known as 15 Jurong Port Road

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
		182,200	**182,900**	**12.32**	**23.49**
100	100	17,300	17,500	1.17	2.25
100	100	16,400	16,300	1.11	2.09
100	100	17,400	17,200	1.18	2.21
100	100	16,400	16,000	1.11	2.05
100	100	36,900	37,500	2.49	4.81
100	100	18,000	18,200	1.22	2.34
100	100	43,000	42,900	2.91	5.51
100	100	115,000	115,000	7.77	14.76
75	36	40,300	40,600	2.72	5.21
65	92	12,200	12,100	0.82	1.56
		515,100	**516,200**	**34.82**	**66.28**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Balance brought forward				
General Industrial Properties (cont'd)				
511/513 YISHUN INDUSTRIAL PARK A	Leasehold	29+30/ 30+30	35/35[45]	511/513 Yishun Industrial Park A Singapore 768768/768736
86/88 INTERNATIONAL ROAD	Leasehold	30+30	36[46]	86/88 International Road Singapore 629176/629177
Hi-Specs Industrial Properties[4]				
21/23 UBI ROAD 1	Leasehold	30+30	38[47]	21/23 Ubi Road 1 Singapore 408724/408725
2 JALAN KILANG BARAT	Leasehold	99	43[48]	2 Jalan Kilang Barat Singapore 159346
11 CHANG CHARN ROAD	Leasehold	99	38[49]	11 Chang Charn Road Singapore 159640
54 SERANGOON NORTH AVENUE 4	Leasehold	30+30	38[50]	54 Serangoon North Avenue 4 Singapore 555854
12 ANG MO KIO STREET 65	Leasehold	30+30	31[51]	12 Ang Mo Kio Street 65 Singapore 569060
30 MARSILING INDUSTRIAL ESTATE ROAD 8	Leasehold	30+30	31[52]	30 Marsiling Industrial Estate Road 8 Singapore 739193

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
		515,100	**516,200**	**34.82**	**66.28**
84	84	26,100	26,100	1.76	3.35
90	90	44,700	43,000	3.02	5.52
		585,900	**585,300**	**39.60**	**75.15**
87	100	36,700	35,600	2.48	4.57
77	83	27,400	26,900	1.85	3.45
80	96	29,800	29,700	2.01	3.81
70	100	23,200	22,300	1.57	2.86
64	64	38,200	38,900	2.58	5.00
100	82	47,500	36,600	3.21	4.70
		202,800	**190,000**	**13.70**	**24.39**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Business Park Properties[5]				
	16 INTERNATIONAL BUSINESS PARK	Leasehold	30+30	37[53]	16 International Business Park Singapore 609929
	Total properties held by the Trust				
	Properties held by subsidiaries				
	Logistics/Warehousing Properties[1]				
**	6 CHIN BEE AVENUE	Leasehold	30	25[54]	6 Chin Bee Avenue Singapore 619930
**	30 PIONEER ROAD	Leasehold	30	18[55]	30 Pioneer Road Singapore 628502
	Light Industrial Properties[2]				
**	19 TAI SENG AVENUE	Leasehold	30+30	49[56]	19 Tai Seng Avenue Singapore 534054
**	11 UBI ROAD 1	Leasehold	30+30/ 21+30	37[57]	11 Ubi Road 1 Singapore 408723
**	29 TAI SENG STREET	Leasehold	30+30	48[58]	29 Tai Seng Street Singapore 534120
**	11 LORONG 3 TOA PAYOH	Leasehold	60	10[59]	11 Lorong 3 Toa Payoh Singapore 319579

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
100	100	31,300	31,300	2.11	4.02
		31,300	**31,300**	**2.11**	**4.02**
		1,458,200	**1,372,800**	**98.54**	**176.24**
100	–	94,300	–	6.37	–
100	–	54,000	–	3.65	–
		148,300	**–**	**10.02**	**–**
100	–	47,800	–	3.23	–
100	–	84,000	–	5.68	–
100	–	33,400	–	2.26	–
86	–	63,000	–	4.26	–
		228,200	**–**	**15.43**	**–**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Properties held by subsidiaries (cont'd)				
	General Industrial Properties[3]				
**	81 TUAS BAY DRIVE	Leasehold	60	48[60]	81 Tuas Bay Drive Singapore 637308
	Hi-Specs Industrial Properties[4]				
#	7000 ANG MO KIO AVENUE 5	Leasehold	32+30	38[61]	7000 Ang Mo Kio Avenue 5 Singapore 569877
	Business Park Properties[5]				
**	750 – 750E CHAI CHEE ROAD	Leasehold	60/43	12/12[62]	750 – 750E Chai Chee Road Singapore 469000
**	6/8 CHANGI BUSINESS PARK AVENUE 1	Leasehold	30+30	49[63]	6/8 Changi Business Park Avenue 1 Singapore 486017
**	2/4 CHANGI BUSINESS PARK AVENUE 1	Leasehold	30+30	49[63]	2/4 Changi Business Park Avenue 1 Singapore 486015
	Properties held by subsidiaries				
	Total properties held by the Group				

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
100	–	28,000	–	1.89	–
		28,000	**–**	**1.89**	**–**
94	92	305,400	303,000	20.64	38.91
		305,400	**303,000**	**20.64**	**38.91**
82	–	322,800	–	21.82	–
90	–	365,000	–	24.67	–
100	–	166,000	–	11.22	–
		853,800	**–**	**57.71**	**–**
		1,563,700	**303,000**	**105.69**	**38.91**
		3,021,900	**1,675,800**	**204.23**	**215.15**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	At Independent Valuation		Percentage of Net assets attributable to Unitholders	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	$'000	$'000	%	%
Trust				
Investment properties, at valuation	1,458,200	1,372,800	83.24	179.43
Other assets and liabilities (net)	444,882	(456,622)	25.39	(59.68)
Net assets of Trust	1,903,082	916,178	108.63	119.75
Perpetual securities holders' funds	(151,115)	(151,115)	(8.63)	(19.75)
Net assets attributable to Unitholders' Funds	1,751,967	765,063	100.00	100.00
Group				
Investment properties, at valuation	3,021,900	1,675,800	204.23	215.15
Other assets and liabilities (net)	(1,391,117)	(745,796)	(94.02)	(95.75)
Net assets of Group	1,630,783	930,004	110.21	119.40
Perpetual securities holders' funds	(151,115)	(151,115)	(10.21)	(19.40)
Net assets attributable to Unitholders' Funds	1,479,668	778,889	100.00	100.00

	At Independent Valuation	
	2018	2017
	$'000	$'000
As disclosed in the Statement of Financial Position:		
Trust		
Investment properties – non current	1,452,500	1,349,200
Investment properties held for divestment – current (denoted as (*) in the Portfolio Statement)	5,700	23,600
Total investment properties	**1,458,200**	**1,372,800**
Group		
Investment properties – non current	3,016,200	1,652,200
Investment properties held for divestment – current (denoted as (*) in the Portfolio Statement)	5,700	23,600
Total investment properties	**3,021,900**	**1,675,800**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

Notes

(1) Logistics/Warehousing properties are typically equipped with high floor loading and also have a high floor-to-ceiling height. Such buildings can be either single-storey or multi-storey properties with vehicular ramp access and/or heavy-duty cargo lift access.
(2) Light Industrial properties are single or multi-storey spaces that can be used for light industrial and manufacturing activities, with a low percentage of the facility's usable space set aside for office use.
(3) General Industrial properties can be single or multi-storey facilities dedicated to general and heavy manufacturing or factory activities. Such spaces also have a low percentage of the usable space which can be set aside for office use.
(4) High-specs Industrial properties are mixed-use industrial buildings with a high proportion of space that can be allocated for office use. These buildings typically have facilities such as air-conditioned units and sufficient floorboard, ceiling height and electrical power capacities to enable both office and manufacturing functions to be carried out concurrently.
(5) Business Parks are clusters of buildings and offices typically dedicated to business activities relating to high-technology, research and development (R&D) value-added and knowledge-intensive sectors. Companies that take up space in Business Parks can engage in a range of light and clean uses such as technical support, information-communications, healthcare devices, product design, development and testing, service centres and back-end office functions.
(6) ESR-REIT holds the remainder of a 30 year lease commencing from 16 December 2001.
(7) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1994.
(8) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 February 1973.
(9) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 February 1991.
(10) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1993.
(11) ESR-REIT holds the remainder of a 30+12 year lease commencing from 1 March 1995.
(12) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1990.
(13) ESR-REIT holds the remainder of a 30 year lease commencing from 16 December 2011.
(14) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1993.
(15) ESR-REIT holds the remainder of a 30 year lease commencing from 16 October 2011.
(16) ESR-REIT holds the remainder of a 10+22 year lease commencing from 1 June 2007.
(17) ESR-REIT holds the remainder of a 30+30 year lease commencing from 4 July 2007.
(18) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 August 1995.
(19) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1992.
(20) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1991.
(21) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1990.
(22) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 April 1997.
(23) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 2000.
(24) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 April 1994.
(25) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 2001 for 1 Changi North Street 2 and 30+30 year lease commencing from 23 November 2005 for 2 Changi North Street 2.
(26) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 July 1998.
(27) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1979.
(28) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 1995.
(29) ESR-REIT holds the remainder of a 30 year lease commencing from 16 September 2005.
(30) ESR-REIT holds the remainder of a 30+19 year lease commencing from 1 September 1993.
(31) ESR-REIT holds the remainder of a 60 year lease commencing from 4 January 1999.
(32) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1993.
(33) ESR-REIT holds the remainder of a 30 year lease commencing from 16 March 2005.
(34) ESR-REIT holds the remainder of a 29.5 year lease commencing from 1 April 2008.
(35) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
(36) ESR-REIT holds the remainder of a 30+28 year lease commencing from 1 February 2009.
(37) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
(38) ESR-REIT holds the remainder of a 30 year lease commencing from 1 February 2008.
(39) ESR-REIT holds the remainder of a 28 year lease commencing from 25 March 2007.
(40) ESR-REIT holds the remainder of a 27 year lease commencing from 30 September 2013.
(41) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1999.
(42) ESR-REIT holds the remainder of a 30+16 year lease commencing from 1 April 2008.
(43) ESR-REIT holds the remainder of a 30+28 year lease commencing from 16 February 1997.
(44) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 September 1995.
(45) ESR-REIT holds the remainder of a 29+30 year lease commencing from 1 June 1995 for 511 Yishun and 30+30 year lease commencing from 1 December 1993 for 513 Yishun.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

(46) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1994.
(47) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1997.
(48) ESR-REIT holds the remainder of a 99 year lease commencing from 1 July 1963.
(49) ESR-REIT holds the remainder of a 99 year lease commencing from 1 January 1958.
(50) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 June 1996.
(51) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1990.
(52) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1989.
(53) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 August 1996.
(54) Viva Trust holds the remainder of a 30 year lease commencing from 16 October 2013.
(55) Viva Trust holds the remainder of a 30 year lease commencing from 16 February 2007.
(56) Viva Trust holds the remainder of a 30+30 year lease commencing from 11 September 2007.
(57) Viva Trust holds the remainder of a 30+30 year lease commencing from 1 September 1995 for Plot 1 and 21+30 year lease commencing from 1 September 2004 for Plot 2.
(58) Viva Trust holds the remainder of a 30+30 year lease commencing from 1 May 2007.
(59) Viva Trust holds the remainder of a 60 year lease commencing from 16 May 1969.
(60) Viva Trust holds the remainder of a 60 year lease commencing from 19 July 2006.
(61) 7000 AMK LLP holds the remainder of a 32+30 year lease commencing from 30 January 1995.
(62) Viva Trust holds the remainder of a 60 year lease commencing from 1 April 1971 for Plot 1: Lot 8134N Mukim 27 and 43 year lease commencing from 1 March 1988 for Plot 2: Lot 7837V Mukim 27.
(63) Viva Trust holds the remainder of a 30+30 year lease commencing from 1 February 2008.

^ Property acquired during the financial year
\+ Property disposed of during the financial year.
\# Property is on 100% basis which includes a 20% non-controlling interest.
** Properties acquired pursuant to the Merger on 15 October 2018.

Investment properties comprise a diverse portfolio of industrial properties that are leased to external tenants. All of the leases are structured under single-tenancy or multiple-tenancy and the tenancies range from one to twenty eight years for single tenancy and two months to fifteen years for multiple-tenancy.

