

TRANSFORMING FOR

THE FUTURE

ANNUAL REPORT 2019





VISION

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

MISSION

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

CORE VALUES

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

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

COMMITTED TO CREATING STABLE AND SUSTAINABLE UNITHOLDER VALUE, SABANA REIT CONTINUED ON ITS TRANSFORMATION JOURNEY IN 2019. FOR US, STAYING COMPETITIVE AND ENHANCING OUR CAPACITY TO DELIVER VALUE REQUIRED A WILLINGNESS TO MOVE WITH THE TIMES AND EMBRACE NEW OPPORTUNITIES. THE ENHANCEMENT OF OUR FLAGSHIP ASSET NEW TECH PARK REFLECTED OUR COMMITMENT TO DO SO.

AS THE KEY TOUCHPOINT FOR PHASE 2 OF OUR REFRESHED STRATEGY, WHERE WE ARE FOCUSING ON ASSET ENHANCEMENT INITIATIVES, THE REVITALISATION OF NEW TECH PARK IS SET TO DRIVE HEALTHY LEASING DEMAND AND STEADY RETURNS. IT FURTHER SERVES AS A MODEL FOR POTENTIAL ASSET ENHANCEMENT INITIATIVES FOR OTHER ASSETS IN OUR PORTFOLIO. THIS IS ALIGNED WITH OUR AIM OF STRENGTHENING THE YIELD POTENTIAL FOR OUR PORTFOLIO BY REINFORCING OUR ASSETS.

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CORPORATE PROFILE



ABOUT SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Listed on Singapore Exchange Securities Trading Limited since 26 November 2010, Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT" or the "REIT") has a diversified property portfolio valued at approximately S\$1.0 billion as at 31 December 2019, comprising 18 properties strategically located across Singapore. The portfolio has a total gross floor area of approximately 4.1 million square feet. Sabana REIT has four main industrial property segments: High-tech Industrial, Chemical Warehouse and Logistics, Warehouse and Logistics and General Industrial. As at 31 December 2019, Sabana REIT continued to be one of the largest listed Shari'ah compliant industrial REITs in the world in terms of total asset size. The REIT is managed by an external manager, Sabana Real Estate Investment Management Pte. Ltd. (the "Manager").

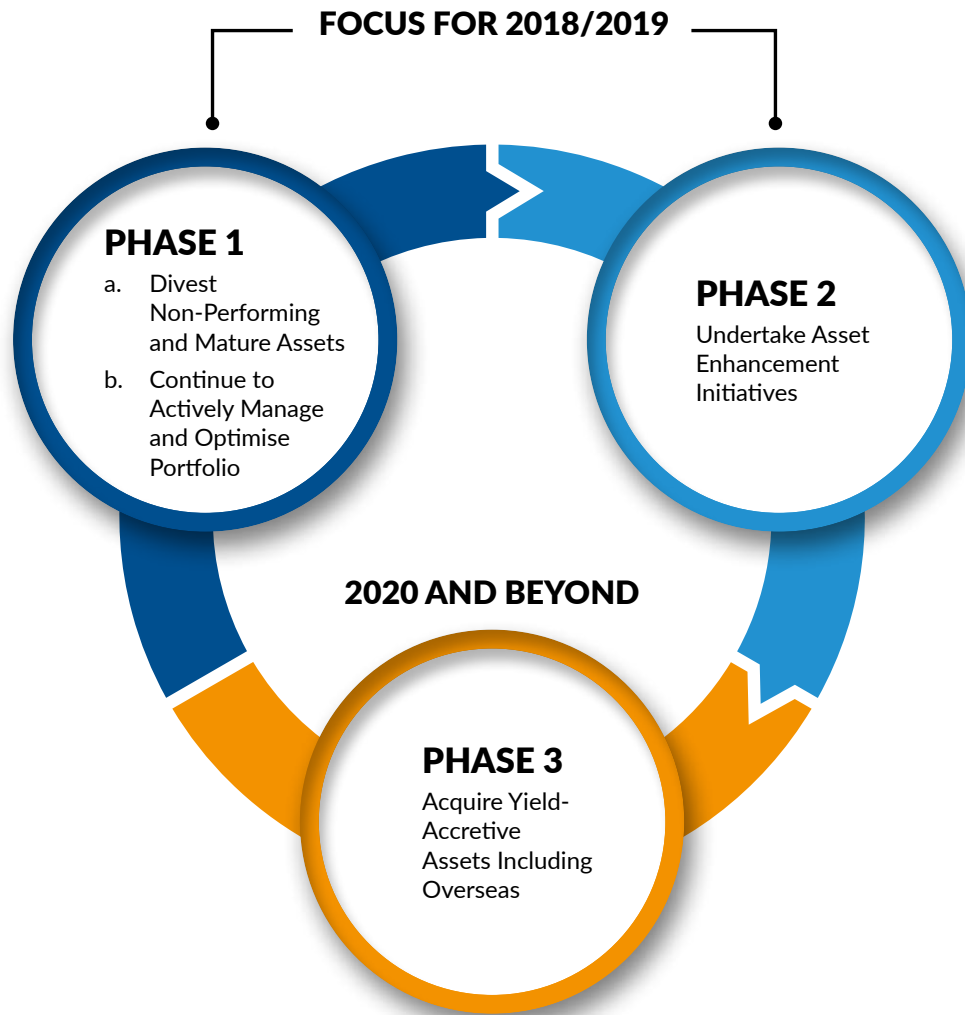
THE MANAGER

The Manager was incorporated in Singapore on 15 March 2010 and is wholly owned by Sabana Investment Partners Pte. Ltd. ("SIP"). SIP is effectively wholly-owned by Perpetual Asia (Limited), acting in its capacity as trustee of Blackwood Trust.

WE WORK FOR UNITHOLDERS

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

OUR REFRESHED STRATEGY



ALL UNDERPINNED BY

- Prudent Capital and Risk Management
- Ongoing Cost Rationalisation

INFUSING **NEW ENERGY**

The rejuvenation of New Tech Park signals a renewed energy for Sabana REIT. With improved features as well as new retail and dining options with a host of amenities, New Tech Park is set to attract more quality tenants and breathe new life into the neighbourhood.





LETTER TO UNITHOLDERS



MR TAN CHEONG HIN
Chairman and Independent
Non-Executive Director

MR DONALD HAN
Chief Executive Officer

LETTER TO UNITHOLDERS

Dear Unitholders,

THE YEAR IN REVIEW

The year 2019 was one of rejuvenation and transformation at Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT" or the "REIT").

As an industrial REIT operating in an open and competitive economy like Singapore, we were not immune to the continued volatility across the world. We witnessed the weakest pace of global growth since the financial crisis, amid persistent U.S.-China trade tensions and weakness in many major emerging economies. This naturally had an impact on Singapore and the industrial sector by extension, which weighed on our performance.

Yet, despite this daunting backdrop, we deliver this Annual Report to you with cautious optimism, having risen above our circumstances in the past year.

We are currently in the next phase of our Refreshed Strategy and are especially excited by the rejuvenation of our flagship asset New Tech Park ("NTP"), 151 Lorong Chuan. Breathing new life into our portfolio will better equip us to maximise long-term value for you, our Unitholders.

A refreshed Board of Directors (the "Board") and senior management team have taken the reins at Sabana REIT, and we will draw on their extensive experience and diverse skillsets to continue to anticipate and respond to industry trends.

We also welcome on-board our new Sponsor, ESR Group, a strong, reputable and well-regarded property group with extensive expertise and operations in the logistics property sector across Asia Pacific.

STAYING FOCUSED

We have successfully executed on the second phase of our Refreshed Strategy of enhancing our portfolio through Asset Enhancement Initiatives ("AEI"). Enhancing our portfolio helps us retain an attractive leasing profile and remain resilient in the face of the evolving needs of the industrial users and changes of global trends.

The defining project in the next phase is the AEI for our flagship asset NTP, which represents about one-third of our total portfolio value. Work is already underway to add approximately 34,703 square feet ("sq ft") or 3,224 square metres of new commercial ground floor retail space, primarily for food & beverage and lifestyle purposes. Additional commercial space such as a food court will be added on the second floor later this year.

Construction for the AEI at NTP is currently underway and we are pleased to report that we are on track to completing the ground floor retail by 2Q 2020. Upon completion, the new and improved NTP will be a thriving business hub offering attractive working spaces integrated with numerous retail and dining options, nestled among residences and schools in a central location.

We remained focused on proactively managing and optimising our portfolio – to be "asset-right" as we continue to develop, evaluate and execute on strategic options for our assets. Besides the major AEI at NTP, we also upgraded some of our other properties which includes refurbishment works at 8 Commonwealth Lane, 21 Joo Koon Crescent ("21 JKC") and 10 Changi South Street 2 ("10 CSS2").

We divested 9 Tai Seng Drive at above book value in January 2019. The divestment proceeds were mainly deployed to redeem the Trust Certificates and a portion were distributed to you, our Unitholders as capital gains distribution in 1Q 2019.

We received the full settlement on arrears for 10 CSS2 as we acted rigorously in our Unitholders' interest. With the arrears matter settled, we now have full control of the property and are engaging in active negotiations with prospective replacement tenants.

SABANA REIT PERFORMANCE

Industrial rents remained challenged in 2019, even as we continued to progress on our Refreshed Strategy. We recorded distribution per Unit of 2.92 cents for FY 2019, which was 8.2% lower than the corresponding year.

Through proactive leasing efforts, Sabana REIT successfully executed 52 new and renewed leases for both master-leases and multi-tenanted properties totalling 984,748 sq ft. Rental reversions for 2019 were at negative 0.7%, up from negative 3.6% for 2018. Over the year, we secured 10 new tenants and major tenants at NTP and 2 Toh Tuck Link. During NTP's ongoing AEI construction phase, almost all leases due for expiry in 2019 were renewed, reinforcing tenants' support on NTP's transformation. We have also renewed the master-lease for 33 & 35 Penjuru Lane, as well as secured new master tenants for 18 Gul Drive and 21 JKC. The overall portfolio occupancy stood at 75.4%, the dip in occupancy was primarily due to the expiry of master-lease at 3A Joo Koon Circle at year-end, for which we are in advance negotiations with a potential anchor tenant to lease more than 50.0% of the space available starting from 1H 2020.

LETTER TO UNITHOLDERS

Through our prudent approach towards capital management, we have fully redeemed S\$100 million 4.25% Trust Certificates in April 2019 and successfully secured new loan facilities of S\$184.0 million in FY 2019 to refinance the maturing loan facilities, finance the AEI at NTP as well as for working capital.

As at 31 December 2019, Sabana REIT's aggregated leverage was 31.1% and weighted average debt maturity was 2.3 years with no refinancing requirement until 2021. Overall funding cost was at 3.9%, as compared to 4.2% in previous year. Our net asset value stood firm at S\$0.57 as at the end of FY 2019.

LOOKING AHEAD

Any recovery in 2020 is expected to be moderate as geopolitical and macroeconomic uncertainties continue to present significant challenges to businesses. The year also started on an uncertain note as the world grappled with the impact of the Coronavirus Disease outbreak.

The Singapore industrial sector looks set to stay challenging amid oversupply, stringent regulations and a fundamental transformation in tenant demand. Overall, industrial rents are likely to stay soft, with warehouse rents expected to be more resilient while the factory segment remains two-tiered, with higher specification assets commanding better rental values and occupancy rates.

Nonetheless, we remain focused on our goal of ramping up long-term occupancy levels close to 90.0%, and will act decisively on master tenancy agreements expiring this year. With the AEI at NTP close to completion, we look forward to its opening as our own model of how an industrial property can provide a quality and integrated work-play environment to existing tenants and residents nearby.

We also move into 2020 with a reconstituted Board and leadership team with whom we are excited to be working with. We welcomed Mr Wong Heng Tew and Ms Ng Shin Ein to the Board last year, who bring with them a broad range of investment, legal, business, financial and diplomatic experience. They are supported by new senior management appointments at the Manager, Ms Siow Meow Cheng, Head of Investment and Asset Management, and Mr Lim Wei Huang, Senior Vice President, Finance, who similarly bring deep expertise in their respective fields.

ACKNOWLEDGEMENTS

At the core of every successful organisation is a team of dedicated and professional employees driving forward towards a common purpose. We appreciate and acknowledge the entire team's continued resourcefulness, tenacity and drive. On behalf of the Board and management, we would like to express our deepest gratitude to them.

We also want to thank Mr Yong Kok Hoon, our former Chairman, who retired from the Board in 2019 and Mr Henry Chua Tiong Hock, our former Non-Executive Director who resigned in 2019. Their stewardship through one of the REIT's most demanding periods had been key to our resilience and progress. We wish them all the best.

To our new Sponsor, we are grateful for your trust, and we look forward to delivering a strong report card as we move forward on our growth journey together. We also thank former Sponsor, Vibrant Group Limited, for its support over the years, including for our listing in 2010. They have been instrumental in creating the building blocks of Sabana REIT.

Our heartfelt thanks go out as well to our Trustee, partners, lenders and valued tenants.

Finally, our deepest gratitude to all our Unitholders for continuing to stand with us. Please be assured that we remain confident of delivering on our promise to create long-term, sustainable value for you.



Mr Tan Cheong Hin

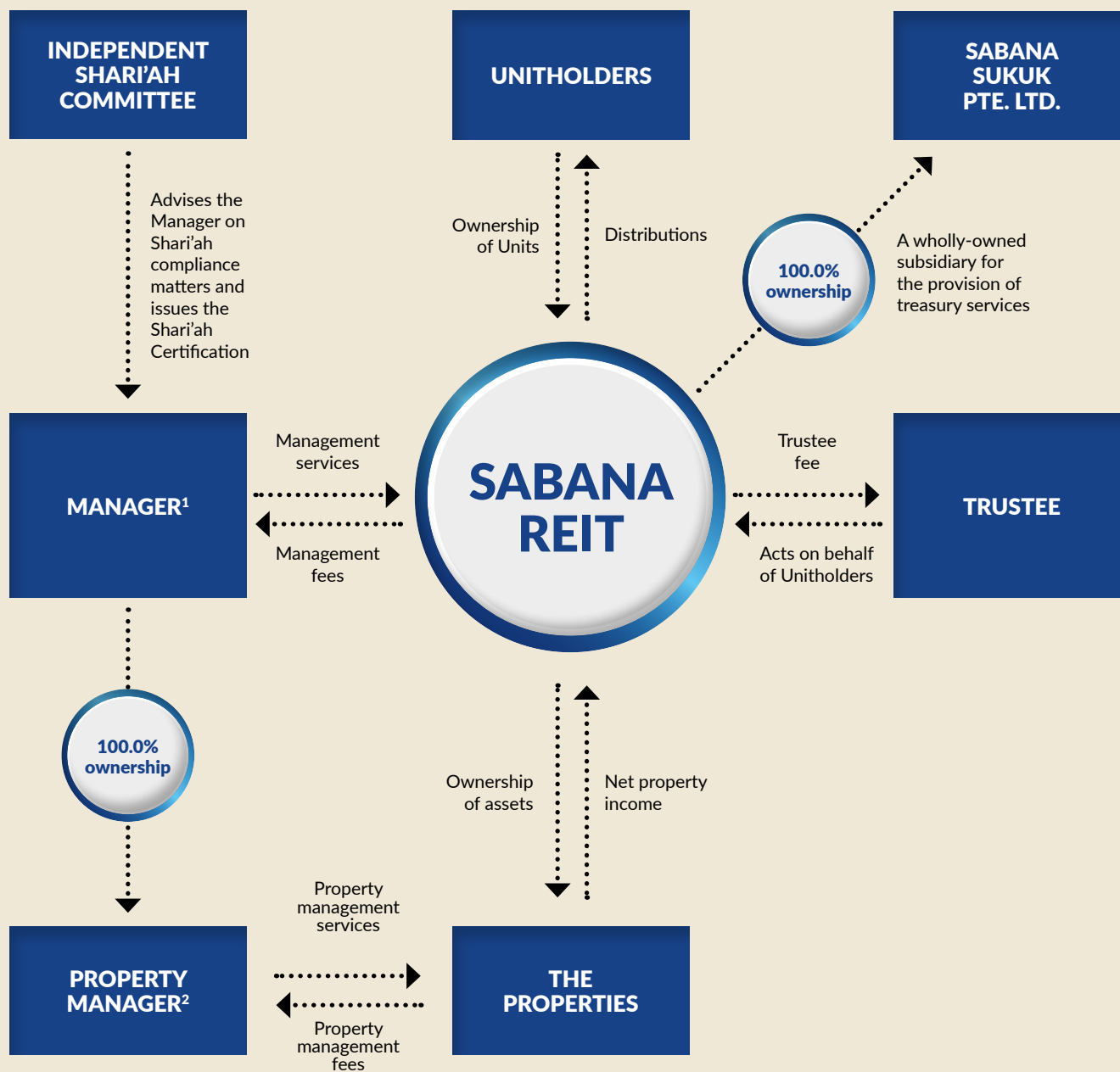
Chairman and Independent Non-Executive Director



Mr Donald Han

Chief Executive Officer

OUR TRUST STRUCTURE

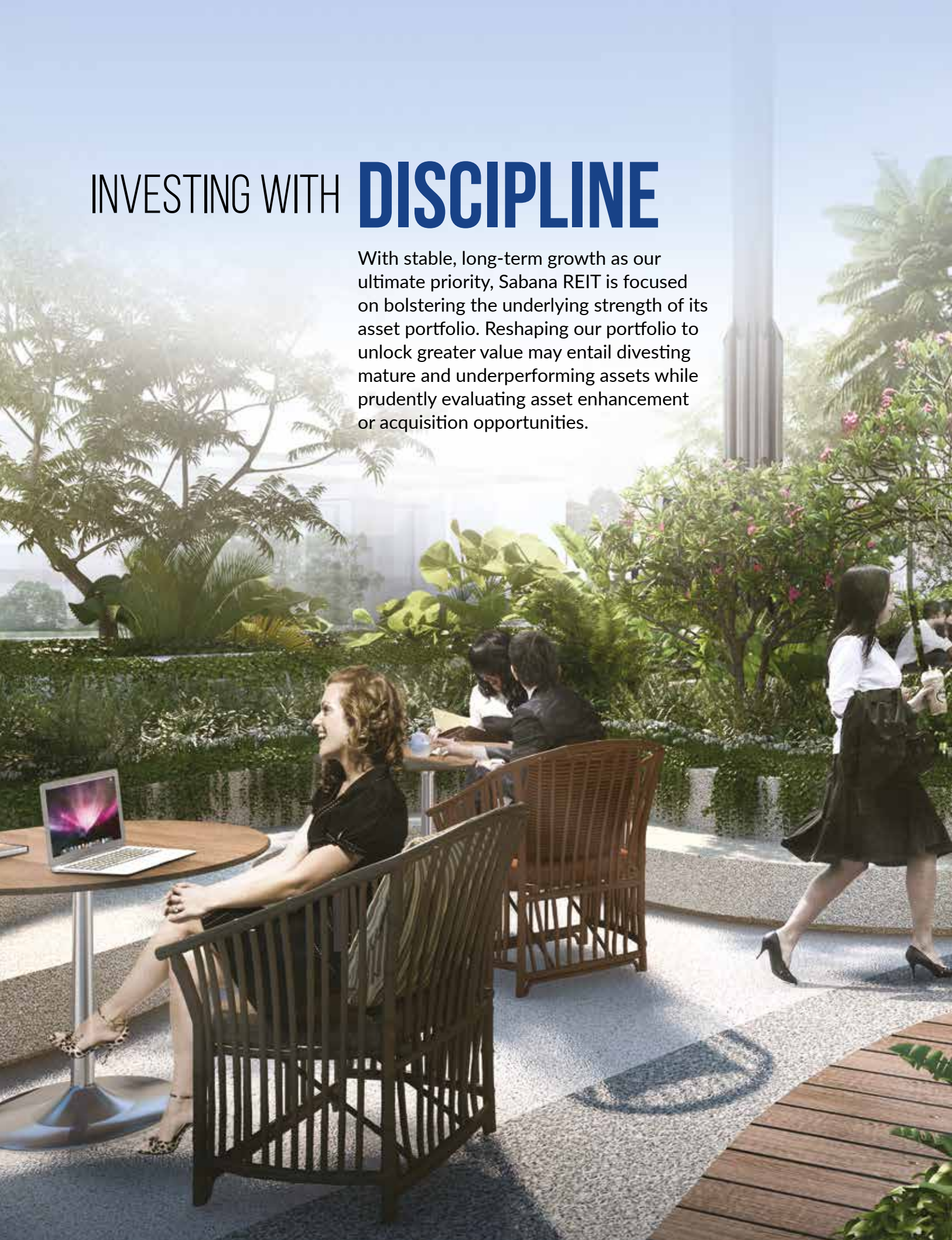


¹ The Manager is wholly owned by Sabana Investment Partners Pte. Ltd. ("SIP"). SIP is effectively wholly owned by Perpetual Asia (Limited), acting in its capacity as trustee of Blackwood Trust.

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

INVESTING WITH **DISCIPLINE**

With stable, long-term growth as our ultimate priority, Sabana REIT is focused on bolstering the underlying strength of its asset portfolio. Reshaping our portfolio to unlock greater value may entail divesting mature and underperforming assets while prudently evaluating asset enhancement or acquisition opportunities.





SHARI'AH COMPLIANCE

COMMONLY ASKED QUESTIONS

INDEPENDENT SHARI'AH COMMITTEE

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

Q: What does being “Shari’ah compliant” mean?

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

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

A: We have to ensure that the total rental income from lessees, tenants and/or sub-tenants engaging in activities prohibited under the Shari’ah guidelines should not exceed 5.0% per annum of the REIT’s gross revenue. On an annual basis, our Shari’ah Advisor, Five Pillars Pte. Ltd. (“Five Pillars”) conducts audit checks to ensure that the business activities conducted by the tenants are permissible by Shari’ah guidelines. Business activities relating to conventional financial and insurance services, gaming, non-halal production, tobacco-related products, non-permitted entertainment activities and stock-broking in non-compliant securities are considered to be non-permissible. The assessments by the Shari’ah Advisor would then be reported to the Independent Shari’ah Committee which will decide if Sabana REIT is eligible for re-certification as being Shari’ah compliant.

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

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

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

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

A: Sabana REIT is the only Singapore listed REIT which has obtained a certification issued by an Independent Shari’ah Committee consisting of respected Islamic scholars from Malaysia and Saudi Arabia. The certificate represents an endorsement of Sabana REIT’s compliance with Shari’ah guidelines according to standards generally accepted in GCC¹ region, such that the total income should not exceed 5.0% of the REIT’s gross revenue. The standards used in the GCC states are typically stricter compared to the other parts of the world, thus making it accessible to even more Shari’ah investors. Any non-Shari’ah income generated by Sabana REIT is given away to charitable causes on a quarterly basis. For FY 2019, Sabana REIT’s non-Shari’ah income that was donated represents only approximately 0.01% of Sabana REIT’s gross revenue.

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

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

¹ Cooperation Council for the Arab States of the Gulf.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL FIGURES

S\$'000	FY 2019	FY 2018	FY 2017
Gross Revenue	76,338	80,961	85,196
Net property income	51,612	52,790	53,379
Total distribution amount declared to Unitholders	30,743	33,391	35,005
Distribution per Unit (cents)	2.92	3.18	3.31

SELECTED BALANCE SHEET DATA

S\$ '000	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Total assets	971,647	989,409	966,109
Borrowings, at amortised costs	275,184	361,709	365,806
Net assets attributable to Unitholders	595,015	604,478	571,545
Units in issue ('000)	1,053,084	1,053,084	1,053,084
Net Asset Value ("NAV") per Unit (S\$)	0.57	0.57	0.54
Adjusted NAV per Unit (S\$)	0.57	0.57	0.53
Market Capitalisation	484,419	410,703	415,968

BORROWING PROFILE

	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Aggregate leverage(%) ¹	31.1	36.8	38.2
Total borrowings (S\$ million)	276.5	363.0	367.5
Proportion of total borrowings on fixed rates (%)	36.2	71.6	76.2
Average all-in financing costs (%)	3.9	4.2	3.9
Weighted average tenor of borrowings (years)	2.3	1.3	1.8
Profit cover (times) ²	4.2	3.8	3.7
Unencumbered assets (S\$ million) ³	133.7	240.8	268.7
Undrawn committed loan facilities available (S\$ million)	37.5	5.0	139.4

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

² Ratio of net property income over profit expense (excluding effects of FSR 116, amortisation of transaction costs, finance costs relating to lease liabilities and other fees).

³ Based on valuations by independent valuers.

SIGNIFICANT EVENTS 2019

JANUARY

- **10th**: Completed the divestment of 9 Tai Seng Drive, for sales consideration of S\$99.6 million.
- **24th**: Announced 4Q 2018 and FY 2018 financial results, with DPU of 0.71 cents.
- **24th**: Received Provisional Approval for New Tech Park ("NTP"), Asset Enhancement Initiatives ("AEI").

APRIL

- **3rd**: Redeemed S\$100 million 4.25% Trust Certificates due 2019.
- **5th**: Held Annual Agent Networking Session.
- **20th**: Announced 1Q 2019 financial results, with DPU of 0.75¹ cents.
- **23rd**: Held 8th Annual General Meeting, all resolutions approved by Unitholders.

JUNE

- **6th**: Announced that then-Sponsor, Vibrant Group Limited, has completed the disposal of 68,596,763 Units in Sabana REIT to ESR Group.
- **28th**: Announced that then-Sponsor, Vibrant Group Limited, has completed the disposal of shares (51.0%) in Sabana Investment Partners Pte. Ltd. to ESR Group.
- **28th**: Resignation of Non-Executive Director, Mr Henry Chua Tiong Hock.

MAY

- **7th**: Renewed master-lease with Freight Links Express Logisticpark Pte Ltd at 33 & 35 Penjuru Lane.

MARCH

- **28th**: Obtained an additional new Revolving Murabahah Facility of S\$23.0 million.

JULY

- **18th**: Entered into settlement deed relating to lease at 10 Changi South Street 2, for approximately S\$3.0 million.
- **25th**: Announced 2Q 2019 financial results and half-year results, with DPU of 0.62 cents.

¹ Includes 0.12 cents from capital gains distribution.

SIGNIFICANT EVENTS 2019

AUGUST

- **27th**: Appointed Ms Ng Shin Ein as Non-Independent Non-Executive Director and Mr Wong Heng Tew as Independent Non-Executive Director.

OCTOBER

- **1st**: Appointed Ms Siow Meow Cheng as Head of Investment and Asset Management.
- **15th**: Resignation of Mr Aw Wei Been, Chief Operating Officer and Head of Asset Management.
- **24th**: Announced 3Q 2019 financial results, with DPU of 0.78 cents.
- **25th**: DBS Vickers initiated coverage on Sabana REIT.
- **31st**: Retirement of Board Chairman and Independent Non-Executive Director, Mr Yong Kok Hoon.

SEPTEMBER

- **11th**: Ground-breaking ceremony for AEI at NTP.



- **21st**: Completed the refurbishment of the main lobby at 8 Commonwealth Lane, increasing occupancy levels from 62.0% at the beginning of 2019 to 86.0% in 3Q 2019.



- **23rd**: Secured new master tenant at 18 Gul Drive.

NOVEMBER

- **1st**: Independent Non-Executive Director, Mr Tan Cheong Hin, appointed as new Chairman of the Board.
- **1st**: Appointed Mr Lim Wei Huang as Senior Vice President, Finance.
- **1st**: Redesignation of Ms Ng Shin Ein from Non-Independent Director to Independent Non-Executive Director.
- **1st**: Commencement of new master-lease at 21 Joo Koon Crescent.
- **11th**: Resignation of Mr Liu Qingbin, Senior Vice President, Finance.
- **18th**: Completed refurbishment works at 21 Joo Koon Crescent.
- **22nd**: Obtained new Commodity Murabaha Facilities of S\$161.0 million to refinance the maturing loan facilities and finance AEI at NTP.



ADVANCING WITH **TENACITY**

Even as we revitalise our portfolio, we maintain our unyielding emphasis on proactive asset management. We continue to stay engaged in our leasing efforts to improve and optimise occupancy levels across all our 18 properties.



BOARD OF DIRECTORS



Left to right:

MS NG SHIN EIN
Independent
Non-Executive Director

MR TAN CHEONG HIN
Chairman and Independent
Non-Executive Director

MR KELVIN TAN WEE PENG
Independent
Non-Executive Director

MR WONG HENG TEW
Independent
Non-Executive Director

BOARD OF DIRECTORS

MR TAN CHEONG HIN

Chairman and Independent Non-Executive Director

Mr Tan Cheong Hin was appointed as the Independent Non-Executive Director on 25 January 2018 and Chairman of the Board of Directors on 1 November 2019. He is also a member of the Audit Committee, and Nomination and Remuneration Committee. Mr Tan has more than 30 years experience in various roles across finance, asset management and property sectors. His past positions include Director (Europe) of Mapletree Investments, where he set up and headed its London office, and Chief Investment Officer of Cityspring Infrastructure Trust.

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

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

Present Directorships

- Sabana Real Estate Investment Management Pte. Ltd.

MR KELVIN TAN WEE PENG

Independent Non-Executive Director

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

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

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

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

Present Directorships

- Sabana Real Estate Investment Management Pte. Ltd.
- Viking Offshore And Marine Limited
- YK Management Pte. Ltd.
- IREIT Global Group Pte. Ltd.
- Oriental Straits Fund II-D Cayman Island
- UnUsUal Limited.
- ISCA Pte. Ltd.
- ATT(S) Pte. Ltd.
- USP Group Limited
- Cloud.com Pte Ltd

BOARD OF DIRECTORS

MR WONG HENG TEW

Independent Non-Executive Director

Mr Wong Heng Tew was appointed as the Independent Non-Executive Director of the Manager on 27 August 2019. He is a member of the Audit Committee.

Mr Wong is currently an Advisory Director with Temasek International Advisors.

He joined Temasek Holdings in 1980 and over the next 27 years of his career, his responsibilities included investments (direct, funds, listed and private equity), divestments, mergers and acquisitions, restructuring of companies, and corporate governance. He retired from Temasek in 2008 as Managing Director (Investments) and Temasek's Chief Representative in Vietnam.

Mr Wong holds directorships in local and overseas companies such as Azalea Asset Management, Mercatus Co-operative, Temasek Foundation Innovates, and ASEAN Bintulu Fertilizer.

Mr Wong holds a Bachelor of Engineering degree from the University of Singapore and has completed the Programme for Management Development at Harvard Business School.

Present Directorships

- Sabana Real Estate Investment Management Pte. Ltd.
- Azalea Asset Management Pte. Ltd
- Mercatus Co-operative Limited
- Temasek Foundation Management Services CLG Limited
- Temasek Foundation Innovates CLG Limited

MS NG SHIN EIN

Independent Non-Executive Director

Ms Ng Shin Ein was Non-Executive Non-Independent Director from 2010 to 2017. She rejoined the Board on 27 August 2019 as a Non-Executive Non-Independent Director and was re-designated as an Independent Non-Executive Director and Chairman of the Nominating and Remuneration Committee on 1 November 2019. Ms Ng brings with her a rare blend of legal, business, financial and diplomatic experience.

Ms Ng started her career as a corporate lawyer in Messrs Lee & Lee. Whilst at Messrs Lee & Lee, she advised clients on joint ventures, merger and acquisition and funding exercises.

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

Ms Ng is the co-founder of Gryphus Capital, a pan Asian private equity investment firm. She invests actively and leads a network of family offices and other private equity firms to provide strategic capital for companies. For these investments, she engages a portfolio companies, touching on strategy and business development.

Ms Ng is on the boards of StarHub Limited, Yanlord Land Group Limited and other companies listed on the Mainboard of the Singapore Exchange, having also previously served as a director of Fairprice and Eu Yan Sang Limited.

Ms Ng is Singapore's Non-Resident Ambassador to the Republic of Hungary and a board member of the Singapore International Foundation.

Present Directorships

- Sabana Real Estate Investment Management Pte. Ltd.
- StarHub Limited
- Avarga Limited
- Yanlord Land Group Limited

MANAGEMENT TEAM

MR DONALD HAN

Chief Executive Officer

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

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

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

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

MS SIOW MEOW CHENG

Head of Investment and Asset Management

Ms Siow Meow Cheng was appointed as Head of Investment and Asset Management on 1 October 2019. Ms Siow is a recognised industry professional who brings over 20 years of experience in real estate investment management and transaction and advisory, focusing on industrial and logistics portfolio. Her experience span across REITs, private funds and consultancy involving sale and leaseback transactions, investment sales, project consultancy and marketing as well as asset sale and leasing.

Prior to joining the Manager, Ms Siow was with Colliers International as Director of Capital Markets & Investment Services focusing on investment sale for industrial and logistics properties.

Ms Siow was the Head of Investment at Sime Darby Real Estate Management previously and held similar roles at Frasers Logistics & Industrial Asset Management and Cambridge Industrial Trust Management Ltd (now known as ESR Funds Management (S) Ltd).

Ms Siow holds a Master of Science in Real Estate Investment & Finance from Heriot Watt University and a Diploma with Merits in Building Management from Ngee Ann Polytechnic.

MR LIM WEI HUANG

Senior Vice President, Finance

Mr Lim Wei Huang was appointed as Senior Vice President, Finance in November 2019. He is responsible for all finance functions including accounting, taxation, treasury, capital management and financial reporting of Sabana REIT and its subsidiaries. He also works closely with the Chief Executive Officer and the management team to formulate strategic plans for Sabana REIT in accordance with the Manager's stated investment strategy.

Mr Lim has more than 10 years of experience in audit, accounting and corporate finance-related work. Prior to joining the Manager, Mr Lim was with ESR Singapore as Regional Controller overseeing the real estate fund manager and asset manager financials across offices in Singapore, Japan, India and Australia. He was also actively involved in merger and acquisition activities and new markets at ESR. Mr Lim was an Audit Assistant Manager with PwC Singapore primarily responsible for auditing Singapore and MNC companies across various industries prior to ESR.

Mr Lim holds a Bachelor in Accountancy from University of Malaya. He is a member with the Association of Chartered Certified Accountants and Chartered Accountant with the Institute of Singapore Chartered Accountants.

INVESTOR RELATIONS

PROACTIVE ENGAGEMENT WITH THE INVESTMENT COMMUNITY AND KEY STAKEHOLDERS

The Manager is committed to delivering timely, clear and credible information to Sabana REIT's stakeholders, investment community and the media through multiple channels such as conferences, meetings as well as print and online platforms.

Sabana REIT's financial results are released within one month from the end of each quarter through SGX-ST via the SGXNet and the corporate website at www.sabana-reit.com. Other pertinent information such as annual reports, Unit price performance, financial information, and announcements are also made available on the website. Interested parties can receive the latest updates by signing up for email alerts via the REIT's website.

CONSISTENT COMMUNICATIONS

During the year, the Investor Relations ("IR") team consistently engaged with the investment community and media through quarterly results briefings, one-on-one meetings, investor conferences, and non-deal roadshows. Through these regular events, Sabana REIT has maintained strong and transparent relationships with existing stakeholders, while expanding its base of potential investors. To further bolster understanding and confidence, the Manager worked with DBS Bank to initiate analyst coverage on the REIT.



The Manager also continued to encourage participation from Unitholders through our Annual General Meetings ("AGM") which are held annually at easily accessible locations. On 23 April 2019, Sabana REIT held its AGM for FY 2018 at Suntec City Convention Centre with a turnout of 272 Unitholders.

Through these various channels of engagement, we received feedback on our performance from our stakeholders, kept them abreast of the REIT's strategic priorities and financial performance, and responded in a timely manner to queries and possible concerns.



INVESTOR RELATIONS

FINANCIAL CALENDAR FY 2019

1 st quarter results announcement	20 April 2019
8 th Annual General Meeting (FY 2018)	23 April 2019
Distribution Payment Date (1 January 2019 to 31 March 2019)	30 May 2019
2 nd quarter and half-year results announcement	25 July 2019
Distribution Payment Date (1 April 2019 to 30 June 2019)	29 August 2019
3 rd quarter results announcement	24 October 2019
Distribution Payment Date (1 July 2019 to 30 September 2019)	28 November 2019
4 th quarter and full year results announcement	23 January 2020
Distribution Payment Date (1 October 2019 to 31 December 2019)	27 February 2020

UNITHOLDER ENQUIRIES

It is the Manager's utmost priority to maintain consistent engagement and build trust with our stakeholders. Our IR team is readily contactable via phone and email. Any queries or concerns pertaining to Sabana REIT are addressed as promptly as applicable.