An independent valuation exercise was conducted in December 2018 by Edmund Tie & Company on 24 properties, by Savills Valuation and Professional Services (S) Pte Ltd on 9 properties and CBRE Pte Ltd on 24 properties. These firms are independent valuers having appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations for these properties were based on the direct comparison method, capitalisation approach and discounted cash flow analysis in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, terminal yield, discount rate and average growth rate. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

As at 31 December 2018, the valuations adopted for investment properties amounted to $3.02 billion (2017: $1.68 billion). The net fair value loss on investment properties recognised in the Statement of Total Return is $0.2 million (2017: $41.8 million). The investment properties are fully unencumbered as at 31 December 2018 and 2017.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	2017
	$'000	$'000
Cash flows from operating activities		
Total (loss)/return before income tax for the year	(228,299)	1,396
Adjustments for:		
Borrowing costs	27,442	20,439
Management fees paid/payable in units	2,557	–
Fair value adjustments relating to the Merger	283,219	–
Change in fair value of financial derivatives	16,200	–
Change in fair value of investment properties	1,954	47,779
Gain on disposal of investment properties	(128)	(221)
Interest income	(48)	(113)
Operating income before working capital changes	102,897	69,280
Changes in working capital:		
Trade and other receivables	1,839	57
Trade and other payables	(32,987)	(331)
Cash generated from operating activities	71,749	69,006
Income tax paid	(3,953)	–
Net cash generated from operating activities	67,796	69,006
Cash flows from investing activities		
Interest received	48	113
Capital expenditure on investment properties	(5,307)	(9,768)
Net cash outflow on purchase of investment properties (including acquisition related costs) (Note A)	(100,374)	(110,462)
Proceeds from disposal of investment properties	23,900	57,318
Payment for divestment costs	(194)	(433)
Acquisition of subsidiary, net of cash acquired (Note 5)	(65,525)	(237,712)
Payment for acquisition costs of subsidiary	(1,925)	(2,826)
Net cash used in investing activities	(149,377)	(303,770)
Cash flows from financing activities		
Proceeds from issuance of new units	141,939	–
Proceeds from issuance of perpetual securities	–	150,000
Issue costs for perpetual securities paid	(272)	(1,227)
Borrowing costs paid	(30,824)	(19,415)
Equity issue costs paid	(1,151)	(144)
Proceeds from borrowings (Note B)	964,569	206,000
Repayment of borrowings (Note B)	(920,764)	(46,500)
Distributions paid to Unitholders (Note C)	(55,937)	(45,998)
Distributions paid to perpetual securities holders	(6,900)	–
Distributions paid to non-controlling interest	(3,066)	–
Net cash generated from financing activities	87,594	242,716
Net increase in cash and cash equivalents	**6,013**	**7,952**
Cash and cash equivalents at 1 January	**11,651**	**3,699**
Cash and cash equivalents at 31 December	**17,664**	**11,651**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

NOTES:

(A) Net cash outflow on purchase of investment properties (including acquisition costs)

Net cash outflow on purchase of investment properties (including acquisition costs) is set out below:

	Group	
	2018	**2017**
	$'000	**$'000**
Investment properties acquired	(95,557)	(106,094)
Acquisition related costs	(4,938)	(4,368)
Retention sums	121	–
Net cash outflow	(100,374)	(110,462)

(B) Proceeds and repayments of borrowings

The Group obtained borrowings during the financial year to fund the property acquisition of 15 Greenwich and the costs related to the merger with Viva Industrial Trust which included the funding of the cash consideration, the payment of transaction costs and the refinancing of existing borrowings of Viva Industrial Trust upon completion of merger.

(C) Distributions paid to Unitholders

Distributions for the year ended 31 December 2018 were partly paid by ESR-REIT issuing an aggregate of 7.2 million units (2017: 9.2 million units), amounting to $4.0 million (2017: $5.2 million), pursuant to the distribution reinvestment plan.

	Group	
	2018	**2017**
	$'000	**$'000**
Distributions paid to Unitholders	(59,968)	(51,171)
Distributions paid in units pursuant to distribution reinvestment plan	4,031	5,173
Net distributions paid to Unitholders in cash	(55,937)	(45,998)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. GENERAL

ESR-REIT (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 31 March 2006 (as amended) entered into between ESR Funds Management (S) Limited (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"), and is governed by the laws of the Republic of Singapore ("Trust Deed"). On 31 March 2006, ESR-REIT was declared as an authorised unit trust scheme under the Trustees Act, Chapter 337. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

On 25 July 2006, ESR-REIT was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 3 April 2006, ESR-REIT was included under the Central Provident Fund ("CPF") Investment Scheme.

On 18 May 2018, the Manager of ESR-REIT announced a proposed merger of all the issued and paid-up stapled securities of Viva Industrial Trust ("VIT") held by the stapled securityholders of VIT and the units in ESR-REIT held by the unitholders ("Proposed Merger").

The Proposed Merger contemplates that:

(i) The proposed merger will be effected through the acquisition by ESR-REIT of all the Stapled Securities held by the Stapled Securityholders by way of a trust scheme of arrangement (the "Scheme") in accordance with the Singapore Code on Take-overs and Mergers; and

(ii) The consideration under the Scheme for the Stapled Securities will be satisfied by cash and the allotment and issue by ESR-REIT of new ESR-REIT units to the Stapled Securityholders.

An extraordinary general meeting was held on 31 August 2018 and the unitholders of the Trust approved all the resolutions in connection with the Proposed Merger. VIT comprised Viva Industrial Real Estate Investment Trust ("VI-REIT") and Viva Industrial Business Trust ("VI-BT").

Following the completion of the Merger on 15 October 2018, VIT was delisted from the Official List of SGX-ST. VI-REIT ceased to be an authorised collective investment scheme and became a wholly-owned sub-trust of ESR-REIT (collectively the "Enlarged Trust"). VI-REIT was subsequently renamed as Viva Trust ("Sub-trust"). VI-BT, which was dormant, was wound up in December 2018.

Under the new trust deed for Viva Trust executed on 22 October 2018, Viva Trust changed its Manager from Viva Industrial Trust Management Pte. Ltd. to ESR Funds Management (S) Pte. Ltd. while Perpetual (Asia) Limited continues as the trustee for Viva Trust ("Sub-trust trustee") to take into custody and hold the assets of Viva Trust in trust for Viva Trust's sole Unitholder, ESR-REIT. The Manager acts as the manager for the Enlarged Trust.

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").

The principal activity of ESR-REIT is to invest in a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. The principal activity of the subsidiaries are set out in Note 5 to the financial statements.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. GENERAL (CONT'D)

ESR-REIT and its Sub-trust, Viva Trust have entered into several service agreements in relation to the management of ESR-REIT and Viva Trust and their property operations.

(A) Trustee's fees

The Trust

Pursuant to the Trust Deed, the Trustee's fees shall not exceed 0.1% per annum of the value of all the gross assets of ESR-REIT ("Deposited Property"), excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is presently charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property.

The Sub-trust

Pursuant to the Trust Deed entered into by Viva Industrial Trust Management Pte. Ltd., the Manager and the Sub-trust Trustee, the Trustee's fees of the Sub-trust Trustee shall not exceed 0.1% per annum of the value of all the gross assets of Viva Trust ("Deposited Property"), excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is presently charged on a scaled basis of up to 0.015% per annum of the value of the Deposited Property, subject to a minimum fee of $15,000 per month.

(B) Management fees

Under the Trust Deed, the Manager is entitled to receive a base fee and performance fee as follows:

(a) base fee ("Base Fee") of 0.5% per annum of the value of the Deposited Property or such higher percentage as may be fixed by an Extraordinary Resolution of Meeting of Unitholders; and

(b) performance fee, computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in issue for such financial year, provided that the Highest DPU Threshold is achieved.

The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by the Trust in the previous years for which a performance fee was payable ("Highest DPU Threshold"). Whenever a performance fee is earned, the Highest DPU Threshold will be adjusted to the highest DPU achieved. In order to be eligible for a performance fee in future, the Trust would have to outperform the adjusted Highest DPU Threshold.

For the purpose of calculation of the performance fee payable under the revised performance fee structure, the Highest DPU Threshold is initially set at 6.000 cents, or if the DPU achieved during the Performance Fee Waiver period is higher, then such higher DPU.

1. GENERAL (CONT'D)

(B) Management fees (cont'd)

(b) (cont'd)

The Performance Fee, whether payable in any combination of cash and Units or solely in cash or Units will be payable in arrears within 30 days after the last day of each financial year. If a trigger event occurs resulting in the Manager being removed, the Manager is entitled to payment of any Performance Fee in cash to which it might otherwise have been entitled for that financial year in cash, which shall be calculated, as if the end of the financial year was the date of occurrence of the trigger event, in accordance with the Trust Deed. If a trigger event occurs at a time when any accrued Performance Fee has not been paid, resulting in the Manager being removed, the Manager is entitled to payment of such accrued Performance Fee in cash.

Management fees (Base Fee and Performance Fee, including any accrued Performance Fee which have been carried forward from previous financial years but excluding any acquisition fee or disposal fee) to be paid to the Manager in respect of a financial year, whether in cash or in Units or a combination of cash and Units, are capped at an amount equivalent to 0.8% per annum of the value of Deposited Property as at the end of the financial year (referred to as the "annual fee cap").

(C) Acquisition and disposal fees

The Manager is also entitled to receive the following fees:

(a) An acquisition fee of 1.0% of each of the following as is applicable, subject to there being no double-counting:

(i) the purchase price, excluding GST, of any real estate acquired, whether directly by ESR-REIT or indirectly through a special purpose vehicle;

(ii) the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate) where ESR-REIT invests in any class of real estate related assets, including any class of equity, equity-linked securities and/or securities issued in real estate securitisation, of any entity directly or indirectly owning or acquiring such real estate, provided that:

- ESR-REIT shall hold or invest in at least 50% of the equity of such entity; or
- if ESR-REIT holds or invests in 30% or more but less than 50% of the equity of such entity, ESR-REIT shall have management control of the underlying real estate and/or such entity;

(iii) the value of any shareholder's loan extended by ESR-REIT to the entity referred to in paragraph (ii) above, provided that the provision in paragraph (ii) is complied with; and

(iv) the value of any investment by ESR-REIT in any loan extended to, or in debt securities of, any property corporation or other special purpose vehicle owning or acquiring real estate, (where such investment does not fall within the ambit of paragraph (ii)) made with the prior consent of the Unitholders passed by ordinary resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

1. GENERAL (CONT'D)

(C) Acquisition and disposal fees (cont'd)

(b) A disposal fee of 0.5% of each of the following as is applicable, subject to there being no double-counting:

(i) the sale price, excluding GST, of any investment of the type referred to in paragraph (C)(a)(i) above for the acquisition fee;

(ii) in relation to an investment of the type referred to in paragraph (C)(a)(ii) above for the acquisition fee, the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate);

(iii) the proceeds of sale, repayment or (as the case may be) redemption of an investment in a loan referred to in paragraph (C)(a)(iii) above for the acquisition fee; and

(iv) the value of an investment referred to in paragraph (C)(a)(iv) above for the acquisition fee.

The Manager can opt to receive acquisition and disposal fees in the form of cash or Units or a combination as it may determine.

(D) Property manager's fees

ESR Property Management (S) Pte. Ltd. (the "Property Manager"), as property manager of all ESR-REIT's properties including those held through 7000 AMK LLP and Viva Trust, is entitled to receive the following fees:

(a) A property management fee of 2.0% per annum of the gross revenue of the relevant property;

(b) A lease management fee of 1.0% per annum of the gross revenue of the relevant property;

(c) A marketing services commission equivalent to:

(i) one month's gross rent, inclusive of service charge, for securing a tenancy of three years or less;

(ii) two month's gross rent, inclusive of service charge, for securing a tenancy of more than three years;

(iii) half month's gross rent, inclusive of service charge, for securing a renewal of tenancy of three years or less; and

(iv) one month's gross rent, inclusive of service charge, for securing a renewal of tenancy of more than three years.

1. GENERAL (CONT'D)

(D) Property manager's fees (cont'd)

(d) A project management fee in relation to development or redevelopment (if not prohibited by the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS Code") or if otherwise permitted by the MAS), the refurbishment, retrofitting and renovation works on a property, as follows:

(i) where the construction costs are $2.0 million or less, a fee of 3.0% of the construction costs;

(ii) where the construction costs exceed $2.0 million but do not exceed $20.0 million, a fee of 2.0% of the construction costs;

(iii) where the construction costs exceed $20.0 million but do not exceed $50.0 million, a fee of 1.5% of the construction costs; and

(iv) where the construction costs exceed $50.0 million, a fee to be mutually agreed by the Manager, the Property Manager and the Trustee.

(e) A property tax services fee in respect of property tax objections submitted to the tax authority on any proposed annual value of a property if, as a result of such objections, the proposed annual value is reduced resulting in property tax savings for the relevant property:

(i) where the proposed annual value is $1.0 million or less, a fee of 7.5% of the property tax savings;

(ii) where the proposed annual value is more than $1.0 million but does not exceed $5.0 million, a fee of 5.5% of the property tax savings; and

(iii) where the proposed annual value is more than $5.0 million, a fee of 5.0% of the property tax savings.

The above-mentioned fee is a lump sum fixed fee based on the property tax savings calculated over a 12-month period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared in accordance with the *recommendations of Statement of Recommended Accounting Practice ("RAP") 7 Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants 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 that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment properties and derivative financial instruments, which are stated at fair value as described in Note 25.

As at 31 December 2018, the current liabilities of the Group and the Trust exceed their current assets by $366.7 million and $285.0 million respectively. This is primarily due to the classification of the bank loans of $282.6 million as current liabilities as they are repayable within one year from 31 December 2018. Subsequent to 31 December 2018, the Manager secured a new term loan facility of $155.0 million, which can be used to refinance a portion of the bank loans maturing in 2019. Please see Subsequent Event in Note 30 for more details.

The remaining balance of $127.6 million of bank loans maturing in 2019 can be refinanced by issuing new MTN/perpetual securities under the $750 million Debt Issuance Programme, which has an undrawn balance of $390 million. As such, the Manager believes that the Group and the Trust will be able to meet their obligations as and when they fall due.

2.3 Functional and presentation currency

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

2.4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not have any significant effect on the financial performance or position of the Group and the Trust.

2.5 Standards issued but not yet effective

The Group has not adopted the following standard applicable to the Group that has been issued but is not yet effective.

Description	Effective for annual periods beginning on or after
FRS 116 *Leases*	1 January 2019

The nature of the impending changes in accounting policy on adoption of FRS116 is described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

New standards Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases*	
FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low values' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.	The Group plans to adopt the new standard on the required effective date. On the adoption of FRS116, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either: (i) its carrying amount as if FRS116 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019. In addition, the Group plans to elect the following practical expedients: (i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply FRS116 to all contracts that were previously identified as leases. (ii) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January. (iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

New standards Summary of the requirements	Potential impact on the financial statements
FRS 116 ***Leases (cont'd)***	The Group has performed a preliminary impact assessment based on currently available information and the assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS116 in 2019. On the adoption of FRS 116, the Group expects to recognise right-of-use assets of $163.8 million and lease liabilities of $163.8 million for its leases previously classified as operating leases.

2.6 Basis of consolidation

Subsidiaries

The 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 the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of the subsidiaries have been aligned with the policies adopted by the Group. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

In the Trust's statement of financial position, investments in subsidiaries are accounted for at cost less impairment losses.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly to the Group. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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.