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

Sabana Real Estate Investment Management Pte. Ltd.
151 Lorong Chuan
#02-03 New Tech Park
Singapore 556741

Ms Dianne Tan
Investor Relations
Phone: (65) 6580 7750
Fax: (65) 6280 4700
Email: enquiry@sabana.com.sg
Website: www.sabana-reit.com

Analyst Coverage
DBS Group Research

INVESTOR & MEDIA RELATIONS ACTIVITIES IN FY 2019

1st QUARTER

- Analysts and media results briefing for 4Q 2018 and FY 2018 financial results
- Meetings with analysts to share update on Sabana REIT's strategy and performance
- Participated in SIAS-SGX Corporate Connect Seminar (Singapore)
- Published Sabana REIT's 2018 Annual Report

2nd QUARTER

- CEO interview for SGX "Kopi-C" series to share updates on Sabana REIT's Refreshed Strategy
- Analysts and media results briefing for 1Q 2019 financial results
- 1Q 2019 post-results investor and analyst meetings
- REITAS-DBS High Net Worth Investors Luncheon
- Held Sabana REIT's 8th Annual General Meeting
- Published Sabana REIT's 2018 Sustainability Report
- Participated in REITs Symposium hosted by ShareInvestor and REITAS (Singapore)

3rd QUARTER

- Analysts and media results briefing for 2Q 2019 and half-year financial results
- 2Q 2019 post-results Investor Meetings
- Participated in SGX-SAC SMART Series Investor Presentation (Singapore)
- Participated in Citi-REITAS-SGX C-Suite Singapore REITs and Sponsors Forum 2019

4th QUARTER

- Analysts and media results briefing for 3Q 2019 results

UNIT PRICE PERFORMANCE

In 2019, the total return was 25.4%¹. Sabana REIT's Unit price closed at S\$0.460 on 31 December 2019, 17.9%² higher than the opening Unit price on 2 January 2019, translating to a market capitalisation of approximately S\$484.4 million³.

TRADING DATA BY YEAR

Unit Price (S\$)	2019	2018	2017
Opening	0.390	0.395	0.380
Last done at year-end	0.460	0.390	0.395
Highest	0.485	0.445	0.515
Lowest	0.390	0.380	0.340
Unit price performance (%) ²	17.9	(1.3)	3.9
Trading volume (million Units)	205.4	253.8	572.1

RETURN ON INVESTMENT

(%)	2019	2018	2017
Total Return ¹	25.4	6.8	12.6
Capital Appreciation ²	17.9	(1.3)	3.9
Distribution Yield ⁴	7.5	8.1	8.7

¹ Sum of distributions and capital appreciation for the period over the opening Unit price of the period.

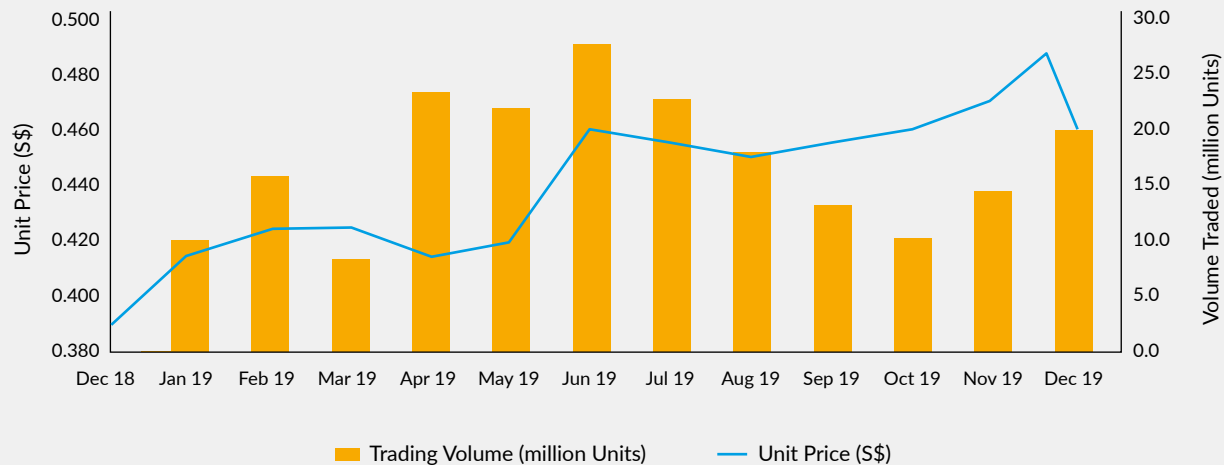
² Difference between the last done Unit price at year-end and the opening Unit price of the period.

³ Computed based on closing price and Units in issue at the end of the FY 2019.

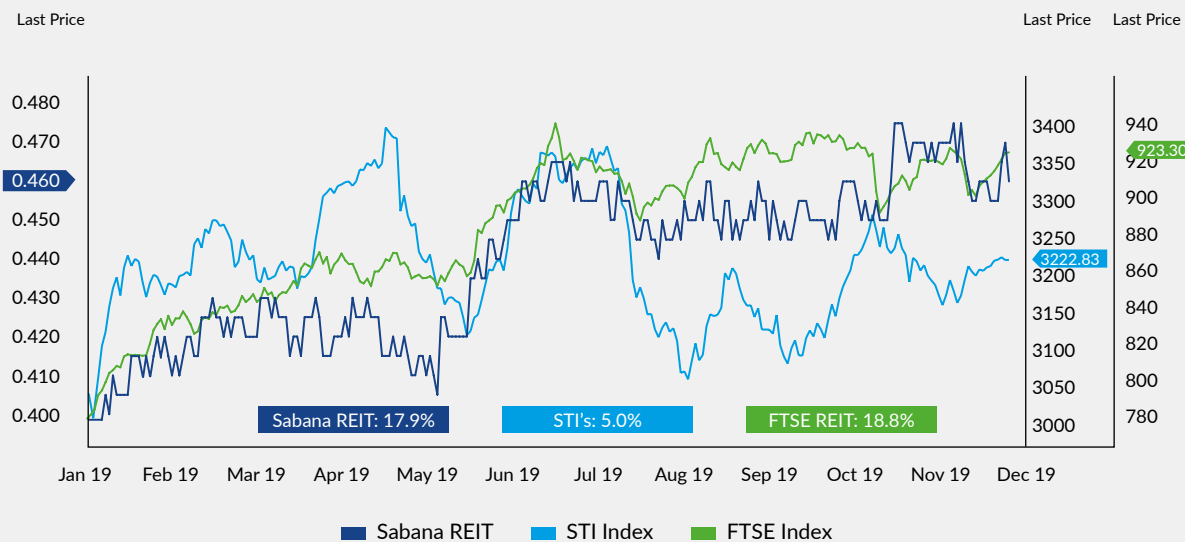
⁴ Based on total distributions declared for the period and opening Unit price of the period.

UNIT PRICE PERFORMANCE

MONTHLY TRADING PERFORMANCE IN 2019



UNIT PRICE PERFORMANCE VS MAJOR INDICES



Source: Bloomberg, 17 February 2020

MANAGER'S REVIEW FOR FY 2019

FINANCIAL PERFORMANCE

S\$'000	FY 2019	FY 2018	Variance %
Number of properties as at 31 December	18	19	(5.3)
Gross Revenue	76,338	80,961	(5.7)
Net Property Income ("NPI")	51,612	52,790	(2.2)
Income available for distribution to Unitholders	29,500	33,391	(11.7)
Capital gains distribution	1,243	-	n.m.
Total distribution amount declared to Unitholders	30,743	33,391	(7.9)
Distribution per Unit ("DPU") (cents)	2.92	3.18	(8.2)

n.m. denotes "not meaningful"

GROSS REVENUE

Gross revenue decreased by 5.7% year-on-year ("y-o-y") to S\$76.3 million as compared to FY 2018. The decrease was mainly attributed to lower contribution from 9 Tai Seng Drive ("9 TSD") which was divested in 1Q 2019 and expiries of certain tenancies for some properties in FY 2019.

NET PROPERTY INCOME

Net property income decreased by 2.2% to S\$51.6 million for FY 2019 as a result of the property divestment of 9 TSD and the absence of land rent expense due to the adoption of FRS 116 by Sabana REIT on 1 January 2019. With the adoption of FRS 116 from 1 January 2019, Sabana REIT is required to recognise the right-of-use ("ROU") of the leasehold land and the lease liabilities of the same amount for its leases, previously classified as operating land leases, on the Statements of Financial Position.

TOTAL DISTRIBUTION AMOUNT DECLARED TO UNITHOLDERS

Total distribution amount declared to Unitholders decreased by 7.9% from S\$33.4 million in FY 2018 to S\$30.7 million in FY 2019. The decrease was in tandem with weaker net property income performance of the portfolio, expiries of certain tenancies for some properties in FY 2019 and the property divestment of 9 TSD, despite lower profit expenses after the Trust Certificates were fully redeemed in April 2019 and capital gains distribution of approximately S\$1.2 million in 1Q 2019.

Accordingly, DPU decreased 8.2% from 3.18 cents in FY 2018 to 2.92 cents in FY 2019.

Breakdown of Unitholders' DPU for FY 2019 as compared to FY 2018 is as follows:

	1Q (cents)	2Q (cents)	3Q (cents)	4Q (cents)	Total (cents)
2019	0.75	0.62	0.78	0.77	2.92
2018	0.88	0.82	0.77	0.71	3.18

MANAGER'S REVIEW FOR FY 2019

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

S\$'000	As at 31 December 2019	As at 31 December 2018	Variance %
Total assets	971,647	989,409	(1.8)
Total liabilities	(101,448)	(23,222)	336.9
Total borrowings	(275,184)	(361,709)	(23.9)
Net assets attributable to Unitholders	595,015	604,478	(1.6)
Net Asset Value ("NAV") per Unit (S\$)	0.57	0.57	-

As at 31 December 2019, Sabana REIT's total assets were S\$971.6 million or 1.8% lower compared to S\$989.4 million as at 31 December 2018, primarily attributed to the property divestment of 9 TSD. The impact was partially offset by the recognition of ROU of the leasehold land in relation to FRS 116 adoption and the capital expenditure on the properties, which includes the ongoing Asset Enhancement Initiative ("AEI") at New Tech Park ("NTP").

While the total liabilities increased to S\$101.4 million with the recognition of the lease liabilities on the Statements of Financial Position following the adoption of FRS 116, the total borrowings decreased mainly due to the Trust Certificates that were fully redeemed in April 2019.

NAV was firm at S\$0.57 as at 31 December 2019.

CASHFLOWS

As at 31 December 2019, cash and cash equivalents of Sabana REIT stood at S\$4.1 million, compared to S\$7.2 million as at 31 December 2018, primarily attributed to the net repayment of borrowings in FY 2019. Cash flow generated was mainly from the divestment proceeds of 9 TSD which were deployed to redeem the Trust Certificates, and for distribution payments to Unitholders. Sabana REIT has distributed 100.0% of its distributable income to Unitholders in FY 2019.

KEY DEBT FUNDING INDICATORS

	As at 31 December 2019	As at 31 December 2018
Aggregate leverage (%) ¹	31.1	36.8
Total borrowings (S\$ million)	276.5	363.0
Proportion of total borrowings on fixed rates (%)	36.2	71.6
Average all-in financing costs (%)	3.9	4.2
Weighted average tenor of borrowings (years)	2.3	1.3
Profit cover (times) ²	4.2	3.8
Unencumbered assets (S\$ million) ³	133.7	240.8
Undrawn committed loan facilities available (S\$ million)	37.5	5.0

PRUDENT CAPITAL AND RISK MANAGEMENT

Capital structure optimisation remains a focus of the Manager in FY 2019.

Aggregate leverage and weighted all-in cost of borrowings stood at 31.1% and 3.9% respectively. Profit cover improved from 3.8 times in FY 2018 to 4.2 times in FY 2019.

As at 31 December 2019, weighted average tenor of all available loan facilities amounting to S\$314.0 million was approximately 2.3 years, an improvement from 1.3 years as at 31 December 2018. Approximately 36.2% of all outstanding borrowings were on fixed borrowing rates and about S\$133.7 million of Sabana REIT's investment properties remained unencumbered. The total undrawn loan facilities stood at approximately S\$37.5 million with no refinancing requirements until 2021.

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

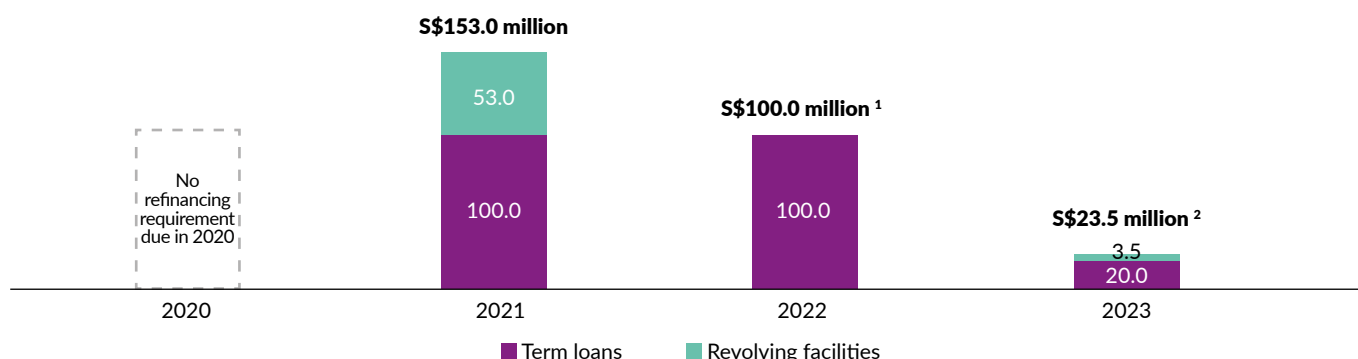
² Ratio of net property income over profit expense (excluding effects of FRS 116, amortisation of transaction costs, finance costs relating to lease liabilities and other fees).

³ Based on valuations by independent valuers.

MANAGER'S REVIEW FOR FY 2019

DEBT MATURITY PROFILE

Maturities of total outstanding borrowings of S\$276.5 million as at 31 December 2019.



KEY CAPITAL MANAGEMENT ACTIVITIES

In March 2019, Sabana REIT obtained an additional new Revolving Murabahah Facility of S\$23.0 million to be used for general investments and corporate funding purposes.

In April 2019, the REIT fully redeemed the S\$100 million 4.25% Trust Certificates that was issued in October 2014.

In November 2019, Sabana REIT refinance the Commodity Murabaha Facilities with new Murabaha Facilities of S\$161.0 million, of which S\$21.0 million are used to finance AEI at NTP.

KEY PORTFOLIO STATISTICS

	As at 31 December 2019	As at 31 December 2018	Variance %
Number of Properties	18	19	(5.3)
Portfolio Valuation (S\$ million)	884.4	929.2 ³	(4.8)
Portfolio Occupancy (%)	75.4	84.4	(9.0)
Total Number of Tenants	111	116	(4.3)
Gross Floor Area ("GFA") (sq ft in million)	4.1	4.3	(4.7)
Net Lettable Area ("NLA") (sq ft in million)	3.3	3.5	(5.7)
New and Renewed Leases (sq ft in million)	1.0	1.5	(33.3)
Rental Reversion (%)	(0.7)	(3.6)	2.9
Retention Rate (%)	47.5	77.2	(29.7)

Amid the challenging market conditions, the Manager remains focused on proactive asset and lease management while progressing on AEI as it executes on its Refreshed Strategy.

Sabana REIT owns and manages a portfolio of 18 industrial properties in Singapore with NLA of approximately 3.3 million sq ft. As at 31 December 2019, the portfolio's valuation was S\$884.4 million (see page 34 for annual valuation). Excluding the property divestment at 9 TSD in January 2019, the valuation of the portfolio increased marginally by 0.5% as at 31 December 2019 due primarily to upgrading works at NTP and 21 Joo Koon Crescent ("21 JKC") as well as improved occupancy at 8 Commonwealth Lane ("8 CL"), 508 Chai Chee Lane ("508 CCL") and 2 Toh Tuck Link.

¹ Excludes both S\$14.0 million of undrawn Term loans and S\$7.0 million undrawn Revolving facility maturing in November 2022.

² Excludes S\$16.5 million undrawn Revolving facility maturing in November 2023.

³ Valuation for 19 properties, including valuation for 9 TSD (S\$49.0 million) which was divested in January 2019.

MANAGER'S REVIEW FOR FY 2019

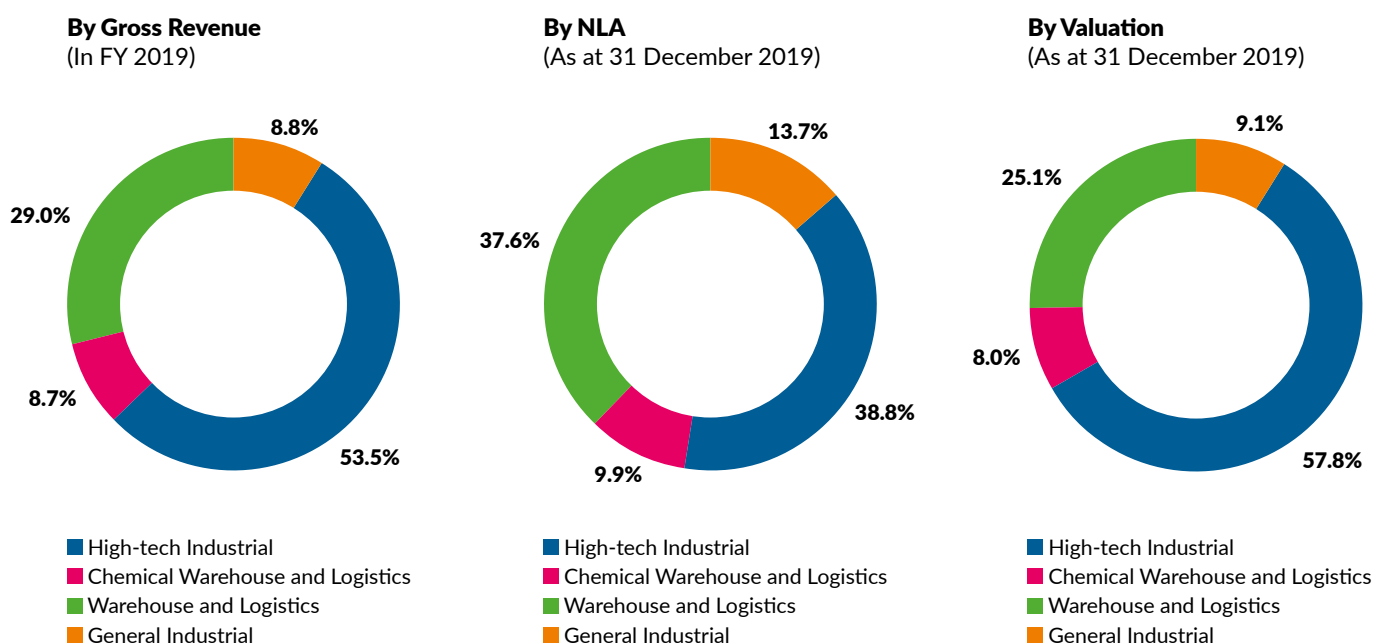
WELL-DIVERSIFIED PORTFOLIO

Sabana REIT's assets are within key strategic economic growth areas such as sea ports, airport and central locations to cater to a diverse mix of tenants.

The properties are segmented into four different asset types, namely High-tech Industrial, Chemical Warehouse and Logistics, Warehouse and Logistics and General Industrial are located near major transportation infrastructure with easy accessibility (see pages 35 to 41 for property locations).

High-tech Industrial segment remains the largest asset type in the portfolio, accounting for 53.5% of the REIT's gross revenue. 38.8% of the portfolio by NLA and 57.8% by valuation.

BREAKDOWN OF ASSET TYPES



LEASE STRUCTURE AND PROFILE

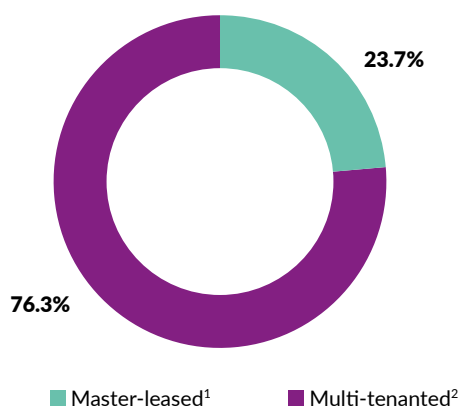
Sabana REIT's portfolio is divided into master-leased and multi-tenanted properties, which accounts for 23.7% and 76.3% of the portfolio's gross revenue respectively.

Multi-tenanted properties bring tenant diversification to the REIT while master-leased properties provide longer-term yield stability with their longer leases and in-built rental escalation.

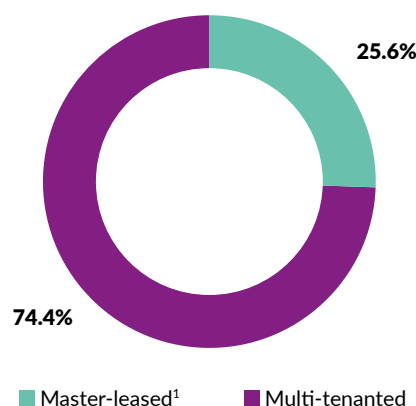
MANAGER'S REVIEW FOR FY 2019

BREAKDOWN OF MASTER-LEASED AND MULTI-TENANTED PROPERTIES

By Gross Revenue
(In FY 2019)



By Valuation
(As at 31 December 2019)



PORTFOLIO LEASE EXPIRY PROFILE

The Manager is committed to active management and optimisation of our portfolio as we aim to secure long-term growth. As part of our asset and lease management initiatives, the Manager has been proactively engaging with existing tenants for negotiations well-ahead of lease expiries and also marketing to potential tenants to mitigate vacancy risk.

The Manager also believes in building strong relationships with industrial property agents as business partners to market the REIT's properties.

In FY 2019, the Manager secured 984,748 sq ft of new and renewed leases amounting to nearly one third of the portfolio's NLA at 29.5%. These leases have a weighted average lease expiry ("WALE") of 3.8 years and contributed to 6.9% of the year's gross rental income.

Tenant retention rate for all properties was 47.5% in FY 2019, and rental reversion was at marginal negative 0.7% despite the oversupply situation and soft rental market.

Out of three master-leased properties due for expiry, one was successfully renewed while a new master tenant was signed for another property. For the third master-leased property at 3A Joo Koon Circle ("3A JKC"), the Manager was in advance negotiations with a potential anchor tenant to take up more than 50.0% of the space. All existing master-leases have a WALE of 2.8 years as at 31 December 2019.

The portfolio has a WALE by gross rental income of about 2.8 years as at 31 December 2019 and the portfolio sits on long underlying land leases, with an unexpired lease term of 31.4 years by GFA.

PORTFOLIO LEASE EXPIRY BY GROSS RENTAL INCOME

Financial Year	% of Gross Rental Income
2020	36.0
2021	13.5
2022	14.7
2023	18.7
2024	6.2
2025 and beyond	10.9

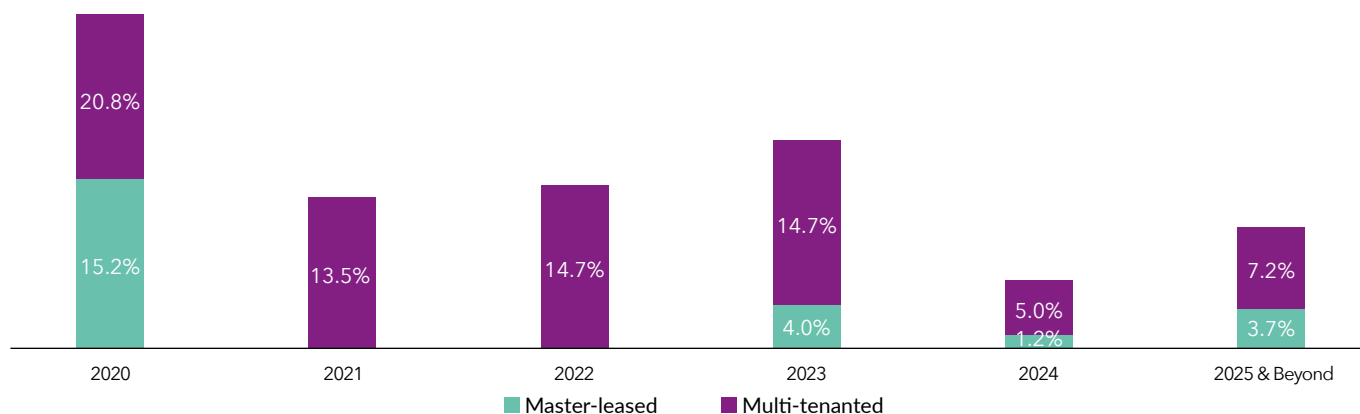
¹ Includes 1 TA4 and 3A JKC.

² Includes the gross revenue of 9 TSD till its date of disposal.

MANAGER'S REVIEW FOR FY 2019

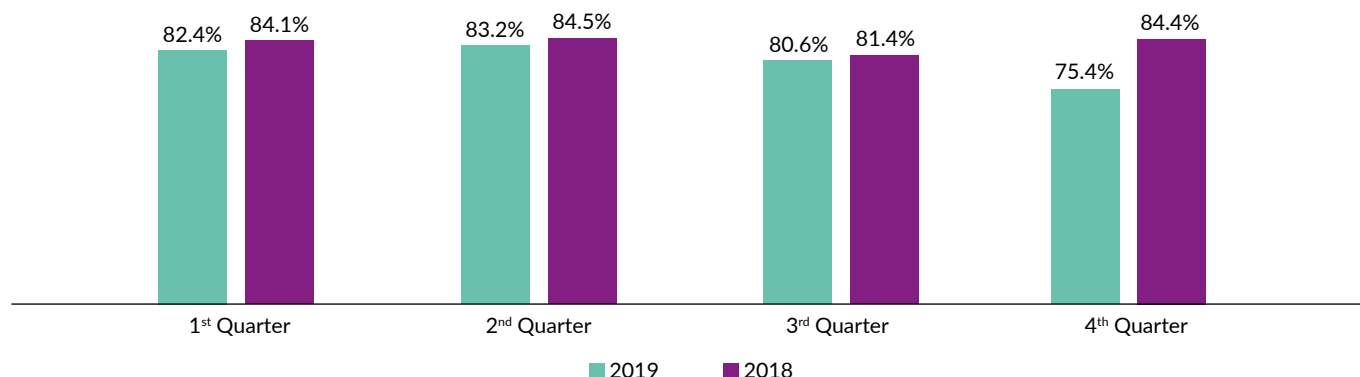
LEASE EXPIRY BY GROSS RENTAL INCOME

(As at 31 December 2019)



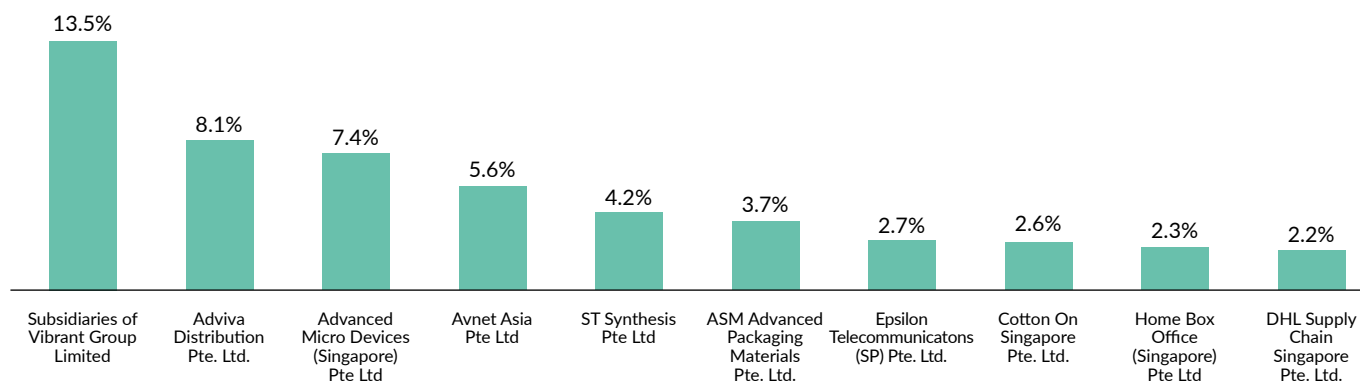
PORTFOLIO OCCUPANCY

As at 31 December 2019, portfolio occupancy rate stood at 75.4% for Sabana REIT, with a total of 111 tenants. The occupancy fell from 84.4% as at 31 December 2018 to 75.4% as at 31 December 2019 due to the relocation of a major tenant in NTP in 1Q 2019, the early settlement and termination of the master tenancy at 10 Changi South Street 2 ("10 CSS2") in 3Q 2019 and the expiry of the master-lease at 3A JKC in 4Q 2019.



TOP 10 TENANTS BY GROSS RENTAL INCOME

Top 10 tenants accounted for 52.3% of Sabana REIT's gross rental income in FY 2019 and these tenants are mainly from the logistics, electronics and telecommunication & data warehousing industries.



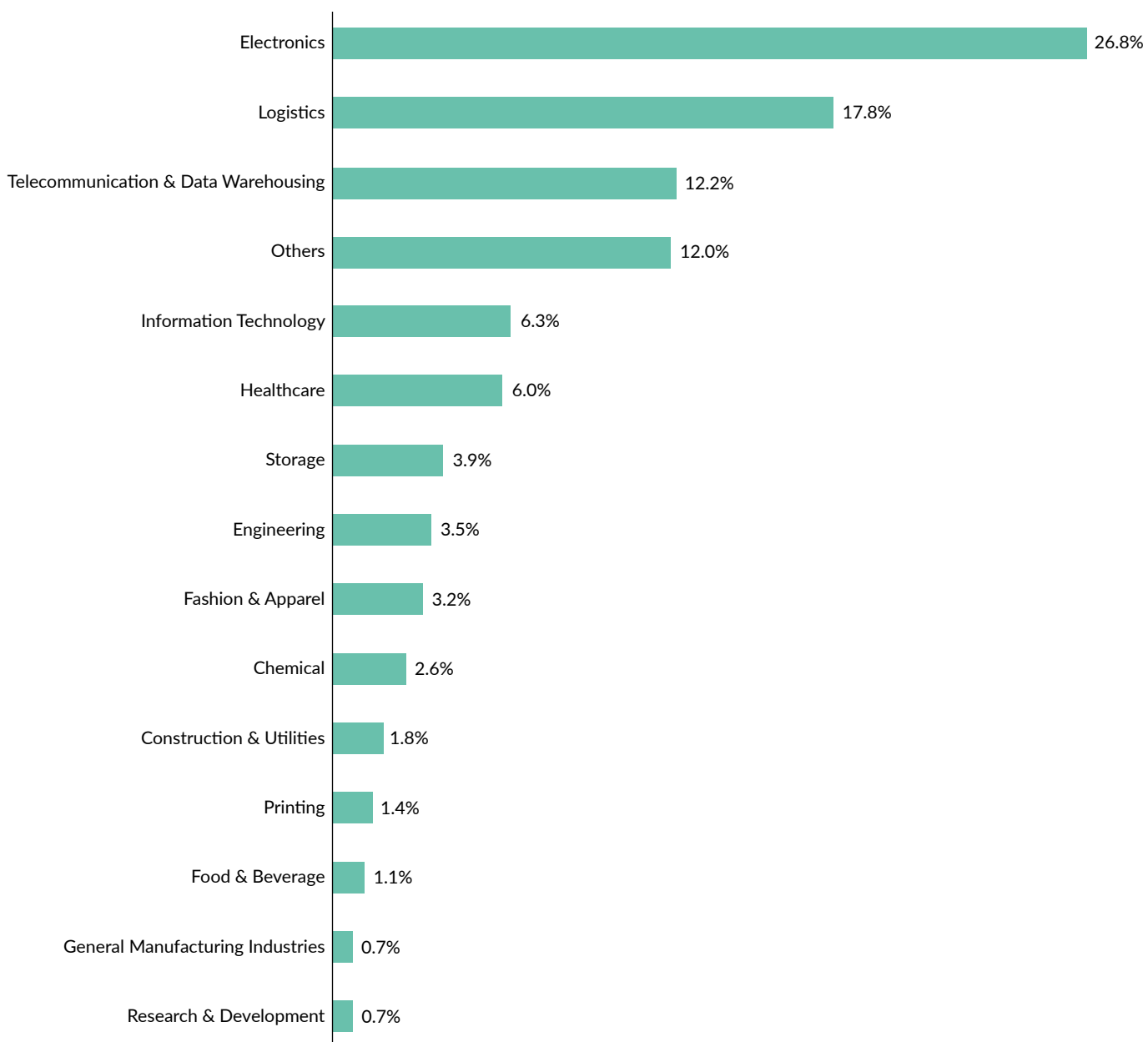
MANAGER'S REVIEW FOR FY 2019

TENANTS' TRADE SECTOR

Sabana REIT's tenants come from a diverse base of trade sectors with the largest sector in electronics followed by the logistics sectors. The remaining sectors are mainly below 12.0%.

TRADE SECTORS BY GROSS RENTAL INCOME

(As at 31 December 2019)



MANAGER'S REVIEW FOR FY 2019

DIVESTMENT ACTIVITY

In line with our Phase 1 Refreshed Strategy to divest non-performing and mature assets, 9 TSD was one of the properties divested.

In January 2019, the Manager completed the property divestment of 9 TSD, a high-tech industrial building for a sale consideration of S\$99.6 million.

Property	Industrial Segment	Sales Consideration (S\$ million)	Valuation (S\$ million)	Completion Date	Purchaser
9 Tai Seng Drive	High-tech	99.6	39.6 ¹	10 Jan 2019	Perpetual (Asia) Limited in its capacity as trustee of ADC Singapore Trust
Total		99.6	39.6		

The Manager will continue to evaluate its portfolio and divest non-performing and mature assets to keep its portfolio contemporary and to fund future acquisitions and capital expenditures to enhance returns to Unitholders.

ASSET ENHANCEMENT INITIATIVES

AEIs are part of our Phase 2 Refreshed Strategy, focusing on enhancing and rejuvenating our portfolio to improve occupancy stream and unlocking growth organically. The Manager has identified certain properties that are suitable for such rejuvenation and asset enhancement such as NTP, 8 CL, 21 JKC and 10 CSS2.

In 2019, the Manager initiated an AEI at NTP. NTP represents approximately one-third of the overall portfolio asset value, with under-utilised plot ratio.

The Manager was granted approval from authorities to increase approximately 42,830 sq ft of new retail space at NTP. This AEI is being constructed in two phases – (a) Phase 1: primarily for food & beverage and lifestyle use on the first floor, and (b) Phase 2: construction of a new food court on the second floor. Phase 1 of the AEI is expected to be completed by 2Q 2020. Upon completion of the AEI, NTP will offer existing tenants and residents nearby an improved and exciting mix of integrated retail and dining options within a best-in-class high-tech industrial space.

Property	Industrial Segment	Estimated Construction Cost (S\$ million)	Completion Date
151 Lorong Chuan, New Tech Park	High-tech	20.0	Phase 1: 2Q 2020 Phase 2: 4Q 2020
Total		20.0	

REFURBISHMENT WORKS

Refurbishment works were carried out at the main lobbies of 8 CL and 10 CSS2 to keep our properties contemporary as well as to improve the overall experience for our tenants and visitors when they enter the properties. More extensive refurbishments and building works were carried out for 21 JKC after the expiry of previous master-lease to on-board new tenant.

¹ The valuation for the property as at 30 June 2018 was based on Capitalisation Approach and Discounted Cash Flow Analysis.

MANAGER'S REVIEW FOR FY 2019

ANNUAL VALUATION

	Valuation as at 31 December 2019 (S\$ '000)	Valuation as at 31 December 2018 (S\$ '000) ¹
High-tech Industrial		
151 Lorong Chuan	323,000	308,600
8 Commonwealth Lane	57,000	56,100
15 Jalan Kilang Barat	22,800	23,000
1 Tuas Avenue 4	10,000	10,950
23 Serangoon North Avenue 5	34,600	35,700
508 Chai Chee Lane	64,200	56,800
Chemical Warehouses & Logistics		
33 & 35 Penjuru Lane	51,000	51,200
18 Gul Drive	20,000	20,000
Warehouse & Logistics		
34 Penjuru Lane	37,700	38,000
51 Penjuru Road	40,700	40,700
26 Loyang Drive	24,700	24,500
3A Joo Koon Circle	38,000	38,600
2 Toh Tuck Link	31,400	31,700
10 Changi South Street 2	49,300 ²	63,900
General Industrial		
123 Genting Lane	17,600	18,100
30 & 32 Tuas Avenue 8	27,000	27,000
39 Ubi Road 1	20,700	21,800
21 Joo Koon Crescent	14,700	13,500
TOTAL	884,400	880,150

¹ Excludes 9 TSD.

² The diminution in the value of 10 CSS2 is mainly due to the early settlement and termination of a master-lease.