Accounting for investments in subsidiaries in the Trust's financial statements

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Investment properties

Investment properties are properties that are owned by the Group and held to earn rentals or for capital appreciation, or both but not for sale in the ordinary course of business. Investment properties comprise completed investment properties.

Investment properties are accounted for as non-current assets, except if they meet the conditions to be classified as held for divestment (see Note 2.8 below). They are initially measured at cost, including transaction costs and at valuation thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following manner:

(i) in such manner and frequency required under the CIS code issued by MAS; and

(ii) at least once in each period of 12 months following the acquisition of each investment property

Any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

Subsequent expenditure relating to investment properties is added to the carrying amount of the asset 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.

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

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly valued on the basis set out above.

2.8 Investment properties held for divestment

Investment properties that are expected to be recovered primarily through divestment rather than through continuing use, are classified as held for divestment and accounted for as current assets. These investment properties are measured at fair value and any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

Upon disposal, the resulting gain or loss recognised in the Statement of Total Return is the difference between net disposal proceeds and the carrying amount of the property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Leases

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.16. Contingent rents are recognised as revenue in the period in which they are earned.

As lessee

Payments made under operating leases are recognised as an expense in the Statements of Total Return on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in Statement of Total Return. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in Statement of Total Return when the assets are derecognised or impaired, and through amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in the Statement of Total Return.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in the Statement of Total Return.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit and loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Total Return when the liabilities are derecognised and through the amortisation process.

Derivative financial instruments

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the Statement of Total Return.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Total Return.

Netting of financial assets and liabilities

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

2.11 Impairments of financial assets

(a) Financial assets

Expected credit losses (ECLs) are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairments of financial assets (cont'd)

(b) Non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Statement of Total Return.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the Statement of Total Return.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2.14 Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental costs, directly attributable to the issuance, offering and placement of Units or issuance of perpetual securities in the Trust are deducted directly against Unitholders' funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Perpetual securities

The perpetual securities confer a right to receive distributions at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter. Distributions are payable semi-annually in arrears on a discretionary basis and will be non-cumulative.

The perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

Accordingly, the perpetual securities are classified as equity and the expenses relating to their issue are deducted directly against Unitholders' funds.

2.16 Revenue recognition

(a) Rental income from operating leases

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregated costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(b) Interest income

Interest income is accrued using the effective interest method.

2.17 Expenses

(a) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses are the Property Manager's fee which is based on the applicable rate stipulated in Note 1D.

(b) Management fees

Management fees are recognised on an accrual basis based on the applicable rates stipulated in Note 1B.

(c) Trust expenses

Trust expenses are recognised on an accrual basis. Included in trust expenses are the trustee's fees which are based on the applicable rate stipulated in Note 1A.

(d) Borrowing costs

Borrowing costs comprise interest expense on borrowings, amortisation of related transaction costs which are recognised in the Statement of Total Return using the effective interest method over the period of borrowings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Taxation

(a) Current tax and deferred tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

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 goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investment in subsidiaries and joint venture 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 tax 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 the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes 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 laws 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.

2.18 Taxation (cont'd)

(a) Current tax and deferred tax (cont'd)

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the taxation of ESR-REIT and its Unitholders. Subject to meeting the terms and conditions of the tax ruling issued by IRAS, the Trustee will not be assessed to tax on the taxable income of ESR-REIT on certain types of income. Instead, the Trustee and the Manager will deduct income tax (if required) at the prevailing corporate tax rate (currently 17.0%) from the distributions made to Unitholders that are made out of the taxable income of ESR-REIT in that financial year, except:

(i) where the beneficial owners are individuals 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 foreign non-individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced tax rate of 10.0% for distributions made on or before 31 December 2025.

A "Qualifying Unitholder" is a Unitholder who is:

- a company which is incorporated and tax resident in Singapore;
- a Singapore branch of companies incorporated outside Singapore;
- a non-corporate constituted or registered in Singapore such as town councils, statutory boards, charities registered under the Charities Act (Cap.37) or established by any written law, co-operative societies registered under the Co-operative Societies Act (Cap. 62) or trade unions registered under the Trade Unions Act (cap. 333));
- a Central Provident Fund ("CPF") member who uses his CPF funds under the CPF Investment Scheme and where the distributions received are returned to the CPF accounts;
- an individual who uses his Supplementary Retirement Scheme ("SRS") funds and where the distributions received are returned to the SRS accounts;
- an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap.145); and
- a real estate investment trust exchange-traded fund ("REIT EFTs") which has been accorded the tax transparency treatment.

A "foreign non-individual Unitholder" is one, not being an individual, which is not a resident of Singapore for income tax purposes and;

- which does not have a permanent establishment in Singapore; or
- which 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Taxation (cont'd)

(a) Current tax and deferred tax (cont'd)

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

(b) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.19 Distribution policy

The Group's distribution policy is to distribute at least 90% of its annual distributable income to Unitholders, comprising income from letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion. Distributions are made on a quarterly basis at the discretion of the Manager.

2.20 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 for the period after tax by the weighted average number of units outstanding during the year. Diluted EPU is determined by adjusting the total return for the period after tax and the weighted average number of units outstanding and for the effects of all dilutive potential units.

2.21 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 ESR-REIT's Chief Operating Decision Makers ("CODM"s) which comprise mainly the Chief Executive Officer and Chief Financial Officer of the Manager, to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Contingencies

A contingent liability is:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) A present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected.

In particular, information about critical judgements, assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 4 – Acquisition of the stapled securities of VIT

Note 20 – Assessment of income tax provision

Note 25 – Valuation of investment properties

4. INVESTMENT PROPERTIES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	1,675,800	1,354,000	1,372,800	1,314,000
Acquisition of investment properties	95,557	106,094	95,557	106,094
Additions through acquisition of subsidiaries	1,257,717	300,000	–	–
Transfer from subsidiary	–	–	–	40,000
Acquisition related costs	4,029	8,368	4,029	4,564
Capital expenditure incurred	12,628	5,833	12,015	5,833
Disposal of investment properties	(23,600)	(56,641)	(23,600)	(56,641)
	3,022,131	1,717,654	1,460,801	1,413,850
Change in fair value during the year*	(231)	(41,854)	(2,601)	(41,050)
At 31 December	3,021,900	1,675,800	1,458,200	1,372,800
Investment properties (non-current)	3,016,200	1,652,200	1,452,500	1,349,200
Investment properties held for divestment (current)	5,700	23,600	5,700	23,600
	3,021,900	1,675,800	1,458,200	1,372,800

* The fair value loss of $0.2 million (2017: $41.8 million) together with an adjustment for the effect of lease incentives and marketing fee amortisation of $1.8 million (2017: $5.9 million), aggregate to $2.0 million (2017: $47.7 million) as disclosed in the Statement of Total Return.

Details of the investment properties are shown in the Investment Properties Portfolio Statement. Investment properties are leased to non-related parties under operating lease.

Investment properties are stated at fair value based on valuations performed by independent professional valuers as at 31 December 2018 and 31 December 2017. Information on the fair value assessment of investment properties is disclosed in Note 25.

Investment Properties held for Divestment

The Group is in advance stage of negotiation with the purchaser on the divestment of an investment property. The divestment is considered highly probable and is expected to be completed within the next 12 months from the reporting date. Accordingly, the investment property at a carrying value of $5.7 million (2017: $23.6 million) as at 31 December 2018, has been reclassified as an investment property held for divestment.

Security

All the investment properties are fully unencumbered as at 31 December 2018 and 2017.

4. INVESTMENT PROPERTIES (CONT'D)

Critical judgements made in accounting for acquisitions

2018

On 15 October 2018, the Group completed its merger with VIT by way of a trust scheme of arrangement. VIT owns a portfolio of nine properties. VIT, which comprised VI-REIT and VI-BT, holds a subsidiary, Viva iTrust MTN Pte. Ltd.

Following the completion of the Merger on 15 October 2018, VIT was delisted from the Official List of SGX-ST. VI-REIT ceased to be an authorised collective investment scheme and became a wholly-owned sub-trust of ESR-REIT. VI-REIT was subsequently renamed as Viva Trust. VI-BT, which was dormant, was wound up in December 2018.

At the time of the Merger, the Group considered whether the Merger represented the acquisition of business or the acquisition of assets. The Group accounted for the Merger as assets acquisition as a business combination requires an integrated set of activities to be acquired in addition to the properties.

In determining whether an integrated set of activities is acquired, the Group considers whether significant processes such as strategic management and operational processes are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of a business. Where the acquisition of the subsidiary does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities.

The Group assessed and accounted for the Merger for the financial year as assets acquisition as no strategic management function and operational processes were acquired along with the portfolio of nine investment properties.

Merger related costs

With the Merger accounted for as assets acquisition, the premium over the fair value of net assets of VIT was allocated to investment properties and written off as fair value adjustments relating to the Merger upon completion.

2017

In December 2017, the Group assessed and accounted for the acquisition of 7000 AMK Pte. Ltd. (converted to 7000 AMK LLP from 1 February 2018) that holds a property as an asset acquisition as no strategic management function and operational processes were acquired along with the property.

5. INVESTMENTS IN SUBSIDIARIES

	Trust	
	2018 $'000	2017 $'000
Unquoted equity investment, at cost	1,173,978	215,463

Composition of the Group

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
ESR-MTN Pte. Ltd.^	Provision of financial and treasury services	Singapore	100	100
Cambridge SPV1 LLP^	Investment, management, leasing and redevelopment of properties	Singapore	100	100
ESR-SPV2 Pte. Ltd.^	Investment holding	Singapore	100	100
7000 AMK LLP# (converted from 7000 AMK Pte. Ltd. on 1 February 2018)	Property investment and other related businesses	Singapore	80	80
Viva Trust+ (formerly known as Viva Industrial Real Estate Investment Trust)	Property investment and other related businesses	Singapore	100	–
Held through Viva Trust:				
Viva iTrust MTN Pte. Ltd.+	Provision of financial and treasury services	Singapore	100	–

^ Audited by Ernst & Young LLP, Singapore.

\# 7000 AMK LLP was converted from 7000 AMK Pte. Ltd. on 1 February 2018. 7000 AMK LLP is audited by Ernst & Young LLP, Singapore for the financial year ended 31 December 2018 (2017: Nexia TS Public Accounting Corporation).

\+ Audited by Ernst & Young LLP, Singapore for the financial year ended 31 December 2018. (2017: Deloitte & Touche LLP). The acquisition of Viva Trust was completed on 15 October 2018.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries

2018

Merger with VIT

On 15 October 2018, the Group completed its merger with VIT by way of a trust scheme of arrangement. VIT owns a portfolio of nine properties. VIT, which comprised VI-REIT and VI-BT, holds a subsidiary, Viva iTrust MTN Pte. Ltd.

Following the completion of the Merger on 15 October 2018, VIT was delisted from the Official List of SGX-ST. VI-REIT ceased to be an authorised collective investment scheme and became a wholly-owned sub-trust of ESR-REIT. VI-REIT was subsequently renamed as Viva Trust. VI-BT, which was dormant, was wound up in December 2018.

The purchase consideration was settled by way of the issuance of 1,561.2 million new Units at an issue price of $0.54 each and a cash consideration of $93.6 million. The Merger was accounted for as an asset acquisition. Any premium over the fair value of net assets at the Merger date was allocated to investment properties and written off as fair value change upon completion.

The fair value of identifiable assets and liabilities of VIT as at 15 October 2018 (the Merger date) and the cashflow effect of the Merger were:

	Fair value recognised on merger $'000
Investment properties	(1,257,717)
Trade and other receivables	(5,840)
Cash and cash equivalents	(28,148)
Trade and other payables	53,947
Interest-bearing borrowings	561,764
Income tax payable	785
Total identifiable net assets at fair value	(675,209)
Premium over the fair value of net assets acquired	(261,519)
Total purchase consideration paid	(936,728)
Effect of the Merger with VIT on cash flows:	
Purchase consideration paid	(936,728)
Less:	
Cash and cash equivalents acquired	28,148
Consideration paid in units	843,055
Net cash outflow on Merger net of cash acquired	(65,525)

Details of the investment properties are shown in the Investment Properties Portfolio Statement. Investment properties are leased to non-related parties under operating lease.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

2017

Acquisition of 7000 AMK Pte. Ltd. (converted to 7000 AMK LLP from 1 February 2018)

On 14 December 2017, ESR-REIT together with its wholly-owned subsidiary, ESR-SPV2 Pte. Ltd., acquired an 80% interest in a special purpose vehicle, 7000 AMK Pte. Ltd. which holds the industrial property at 7000 Ang Mo Kio Avenue 5. Upon completion of the acquisition, 7000 AMK Pte. Ltd. became a subsidiary of the Group and was subsequently converted into 7000 AMK LLP with effect from 1 February 2018.

As part of the acquisition, ESR-REIT granted a put option to Ho Lee Properties Pte Ltd ("HLP"), the owner of the remaining 20% interest in 7000 AMK LLP, that provides HLP with the right to require ESR-REIT to purchase its 20% interest in 7000 AMK LLP at a price of no less than $60.0 million (the "Put Option"). As the Put Option contains an obligation for ESR-REIT to purchase the remaining 20% interest in 7000 AMK LLP, the 20% non-controlling interest in 7000 AMK LLP has been accounted for by the Group as a financial liability (see Note 10). The Put Option expired on 13 December 2018 and has been extended for a further term of 12 months.

As at 31 December 2018, the Put Option remains unexercised and HLP's 20% share of the results of 7000 AMK LLP has been allocated to non-controlling interest, which has been accounted for and classified as a current liability. Upon the exercise of the Put Option, the amount recognised as financial liability at that date will be extinguished by the payment made by ESR-REIT to HLP.

The fair value of the identifiable assets and liabilities of 7000 AMK Pte. Ltd. as at the acquisition date and the cashflow effect of the acquisition were:

	Fair value recognised on acquisition $'000
Investment property	(300,000)
Trade and other receivables	(5,093)
Cash and cash equivalents	(2,860)
Trade and other payables	7,953
Total identifiable net assets at fair value	(300,000)
Non-controlling interest	60,000
	(240,000)
Cash consideration for the acquisition	(240,000)
Effect of the acquisition of 7000 AMK Pte. Ltd. on cash flows:	
Cash consideration	(240,000)
Less: Cash and cash equivalents acquired	2,288
Net cash outflow on acquisition net of cash acquired	(237,712)

6. LOANS TO SUBSIDIARIES (TRUST)

The loans to subsidiaries are unsecured and interest bearing at a rate based on ESR-REIT's cost of borrowing. Interest is payable in arrears in cash on a quarterly basis within 45 days from each quarter end.

The loans are repayable at dates mutually agreed by the parties, which are not likely to occur within the next 12 months from reporting date.

7. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables (gross)				
– Non related parties	3,841	5,248	1,400	2,787
Impairment losses	–	(1,163)	–	(1,163)
Trade receivables (net)	3,841	4,085	1,400	1,624
Deposits	3,148	1,870	1,455	1,324
Other receivables				
– Subsidiaries	–	–	23,423	3,818
– Non related parties	3,033	2,333	4,090	153
	3,033	2,333	27,513	3,971
Financial assets carried at amortised cost	10,022	8,288	30,368	6,919
Prepayments	1,122	86	167	80
Total trade and other receivables	11,144	8,374	30,535	6,999

Trade receivables are non-interest bearing and are generally on 14 days credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables due from subsidiaries are non-trade related, non-interest bearing and repayable on demand.

The Group's primary exposure to credit risk arises from its trade and other receivables. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Concentration of credit risk relating to trade receivables is limited due to the Group's large number and diverse range of tenants. The maximum exposure to credit risk for trade and other receivables is represented by the carrying amount at the reporting date.

7. TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

The ageing of trade receivables at the reporting date is as follows:

	Gross receivables 2018 $'000	Impairment losses 2018 $'000	Gross receivables 2017 $'000	Impairment losses 2017 $'000
Group				
Past due 0 – 30 days	1,669	–	3,096	–
Past due 31 – 120 days	1,932	–	786	–
More than 120 days past due	240	–	1,366	1,163
	3,841	–	5,248	1,163
Trust				
Past due 0 – 30 days	738	–	861	–
Past due 31 – 120 days	605	–	555	–
More than 120 days past due	57	–	1,371	1,163
	1,400	–	2,787	1,163

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

	Group and Trust 2018 $'000	2017 $'000
At 1 January	1,163	1,163
Written off	(1,163)	–
At 31 December	–	1,163

Trade receivables are individually assessed for impairment on an ongoing basis.

The Trust has previously provided an allowance for impairment of $1.2 million which relates to a debtor that had defaulted on payments. The allowance was utilised during the financial year to write off the arrears of the debtor which the recovery of the arrears was remote notwithstanding numerous debt recovery actions.

Other than the above, the Manager believes that no additional allowance is necessary in respect of the remaining trade receivables as these receivables are mainly due from tenants that have good payment records and sufficient securities in the form of bankers' guarantees, insurance bonds or cash security deposits as collaterals.

The Group and the Trust's exposure to credit risk related to trade and other receivables are disclosed in Note 26.

8. TRADE AND OTHER PAYABLES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current liabilities				
Trade payables and accrued operating expenses	33,050	15,781	21,081	10,210
Amounts due to related parties (trade):				
– the Manager	3,543	702	2,283	702
– the Property Manager	841	60	214	60
– the Trustee	163	101	112	101
Amount due to subsidiaries (non-trade)	–	–	10,795	1,640
Interest and loan commitment fee payable	6,100	2,548	5,308	909
Security deposits	8,332	5,936	3,564	5,928
Rent received in advance	2,175	1,862	881	1,833
Retention sums	1,812	454	1,511	454
Distribution payable to non-controlling interest	808	812	–	–
Other payables	1,406	391	107	150
	58,230	28,647	45,856	21,987
Non-current liability				
Security deposits	16,129	6,783	7,860	5,715
Total trade and other payables	74,359	35,430	53,716	27,702

The amounts due to related parties and the amount due to a subsidiary are unsecured, non–interest bearing and repayable on demand. Transactions with related parties are priced on terms agreed between the parties.

Retention sums relate to certain investment properties acquired in prior years.

The Group and the Trust's exposure to liquidity risk related to trade and other payables are disclosed in Note 26.

9. INTEREST-BEARING BORROWINGS

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current liabilities				
Unsecured loans	282,569	–	282,569	–
Fixed rate notes (unsecured)	–	155,000	–	–
Loan from a subsidiary (unsecured)	–	–	–	155,000
Unamortised loan transaction costs	(648)	(105)	(648)	(105)
	281,921	154,895	281,921	154,895
Non-current liabilities				
Unsecured loans	785,000	307,000	785,000	307,000
Fixed rate notes (unsecured)	210,000	210,000	50,000	50,000
Loan from a subsidiary (unsecured)	–	–	160,000	160,000
Unamortised loan transaction costs	(8,718)	(2,104)	(8,718)	(2,104)
	986,282	514,896	986,282	514,896
Total interest-bearing borrowings	1,268,203	669,791	1,268,203	669,791

The weighted average all in cost of debt as at 31 December 2018 was 3.8% per annum (2017: 3.6% per annum).

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

			‹--------- 2018 ---------›		‹---------2017---------›	
	Nominal interest rate %	Year of maturity	Face value $'000	Gross carrying amount $'000	Face value $'000	Gross carrying amount $'000
Group						
Unsecured						
Term loan facilities	SOR* + margin	2019 to 2023	725,000	716,788	125,000	123,838
Revolving credit facilities	SOR* + margin	2019 to 2021	342,569	341,870	182,000	181,752
Medium Term Notes	3.95% to 4.10%	2020 to 2023	210,000	209,545	365,000	364,201
			1,277,569	1,268,203	672,000	669,791
Trust						
Unsecured						
Term loan facilities	SOR* + margin	2019 to 2023	725,000	716,788	125,000	123,838
Revolving credit facilities	SOR* + margin	2019 to 2021	342,569	341,870	182,000	181,752
Medium Term Note	3.95%	2023	50,000	49,817	50,000	49,775
Loans from a subsidiary	3.95% to 4.10%	2020	160,000	159,728	315,000	314,426
			1,277,569	1,268,203	672,000	669,791

* Swap Offer Rate.

9. INTEREST-BEARING BORROWINGS (CONT'D)

The nominal interest rate for the S$ floating rate loans is determined by a margin plus SOR per annum.

As at the reporting date, the Group has in place unsecured borrowings comprising:

(A) Term loans and revolving credit facilities

(i) 4-year $150 million loan facility from CIMB maturing in June 2019 ("TLF1") consisting of:

- Facility A: $100 million term loan facility at a fixed rate of 3.6% per annum for 3.5 years from the date of loan drawn down; and
- Facility B: $50 million revolving credit facility at an interest rate of margin plus swap offer rate.

(ii) 4.75-year $200 million loan facility from HSBC maturing in June 2021 ("TLF2") consisting of:

- Facility A: $25 million term loan facility at an interest rate of margin plus swap offer rate for 4.75 years from the date of loan drawn down; and
- Facility B: $175 million revolving credit facility at an interest rate of margin plus swap offer rate.

(iii) loan facility of $700 million from a syndicate of four banks, UOB, HSBC, MBB and RHB ("TLF3") consisting of:

- Facility A: $160 million term loan facility maturing in October 2021 at an interest rate of margin plus swap offer rate;
- Facility B: $180 million term loan facility maturing in October 2022 at an interest rate of margin plus swap offer rate;
- Facility C: $160 million term loan facility maturing in October 2023 at an interest rate of margin plus swap offer rate; and
- Facility D: $200 million revolving credit facility maturing in October 2019 at an interest rate of margin plus swap offer rate.

(iv) 5-year $100 million loan facility from BNP maturing in October 2023 ("TLF4") consisting of $100 million term loan facility at an interest rate of margin plus swap offer rate.

As at 31 December 2018, the total amount outstanding under the term loan and revolving credit facilities were $725.0 million and $342.6 million respectively.

9. INTEREST-BEARING BORROWINGS (CONT'D)

(B) Unsecured Medium Term Notes

On 2 February 2012, ESR-REIT, through its wholly owned subsidiary, ESR-MTN Pte. Ltd. (the "Issuer"), established a $500 million multi-currency medium term note programme (the "MTN Programme"). The MTN Programme was modified and renamed as $750 million multi-currency debt issuance programme (the "Debt Issuance Programme") in March 2016 to allow the issue of medium term notes (the "Notes") and/or perpetual securities (the "Perps") by either the Trust and/or the Issuer.

Under the Debt Issuance Programme, the Trust and/or the Issuer may, subject to compliance with all relevant laws, regulations, and directives, from time to time issue the Notes/Perps denominated in Singapore dollars and/or any other currencies. The payment of all amounts payable in respect of the Notes/Perps are unconditionally and irrevocably guaranteed by RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the "Guarantor").

The Notes/Perps may be issued in series having one or more issue dates and the same maturity date, and on identical terms.

The Group has issued the following Notes under its Debt Issuance Programme:

- $30 million 6-year Fixed Rate Notes (the "Series 002 Notes") issued in April 2014, bearing a fixed interest rate of 4.10% per annum payable semi-annually in arrears which will mature in April 2020.
- $130 million 5-year Fixed Rate Notes (the "Series 004 Notes") issued in May 2015, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2020.
- $50 million 7-year Fixed Rate Notes (the "Series 005 Notes) issued in May 2016, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2023.

The Issuer has on-lent the net proceeds from the issuance of the Series 002 Notes and Series 004 Notes to the Trust, which in turn, had used such proceeds to finance property acquisitions and/or repayment of existing loans. The Series 005 Notes were issued directly from the Trust.

The Manager redeemed the $155 million 4-year Fixed Rate Notes (the "Series 003 Notes"), which comprised Tranche 1 $100 million issued in November 2014 and Tranche 2 $55 million issued in January 2015, in November 2018 upon maturity.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	2017 $'000	*Cash flows $'000	Acquisition of subsidiary $'000	Amortisation of loan transaction costs $'000	2018 $'000
Bank loans	305,590	190,178	561,764	1,126	1,058,658
Fixed rate notes	364,201	(155,000)	–	344	209,545
	669,791	35,178	561,764	1,470	1,268,203

* The cash flows included an upfront loan transaction cost of $8.6 million relating to new loan facilities.

10. AMOUNT DUE TO NON-CONTROLLING INTEREST

This relates to the 20% non-controlling interest in 7000 AMK LLP (converted from 7000 AMK Pte. Ltd. with effect from 1 February 2018), which has been accounted for and classified as a current liability due to the Put Option granted by ESR-REIT to HLP that provides HLP with the right to require ESR-REIT to purchase its 20% interest in 7000 AMK LLP as disclosed in Note 5.

11. AMOUNT DUE TO A SUBSIDIARY (TRUST)

The amount due to a subsidiary relates to the transfer of property at 3 Tuas South Avenue to ESR-REIT from one of its subsidiaries in the prior year.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Trust			
	2018		2017	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Interest rate swaps				
Non-current	–	(16,289)	–	–

The Group uses interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing borrowings by swapping the interest rates on such borrowings from floating rates to fixed rates.

At 31 December 2018, the Group has entered into interest rate swap contracts with a total notional amount of $855.0 million (2017: Nil) to provide fixed rate funding for a weighted average tenor of approximately 3.7 years (2017: Nil). Under these interest rate swap contracts, the Group pays interest at a weighted average fixed interest rate of 2.3% (2017: Nil) per annum and receives interest based on SOR.

13. PERPETUAL SECURITIES

In November 2017, ESR-REIT issued $150.0 million of perpetual securities. The key terms and conditions are as follows:

- the perpetual securities confer a right to receive distribution at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter;
- distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative;
- the perpetual securities constitute direct, unsecured and subordinated obligations of ESR-REIT and rank pari passu and without any preference among themselves and with any Party Obligations (as defined in the conditions of the issuance) of the issuer; and
- the perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

The perpetual securities are classified as equity instruments and recorded as equity in the Statement of Financial Position. The $151.1 million (2017: $151.1 million) presented in the Statement of Financial Position represents the carrying value of the $150.0 million perpetual securities issued and the total return attributable to the perpetual securities holders. The issue costs were deducted from the Unitholders' funds.

14. UNITS IN ISSUE

	Trust	
	2018 Number of units '000	2017 Number of units '000
Units in issue:		
At 1 January	1,313,623	1,304,434
Issue of new Units:		
– Management fees paid in units	1,449	–
– Distribution Reinvestment Plan	7,229	9,189
– Acquisition fees paid in units pursuant to the Merger	23,808	–
– Partial consideration paid in units pursuant to the Merger	1,561,214	–
– Preferential Offering	262,850	–
Total issued Units at 31 December	3,170,173	1,313,623

Distribution Reinvestment Plan

During the financial year ended 31 December 2018, the Trust issued the following new Units:

(i) 7.2 million new Units amounting to approximately $4.0 million at an issue price of $0.5577 per Unit in lieu of distribution payments pursuant to a Distribution Reinvestment Plan ("DRP"), whereby the Unitholders have the option to receive their distribution payment in units instead of cash or a combination of Units and cash.

(ii) 262.8 million new Units amounting to approximately $141.9 million at an issue price of $0.54 per Unit pursuant to preferential offering in March 2018.

(iii) 1.45 million new Units amounting to approximately $0.7 million at an issue price of $0.4999 per Unit for the partial payment of base management fee to the Manager.

(iv) 23.8 million new Units amounting to approximately $11.7 million at an issue price of $0.4919 as payment for acquisition fees to the Manager for the merger with VIT.

(v) 1,561.2 million new Units amounting to approximately $843.0 million at an issue price of $0.54 as partial consideration paid in Units pursuant to the merger with VIT.