PROPERTY PORTFOLIO

AS AT 31 DECEMBER 2019

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



HIGH-TECH INDUSTRIAL

- 1 151 Lorong Chuan
- 2 8 Commonwealth Lane
- 3 15 Jalan Kilang Barat
- 4 1 Tuas Avenue 4
- 5 23 Serangoon North Avenue 5
- 6 508 Chai Chee Lane

CHEMICAL WAREHOUSE & LOGISTICS

- 7 33 & 35 Penjuru Lane
- 8 18 Gul Drive

WAREHOUSE & LOGISTICS

- 9 34 Penjuru Lane
- 10 51 Penjuru Road
- 11 26 Loyang Drive
- 12 3A Joo Koon Circle
- 13 2 Toh Tuck Link
- 14 10 Changi South Street 2

GENERAL INDUSTRIAL

- 15 123 Genting Lane
- 16 30 & 32 Tuas Avenue 8
- 17 39 Ubi Road 1
- 18 21 Joo Koon Crescent

PROPERTY PORTFOLIO



151 LORONG CHUAN

NEW TECH PARK, SINGAPORE 556741

A six-storey High-tech industrial building with a ground level carpark

Purchase Consideration (S\$ million)	305.9
Latest Valuation (As at 31 December 2019) (S\$ million)	323.0
Gross Rental Income for FY 2019 (S\$ million)	16.8
Occupancy Rate ¹ (%)	75
Land Lease Expiry	2055 45 yrs wef 26 Nov 2010
GFA (sq ft)	832,373



8 COMMONWEALTH LANE

SINGAPORE 149555

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

Purchase Consideration (S\$ million)	70.3
Latest Valuation (As at 31 December 2019) (S\$ million)	57.0
Gross Rental Income for FY 2019 (S\$ million)	3.5
Occupancy Rate ¹ (%)	86
Land Lease Expiry	2059 30 + 23 yrs wef 1 Feb 2006
GFA (sq ft)	161,815



15 JALAN KILANG BARAT

FRONTTECH CENTRE, SINGAPORE 159357

An eight-storey industrial building with a multi-storey carpark on levels two & three

Purchase Consideration (S\$ million)	34.5
Latest Valuation (As at 31 December 2019) (S\$ million)	22.8
Gross Rental Income for FY 2019 (S\$ million)	1.6
Occupancy Rate ¹ (%)	75
Land Lease Expiry	2060 99 yrs wef 1 Jan 1962
GFA (sq ft)	73,928

¹ Occupancy rates stated from pages 36-41 are as at 31 December 2019.

PROPERTY PORTFOLIO



1 TUAS AVENUE 4

SINGAPORE 639382

A three-storey general industrial building

Purchase Consideration (\$ million)	28.0
Latest Valuation (As at 31 December 2019) (\$ million)	10.0
Gross Rental Income for FY 2019 (\$ million)	0.0
Occupancy Rate ¹ (%)	–
Land Lease Expiry	2047 30 + 21 yrs 4 mths wef 1 Jan 1996
GFA (sq ft)	160,361



23 SERANGOON NORTH AVENUE 5

BTC CENTRE, SINGAPORE 554530

A five-storey industrial building with a mezzanine level

Purchase Consideration (\$ million)	61.0
Latest Valuation (As at 31 December 2019) (\$ million)	34.6
Gross Rental Income for FY 2019 (\$ million)	1.9
Occupancy Rate ¹ (%)	64
Land Lease Expiry	2056 30 + 20 yrs wef 16 Sep 2006
GFA (sq ft)	159,384



508 CHAI CHEE LANE

SINGAPORE 469032

A seven-storey industrial building with two basements

Purchase Consideration (\$ million)	67.2
Latest Valuation (As at 31 December 2019) (\$ million)	64.2
Gross Rental Income for FY 2019 (\$ million)	7.0
Occupancy Rate ¹ (%)	98
Land Lease Expiry	2060 30 + 29 yrs wef 16 Apr 2001
GFA (sq ft)	319,718

¹ Occupancy rates stated from pages 36-41 are as at 31 December 2019.

PROPERTY PORTFOLIO



33 & 35 PENJURU LANE

FREIGHT LINKS EXPRESS LOGISTIC PARK, SINGAPORE 609200/609202

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

Purchase Consideration (S\$ million)	78.9
Latest Valuation (As at 31 December 2019) (S\$ million)	51.0
Gross Rental Income for FY 2019 (S\$ million)	3.9
Occupancy Rate ¹ (%)	100
Land Lease Expiry	2049 30 + 31 yrs wef 16 Feb 1988
GFA (sq ft)	286,192



18 GUL DRIVE

SINGAPORE 629468

A part two-/part four-storey chemical warehouse

Purchase Consideration (S\$ million)	34.1
Latest Valuation (As at 31 December 2019) (S\$ million)	20.0
Gross Rental Income for FY 2019 (S\$ million)	1.8
Occupancy Rate ¹ (%)	100
Land Lease Expiry	2038 13 yrs 10 mths + 20 yrs wef 1 Nov 2004
GFA (sq ft)	132,878



34 PENJURU LANE

PENJURU LOGISTICS HUB, SINGAPORE 609201

A five-storey warehouse with ancillary offices

Purchase Consideration (S\$ million)	60.0
Latest Valuation (As at 31 December 2019) (S\$ million)	37.7
Gross Rental Income for FY 2019 (S\$ million)	4.0
Occupancy Rate ¹ (%)	84
Land Lease Expiry	2032 30 yrs wef 16 Aug 2002
GFA (sq ft)	414,270

¹ Occupancy rates stated from pages 36-41 are as at 31 December 2019.

PROPERTY PORTFOLIO



51 PENJURU ROAD

FREIGHT LINKS EXPRESS LOGISTICENTRE, SINGAPORE 609143

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

Purchase Consideration (S\$ million)	42.5
Latest Valuation (As at 31 December 2019) (S\$ million)	40.7
Gross Rental Income for FY 2019 (S\$ million)	2.8
Occupancy Rate ¹ (%)	100
Land Lease Expiry	2054 30 + 30 yrs wef 1 Jan 1995
GFA (sq ft)	246,376



26 LOYANG DRIVE

SINGAPORE 508970

A single-storey warehouse building with mezzanine floors

Purchase Consideration (S\$ million)	32.0
Latest Valuation (As at 31 December 2019) (S\$ million)	24.7
Gross Rental Income for FY 2019 (S\$ million)	2.4
Occupancy Rate ¹ (%)	100
Land Lease Expiry	2053 30 + 18 yrs 1 Jan 2006
GFA (sq ft)	149,166



3A JOO KOON CIRCLE

SINGAPORE 629033

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

Purchase Consideration (S\$ million)	40.3
Latest Valuation (As at 31 December 2019) (S\$ million)	38.0
Gross Rental Income for FY 2019 (S\$ million)	2.7
Occupancy Rate ¹ (%)	–
Land Lease Expiry	2047 30 + 30 yrs wef 1 Aug 1987
GFA (sq ft)	217,899

¹ Occupancy rates stated from pages 36-41 are as at 31 December 2019.

PROPERTY PORTFOLIO



2 TOH TUCK LINK

SINGAPORE 596225

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

Purchase Consideration (S\$ million)	40.1
Latest Valuation (As at 31 December 2019) (S\$ million)	31.4
Gross Rental Income for FY 2019 (S\$ million)	2.3
Occupancy Rate ¹ (%)	98
Land Lease Expiry	2056 30 + 30 yrs wef 16 Dec 1996
GFA (sq ft)	181,705



10 CHANGI SOUTH STREET 2

SINGAPORE 486596

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

Purchase Consideration (S\$ million)	54.2
Latest Valuation (As at 31 December 2019) (S\$ million)	49.3
Gross Rental Income for FY 2019 (S\$ million)	6.1
Occupancy Rate ¹ (%)	36
Land Lease Expiry	2051 30 + 27 yrs wef 1 Oct 1994
GFA (sq ft)	238,862



123 GENTING LANE

YENOM INDUSTRIAL BUILDING, SINGAPORE 349574

An eight-storey industrial building with ancillary offices

Purchase Consideration (S\$ million)	24.5
Latest Valuation (As at 31 December 2019) (S\$ million)	17.6
Gross Rental Income for FY 2019 (S\$ million)	1.8
Occupancy Rate ¹ (%)	76
Land Lease Expiry	2041 60 yrs wef 1 Sept 1981
GFA (sq ft)	158,907

¹ Occupancy rates stated from pages 36-41 are as at 31 December 2019.

PROPERTY PORTFOLIO



30 & 32 TUAS AVENUE 8

SINGAPORE 639246/639247

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

Purchase Consideration (\$ million)	24.0
Latest Valuation (As at 31 December 2019) (\$ million)	27.0
Gross Rental Income for FY 2019 (\$ million)	2.3
Occupancy Rate ¹ (%)	100
Land Lease Expiry	2056 30 + 30 yrs wef 1 Sept 1996
GFA (sq ft)	158,846



39 UBI ROAD 1

SINGAPORE 408695

An eight-storey industrial building with ancillary offices

Purchase Consideration (\$ million)	32.0
Latest Valuation (As at 31 December 2019) (\$ million)	20.7
Gross Rental Income for FY 2019 (\$ million)	1.6
Occupancy Rate ¹ (%)	75
Land Lease Expiry	2051 30 + 30 yrs wef 1 Jan 1992
GFA (sq ft)	135,513



21 JOO KOON CRESCENT

SINGAPORE 629026

A three-storey industrial building with ancillary offices

Purchase Consideration (\$ million)	20.3
Latest Valuation (As at 31 December 2019) (\$ million)	14.7
Gross Rental Income for FY 2019 (\$ million)	0.5
Occupancy Rate ¹ (%)	100
Land Lease Expiry	2054 30 + 30 yrs wef 16 Feb 1994
GFA (sq ft)	99,575

¹ Occupancy rates stated from pages 36-41 are as at 31 December 2019.

INDEPENDENT MARKET REVIEW

1. INTRODUCTION

Jones Lang LaSalle ("JLL") was appointed by the Manager (herein referred to as the Client) to provide a Singapore Industrial Property Market Overview covering the private factory (excluding business park) and private warehouse markets. The report will be incorporated as part of Sabana REIT's Annual Report for FY 2019.

2. SINGAPORE MACROECONOMIC OVERVIEW

2.1 Review of 2019 Economic Performance

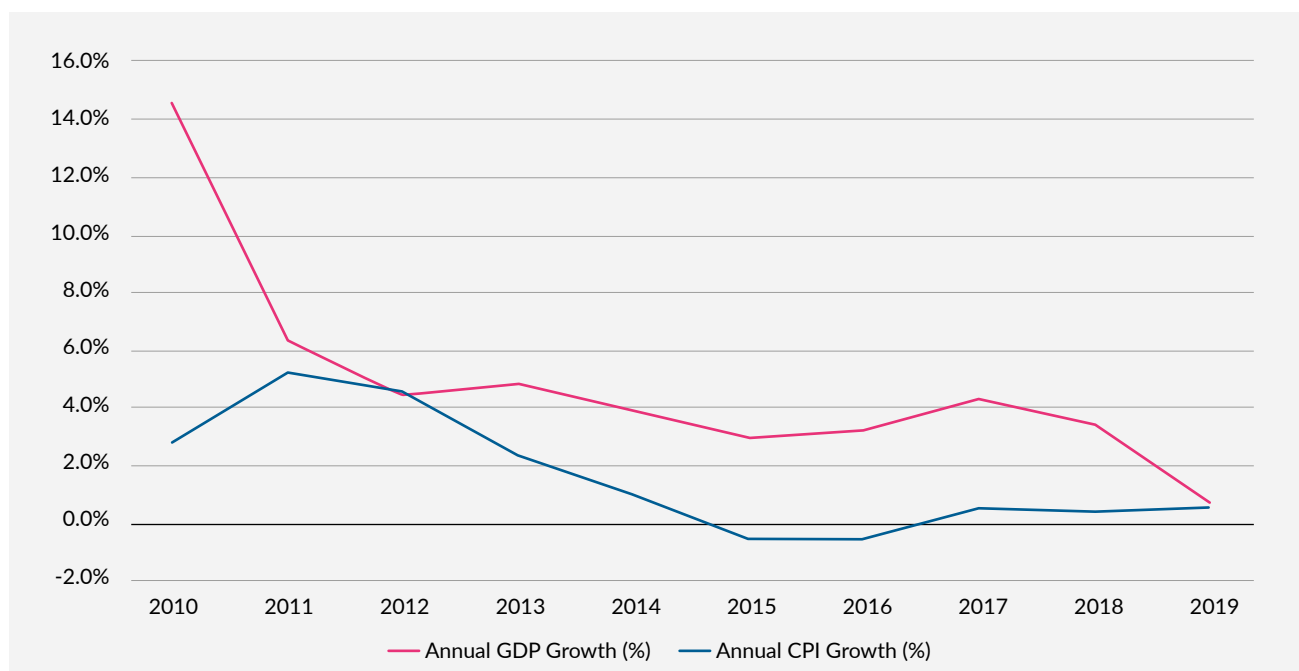
Figures released by the Ministry of Trade and Industry ("MTI") on 17 February 2020 showed the Singapore economy expanded by 1.0% year-on-year ("y-o-y") in 4Q 2019, faster than 3Q 2019's growth of 0.7% y-o-y. This brought the full-year Gross Domestic Product ("GDP") growth to 0.7% y-o-y, which fell within the official growth forecast of 0.5-1.0% announced on 21 November 2019.

However, 2019's GDP growth was the slowest in a decade. This was dragged down by the lacklustre manufacturing sector, which recorded a 1.4% y-o-y contraction in output in 2019 after posting four straight quarters of decline. In contrast, manufacturing output expanded by 7.0% y-o-y in 2018.

With manufacturing output in the red, 2019's GDP growth was underpinned by the expansion of the construction sector and services producing industries which saw respective annual growths of 2.8% and 1.1%. While the construction sector had rebounded from the 3.5% y-o-y output decline in 2018, growth in the services producing industries had slowed from the 3.4% y-o-y expansion in 2018.

Meanwhile, the Consumer Price Index ("CPI")-All Items rose for the third straight year, and at a slightly quicker pace of 0.6% y-o-y in 2019, from 0.4% y-o-y in 2018.

Figure 1. Annual Gross Domestic Product Growth* and Inflation Rate (2010 to 2019)



* In chained 2015 dollars. Singapore Department of Statistics ("SDOS") adopted the recommendation of the United Nations System of National Accounts (SNA) to compile annually reweighted chain volume measures (CVM) of GDP in 2019. Real GDP, which strips out the impact of inflation, will now be based on prices from the previous year, to better reflect prevailing economic conditions compared to the previous constant price method.

Source: MTI, SDOS, JLL Research

INDEPENDENT MARKET REVIEW

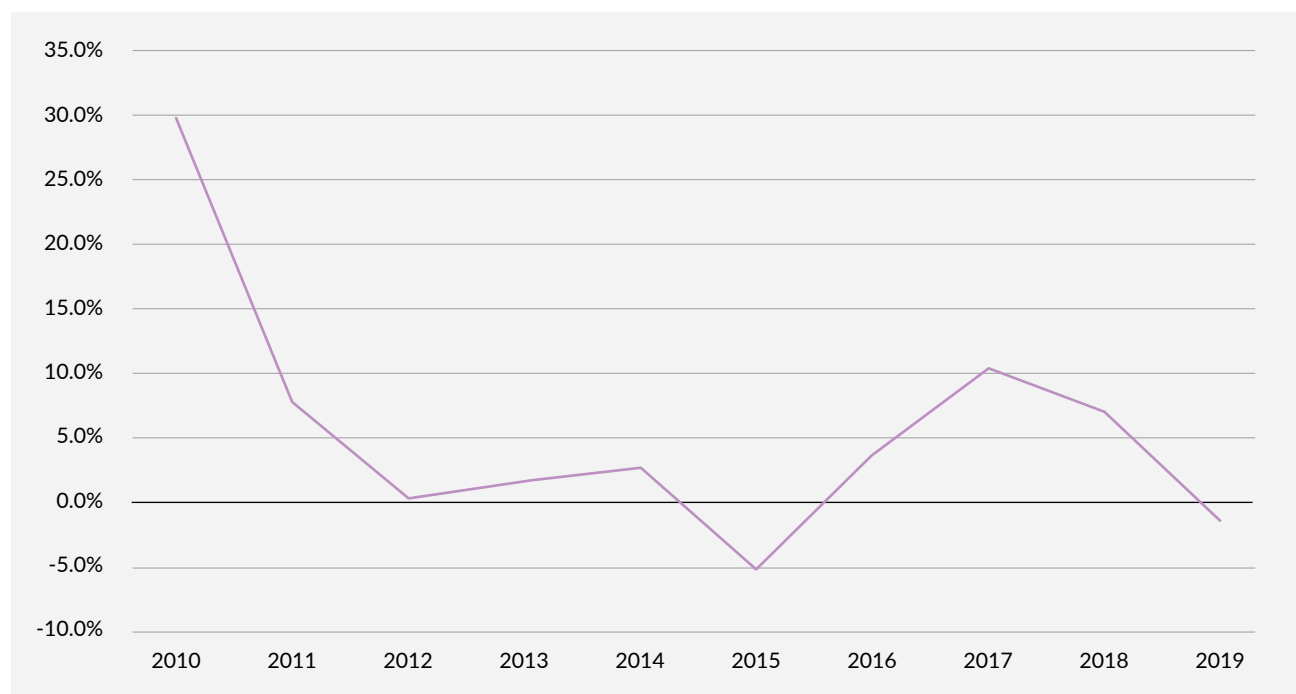
2.2 Index of Industrial Production and Manufacturing Fixed Asset Investments

Based on latest statistics released by the Economic Development Board (“EDB”) on 24 January 2020, Singapore’s Index of Industrial Production contracted by 1.4% y-o-y in 2019, in contrast to the 7.0% y-o-y expansion in 2018.

Except for the biomedical manufacturing cluster and general manufacturing cluster which reported a 10.7% y-o-y and 1.5% y-o-y increase in their respective outputs in 2019, all the other industry clusters saw declines in output. The electronics cluster witnessed the steepest output decline of 7.4% y-o-y in 2019, followed by the precision engineering, chemicals and transport engineering clusters with annual contractions of 2.5%, 2.0% and 1.8%, respectively.

In contrast, all six industry clusters reported output expansions in 2018, with the transport engineering cluster registering the largest annual output growth of 15.0%. Both the electronics and biomedical manufacturing clusters reported annual growth of 7.6% y-o-y in 2018, while the chemicals and precision engineering clusters expanded by 4.8% and 4.5% y-o-y, respectively.

Figure 2. Change in Index of Industrial Production (Base Year 2015 = 100) (2010 to 2019)



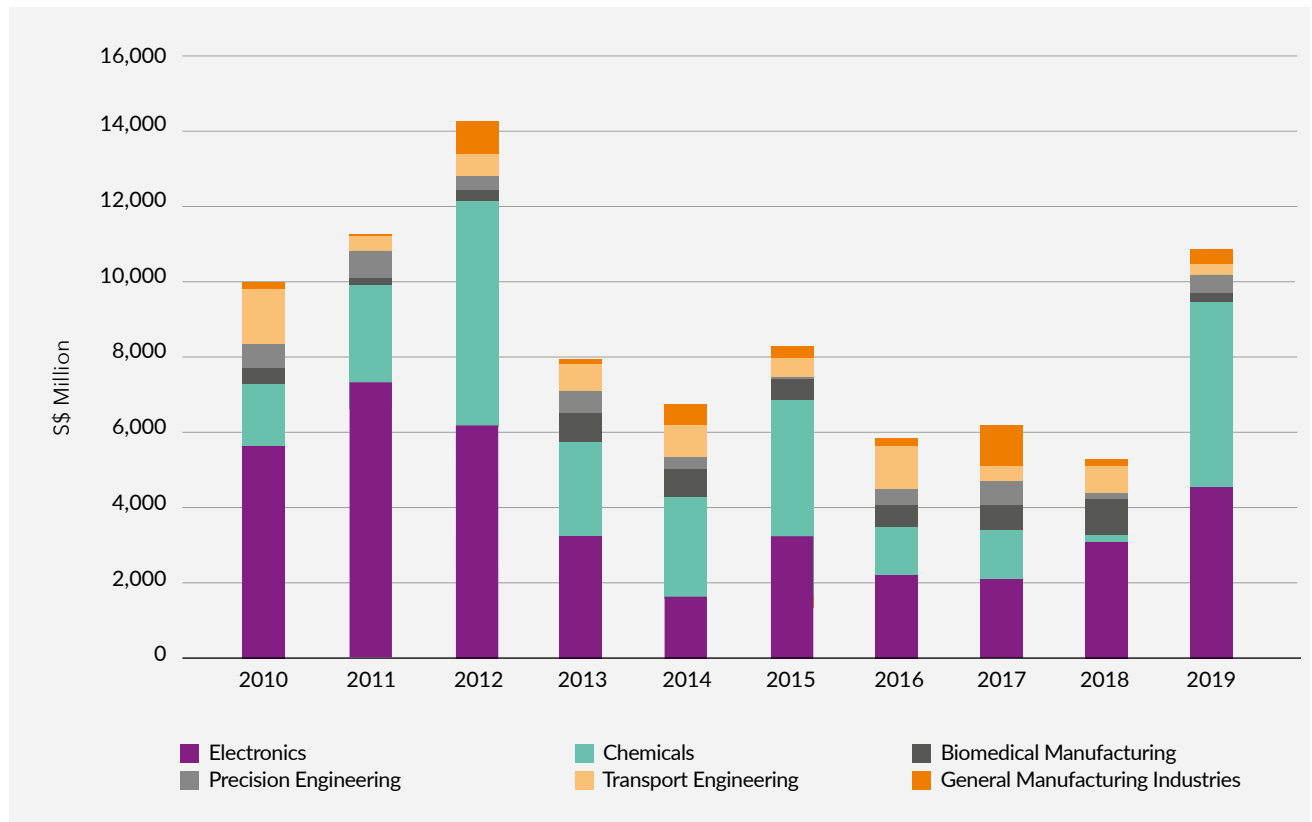
Source: EDB, SDOS, JLL Research

In terms of total manufacturing fixed asset investments (“FAI”), the overall manufacturing FAI more than doubled to S\$10.9 billion in 2019. This was largely contributed by the chemicals (44.9%) and electronics (42.2%) clusters. In particular, the chemical cluster saw a near 23-fold jump in FAI in 2019, while the electronics cluster recorded a 48.6% y-o-y increase in FAI during the year.

Likewise, the precision engineering and general manufacturing clusters which collectively contributed to 7.9% of the 2019’s total FAI, reported robust annual increases of 198.9% and 102.9%, respectively. The surge in the FAI for these four industry clusters which contributed 95.0% of total FAI in 2019, helped to offset the 75.3% and 56.8% y-o-y declines in the respective FAIs recorded for the biomedical manufacturing and transport engineering clusters in 2019.

INDEPENDENT MARKET REVIEW

Figure 3. Total Manufacturing Fixed Asset Investments



Source: EDB, SDOS, JLL Research

The following table shows the contributions of the respective industry clusters to total manufacturing FAI in 2019.

Figure 4. Total Manufacturing Fixed Asset Investments in 2019

Industry Cluster	Investment Commitments (S\$ Million)	Change (y-o-y)	Market Share (%)
Electronics	4,590.3	48.6%	42.2
Chemicals	4,891.3	2183.5%	44.9
Biomedical Manufacturing	234.4	(75.3)%	2.2
Precision Engineering	470.4	198.9%	4.3
Transport Engineering	302.8	(56.8)%	2.8
General Manufacturing Industries	395.0	102.9%	3.6
Total Manufacturing FAI	10,884.2	105.2%	100.0%

Source: EDB, SDOS, JLL Research

2.3 Economic Outlook for 2020

Based on the MTI's latest official forecast released on 17 February 2020, the Singapore economy is expected to post modest growth of around 0.5% in 2020, which is the mid-point of MTI's forecast range of -0.5% to 1.5%. This represents a downgrade from MTI's November 2019 outlook which anticipated growth of 0.5-2.5% in 2020 based on a modest pickup in global growth, and recovery in the global electronics cycle.

However, the Coronavirus Disease ("COVID-19") outbreak since then has dampened the economic growth prospects for China and many other countries including Singapore. In particular, containment efforts such as the lockdown of major Chinese cities and travel restrictions are expected to result in a pullback in household consumption in China, while industrial production has been disrupted by work stoppages and delays. These in turn will affect regional economies, including the ASEAN economies, through lower outbound tourism and other import demand from China, as well as disruptions to supply chains.

According to the MTI, the COVID-19 outbreak is expected to affect Singapore's outward-oriented sectors like manufacturing and wholesale trade due to the weaker growth outlook in several of Singapore's key final demand markets including China, as well as supply chain disruptions arising from the prolonged factory closures and labour shortages in China. Tourist arrivals to Singapore, especially from China, has also fallen sharply, and affected the tourism and transport sectors badly. Domestic consumption is also likely to fall as locals scale back on shopping and dining-out activities which will impact firms in the retail and food services industries.

In the event of the COVID-19 outbreak becoming more widespread, severe and protracted than anticipated, this could cause a sharper pullback in global consumption, more prolonged disruptions to global supply chains and production, and a sharper-than-expected slowdown in the Chinese economy. These will have negative repercussions on global trade and economic growth.

In addition, the MTI acknowledged the continued presence of global uncertainties, including the U.S.-China trade tensions and geopolitical tensions in the Middle East which could have detrimental spillover effects on Singapore (a small open economy dependent on global economic and trade conditions) and the region.

On a more positive note, the MTI highlighted pockets of relative strength in the Singapore economy. The construction sector is projected to post steady growth given the rebound in construction demand since 2018, while the information & communications sector is expected to be resilient on account of sustained enterprise demand for information technology (IT) solutions.

Notwithstanding, as the COVID-19 situation is still evolving, it is too early to assess the extent of the impact at the time of writing. Minister for Trade and Industry Mr Chan Chun Sing has earlier warned that the impact of the COVID-19 outbreak on the global economy is likely to be much wider and deeper than the severe acute respiratory syndrome (SARS) situation in 2003 given the interlinkages with China.¹ However, measures announced in Budget 2020 ranging from helping companies reduce their business costs, alleviate their cash flow as well as helping to retain workers, will help businesses to tide through the current challenging period.

Meanwhile, according to the MTI as of 23 January 2020, Singapore's CPI-All inflation which rose 0.6% y-o-y in 2019 is expected to fall within range of 0.5-1.5% in 2020 as the negative contribution of imputed rentals to headline inflation dissipates.

¹ Source: The Business Times, "Wuhan virus likely to have 'much wider and deeper impact'", published on 3 February 2020.

INDEPENDENT MARKET REVIEW

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

The following sections cover the Industrial Government Land Sales ("IGLS") programme for 1H 2020 as well as an update (if any) on the Industry Transformation Map ("ITM") Programme announced in Budget 2016.

3.1 Industrial Government Land Sales (IGLS) Programme

The Government aims to ensure an adequate supply of industrial space to meet the needs of industrialists through its biannual IGLS Programme. The 1H 2020 IGLS Programme, which has been scaled back for the third time, reflected the government's continued cautious stance towards managing its biannual industrial land supply in the wake of the tentative manufacturing sector outlook.

The continued cutback in the biannual industrial land supply has likely also factored in the thinning and low bids received for recent IGLS sites. Specifically, for IGLS sites with tender closings in 2019, four plots were not awarded as their top bids fell below JTC's reserve prices.

Altogether, the eight plots on the 1H 2020 IGLS Programme, with a combined land area of 7.12 ha, could potentially yield some 1.4 million sq ft of industrial GFA. This is lower than the 2.2 million sq ft (GFA) of industrial space that could be generated from the 10 plots with total land area of 10.10 ha on the 2H 2019 IGLS Programme. While the 2H 2019 IGLS Programme offered four Confirmed List plots and six Reserve List parcels, the 1H 2020 IGLS Programme comprises three Confirmed List plots and five Reserve List sites.

The following table shows the details of the sites placed under the 1H 2020 IGLS Programme.

Figure 5. Industrial Government Land Sales (IGLS) Programme for 1H 2020

Location	Site Area (ha)	Zoning	Gross Plot Ratio	Tenure (years)	Estimated Available Date
Confirmed List¹ of Industrial Sites					
Plot 1, Jalan Papan	1.23	B2 ⁴	1.4	20	February 2020
Plot 2, Tampines North Drive 3 ³	0.48	B2	2.5	20	May 2020
Plot 3, Gambas Avenue/Sembawang Avenue	0.70	B2	2.0	20	June 2020
Reserve List² of Industrial Sites					
Plot 4, Kaki Bukit Road 5 ⁵	2.02	B2	2.5	30	Already available for application
Plot 20, Tuas South Link 3	0.45	B2	1.4	20	Already available for application
160 Gul Circle	0.40	B2	1.4	20	February 2020
Gul Avenue	0.60	B2	1.4	20	March 2020
Plot 2, Jalan Papan ³	1.24	B2	1.4	20	April 2020

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

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

³ Previously in the 1H 2019 Confirmed List.

⁴ Business 2 ("B2"): These are areas used or intended to be used for clean industry, light industry, general industry, warehouse, public utilities and telecommunication uses and other public installations. Special industries such as manufacture of industrial machinery, shipbuilding and repairing, may be allowed in selected areas subject to evaluation by the competent authority.

⁵ Previously in the 2H 2019 Reserve List.

Source: MTI, JLL Research (as of 21 February 2020)

3.2 Update on the Industry Transformation Map (ITM) Programme

With the launch of all 23 Industry Transformation Maps (“ITMs”), efforts are now focused on the roll out and implementation of various initiatives and schemes to help achieve the objectives under each ITM, which has been tailored to the specific industry to systematically raise productivity, develop skills, drive innovation, and promote internationalisation.

For example, to help drive innovation and increase productivity in the manufacturing sector, there are professional conversion programmes to help workers upskill or reskill so as to enter new sectors and businesses. Reportedly, more than 14,000 people have undertaken the manufacturing programmes since 2016, benefiting about 600 companies.¹

More recently, a new Digital and Advanced Manufacturing Programme was launched to help manufacturing companies and workers transition to Industry 4.0. Through this initiative, companies can optimise their production facilities and transform their businesses processes in a shorter span of time.²

It was also announced during Budget 2020 that Industry Digital Plans or equivalents will be rolled out across all 23 ITM sectors, to enable enterprises to access pre-approved digital solutions.

Going forward, the growth and transformation of the industries within the manufacturing cluster, as well as wholesale trade, logistics and food manufacturing, especially with the adoption of Industry 4.0 initiatives like automation, could transform business operating models and generate new industrial space requirements.

Figure 6. Six Industry ITM Clusters

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

Source: Singapore Public Sector Outcomes Review 2018

¹ Source: The Straits Times, “More help for PMETs, businesses in manufacturing”, published on 29 November 2019.

² Source: The Straits Times, “New programme launched to help manufacturing sector adopt new tech”, published on 19 December 2019.

INDEPENDENT MARKET REVIEW

4. SINGAPORE PRIVATE FACTORY MARKET OVERVIEW

4.1 Existing Supply, Demand and Occupancy

JTC's statistics showed Singapore has 330.9 million sq ft of completed private factory stock (excluding business parks) as at 4Q 2019. This made up 84.3% of the total islandwide factory stock of 392.4 million sq ft, with the public sector contributing the remaining 15.7% or 61.5 million sq ft.

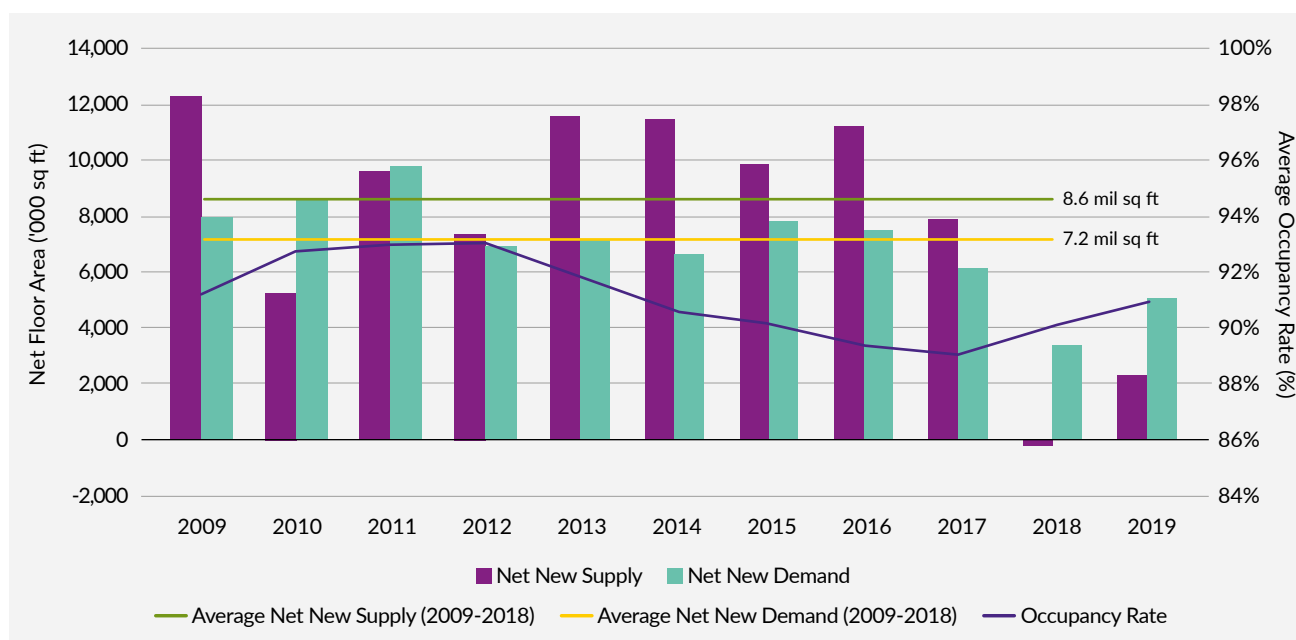
The bulk or 69.3% of the completed private factory stock are single-user factory premises (229.2 million sq ft) meant mostly for self-use, while multiple-user factory space (101.7 million sq ft) accounted for the remaining 30.7%.

In 2019, Singapore's islandwide stock of completed private factory space (excluding business park space) rose marginally by 0.7% y-o-y. This followed the net addition of 2.3 million sq ft in 2019, albeit this was substantially lower than the average annual net new supply of 8.6 million sq ft in the preceding 10 years from 2009 to 2018. Specifically, 2019's total net new supply of private factory space was contributed by the single-user factory segment which saw a net addition of 3.3 million sq ft, as the multiple-user factory segment reported a net withdrawal of 1.0 million sq ft during the year, indicating that space withdrawn (likely for redevelopment) exceeded new completions.

Meanwhile, the private factory occupied stock rose by about 1.7% y-o-y in 2019, reflecting a net new demand of 5.0 million sq ft. This was an increase from 2018's net new demand of 3.3 million sq ft, but lower than the average net new demand of 7.2 million sq ft per annum from 2009 to 2018.

As net space absorption surpassed net space additions, this lifted the average occupancy rate for private factory space from 90.1% as at end-2018, to 91.0% as at end-2019. During 2019, both the single-user and multiple-user factory segments reported improvements in their occupancy rates. Notably, the single-user factory segment reported a 0.4-percentage point rise in its occupancy rate to 91.8% as at end-2019, as net new demand more than tripled from 1.1 million sq ft in 2018 to 3.9 million sq ft in 2019, exceeding 2019's net new supply. However, the increase in the multiple-user factory segment's occupancy rate from 87.4% as at end-2018 to 89.3% as at end-2019 was mainly due to the withdrawal of stock during the year as overall net new demand halved from 2.2 million sq ft in 2018 to 1.1 million sq ft in 2019.

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



* Refers to private single-user and multiple-user factory space, excluding business parks.
Source: JTC, JLL Research

INDEPENDENT MARKET REVIEW

Figure 8. Examples of Major* Private Factory Completions in 2019

Name of Development	Location	Planning Region	Name of Developer	Approximate Gross Floor Area (sq ft)
Single-User Factory Developments				
Additions/alterations to existing factory	30 Tuas Bay Drive	West	Syscon Pte Ltd	524,418
Extension to existing factory (Phase 1)	80 Tuas South Boulevard	West	Jurong Shipyard Pte Ltd	360,699
Single-user factory	1 Tampines North Drive 3	East	BHCC Construction Pte Ltd	156,184
Single-user factory	3 Chin Bee Crescent	West	S M C Nutrition Pte Ltd	171,146
Additions/alterations to existing factory	45 Leng Kee Road	Central	Wearnes Automotive & Equipment Pte Ltd	153,493
Additions/alterations to existing factory	70, 70A Pasir Ris Industrial Drive 1	East	Systems on Silicon Manufacturing Co. Pte Ltd	214,094
Additions/alterations to existing single-user factory (factory component) (Phase 1)	80 Tuas South Boulevard	West	Sembcorp Marine Integrated Yard Pte Ltd	251,553
Logos Food21 (Phase 1)	21 Tuas West Drive	West	Tuas West Drive Pte Ltd	165,764
Qualcomm Building	9 Kallang Sector	Central	SB (Waterfront) Investment Pte Ltd	390,838
Single-user factory (Phase 1)	9 Defu South Street 1	Northeast	Teambuild (ICPH) Pte Ltd	234,546
STT Defu 2	23 Defu Avenue 1	Northeast	ST Telemedia Global Data Centres	155,000
Additions/alterations to existing factory (Phase 1)	1 North Coast Drive	North	Micron Semiconductor Asia Operations Pte Ltd	2,797,648
Google Data Centre (Phase 2)	2 Jurong West Street 23	West	Google Asia Pacific Pte Ltd	249,830
Single-user factory (Phase 1)	218 Pandan Loop	West	X Properties Inc Pte Ltd	229,809
Multiple-User Factory Developments				
Solaris @ Kallang 164	164 Kallang Way	Central	SB (Waterview) Investment Pte Ltd	586,525

* Refers to developments with approximate GFA of at least 150,000 sq ft.

Source: JTC, JLL Research

INDEPENDENT MARKET REVIEW

4.2 Potential Supply

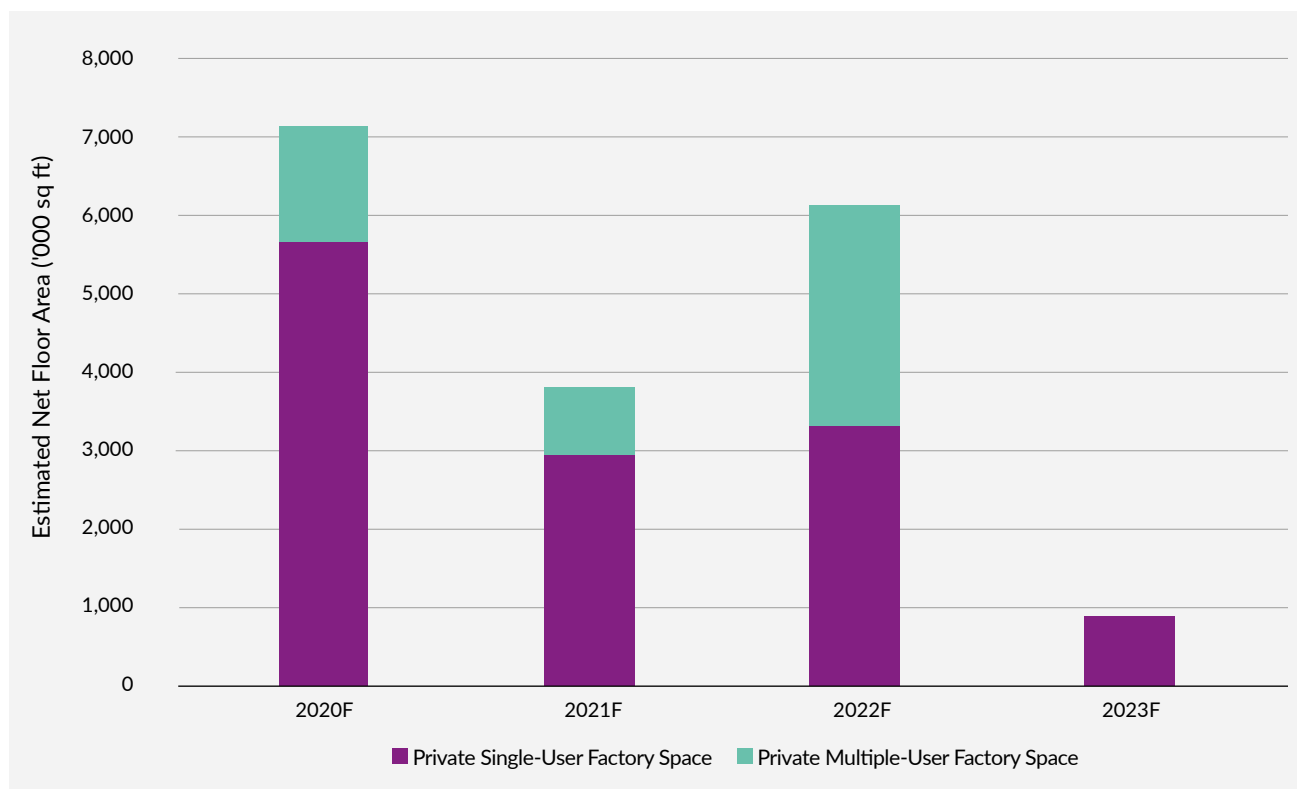
Based on JLL's research and JTC's list of projects under development as at 4Q 2019, there are an estimated 18.0 million sq ft¹ (net floor area) of new private factory space (excluding business park) completing from 2020 to 2023. This stemmed mainly from private single-user factory developments which constituted the majority (i.e. 71.4%) or around 12.8 million sq ft of the total private factory pipeline supply, while private multiple-user factory projects accounted for the remaining 28.6% or about 5.2 million sq ft.

By expected year of completion, about two-fifths or 7.1 million sq ft are anticipated in 2020. This will taper to around 3.8 million sq ft (21.3%) in 2021, before increasing to about 6.1 million sq ft (34.1%) in 2022. The remaining 4.9% or less than 1.0 million sq ft of private factory space are envisaged in 2023, albeit this quantum could be higher as new projects could be announced in the coming quarters.

The above translates to an average annual addition of around 4.5 million sq ft of new private factory space from 2020 to 2023. This is 14.8% lower than the average annual net new supply of about 5.3 million sq ft in the preceding four years (2016 to 2019), and 40.8% below the average annual net new supply of almost 7.6 million sq ft in the previous 10 years (2010 to 2019). Assuming no stock withdrawals and the completions of all upcoming projects, this will raise the overall private factory stock as at 4Q 2019 by 5.4% to about 348.9 million sq ft as at end-2023.

In addition, JTC is developing an estimated 9.3 million sq ft (net floor area) of multiple-user factory space, all of which are expected to be ready by 2022. To some extent, this could potentially compete with the private sector for tenants.

Figure 9. Potential Supply of Private Factory* Space (2020 to 2023)



* Refers to private single-user and multiple-user factory space, excluding business parks.
Source: JTC, JLL Research

¹ Potential supply includes space under construction and planned. However, the actual level of new supply could change due to amendments to the estimated GFA, as well as the status of planned projects.

INDEPENDENT MARKET REVIEW

Figure 10. Examples of Major* Upcoming Private Factory Developments in 2020

Name of Development	Location	Planning Region	Name of Developer	Approximate Gross Floor Area (sq ft)
Single-User Factory Developments				
Koufu Group HQ	1 Woodlands Height	North	Koufu Pte Ltd	219,476
Single-user industrial development (factory component)	5 Tuas Avenue 5	West	Hup Hin Property (S) Pte Ltd	349,504
Single-user industrial development (factory component)	Bulim Drive	West	Shimano Singapore Pte Ltd	345,629
Single-user factory	30B Quality Road	West	Neo Garden Catering Pte Ltd	305,372
Extension and Additions/alterations to existing factory	100 Jurong East Street 21	West	Singapore Technologies Electronics Limited	224,105
Single-user factory	Sungei Kadut Street 2	North	Redwood Interior Pte Ltd	161,459
Bombardier Aerospace Singapore Service Centre (Phase 2)	Seletar Aerospace Heights	Northeast	BP-BBD2 Pte Ltd	222,705
Digital Loyang II	Loyang Drive	East	Digital Singapore 2 Pte Ltd	344,876
Google's Third Data Centre	Lok Yang Way	West	Google Asia Pacific Pte Ltd	1,292,423
Samwoh Smart Hub	Kranji Way	North	Samwoh Corporation Pte Ltd	346,060
Single-user factory	Tampines Industrial Crescent	East	AAC Optics Solutions Pte Ltd	203,438
Single-user factory	Sunview Drive	West	Equinix Singapore Pte Ltd	342,077
Single-user industrial development (factory component)	Senoko Drive/Senoko Road	North	Tee Yih Jia Food Manufacturing Pte Ltd	859,283
STT Loyang	Loyang Close	East	STT Loyang Pte Ltd	293,101
Multiple-User Factory Developments				
Multiple-user industrial development (factory component)	3 Tuas Avenue 2	West	AIMS AMP Capital Industrial REIT	201,393
Multiple-user factory	Loyang Drive	East	AirTrunk Singapore Holding Pte Ltd	402,247
Multiple-user factory	Braddell Road	Central	BP-Braddell LLP	260,917
Tuas South Connection	Tuas South Link 1	West	Yee Lee Development Pte Ltd	507,626

* Refers to developments with approximate gross floor area of at least 150,000 sq ft.
Source: JTC, JLL Research

INDEPENDENT MARKET REVIEW

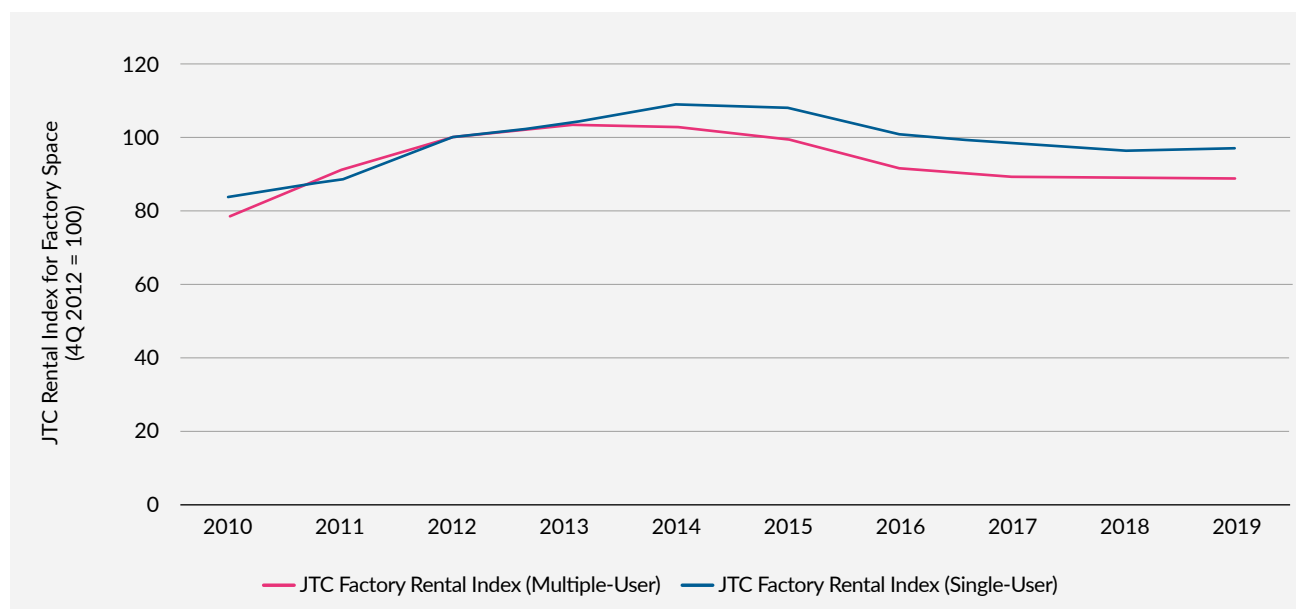
4.3 Rents

JTC's latest rental indices as at 4Q 2019, which are based on transactions of private factory developments, showed that rents for single-user factory space meant mainly for self-use, grew by a modest 0.5% y-o-y in 2019, compared to a 1.9% y-o-y contraction in 2018. The upside in rents, which ended four straight years of declines, was underpinned by the stronger net new demand and pick-up in leasing activities observed in 2019. Based on rental records from JTC's J-Space, there were 609 leasing transactions in 2019, up from 475 records in 2018.

Likewise, the number of leasing transactions involving multiple-user factory space rose from 8,008 in 2018 to 8,200 in 2019. However, 2019's overall net new demand for multiple-user factory premises was half of 2018's quantum, indicating a slowdown in space absorption amid the ongoing macroeconomic uncertainties and geopolitical risks. This provided little impetus for rent growth with JTC's rental index for multiple-user factory space easing by 0.1% y-o-y in 2019, after dipping by the same margin in 2018.

Meanwhile, data from J-Space showed the median monthly rent for single-user and multiple-user factory space stood at S\$1.52 and S\$1.77 per sq ft as at 4Q 2019, respectively, which were lower than the S\$1.66 and S\$1.78 per sq ft recorded as at 4Q 2018. However, note that median rents are dependent on the number and type of transactions during the period of analysis. This in turn depends on factors such as the floor level and size of the unit leased, as well as the location, age and specifications of the factory development.

Figure 11. JTC Rental Indices for Factory* Space (2010 to 2019)



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

INDEPENDENT MARKET REVIEW

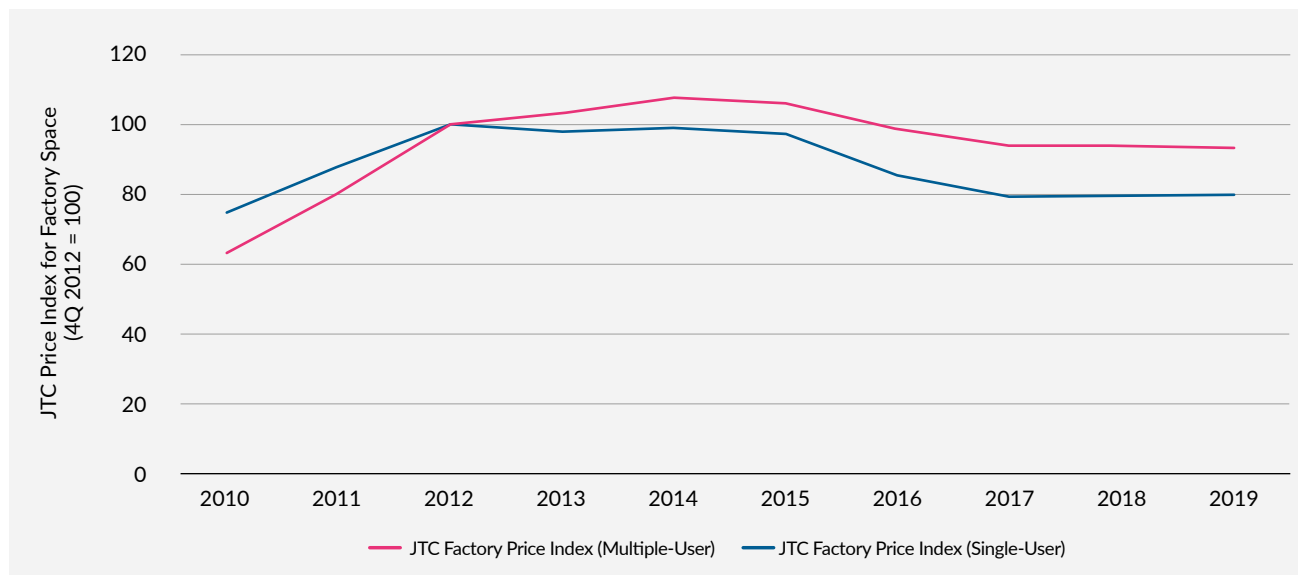
4.4 Prices

For the second consecutive year, JTC's price index for single-user factory space strengthened marginally by 0.3% y-o-y in 2019, comparable to the 0.4% y-o-y rise in 2018. Over the same period, the number of caveats lodged¹ for single-user factories rose slightly from 104 caveats in 2018 to 109 caveats in 2019.

Similarly, the number of caveats lodged for multiple-user factory premises rose from 929 caveats in 2018 to 1,023 caveats in 2019. However, JTC's price index for multiple-user factory space contracted for the fifth straight year in 2019, by 0.6% y-o-y in 2019. This was a slightly faster pace of decline from the 0.2% y-o-y contraction in 2018, reflecting the continued price sensitivity of buyers.

According to J-Space, the median price² for single-user factory stood at S\$209 per sq ft (based on land area) as at 4Q 2019, while the median price for multiple-user factory space stood at S\$389 per sq ft (based on strata area). These were lower than the respective median prices of S\$262 and S\$408 per sq ft for single-user and multiple-user factory space as at 4Q 2018. Note, however, that median prices are dependent on the number and type of transactions during the period of analysis. This in turn depends on factors such as the floor level and size of the unit, remaining tenure, as well as the location, age and specifications of the factory development.

Figure 12. JTC Price Indices for Factory Space (2010 to 2019)



Source: JTC, JLL Research

¹ Based on caveat records downloaded from JTC's J-Space on 20 February 2020.

² Based on median prices downloaded from JTC's J-Space on 20 February 2020.

INDEPENDENT MARKET REVIEW

4.5 Major Investment Sales

Based on information collated by JLL Research as of 16 January 2020, there were an estimated S\$2.1 billion worth of private factory investment deals (excluding development sites) worth at least S\$5.0 million apiece in 2019. This was higher than the S\$1.3 billion accumulated in 2018.

The largest deal in 2019 involved Solar firm REC's sale-and-leaseback of its integrated solar panel manufacturing facility at 20 Tuas South Avenue 14 to LOGOS Property for S\$585.0 million.

Examples of major private factory investment sales in 2019 which are based on available market information/transaction records are provided in the following table.

Figure 13. Examples of Major* Private Factory Transactions in 2019

Quarter Sold	Name of Development	Location	Sale Price (S\$ million)	Approximate Land Area (sq ft)	Tenure
1Q	N.A.	20 Tuas South Avenue 14	585.0	2,720,395	30+30 Yrs From 22/06/2008
1Q	N.A.	29 Tuas Bay Drive	46.7	194,676	60 Yrs From 02/05/2007
1Q	N.A.	3 Mandai Link	32.0	69,244	30+30 Yrs From 17/05/2007
1Q	Loyang Industrial Estate	72 Loyang Way	34.1	291,598	19 Yrs From 21/03/2019
2Q	BBS Building	10 Tannery Lane	35.0	N.A.	Freehold
2Q	N.A.	51 Lorong 21 Geylang	21.0	15,360	Freehold
3Q	SKP Industrial Building II	8 Loyang Way 1	27.0	105,142	30+26 Yrs From 16/07/1996
3Q	N.A. (former IBM Singapore Technology Park)	6 Tampines Industrial Avenue 5	77.4	350,882	30+30 Yrs From 10/05/2009
4Q	N.A.	13 Benoi Sector	24.0	315,609	30 Yrs From 01/10/2011
4Q	Octopus Building	361 Ubi Road 3	30.5	49,126	30+30 Yrs From 01/02/1997
4Q	N.A.	7 Mandai Estate	42.0	41,183	Freehold
4Q	Luxasia Building	12 Tai Seng Street	66.4	85,573	30+30 Yrs From 26/06/2007
4Q	N.A.	6 Kim Chuan Drive	51.0	33,110	Freehold

* Refers to transactions worth at least S\$20.0 million each.

N.A. denotes "Not Available".

Source: JTC, REALIS, RCA, JLL Research (as of 16 January 2020)

INDEPENDENT MARKET REVIEW

4.6 Market Outlook for 2020

Some 7.1 million sq ft of new private factory space is expected to come onstream in 2020, significantly higher than 2019's net space addition of 2.3 million sq ft. However, any oversupply risk is expected to be limited as the majority or 79.4% are expected to be from single-user factory developments meant mostly for self-use.

On the demand front, ongoing efforts to transform Singapore's economy through the implementation of the various ITMs and to encourage manufacturers to embrace industry 4.0 initiatives, alongside the government's continued push to move Singapore's manufacturing sector towards higher value-adding and value-creating activities such as research and development and advanced manufacturing, should help to provide a demand base for higher specification factory developments going forward.

Notwithstanding, disruptions to global supply chains arising from the lockdown of cities in China to contain the COVID-19 outbreak will impact manufacturing activities dependent on raw materials or components from China. This would alter production output, dent business sentiments and weigh down on occupier demand in 2020. The extent of the impact on Singapore's manufacturing industry will depend on how long the COVID-19 crisis drags on and how quickly businesses and global economies can rebound thereafter.

That said, Singapore's strategy of economic diversification should help to mitigate some of this impact as companies have been encouraged to diversify and not be overly reliant on any particular products or markets for many years.¹

Taking cognizance of the above, we expect some downward pressure on the average occupancy rate for private factory space in 2020. Rents and prices could also face downside risks in the wake of the macroeconomic headwinds in 2020 and risk of a prolonged battle against COVID-19.

5. SINGAPORE PRIVATE WAREHOUSE MARKET OVERVIEW

5.1 Existing Supply, Demand and Occupancy

Singapore's islandwide stock of private warehouse space stood at around 115.4 million sq ft as at end 2019. This accounted for 97.7% of the total islandwide warehouse stock of about 118.2 million sq ft, with the public sector accounting for the remaining 2.8 million sq ft or 2.3%.

Compared to end-2018, the islandwide private warehouse stock had grown by 2.6% y-o-y or a net increase of 2.9 million sq ft in 2019. This was higher than 2018's net new supply of 0.8 million sq ft but less than the average net new supply of 4.2 million sq ft per annum for the preceding 10 years from 2009 to 2018.

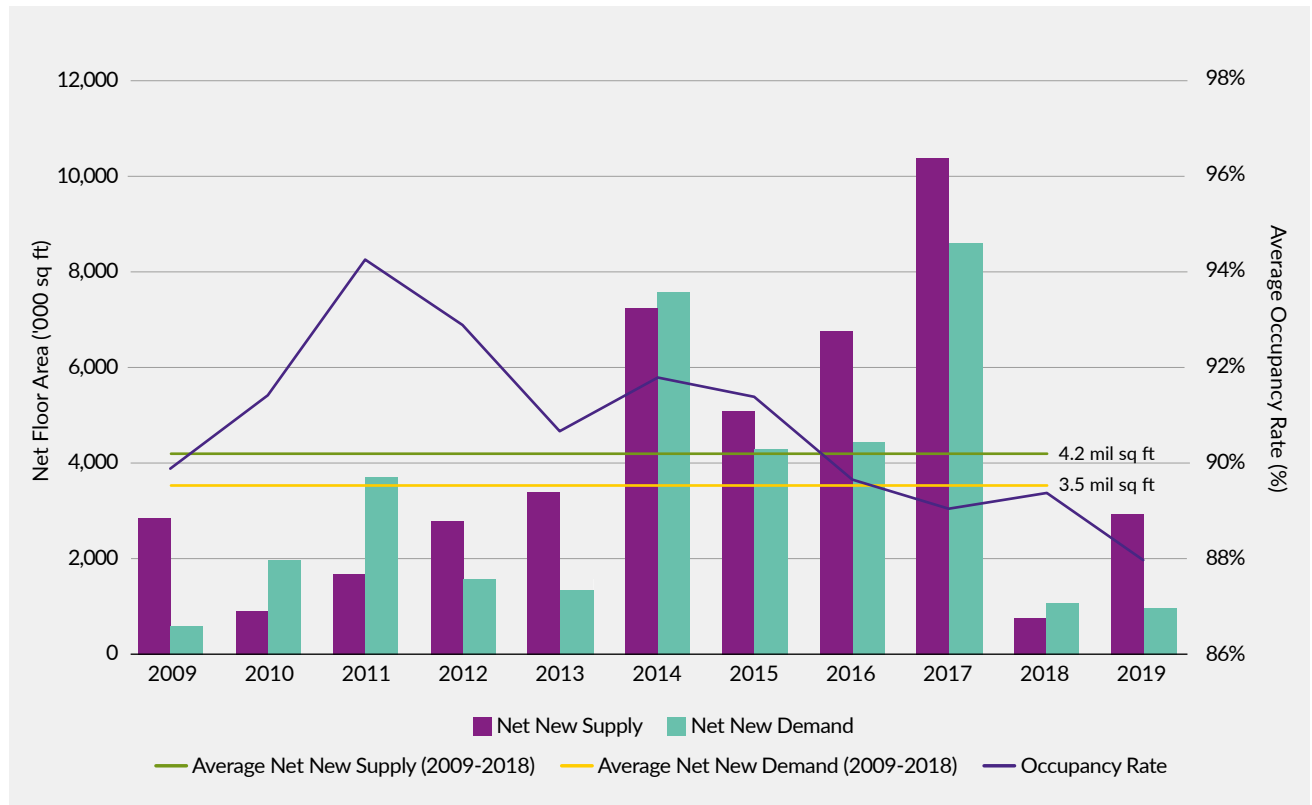
However, 2019's net new demand of about 1.0 million sq ft was lower than 2018's net absorption of around 1.1 million sq ft and 72.6% below the average net new demand of 3.5 million sq ft per annum from 2009 to 2018. This corresponded with the slowdown in leasing records from 1,671 in 2018 to 1,656 in 2019.

As net new supply exceeded net new demand in 2019, the average occupancy rate thus fell from 89.4% as at end-2018 to 88.0% as at end-2019.

¹ Source: CNBC, "There's a 'very good lesson' from the coronavirus outbreak, says Singapore's trade minister", published on 4 February 2020.

INDEPENDENT MARKET REVIEW

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



Source: JTC, JLL Research

Figure 15. Examples of Major* Private Warehouse Completions in 2019

Name of Development	Location	Planning Region	Name of Developer	Approximate Gross Floor Area (sq ft)
Warehouse development	10 Sunview Road	West	Bollere Logistics Singapore Pte Ltd	539,272
Warehouse development	20 Alps Avenue	East	Schenker Singapore (Pte) Ltd	553,588
Radha Exports Building	118 Pioneer Road	West	Radha Exports Pte Ltd	379,751
Additions/alterations to existing single-user factory (warehouse component)	80 Tuas South Boulevard	West	Sembcorp Marine Integrated Yard Pte Ltd	253,921
Additions/alterations to existing single-user industrial development (Phase 1)	12 Seletar Aerospace Crescent	Northeast	Airbus Singapore Pte Ltd	167,594

* Refers to developments with approximate gross floor area of at least 150,000 sq ft

Source: JTC, JLL Research

INDEPENDENT MARKET REVIEW

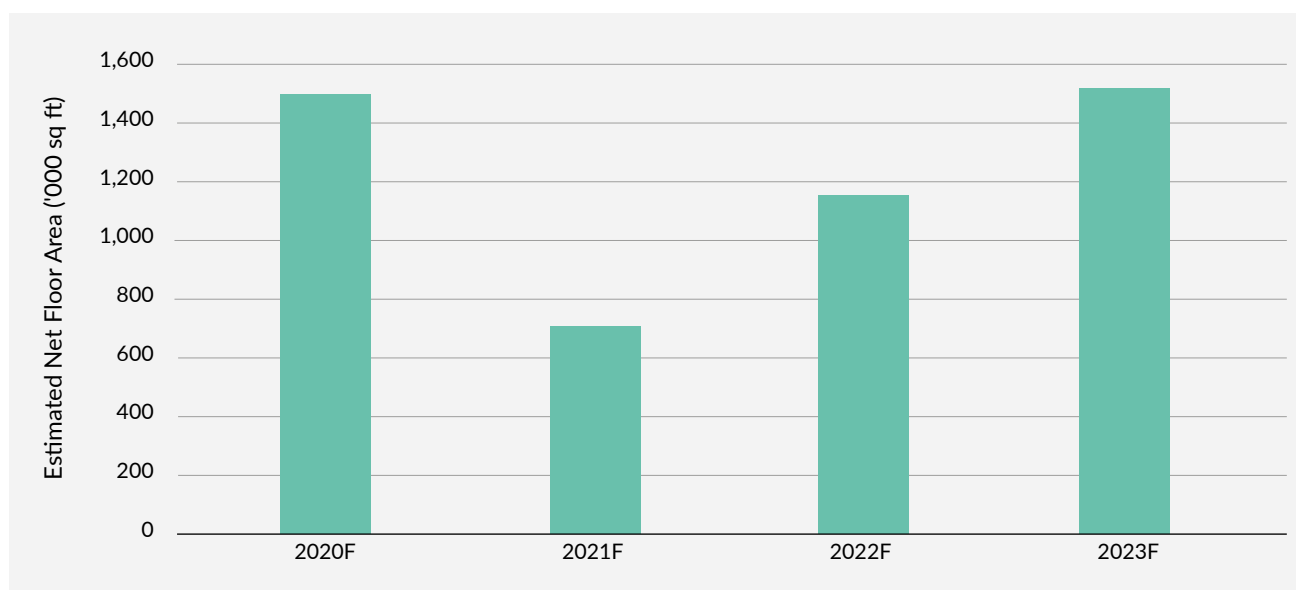
5.2 Potential Supply

An estimated 4.9 million sq ft (net floor area) of new private warehouse space is foreseen to be completed from 2020 to 2023, based on JTC's latest project pipeline and available information as at 4Q 2019. This is dominated by private single-user warehouse developments meant mainly for self-use, which accounted for an estimated 60.2% of the total pipeline supply. Multiple-user warehouse space constituted the remaining estimated 39.8% of upcoming private warehouse space completions.

Around 1.5 million sq ft of the potential new warehouse space is expected to be ready in 2020. This is expected to fall to 0.7 million sq ft in 2021, before rising over the two years to about 1.2 million sq ft and 1.5 million sq ft in 2022 and 2023, respectively.

On average, the total upcoming private warehouse supply of 4.9 million sq ft from 2020 to 2023, translates to around 1.2 million sq ft per annum. This is substantially 76.4% less than the average annual net new supply of about 5.2 million sq ft for the four years from 2016 to 2019, and 70.6% below the average annual net new supply of around 4.2 million sq ft for the 10 years from 2010 to 2019. Assuming the completion of all pipeline supply and no stock withdrawals, this will expand the islandwide stock of private warehouse space as at 4Q 2019 by 4.2%, to about 120.3 million sq ft by end-2023.

Figure 16. Potential Supply of Private Warehouse Space (2020 to 2023)



Source: JTC, JLL Research

INDEPENDENT MARKET REVIEW

Figure 17. Examples of Major* Upcoming Private Warehouse Developments in 2020

Name of Development	Location	Planning Region	Name of Developer	Approximate Gross Floor Area (sq ft)
Single-user industrial development (warehouse component)	5 Tuas Avenue 5	West	Hup Hin Property (S) Pte Ltd	190,414
Cogent Jurong Island Logistics Hub (Phase 1B)	15 Tembusu Crescent	West	S H Cogent Logistics Pte Ltd	925,804
Single-user industrial development (warehouse component)	Senoko Drive/Senoko Road	North	Tee Yih Jia Food Manufacturing Pte Ltd	217,108

*Refers to developments with approximate gross floor area of at least 150,000 sq ft.

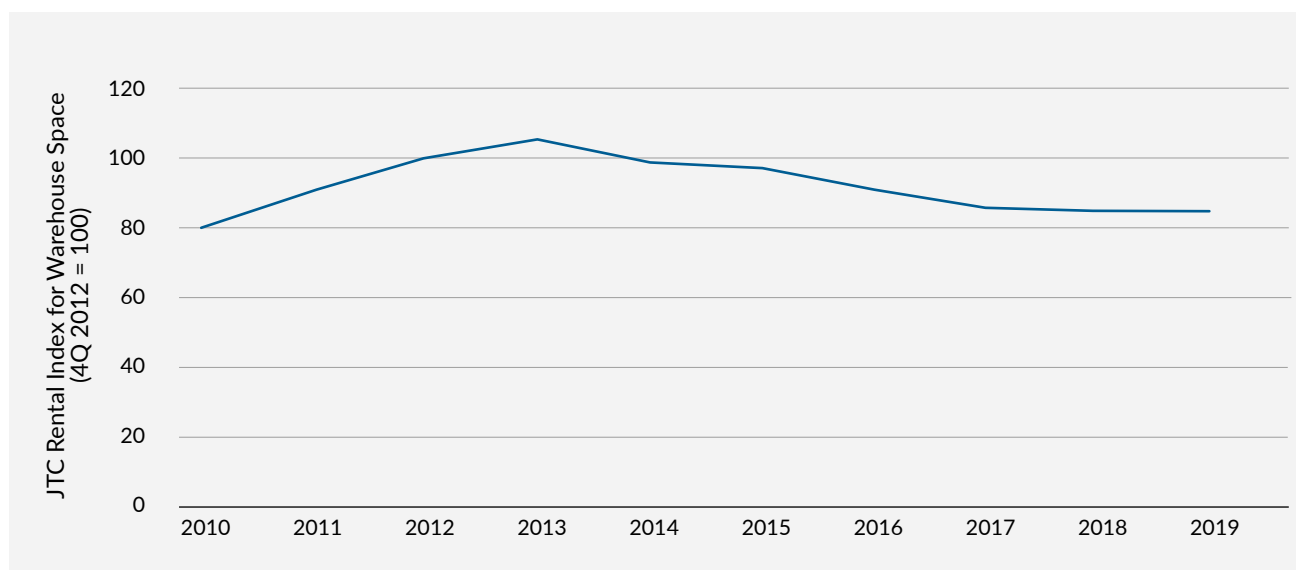
Source: JTC, JLL Research

5.3 Rents

JTC's warehouse rental index which is based on transactions of private warehouses, contracted by 0.2% y-o-y in 2019, compared to the 0.9% y-o-y drop in 2018. By and large, tenants had remained rent sensitive throughout 2019 given the ongoing U.S.-China trade war concerns and slowing manufacturing sector growth. Landlords, too, have kept rents competitive. Overall, the rate of decline in JTC's warehouse rental index in 2019 is the smallest since the index headed south in 2014.

As at 4Q 2019, the median rent for warehouse space from JTC's J-Space stood at S\$1.80 per sq ft per month, which was lower than the S\$1.85 per sq ft per month recorded as at 4Q 2018. However, note that median rents are dependent on the number and type of transactions during the period of analysis. This in turn depends on factors such as the floor level and size of the unit leased, as well as the location, age and specifications of the warehouses.

Figure 18. JTC Rental Index for Warehouse Space (2010 to 2019)



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

Source: JTC, JLL Research

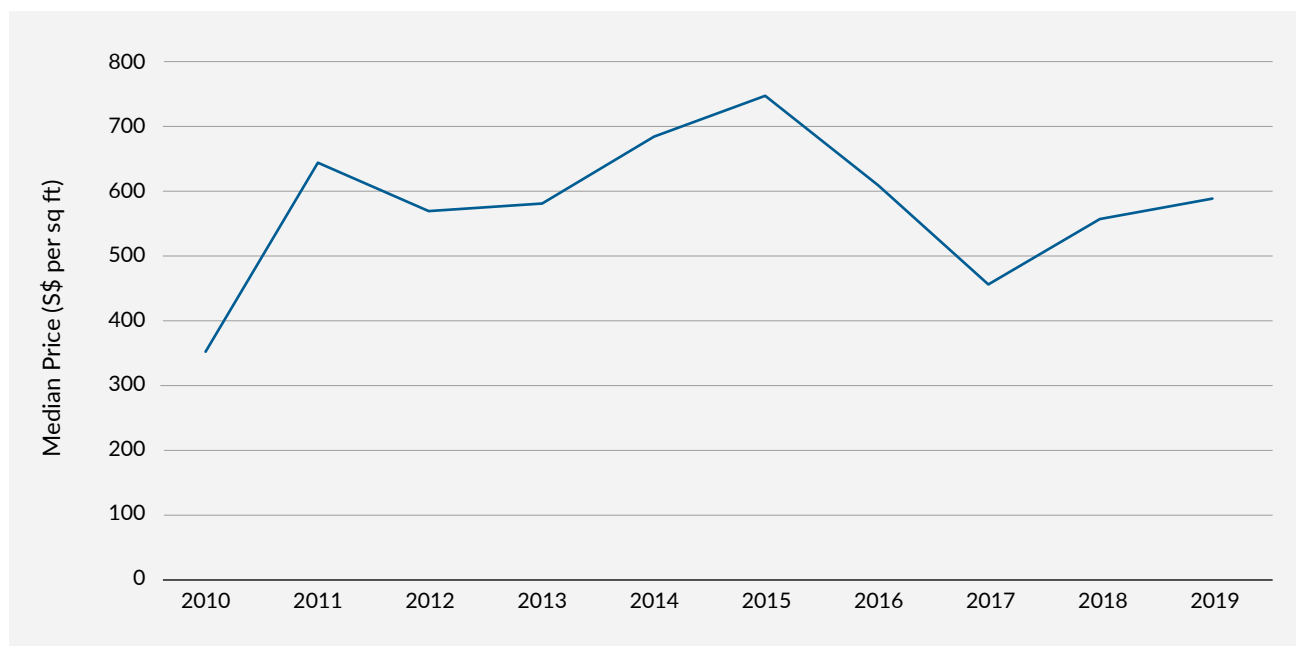
INDEPENDENT MARKET REVIEW

5.4 Prices

Due to insufficient transactions to compile an index that is reflective of the warehouse market, JTC has not published the warehouse price index since 4Q 2014. Based on median prices of warehouses downloaded from JTC's J-Space on 20 February 2020, the median price for warehouses stood at S\$588 per sq ft (based on strata area) as at 4Q 2019, up 5.6% y-o-y. Compared to the 58 caveat records for strata-titled warehouse space in 2018, there was a slight increase to 63 records in 2019.