In the previous financial year ended 31 December 2017, the Trust issued 9.2 million new Units amounting to approximately $5.2 million at issue prices ranging from $0.5568 to $0.5713 per Unit in lieu of distribution payments pursuant to the DRP.

14. UNITS IN ISSUE (CONT'D)

Unitholders' rights

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

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

The limitations on a Unitholder's rights include the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to redeem his units while the units are listed on the SGX-ST.

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

15. GROSS REVENUE

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Property rental income	151,559	109,358	102,851	106,274
Other income	5,357	342	5,100	341
	156,916	109,700	107,951	106,615

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16. PROPERTY EXPENSES

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Land rental	8,324	8,756	8,324	8,756
Property tax	11,260	6,944	8,046	6,859
Repair and maintenance expenses	10,708	8,373	6,635	8,272
Property and lease management fees	6,683	5,433	4,932	5,379
Other property operating expenses	7,905	1,749	6,423	1,786
	44,880	31,255	34,360	31,052

17. MANAGEMENT FEES

Included in the management fees for the financial year is an aggregate of 1.45 million new Units amounting to approximately $0.7 million that was issued to the Manager for partial payment of management fees. The Manager has elected to receive its management fees in cash for FY2017.

There is no performance fee payable for the financial year as the Trust has not outperformed the initial Highest DPU Threshold of 6.000 cents for the financial year ended 31 December 2018. Please see Note 1B(b) for more details on the performance fee structure.

18. TRUST EXPENSES

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Auditor's remuneration				
– audit fees	217	151	160	135
– non-audit fees	110	79	51	57
Trustee's fees	469	379	429	379
Valuation fees	129	110	122	108
Professional fees	382	803	243	772
Other expenses	584	654	598	689
	1,891	2,176	1,603	2,140

Other expenses comprise investor relations costs, compliance costs, listing fees and other non-property related expenses.

In addition to the auditor's remuneration disclosed above, the auditors were paid $373,000 for services rendered relating to the Merger.

19. BORROWING COSTS

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Borrowing costs paid and payable:				
– bank loans	12,933	5,695	12,587	5,695
– financial derivatives	90	–	90	–
– fixed rate notes	12,918	13,765	1,975	1,975
– loan from a subsidiary	–	–	10,943	11,790
Amortisation of transaction costs relating to debt facilities	1,501	979	1,501	979
	27,442	20,439	27,096	20,439

20. INCOME TAX EXPENSE

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 December 2018 and 2017 is as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Reconciliation of effective tax rate				
Total (loss)/return for the year before income tax	(228,299)	1,396	53,579	1,865
Income tax using Singapore tax rate of 17% (2017: 17%)	(38,811)	237	9,108	317
Income not subject to tax	(22)	(38)	(22)	(38)
Non-tax deductible items	52,363	8,689	3,722	8,476
Tax transparency	(13,433)	(8,888)	(12,792)	(8,755)
Income tax expense	97	–*	16	–

* Less than $1,000

During the current financial year, the Trust disposed one investment property and the gains measured against the initial acquisition cost approximated $4.2 million. The Manager of the Trust has assessed this gain to be capital in nature and not subject to tax.

21. EARNINGS AND DISTRIBUTION PER UNIT

(a) Basic earnings per unit

The calculation of basic earnings per unit is based on the total return after tax and the weighted average number of units in issue for the financial year.

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Total (loss)/return before income tax	(232,465)	614	53,579	1,865
Less:				
Income tax expense	(97)	–*	(16)	–
Amount reserved for distribution to perpetual securities holders	(6,900)	(1,115)	(6,900)	(1,115)
Total (loss)/return attributable to Unitholders	(239,462)	(501)	46,663	750

* Less than $1,000

	Group and Trust Number of units 2018 '000	2017 '000
Weighted average number of Units:		
– Units issued at beginning of year	1,313,623	1,304,434
Effect of issue of new Units:		
– Management fees paid in units	127	–
– Distribution Reinvestment Plan	6,080	1,859
– Acquisition fees paid in units pursuant to the Merger	4,957	–
– Partial consideration paid in units pursuant to the Merger	325,075	–
– Preferential Offering	200,918	–
	1,850,780	1,306,293

	Group		Trust	
	2018	2017	2018	2017
Basic earnings per unit (cents)	(12.938)	(0.038)	2.521	0.057

21. EARNINGS AND DISTRIBUTION PER UNIT (CONT'D)

(b) Diluted earnings per unit

Diluted earnings per unit is equivalent to the basic earnings per unit as there were no dilutive instruments in issue during the current and previous financial year.

(c) Distribution per unit

The calculation of distribution per unit is based on the total amount available for distribution and the number of units entitled to distribution during the financial year.

	Group and Trust	
	2018	2017
	$'000	$'000
Total amount available for distribution	75,327	51,505
Less: Amount reserved to perpetual securities holders	(6,900)	(1,115)
Distribution from other gains	6,039	–
Amount available for distributions to Unitholders	74,466	50,390
Distribution per unit (cents)	3.857	3.853

22. EQUITY ISSUE COSTS

	Group and Trust	
	2018	2017
	$000	$000
Equity issue cost:		
– Distribution Reinvestment Plan	74	143
– Preferential offering	1,177	–
– Perpetual securities	–	1,498
	1,251	1,641

The equity issue costs are deducted directly against Unitholders' funds.

23. COMMITMENTS

(a) Operating lease commitments (as lessor)

ESR-REIT's investment properties are leased under the operating lease agreements. Non-cancellable operating lease rental receivables are as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Receivable:				
– Within 1 year	219,150	102,818	99,911	84,367
– After 1 year but within 5 years	491,427	215,360	196,499	147,250
– After 5 years	248,521	159,091	201,251	140,250
	959,098	477,269	497,661	371,867

(b) Operating lease commitments (as lessee)

ESR-REIT is required to pay annual land rent to Jurong Town Corporation ("JTC") and Ascendas Land (Singapore) Pte Ltd ("Ascendas") for 31 properties.

The annual land rent payable is based on market land rent for the relevant year and any increase in annual land rent from year to year shall not exceed 5.5% of the annual land rent for the respective properties for the immediate preceding year. The land rent paid/payable to JTC and Ascendas based on prevailing rental rates was $8.3 million (2017: $8.8 million for 33 properties).

As at 31 December 2018 and 2017, the Group have the following operating lease commitments based on the underlying land leases which range from 27 to 99 years.

	Gross amount $'000	Borne by tenants $'000	Net amount $'000	Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Group and Trust						
2018						
Land rents						
– JTC	608,500	(332,501)	275,999	7,866	31,465	236,668
– HDB	–	–	–	–	–	–
– Ascendas	20,803	–	20,803	654	2,618	17,531
	629,303	(332,501)	296,802	8,520	34,083	254,199
2017						
Land rents						
– JTC	483,501	(275,396)	208,105	5,884	23,538	178,683
– HDB	66,261	–	66,261	1,877	7,506	56,878
– Ascendas	19,897	–	19,897	607	2,427	16,863
	569,659	(275,396)	294,263	8,368	33,471	252,424

23. COMMITMENTS (CONT'D)

(c) Capital commitments

As at 31 December 2018, the Group had $4.1 million (2017: $1.3 million) of capital commitments relating to asset enhancement initiatives and capital expenditure for investment properties that had been authorised and contracted for but not provided for in the consolidated financial statements. These capital projects are targeted to be completed in 2019.

24. RELATED PARTIES

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

Other than as disclosed elsewhere in the financial statements, there were the following significant related party transactions carried out in the normal course of business on terms agreed between the parties:

	Group	
	2018	**2017**
	$'000	**$'000**
ESR Funds Management (S) Limited (the Manager)		
Management fees paid and payable		
– in cash	7,126	6,989
– in Units	2,557	–
Acquisition fees paid and payable		
– in cash	958	3,461
– in Units	11,711	–
Disposal fees paid in cash	120	287
Viva Industrial Trust Management Pte Ltd (Manager of Viva Trust)		
Management fees paid in cash	122	–
ESR Property Management (S) Pte. Ltd. (Subsidiary of immediate holding company of the Manager)		
Property manager's fees paid and payable	4,488	3,220
Lease marketing services commission paid and payable	2,139	1,137
Project management fees paid and payable	216	93
RBC Investor Services Trust Singapore Limited (the Trustee)		
Trustee fees paid and payable	429	379
Perpetual (Asia) Limited (the Sub-trust Trustee)		
Trustee fees paid and payable	41	–

25. FAIR VALUE MEASUREMENT

Valuation processes applied by the Group

The Group has an established control framework with respect to the measurement of fair values. This framework includes a real estate team that reports directly to the Chief Executive Officer of the Manager, and has an overall responsibility for all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Manager's Board.

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used 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 or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability are categorised in 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 entire measurement (with Level 3 being the lowest).

The Group recognises any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no such transfers during the current and previous financial year.

25. FAIR VALUE MEASUREMENT (CONT'D)

(b) Assets and liabilities measured at fair value

The table below shows an analysis of each class of assets and liabilities of the Group and the Trust measured at fair value as at the end of the reporting period:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2018				
Non financial assets				
Investment properties (including investment property held for divestment)	–	–	3,021,900	3,021,900
Financial liabilities				
Derivative financial instruments	–	(16,289)	–	(16,289)
2017				
Non financial assets				
Investment properties (including investment property held for divestment)	–	–	1,675,800	1,675,800
Financial liabilities				
Derivative financial instruments	–	–	–	–
Trust				
2018				
Non financial assets				
Investment properties (including investment property held for divestment)	–	–	1,458,200	1,458,200
Financial liabilities				
Derivative financial instruments	–	(16,289)	–	(16,289)
2017				
Non financial assets				
Investment properties (including investment property held for divestment)	–	–	1,372,800	1,372,800
Financial liabilities				
Derivative financial instruments	–	–	–	–

25. FAIR VALUE MEASUREMENT (CONT'D)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Financial Derivatives

The fair value of derivative financial instruments such as interest rate swaps (Level 2 fair values) are based on valuation statements from banks that are the counterparties of the transactions. These quotes are tested for reasonableness by discounting estimated future cashflows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(d) Level 3 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 3 of the fair value hierarchy:

Investment properties and investment properties held for divestment

Investment properties are stated at fair value based on valuations as at 31 December 2018 performed by independent professional valuers, having appropriate recognised professional qualifications and experience in the location and category of property being valued. Independent valuations are obtained annually for all investment properties. Any change in the fair value is recorded in the Statement of Total Return.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date between a willing seller in an arm's length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

In determining the fair values, the valuers have used valuation methods including direct comparison method, capitalisation approach and discounted cash flows in arriving at the open market value as at the reporting date. These valuation methods involve certain estimates. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The capitalisation approach capitalise an income stream into a present value using a market-corroborated capitalisation rate. The discounted cash flows method involves the estimation of an income stream over a period and discounting the income stream with an expected internal rate of return and terminal yield.

The fair value of investment properties of the Group and the Trust was $3.02 billion (2017: $1.68 billion) and $1.46 billion (2017: $1.37 billion) as at 31 December 2018 respectively.

The above fair value has been classified as a Level 3 fair value based on the inputs to the valuation techniques used.

25. FAIR VALUE MEASUREMENT (CONT'D)

(d) Level 3 fair value measurements (cont'd)

The following table shows the key unobservable inputs in Level 3 fair value measurement used in the valuation model:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties and investment properties held for divestment		
Discounted cash flow approach, direct comparison and capitalisation approach	• Market rental growth ranges from 3.0% to 3.5% (2017: 3:0% to 3.5%) per annum. The outliners of the range include 81 Tuas with the lowest market rental growth of 1.6% per annum and 30 Pioneer with the highest rate of 6.15% per annum • Adjusted price (psm) of $1,075 to $1,723 (2017: $1,294 to $1,907) • Risk-adjusted discount rates of 7.50% to 8.0% (2017: 8:0%) • Capitalisation rates from 5.25% to 7.0% (2017: 5.75% to 7.0%) • Terminal yield rates from 5.50% to 7.25% (2017: 6.0% to 7.5%)	The estimated fair value would increase/(decrease) if: • expected market rental growth were higher/(lower); • the risk-adjusted discount rates were lower/(higher); • the capitalisation rates were lower/(higher); or • the terminal yield rates were lower/(higher). • the adjusted price psm were higher/(lower)

Key unobservable inputs correspond to:

- Market rental growth, adjusted price psm, capitalisation and terminal yield rates derived from specialised publications from the industrial market and recent sales in the industrial sector.

- Discount rates, based on the risk-free rate for 10-year bonds issued by the Singapore government, adjusted for a risk premium to reflect the increased risk of investing in the asset class.

The reconciliation of investment properties for the financial year for Level 3 fair value measurements is shown in Note 4.

25. FAIR VALUE MEASUREMENT (CONT'D)

(e) Assets and liabilities not measured at fair value for which fair value is disclosed

The table below shows an analysis of other non-current assets and liabilities of the Group and the Trust not measured at fair value for which fair value is disclosed:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2018				
Liabilities				
Fixed rate loan	–	–	–	–
Fixed rate notes	–	–	210,168	210,168
	–	–	210,168	210,168
2017				
Liabilities				
Fixed rate loan	–	–	100,047	100,047
Fixed rate notes	–	–	365,285	365,285
	–	–	465,332	465,332
Trust				
2018				
Liabilities				
Fixed rate loan	–	–	–	–
Fixed rate notes	–	–	160,090	160,090
Loans from a subsidiary	–	–	50,078	50,078
	–	–	210,168	210,168
2017				
Liabilities				
Fixed rate loan	–	–	100,047	100,047
Fixed rate notes	–	–	50,094	50,094
Loans from a subsidiary	–	–	315,191	315,191
	–	–	465,332	465,332

Determination of fair value for fixed rate loan and notes

The fair value of the fixed rate loan and notes are calculated based on the present value of future principal and interest cash flows, discounted at market interest rate at the reporting period.

(f) Fair value of financial instruments by classes that are not carried at fair value and whose amounts are reasonable approximation of fair value

The carrying amount of the current financial assets and liabilities of the Group and the Trust approximated their fair value due to their short-term nature. The fair value of the non-current borrowings with floating interest rate of the Group and the Trust approximate their fair value.

25. FAIR VALUE MEASUREMENT (CONT'D)

(g) Classification of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	Note	Financial assets at amortised cost $'000	Fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total carrying amount $'000	Fair value $'000
Group						
2018						
Trade and other receivables*	7	10,022	–	–	10,022	10,022
Cash and cash equivalents		17,664	–	–	17,664	17,664
Loans and borrowings	9	–	–	(1,268,203)	(1,268,203)	(1,268,825)
Trade and other payables^	8	–	–	(71,581)	(71,581)	(71,581)
Derivative financial instruments		–	–	(16,289)	(16,289)	(16,289)
		27,686	–	(1,356,073)	(1,328,387)	(1,329,009)
2017						
Trade and other receivables*	7	8,288	–	–	8,288	8,288
Cash and cash equivalents		11,651	–	–	11,651	11,651
Loans and borrowings	9	–	–	(669,791)	(669,791)	(664,304)
Trade and other payables^	8	–	–	(30,660)	(30,660)	(30,660)
Derivative financial instruments		–	–	–	–	–
		19,939	–	(700,451)	(680,512)	(675,025)
Trust						
2018						
Trade and other receivables*	7	30,368	–	–	30,368	30,368
Cash and cash equivalents		6,560	–	–	6,560	6,560
Loans and borrowings	9	–	–	(1,268,203)	(1,268,203)	(1,268,825)
Trade and other payables^	8	–	–	(53,888)	(53,888)	(53,888)
Derivative financial instruments		–	–	(16,289)	(16,289)	(16,289)
		36,928	–	(1,338,380)	(1,301,452)	(1,302,074)
2017						
Trade and other receivables*	7	6,919	–	–	6,919	6,919
Cash and cash equivalents		8,156	–	–	8,156	8,156
Loans and borrowings	9	–	–	(669,791)	(669,791)	(664,304)
Trade and other payables^	8	–	–	(23,155)	(23,155)	(23,155)
Derivative financial instruments		–	–	–	–	–
		15,075	–	(692,946)	(677,871)	(672,384)

* Excludes prepayments.
^ Excludes rent received in advance and GST payable

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to credit risk, liquidity risk and interest rate risk.

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management process to ensure an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit, Risk Management and Compliance Committee ("ARCC") oversees how management monitors compliance with the Trust's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Trust. The ARCC is assisted in its oversight role by Internal Audit. Internal Audit, which is outsourced to a public accounting firm, undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARCC.

The following sections provide details regarding the Group's and Trust's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

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

The Manager has established credit limits for tenants and monitors amounts receivable on an on-going basis. Credit evaluations are performed by the Manager before lease agreements are entered into with the lessees. In addition, the Group and the Trust require the lessees to provide tenancy security deposits or corporate guarantees, or to assign rental proceeds from sub-lessees to the Group and the Trust. For cash and cash equivalents the Group and the Trust minimise credit risk by dealing exclusively with high credit rating counterparts.

The Manager establishes an allowance for impairment, based on a specific loss component that relates to individually significant exposures, that represents its estimate of expected losses in respect of trade and other receivables. The allowance was utilised during the financial year to write off the arrears of a tenant which the recovery was remote notwithstanding numerous debt recovery.

Credit risk concentration profile

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the Statement of Financial Position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment records with the Group. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 7 (Trade and other receivables). As at 31 December 2018 and 31 December 2017, the Group and the Trust had no other financial assets which it had determined to be impaired and there are no allowances for impairment provided for.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Trust will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Trust's exposure to liquidity risk arises primarily from mismatches of the maturity of financial assets and liabilities.

The Manager monitors the liquidity risk of the Group and the Trust. The Group's and the Trust's objective is to maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Trust's operations. Typically, the Group and the Trust ensures that it has sufficient cash on demand and committed revolving credit facilities to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Analysis of financial instruments by remaining contracted maturities

The table below summarises the maturity profile of the Group's and the Trust's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Within 1 year $'000	Between 2 to 5 years $'000	More than 5 years $'000	Total $'000
Group				
2018				
Non-derivative financial liabilities				
Term loan facilities	(119,093)	(690,811)	–	(809,904)
Revolving credit facilities	(192,289)	(168,983)	–	(361,272)
Medium Term Notes	(7,260)	(220,087)	–	(227,347)
Trade and other payables*	(55,452)	(16,129)	–	(71,581)
Amount due to non-controlling interest	(61,074)	–	–	(61,074)
	(435,168)	(1,096,010)	–	(1,531,178)
Derivative financial liabilities				
Interest rate swaps	(3,540)	(10,586)	–	(14,126)
	(438,708)	(1,106,596)	–	(1,545,304)
2017				
Non-derivative financial liabilities				
Term loan facilities	(4,070)	(128,207)	–	(132,277)
Revolving credit facilities	(4,967)	(194,846)	–	(199,813)
Medium Term Notes	(166,838)	(177,447)	(50,980)	(395,265)
Trade and other payables*	(23,877)	(6,783)	–	(30,660)
Amount due to non-controlling interest	(60,600)	–	–	(60,600)
	(260,352)	(507,283)	(50,980)	(818,615)
Derivative financial liabilities				
Interest rate swaps	–	–	–	–
	(260,352)	(507,283)	(50,980)	(818,615)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contracted maturities (cont'd)

	Within 1 year $'000	Between 2 to 5 years $'000	More than 5 years $'000	Total $'000
Trust				
2018				
Non-derivative financial liabilities				
Term loan facilities	(119,093)	(690,811)	–	(809,904)
Revolving credit facilities	(192,289)	(168,983)	–	(361,272)
Medium Term Notes	(1,688)	(56,910)	–	(58,598)
Loans from a subsidiary	(5,572)	(163,177)	–	(168,749)
Trade and other payables*	(46,028)	(7,860)	–	(53,888)
	(364,670)	(1,087,741)	–	(1,452,411)
Derivative financial liabilities				
Interest rate swaps	(3,540)	(10,586)	–	(14,126)
	(368,210)	(1,098,327)	–	(1,466,537)
2017				
Non-derivative financial liabilities				
Term loan facilities	(4,070)	(128,207)	–	(132,277)
Revolving credit facilities	(4,967)	(194,846)	–	(199,813)
Medium Term Notes	(1,688)	(7,905)	(50,980)	(60,573)
Loans from a subsidiary	(165,150)	(169,542)	–	(334,692)
Trade and other payables*	(21,824)	(5,715)	–	(27,539)
	(197,699)	(506,215)	(50,980)	(754,894)
Derivative financial liabilities				
Interest rate swaps	–	–	–	–
	(197,699)	(506,215)	(50,980)	(754,894)

* Trade and other payables exclude rent received in advance and GST payables.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Interest rate risk

Interest rate risk that the fair value or future cash flows of the Group's and the Trust's financial instruments will fluctuate because of changes in market interest rates.

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

As at 31 December 2018, the Manager has entered into interest rate swap contracts to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional amounts of the unsecured bank loans.

As at 31 December 2018, the Group has fixed 83.4% (2017: 69.2%) of its interest rate exposure by entering into interest rate swaps and fixed rate borrowings. The Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges after taking into account the prevailing market conditions.

Sensitivity analysis for variable rate instruments

As at 31 December 2018 and 2017, a change of 100 basis points in interest rates would have increased/(decreased) Unitholders' funds and total return by the amounts shown below:

	Total Return		Unitholders' Funds	
	100 bp increase $'000	**100 bp decrease $'000**	**100 bp increase $'000**	**100 bp decrease $'000**
Group				
2018				
Variable rate instruments				
Interest-bearing borrowings				
– Interest expense	(6,190)	1,939	(6,190)	1,939
2017				
Variable rate instruments				
Interest-bearing borrowings				
– Interest expense	(1,821)	1,840	(1,821)	1,840

27. CAPITAL MANAGEMENT

The Group's objective when managing capital is to optimise Unitholders' value through the mix of available capital sources which include debt, equity and other financial instruments, whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest service coverage and other ratios within approved limits.

The Group is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the CIS code. The CIS code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's deposited property. As at the reporting date, the Aggregate Leverage of the Group is 41.9%. (2017: 39.6%) which is in compliance with the Aggregate Leverage limit of 45.0%.

The Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As part of its finance policy, the Board of the Manager (the "Board") proactively reviews the Trust's capital and debt management regularly so as to optimise the Trust's funding structure to meet its investment opportunities. The Board also monitors the Group's exposure to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures.

28. SEGMENT REPORTING

Segment information is presented based on the information reviewed by ESR-REIT's Chief Operating Decision Makers ("CODMs") for performance assessment and resource allocation.

As each investment property is mainly used for industrial (including warehousing) purposes, these investment properties are similar in terms of economic characteristics, nature of services and type of customers. The CODMs are of the view that the Group has only one reportable segment – Leasing of investment properties. This forms the basis of identifying the operating segments of ESR-REIT under *FRS 108 Operating Segments*. No geographical segment information has been prepared as all of the Group's investment properties are located in Singapore.

29. FINANCIAL RATIOS

	2018	**2017**
	%	**%**
Expenses to weighted average net assets(1)	1.12	1.11
Portfolio turnover rate(2)	2.29	6.97

(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 ESR-REIT, excluding property related expenses, borrowing costs and income tax expense.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of ESR-REIT expressed as a percentage of daily average net asset value.

30. SUBSEQUENT EVENT

New loan facility

On 4 March 2019, the Trust secured a $155 million unsecured term loan facility from Australia and New Zealand Banking Group Limited, Singapore Branch; CTBC Bank Co. Ltd., acting through its Singapore branch; and Standard Chartered Bank, Singapore Branch to refinance its existing borrowings.

31. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 18 March 2019.

ADDITIONAL INFORMATION

(A) MERGER OF ESR-REIT AND VIVA INDUSTRIAL TRUST

On 15 October 2018, ESR-REIT completed its merger with Viva Industrial Trust ("VIT") (comprising Viva Industrial Real Estate Investment Trust and Viva Industrial Business Trust) by way of a trust scheme of arrangement ("Merger"). Under the Merger, ESR-REIT acquired all of VIT's issued stapled securities for S$9.60 in cash and 160 new ESR-REIT units in exchange for every 100 VIT stapled securities held by the stapled securityholders of VIT.

Following the completion of the Merger, VIT was delisted from SGX-ST. Viva Industrial Real Estate Investment Trust ceased to be an authorised collective investment scheme and became a sub-trust of ESR-REIT and was renamed as Viva Trust. Viva Industrial Business Trust, which was dormant, had been wound up in December 2018.

The Merger was approved by the Unitholders of ESR-REIT at the extraordinary general meeting held on 31 August 2018. ESR-REIT paid an aggregate consideration of S$936.7 million for the acquisition of VIT comprising S$843.0 million in ESR-REIT units and S$93.7 million in cash.

Please refer to the Investment Properties Portfolio Statement for the nine properties acquired pursuant to the Merger on 15 October 2018.

(B) ENTRY INTO PROPERTY MANAGEMENT AGREEMENTS

On 31 December 2018, ESR-FM as the Manager of both ESR-REIT and Viva Trust, entered into new property management agreements ("PMAs") with the following trustees and ESR Property Management (S) Pte. Ltd. ("ESR-PM as the Property Manager") to provide property management services for all the properties located in Singapore:

(i) RBC Investor Services Trust Singapore Limited as trustee of ESR-REIT in respect of 48 properties held by ESR-REIT; and

(ii) Perpetual (Asia) Limited as trustee of Viva Trust in respect of nine properties held by Viva Trust.

The term for each of the PMAs is for a period of three-and-a half years commencing from 1 January 2019. The existing property management agreements entered into with the Property Manager in respect of ESR-REIT and Viva Trust were terminated on 1 January 2019.

The services to be provided by the Property Manager for each of the properties under its management in respect of both PMAs include the following:

(i) property management services

(ii) lease management services

(iii) marketing services

(iv) project management services

The aggregate contract value of the PMAs is estimated at approximately S$40.4 million, which is less than 5.0% of the then latest audited net tangible assets of ESR-REIT as at 31 December 2017. Therefore, Unitholders' approval is not required for the entry into the PMAs.

Please refer to the SGX-ST announcement dated 31 December 2018 for more details.

(C) INTERESTED PERSON TRANSACTIONS ("IPTS")

Transactions entered into with interested persons during the financial year falling under the SGX-ST Listing Rules and the Property Funds Appendix of the CIS (excluding transactions of less than S$100,000 each) are as follows:

Name of Entity	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920 of the SGX-ST Listing Rules) S$'000	Aggregate value of all IPTs conducted under the Unitholders' mandate pursuant to Rule 920 of the SGX-ST Listing Rules (excluding transactions less than S$100,000) S$'000
ESR Funds Management (S) Limited (the Manager)		
Management fees paid and payable		
– in cash	7,126	–
– in Units	2,557	–
Acquisition fees paid in relation to the acquisition of investment properties		
– in cash	958	–
– in Units	11,711	–
Disposal fees paid in cash in relation to the divestment of investment properties	120	–
Viva Industrial Trust Management Pte Ltd (Manager of Viva Trust)		
Management fees paid in cash	122	–
ESR Property Management (S) Pte Ltd (Subsidiary of immediate holding company of the Manager)		
Property manager's fees paid and payable	4,488	–
Lease marketing services commission paid and payable	2,139	–
Project management fees paid and payable	216	–

(C) INTERESTED PERSON TRANSACTIONS ("IPTS") (CONT'D)

Name of Entity	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920 of the SGX-ST Listing Rules) S$'000	Aggregate value of all IPTs conducted under the Unitholders' mandate pursuant to Rule 920 of the SGX-ST Listing Rules (excluding transactions less than S$100,000) S$'000
RBC Investor Services Trust Singapore Limited (the Trustee)		
Trustee fees paid and payable	429	–
Perpetual (Asia) Limited (the Sub-trust Trustee)		
Trustee fees paid and payable*	–	–

* Amount less than S$100,000.