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

Figure 19. Median Prices* of Warehouse Space (2010 to 2019)



* Based on strata area
Source: JTC, JLL Research

5.5 Major Investment Sales

Based on information collated by JLL Research as of 16 January 2020, an estimated S\$0.6 billion worth of private warehouses (excluding development sites) worth at least S\$5.0 million each changed hands in 2019, of which 91.2% was contributed by three mega deals of more than S\$100 million apiece, namely 121 Banyan Drive (S\$277.5 million), StorHub portfolio sale comprising 11 self-storage properties in Singapore and one in Shanghai (S\$185.0 million) and a 49.0% stake in Poh Tiong Choon Logistics Hub (S\$110.3 million). Compared to the S\$1.1 billion amassed in 2018, the S\$0.6 billion collected in 2019 was 46.3% lower.

Examples of major private warehouse investment sales in 2019, which are based on available market information/transaction records, are provided in the following table.

INDEPENDENT MARKET REVIEW

Figure 20. Examples of Major* Private Warehouse Transactions in 2019

Quarter Sold	Name of Development	Location	Sale Price (\$ mil)	Approximate Land Area (sq ft)	Tenure
1Q	N.A.	121 Banyan Drive	\$227.5	464,377	30 Yrs From 08/09/2011 29 Yrs 8 months and 9 days From 30/12/2011
2Q	StorHub (100.0% interest in a group of companies having interests in a portfolio of 11 self-storage properties in Singapore and 1 in Shanghai)	N.A.	\$185.0**	N.A.	N.A.
3Q	Poh Tiong Choon Logistics Hub (49.0% stake)	48 Pandan Road	\$110.3	437,436	24 Yrs 4 Mths From 01/07/2019

* Refers to transactions worth at least S\$20.0 million each.

** Price is inclusive of the Shanghai property as there is no further breakdown available.

N.A. denotes "Not Available".

Source: JTC, REALIS, RCA, JLL Research (as of 16 January 2020)

5.6 Market Outlook for 2020

New completions will slow down substantially in 2020. The 1.5 million sq ft of new private warehouse space in 2020's supply pipeline is less than the net space addition of 2.9 million sq ft in 2019. At the same time, 96.5% of this pipeline supply in 2020 are expected to be from single-user warehouse developments that are predominantly for self-use.

On the demand front, the logistics/warehouse segment should benefit from the consolidation of Singapore's ports at the upcoming Tuas Mega Port, which is slated to open progressively from 2021. The government's push for more manufacturers to adopt Industry 4.0 practices such as automation and the Internet of Things (IoT), and to move manufacturing activities towards higher value-adding and value-creating activities such as specialty chemicals, Research & Development (R&D) and additive manufacturing (e.g. 3D printing) should underpin the demand for better quality and higher specification logistics/warehouse premises as well as specialised logistics/warehouse facilities like cold rooms and chemical warehouses.

Notwithstanding, the disruptions to global supply chains following the halting of manufacturing activities, lockdown of cities in China and flight restrictions as measures to combat the COVID-19 outbreak are expected to affect Singapore's economic outlook for 2020 and dampen sentiments in Singapore's private warehouse market in 2020. However, Singapore's strategy of economic diversification, the Government's commitment to help affected businesses and industries ride out the COVID-19 crisis alongside the continued implementation of plans to transform the Singapore economy could help to mitigate the anticipated adverse impact.

On balance, there is little impetus for rent growth in the near term given the challenging macroeconomic environment with occupiers expected to be more rent sensitive. Landlords are also likely to keep rents competitive and be more negotiable to attract or retain tenants, which could weigh down on rents in 2020.

Disclaimer

All information contained in this report is based on market intelligence collected by JLL and through third parties. Third party information has not been verified by JLL and consequently no responsibility on the part of JLL is accepted. All information is given in good faith and for the client's consumption only. JLL shall not accept any liability for any reliance placed upon this report by any party. Forecasts where provided, are estimates and opinions of future trends and since future events and their impact cannot be clearly foreseen, JLL does not warrant the accuracy of any forecast.

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SUSTAINABILITY REPORT

BOARD STATEMENT ON SUSTAINABILITY

Sustainability is increasingly becoming a priority as we witness how global megatrends are changing and shaping expectations of society. In the same vein, Singapore's real estate sector and investor community are increasingly placing more emphasis on environmental, social and governance ("ESG") matters. In this context, sustainability is significant to our organisation and continues to be an important part of our organisational strategy.

We are pleased to present Sabana REIT's third sustainability report as we continue our sustainability journey and incorporate considerations for ethics and social responsibility into our business and investment decisions to enhance our portfolio's ESG performance.

In FY 2019, we:

- Reduced our total greenhouse gas ("GHG") emissions by 3.3% and water consumption by 6.8% compared to FY 2018;
- Had zero non-compliant incidents resulting in significant fines, legal actions or confirmed cases of corruption;
- Had zero reported discrimination cases;
- Increased our average training hours per employee by 4.3 hours compared to 2018; and
- Had zero fatalities or incidents of non-compliance concerning health and safety impacts.

This year the Board oversaw the embarkment of further initiatives to strengthen the governance, monitoring and management of our ESG risks and opportunities. During the year we:

- Re-assessed the materiality of our identified ESG topics, and confirmed our commitment to the previously identified eight topics, adequately representing the materiality to Sabana REIT;
- Solidified the operations of the Sustainability Working Committee ("SWC") to enhance the Board's oversight of sustainability issues;
- Continued to explore ways to improve the resource efficiency of our properties;
- Solicited our tenants' feedback on the service we provide via a survey; and
- Proactively oversaw and managed health and safety risk exposure across our employees, tenants and contractors.

Our focus in FY 2020 will be to continue driving our sustainability performance through our SWC. We will also continue to embed practices of good governance within our business to ensure our employees understand the importance of our responsibility in building a positive influence on society.

We look forward to continuing to share our progress and receiving your feedback along our sustainability journey with you.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This marks the first version of our Sustainability Report that is included within our Annual Report. This report has been prepared in accordance with the sustainability reporting requirements of the SGX-ST Listing Rules 711A and 711B and the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards"): Core option.

GRI's Reporting Principles were also applied in guiding the development of our report content.

This sustainability report presents detailed information on our sustainable development performance and management during the period of 1 January 2019 to 31 December 2019. The report defines our targets for each of our material ESG topics for the forthcoming year.

The scope of the report covers:

- Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT");
- Sabana Real Estate Investment Management Pte. Ltd. (the "Manager");
- Sabana Property Management Pte. Ltd. (the "Property Manager"); and
- Sabana REIT's entire property portfolio.

The headquarters and all of our operations and properties are located in Singapore.

For performance related to energy, GHG emissions and water, the data disclosed covers nine multi-tenanted properties where Sabana REIT has operational control. Employee-related performance data disclosed in this report covers the employees of the Manager and the Property Manager.

All information and data in this report is disclosed in good faith. We will continue to publish our sustainability report annually, which will be accessible via our website. We welcome feedback from our stakeholders as we continuously improve our sustainability performance and reporting.

Feedback on this report and any of the issues covered can be directed to enquiry@sabana.com.sg.

SUSTAINABILITY REPORT

HOW WE MANAGE SUSTAINABILITY

SUSTAINABILITY APPROACH

Our approach to sustainability is built upon considerations for ethics and social responsibility in our investment and business decisions, as well as our commitment to our key stakeholders. Sustainability is driven as a strategic priority for generating real value for our stakeholders, through solid governance and sound management of our identified material ESG topics.

As a real estate owner, we are constantly mindful of the long-lasting impacts that our assets can have on the environment. We aim to improve the environmental sustainability of our assets to safeguard our operational performance and reduce our environmental footprint.



SUSTAINABILITY GOVERNANCE

Our Board of Directors (the “Board”) determines the direction of Sabana REIT’s sustainability agenda and oversees the management of our sustainability performance. The SWC was appointed by the Board to support its efforts in governing sustainability-related matters.

The SWC is led by the Manager’s Chief Executive Officer (“CEO”). Comprising of key representatives from our Asset Management, Property Management, Compliance, Human Resources (“HR”) and Investor Relation teams.

The SWC is responsible for implementing Sabana REIT’s sustainability agenda, identifying our material ESG risks and opportunities, developing corresponding action plans, monitoring and reporting Sabana REIT’s ESG performance and setting ESG targets. The SWC reports Sabana REIT’s sustainability progress to the Board on a regular basis.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

We are committed to understanding and safeguarding our stakeholders' interests. To do so, we maintain transparent and effective two-way communication with our stakeholders on their concerns and expectations.

A summary of how we interact and communicate with our stakeholders is outlined below:

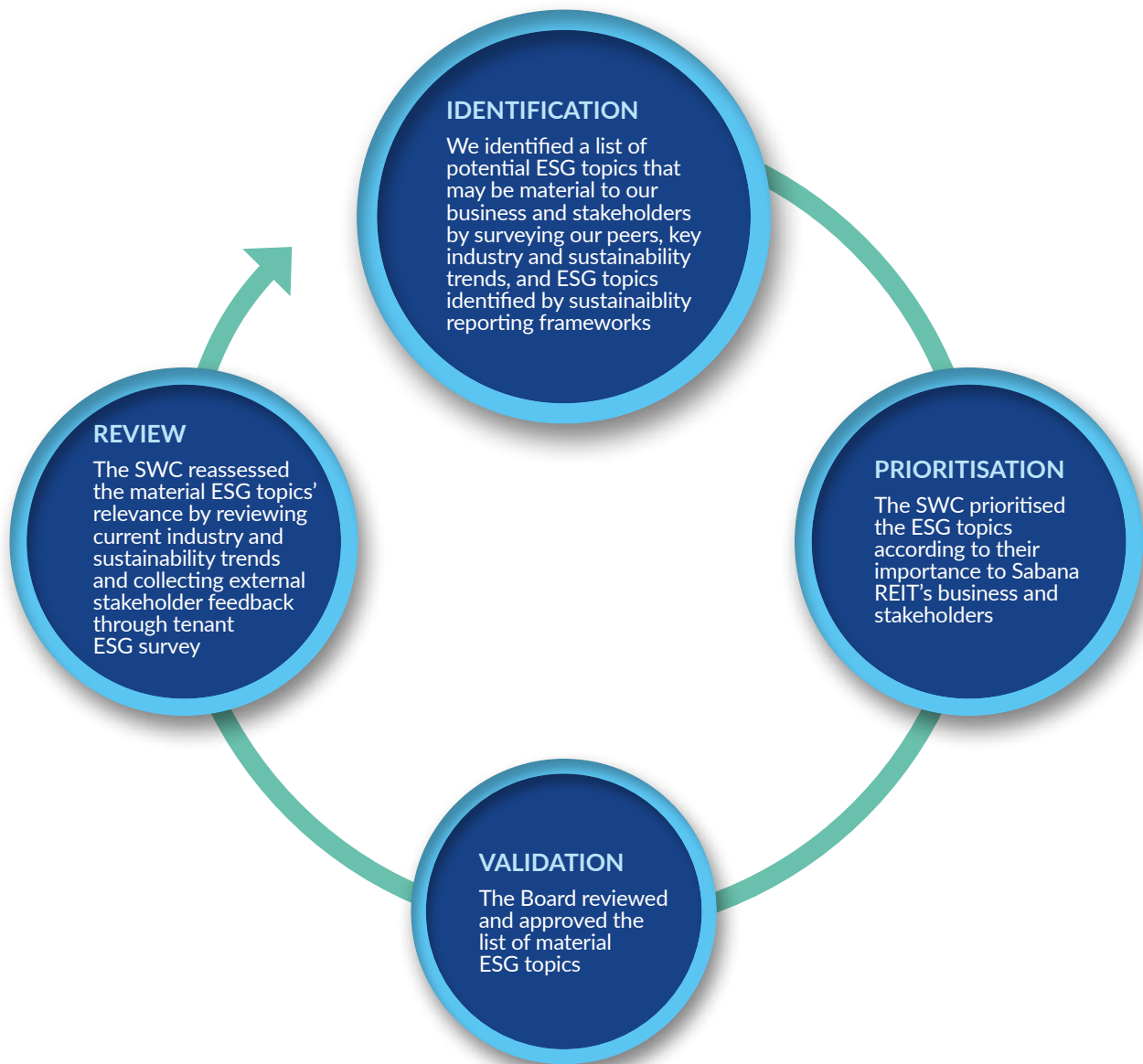
Key Stakeholders	Key Issues of Concern	Engagement Methods	Engagement Frequency
Investment Community (including Unitholders, Fund Managers, Buy and Sell-side Analysts, as well as Media)	<ul style="list-style-type: none"> Financial performance Business outlook Good governance 	<ul style="list-style-type: none"> Financial results briefings with analysts and the media Annual General Meeting Asset valuation reports Updates and announcements via our corporate website and SGXNet Investor conferences Face-to-face investor meetings Non-deal roadshows 	<ul style="list-style-type: none"> Quarterly Annually Bi-annually Throughout the year Throughout the year Throughout the year
Tenants	<ul style="list-style-type: none"> Tenants' satisfaction Quality of facilities and services Health and safety 	<ul style="list-style-type: none"> Tenant engagement events Tenant satisfaction survey 	<ul style="list-style-type: none"> Throughout the year Annually Throughout the year
Employees	<ul style="list-style-type: none"> Career development Health and safety Equal opportunity and inclusion 	<ul style="list-style-type: none"> Performance appraisal Training and development programmes Team meetings Team bonding activities 	<ul style="list-style-type: none"> Annually Throughout the year Throughout the year Throughout the year
Business Partners (including suppliers/service providers)	<ul style="list-style-type: none"> Health and safety Business performance 	<ul style="list-style-type: none"> On-boarding risk assessment for contractors Face-to-face meetings Ad-hoc site visits 	<ul style="list-style-type: none"> Throughout the year Throughout the year Throughout the year
Government and Regulatory bodies	<ul style="list-style-type: none"> Regulatory compliance Good governance 	<ul style="list-style-type: none"> Face-to-face meetings Site inspections 	<ul style="list-style-type: none"> Throughout the year Throughout the year
Community	<ul style="list-style-type: none"> Community investments Impact of business on the environment and society 	<ul style="list-style-type: none"> Corporate Social Responsibility ("CSR") activities Donations to charitable organisations 	<ul style="list-style-type: none"> Throughout the year Throughout the year

In addition to engaging our stakeholders, we also participate in professional associations. The Manager is a member of the REIT Association of Singapore (REITAS) and Singapore Business Federation to contribute to the development of our industry.

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

In 2016, we conducted a formal materiality assessment to determine ESG topics that are material to our business and stakeholders, which is in line with the GRI Standards for sustainability reporting and AA1000 Accountability Principles. Our four-step approach involved identification, prioritisation, validation, and review of our material issues, as illustrated below:



In 2019, we reviewed the eight material ESG topics that were previously identified and concluded that the same material ESG topics remain pertinent to our business operations and stakeholders' interests. These ESG topics were approved by the Board. We will continue to review and evaluate our material ESG topics annually.

SUSTAINABILITY REPORT

MATERIAL ESG TOPICS

The table below describes each of our material ESG topics, where significant impacts for each material ESG topic occur, and how we have caused or contributed to the impacts through our business conduct. Boundaries of the material ESG topics are identified along our value chain, which comprises tenants, vendors and contractors, down to the local communities we operate in. Each material ESG topic's impact is assessed specifically according to where it occurs in our value chain and how we are involved with these impacts.

Level of Materiality	Material ESG Topics	Materiality to Sabana REIT	Material ESG Topic Boundaries	Corresponding Topic-specific GRI Standards
Top-tier material ESG topics (with high internal and external relevance)	Economic growth ¹	Maintaining a profitable portfolio is how we create value for all our stakeholders. Hence, it is critical to ensure the growth of our economic performance.	The manner of which we conduct business directly impacts our own operations and performance.	<ul style="list-style-type: none"> GRI 201: Economic Performance 2016
	Good governance, Business ethics & anti-corruption and Regulatory compliance	Sound corporate governance is essential to sustaining our business operations and performance. The key to establishing a sound corporate governance is upholding a high level of corporate integrity, to eliminate fraud and corruption and ensuring compliance with all applicable laws and regulations where any non-compliance could undermine our licence to operate.		<ul style="list-style-type: none"> GRI 205: Anti-corruption 2016 GRI 307: Environmental Compliance 2016 GRI 417: Marketing and Labelling 2016 GRI 419: Socioeconomic Compliance 2016
	Tenant satisfaction	A high level of tenant satisfaction translates into our success as a REIT and is key in sustaining our financial performance.	Our ability to create a satisfactory engagement experience with our tenants impacts the level of tenant satisfaction.	<ul style="list-style-type: none"> Not applicable (non-GRI topic)

¹ Please see Financial Highlights, page 13, and Financial Statements, pages 105-162 of our 2019 Annual Report for more details on our FY 2019 economic and financial performance.

SUSTAINABILITY REPORT

Level of Materiality	Material ESG Topics	Materiality to Sabana REIT	Material ESG Topic Boundaries	Corresponding Topic-specific GRI Standards
Second-tier material ESG topics (with medium to high internal and external relevance)	Fair employment practices & talent retention	Our employees are our greatest assets. We understand the need to attract, cultivate and retain talent with the right skill pool and experience for us to deliver value to our stakeholders.	The Manager's employment and workforce management practices directly affect its employees and operations.	<ul style="list-style-type: none"> • GRI 401: Employment 2016 • GRI 404: Training and Education 2016 • GRI 405: Diversity and Equal Opportunity 2016 • GRI 406: Non-discrimination 2016
	Health & safety	Ensuring health and safety at our properties is important to maintaining the value of our assets. We strive to provide a safe working environment for our employees, vendors and contractors, tenants and guests.	Health and safety impacts can occur in our own workplace, at the tenants' workplace and for vendors and contractors working at our properties. For the health and safety of our tenants, we ensure that our properties are well-maintained and that the health and safety equipment are properly located. For the health and safety of our vendors and contractors, we reward contracts to those who uphold good health and safety practices.	<ul style="list-style-type: none"> • GRI 403: Occupational Health and Safety 2016 • GRI 416: Customer Health and Safety 2016
	Energy efficiency & climate change	As a real estate owner, we are mindful of the long-lasting impact that our assets could have on the environment. We aim to improve the environmental sustainability of our assets to improve our operational performance as well as reduce our environmental footprint.	Both our own and our tenants' operations consume energy, emit GHG emissions and use water, thereby directly causing environmental impacts.	<ul style="list-style-type: none"> • GRI 302: Energy 2016 • GRI 305: Emissions 2016
	Water management (use and reduction)			<ul style="list-style-type: none"> • GRI 303: Water 2016
	Community impact	Sabana REIT strives to be a responsible corporate citizen and we understand our interdependence with the communities we operate in. We are committed to building lasting relationships.	The Manager strives to contribute to creating positive impacts in the local community by engaging and working with communities. We provide monetary donations to charitable organisations and participate in initiatives and events organised by non-profit or charitable organisations. We also look to drive shared value creation through our engagement with our neighbouring communities.	<ul style="list-style-type: none"> • GRI 413: Local Communities 2016

SUSTAINABILITY REPORT

OUR GOVERNANCE

We are committed to ensuring sound governance, acknowledging it as an important foundation from which sustainable growth can be cultivated. We accordingly ensure that our business encompasses an ethical culture, legitimacy, effective control and strong leadership.

BUSINESS ETHICS & ANTI-CORRUPTION

We adopt a zero-tolerance stance on fraud, corruption and other unethical behaviour and are committed to a high standard of compliance with accounting, financial reporting, internal controls, corporate governance and auditing requirements, as well as, any legislation that is relevant to our business.

Policies and Procedures	Guidance
Code of Best Practices on Securities Transactions	Guidance on how the Directors and employees of the Manager should trade the Units (shares, bonds, or commodities) that they hold.
Procedures on Conflict of Interest	Procedures established by the Manager to prevent and deal with potential conflicts of interest issues.
Procedures on Related Party Transactions	Procedures established to ensure that all Related Party Transactions will be undertaken on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties. All Related Party Transactions are subjected to regular periodic reviews by the AC ("Audit Committee").
Employee Handbook	Guidance on matters relating to appropriate behaviours, including how employees should conduct business and maintain all business relationships.
Whistle-blowing Policy	<p>Provision of an independently-monitored, confidential channel for employees, tenants and vendors to report on suspected fraud, corruption, dishonest practices or other similar matters relating to Sabana REIT or the Manager, without fear of retaliation, discrimination or adverse consequences. The whistle-blowing email is independently tested by the Company Secretary every quarter.</p> <p>The Policy also provides guidelines for independent investigation of any reports and appropriate follow-up action. All whistle-blowing reports will be directed to the Chairman of the AC.</p>

In FY 2019, no public legal cases regarding corruption and fraud were brought against Sabana REIT, the Manager and its employees, and there were no confirmed incidents of corruption or fraud.

Performance Measure	2017	2018	2019
Number of confirmed incidents of corruption or fraud.	0	0	0

2020 Target
Maintain zero confirmed incidents of corruption and fraud.

REGULATORY COMPLIANCE

Sabana REIT does not tolerate any wilful breaches of applicable laws and regulations. We have established internal policies and processes to minimise regulatory and compliance risk. Our enterprise-wide risk management (ERM) framework defines how risks, including regulatory and compliance risk, should be monitored, managed, mitigated or eliminated. All our employees are required to strictly adhere to policies outlined in the Employee Handbook.

We conduct ongoing screening and reviewing of relevant laws and regulations to ensure that we stay abreast of regulatory changes and developments. Our internal policies and standard operating procedures are also periodically reviewed to ensure that they comply with the latest laws and regulations.

In addition to these legal frameworks, Sabana REIT is managed in accordance with Shari'ah investment principles and procedures. In the event of Shari'ah principles conflicting with the laws, rules and regulations applicable to Sabana REIT, such laws, rules and regulations shall prevail.

SUSTAINABILITY REPORT

During FY 2019, we had zero non-compliance cases with relevant laws and regulations that resulted in significant fines or legal actions.

Performance Measure	2017	2018	2019
Number of non-compliant incidents with environmental laws and regulations that resulted in significant fines or legal actions.	0	0	0
Number of non-compliant incidents with laws and regulations in the social and economic areas that resulted in significant fines or legal actions.	0	0	0
Number of non-compliant incidents concerning marketing communications that resulted in significant fines or legal actions.	0	0	0

2020 Target

Maintain zero incidents of non-compliance with relevant laws and regulations that resulted in significant fines or legal actions.

OUR PEOPLE AND TENANTS

FAIR EMPLOYMENT PRACTICES & TALENT RETENTION

The Manager recognises the efforts and accomplishments of all our employees and hopes to encourage continued creativity and innovation through various initiatives and strategies. This year, the members of senior management and the Board rewarded employees for their hard work with a short overseas retreat, during which the Directors and CEO presented awards to staff with outstanding performances. Sabana REIT recognises the efforts and accomplishments of employees and we hope to continue to reinforce hard work and foster an environment that encourages continued creativity and innovation.

DIVERSITY AND EQUAL OPPORTUNITY

As at 31 December 2019, the Manager and Property Manager had 35 employees. Our entire workforce is made up of full-time, permanent employees that are based in Singapore. Our leadership ensures our workforce is gender-balanced, by creating a culture that embraces gender equality and diversity. Our current gender balance is 45.7% female and 54.3% male employees.

The Manager's HR department has established policies to ensure fair employment practices are upheld and that our workforce is managed effectively and fairly.

Our HR policies

- Recruitment Policy
- Employee Records Policy
- Salary Policy and Performance Review Policy
- Payroll Policy
- Training and Development Policy
- Cessation of Employment Policy
- Policy on Employee Insurance and Workmen Compensation

Employees with concerns regarding workplace discrimination are encouraged to bring these issues to the attention of their supervisors or utilise the whistle-blowing channel available without the fear of reprisal. Engaging in any discriminatory behaviour is subject to disciplinary action.

In FY 2019, there were zero validated cases of discrimination.

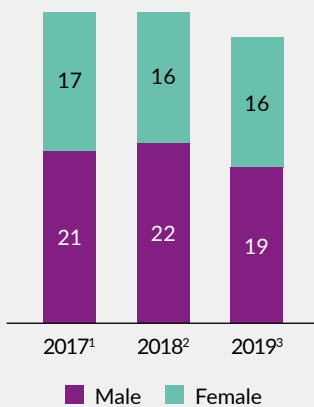
Performance Measure	2017	2018	2019
Number of validated incidents of discrimination.	0	0	0

SUSTAINABILITY REPORT

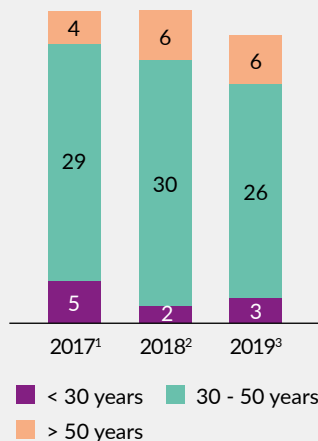
We maintain a relatively balanced gender distribution for our executive employee category, although our senior management consists of only one female executive. This is however an improvement from FY 2018, where we had no females in senior management. At the Board level we brought on one female Board Member during FY 2019, providing some diversity.

EMPLOYEE PROFILE

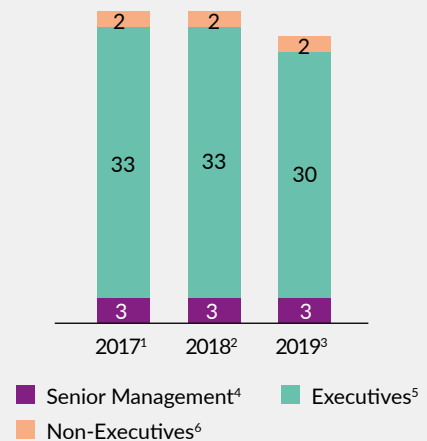
By Gender



By Age Group

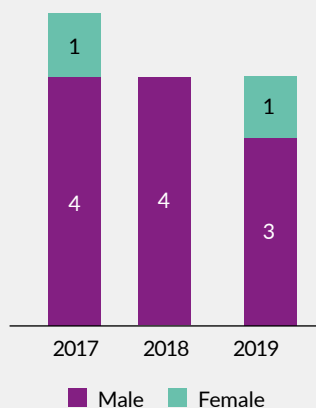


By Employee Category

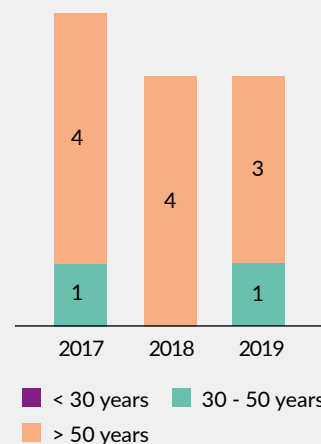


BOARD OF DIRECTORS PROFILE

By Gender



By Age Group



¹ All 2017 figures related to employees are as at 31 December 2017.

² All 2018 figures related to employees are as at 31 December 2018.

³ All 2019 figures related to employees are as at 31 December 2019.

⁴ Senior management consists of the Manager's CEO, Head of Investment and Asset Management and Senior Vice President, Finance.

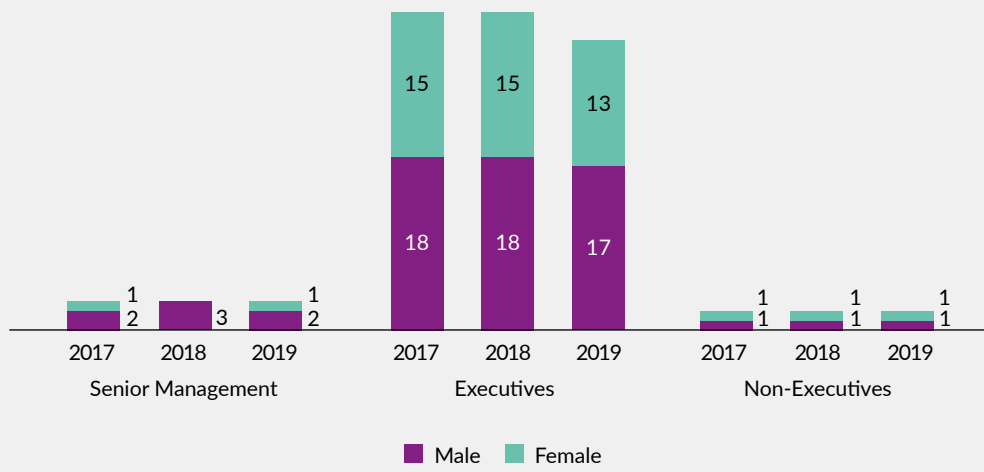
⁵ Executives refer to all other staff at the Manager and Property Manager.

⁶ Non-Executives consist of one technician and one pantry lady.

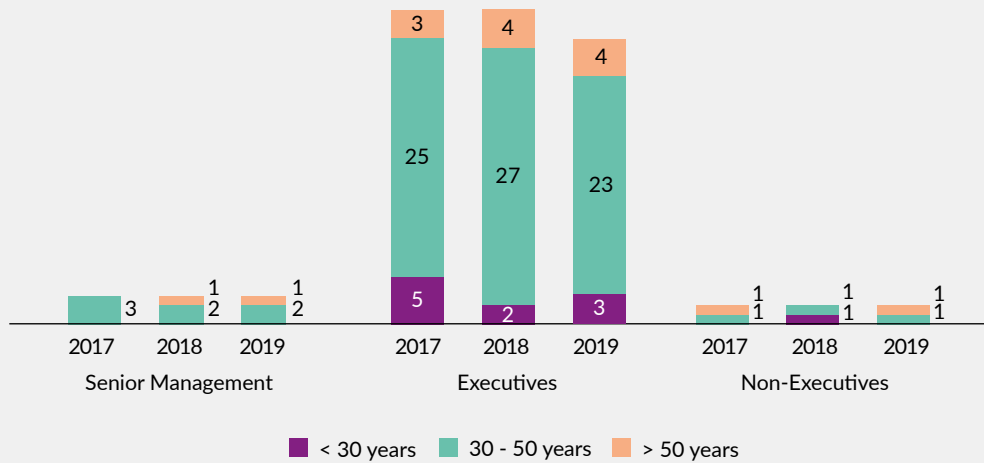
SUSTAINABILITY REPORT

In FY 2020, we will continue to strengthen the diversity within our governance body and organisation through broadening our recruitment methods. More specifically we will look to encourage employee referrals of suitable candidates, build stronger relationships with local universities that are shaping the next generation of the workforce and continue to use social media platforms to widen our recruitment reach.

Employee Diversity Per Employee Category – By Gender



Employee Diversity Per Employee Category – By Age Group



SUSTAINABILITY REPORT

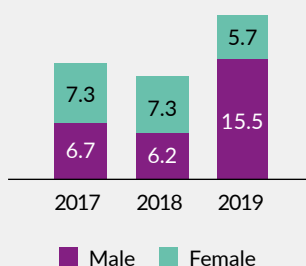
TRAINING AND DEVELOPMENT

Training and development initiatives are implemented to support our employees in pursuing continuous education and job-specific training. These initiatives entail educational assistance for formal qualifications and professional development through short courses. Each employee can take up to five days of study leave and up to three days of examination leave per calendar year. Employees' training and development needs are also discussed during their annual performance appraisal.

In FY 2019, each employee benefitted from an average of 11 hours of training, an increase of 4.3 hours on average per employee from FY 2018. We have however noted that the average number of hours completed by our female employees had decreased slightly in FY 2019. This was predominantly related to the turnover of female employees in positions with higher training requirements.

Training courses attended by our employees in FY 2019 included REIT management, risk management, water management and lease management focused training.

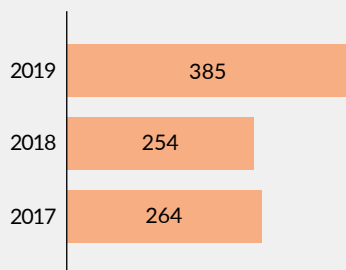
Average Training Hours
Per Employee Per Year – By Gender



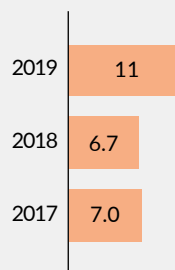
Average Training Hours
Per Employee Per Year –
By Employee Category



Total Training Hours
Completed



Average Training Hours
Per Employee per Year



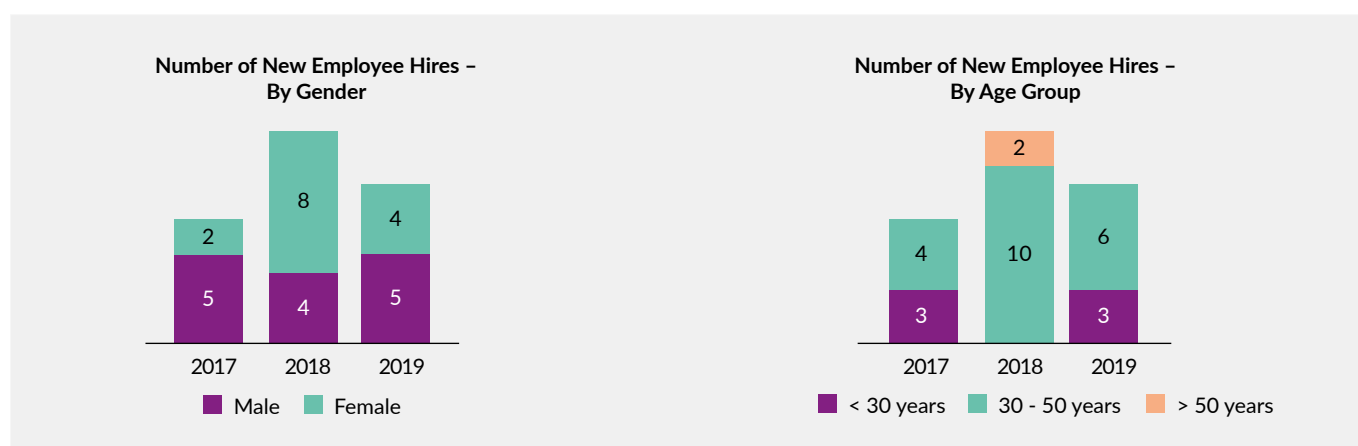
SUSTAINABILITY REPORT

EMPLOYEE ENGAGEMENT

Through our annual performance reviews and planning sessions, we actively engage our employees to understand their needs and expectations as well as to monitor their level of satisfaction. In FY 2019, excluding those under probation, 100.0% of our employees completed their annual performance review. Additionally, we held various team bonding events to encourage further engagement amongst employees and to ensure informal feedback channels between management and employees are established.

TALENT RETENTION

Welfare and career development are important factors in workplace satisfaction levels. We regularly monitor our hiring and turnover rate to assess our effectiveness in retaining talent. In FY 2019 we hired nine new employees, whereas 12 employees had left our business, translating to a turnover rate of 34.3%.



Annual Rate of New Employee Hires - By Gender¹

	2017	2018	2019
Male	23.8%	18.2%	26.3%
Female	11.8%	50.0%	25.0%

Annual Rate of New Employee Hires - By Age Group²

	2017	2018	2019
< 30 years old	60.0%	-	100%
30 - 50 years old	13.8%	33.3%	23.1%
> 50 years old	-	33.3%	0%
Annual Rate of New Employee Hires ³	18.4%	31.6%	25.7%

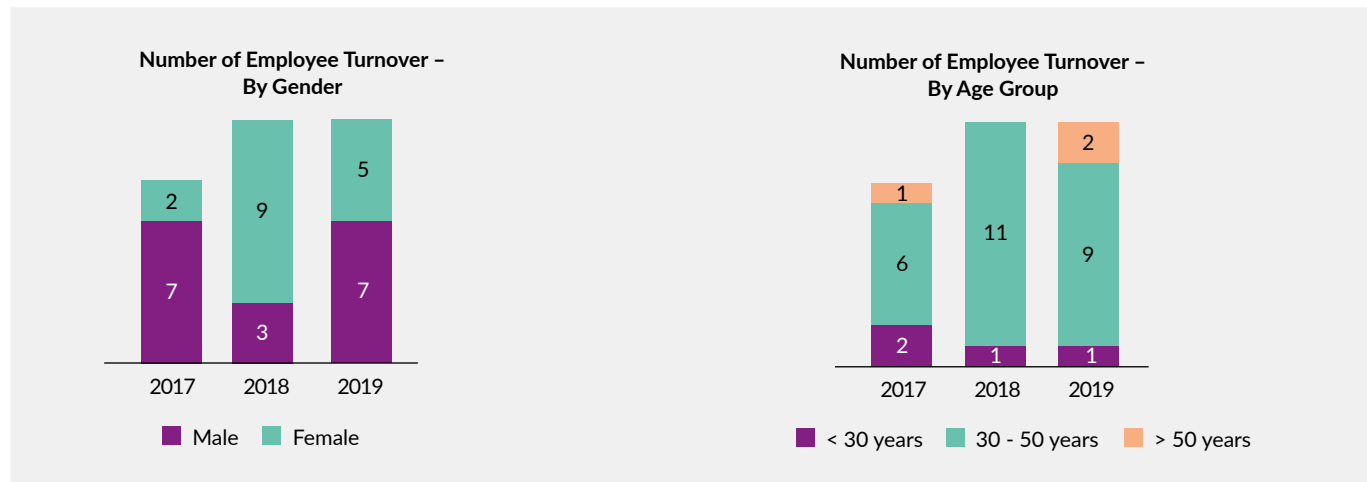
¹ Annual rate of new employee hires by gender = total number of male or female new employee hires / total number of male or female employees as at the last day of financial year.