Saved as disclosed above, there were no additional interested person transactions (excluding transactions of less than S$100,000 each) entered into up to and including 31 December 2018 nor any material contracts entered by ESR-REIT or any of its subsidiaries that involve the interests of the CEO, any Directors or any controlling Unitholder of the Trust.

Please also see Significant Related Party Transactions in Note 24 to the financial statements.

As set out in ESR-REIT's Prospectus dated 14 July 2006, fees and charges payable by ESR-REIT to the Manager under the Trust Deed are not subject to Rule 905 and Rule 906 of the SGX-ST Listing Rules.

The Group has not obtained a general mandate from Unitholders pursuant to Rule 920 for any interested person transactions.

(D) USE OF PROCEEDS FROM THE PREFERENTIAL OFFERING COMPLETED IN MARCH 2018

With reference to our announcement dated 28 March 2018 (the "Use of Proceeds from the Preferential Offering Announcement"), the net proceeds of approximately S$140.9 million raised from the preferential offering completed on 28 March 2018 (the "Preferential Offering") had been fully deployed to repay the debt facilities utilised to partially fund the acquisition of 80% equity interest in 7000 AMK Pte. Ltd. which holds the property at 7000 Ang Mo Kio Avenue 5. 7000 AMK Pte. Ltd. was converted into a limited liability partnership and renamed as 7000 AMK LLP with effect from 1 February 2018.

The aforementioned use of proceeds is in accordance with the intended use and is materially in accordance with the allocated percentage of the proceeds of the Preferential Offering as stated in the "Launch of Preferential Offering Announcement" dated 27 February 2018.

ADDITIONAL INFORMATION

(E) ACQUISITION OF PROPERTIES IN FY2018

Apart from the portfolio of nine properties acquired pursuant to the Merger, ESR-REIT acquired a property at 15 Greenwich Drive from Tampines Distrihub Pte. Ltd. for S$95.6 million (including upfront land premium of S$9.4 million) in October 2018. The purchase consideration for the property, which was below the valuation of S$96.4 million, excluded acquisition related costs. The valuation was based on income capitalisation method, discounted cash flow analysis and direct comparison method.

(F) SALE OF PROPERTY IN FY2018

ESR-REIT disposed a property at 9 Bukit Batok Street 22 for a consideration of S$23.9 million to MSS Bukit Batok Pte. Ltd. in March 2018. The sale consideration for the property, which was above the valuation of S$23.6 million, excluded divestment related costs. The valuation was based on income capitalisation method, discounted cash flow analysis and direct comparison method.

(G) RATIO OF TOTAL OPERATING EXPENSES TO NET ASSET VALUE

The revised CIS issued by MAS on 14 July 2015 requires that the total operating expenses (including all fees and charges paid to the Manager) be disclosed in both absolute terms and as a percentage of the net asset value of the Trust as at the end of the financial year.

The total operating expenses of the Trust, including all fees and charges paid to the Manager and interested parties to net asset value as at 31 December 2018 is as follows:

	2018 $'000	**2017 $'000**
Property expenses	44,880	31,255
Management fees	9,805	6,989
Trust expenses	1,891	2,176
Borrowing costs	27,442	20,439
Total operating expenses	84,018	60,859
Less: Income tax	(97)	–
	83,921	60,859
Net assets value	1,479,668	778,889
Ratio of total operating expenses to net asset value (%)	5.7	7.8

STATISTICS OF UNITHOLDERS

AS AT 11 MARCH 2019

ISSUED AND FULLY PAID-UP UNITS

3,170,172,725 Ordinary Units (voting rights: one vote per Unit)
Market Capitalisation S$1,696,042,408 (based on closing price of S$0.535 as at 11 March 2019)

Size of Unitholdings	No. of Units	% of Units in Issue	No. of Unitholders	% of Unitholders
1 – 99	11,014	0.00	255	1.83
100 – 1,000	445,200	0.01	666	4.79
1,001 – 10,000	23,504,790	0.74	4,439	31.92
10,001 – 1,000,000	506,122,254	15.97	8,476	60.94
1,000,001 and above	2,640,089,467	83.28	73	0.52
Total	**3,170,172,725**	**100.00**	**13,909**	**100.00**

TWENTY LARGEST UNITHOLDERS

As shown in the Register of Unitholders

No.	Name	No. of Units	% of Units in Issue
1	CITIBANK NOMINEES SINGAPORE PTE LTD	1,035,767,280	32.67
2	DBS NOMINEES PTE LTD	348,471,706	10.99
3	DB NOMINEES (SINGAPORE) PTE LTD	290,140,930	9.15
4	RHB SECURITIES SINGAPORE PTE LTD	192,494,227	6.07
5	RHB BANK NOMINEES PTE LTD	102,453,107	3.23
6	RAFFLES NOMINEES (PTE) LIMITED	92,079,600	2.91
7	DBSN SERVICES PTE LTD	73,751,741	2.33
8	HSBC (SINGAPORE) NOMINEES PTE LTD	67,781,309	2.14
9	UNITED ENGINEERS DEVELOPMENTS PTE LTD	47,520,000	1.50
10	MEIBAN INVESTMENT PTE LTD	37,710,627	1.19
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	31,486,727	0.99
12	MITSUI AND CO LTD	26,432,353	0.83
13	ESR FUNDS MANAGEMENT (S) LIMITED	25,257,078	0.80
14	MAYBANK KIM ENG SECURITIES PTE.LTD.	19,870,000	0.63
15	DBS VICKERS SECURITIES (S) PTE LTD	15,895,607	0.50
16	PHANG SAY LANG	15,588,196	0.49
17	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	15,137,194	0.48
18	GOH TIONG YONG	14,501,394	0.46
19	OCBC NOMINEES SINGAPORE PTE LTD	13,609,023	0.43
20	OCBC SECURITIES PRIVATE LTD	12,765,998	0.40
		2,478,714,097	**78.19**

INTERESTS OF SUBSTANTIAL UNITHOLDERS

The interests of the substantial Unitholders in Units as recorded in the Register of Substantial Unitholders as at 11 March 2019 are set out below.

	Direct Interest		Deemed Interest		Total Interest	
Substantial Unitholders	**No. of Units**	**%**	**No. of Units**	**%**	**No. of Units**	**%**
Tong Jinquan	172,802,987	5.45	899,563,276[1]	28.38	1,072,366,263	33.83
Wealthy Fountain Holdings Inc	190,924,226	6.02	–[2]	–	190,924,226	6.02
Skyline Horizon Consortium Ltd	13,172,094	0.42	– [3]	–	13,172,094	0.42
Shanghai Summit Pte Ltd	–	–	229,353,398[4]	7.23	229,353,398	7.23
Leading Wealth Global Inc	670,209,878	21.14	–[5]	–	670,209,878	21.14
Longemont Real Estate Pte Ltd	–	–	670,209,878[6]	21.14	670,209,878	21.14
Shanghai Summit (Group) Co., Ltd	–	–	670,209,878[7]	21.14	670,209,878	21.14
e-Shang Infinity Cayman Limited	226,552,442	7.15	66,792,912[8]	2.10	293,345,354	9.25
e-Shang Jupiter Cayman Limited	–	–	293,345,354[9]	9.25	293,345,354	9.25

STATISTICS OF UNITHOLDERS

AS AT 11 MARCH 2019

Substantial Unitholders	Direct Interest No. of Units	%	Deemed Interest No. of Units	%	Total Interest No. of Units	%
ESR Cayman Limited	–	–	293,345,354[10]	9.25	293,345,354	9.25
WP OCIM One LLC	–	–	293,345,354[11]	9.25	293,345,354	9.25
WP X Investment VI Ltd.	–	–	293,345,354[12]	9.25	293,345,354	9.25
Warburg Pincus Private Equity X, L.P.	–	–	293,345,354[13]	9.25	293,345,354	9.25
Warburg Pincus X, L.P.	–	–	293,345,354[14]	9.25	293,345,354	9.25
Warburg Pincus LLC	–	–	293,345,354[15]	9.25	293,345,354	9.25
Warburg Pincus X GP L.P.	–	–	293,345,354[16]	9.25	293,345,354	9.25
WPP GP LLC	–	–	293,345,354[17]	9.25	293,345,354	9.25
Warburg Pincus Partners, L.P.	–	–	293,345,354[18]	9.25	293,345,354	9.25
Warburg Pincus Partners GP LLC	–	–	293,345,354[19]	9.25	293,345,354	9.25
Warburg Pincus & Co.	–	–	293,345,354[20]	9.25	293,345,354	9.25
Charles R. Kaye	–	–	293,345,354[21]	9.25	293,345,354	9.25
Joseph P. Landy	–	–	293,345,354[22]	9.25	293,345,354	9.25

[1] Wealthy Fountain Holdings Inc is holding 190,924,226 ESR-REIT units, Skyline Horizon Consortium Ltd is holding 13,172,094 ESR-REIT units and ESR Funds Management (S) Limited ("ESR-FM") is holding 25,257,078 ESR-REIT units. Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd are wholly owned by Shanghai Summit Pte Ltd, whereas ESR-FM is 25% owned by Shanghai Summit Pte Ltd. Leading Wealth Global Inc ("LWG") is holding 670,209,878 ESR-REIT units which is a wholly-owned subsidiary of Longemont Real Estate Pte Ltd, which is a wholly-owned subsidiary of Shanghai Summit (Group) Co., Ltd. Shanghai Summit Pte Ltd and Shanghai Summit (Group) Co., Ltd are wholly owned by Tong Jinquan. Therefore, Mr Tong Jinquan is deemed to be interested in the 899,563,276 ESR-REIT units held by the two entities.

[2] Wealthy Fountain Holdings Inc is wholly-owned by Tong Jinquan through Shanghai Summit Pte Ltd.

[3] Skyline Horizon Consortium Ltd is wholly-owned by Tong Jinquan through Shanghai Summit Pte Ltd.

[4] Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd are wholly-owned by Tong Jinquan through Shanghai Summit Pte Ltd. Shanghai Summit Pte. Ltd. owns 25% of ESR Funds Management (S) Limited.

[5] Leading Wealth Global Inc is wholly-owned by Tong Jinquan through Longemont Real Estate Pte Ltd.

[6] Longemont Real Estate Pte Ltd is wholly-owned by Tong Jinquan through Shanghai Summit (Group) Co., Ltd.

[7] Shanghai Summit (Group) Co., Ltd is wholly-owned by Tong Jinquan.

[8] 41,535,834 units in ESR-REIT are held by Sunrise (BVI) Limited, a wholly-owned subsidiary of e-Shang Infinity Cayman Limited. 25,257,078 units in ESR-REIT are held by ESR Funds Management (S) Limited, the manager of ESR-REIT, of which 67.3% of the shares are indirectly owned by e-Shang Infinity Cayman Limited.

[9] e-Shang Jupiter Cayman Limited owns the entire issued share capital of e-Shang Infinity Cayman Limited. As e-Shang Jupiter Cayman Limited has control of e-Shang Infinity Cayman Limited, it is deemed to have interests in the 293,345,354 ESR-REIT Units which e-Shang Infinity Cayman Limited has interests in (the "Infinity Units").

[10] ESR Cayman Limited owns 100% of the issued share capital of e-Shang Jupiter Cayman Limited, which in turn owns the entire issued share capital of e-Shang Infinity Cayman Limited. As ESR Cayman Limited has control of e-Shang Infinity Cayman Limited, it is deemed to have interests in the 293,345,354 Infinity Units.

[11] ESR Cayman Limited has control of e-Shang Infinity Cayman Limited and is deemed to have interests in the 293,345,354 Infinity Units. As WP OCIM One LLC has interest in more than 20% in the issued share capital of ESR Cayman Limited, it is also deemed to have interests in the 293,345,354 Infinity Units.

[12] WP OCIM One LLC has interest in more than 20% in the issued share capital of ESR Cayman Limited and is deemed to have interests in the 293,345,354 Infinity Units. As WP X Investment VI Ltd. has a controlling interest in WP OCIM One LLC, it is also deemed to have interests in the 293,345,354 Infinity Units.

[13] WP X Investment VI Ltd. has a controlling interest in WP OCIM One LLC and is deemed to have interests in the 293,345,354 Infinity Units. As Warburg Pincus Private Equity X, L.P. has a controlling interest in WP X Investment VI Ltd., it is also deemed to have interests in the 293,345,354 Infinity Units.

[14] Warburg Pincus Private Equity X, L.P. has a controlling interest in WP X Investment VI Ltd. and is deemed to have interests in the 293,345,354 Infinity Units. As Warburg Pincus X, L.P. is the general partner having control of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership, it is also deemed to have interests in the 293,345,354 Infinity Units.

[15] Warburg Pincus X, L.P. is the general partner of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership ("WPX") and is deemed to have interests in the 293,345,354 Infinity Units. As Warburg Pincus LLC is the manager having control of WPX, it is also deemed to have interests in the 293,345,354 Infinity Units.

[16] Warburg Pincus X, L.P. ("WPXGP") is the general partner having control of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership, and it is deemed to have interests in the 293,345,354 Infinity Units. As Warburg Pincus X GP L.P. is the general partner having control of WPXGP, it is also deemed to have interests in the 293,345,354 Infinity Units.

[17] Warburg Pincus X GP L.P. ("WP X GP LP") is the general partner having control of Warburg Pincus X, L.P., and it is deemed to have interests in the 293,345,354 Infinity Units. As WPP GP LLC is the general partner having control of WP X GP LP, it is also deemed to have interests in the 293,345,354 Infinity Units.

[18] WPP GP LLC ("WPP GP") is the general partner having control of Warburg Pincus X GP L.P., and it is deemed to have interests in the 293,345,354 Infinity Units. As Warburg Pincus Partners, L.P. is the managing member having control of WPP GP, it is also deemed to have interests in the 293,345,354 Infinity Units.

[19] Warburg Pincus Partners, L.P. ("WP Partners") is the managing member having control of WPP GP LLC, and it is deemed to have interests in the 293,345,354 Infinity Units. As Warburg Pincus Partners GP LLC is the general partner having control of WP Partners, it is also deemed to have interests in the 293,345,354 Infinity Units.

[20] Warburg Pincus Partners GP LLC ("WP Partners GP") is the general partner having control of Warburg Pincus Partners, L.P., and it is deemed to have interests in the 293,345,354 Infinity Units. As Warburg Pincus & Co. is the managing member having control of WP Partners GP, it is also deemed to have interests in the 293,345,354 Infinity Units.

[21] Warburg Pincus & Co. ("WP") is the managing member having control of Warburg Pincus Partners GP LLC , and it is deemed to have interests in the 293,345,354 Infinity Units. As Charles R. Kaye is the Managing General Partner having control of WP and Managing Member and Co-Chief Executive Officer having control of WP LLC, he is also deemed to have interests in the 293,345,354 Infinity Units. Mr. Kaye disclaims beneficial ownership of the 293,345,354 Infinity Units.

[22] Warburg Pincus & Co. ("WP") is the managing member of Warburg Pincus Partners GP LLC , and it is deemed to have interests in the 293,345,354 Infinity Units. As Joseph P. Landy is the Managing General Partner having control of WP and Managing Member and Co-Chief Executive Officer having control of WP LLC, he is also deemed to have interests in the 293,345,354 Infinity Units. Mr. Landy disclaims beneficial ownership of the 293,345,354 Infinity Units.

STATISTICS OF UNITHOLDERS

AS AT 11 MARCH 2019

DIRECTOR'S INTEREST

The interests of the Directors in Units, as recorded in the Register of Directors' Unitholdings as at the Latest Practicable Date, are set out below.

	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	%[1]	No. of Units	%[1]	No. of Units	%[1]
Mr Ooi Eng Peng	–	–	–	–	–	–
Mr Bruce Kendle Berry	–	–	–	–	–	–
Mr Erle William Spratt	–	–	–	–	–	–
Mr Philip John Pearce	–	–	–	–	–	–
Mr Jeffrey David Perlman	–	–	–	–	–	–
Dr Leong Horn Kee	102,400	0.0032	–	–	102,400	0.0032
Mr Ronald Lim Cheng Aun	148,800	0.0047	–	–	148,800	0.0047
Mr Wilson Ang Poh Seong	3,631,736	0.1146	–	–	3,631,736	0.1146
Mr Tong Jinquan	172,802,987	5.4509	899,563,276	28.3758	1,072,366,263	33.8267
Mr Adrian Chui Wai Yin	–	–	–	–	–	–

FREE FLOAT

Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10.0% of its listed securities are at all times held by the public. Based on the information made available to the Manager as at 11 March 2019, approximately 56.09% of ESR-REIT's Units are held by the public and therefore, Rule 723 of the listing Manual of the SGX-ST has been complied with.

1 The percentage interest is based on units in issue as at 21 January 2019.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 10th Annual General Meeting of the holders of units of ESR-REIT ("**Unitholders**") will be held at Suntec Singapore International Convention and Exhibition Centre, Room 331 – 332, 1 Raffles Boulevard, Suntec City, Singapore 039593 on 24 April 2019 at 10.00 a.m. to consider and, if thought fit, to pass, with or without any modifications, the following resolutions:

AS ORDINARY BUSINESS

1. Ordinary Resolution

To receive and to adopt the report issued by RBC Investor Services Trust Singapore Limited, as trustee of ESR-REIT (the "**Trustee**"), the statement issued by ESR Funds Management (S) Limited, as manager of ESR-REIT (the "**Manager**"), and the audited financial statements of ESR-REIT for the financial year ended 31 December 2018 together with the auditors' report thereon.

2. Ordinary Resolution

To re-appoint Ernst & Young LLP as Auditor of ESR-REIT to hold office until the conclusion of the next Annual General Meeting ("**AGM**") and to authorise the Directors of the Manager to fix their remuneration.

AS SPECIAL BUSINESS

3. Ordinary Resolution

That authority be and is hereby given to the Manager, to

(a) (i) issue units in ESR-REIT ("**Units**") whether by way of rights, bonus or otherwise, and including any capitalisation of any sum for the time being standing to the credit of any of ESR-REIT's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution; and/or

(ii) make or grant offers, agreements or options 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, options, debentures or other instruments convertible into Units (collectively, "**Instruments**"),

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 Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

(1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) as calculated in accordance with sub-paragraph (2) below, of which the aggregate number of Units to be issued other than on a pro rata basis to existing Unitholders shall not exceed twenty per cent. (20%) of the total number of Units (excluding treasury Units, if any) as calculated in accordance with sub-paragraph (2) below;

(2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**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 calculated 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 or subsisting 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 (the "**Listing Manual**") for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting ESR-REIT (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 AGM of ESR-REIT or (ii) the date on which the next AGM of ESR-REIT is required by applicable regulations or the Trust Deed 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 and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider necessary, expedient, incidental or in the interest of ESR-REIT to give effect to the authority contemplated and/or authorised by this Resolution.

(Please see Explanatory Notes)

OTHER BUSINESS

To transact any other business which may properly be brought forward.

BY ORDER OF THE BOARD
ESR Funds Management (S) Limited
(Company Registration No.: 200512804G, Capital Markets Services Licence No.: CMS 100132-5)
As manager of ESR-REIT

Adrian Chui Wai Yin
Chief Executive Officer and Executive Director
Singapore
8 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Important Notice:

The value of units in ESR-REIT ("**Units**") and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations of the Manager, the Trustee, or any of their respective related corporations and affiliates (individually and collectively, the "**Affiliates**").

An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the Manager, the Trustee nor any of their Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors should note that they will have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

Notes:

1. A Unitholder who is not a relevant intermediary (as defined below) entitled to attend and vote at the AGM of ESR-REIT is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her unitholding (expressed as a percentage of the whole) to be represented by each proxy.

2. A Unitholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM 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, Chapter 19 of Singapore 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, Chapter 289 of Singapore and who holds Units in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, 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.

3. The instrument appointing a proxy or proxies must be lodged at the office of the Unit Registrar of ESR REIT at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 not less than 72 hours before the time appointed for the AGM.

Explanatory notes:

Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of ESR-REIT; (ii) the date on which the next AGM of ESR-REIT is required by the applicable regulations or the Trust Deed 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 (the "**Mandated Period**"), to issue Units whether by way of bonus or otherwise and/or to make or grant Instruments and to issue Units pursuant to such Instruments, provided that the aggregate number of Units issued under the Ordinary Resolution 3 does not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) with a sub-limit of twenty per cent. (20%) of the total number of issued Units (excluding treasury Units, if any) for issuances other than on a pro rata basis to Unitholders. For the avoidance of doubt, the Manager may, if the Ordinary Resolution 3 is passed, issue Units up to a number not exceeding 50% of the total number of issued Units (excluding treasury Units, if any) on a pro rata basis (including, without limitation, issuance of Units by way of a renounceable rights issue or a non-renounceable preferential offering).

The Ordinary Resolution 3 above, if passed, will empower the Manager to issue Units, during the Mandated Period, as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

To determine the aggregate number of Units that may be issued, the total number of issued Units (excluding treasury Units, if any) will be calculated based on the total number of issued Units (excluding treasury Units, if any) at the time the Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time the Ordinary Resolution 3 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 and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their 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 the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee (or their agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

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ESR-REIT
(A unit trust constituted in the Republic of Singapore
pursuant to a trust deed dated 31 March 2006 (as amended))

PROXY FORM

ANNUAL GENERAL MEETING

IMPORTANT:
1. For Central Provident Fund ("**CPF**") investors who have used their CPF monies to buy units in ESR-REIT, this Annual Report is forwarded to them at the request of their Agent Banks and is sent solely **FOR THEIR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as **OBSERVERS** must submit their requests through their respective Agent Banks so that their Agent Banks may register, in the required format, with the Unit Registrar of ESR-REIT within the time frame specified. If they also wish to vote, they must submit their requests to the Agent Bank so his Agent Bank may appoint him as its proxy within the specified timeframe. (Agent Banks, please see Notes 2 and 4 on the required details.)
4. **PLEASE READ THE NOTES TO THE PROXY FORM**.
   Personal data privacy
   By submitting an instrument appointing a proxy(ies) 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 8 April 2019.

I/We, ______________________________ (Name and NRIC no./Passport no./Company Registration no.)

of ______________________________ (Address)

being a unitholder/unitholders of ESR-REIT, hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Unitholdings (Note 1)	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Unitholdings (Note 2)	
			No. of Units	%

or, both of whom failing, the Chairman of the Annual General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of ESR-REIT to be held at 10.00 a.m. on 24 April 2019 at Suntec Singapore International Convention and Exhibition Centre, Room 331 – 332, 1 Raffles Boulevard, Suntec City, Singapore 039593 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they may on any other matter arising at the Annual General Meeting.

No.	Resolutions:	For*	Against*
	ORDINARY BUSINESS		
1.	To receive and adopt the Trustee's Report, the Statement by the Manager and the Audited Financial Statements of ERS-REIT for the financial year ended 31 December 2018		
2.	To approve Ernst & Young LLP as Auditor of ESR-REIT to hold office until the conclusion of the next Annual General Meeting and to authorise the Manager to fix their remuneration		
	SPECIAL BUSINESS		
3.	To authorise the Manager to issue Units and to make or grant convertible instruments		

* 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 (Note 3)

____
Signature(s) of Unitholder(s) / Common Seal

IMPORTANT: PLEASE READ NOTES TO PROXY FORM ON REVERSE PAGE

3rd fold here, glue along the dotted line and fold flap

Affix
postage
stamp

Glue all sides firmly. Stapling & spot sealing is disallowed.

B.A.C.S. PRIVATE LIMITED
(AS UNIT REGISTRAR OF ESR-REIT)
8 Robinson Road
#03-00 ASO Building
Singapore 048544

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IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to proxy form:

1. A holder of units of ESR-REIT ("**Unitholder**") who is not a relevant intermediary (as defined below) entitled to attend and vote at the Annual General Meeting of ESR-REIT is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her unitholding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different unit in ESR-REIT ("**Unit**") or Units held by such Unitholder. Where such Unitholder appoints more than two proxies, 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, Chapter 19 of Singapore 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, Chapter 289 of Singapore and who holds Units in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, 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 CPF, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A Unitholder should insert the total number of Units held. If the Unitholder only has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of Units. If the Unitholder only has Units registered in his/her name in the Register of Unitholders of ESR-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 will be deemed to relate to all the Units held by the Unitholder in both the Depository Register and the Register of Unitholders.
4. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the office of the Unit Registrar of ESR-REIT at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, not less than 72 hours before the time set for the Annual General Meeting.
5. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the Annual General Meeting in person, and in such event, ESR Funds Management (S) Limited, as manager of ESR-REIT (the "**Manager**"), reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the Annual General Meeting.
6. 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 either under its common seal or under the hand of its attorney or a duly authorised officer.
7. 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.
8. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed, 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 Annual General Meeting, as certified by CDP to the Manager.
9. All Unitholders will be bound by the outcome of the Annual General Meeting regardless of whether they have attended or voted at the Annual General Meeting.
10. Every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.

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CORPORATE DIRECTORY

THE MANAGER
ESR Funds Management (S) Limited ("ESR-FM")
Company Registration Number: 200512804G
Capital Markets Services Licence Number: 100132-5
Registered Office:
138 Market Street
#26-03/04 CapitaGreen
Singapore 048946
T: (65) 6222 3339
F: (65) 6827 9339
www.esr-reit.com.sg

BOARD OF DIRECTORS OF ESR-FM
Mr. Ooi Eng Peng
Independent Chairman

Mr. Bruce Kendle Berry
Independent Director

Mr. Erle William Spratt
Independent Director

Dr. Leong Horn Kee
Independent Director

Mr. Ronald Lim Cheng Aun
Independent Director

Mr. Philip John Pearce
Non-Executive Director

Mr. Jeffrey David Perlman
Non-Executive Director

Mr. Tong Jinquan
Non-Executive Director

Mr. Wilson Ang Poh Seong
Non-Executive Director

Mr. Adrian Chui Wai Yin
CEO and Executive Director

ARCC
Mr. Bruce Kendle Berry
Chairman

Mr. Ooi Eng Peng
Member

Mr. Erle William Spratt
Member

Dr. Leong Horn Kee
Member

Mr. Ronald Lim Cheng Aun
Member

NRC
Mr. Erle William Spratt
Chairman

Mr. Ooi Eng Peng
Member

Mr. Ronald Lim Cheng Aun
Member

Mr. Jeffrey David Perlman
Member

EXCO
Mr. Ooi Eng Peng
Chairman

Mr. Philip John Pearce
Member

Mr. Jeffrey David Perlman
Member

Mr. Adrian Chui Wai Yin
Member

UNIT REGISTRAR AND UNIT TRANSFER OFFICE
B.A.C.S. Private Limited
8 Robinson Road #03-00
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T: (65) 6593 4848
F: (65) 6593 4847

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RBC Investor Services Trust Singapore Limited
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T: (65) 6230 1988
F: (65) 6532 0215
www.rbcits.com

THE PROPERTY MANAGER
ESR Property Management (S) Pte. Ltd. ("ESR-PM")
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F: (65) 6532 7662
www.ey.com

Partner-in-charge:
Mr. Nagaraj Sivaram
(since financial year ended 31 December 2017)

COMPANY SECRETARIES
Mr. Robin Yoo Loo Ping, ACIS

Ms. Angeline Chiang Wai Ming, ACIS

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F: (65) 6808 1616
www.tmf-group.com

SGX CODE – ESR-REIT
STOCK SYMBOL – J91U

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Corporate Communications Manager
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