² Annual rate of new employee hires by age group = total number of new employee hires of an age group / total number of employees of an age group as at the last day of financial year.

³ Annual rate of new employee hires = total number of new employee hires / total number of employees as at the last day of financial year.

SUSTAINABILITY REPORT

In addition to our efforts in ensuring inclusion in our workforce, encouraging training and development and engaging our employees, we have also acknowledged our employees' service and dedication to the organisation, through results-based bonuses for performing employees.



Annual Rate of Employee Turnover - By Gender¹

	2017	2018	2019
Male	33.3%	13.7%	36.8%
Female	11.8%	56.3%	31.3%

Annual Rate of Employee Turnover - By Age Group²

	2017	2018	2019
< 30 years old	40.0%	50.0%	33.3%
30 - 50 years old	20.7%	36.7%	34.6%
> 50 years old	25.0%	–	33.3%
Annual Rate of Employee Turnover ³	23.7%	31.6%	34.3%

2020 Target

- Ensure employees receive on average 10 hours of training during the year.
- Maintain zero cases of validated discrimination cases.
- Continue to deploy fair employment practices by ensuring our hiring processes remains stringent and offers equal opportunity to all potential candidates.

¹ Annual rate of employee turnover by gender = total number of male or female employee turnover / total number of male or female employees as at the last day of financial year.

² Annual rate of employee turnover by age group = total number of employee turnover of an age group / total number of employees of an age group as at the last day of financial year.

³ Annual rate of employee turnover = total number of employee turnover / total number of employees as at the last day of financial year.

SUSTAINABILITY REPORT

TENANT SATISFACTION

Tenant satisfaction drives our success as a REIT. We have established an ongoing communication mechanism with our clients through monthly site visits and annual tenant satisfaction surveys. In FY 2019, our updated tenant satisfaction survey focused on three main aspects, including building management and maintenance, finance and leasing and marketing services.

The results of the tenant survey revealed a higher rate of engagement, as 83.0% of our tenants responded to the survey in FY 2019 as opposed to 79.0% in FY 2018. The average satisfaction score across our properties achieved in FY 2019 was 76.7%, ensuring we remained above our target of 70.0%.

Performance Measure	2018	2019
Number of tenants engaged via annual tenant satisfaction survey.	77	80
Average tenant satisfaction scores across our properties.	75.8%	76.7%

2020 Target

Achieve at least 70.0% average tenant satisfaction scores across our properties.

HEALTH & SAFETY

We are committed to maintaining a safe working environment across all our properties. To better manage and address health and safety issues throughout our value chain, a Safety Committee was formed in FY 2018. The Safety Committee conducts regular inspections at all our properties and meets quarterly to discuss any safety incidents and findings from safety audits conducted, as well as on an ad-hoc basis if the need arises.

Each month Sabana REIT holds safety meetings at the Manager's office to share findings from the monthly safety inspections conducted at our properties. The Property Manager also holds toolbox meetings to ensure that our property-based teams are attentive to potential occupational health and safety issues.

In April and May 2019, the Manager organised a 2-day First Aid & AED Training Course in collaboration with Singapore Red Cross Society. A total of 11 staff members received training. We conduct regular fire drills to ensure the emergency response and safety equipment at our properties are in working order and comply with legislative requirements.

EMPLOYEES

We hold safety briefings for all new on-boarding staff and provide various health and safety related benefits and implement employee wellness initiatives. Additionally, we have put up a health bulletin board at our properties and regularly email our employees information on safety at work and living a healthy lifestyle. We organised a Table-Tennis Tournament for our employees on 26 July 2019 to encourage an active lifestyle, and regularly promote healthy eating for all our employees to raise awareness on the importance of having a healthy lifestyle. The table below shows more initiatives and policies on protecting and enhancing our employees' welfare:

- Personal accident, hospitalisation and surgical group term life insurance plans
- Workmen's Injury Compensation Insurance Policy
- Travel insurance plans for business travel
- Annual health screenings
- 16 weeks of paid maternity leave for female employees who completed three calendar months of service
- Team bonding events

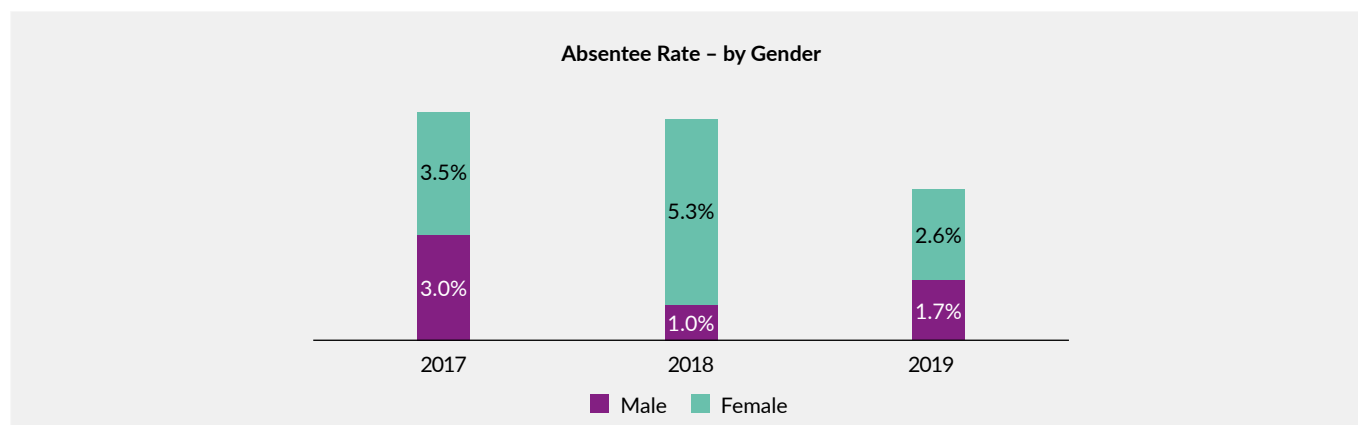
We are pleased to report that our injury frequency rate¹, injury severity rate² and occupational disease incidence rate³ were 0% for FY 2019.

¹ Injury frequency rate = total number of workplace injuries reported / total number of man-hours worked x 1,000,000.

² Injury Severity Rate = total number of man days lost to workplace injuries / total number of man hours worked x 1,000,000.

³ Occupational disease incidence rate = total number of occupational disease incidents / total number of employees.

SUSTAINABILITY REPORT



Our employee absenteeism⁴ rate⁵ in FY 2019 decreased 0.7% when compared to FY 2018, to a rate of 2.1%. The decrease is largely attributed to a reduction in absenteeism rate amongst our female employees.

TENANTS

While we work to maintain the safety features of our properties, we expect our tenants to also comply with relevant health and safety laws and regulations in their operations. We have accordingly included clauses on compliance with health and safety laws and regulations within our tenancy agreements.

Furthermore, to monitor construction activities that may potentially cause health and safety issues, all tenants are required to apply for a Permit-to-Work ("PTW") before conducting any fit-out or reinstatement works at the properties.

VENDORS AND CONTRACTORS

Prior to engaging a new vendor or contractor, we require them to complete an on-boarding risk assessment to ensure that they have proper health and safety processes in place. All contractors are also required to apply for a PTW which includes a risk assessment of their respective work scope and schedule of work.

In FY 2019, there were no incidents of non-compliance concerning health and safety impacts and the use of our buildings.

Performance Measure	2017	2018	2019
Number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services.	0	0	0

2020 Target

- Maintain zero fatalities for our employees and contractors.
- Maintain zero non-compliant incidents concerning health and safety impacts during the use of our buildings.

OUR ENVIRONMENT

We understand the interdependence between our assets and the environment they exist in. Striving for long-term environmental sustainability is not only the right thing to do but is imperative for the success of our business.

CLIMATE CHANGE & ENERGY EFFICIENCY

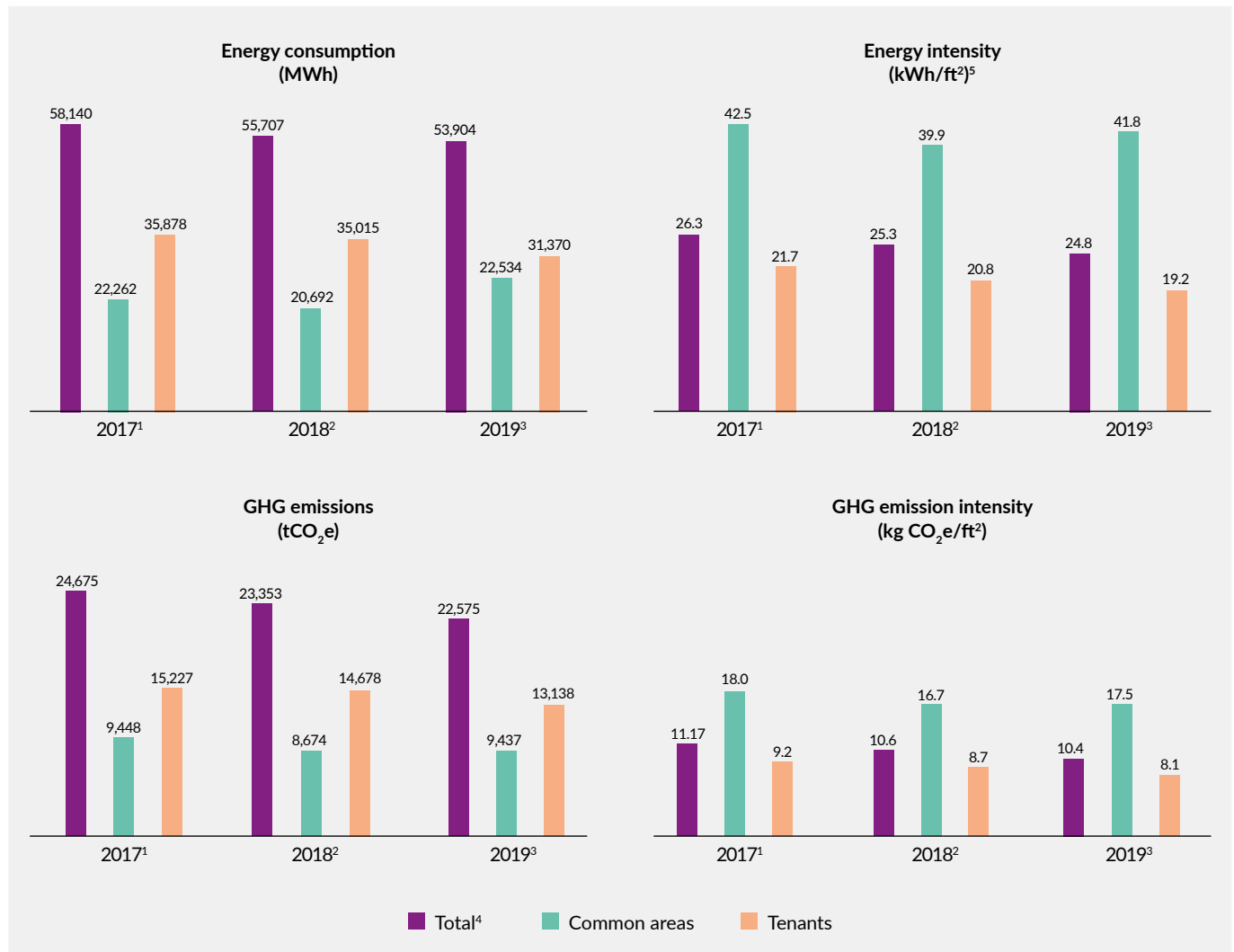
The Prime Minister of Singapore highlighted the gravity of climate change in his National Day Rally speech on 18 August 2019, noting it as one of the gravest challenges facing humankind. Three key actions were highlighted which included understanding, mitigating and adapting to climate change. We accordingly plan to do the same in FY 2020, where we will embark to further understand the impacts of climate change on our business and strive to enhance our efforts to reduce our GHG emissions through the development of a GHG emissions reduction strategy.

⁴ Absenteeism refers to workers being absent from work because of incapacity of any kind, not just as the result of work-related injury or disease, excludes permitted leave absences such as holidays, study, maternity or paternity leave, and compassionate leave.

⁵ Absentee rate = total number of absentee days / total days scheduled to be worked by all employees. The total days scheduled to be worked by all employees is computed as follows: 5 days x 52 weeks x total number of employees as at 31 December 2019.

SUSTAINABILITY REPORT

Through our ongoing transition to energy-efficient lighting in our buildings, we recorded an incremental improvement in our total energy efficiency of 1.9% in FY 2019. In addition, our total GHG emissions reduced by 3.3% in FY 2019 from FY 2018 levels. In FY 2020, we expect energy consumption at some of our properties to increase as a result of higher tenant occupancy, highlighting the need to enhance our efforts in this regard. Going forward, we will continue to explore additional energy-efficiency initiatives that we can implement at our properties.



2020 Target

Maintain or reduce the energy intensity of common areas of properties under the Manager's or Property Manager's operational control.

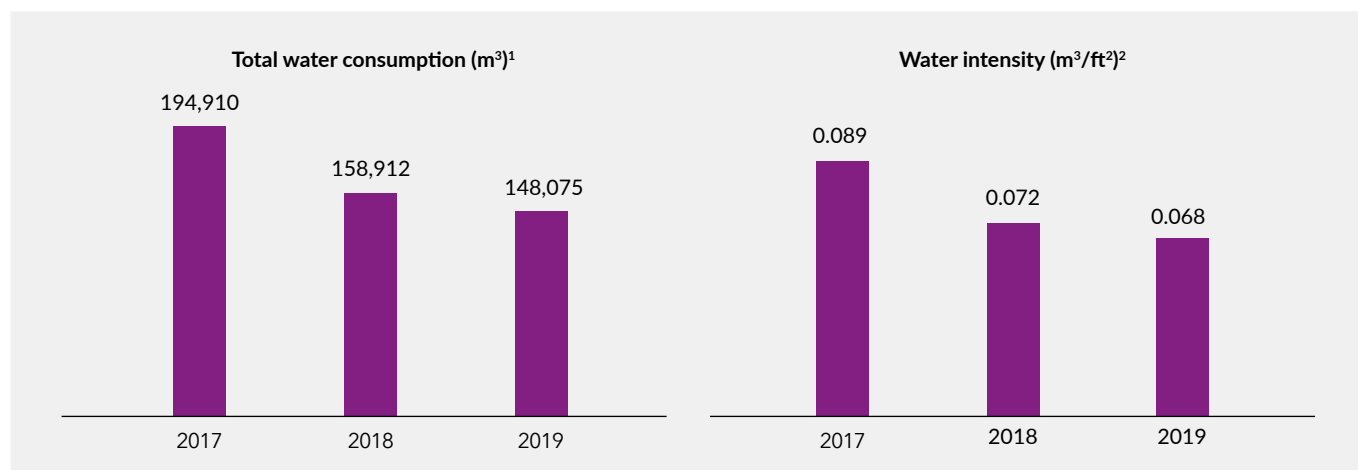
- ¹ The latest available electricity grid emission factor at the time of report publication is used for computing GHG emissions generated by electricity consumption. The latest emission factor - average operating margin from Singapore Energy Statistics 2017 was used to calculate GHG emissions in 2017.
- ² The latest available electricity grid emission factor at the time of report publication is used for computing GHG emissions generated by electricity consumption. The latest emission factor - average operating margin from Singapore Energy Statistics 2018 was used to calculate GHG emissions in 2018.
- ³ The latest available electricity grid emission factor at the time of report publication is used for computing GHG emissions generated by electricity consumption. The latest emission factor - average operating margin from Singapore Energy Statistics 2019 was used to calculate GHG emissions in 2019.
- ⁴ The total energy consumption and GHG emissions includes electricity consumption of common areas and tenants at the nine (9) multi-tenanted properties where Sabana REIT has operational control. Please see "About This Report" for the list of properties.
- ⁵ The intensity measurement is GFA, which is the sum of space shared by all building users and space leased to tenants (sum of floor area for common areas and occupied NLA).

SUSTAINABILITY REPORT

WATER MANAGEMENT (USE AND REDUCTION)

We have embarked on water efficiency initiatives to provide more water-efficient properties to our tenants. Our building at 151 Lorong Chuan is implementing Water Efficiency Management Plans as stipulated by the Public Utilities Board ("PUB"), Singapore's National Water Agency. These plans require large water users to track and monitor their water usage to identify areas to further reduce consumption and raise efficiency, and to establish an action plan which identifies potential measures to drive water savings, priorities and implementation timelines. We also monitor water consumption at our properties on a monthly basis in order to identify and discuss abnormal spikes in water consumption with our tenants early. As a result, we have reduced our total water consumption and water intensity by 6.8% and 5.6%, respectively, in FY 2019, compared to FY 2018 levels.

We expect that during FY 2020 water demand at some of our properties may increase as a result of both the increased tenant occupancy previously highlighted and the asset enhancements that have taken place, including the development of water fountains at certain properties. As such we intended to enhance our efforts to raise awareness on good water management practices amongst our tenants and employees and will continue to explore water efficiency improvements at our properties.



2020 Target

- Progressively change water fittings to fittings with PUB's Water Efficiency Labelling Scheme rating of 3 or 4 ticks when spoilt.
- Progressively attain PUB Water Efficient Building basic certification for properties under the Manager's or Property Manager's operational control.

¹ The total water consumption includes total water consumption from municipal water supplies at the nine multi-tenanted properties where Sabana REIT has operational control. Please see "About This Report" for the list of properties.

² The intensity measurement is GFA, which is the sum of GFA for common areas and GFA for occupied NLA.

SUSTAINABILITY REPORT

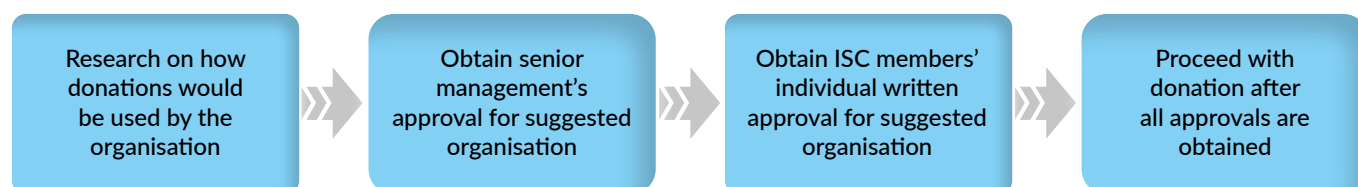
OUR SOCIETY

We believe that being a responsible corporate citizen and building a lasting relationship with our communities is critical to the long-term viability of our business.

COMMUNITY IMPACT

Since its inception, Sabana REIT is driven by the Shari'ah goal of benefiting humanity and has been committed to contributing to the communities we operate in. In compliance with Shari'ah investment principles, interest received from our properties' rental charges must be cleansed by donating the interest incurred quarterly to charitable organisations, known as the Ta'widh donation. Hence, we are continually surveying CSR initiatives that we can partake in with the aim of supporting different beneficiaries.

To select a charitable organisation to donate to, we go through an internal screening process to obtain approvals for making the donation.



During FY 2019, we made both monetary and non-monetary contributions to society. For non-monetary contributions, we donated a total of 12 Stainless Steel Deluxe Commode and Chrome Elevating Wheelchairs to Bright Hill Evergreen Home. On 19 September 2019, we organised a group-wide half-day beach cleaning session for all our staff to play a part in cleaning up our community.



Delivering wheelchairs and commodes to Bright Hill Evergreen Home



Half-day Beach-cleaning

Our monetary donations did however decrease in FY 2019 compared to FY 2018, as our donations are solely derived from the fees charged on the late payments made by our tenants.

Performance Measure	2017	2018	2019
Amount of monetary donations made to charitable organisations	S\$21,250	S\$48,236	S\$5,282
Number of local community engagements completed	As described in FY 2017 Sustainability Report	As described in FY 2018 Sustainability Report	As described above

2020 Target

- Continue to support charitable organisations via donations.
- Complete at least one local community engagement.
- Aim to focus and support two recipients/organisations with donations for the year.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Universal Standards			
GRI 102: General Disclosures	Organisational Profile		
	102-1	Name of the organisation	Board Statement, page 66
	102-2	Activities, brands, products, and services	What We Do, page 2
	102-3	Location of headquarters	About This Report, page 63
	102-4	Location of operations	About This Report, page 63
	102-5	Ownership and legal form	What We Do – Trust Structure, page 9
	102-6	Markets served	What We Do – Our Portfolio, page 35 Property Portfolio, pages 35-41 Manager's Review: FY 2019 – Well-diversified Portfolio of Assets and Tenants, pages 29-32
	102-7	Scale of the organisation	Our People and Tenants – Fair Employment and Practices, page 70 About This Report, page 63 Property Portfolio, pages 35-41 Financial Highlights, page 13
	102-8	Information on employees and other workers	Our People and Tenants – Fair Employment and Practices, page 70
	102-9	Supply chain	How We Manage Sustainability – Materiality Assessment, page 66
	102-10	Significant changes to organisation and its supply chain	Significant Events 2019, pages 14-15 What We Do – Our Portfolio, page 35
	102-11	Precautionary principle or approach	Corporate Governance Report, pages 85-102
	102-12	External initiatives	We currently do not endorse any externally-developed charters, and will consider this in future.
	102-13	Membership of associations	How We Manage Sustainability – Stakeholder Engagement, page 65
	Strategy		
	102-14	Statement from senior decision-maker	Board Statement, page 62
	Ethics and Integrity		
	102-16	Values, principles, standards, and norms of behaviour	What We Do – Our Vision, Mission and Core Values
	Governance		
	102-18	Governance structure	Board of Directors and Management Team, page 18-21 How We Manage Sustainability – Sustainability Governance, page 68
	Stakeholder Engagement		
	102-40	List of stakeholder groups	How We Manage Sustainability – Stakeholder Engagement, page 65
	102-41	Collective bargaining agreements	Our employees are not currently covered by collective bargaining agreements.
	102-42	Identifying and selecting stakeholders	How We Manage Sustainability – Stakeholder Engagement, page 65
	102-43	Approach to stakeholder engagement	How We Manage Sustainability – Stakeholder Engagement, page 65
	102-44	Key topics and concerns raised	How We Manage Sustainability – Stakeholder Engagement, page 65

SUSTAINABILITY REPORT

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Universal Standards			
GRI 102: General Disclosures	Reporting Practice		
	102-45	Entities included in the consolidated financial statements	About This Report, page 63 Notes to the Financial Statements – General and Subsidiaries, pages 94-173
	102-46	Defining report content and topic Boundaries	About This Report, page 63 How We Manage Sustainability – Materiality Assessment, page 66
	102-47	List of material topics	How We Manage Sustainability – Materiality Assessment, page 70-72
	102-48	Restatements of information	Restatements of total number of employees, average training hours and new employee hires/employee turnover rates for FY 2018 on pages 71-75 to amend computational error.
	102-49	Changes in reporting	None
	102-50	Reporting period	About This Report, page 63
	102-51	Date of most recent report	December 2019
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	About This Report, page 63
	102-54	Claims of reporting in accordance with GRI Standards	About This Report, page 63
	102-55	GRI content index	GRI Content Index, pages 81-83
	102-56	External assurance	We have not sought external assurance, and will consider it in the future.
Management Approach			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	How We Manage Sustainability – Materiality Assessment, page 66
Topic-specific Standards			
Economic Performance			
GRI 103: Management Approach	103-2	The management approach and its components	Our Refreshed Strategy, page 3 Manager's Review: FY 2019, pages 26-34
	103-3	Evaluation of the management approach	
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	Financial Highlights, page 13 Financial Contents, page 104
Business Ethics and Anti-corruption			
GRI 103: Management Approach	103-2	The management approach and its components	Our Governance – Business Ethics and Anti-corruption, page 69
	103-3	Evaluation of the management approach	
GRI 205: Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	

SUSTAINABILITY REPORT

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Topic-specific Standards			
Regulatory Compliance			
GRI 103: Management Approach	103-2	The management approach and its components	Our Governance – Regulatory Compliance, pages 69-70
	103-3	Evaluation of the management approach	
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	
GRI 417: Marketing and Labeling	417-3	Incidents of non-compliance concerning marketing communications	
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	
Energy Management			
GRI 103: Management Approach	103-2	The management approach and its components	Our Environment – Energy Efficiency and Climate Change, pages 77-78
	103-3	Evaluation of the management approach	
GRI 302: Energy	302-1	Energy consumption within the organisation	
	302-3	Energy intensity	
GRI 305: Emissions	305-2	Energy indirect (Scope 2) GHG emissions	
	305-4	GHG emissions intensity	
Water Management (Use and Reduction)			
GRI 103: Management Approach	103-2	The management approach and its components	Our Environment – Water Management (Use and Reduction), page 79
	103-3	Evaluation of the management approach	
GRI 303: Water	303-1	Water withdrawal by source	

SUSTAINABILITY REPORT

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Topic-specific Standards			
Fair Employment Practices and Talent Retention			
GRI 103: Management Approach	103-2	The management approach and its components	Our People and Tenants – Fair Employment and Practices, pages 70-77
	103-3	Evaluation of the management approach	
GRI 401: Employment	401-1	New employee hires and employee turnover	
GRI 404: Training and Education	404-1	Average hours of training per year per employee	
	404-3	Percentage of employees receiving regular performance and career development reviews	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	
Health and Safety			
GRI 103: Management Approach	103-2	The management approach and its components	Our People and Tenants – Health and Safety, pages 76-77
	103-3	Evaluation of the management approach	
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	
GRI 416: Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
Community Impact			
GRI 103: Management Approach	103-2	The management approach and its components	Our Society – Community Impact, page 80
	103-3	Evaluation of the management approach	
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	

CORPORATE GOVERNANCE

INTRODUCTION

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

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

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

The Manager is committed to upholding high standards of corporate governance, which are essential to sustaining the REIT's business and performance. This report describes the Manager's corporate governance framework and practices in compliance with the principles and guidelines of the Code of Corporate Governance 2018 (the "2018 Code"). The Manager confirms that it has adhered to the principles and guidelines as set out in the 2018 Code where applicable. Any deviations from the 2018 Code are explained.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

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

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

As at 31 December 2019, the Board members are:

Independent Non-Executive Directors

Mr Tan Cheong Hin (Chairman)¹

Mr Kelvin Tan Wee Peng

Mr Wong Heng Tew²

Ms Ng Shin Ein³

¹ Mr Tan Cheong Hin was appointed as the Chairman of the Board of Directors and member of the Nominating and Remuneration Committee on 1 November 2019.

² Mr Wong Heng Tew was appointed as an Independent Non-Executive Director of the Manager on 27 August 2019 and a member of the Audit Committee on 1 November 2019.

³ Ms Ng Shin Ein was appointed as a Non-Executive Director on 27 August 2019 and re-designated as an Independent Non-Executive Director and Chairman of the Nominating and Remuneration Committee on 1 November 2019.

CORPORATE GOVERNANCE

The profiles of the Directors are set out on pages 18-20 of this Annual Report.

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

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

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

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

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

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

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

BOARD COMPOSITION AND GUIDANCE

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

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

1. Chairman should be an Independent Non-Executive Director;
2. To comply with regulatory requirements, at least half of the Board currently comprises Independent Directors; and
3. The Board should be of appropriate size and mix of experience in business, finance, law and management skills, knowledge, experience, and other aspects of diversity critical to the REIT's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The Board currently consists of four Independent Non-Executive Directors, that is, they have no relationship with the Manager, its related companies, its substantial shareholders¹, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the REIT, and they are able to exercise objective judgment on corporate affairs independently from the management and its substantial shareholders. Furthermore, the Independent Directors are considered to be independent for the financial year under review under the Securities and Futures (Licensing and Conduct of Business) Regulations because they are not substantial shareholders of the Manager and are not substantial Unitholders of the REIT, they do not have management or business relationships with the Manager and its related companies as well as the REIT and its subsidiaries and they are independent from the substantial shareholder of the Manager and substantial Unitholders of the REIT. Additionally, for the financial year under review, none of the Directors have served on the Board for more than nine years from the date of his first appointment. As Independent Non-Executive Directors make up more than half of the Board, no individual or group is able to dominate the Board's decision-making process.

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

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

As part of the regulatory requirements for CMS licence holders, MAS must provide prior approval for any change of the Chief Executive Officer ("CEO") or of any Board member.

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

¹ A "substantial shareholder" of a company is a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5.0% of the total votes attached to all voting shares (excluding treasury shares) in the company, in line with the definition set out in section 2 of the Securities and Futures Act (Chapter 289) of Singapore.

CORPORATE GOVERNANCE

CHAIRMAN AND CEO

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

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

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

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

BOARD MEMBERSHIP AND PERFORMANCE

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

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

The NRC comprises the following Directors:

Ms Ng Shin Ein (Chairman)

Mr Tan Cheong Hin

Mr Kelvin Tan Wee Peng

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

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

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

CORPORATE GOVERNANCE

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

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

The Management endeavours to provide the Board with complete, adequate and timely information prior to board meetings and on an ongoing basis. Directors are entitled to request for information from Management and Management seeks to provide the same in a timely manner.

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

The number of Board meetings and Board Committee meetings held during the year from 1 January 2019 to 31 December 2019 and Directors' attendances are as follows:

ATTENDANCE OF THE DIRECTORS FOR FY 2019

Meeting of	Board		AC		NRC	
Name of Directors	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Mr Yong Kok Hoon ¹	5	5	4	4	3	3
Mr Kelvin Tan Wee Peng	5	5	4	4	3	3
Mr Tan Cheong Hin	5	5	4	4	-	-
Mr Henry Chua Tiong Hock ¹	3	3	-	-	2	2
Mr Wong Heng Tew ²	1	1	-	-	-	-
Ms Ng Shin Ein ²	1	1	-	-	-	-

¹ Mr Yong Kok Hoon retired from the Board on 31 October 2019 and Mr Henry Chua Tiong Hock resigned from the Board on 28 June 2019. Please refer to the announcement on 31 October 2019 for the reconstitution of the Board.

² Mr Wong Heng Tew was appointed as a director on 27 August 2019 and Ms Ng Shin Ein was appointed as a director on 27 August 2019.

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

CORPORATE GOVERNANCE

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

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

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

LEVEL AND MIX OF REMUNERATION

DISCLOSURE ON REMUNERATION

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

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

Principle 8: *The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. The NRC, which has an independent majority of Directors, serves the crucial role of ensuring that a formal and transparent procedure is established for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration policy comprises the following distinct objectives:*

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

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

CORPORATE GOVERNANCE

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

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

In this regard, the Manager's report on each individual Director's and the key management personnel's remuneration paid and payable from 1 January 2019 to 31 December 2019 is disclosed as follows:

Directors	Director's fees S\$'000
Mr Yong Kok Hoon ¹	83.2
Mr Tan Cheong Hin	60.8
Mr Kelvin Tan Wee Peng	80.0
Mr Wong Heng Tew	18.2
Ms Ng Shin Ein	20.8
Mr Henry Chua Tiong Hock	26.9

¹ Mr Yong Kok Hoon retired from the Board on 31 October 2019 and Mr Henry Chua Tiong Hock resigned from the Board on 28 June 2019.

Remuneration Bands	Salary %	Bonus %	Other Benefits %	Total %
Key management personnel				
S\$250,000 – S\$500,000				
Mr Han Yong Lee (Donald)	77.3	19.9	2.8	100.0
Below S\$250,000				
Ms Siow Meow Cheng ²	95.5	-	4.5	100.0
Mr Lim Wei Huang ³	87.2	7.2	5.6	100.0

² Ms Siow Meow Cheng was appointed Head of Investment and Asset Management on 1 October 2019. Remuneration disclosed is for pro-rated period of service in FY 2019.

³ Mr Lim Wei Huang was appointed Senior Vice President, Finance on 1 November 2019. Remuneration disclosed is for pro-rated period of service in FY 2019.

Note: Remuneration was based on amount paid and payable, based on the REIT's financial year from 1 January 2019 to 31 December 2019. The total remuneration mix comprises three components – annual fixed Salary, Bonus and Other Benefits. Bonus aims to encourage individual performance and consists of annual wage supplement and performance bonus. The size of the performance bonus is determined by the REIT's financial and non-financial performance, and is distributed to the key management personnel based on their individual performance. Leave encashment, mobile and transport allowances are classified under Other Benefits. There were no other key management personnel.

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

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

AUDIT COMMITTEE

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

Principle 10: The Board has an AC which discharges its duties objectively.

The AC assists the Board in fulfilling responsibilities relating to corporate governance and Interested Party transactions.

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

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

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

Currently, the AC members are:

Mr Kelvin Tan Wee Peng (Chairman)

Mr Tan Cheong Hin

Mr Wong Heng Tew¹

¹ Mr Wong Heng Tew was appointed a member of the Audit Committee on 1 November 2019.

The main duties of the AC include reviewing and monitoring the effectiveness of the Manager's internal controls relating to financial, operational, compliance and risk management processes. The AC receives regular updates by external auditors to keep abreast of changes to accounting standards and issues which may have a direct impact on financial statements. The AC meets with internal and external auditors without the presence of management at least once a year. The Non-Executive and Independent Directors meet regularly without the presence of Management. The Chairman of such meetings provides feedback to the Board and/or Chairman of the Board as appropriate.

The key activities of AC include:

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

For FY 2019, the External Auditor KPMG LLP ("KPMG") has identified the valuation of investment properties as a key audit matter and in its report, KPMG has communicated their findings that the valuation methodologies adopted by the valuers and key assumptions applied in the valuation exercise are consistent with market practices and data. The AC has also reviewed the valuation reports and discussed the contents thereof with management and KPMG and is satisfied with the assumptions and methodologies used. However, given that the assumptions are subjective and are highly susceptible to changes in the business environment, the AC cautions Unitholders against relying solely on the investment property valuations in assessing the financial performance of Sabana REIT. This is particularly so as such valuations do not give any assurance that the investment properties will be sold at such prices even if such sales are contemplated for some of the properties as part of Sabana REIT's business strategy. Indeed, as we have seen from the divestment of 9 Tai Seng Drive and the aborted divestment of 1 Tuas Avenue 4 (due to the buyer not getting JTC approval), the value of the properties held to generate passive rental income can vary significantly from the potential selling prices for these properties. Hence, the AC advises Unitholders to focus on fundamental factors such as the net property income, tenant profile, tenancy duration, occupancy, and their changes over the years to assess how well Sabana REIT's portfolio has performed.

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

The AC, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy and effectiveness of the Manager's system of controls, including financial, operational, compliance and information technology controls put in place by the management as part of the framework. The AC decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function of the Manager is outsourced to Ernst and Young Advisory Pte Ltd ("EY"). The internal auditors are guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, and report directly to the AC on audit matters. The internal audit function has unfettered access to all the REIT's documents, records, properties and personnel, including the AC, and has appropriate standing within the Management.

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

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

CORPORATE GOVERNANCE

EXTERNAL AUDITORS

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

During the year, the AC has conducted a review of all non-audit services provided by the external auditors to Sabana REIT and its subsidiaries and is satisfied that the extent of such services will not prejudice the independence and objectivity of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were approximately S\$202,000 and S\$77,000 respectively, for the financial year under review.

The AC, with the concurrence of the Board, has recommended the re-appointment of KPMG LLP as the external auditors. The re-appointment of the external auditors will be subject to approval by way of an ordinary resolution of Unitholders at the Annual General Meeting ("AGM"), to be held on 24 April 2020.

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

WHISTLE-BLOWING POLICY

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

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

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

FINANCIAL RISK

In managing the REIT, the Manager adheres to all applicable financial covenants set by lenders as well as the aggregate leverage limit of 45.0% imposed by MAS in the Property Funds Appendix. The REIT has complied with the aggregate leverage limit throughout the year. To minimise financial risks, the Manager reviews the capital management policy of the REIT regularly and provides periodic updates to the Directors. All major capital market initiatives require the prior approval of the Board.

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

CORPORATE GOVERNANCE

OPERATIONAL RISK

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

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

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

COMPLIANCE RISK

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

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

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

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

BOARD'S OPINION ON INTERNAL CONTROLS

Based on the internal controls and risk management framework established and maintained by the Management, work performed by the internal and external auditors, the assurance from the CEO and Senior Vice President, Finance that the financial records have been properly maintained, that the financial statements give a true and fair view of the REIT's operations and finances, and the assurance from the CEO and Senior Vice President, Finance¹ regarding the adequacy and effectiveness of the Manager's risk management and internal control systems, the Board, with the concurrence of the AC, is of the view that taking into account the nature, scale and complexity of the Manager's operations, the REIT's financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2019.

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

¹ Mr Lim Wei Huang is the Head of Finance of the Manager.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

ENGAGEMENT WITH SHAREHOLDERS

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

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

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

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

The Manager's disclosure policy requires the timely and full disclosure of all material information relating to the REIT by way of public releases or announcement through the SGX-ST via SGXNET at first instance and subsequently, by way of release on the website at www.sabana-reit.com. The Manager clearly communicates its current policy of distributing at least 90.0% of its distributable income to Unitholders.

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

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

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

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

CORPORATE GOVERNANCE

DEALING IN SECURITIES

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

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

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

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

DEALING WITH CONFLICTS OF INTEREST

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

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

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

CORPORATE GOVERNANCE

DEALING WITH RELATED PARTIES

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

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S\$100,000.00 in value but below 3.0% of the value of Sabana REIT's net tangible assets will be subject to review by the AC at regular intervals;
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Sabana REIT's net tangible assets will be subject to review and prior approval of the AC and immediately announced on SGX-ST. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager;
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 5.0% of the value of Sabana REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the AC which may, as it deems fit, request advice on the transactions from independent advisers, including the obtaining of valuations from independent professional valuers. Furthermore, under the Listing Manual of the SGX-ST and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed; and
- Aggregate value of Related Party Transactions entered into during the financial year under review will be disclosed in the Annual Report.

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

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

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

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

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

CORPORATE GOVERNANCE

DEALING WITH SHARI'AH COMPLIANCE

Shari'ah compliance means adherence to the tenets of Islamic law, which places due consideration upon ethics and social responsibility. The Manager ensures total non-Shari'ah compliant rental income does not exceed 5.0% per annum of the gross revenue of the REIT's portfolio of properties. As part of the due cleansing procedure, donation of non-compliant income is made to charitable causes (without tax benefits) on a quarterly basis. For FY 2019, the non-compliant income came to approximately 0.01% of the REIT's gross revenue.

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

The ISC comprises eminent scholars and experts. They are:

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

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

- Prior to the issuance of the Shari'ah certificate for annual status, an inspection and verification will be conducted on the properties and activities of the REIT. A representative of Five Pillars will visit the individual properties in the portfolio to ensure that businesses on the premises are compliant and agree with the leasing contracts signed. For FY 2019, the REIT successfully passed the inspection;
- For new funding, consent will be obtained on inception. Shari'ah certification and other supporting documents from the issuing or arranger bank will be vetted and approved by the ISC. For FY 2019, the REIT is Shari'ah compliant because non-Shari'ah compliant financing of the REIT has not exceeded a third of the net asset value of its portfolio.

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

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

CORPORATE GOVERNANCE

FEES PAYABLE TO THE MANAGER

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

Fees payable by the REIT	Amount payable
1 Management fee (payable to the Manager or its nominee)	<p>Base Fee A fee not exceeding the rate of 0.5% per annum of the value of the Deposited Property.</p> <p>Performance Fee 0.5% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the Net Property Income of Sabana REIT or its relevant Special Purpose Vehicles ("SPVs") in each financial year, payable on a yearly basis, provided Sabana REIT achieves at least 10.0% annual growth in DPU over the previous financial year (calculated after accounting for the performance fee (if any) for that financial year and after adjusting, at the discretion of the Manager, for any new Units arising from the conversion or exercise of any instruments convertible into Units which are outstanding at the time of calculation, and any rights or bonus issue, consolidation, subdivision or buy-back of Units).</p> <p>The Manager may elect to receive the Base Fee and Performance Fee in cash or Units or a combination of cash and Units (as it may in its sole discretion determine).</p> <p>The Manager received 100.0% of the Base Fee in cash for FY 2019.</p>
2 Fee for acquisition of properties (payable to the Manager or its nominee) ¹	<p>Acquisition Fee 1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the acquisition price of real estate of real estate-related assets acquired:</p> <ul style="list-style-type: none"> in relation to an acquisition (whether directly or indirectly through one or more SPVs) of any real estate, the acquisition price of any real estate purchased by the REIT, plus any other payments² in addition to the acquisition price made by the REIT or its SPVs to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of the REIT's interest); in relation to an acquisition (whether directly or indirectly through one or more SPVs of the REIT) of any SPVs or holding entities which holds real estate, the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the equity interests of any vehicle holding directly or indirectly the real estate purchased by the REIT, plus any additional payments made by the REIT or its SPVs to the vendor in connection with the purchase of such equity interests (pro-rated if applicable to the proportion of the REIT's interest); or the acquisition price of any investment by the REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate.

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

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

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

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

No Performance Fees were payable for FY 2019. The Board would like to inform Unitholders that Performance Fees are only payable when the Manager has achieved a certain level of growth in DPU over the previous financial year. Accordingly, the Board is of the view that the Performance Fee will incentivise the Manager to seek growth opportunities and encourage the Manager to act in the interests of Unitholders to enhance the DPU. An increase of the DPU by 10.0% year-on-year is challenging and the Performance Fee will incentivise the Manager to take a holistic and balanced approach towards assuming sensible risks to grow the REIT over the long-term. In addition, the Performance Fee payable to the Manager has been assessed by the Board and the Board believes that the REIT's Performance Fee is reasonable and in line with market practices.

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

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

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

CORPORATE GOVERNANCE

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

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

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

CORPORATE INFORMATION

SABANA REIT

REGISTERED ADDRESS

HSBC Institutional Trust Services (Singapore) Limited
10 Marina Boulevard
Marina Bay Financial Centre Tower 2,
#48-01 Singapore 018983

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited
(Effective from 6 April 2020)
10 Marina Boulevard
Marina Bay Financial Centre Tower 2,
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Phone: (65) 6658 6667

EXTERNAL AUDITORS

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Public Accountants and
Chartered Accountants
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#22-00 Hong Leong Building
Singapore 048581
Phone: (65) 6213 3388
Fax: (65) 6225 4142
www.kpmg.com.sg

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

INTERNAL AUDITORS

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Fax: (65) 6532 7662
www.ey.com

LEGAL ADVISER

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Fax: (65) 6327 3800
www.allenandgledhill.com

UNIT REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
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Singapore 048623
Phone: (65) 6536 5355
Fax: (65) 6536 1360
www.boardroomlimited.com

BANKERS

CIMB Bank Berhad
(Singapore Branch)

United Overseas Bank Limited
Malayan Banking Berhad
(Singapore Branch)

HSBC Amanah Malaysia Berhad

The Hongkong and Shanghai
Banking Corporation Limited

STOCK QUOTES

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

WEBSITE

www.sabana-reit.com

THE MANAGER

REGISTERED ADDRESS

Sabana Real Estate Investment Management Pte. Ltd.

Company registration number:

201005493K

Capital Markets Services Licence number:

CMS100169

151 Lorong Chuan
#02-03 New Tech Park
Singapore 556741
Phone: (65) 6580 7750
Fax: (65) 6280 4700
www.sabana-reit.com

THE PROPERTY MANAGER

REGISTERED ADDRESS

Sabana Property Management Pte. Ltd.

Company registration number:

201016988Z

151 Lorong Chuan
#02-03 New Tech Park
Singapore 556741
Phone: (65) 6580 7750
Fax: (65) 6280 4700
www.sabana-reit.com

BOARD OF DIRECTORS

Mr Tan Cheong Hin
Chairman and Independent
Non-Executive Director

Mr Kelvin Tan Wee Peng
Independent Non-Executive Director

Mr Wong Heng Tew
Independent Non-Executive Director

Ms Ng Shin Ein
Independent Non-Executive Director

AUDIT COMMITTEE

Mr Kelvin Tan Wee Peng (Chairman)
Mr Tan Cheong Hin (Member)
Mr Wong Heng Tew (Member)

NOMINATING AND REMUNERATION COMMITTEE

Ms Ng Shin Ein (Chairman)
Mr Kelvin Tan Wee Peng (Member)
Mr Tan Cheong Hin (Member)

COMPANY SECRETARY OF THE MANAGER

Mr Cho Form Po

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place
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UNITHOLDERS' ENQUIRIES

Ms Dianne Tan
Investor Relations (Senior Executive)
Phone: (65) 6580 7857
Email: enquiry@sabana.com.sg

UNITHOLDER DEPOSITORY

The Central Depository (Pte) Limited
9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588
Phone: (65) 6535 7511
Email: asksgx@sgx.com

FINANCIAL CONTENTS

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REPORT OF THE TRUSTEE

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the period covered by these financial statements, set out on pages 111 to 162 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

**For and on behalf of the Trustee,
HSBC Institutional Trust Services (Singapore) Limited**



Authorised signatory

Singapore
28 February 2020

STATEMENT BY THE MANAGER

In the opinion of the directors of Sabana Real Estate Investment Management Pte. Ltd. (the “Manager”), the accompanying financial statements of Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (the “Trust”) and its subsidiary (the “Group”) set out on pages 111 to 162 comprising the Consolidated Statement of Financial Position and Consolidated Portfolio Statement of the Group and the Statement of Financial Position of the Trust as at 31 December 2019, 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 are drawn up so as to present fairly, in all material respects, the financial position of the Group and the Trust and portfolio holdings of the Group as at 31 December 2019, the total return, distributable income and movements in Unitholders’ funds of the Group and the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

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



Tan Cheong Hin
Chairman

Singapore
28 February 2020

INDEPENDENT AUDITORS' REPORT

To the Unitholders
Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (the "Trust") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group, and the statement of financial position of the Trust as at 31 December 2019, the consolidated statement of total return, consolidated distribution statement, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 111 to 162.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, the statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust present fairly, in all material respects, the consolidated financial position and the consolidated portfolio holdings of the Group and the financial position of the Trust as at 31 December 2019 and the consolidated total return, consolidated distributable income, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and movements in unitholders' funds of the Trust for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

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

Risk

The Group's property portfolio, with a carrying amount of \$964.1 million as at 31 December 2019, comprises 18 properties (including one property held for divestment) located across Singapore. The carrying amount includes fair value of properties of \$884.4 million and right-of-use assets of \$79.7 million.

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

Our response

The fair value of investment properties and investment properties held for divestment are based on independent external valuation.

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

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

Our findings

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

The valuation methodologies adopted are consistent with market practices and the key assumptions and inputs are consistent with those adopted on comparable properties.

Other information

Sabana Real Estate Investment Management Pte. Ltd., the manager of the Trust (the "Manager"), is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report, other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the Statistics of Unitholdings which is expected to be made available to us after that date.

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

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

INDEPENDENT AUDITORS' REPORT

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.

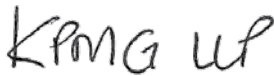
INDEPENDENT AUDITORS' REPORT

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

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

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

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



KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

28 February 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		Group		Trust	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets					
Investment properties	4	949,241	869,200	949,241	869,200
Subsidiary	5	-	-	*	*
		949,241	869,200	949,241	869,200
Current assets					
Investment properties held for divestment	4	14,888	110,550	14,888	110,550
Derivative assets	6	-	240	-	240
Trade and other receivables	7	3,419	2,204	3,417	2,202
Cash and cash equivalents	8	4,099	7,215	4,099	7,215
		22,406	120,209	22,404	120,207
Total assets		971,647	989,409	971,645	989,407
Current liabilities					
Trade and other payables	9	14,992	14,354	14,999	14,361
Borrowings	10	56,500	172,767	56,500	172,767
Derivative liabilities	6	240	-	240	-
Lease liabilities	22	6,278	-	6,278	-
Total current liabilities		78,010	187,121	78,017	187,128
Non-current liabilities					
Trade and other payables	9	6,290	8,726	6,290	8,726
Borrowings	10	218,684	188,942	218,684	188,942
Derivative liabilities	6	197	142	197	142
Lease liabilities	22	73,451	-	73,451	-
		298,622	197,810	298,622	197,810
Total liabilities		376,632	384,931	376,639	384,938
Net assets		595,015	604,478	595,006	604,469
Represented by:					
Unitholders' funds		595,015	604,478	595,006	604,469
Units issued ('000)	11	1,053,084	1,053,084	1,053,084	1,053,084
Net asset value per Unit (\$)		0.57	0.57	0.57	0.57

* Less than \$1,000

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

STATEMENTS OF TOTAL RETURN

For the year ended 31 December 2019

	Note	Group		Trust	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Gross revenue	13	76,338	80,961	76,338	80,961
Property expenses	14	(24,726)	(28,171)	(24,726)	(28,171)
Net property income		51,612	52,790	51,612	52,790
Finance income		229	154	229	154
Finance costs		(12,739)	(15,149)	(12,733)	(15,142)
Finance costs relating to lease liabilities		(3,358)	-	(3,358)	-
Net finance costs	15	(15,868)	(14,995)	(15,862)	(14,988)
Manager's fees		(4,495)	(4,568)	(4,495)	(4,568)
Trustee's fees		(360)	(385)	(360)	(385)
Donation of non-Shari'ah compliant income	16	(5)	(48)	(5)	(48)
Other trust expenses	17	(1,036)	(901)	(1,042)	(904)
		(5,896)	(5,902)	(5,902)	(5,905)
Net income		29,848	31,893	29,848	31,897
Net change in fair value of financial derivatives		(535)	363	(535)	363
Net change in fair value of investment properties		(7,885)	34,675	(7,885)	34,675
(Loss)/gain on divestment of investment properties		(773)	754	(773)	754
Total return for the year before taxation and distribution		20,655	67,685	20,655	67,689
Tax expense	18	*	*	-	-
Total return for the year after taxation and before distribution		20,655	67,685	20,655	67,689
Earnings per Unit (cents)					
- Basic and diluted	19	1.96	6.43	1.96	6.43

* Less than \$1,000

DISTRIBUTION STATEMENTS

For the year ended 31 December 2019

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Amount available for distribution to Unitholders at beginning of the year	7,582	8,943	7,582	8,943
Total return for the year after taxation and before distribution	20,655	67,685	20,655	67,689
Non-tax deductible/(chargeable) items:				
Amortisation of transaction costs	1,422	1,217	1,422	1,217
Trustee's fees	360	385	360	385
Donation of non-Shari'ah compliant income	5	48	5	48
Net change in fair value of financial derivatives	535	(363)	535	(363)
Net change in fair value of investment properties	7,885	(34,675)	7,885	(34,675)
Loss/(gain) on divestment of investment properties	773	(754)	773	(754)
Effects of recognising rental income on a straight line basis over the lease term	(1,042)	(460)	(1,042)	(460)
Finance costs relating to lease liabilities	3,358	-	3,358	-
Land rent expenses	(4,764)	-	(4,764)	-
Other items	313	308	313	304
Net effect of non-tax deductible/(chargeable) items	8,845	(34,294)	8,845	(34,298)
Income available for distribution to Unitholders for the year	37,082	42,334	37,082	42,334
Capital gains distribution	1,243	-	1,243	-
Total amount available for distribution to Unitholders for the year	38,325	42,334	38,325	42,334

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

DISTRIBUTION STATEMENTS (CONTINUED)

For the year ended 31 December 2019

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Distribution of 0.78 cents per Unit for the period 1 July 2019 to 30 September 2019	(8,214)	–	(8,214)	–
Distribution of 0.62 cents per Unit for the period 1 April 2019 to 30 June 2019	(6,528)	–	(6,528)	–
Distribution of 0.75 cents per Unit for the period 1 January 2019 to 31 March 2019	(7,898)	–	(7,898)	–
Distribution of 0.71 cents per Unit for the period 1 October 2018 to 31 December 2018	(7,478)	–	(7,478)	–
Distribution of 0.77 cents per Unit for the period 1 July 2018 to 30 September 2018	–	(8,109)	–	(8,109)
Distribution of 0.82 cents per Unit for the period 1 April 2018 to 30 June 2018	–	(8,635)	–	(8,635)
Distribution of 0.88 cents per Unit for the period 1 January 2018 to 31 March 2018	–	(9,267)	–	(9,267)
Distribution of 0.83 cents per Unit for the period 1 October 2017 to 31 December 2017	–	(8,741)	–	(8,741)
	(30,118)	(34,752)	(30,118)	(34,752)
Amount available for distribution to Unitholders at end of the year	8,207	7,582	8,207	7,582
Number of Units entitled to distributions ('000) (Note 11)	1,053,084	1,053,084	1,053,084	1,053,084
Distribution per Unit (cents)	2.92	3.18	2.92	3.18

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the year ended 31 December 2019

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Unitholders' funds at beginning of the year	604,478	571,545	604,469	571,532
Operations				
Total return after taxation and before distribution	20,655	67,685	20,655	67,689
	625,133	639,230	625,124	639,221
Unitholders' transactions				
Distributions to Unitholders	(30,118)	(34,752)	(30,118)	(34,752)
Net decrease in net assets resulting from Unitholders' transactions	(30,118)	(34,752)	(30,118)	(34,752)
Unitholders' funds at end of the year	595,015	604,478	595,006	604,469

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

CONSOLIDATED PORTFOLIO STATEMENT

As at 31 December 2019

Group

Description of property	Type	Leasehold term (years)	Remaining lease term [#] (years)	Location
New Tech Park	High-tech industrial	45 ⁽¹⁾	36	151 Lorong Chuan Singapore 556741
8 Commonwealth Lane	High-tech industrial	30 + 23 ⁽²⁾	39	8 Commonwealth Lane Singapore 149555
Geo-Tele Centre*	High-tech industrial	30 + 30 ⁽³⁾	–	9 Tai Seng Drive Singapore 535227
Frontech Centre	High-tech industrial	99 ⁽⁴⁾	41	15 Jalan Kilang Barat Singapore 159357
1 Tuas Avenue 4*	High-tech industrial	30 + 21.3 ⁽⁵⁾	27	1 Tuas Avenue 4 Singapore 6393582
BTC Centre	High-tech industrial	30 + 20 ⁽⁶⁾	37	23 Serangoon North Avenue 5 Singapore 554530
508 Chai Chee Lane	High-tech industrial	30 + 29 ⁽⁷⁾	40	508 Chai Chee Lane Singapore 469032
Freight Links Express Logisticpark	Chemical warehouse & logistics	30 + 31 ⁽⁸⁾	29	33 & 35 Penjuru Lane Singapore 609200/609202
18 Gul Drive	Chemical warehouse & logistics	13 + 20 ⁽⁹⁾	19	18 Gul Drive Singapore 629468
Penjuru Logistics Hub	Warehouse & logistics	30 ⁽¹⁰⁾	13	34 Penjuru Lane Singapore 609201
Freight Links Express Logisticcentre	Warehouse & logistics	30 + 30 ⁽¹¹⁾	35	51 Penjuru Road Singapore 609143
26 Loyang Drive	Warehouse & logistics	30 + 18 ⁽¹²⁾	34	26 Loyang Drive Singapore 508970
3A Joo Koon Circle	Warehouse & logistics	30 + 30 ⁽¹³⁾	28	3A Joo Koon Circle Singapore 629033
2 Toh Tuck Link	Warehouse & logistics	30 + 30 ⁽¹⁴⁾	37	2 Toh Tuck Link Singapore 596225
10 Changi South Street 2	Warehouse & logistics	30 + 27 ⁽¹⁵⁾	32	10 Changi South Street 2 Singapore 486596
Yenom Industrial Building	General industrial	60 ⁽¹⁶⁾	22	123 Genting Lane Singapore 349574
30 & 32 Tuas Avenue 8	General industrial	30 + 30 ⁽¹⁷⁾	37	30 & 32 Tuas Avenue 8 Singapore 639246/639247
39 Ubi Road 1	General industrial	30 + 30 ⁽¹⁸⁾	32	39 Ubi Road 1 Singapore 408695
21 Joo Koon Crescent	General industrial	30 + 30 ⁽¹⁹⁾	34	21 Joo Koon Crescent Singapore 629026

Investment properties and investment properties held for divestment - Fair value

Investment properties and investment properties held for divestment - Right-of-use assets

Total investment properties and investment properties held for divestment

Other assets and liabilities

Net assets attributable to Unitholders' Funds

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

Committed occupancy rate as at		Carrying amount as at		% of net assets attributable to Unitholders as at	
31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
%	%	\$'000	\$'000	%	%
75	79	323,000	308,600	54.3	51.1
86	62	57,000	56,100	9.6	9.3
-	65	-	99,600 ^{(20) (21)}	-	16.5
75	82	22,800	23,000	3.8	3.8
-	-	10,000	10,950 ⁽²⁰⁾	1.7	1.8
64	66	34,600	35,700	5.8	5.9
98	100	64,200	56,800	10.8	9.4
100	100	51,000	51,200	8.6	8.5
100	100	20,000	20,000	3.4	3.3
84	81	37,700	38,000	6.3	6.3
100	100	40,700	40,700	6.8	6.7
100	100	24,700	24,500	4.2	4.0
-	100	38,000	38,600	6.4	6.4
98	83	31,400	31,700	5.3	5.2
36	100	49,300	63,900	8.3	10.6
76	77	17,600	18,100	3.0	3.0
100	100	27,000	27,000	4.5	4.5
75	90	20,700	21,800	3.5	3.6
100	100	14,700	13,500	2.5	2.2
		884,400	979,750	148.8	162.1
		79,729	-	13.4	-
		964,129	979,750	162.2	162.1
		(369,114)	(375,272)	(62.2)	(62.1)
		595,015	604,478	100.0	100.0

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

CONSOLIDATED PORTFOLIO STATEMENT

As at 31 December 2019

Group (continued)

As disclosed in the Statements of Financial Position:

	Carrying amount as at	
	31 December 2019 \$'000	31 December 2018 \$'000
Investment properties – non-current	949,241	869,200
Investment properties held for divestment – current (denoted as * in the Consolidated Portfolio Statement)	14,888	110,550
	<u>964,129</u>	<u>979,750</u>

* Refers to the optional lease term exercisable by the Group.

Remaining lease term includes optional lease term.

(1) The Trust holds the lease with effect from 26 November 2010.

(2) The Trust holds the lease with effect from 1 February 2006.

(3) The Trust holds the lease with effect from 1 June 1995.

(4) The Trust holds the lease with effect from 1 January 1962.

(5) The Trust holds the lease with effect from 1 January 1996.

(6) The Trust holds the lease with effect from 16 September 2006.

(7) The Trust holds the lease with effect from 16 April 2001.

(8) The Trust holds the lease with effect from 16 February 1988.

(9) The Trust holds the lease with effect from 1 November 2004.

(10) The Trust holds the lease with effect from 16 August 2002.

(11) The Trust holds the lease with effect from 1 January 1995.

(12) The Trust holds the lease with effect from 1 January 2006.

(13) The Trust holds the lease with effect from 1 August 1987.

(14) The Trust holds the lease with effect from 16 December 1996.

(15) The Trust holds the lease with effect from 1 October 1994.

(16) The Trust holds the lease with effect from 1 September 1981.

(17) The Trust holds the lease with effect from 1 September 1996.

(18) The Trust holds the lease with effect from 1 January 1992.

(19) The Trust holds the lease with effect from 16 February 1994.

(20) These properties were transferred to investment properties held for divestment, following the proposed divestment of the properties.

(21) The property has been divested on 10 January 2019.

All properties under the Consolidated Portfolio Statement are leasehold.

The fair value of the investment properties as at 31 December 2019 were based on independent valuations undertaken by Cushman & Wakefield VHS Pte Ltd, Savills Valuation and Professional Services (S) Pte Ltd and Suntec Real Estate Consultants Pte Ltd (2018: Knight Frank Pte Ltd and Edmund Tie & Company (SEA) Pte Ltd). Valuations are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

The fair value of 1 Tuas Avenue 4, an investment property held for divestment as at 31 December 2019 due to its proposed divestment within the next 12 months, was based on independent valuation undertaken by Suntec Real Estate Consultants Pte Ltd (2018: 9 Tai Seng Drive was based on sale consideration to be received upon divestment, and 1 Tuas Avenue 4 was based on independent valuation undertaken by Suntec Real Estate Consultants Pte Ltd).

The independent valuers have appropriate professional qualifications and recent experiences in the locations and category of the properties being valued. The valuations for these properties were based on the direct comparison method, capitalisation approach, discounted cash flow analysis in arriving at the open market value as at the reporting date. Refer to Note 4 for the key assumptions used to determine the fair value of these investment properties and the net change in fair value of the portfolio. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

Investment properties comprise properties used for the purpose of high-tech industrial, chemical warehouse and logistics, warehouse and logistics and general industrial use. The investment properties are leased mainly to external tenants. Generally, the leases are structured under master-leased tenancies with period ranging from 3 to 10 years and multi-tenanted tenancies with period ranging from 2 to 5 years.

As at the reporting date, investment properties with a total fair value of \$750.7 million (2018: \$688.4 million) have been mortgaged as security for loan facilities granted to the Group.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	Group 2019 \$'000	2018 \$'000
Cash flows from operating activities			
Total return for the year before taxation and distribution		20,655	67,685
Adjustments for:			
Net change in fair value of financial derivatives		535	(363)
Net change in fair value of investment properties		7,885	(34,675)
Loss/(gain) on divestment of investment properties		773	(754)
Net finance costs		15,868	14,995
		45,716	46,888
Change in trade and other receivables		(1,215)	464
Change in trade and other payables		(5,274)	(4,828)
Cash generated from operations		39,227	42,524
Ta'widh (compensation on late payment of rent) received		33	145
Net cash from operating activities		39,260	42,669
Cash flows from investing activities			
Capital expenditure on investment properties		(6,458)	(2,215)
Proceeds from divestment of investment properties		99,600	13,800
Payment for divestment costs		(773)	-
Profit income received		196	9
Net cash from investing activities		92,565	11,594
Cash flows from financing activities			
Proceeds from borrowings		177,000	131,000
Repayment of borrowings		(263,500)	(135,500)
Transaction costs paid		(1,447)	(814)
Payment of lease liabilities		(1,406)	-
Finance costs relating to lease liabilities		(3,358)	-
Finance costs paid		(12,112)	(14,663)
Distributions paid		(30,118)	(34,752)
Net cash used in financing activities		(134,941)	(54,729)
Net decrease in cash and cash equivalents		(3,116)	(466)
Cash and cash equivalents at beginning of the year		7,215	7,681
Cash and cash equivalents at end of the year	8	4,099	7,215

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 28 February 2020.

1 GENERAL

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

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

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Trust and its subsidiary (together referred to as the "Group" and individually as "Group entities").

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

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

1.1 Property Manager's fees

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

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

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

1.2 Manager's fees

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

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

The Manager has elected to receive 100.0% of the base fee in cash for both financial years ended 31 December 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 GENERAL (CONTINUED)

1.3 Trustee's fees

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

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

1.4 Acquisition fees

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

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

1.5 Divestment fees

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

This is the first set of the Group's annual financial statements in which FRS 116 Leases has been applied. The related changes to significant accounting policies are described in Note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for the investment properties and financial derivatives which are stated at fair value as set out in the accounting policies described in Notes 3.2 and 3.5.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 BASIS OF PREPARATION (CONTINUED)

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

The Manager is of the opinion that there are no critical judgement in applying the entity's accounting policies.

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

- Note 4 – Investment properties and investment properties held for divestment
- Note 20 – Fair values and accounting classifications of financial instruments

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the FRSs, amendments to and interpretations of FRSs for the first time for the annual period beginning on 1 January 2019. Other than FRS 116 *Leases*, the application of the other amendments to and interpretations of the standards does not have a material effects on the financial statements.

FRS 116 *Leases*

The Group applied FRS 116 using the modified retrospective approach. Furthermore, the Group has applied the practical expedient to recognise amounts of right-of-use (ROU) assets equal to their lease liabilities at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under INT FRS 104 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116.

On transition to FRS 116, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied FRS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under FRS 17 and INT FRS 104 were not reassessed for whether there is a lease under FRS 116. Therefore, the definition of a lease under FRS 116 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group pays land rent to JTC Corporation ("JTC") on an annual basis for certain properties. The Group previously classified land rent as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under FRS 116, the Group recognises ROU assets and lease liabilities for these leases – i.e. these leases are on-balance sheet.

On transition to FRS 116, the ROU assets recognised from these leases are presented in investment property and measured at fair value at that date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (continued)

Leases classified as operating leases under FRS 17

The Group has measured lease liabilities by discounting lease payments using a weighted-average incremental borrowing rate of 4.20% on their portfolio of leases. In determining the lease term, the Group has included the period covered by an option to extend the lease as the Group is reasonably certain to exercise the option. The Group has their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116.

Lease payments that are revised annually to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities at the date of application. On transition, lease liabilities of these leases were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. ROU assets are measured at an amount equal to the lease liability. The Group applied this approach to all these leases.

As a lessor

The Group leases out its investment properties and has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to FRS 116 for leases in which it acts as a lessor.

Impact on financial statements

Impact on transition*

On transition to FRS 116, the Group recognised additional ROU assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019 \$'000
ROU assets – investment properties and investment properties held for divestment	80,086
Lease liabilities	<u>80,086</u>

* For the impact of FRS 116 on Statements on Total Return and Statements of Financial Position, see Note 22. For the impact of FRS 116 on segment information, see Note 21. For details of accounting policies under FRS 116 and FRS 17, see Note 3.4.

	1 January 2019 \$'000
Operating lease commitments at 31 December 2018 under FRS 17	<u>146,315</u>
Discounted using the incremental borrowing rate at 1 January 2019	<u>80,086</u>
Lease liabilities recognised at 1 January 2019	<u>80,086</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Subsidiaries

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

(ii) 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.

(iii) Subsidiaries in the separate financial statements

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

3.2 Investment properties

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

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

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

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

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

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

3.3 Investment properties held for divestment

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Investment properties held for divestment (continued)

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

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

3.4 Leases

The Group has applied FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17 and INT FRS 104. The details of accounting policies under FRS 17 and INT FRS 104 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in FRS 116.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Group subsequently applies the fair value model to ROU assets. Changes in fair value of ROU assets are recognised in the Statements of Total Return.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining profit rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- Variable lease payments that depends on an index or a rate, initially measured using index or rate as at the commencement date

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases (continued)

Policy applicable from 1 January 2019 (continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue' (See Note 3.8).

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from FRS 116.

Leases – Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

As a lessee, the Group pays land rent to JTC on an annual basis for certain properties. In the comparative period, these were classified as operating leases and were not recognised in the Statements Of Financial Position. Land rent was recognised in Statements of Total Return as and when incurred and recorded on an accrual basis.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, the Group classifies financial assets as measured at amortised cost or FVTPL.

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

Financial assets at amortised cost

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

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

Financial assets at FVTPL

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

Financial assets: Business model assessment

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

- how the performance of the portfolio is evaluated and reported to the Manager; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and profit income

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

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

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

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

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

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

Financial assets at amortised cost

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

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

Financial liabilities are classified as measured at amortised cost. They are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective profit rate method. Profit expense and foreign exchange gains and losses are recognised in the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its Statements of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Statements of Total Return.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statements of Financial Position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with financial institutions that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Derivative financial instruments

The Group holds derivative financial instruments to hedge its profit rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in the Statements of Total Return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment

(i) Non-derivative financial assets

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

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

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective profit rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (continued)

(i) Non-derivative financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Issue expenses

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

3.8 Revenue recognition

Rental income from operating leases

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

3.9 Expenses

(i) Property expenses

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

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

(ii) Manager's fees

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

(iii) Trustee's fees

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

3.10 Finance income and finance costs

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Tax

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

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiary to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Tax (continued)

The Inland Revenue Authority of Singapore ("IRAS") had issued a tax ruling on the taxation of the Trust for income earned and expenditure incurred after its listing on the SGX-ST. Subject to meeting the terms and conditions of the tax ruling issued by IRAS, the Trustee is not subject to tax on the taxable income of the Trust, which includes profit distributions from liquid Islamic debt securities such as Sukuk that the Trust may invest in, provided that at least 90.0% of the taxable income of the Trust is distributed within the year in which the income is derived (the "tax transparency treatment"). Instead, the Trustee and the Manager will deduct income tax at the prevailing corporate tax rate (currently 17.0%) from the distributions made to Unitholders that are made out of the taxable income of the Trust, except:

- (i) where the beneficial owners are individuals (whether resident or non-resident) who receive such distributions as investment income (excluding income received through a partnership) or Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax; or
- (ii) where the beneficial owners are Qualifying Foreign Non-Individual Unitholders and Qualifying Foreign Funds, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10.0% for distributions made up to 31 March 2025, unless concession is extended.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Tax (continued)

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

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

A Qualifying Foreign Funds is one that qualifies for tax exemption under section 13CA, 13X, or 13Y of the Income Tax Act, is not a resident of Singapore for income tax purposes and:

- (a) does not have a permanent establishment in Singapore (other than a fund manager in Singapore); or
- (b) carries on any operation in Singapore through a permanent establishment in Singapore (other than a fund manager in Singapore), where the funds used to acquire the Units are not obtained from that operation in Singapore.

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

3.12 Earnings per Unit

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

3.13 Segment reporting

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

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

3.14 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements, and do not expect the new or amended standards and interpretations to have a significant impact on the Group's Consolidated Financial Statements and the Trust's Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR DIVESTMENT

Investment properties

	Group and Trust			31 December 2018
	31 December 2019			
	Fair value \$'000	ROU assets* \$'000	Total \$'000	Fair value \$'000
Balance at beginning of the year	869,200	-	869,200	942,400
Recognition of ROU assets on initial application of FRS 116	-	75,115	75,115	-
Adjusted balance at 1 January	869,200	75,115	944,315	942,400
Capital expenditure	9,687	-	9,687	2,215
Straight-line adjustments in accordance with FRS 116	1,042	-	1,042	460
Net change in fair value of investment properties	(5,529)	(1,316)	(6,845)	34,675
Transfer to investment properties held for divestment	-	-	-	(110,550)
Remeasurement of ROU assets	-	1,042	1,042	-
Balance at end of the year	874,400	74,841	949,241	869,200

As at 31 December 2019, the portfolio comprises 18 (2018: 19) industrial properties located across Singapore.

Investment properties held for divestment

	Group and Trust			31 December 2018
	31 December 2019			
	Fair value \$'000	ROU assets* \$'000	Total \$'000	Fair value \$'000
Balance at beginning of the year	110,550	-	110,550	12,900
Recognition of ROU assets on initial application of FRS 116	-	4,971	4,971	-
Adjusted balance at 1 January	110,550	4,971	115,521	12,900
Divestment of an investment property	(99,600)	-	(99,600)	(12,900)
Net change in fair value of investment properties	(950)	(90)	(1,040)	-
Transfer from investment properties	-	-	-	110,550
Remeasurement of ROU asset	-	7	7	-
Balance at end of the year	10,000	4,888	14,888	110,550

* See Note 2.5

As at 31 December 2019, 1 Tuas Avenue 4 (2018: 9 Tai Seng Drive and 1 Tuas Avenue 4) is classified as an investment property held for divestment as the divestment is highly probable within the next 12 months. During the financial year, the divestment of 9 Tai Seng Drive was completed for a gross sale consideration of \$99.6 million.

Details of the investment properties are shown in the Consolidated Portfolio Statement.

Security

As at 31 December 2019, investment properties with an aggregate fair value of \$750.7 million (2018: \$688.4 million) at the Group and the Trust are pledged as security to secure certain borrowing facilities (see Note 10).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Measurement of fair value

Investment properties and investment properties held for divestment

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

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

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

Fair value hierarchy

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

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

	Level 3 \$'000
Group and Trust	
2019	
Investment properties at fair value	874,400
Add: Carrying amount of lease liabilities	74,841
Carrying amount of investment properties	<u>949,241</u>
Investment property held for divestment at fair value	10,000
Add: Carrying amount of lease liabilities	4,888
Carrying amount of investment property held for divestment	<u>14,888</u>
2018	
Investment properties at fair value	869,200
Investment properties held for divestment at fair value	<u>110,550</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties and investment properties held for divestment	<ul style="list-style-type: none"> Capitalisation rates from 5.75% to 7.25% (2018: 6.00% to 7.00%) Discount rates from 7.50% to 8.00% (2018: 6.50% to 8.00%) Terminal yield rates from 6.00% to 6.75% (2018: 6.25% to 7.25%) 	<p>The estimated fair value of investment properties would increase/(decrease) if:</p> <ul style="list-style-type: none"> the capitalisation rates were lower/(higher); the discount rates were lower/(higher); or the terminal yield rates were lower/(higher).

The direct comparison method considered transacted prices of comparable properties. The estimated fair value of investment properties would increase/(decrease) when the transacted prices of comparable properties are higher/(lower).

5 SUBSIDIARY

	Trust	
	2019 \$'000	2018 \$'000
Equity investments at cost	*	*

* Less than \$1,000

Details of the subsidiary of the Group are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2019	2018
Sabana Sukuk Pte. Ltd. ⁽¹⁾	Provision of treasury services	Singapore	100%	100%

⁽¹⁾ Audited by KPMG LLP Singapore

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current assets				
Profit rate swaps at fair value through Statements of Total Return	-	240	-	240
Current liabilities				
Profit rate swaps at fair value through Statements of Total Return	(240)	-	(240)	-
Non-current liabilities				
Profit rate swaps at fair value through Statements of Total Return	(197)	(142)	(197)	(142)
Total derivative financial instruments	(437)	98	(437)	98
Derivative financial instruments as a percentage of net assets	0.07%	0.02%	0.07%	0.02%

The Group uses profit rate swaps to manage its exposure to profit rate movements on its floating rate bearing Term Facilities by swapping the profit rates on a proportion of these term loans from floating rates to fixed rates.

Profit rate swaps with a total notional amount of \$100.0 million (2018: \$160.0 million) had been entered into at the reporting date to provide fixed rate funding for terms of between 2.0 to 3.0 years (2018: 2.0 to 3.0 years) at a weighted average profit rate of 3.92% (2018: 3.66%) per annum.

Offsetting financial assets and financial liabilities

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

As at 31 December 2019 and 31 December 2018, the Group's derivative assets and liabilities do not have any balances that are eligible for offsetting under the enforceable master netting arrangement.

7 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade receivables	343	79	343	79
Other receivables	1,675	824	1,675	824
Deposits	1,111	1,148	1,111	1,148
	3,129	2,051	3,129	2,051
Prepayments	290	153	288	151
	3,419	2,204	3,417	2,202

The exposure of the Group and the Trust to credit risk and impairment losses related to trade and other receivables, excluding prepayments, are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

8 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Bank balances	4,099	3,015	4,099	3,015
Fixed deposits	-	4,200	-	4,200
	4,099	7,215	4,099	7,215

In the prior year, the weighted average effective profit rate relating to fixed deposits for the Group and the Trust is 1.03% per annum.

9 TRADE AND OTHER PAYABLES

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Amount due to related parties, trade	1,415	1,558	1,436	1,576
Trade payables	1,191	1,046	1,191	1,046
Security deposits	8,578	12,535	8,578	12,535
Rental received in advance	705	641	705	641
Retention sums	632	747	632	747
Finance costs payable to:				
– non-related parties	802	1,730	802	694
– subsidiary	-	-	-	1,036
Accrued operating expenses	6,167	2,805	6,167	2,805
Others	1,792	2,018	1,778	2,007
	21,282	23,080	21,289	23,087
Current	14,992	14,354	14,999	14,361
Non-current	6,290	8,726	6,290	8,726
	21,282	23,080	21,289	23,087

Outstanding balances with related parties are unsecured.

The exposure of the Group and Trust to liquidity risk related to trade and other payables are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 BORROWINGS

		Group		Trust	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Secured borrowings					
Commodity Murabaha Facilities					
– Term	10(a)	120,000	120,000	120,000	120,000
– Revolving	10(a)	3,500	13,000	3,500	13,000
Murabahah Facilities					
– Term	10(b)	70,000	70,000	70,000	70,000
– Revolving	10(b)	53,000	30,000	53,000	30,000
Term Loan Facility	10(c)	30,000	30,000	30,000	30,000
Less: Unamortised capitalised transaction costs		(1,316)	(1,225)	(1,316)	(1,225)
		<u>275,184</u>	<u>261,775</u>	<u>275,184</u>	<u>261,775</u>
Unsecured borrowings					
Trust Certificates	10(d)	–	100,000	–	–
Loans from a subsidiary	10(e)	–	–	–	100,000
Less: Unamortised capitalised transaction costs		–	(66)	–	(66)
		<u>–</u>	<u>99,934</u>	<u>–</u>	<u>99,934</u>
		<u>275,184</u>	<u>361,709</u>	<u>275,184</u>	<u>361,709</u>
Current		56,500	172,767	56,500	172,767
Non-current		<u>218,684</u>	<u>188,942</u>	<u>218,684</u>	<u>188,942</u>
		<u>275,184</u>	<u>361,709</u>	<u>275,184</u>	<u>361,709</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 BORROWINGS (CONTINUED)

Terms and borrowings repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal profit rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
Group					
2019					
Term Commodity Murabaha Facility A (New)	SGD	*SOR+Margin	2022	30,000	29,806
Term Commodity Murabaha Facility B (New)	SGD	*SOR+Margin	2022	70,000	69,545
Term Commodity Murabaha Facility C (New)	SGD	*SOR+Margin	2023	20,000	19,751
Revolving Commodity Murabaha Facility D (New)	SGD	*SOR+Margin	2023	3,500	3,500
Term Murabahah Facility	SGD	*SOR+Margin	2021	70,000	69,744
Revolving Murabahah Facilities	SGD	*SOR+Margin	2021	53,000	53,000
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,838
				<u>276,500</u>	<u>275,184</u>
2018					
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,833
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,636
Revolving Commodity Murabaha Facility D	SGD	*SOR+Margin	2020	13,000	13,000
Term Murabahah Facility	SGD	*SOR+Margin	2021	70,000	69,547
Revolving Murabahah Facility	SGD	*SOR+Margin	2021	30,000	30,000
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,759
Trust Certificate Series 2	SGD	4.25%	2019	100,000	99,934
				<u>363,000</u>	<u>361,709</u>
Trust					
2019					
Term Commodity Murabaha Facility A (New)	SGD	*SOR+Margin	2022	30,000	29,806
Term Commodity Murabaha Facility B (New)	SGD	*SOR+Margin	2022	70,000	69,545
Term Commodity Murabaha Facility C (New)	SGD	*SOR+Margin	2023	20,000	19,751
Revolving Commodity Murabaha Facility D (New)	SGD	*SOR+Margin	2023	3,500	3,500
Term Murabahah Facility	SGD	*SOR+Margin	2021	70,000	69,744
Revolving Murabahah Facilities	SGD	*SOR+Margin	2021	53,000	53,000
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,838
				<u>276,500</u>	<u>275,184</u>
2018					
Term Commodity Murabaha Facility C	SGD	*SOR+Margin	2019	30,000	29,833
Term Commodity Murabaha Facility B	SGD	*SOR+Margin	2020	90,000	89,636
Revolving Commodity Murabaha Facility D	SGD	*SOR+Margin	2020	13,000	13,000
Term Murabahah Facility	SGD	*SOR+Margin	2021	70,000	69,547
Revolving Murabahah Facility	SGD	*SOR+Margin	2021	30,000	30,000
Term Loan Facility	SGD	*SOR+Margin	2021	30,000	29,759
Loans from a subsidiary	SGD	4.25%	2019	100,000	99,934
				<u>363,000</u>	<u>361,709</u>

* Swap Offer Rate

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 BORROWINGS (CONTINUED)

Terms and borrowings repayment schedule (continued)

Secured borrowings

(a) Commodity Murabaha Facilities

In November 2019, the Group refinanced the Commodity Murabaha Facilities with New Commodity Murabaha Facilities of \$161.0 million, of which \$21.0 million are used to finance asset enhancement initiative ("AEI") at New Tech Park.

New Commodity Murabaha Facilities comprises:

- (i) 3-year Term Commodity Murabaha Facility A of \$30.0 million maturing in November 2022;
- (ii) 3-year Term Commodity Murabaha Facility B of \$70.0 million maturing in November 2022;
- (iii) 4-year Term Commodity Murabaha Facility C of \$20.0 million maturing in November 2023;
- (iv) 4-year Revolving Commodity Murabaha Facility D of \$20.0 million maturing in November 2023;
- (v) 3-year Term Commodity Murabaha Facility E of \$14.0 million maturing in November 2022 (to fund AEI); and
- (vi) 3-year Revolving Commodity Murabaha Facility F of \$7.0 million maturing in November 2022 (to fund AEI).

The New Commodity Murabaha Facilities from various institutional banks are secured by, inter alia:

- A first ranking legal mortgage over 3 (2018: 3) investment properties with a combined fair value of \$374.7 million (2018: \$360.1 million) (collectively, the "Securitised Properties") (or, where title to the Securitised Properties has not been issued, an assignment of building agreement or agreement for lease (as the case may be) coupled with a mortgage in escrow);
- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Securitised Properties; and
- A fixed and floating charge over the other assets of the Trust relating to the Securitised Properties.

As at 31 December 2019, a total of \$123.5 million, consisting of \$120.0 million Term Facilities A to C and \$3.5 million of Revolving Facility D, was drawn on the New Commodity Murabaha Facilities.

(b) Murabahah Facilities

In March 2019, the Group obtained an additional new Revolving Murabaha Facility of \$23.0 million to be used for general investments and corporate funding purposes.

As at 31 December 2019, the Murabahah Facilities consisted of:

- (i) 3-year Term Murabahah Facility of \$70.0 million maturing in March 2021; and
- (ii) Revolving Murabahah Facilities of \$53.0 million maturing in March 2021.

The Murabahah Facilities, from an institutional bank is secured by, inter-alia:

- A first ranking legal mortgage over 7 (2018: 5) investment properties with a combined fair value of \$294.9 million (2018: \$246.5 million), ("Murabahah Secured Properties");
- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Murabahah Secured Properties; and
- A fixed and floating charge over the other assets of the Trust relating to the Murabahah Secured Properties.

The Murabahah Facilities of \$123.0 million were fully drawn as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 BORROWINGS (CONTINUED)

Terms and borrowings repayment schedule (continued)

Secured borrowings (continued)

(c) Term Loan Facility

The Term Loan Facility from an institutional bank, maturing in December 2021, is secured by, inter-alia:

- A first ranking legal mortgage over 3 (2018: 3) investment properties with a combined fair value of \$81.1 million (2018: \$81.8 million) ("Term Loan Facility Secured Properties"); and
- Assignment of insurances, assignment of proceeds and assignment of Property Management Agreements relating to the Term Loan Facility Secured Properties.

The Term Loan Facility was fully drawn as at 31 December 2019.

Unsecured borrowings

(d) Multicurrency Trust Certificates ("Trust Certificates")

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

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

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

- \$90 million 4.0 per cent. Trust Certificates issued on 19 March 2014 and due on 19 March 2018; and
- \$100 million 4.25 per cent. Trust Certificates issued on 3 October 2014 and due on 3 April 2019.

The Group has fully redeemed the \$90 million 4.0 per cent. Trust Certificates and the \$100 million 4.25 per cent. Trust Certificates upon their maturities in March 2018 and April 2019 respectively.

(e) Loans from a subsidiary

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

The Trust has fully repaid loans from a subsidiary amounting to \$90.0 million and \$100.0 million upon their maturities in March 2018 and April 2019 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 BORROWINGS (CONTINUED)

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

	Group					
	Liabilities		Derivative financial instruments			
	Borrowings \$'000	Finance costs payable \$'000	Lease liabilities* \$'000	Profit rate swap – assets \$'000	Profit rate swap – liabilities \$'000	Total \$'000
Adjusted balance at 1 January 2019	361,709	1,730	80,086	(240)	142	443,427
Changes from financing cash flows						
Proceeds from borrowings	177,000	-	-	-	-	177,000
Repayment of borrowings	(263,500)	-	-	-	-	(263,500)
Transactions cost paid	(1,447)	-	-	-	-	(1,447)
Payment of lease liabilities	-	-	(1,406)	-	-	(1,406)
Finance costs relating to lease liabilities	-	-	(3,358)	-	-	(3,358)
Finance costs paid	-	(12,112)	-	-	-	(12,112)
Total changes from financing cash flows	(87,947)	(12,112)	(4,764)	-	-	(104,823)
Changes in fair value	-	-	-	240	295	535
Other changes						
Liability-related						
Amortisation of transaction costs	1,422	-	-	-	-	1,422
Profit expense	-	11,184	-	-	-	11,184
Remeasurement of lease liabilities	-	-	1,049	-	-	1,049
Finance costs relating to lease liabilities	-	-	3,358	-	-	3,358
Total liability-related other changes	1,422	11,184	4,407	-	-	17,013
Balance at 31 December 2019	275,184	802	79,729	-	437	356,152

* See Note 2.5

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

11 UNITS IN ISSUE

	Group and Trust	
	2019	2018
	'000	'000
Units in issue:		
At beginning and end of the year	1,053,084	1,053,084

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

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

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

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

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

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

DRP was not implemented for the financial year ended 31 December 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 FINANCIAL RISK MANAGEMENT

12.1 Capital management

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

The Group is subject to the aggregate leverage limit as defined in the Property Funds Appendix. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of its Deposited Property. As at the reporting date, the Aggregate Leverage of the Group was 31.1% (2018: 36.8%) which was in compliance with the Aggregate Leverage limit of 45%. There were no changes in the Group's approach to capital management during the financial year.

12.2 Risk management framework

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

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

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

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

12.3 Credit risk

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

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

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade and other receivables	3,129	2,051	3,129	2,051
Cash and cash equivalents	4,099	7,215	4,099	7,215
	<u>7,228</u>	<u>9,266</u>	<u>7,228</u>	<u>9,266</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

12.3 Credit risk (continued)

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

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

	Group and Trust	
	2019	2018
	\$'000	\$'000
Not past due	17	10
Past due 0 - 30 days	232	57
Past due 31 - 60 days	86	1
More than 60 days past due	8	11
	<u>343</u>	<u>79</u>

Three tenants (2018: Two tenants) accounted for approximately \$287,000 (2018: \$66,000) of the gross trade receivables at 31 December 2019.

Impairment losses

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

	Group and Trust	
	2019	2018
	\$'000	\$'000
At 1 January	-	795
Write-back	-	(795)
At 31 December	<u>-</u>	<u>-</u>

Trade receivables are individually assessed for impairment and there are no impairment losses at the end of the financial year.

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

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

12.4 Liquidity risk

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

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

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

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000
Group					
2019					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	122,602	(137,609)	(4,554)	(133,055)	-
Murabahah Facilities	122,744	(128,109)	(4,248)	(123,861)	-
Term Loan Facility	29,838	(32,093)	(1,091)	(31,002)	-
Trade and other payables*	20,577	(20,577)	(14,287)	(5,713)	(577)
Lease liabilities	79,729	(143,327)	(4,796)	(23,980)	(114,551)
	<u>375,490</u>	<u>(461,715)</u>	<u>(28,976)</u>	<u>(317,611)</u>	<u>(115,128)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	437	(401)	(253)	(148)	-
2018					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	132,469	(138,845)	(35,223)	(103,622)	-
Murabahah Facilities	99,547	(108,009)	(3,636)	(104,373)	-
Term Loan Facility	29,759	(33,513)	(1,204)	(32,309)	-
Trust Certificates	99,934	(101,083)	(101,083)	-	-
Trade and other payables*	22,439	(22,439)	(13,713)	(8,078)	(648)
	<u>384,148</u>	<u>(403,889)</u>	<u>(154,859)</u>	<u>(248,382)</u>	<u>(648)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	142	(240)	(150)	(90)	-

* Trade and other payables exclude rental received in advance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

12.4 Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000
Trust					
2019					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	122,602	(137,609)	(4,554)	(133,055)	-
Murabahah Facilities	122,744	(128,109)	(4,248)	(123,861)	-
Term Loan Facility	29,838	(32,093)	(1,091)	(31,002)	-
Trade and other payables*	20,584	(20,584)	(14,294)	(5,713)	(577)
Lease liabilities	79,729	(143,327)	(4,796)	(23,980)	(114,551)
	<u>375,497</u>	<u>(461,722)</u>	<u>(28,983)</u>	<u>(317,611)</u>	<u>(115,128)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	437	(401)	(253)	(148)	-
2018					
Non-derivative financial liabilities					
Commodity Murabaha Facilities	132,469	(138,845)	(35,223)	(103,622)	-
Murabahah Facilities	99,547	(108,009)	(3,636)	(104,373)	-
Term Loan Facility	29,759	(33,513)	(1,204)	(32,309)	-
Trust Certificates	99,934	(101,083)	(101,083)	-	-
Trade and other payables*	22,446	(22,446)	(13,720)	(8,078)	(648)
	<u>384,155</u>	<u>(403,896)</u>	<u>(154,866)</u>	<u>(248,382)</u>	<u>(648)</u>
Derivative financial liabilities					
Profit rate swaps (net-settled)	142	(240)	(150)	(90)	-

* Trade and other payables exclude rental received in advance.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

12.5 Market risk

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

12.6 Profit rate risk

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

As at the reporting date, the Group had entered into profit rate swaps with total contracted notional amounts of \$100.0 million (2018: \$160.0 million) whereby the Group had agreed with counterparties to exchange, at specified intervals, the difference between the floating rate pegged to the Singapore dollar SOR and fixed rate profit amounts calculated by reference to the contracted notional amounts of the borrowings.

Profit rate profile

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

	Group		Trust	
	Nominal amount		Nominal amount	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Financial assets	-	4,200	-	4,200
Financial liabilities	-	(100,000)	-	(100,000)
Effects of profit rate swaps	(100,000)	(160,000)	(100,000)	(160,000)
	(100,000)	(255,800)	(100,000)	(255,800)
Variable rate instruments				
Financial liabilities	(276,500)	(263,000)	(276,500)	(263,000)
Effects of profit rate swaps	100,000	160,000	100,000	160,000
	(176,500)	(103,000)	(176,500)	(103,000)

Fair value sensitivity analysis for fixed rate instruments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

12.6 Profit rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in profit rate at the reporting date would (decrease)/increase total return for the year by the amounts shown below. The analysis assumes that all variables remain constant. The analysis is performed on the same basis for 2018.

	Total return for the year	
	50 bp increase \$'000	50 bp decrease \$'000
Group and Trust		
2019		
Financial liabilities	(883)	883
2018		
Financial liabilities	(515)	515

13 GROSS REVENUE

	Group and Trust	
	2019 \$'000	2018 \$'000
Property rental income	63,053	69,199
Other operating income	13,285	11,762
	<u>76,338</u>	<u>80,961</u>

14 PROPERTY EXPENSES

	Group and Trust	
	2019 \$'000	2018 \$'000
Land rent	–	3,806
Service, repair and maintenance expenses	6,862	6,927
Property and lease management fees	2,243	2,429
Property tax	5,843	5,967
Utilities	8,446	8,844
Write-back of trade and other receivables (net)	–	(795)
Others	1,332	993
	<u>24,726</u>	<u>28,171</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 FINANCE INCOME AND COSTS

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Finance income:				
Profit income from fixed deposits with Islamic financial institutions	196	9	196	9
Ta'widh (compensation on late payment of rent)	33	145	33	145
	<u>229</u>	<u>154</u>	<u>229</u>	<u>154</u>
Finance costs:				
Commodity Murabaha Facilities	4,955	4,548	4,955	4,548
Murabahah Facilities	4,175	2,942	4,175	2,942
Term Loan Facility	1,198	1,076	1,198	1,076
Profit rate swaps*	(227)	217	(227)	217
Trust Certificates	1,083	5,019	-	-
Loans from a subsidiary	-	-	1,083	5,019
Amortisation of transaction costs	1,422	1,217	1,422	1,217
Brokerage and agent fees	133	130	127	123
	<u>12,739</u>	<u>15,149</u>	<u>12,733</u>	<u>15,142</u>
Finance costs relating to lease liabilities	<u>3,358</u>	<u>-</u>	<u>3,358</u>	<u>-</u>
Net finance costs	<u>15,868</u>	<u>14,995</u>	<u>15,862</u>	<u>14,988</u>

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

16 DONATION OF NON-SHARI'AH COMPLIANT INCOME

During the year, donations that had been approved by the Independent Shari'ah Committee included Bright Hill Evergreen Home and SG Enable Ltd – Mediacorp Enable Fund (2018: Singapore Kadayanallur Muslim League, SG Enable – Today Enable Fund and National Youth Achievement Award Council).

17 OTHER TRUST EXPENSES

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- audit fees	202	191	200	188
- non-audit fees	77	75	74	72
Valuation fees	122	138	122	138
Professional fees	392	261	385	255
Service fees payable to a subsidiary	-	-	21	30
Other expenses	243	236	240	221
	<u>1,036</u>	<u>901</u>	<u>1,042</u>	<u>904</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

18 TAX EXPENSE

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Tax expense				
Current year	*	*	–	–
Reconciliation of effective tax rate				
Total return for the year before taxation and distribution	20,655	67,685	20,655	67,689
Tax using Singapore tax rate of 17% (2018: 17%)	3,511	11,506	3,511	11,507
Non-tax deductible items	1,681	333	1,681	332
Income not subject to tax	(177)	(6,163)	(177)	(6,163)
Tax transparency	(5,015)	(5,676)	(5,015)	(5,676)
	*	*	–	–

* Less than \$1,000

19 EARNINGS PER UNIT

Basic and diluted earnings per Unit

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

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Total return for the year after taxation and before distribution	20,655	67,685	20,655	67,689
	Number of Units			
	Group		Trust	
	2019 '000	2018 '000	2019 '000	2018 '000
Weighted average number of Units at beginning and end of year	1,053,084	1,053,084	1,053,084	1,053,084

The diluted earnings per Unit is the same as the basic earnings per Unit for the Group and the Trust as there are no EPU dilutive financial instruments in issue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

20 FAIR VALUES AND ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Accounting classifications and fair values

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Accounting classifications and fair values (continued)

Group	Note	Carrying amount				Fair value			
		Mandatorily at FVTPL – others	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019									
Financial assets not measured at fair value									
Trade and other receivables [#]	7	-	3,129	-	3,129				
Cash and cash equivalents	8	-	4,099	-	4,099				
		-	7,228	-	7,228				
Financial liabilities measured at fair value									
Derivative liabilities	6	(437)	-	-	(437)	-	(437)	-	(437)
Financial liabilities not measured at fair value									
Trade and other payables*	9	-	-	(11,999)	(11,999)				
Security deposits	9	-	-	(8,578)	(8,578)	-	-	(7,963)	(7,963)
Borrowings	10	-	-	(275,184)	(275,184)	-	(275,184)	-	(275,184)
		-	-	(295,761)	(295,761)				
2018									
Financial assets measured at fair value									
Derivative assets	6	240	-	-	240	-	240	-	240
Financial assets not measured at fair value									
Trade and other receivables [#]	7	-	2,051	-	2,051				
Cash and cash equivalents	8	-	7,215	-	7,215				
		-	9,266	-	9,266				
Financial liabilities measured at fair value									
Derivative liabilities	6	(142)	-	-	(142)	-	(142)	-	(142)
Financial liabilities not measured at fair value									
Trade and other payables*	9	-	-	(9,904)	(9,904)				
Security deposits	9	-	-	(12,535)	(12,535)	-	-	(11,290)	(11,290)
Borrowings	10	-	-	(361,709)	(361,709)	-	(261,775)	(99,633)	(361,408)
		-	-	(384,148)	(384,148)				

[#] Exclude prepayments

^{*} Exclude security deposits and rental received in advance

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Accounting classifications and fair values (continued)

Trust	Note	Carrying amount				Fair value			
		Mandatorily at FVTPL – others	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019									
Financial assets not measured at fair value									
Trade and other receivables [#]	7	-	3,129	-	3,129				
Cash and cash equivalents	8	-	4,099	-	4,099				
		-	7,228	-	7,228				
Financial liabilities measured at fair value									
Derivative liabilities	6	(437)	-	-	(437)	-	(437)	-	(437)
Financial liabilities not measured at fair value									
Trade and other payables*	9	-	-	(12,006)	(12,006)				
Security deposits	9	-	-	(8,578)	(8,578)	-	-	(7,963)	(7,963)
Borrowings	10	-	-	(275,184)	(275,184)	-	(275,184)	-	(275,184)
		-	-	(295,768)	(295,768)				
2018									
Financial assets measured at fair value									
Derivative assets	6	240	-	-	240	-	240	-	240
Financial assets not measured at fair value									
Trade and other receivables [#]	7	-	2,051	-	2,051				
Cash and cash equivalents	8	-	7,215	-	7,215				
		-	9,266	-	9,266				
Financial liabilities measured at fair value									
Derivative liabilities	6	(142)	-	-	(142)	-	(142)	-	(142)
Financial liabilities not measured at fair value									
Trade and other payables*	9	-	-	(9,911)	(9,911)				
Security deposits	9	-	-	(12,535)	(12,535)	-	-	(11,290)	(11,290)
Borrowings	10	-	-	(361,709)	(361,709)	-	(261,775)	(99,633)	(361,408)
		-	-	(384,155)	(384,155)				

[#] Exclude prepayments

^{*} Exclude security deposits and rental received in advance

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Measurement of fair values

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

Financial instruments measured at fair value

Group and Trust

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

Financial instruments not measured at fair value

Borrowings

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

In the prior year, the fair values of the Trust Certificates are based on the quoted market ask prices and the fair value of the loans from a subsidiary are determined by discounting the estimated future principal and profit cash flows using market profit rates for similar borrowings at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

21 OPERATING SEGMENTS

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

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

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

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

	← Group →				
	High-tech industrial \$'000	Chemical warehouse & logistics \$'000	Warehouse & logistics \$'000	General industrial \$'000	Total \$'000
2019					
Gross revenue	40,872	6,598	22,167	6,701	76,338
Property expenses	(17,947)	(209)	(4,303)	(2,267)	(24,726)
Segment net property income					51,612
Net change in fair value of investment properties and investment properties held for divestment	11,235	(462)	(16,694)	(1,964)	(7,885)
Loss on divestment of investment properties	(773)	-	-	-	(773)
					42,954
Unallocated amounts:					
- Finance income					229
- Finance costs					(12,739)
- Finance costs relating to lease liabilities					(3,358)
- Other expenses					(5,896)
- Net change in fair value of financial derivatives					(535)
Total return for the year before taxation					20,655
Assets and liabilities					
Segment assets:					
- Investment properties	514,195	85,224	251,292	98,530	949,241
- Investment properties held for divestment	14,888	-	-	-	14,888
- Others	273	32	70	7	382
Unallocated assets					7,136
Total assets					971,647
Segment liabilities:					
- Lease liabilities	17,483	14,224	29,492	18,530	79,729
- Others	13,391	198	1,671	2,008	17,268
Unallocated liabilities:					
- Borrowings					275,184
- Others					4,451
Total liabilities					376,632
Other segment information					
Capital expenditure	8,639	-	320	728	9,687

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

21 OPERATING SEGMENTS (CONTINUED)

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

Geographical segments

Segment information in respect of the Group's geographical segments is not presented as the Group's activities for the years ended 31 December 2019 and 31 December 2018 related wholly to properties located in Singapore.

Major customer

A major customer group contributed approximately \$8.54 million (2018: \$9.12 million) of the Group's total revenues from the Chemical warehouse and logistics and Warehouse & logistics segments (2018: High-tech industrial, Chemical warehouse and logistics and Warehouse & logistics segments) for the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 LEASES

Leases as lessee

As a lessee, the Group pays land rent to JTC on an annual basis for certain properties. The annual land rent payable is based on the market land rent in the relevant year of the lease term. However, the lease agreements limit any increase in the annual land rent from year to year to 5.5% of the annual land rent for the immediate preceding year. Previously, these leases were classified as operating leases under FRS 17.

	Group \$'000
Lease liabilities included in the Statements of Financial Position at 31 December 2019	
Current	6,278
Non-current	73,451
	<u>79,729</u>
Amounts recognised in Statements of Total Return	
2019 – Leases under FRS 116	
Finance costs relating to lease liabilities	<u>3,358</u>
2018 – Operating leases under FRS 17	
Lease expense	<u>3,806</u>
Amounts recognised in Consolidated Statement of Cash Flows	
Total cash outflow for leases	<u>4,764</u>

Extension options

Some land leases contain extension options exercisable by the Group at the expiry of the lease term. The Group assessed that it is reasonably certain to exercise the extension options and have included the optional land lease term in the measurement of lease liabilities. Lease liabilities arising from the optional land lease term included in lease liabilities as at 31 December 2019 amounted to \$43.3 million.

Leases as lessor

As a lessor, the Group leases out their investment properties under operating lease agreements. Note 3.4(ii) sets out information about the operating leases of investment property.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Group \$'000
2019 – Operating leases under FRS 116	
Less than 1 year	53,328
1 to 2 years	35,995
2 to 3 years	28,005
3 to 4 years	19,561
4 to 5 years	10,184
More than 5 years	23,585
Total lease receivables	<u>170,658</u>
2018 – Operating leases under FRS 17	
Less than 1 year	60,301
Between 1 and 5 years	108,444
More than 5 years	18,758
Total lease receivables	<u>187,503</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23 RELATED PARTIES

In the normal course of its business, the Group carried out transactions with parties on terms agreed between the parties. During the financial year, in addition to those disclosed elsewhere in the financial statements, there were the following significant related party transactions:

	Group and Trust	
	2019	2018
	\$'000	\$'000
Rental income received from an ex-sponsor* and its related corporations	4,586	9,124
Manager's fees and reimbursables paid/payable to the Manager	4,993	4,568
Property/lease management fees and reimbursables paid/payable to the Property Manager	2,243	2,429
Trustee fees paid/payable to the Trustee	360	385

* Vibrant Group Limited ceased to be Sponsor of the Trust following the divestment of their unit holdings on 6 June 2019 and the divestment of their 51% stake in the holding company of the Manager, Sabana Investment Partners Pte. Ltd. on 28 June 2019.

24 FINANCIAL RATIOS

	Group	
	2019	2018
	%	%
Ratio of expenses to weighted average net assets ⁽¹⁾		
– including performance component of Manager's fees	0.99	1.04
– excluding performance component of Manager's fees	0.99	1.04
Portfolio turnover rate ⁽²⁾	–	–

⁽¹⁾ The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property expenses, finance costs and tax expense.

⁽²⁾ The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value.

ADDITIONAL INFORMATION

INTERESTED PARTY TRANSACTIONS

Interested person (as defined in the Listing Manual of the SGX-ST) and interested party (as defined in the Property Funds Appendix) transactions (collectively “Interested Party Transactions”) during the financial year are as follows.

Name of Interested Party	Nature of Relationship	Aggregate value of all Interested Party Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920 ⁽¹⁾ of the Listing Manual) S\$'000	Aggregate value of all Interested Party Transactions conducted under Unitholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000) S\$'000
Vibrant Group Limited and its subsidiaries⁽²⁾ <ul style="list-style-type: none"> Rental income Manager's fees Property and lease management fees Renewal of master lease⁽²⁾ Divestment Fee 	The Sponsor of Sabana REIT (prior to the divestment of their unit holdings on 6 June 2019 and the divestment of their 51.0% stake in the holding company of the REIT Manager, Sabana Investment Partners Pte. Ltd. on 28 June 2019) and its subsidiaries	4,586 4,495 2,243 3,760 498	-
HSBC Institutional Trust Services (Singapore) Limited and its associates <ul style="list-style-type: none"> Trustee's fees Finance costs (profit payments) Finance costs (agency commodity fees) 	The Trustee of Sabana REIT and its associates	360 1,647 47	-

TOTAL OPERATING EXPENSES⁽³⁾

Description	S\$'000
Total operating expenses ⁽⁴⁾ (inclusive of interested party expenses paid to the Manager and interested parties)	30,617
Total operating expenses as a percentage of net asset value (as at 31 December 2019)	5.1%

Notes:

⁽¹⁾ There are no transactions conducted under Unitholders' mandate pursuant to Rule 920 during FY 2019.

⁽²⁾ Refers to the total aggregate rent payable by Vibrant Group Limited and its subsidiary Freight Links Express Logisticpark Pte. Ltd. for duration of the renewed master lease for the property located at 33 & 35 Penjuru Lane, Singapore 609200/609202. Vibrant Group Limited ceased to be the Sponsor of the Trust following the divestment of their unit holdings on 6 June 2019 and the divestment of their 51% stake in the holding company of the Manager, Sabana Investment Partners Pte. Ltd. on 28 June 2019.

⁽³⁾ For the purpose of complying with paragraph 11.1(i) of the Property Funds Appendix.

⁽⁴⁾ Total operating expenses include property expenses and other trust expenses but do not include finance costs.

Save as disclosed above, there were no other Interested Party Transactions (excluding transactions of less than S\$100,000 each) entered into during the financial year under review.

The fees, charges and rents payable by Sabana REIT under the Trust Deed, the Property Management Agreement, the Individual Property Management Agreements and the Master Lease Agreements entered into with the Sponsor and its subsidiaries (collectively, the “Exempted Agreements”), each of which constitutes an Interested Party Transaction, are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual for the period stated in the agreement to the extent that (in relation to the Trust Deed, the Property Management Agreement, the Individual Property Management Agreements and the Master Lease Agreements) there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Sabana REIT. Any renewal of the Property Management Agreement, the Individual Property Management Agreements and the Master Lease Agreements will be subject to Rules 905 and 906 of the Listing Manual.

STATISTICS OF UNITHOLDINGS

As at 10 March 2020

ISSUED AND FULLY PAID UP UNITS

(As at 10 March 2020)

There were 1,053,083,530 Units (voting rights: one vote per Unit) outstanding as at 10 March 2020. There is only one class of Units in Sabana REIT.

Market capitalisation was S\$437.0 million based on market closing price of S\$0.415 on 10 March 2020.

DISTRIBUTION OF UNITHOLDINGS

(As at 10 March 2020)

Size of Unitholdings	No. of Unitholders	Percentage of Unitholders (%)	No. of Units	Percentage of Units in Issue (%)
1 - 99	192	1.73	9,309	0.00
100 - 1,000	1,054	9.51	923,743	0.09
1,001 - 10,000	4,740	42.76	25,550,290	2.43
10,001 - 1,000,000	5,061	45.65	266,633,436	25.32
1,000,001 and above	39	0.35	759,966,752	72.16
TOTAL	11,086	100.00	1,053,083,530	100.00

TWENTY LARGEST UNITHOLDERS

(As at 10 March 2020)

No.	Name	No. of Units	%
1	RHB Bank Nominees Pte Ltd	200,649,603	19.05
2	Citibank Nominees Singapore Pte Ltd	186,816,824	17.74
3	DBS Nominees (Private) Limited	73,241,047	6.95
4	Raffles Nominees (Pte.) Limited	44,877,682	4.26
5	HSBC (Singapore) Nominees Pte Ltd	44,433,392	4.22
6	DBSN Services Pte. Ltd.	43,178,420	4.10
7	DB Nominees (Singapore) Pte Ltd	37,619,057	3.57
8	United Overseas Bank Nominees (Private) Limited	17,039,307	1.62
9	ABN AMRO Clearing Bank N.V.	15,179,016	1.44
10	DBS Vickers Securities (Singapore) Pte Ltd	10,021,622	0.95
11	RHB Securities Singapore Pte. Ltd.	9,601,432	0.91
12	OCBC Nominees Singapore Private Limited	8,736,536	0.83
13	Meren Pte Ltd	7,600,000	0.72
14	UOB Kay Hian Private Limited	7,546,336	0.72
15	Phillip Securities Pte Ltd	6,002,727	0.57
16	Maybank Kim Eng Securities Pte. Ltd.	5,146,739	0.49
17	OCBC Securities Private Limited	5,089,226	0.48
18	CGS-CIMB Securities (Singapore) Pte. Ltd.	5,006,475	0.48
19	Agarwal Nitish Nirbhaya	3,402,900	0.32
20	Lee Ai Leng	3,000,000	0.28
	TOTAL	734,188,341	69.70

STATISTICS OF UNITHOLDINGS

As at 10 March 2020

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 January 2020)

Directors	Direct interest		Deemed interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Tan Cheong Hin	-	-	-	-
Kelvin Tan Wee Peng	-	-	-	-
Wong Heng Tew	-	-	-	-
Ng Shin Ein	378,500	0.04	-	-

Notes:

⁽¹⁾ The percentage interest is based on total issued Units of 1,053,083,530 as at 21 January 2020.

SUBSTANTIAL UNITHOLDERS

(As recorded in the Register of Substantial Unitholdings as at 10 March 2020)

Substantial Unitholders	Direct interest		Deemed interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
UBS Group AG	-	-	52,684,714	5.00
UBS AG	774,802	0.07	51,909,912	4.93
Wealthy Fountain Holdings Inc ⁽²⁾	43,943,000	4.17	-	-
Shanghai Summit Pte Ltd ⁽²⁾	-	-	43,943,000	4.17
Tong Jinquan ⁽²⁾	21,075,200	2.00	43,943,000	4.17
e-Shang Infinity Cayman Limited ⁽³⁾	207,755,509	19.73	-	-
e-Shang Jupiter Cayman Limited ⁽⁴⁾	-	-	207,755,509	19.73
ESR Cayman Limited ⁽⁴⁾	12,141,800	1.15	219,897,309	20.88

Notes:

⁽¹⁾ The percentage interest is based on total issued Units of 1,053,083,530 as at 10 March 2020.

⁽²⁾ Tong Jinquan is the sole shareholder of Shanghai Summit Pte Ltd which is the sole shareholder of Wealthy Fountain Holdings Inc and accordingly, is deemed to be interested in the units which Wealthy Fountain Holdings Inc holds.

⁽³⁾ e-Shang Infinity Cayman Limited, a company established in the Cayman Islands, is a wholly-owned subsidiary of e-Shang Jupiter Cayman Limited ("ES Jupiter"), a company established in the Cayman Islands.

⁽⁴⁾ ES Jupiter, a company established in the Cayman Islands, is a 100% owned subsidiary of ESR Cayman Limited ("ESR"), a company established in the Cayman Islands.

Free Float

Under Rule 723 of the Listing Manual, a listed issuer must ensure that at least 10.00% of its listed securities are at all times held by the public.

Based on information available to the Manager as at 10 March 2020, 72.84% of the Units in Sabana REIT are held in the hands of public. Accordingly, Rule 723 of the Listing Manual has been complied with.



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